



11. INTERNAL AUDIT UPDATE  
Report of the Internal Auditor

C Dickens,  
Internal  
Auditor  
(PWC)

12. 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.”

**Public Participation**

Members of the public may address the Committee on any non-procedural matter listed on this agenda. Addresses shall not last longer than three minutes. Committee members may then ask questions of the speaker. No prior notice is required prior to the commencement of the meeting of a request to address the Committee.

Appendices



Item No.

6

**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>GROUNDS MAINTENANCE – WIDER RECOMMENDATIONS</b>
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	22 <sup>nd</sup> March 2010
<b>Policy Document:</b>	No
<b>Directorate:</b>	Environment & Culture
<b>Accountable Cabinet Member:</b>	Councillor Trini Crake

### 1. Purpose

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- 1.1 The purpose of this report is to provide assurance to members of the Audit Committee that actions are being put in place and undertaken with appropriate priority in order to address the issues identified in the Audit Report on Grounds Maintenance (report No. 09\_10 Northampton Borough Council 04).
- 1.2 It should be noted that this report should be read in conjunction with the report on the savings plans for Neighbourhood Environmental Service, agenda item 6 of this Committee meeting.

### 2. Recommendations

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- 2.1 To note the action plan as outlined within this report.

### 3. Issues and Choices

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#### 3.1 Report Background

- 3.1.1 The Council introduced a new senior management structure from 1<sup>st</sup> October 2008. This new structure created the new directorate of Environment & Culture of which Neighbourhood Environmental Services forms a part. This service area includes Waste Service, Grounds Maintenance, Street Cleansing and smaller service areas such as Cemeteries Services, Parks, Trees, Allotments etc. Prior to this restructure Property Maintenance was included within one Head of Service's remit so that all Westbridge services came under one senior manager. The new structure recognised that the breadth of responsibility was too wide. The two service areas remain closely linked and their activities impact upon one another, therefore the two

Heads of Service work closely together in bringing about service improvements, in particular the issue of Grounds Maintenance within Council Housing estates.

3.1.2 When first in post the Head of Neighbourhood Environmental Services undertook a thorough examination of the all services within her remit and a three-year plan to bring about improvements to Neighbourhood Environmental Services (NES) was developed in early 2009. In summary, the plan sets out the following actions:

3.1.2.1 Year one (2009/10): This includes a number of activities to:

- Remove budgetary anomalies,
- Identify and prioritise areas for service improvement,
- Reduce the service budget from £12.5m to £9.2m through savings and efficiencies such as:
  - Increase the ratio of agency to permanent staff to allow the service to 'flex' to meet demand and make efficiencies. For example, in Waste Services this approach has allowed flexible waste collection rounds resulting in savings.
  - Address sickness absence,
- Improve the day-to-day performance across the service, and
- Reduce the level of customer complaints.

3.1.2.2 Year two (2010/11) includes:

- The development and implementation of the Neighbourhood Model,
- A new service structure to support the Neighbourhood Model that includes a new manage structure and working practices to integrate frontline services and allow them to work closer with other Northampton Borough Council services and partners, particularly the Police.
- Preparing the service for potential procurement. This includes implementing a range of savings plans to further reduce the service budget from £9.2m to £8.15m. This involves the implementation of a programme of savings, efficiencies and improvements delivered in partnership with our Value for Money Partner, Northgate Kendric Ash.

3.2.2.3 Year three (2011/12) includes looking to the private sector to establish whether it can deliver improved services at a reduced cost.

3.3.1 In order to fully deliver the three-year plan and meet the full savings targets there was a need to inject capacity. This would bring about the ambitious plans to achieve service transformation and allow the service to develop in to its new role. This level of capacity and expertise was not available within the service, and therefore a Value for Money Partner was sought. The services of Northgate Kendric Ash (NKA) were procured.

### 3.3 Issues

3.3.2 Internal Audit undertook an audit of Grounds Maintenance in July 2009. The findings of that report closely mirrors the conclusions of the Head of Service during her initial investigations and as such the three-year plan as outlined in 3.1.2 compliments the recommendations in the final audit report. The findings of the audit report also supports the conclusions of other independent bodies such as the Audit Commission.

3.3.2 In bringing together the findings from the Audit Report, the Head of Service's initial findings, completion of year one of the three-year plan, and the initial business case from the Value for Money Partner NKA, it can be stated with confidence that the findings of the Internal Audit are related to Grounds Maintenance alone and are not endemic across the rest of Neighbourhood Environmental Services.

3.3.3 This finding is supported by an improvement in service performance from 2008/9 and 2009/10 (National Indicators all on course to be green at outturn), the budget anomalies have been addressed, customer complaints are down, compliments are up, and the levels of sickness absence has been halved (in 2009/10 from approximately 25 days/FTE to approximately 12).

3.3.3 The NKA programme of work is spilt into four main project areas and includes a number of work packages that have been put in place to address the issues raised in the Audit report as follows. A full copy of the programme is at appendix one.

3.3.3.3 Productivity & Resource Management which includes:

- Annualised hours for Parks staff so that operatives are working in the parks when they are being used. This will have a significant impact on the Council's reputation and on the rate of crime.
- Review of Grounds Maintenance working practises.
- Rescheduling of Grounds Maintenance schedules of work
- Development of Street and Grounds cross team working

3.3.3.4 Neighbourhood Model & Staffing Structures which includes:

- New management structure
- Organisational development plan to assist the service through the transition from area to neighbourhood working

3.3.3.5 Vehicle & Plant which includes:

- Re-procurement of grounds plant at a reduced price

3.3.4 A copy of the audit report recommendations and actions that are currently being implemented can be seen at Appendix two.

### **3.3 Choices (Options)**

3.3.4 In order to implement the three-year plan and address the issues identified by the audit report and the Head of Service additional capacity was required as the capacity nor the expertise did not exist in abundance in-house. Consequently the service of our Value for Money Partner was procured.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 None directly associated with this report.

### **4.2 Resources and Risk**

4.2.1 As identified in the three-year plan a number of savings targets have been set. The NKA programme of work is due to deliver savings of £786,934 in 2010/11 (net of severance costs) and £1,015,340 in 2011/12.

4.2.2 It should be noted that these figures may change as the programme is implemented and further costs/savings become known, for example the NES restructure is due to complete 22nd March 2010 and as such the total severance costs are not yet known.

4.2.3 The programme of work at appendix one will deliver a high proportion of the service's and Council's savings targets and therefore the risk of those projects not being delivered must be closely monitored. In order to do this the service improvement plan at appendix one has incorporated into it a traffic light system to indicate the status of each work package within each project, so that the risk of the projects failing and therefore the savings not being delivered can be managed.

4.2.4 A management Board has been established to oversee the work of our Value for Money Partner.

4.2.5 The responsibility for the NKA programme rests with the Head of Service who works closely with NKA to ensure implementation of the programme.

### **4.3 Legal**

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

### **4.4 Equality**

4.4.1 All savings plans have had an equality impact assessment undertaken.

### **4.5 Consultees (Internal and External)**

4.5.1 The following people have been asked to comment on this report:

- Director of Environment & Culture
- Director of Finance & Support
- Head of Finance & Asset Management

## **4.6 Other Implications**

4.6.1 No further implications identified as associated with this report.

## **5. Background Papers**

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- 5.1 Appendix one – Service Improvement Plan
- 5.2 Appendix two – Audit action plan

**Report Author: Simone Wade, Head of Neighbourhood Environmental Services,  
Ext 7464**


# Appendix Two

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
<b>Control Design</b>						
1	Decisions may be based upon flawed assumptions and wrong action taken.	The Authority does not have in place a system to accurately detail each of the tasks currently being performed by the Grounds Maintenance Department, along with an associated cost and the quality specification being worked to. As such given that consideration is being given to market testing this service, any comparison of like for like costs may be difficult.	● High	The Authority should seek to identify the actual costs being incurred when performing specific tasks along with the quality specification being worked to. This will allow for a clearer market testing specification being produced and more effective evaluation of the value for money offered by external suppliers for delivering this work.	1. The Grounds Maintenance schedules are being re-worked as part of the preparation of the service for procurement. 2. Quality Specifications are currently being developed for the procurement of the service. 3. The Council is using Competitive Dialogue, which negates the need for output specifications and detailed costs per activity. 4. The performance cost of the service will be incorporated into the performance and pay mechanism.	Simone Wade 1. 30 <sup>th</sup> June 2010 2. 31 <sup>st</sup> March 2010 3. November 2010 (Procurement timetable attached) 4. 31 <sup>st</sup> March 2010
2	Staff are unaware of the correct procedures to follow.	It was noted that there are currently no inventory procedures in place for the acquisition, labeling, security, verification of inventories and disposal of equipment being used by the Grounds Maintenance team.	● Medium	Management should ensure that procedure notes are drawn up and adhered to for inventory management.	Procedure notes to be developed.	Paul Chambers/NKA 1 <sup>st</sup> February 2010  Completed



Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
3	Staff are not being effectively utilised and performance managed.	<p>The Department does not have in place a schedule of all work to be performed during the year along with the timing and frequency of the work, time allocated to completing it and any monitoring against this.</p> <p>As such it is difficult to assess how well staff are being utilised given the work they have performed and the costs being incurred when performing specific tasks.</p>	<p>● High</p>	<p>Management should produce a schedule of all work being performed by the Grounds Maintenance team so that it can better monitor overall performance. This schedule could include:</p> <ul style="list-style-type: none"> <li>nature of task;</li> <li>frequency of task;</li> <li>Specification of work;</li> <li>number of staff required to perform task;</li> <li>time in which task should be completed;</li> <li>budgeted cost;</li> <li>actual resources and time taken to complete task and reason for variance;</li> <li>actual costs incurred; and</li> <li>the date when task was performed to ensure consistent with planned frequency.</li> </ul>	<p>The Head of Neighbourhood Environmental Services acknowledged that the Department required a more structured approach to the scheduling and performance aspects of its functioning.</p> <p>See action for 1. regarding schedule of works.</p> <p>Performance Management will be resolved by the implementation of the new NES structure, development of new schedules and activities related to the procurement of the service.</p>	<p>Simone Wade (See action 1)</p> <p>Restructure in place by 1<sup>st</sup> April 2010</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
4	<p>If costs are allocated inappropriately the performance of the various areas of the business may be difficult to accurately and fairly assess.</p>	<p>It has been identified that Grounds Maintenance costs are recharged to other budget areas based on a costing exercise which took place in 1995.</p> <p>Subsequent to this, costs have been simply uplifted by inflation and there has been no review of this process to ensure it is still relevant.</p>	<p>● Medium</p>	<p>The Authority should consider revisiting the way in which Grounds Maintenance costs are recharged to ensure the process is relevant and equitable.</p>	<p>1. NES including Grounds Maintenance is currently going through a procurement exercise to secure service improvement at a reduced cost. The specification being developed for this process is using service outcomes rather than specific outputs eg the frequency of mowing. The outcome spec will be completed 22<sup>nd</sup> March 2010</p> <p>2. As part of the procurement preparation the SLA with Housing is currently being re-visited.</p>	<p>Simone Wade</p> <ol style="list-style-type: none"> <li>31/12/2010</li> <li>31/07/2010</li> </ol>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
<b>Operating effectiveness</b>						
5	Grounds maintenance costs could escalate out of control.	<p>During our review of the Grounds Maintenance budget it was noted that already there is an expected overspend of nearly £180,000 with no savings yet identified in relation to how this can be reduced.</p> <p>Within this the current overtime budget was also showing a forecasted overspend of £30,000.</p>	<p> High</p>	<p>Management should take appropriate action to identify efficiency savings in order to reduce the likely overspend. In addition overtime costs should be monitored closely and where possible this should be reduced through better workload management.</p>	<p>1. Savings plans are in place to address the overspend. 2. Savings plans have been put in place to bring about savings and drive out inefficiencies. This includes addressing O/T budgets etc. This work is being undertaken by our VFM Partners Northgate Kendric Ash. Specifically plans are being developed to introduce shift working and annulaised hours to negate the use of overtime and bring about savings and efficiencies</p>	<p>1. 31/03/2010 2. 31/08/2010</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
6	Value for money may not be achieved.	<p>It was noted that the Authority's procurement policy is not being adhered to by the Grounds Maintenance team when outsourcing miscellaneous building work and vehicle repairs. Although the value of this work is over £100 no quotations are being obtained. Instead the work is being given to two local contractors.</p> <p>In addition there is no list of approved contractors that the Grounds Maintenance team can call upon when procuring services.</p>	<p>● Medium</p>	<p>Management should ensure that the Authority's procurement policy is adhered to at all times and quotations are obtained for work being outsourced.</p> <p>Consideration should also be given to producing an approved contractors list that could be called upon when procuring services. This would need to be updated periodically to ensure that the Authority was still obtaining value for money from the suppliers listed.</p>	<ol style="list-style-type: none"> <li>1. Procurement Policy to be implemented across the service via DMT.</li> <li>2. Should the service remain in-house then an approved list will be developed.</li> <li>3. Currently we have not developed an approved contractors list because the service generally only tenders for 'special' projects, such as play equipment. In any instance the policy of obtaining three quotations is adhered to.</li> </ol>	<ol style="list-style-type: none"> <li>1. Simone Wade Completed</li> <li>2. Peter Hackett/Paul Chambers (31/12/2010)</li> <li>3. Completed</li> </ol> <p>Note: orders £100-£999 = 2 supporting quote</p> <p>Orders £1000+ = 3 supporting quotes</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
7	Payments are made for claims even though the Grounds Maintenance staff were not at fault.	<p>When reviewing a sample of 5 case files in relation to claims made against the Authority in areas concerning the Grounds Maintenance department it was evident in 4 of the cases that the Authority found it difficult to dispute allegations due to the poor quality or lack of documentation in place to support work performed.</p> <p>Although the claimant has to prove that the Council was at fault the absence of detailed records could lead to claims succeeding which otherwise would not have.</p> <p>Currently claims made against the Authority value approx £231,000.</p>	<p>● Medium</p>	<p>Management should ensure that adequate records are maintained of when and what work was performed so that in future it can better respond to any allegations of negligence made against its Grounds Maintenance work force.</p> <p>This could be achieved through the better scheduling and recording of work as recommended in point 3.</p>	<p>See action 1, specifically the project to reschedule grounds maintenance work</p> <p>See NES01 Productivity and Resource Management</p>	<p>See action 1, point 1</p>



**NORTHAMPTON**  
BOROUGH COUNCIL

## Service Improvement Plan



**KENDRIC ASH**

**Behind** Behind Schedule  
**On Target** Started and on target  
**Complete** Completed and documented  
**Not Started** Not due to start

Project	Description	SIP reviewed by Head of Service	NBC Lead	NKA lead	Status	Comment	Target Commencement	Target Completion Date
NES 01	Productivity & Resource Management	Tuesday, March 09, 2010	SW	TF	On Target		01/10/10	31/05/10
NES 02	Area Management	Tuesday, March 09, 2010	SW	KR	On Target		01/10/10	31/05/10
NES 03	Vehicle & Plant Management	Tuesday, March 09, 2010	SW	RFT	On Target		01/10/10	31/05/10
NES 04	Recycling Income	Tuesday, March 09, 2010	SW	TF	Behind	Revised timescales agreed with SW. Resources to focus on this project during March to complete Business Case review by mid-April	01/10/10	31/05/10



# Service Improvement Plan

Behind
On Target
Complete
Not Started

*Behind Schedule*  
*Started and on target*  
*Completed and documented*  
*Not due to start*

Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date	
<b>Productivity and Resource Management NES01</b>											
1	<b>Controls on overtime and agency costs</b>	Agreement of Controls to apply across department in respect of non-contractual overtime and agency staff	PH	TF - All Team Leaders				<b>Complete</b>	Agreement that a) no agency to cover sickness & leave outside refuse and b) no overtime other than pre-agreed routine work which will be absorbed into normal working hours through shift reviews. Monitored on a weekly basis.	12/10/09	27/11/09
2	<b>Development of cross-team resource management</b>	Ensure controls and monitoring implemented consistently across Directorate	PH	TF - All Team Leaders				<b>Complete</b>	Tighter monitoring evident which is starting to reduce monthly spend. Further areas for improvement identified. Weekly resource monitoring meetings now in place	12/10/09	Ongoing
3	<b>Development of cross-team resource management</b>	Ensure flexibility of labour across NES Teams	PH	TF - All Team Leaders				<b>Not Started</b>	To be introduced from April with implementation of new structure and new shift patterns for streets, grounds and refuse	01/04/10	01/06/10
4	<b>Development of cross-team resource management</b>	Develop management information system for monitoring staff costs and deployment - agency staff, sickness cover, overtime, crews deployed and finish times etc	PH	TF - All Team Leaders				<b>Complete</b>	Information collated and monitored for all agency spend by category, additional overtime and crew levels	12/11/09	21/12/09
5	<b>Revision of shifts and schedules - street cleansing</b>	Identify resource requirements/ activity levels and detailed options for organisation/ shifts	SW	TF, MT, FW, SJ, PH				<b>Complete</b>	2 stage process - i) reductions in frontline posts and use of agency staff for evenings and weekends and optional ii) 7-day shift system, 4-day working week	12/11/09	31/01/10
6	<b>Revision of shifts and schedules - street cleansing</b>	Identify impact on contract of employment of proposed shift changes - link to Pay & Grading review	SW	TF, MT, FW, SJ, PH				<b>Complete</b>	Meeting held with Catherine Wilson 24/2 to confirm impact of P&G on 7-day option	04/01/10	15/02/10
7	<b>Revision of shifts and schedules - street cleansing</b>	Produce Detailed Business Case	SW	TF, MT, FW, SJ, PH				<b>Complete</b>	Draft business case produced	18/01/10	15/02/10
8	<b>Revision of shifts and schedules - Town Centre cleansing</b>	Implement changes to schedules which reduce overtime but do not require changes to shifts	SW	TF, MT, FW, SJ, PH				<b>Complete</b>	Tasks identified - majority will be reallocated as part of shift review	01/12/09	01/02/10
9	<b>Revision of shifts and schedules - Town Centre cleansing</b>	Confirm detailed supervision arrangements for weekdays and for agency staff at evenings and weekends	SW	TF, MT, FW, SJ, PH				<b>On Target</b>	25% Creation of Lead Chargehands identified in Business Case and JD drafted. Next step to confirm procedures and arrangements for evenings/ weekends	15/03/10	31/03/10



# Service Improvement Plan

**Behind**  
**On Target**  
**Complete**  
**Not Started**

*Behind Schedule*  
*Started and on target*  
*Completed and documented*  
*Not due to start*

	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
10	<b>Revision of shifts and schedules - Town Centre cleansing</b>	Confirm requirements for agency staff	SW	TF, MT, FW, SJ, PH			<b>On Target</b>	50%	Business case based on current weekend hours/ staff mix and revised/ reduced coverage for evenings	01/03/10	31/03/10
11	<b>Revision of shifts and schedules - Town Centre cleansing</b>	Negotiate with agency for supply of staff/ supervision	SW	TF, MT, FW, SJ, PH			<b>Not Started</b>			01/04/10	30/04/10
	<b>Revision of shifts and schedules - Town Centre cleansing</b>	Revised sector schedules/ work patterns	SW	TF, MT, FW, SJ, PH			<b>Not Started</b>			15/03/10	30/04/10
	<b>Revision of shifts and schedules - Town Centre cleansing</b>	Terminate overtime rota, agency cover for vacancies and commence new arrangements	SW	TF, MT, FW, SJ, PH			<b>Not Started</b>			15/04/10	15/05/10
12	<b>Re-engineer booking process for parks facilities</b>	Process mapping and identification of alternative systems/ access - web, contact centre, Events	SW	KR, PC			<b>Complete</b>	100%	Initial review of process, reviewed potential use of SCUBA, other databases, telephone booking and costing up data link to Racecourse office. Initial meeting with Kath Suer 27th Jan - delays in meeting due to lack of response from IT. Meeting with Leisure 22/01 to review SCUBA option in more detail. Initial analysis of income and usage of sites. Follow up meeting with Kath Suer 09/02/10	01/12/09	31/01/10
13	<b>Re-engineer booking process for parks facilities</b>	Produce business case for transfer of resource (part of wider business case to be produced for Simone Wade re engineering of process)	SW	KR			<b>Complete</b>	100%	Initial discussions with SW and KS Jan 09. First draft to be completed shortly. Month by month analysis completed for KS. KS to analyse resource requirements. KR to provide more detail around potential call duration. Additional observation with bookings 19/02. Initial business case drafted with 3 options identified. Further discussions required with contact centre regarding utilisation. Discussion with PC 08/03 identified 4th option, further draft produced.	31/01/10	05/03/10





# Service Improvement Plan

**Behind**  
**On Target**  
**Complete**  
**Not Started**

*Behind Schedule*  
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*Completed and documented*  
*Not due to start*

	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
14	Re-engineer booking process for parks facilities	Agree staffing requirements.	KS/SW	KR			On Target	80%	This is linked with the business case, for this option to be viable, staffing costs need to fit appropriate demand and not current levels of resource. KR has completed additional work to demonstrate potential utilisation within the contact centre. KR to discuss with Kath Suer the impact on the contact centre of the 3 models in the business case.	31/01/10	13/03/10
15	Re-engineer booking process for parks facilities	Develop and sign off scripts and process flowcharts	KS/SW	KR			Not Started			19/02/10	31/03/10
16	Re-engineer booking process for parks facilities	Develop and sign off SLA between NES and Customer Contact Centre for this service	KS/SW	KR			Not Started			19/02/10	31/03/10
17	Re-engineer booking process for parks facilities	Load scripts - contact centre	KS	KR			Not Started			w/c 05/04/10	w/c 05/04/10
18	Re-engineer booking process for parks facilities	Recruit new staff - contact centre	KS	KR			Not Started			31/03/10	30/04/10
19	Re-engineer booking process for parks facilities	Staff training - contact centre	KS/SW	KR			Not Started			04/05/10	04/05/10
20	Re-engineer booking process for parks facilities	Monthly meetings to review progress	KS/SW				Not Started			Monthly from 28th May 2010	Ongoing
21	Re-engineer booking process for parks facilities	6 monthly meetings to review resource levels	KS/SW				Not Started			30/09/10	Ongoing
22	Re-engineer booking process for parks facilities	Develop business case for channel switching to online	KS/SW	KR			Not Started		Dependent on channel switching strategy	TBC	TBC
23	Re-engineer booking process for parks facilities	Implement new process eliminating requirement for agency staff	SW	KR, PC			On Target		Timescales adjusted above, as contact centre unable to go live with calls prior to 1st April due to billing period for Council tax March 09. Further delay due to need to make a decision on which option to implement.	01/02/10	01/05/10



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	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
24	<b>Revision of shifts and schedules - grounds</b>	Options appraisal	SW	KR, PC			Complete	100%	Initial analysis of spec, initial meeting with Paul Chambers 20/01. Observations with grounds maintenances team 26/01. Housing observations on site 10/02. Paper put to SW, annualised hours within grounds not currently viable due to actions that need to take place prior to implementation. Current focus to be on maximising utilisation and cross-functional working with cleansing etc.	04/01/10	01/02/10
25	<b>Revision of shifts and schedules - grounds</b>	Implement changes to schedules which reduce overtime but do not require changes to shifts	SW	KR, PC			On Target	15%	Action plan developed with Paul Chambers 18/02 and developed further 25/02. Currently investigating feasibility of actions proposed, these will be built into the SIP once agreed.	01/02/10	01/04/10
26	<b>Revision of shifts and schedules - grounds</b>	Increase active time .e.g. Ensuring that vehicles are fueled up the night before to reduce wasted time, Review alternative ways to allow for toilet breaks (e.g. scope out cost of portaloos). Reduce unnecessary trips to tip - soak away area at Westbridge for large shredder.	SW	PC KR			On Target	25%	PC to liaising with cleansing re afternoon fueling up schedule. PC has investigated portaloos, and not possible to have portaloos on current tipper. KR/PC developing business case for soak away area for large shredder.	01/03/10	30/04/10
27	<b>Revision of shifts and schedules - grounds</b>	Communication with Housing needs to improve (general comms, gardening projects, CASPER project etc)	SW	PC KR			On Target	100%	Reinstated meetings with Housing (every 3rd week) - including estate walkabouts where approp. Reinstate process re agreement when tenants take on maintenance of grounds near their property. Audit of what could be removed, approx cost, and how this would be funded. Ensure Housing are passing on info re projects such as CASPER. PC attending Housing Committee 08/02 to discuss issues above.	01/03/10	31/03/10
28	<b>Revision of shifts and schedules - grounds</b>	Liaise with Asset management re improving access to housing communal areas e.g. plans for broken panels ensuring that when replaced access issues are considered.	SW	PC			Complete	100%	PC w/c 01/03 discussed with Tim Ansell, and in some cases larger gates can be installed. On going cases and new proposals that may result in decreased access to be discussed in regular meetings with Housing.	01/03/10	31/03/10



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	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
29	<b>Revision of shifts and schedules - grounds</b>	Review work schedules and programmes linking in with sector based working	SW	PC KR			<b>Not Started</b>			01/03/10	31/03/10
30	<b>Revision of shifts and schedules - grounds</b>	Introduction of service charges in Housing. Liaise with Housing as to how this will be rolled out (e.g. grounds charges per estate, per block?), need action plan as to how we could roll this out (e.g. schedule of rates vs hours per block etc) and the process for this.	SW	PC			<b>Not Started</b>			01/03/10	31/03/10
31	<b>Further optimisation of refuse collection</b>	Opportunities to reduce agency staff/ crews on alternative weeks	SW	TF, PH, BM			<b>On Target</b>	90%	Team have begun reducing crews on 'lighter' weeks (glass/ green waste, plastics) - further review of round times undertaken which identifies opportunity for further reduction in crews for glass, paper/card and green waste (winter). To be pulled into overall Business Case for immediate and longer-term changes to be implemented	01/11/09	31/03/10
32	<b>Further optimisation of refuse collection</b>	Review and elimination of non-contractual overtime	SW	TF, PH, BM			<b>On Target</b>	10%	Main area is cleaning & prep time for vehicles; to be incorporated in wider review as per 25 below	01/12/09	31/03/10
33	<b>Further optimisation of refuse collection</b>	Monitor early finish times and implement system for utilising downtime of permanent staff	SW	TF, PH, BM			<b>Complete</b>		Analysis undertaken of start and finish times for all crews by type of round (residual/ green/ glass/ plastics/ paper) identifying spare capacity	23/11/09	21/12/09
34	<b>Further optimisation of refuse collection</b>	Option appraisal on split-shift/ 7 day working	SW	TF, PH, BM			<b>On Target</b>	60%	Currently working with PH and BM on split shift option for recycling combined with further reduction in rounds	01/03/10	01/05/10



# Service Improvement Plan

Behind
On Target
Complete
Not Started

*Behind Schedule*  
*Started and on target*  
*Completed and documented*  
*Not due to start*

	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
<b>Staffing Structure and Neighbourhood Model of Management NES02</b>											
1	<b>Develop structure proposals</b>	Initial proposals for restructure and target savings	ALL	ALL		Y	Complete		Presented as part of phase 1	15/09/09	30/09/09
2	<b>Develop structure proposals</b>	Identify impact on redundancy and actuarial strain	SW	KR		Y	Complete		Estimates calculated and fed into MTPO process	09/10/09	31/12/09
3	<b>Develop structure proposals</b>	Draft changed Job Descriptions and seek evaluation of posts	SW	KR/TF		Y	Complete		JDs redrafted by Friday 4th Dec and awaiting evaluation by HR. Action plan has been developed identifying roles where JD is likely to be impacted from the restructure.	14/11/09	07/12/09
4	<b>Develop structure proposals</b>	Reengineer design of admin processes	SW	KR		Y	Complete		Work has commenced on reengineering design. Meeting with Marion Goodman 13/11/09 regarding improved use of system and impact on overall admin project.	05/11/09	30/01/10
5	<b>Develop structure proposals</b>	Develop business case for MTCM	SW	KR		Y	Complete		Report drafted - meeting 6th Jan	14/11/09	04/12/09
6	<b>Develop structure proposals</b>	Consideration by MTUCM - meeting 16/12/09	SW	JS		Y	Complete		Reorganised for 6th January	06/01/10	06/01/10
7	<b>Implementation of structure</b>	Informal TU meeting	SW	SW		N	Complete		Took place 16th December	21/12/10	21/12/10
8	<b>Implementation of structure</b>	Commence consultation period	SW	SW		N	Complete			11/01/10	11/01/10
9	<b>Implementation of structure</b>	End of consultation period	SW	SW		N	Complete			10/02/10	10/02/10
10	<b>Implementation of structure</b>	Responses to consultation	SW	SW		N	Complete		KR/TF meeting with SW 24/02/10. Interviews arranged. Draft interview packs developed.	15/02/10	15/02/10
11	<b>Implementation of structure</b>	Issue letters to staff confirming status (if no major changes to Business Case)	SW	SW		N	Complete		Delayed from original timescales. Draft interview packs developed.	22/02/10	22/02/10
12	<b>Implementation of structure</b>	Issue notices	SW	SW		N	Behind		Delayed	15/03/10	15/03/10
	<b>Organisational development</b>	Identify training requirements for new roles - develop plan	SW	KR		Y	On Target	75%	Draft development plan complete. KR to discuss with SW.	01/02/10	31/03/10
13	<b>Reengineering of administration</b>	Develop action plan for reengineering administration	SW	KR		Y	Complete	100%	High level action plan has been drafted. Areas prioritised to commence during consultation phase.	14/12/10	18/01/10



# Service Improvement Plan

**Behind**  
**On Target**  
**Complete**  
**Not Started**

*Behind Schedule*  
*Started and on target*  
*Completed and documented*  
*Not due to start*

	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
14	Reengineering of administration	Roll out of administration action plan	SW	KR		Y	On Target	10%	Some elements can commence during consultation period. Other areas more sensitive and need to wait until consultation complete.	18/01/10	31/03/10
15	Reengineering of administration	CRM process improvement to reduce impact on admin team	SW	KR		Y	On Target	10%	Initial meeting with Kath Suer/Stacy Upton. Observations of NES CRM processes with Felicia Black 22/02. Workshop scheduled with Stacy/Felicia and Elaine Mallard 22/02 to plot out process improvements. Rescheduled to 09/03/2010 due to EM/FB annual leave.	08/02/10	31/03/10
16	Reengineering of administration	General administration process - draft communication to wider users of administration services, set up hunt groups etc and process for message taking.	SW	KR		Y	Not Started			08/02/10	31/03/10
17	Reengineering of administration	Invoicing - sundry debtors et - Map out which areas (e.g. leisure) need own access to Agresso to avoid duplication in request to raise process. Map out proposed process for housing invoices	SW	KR		Y	Behind		Agresso roll out for NES sundry debtors/procurement likely now not to be until Sept/Oct 2010. This impacts process improvements around this area. However, some reengineering still possible prior to roll out of Agresso module.	08/02/10	31/03/10
18	Reengineering of administration	Skip administration processes - review of overlap/duplication of skips admin with Weighbridge Admin resource and Westbridge Admin team. Agree new process.	SW	KR		Y	Not Started			08/02/10	31/03/10
19	Reengineering of administration	Roll out of remaining elements of administration process improvement	SW	KR		Y	Not Started			12/03/10	31/03/10



# Service Improvement Plan

**Behind**  
**On Target**  
**Complete**  
**Not Started**

*Behind Schedule*  
*Started and on target*  
*Completed and documented*  
*Not due to start*

	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
<b>Vehicle and Plant Management NES03</b>											
1	<b>Develop management information</b>	Establish simple database to provide visibility of costs per vehicle - fuel, repairs etc	SW	RFT, GG, (ICT)			<b>On Target</b>	50%	Chevin system requires interface with Agresso and then management reports can be specified and produced. Chevin system is not compatible with the corporate server hence other option being pursued of using Agresso to manage Vehicle, driver, repairs costs etc. Specification drafted and to be discussed with Finance w/c 11.1. Details of main areas to be configured to be sent to finance, to estimate a timetable/resource for completion. Chevin have redeveloped their current version of Roadbase so it is compatible with a SQL server. We are still waiting for a decision on the preferred solution.	01/10/09	31/03/10
2	<b>Develop management information</b>	Specification for Transport Management	SW	RFT, GG/WL			<b>Complete</b>	100%	Currently reviewing the Agresso Financial System for Transport Management, because Chevin Roadbase is not compatible with NBC server. GG has written a specification for transport management on Agresso. WL will need to confirm whether the requirements can be met within the current system.	16/12/09	18/01/10
3	<b>Develop management information</b>	Establish whether requirements from the specification can be mapped in to the Agresso system	SW	RFT, GG/WL			<b>On Target</b>	20%	Finance yet to supply timescales for initial build of specification including any reports.	14/01/10	31/03/10
4	<b>Develop management information</b>	Specification for two way interface in to Agresso, If Chevin Roadbase is the preferred option	SW	RFT, GG/WL			<b>On Target</b>	40%	Meeting arranged to start mapping requirements.	08/02/10	31/03/10
5	<b>Develop management information</b>	Project Plan for implementation of Transport Management System	SW	RFT, GG/WL/ ICT			<b>On Target</b>	70%	Meeting arranged to start mapping requirements	08/02/10	31/03/10
6	<b>Reduce repair costs</b>	Develop revised Accidental/ Driver Damage Policy	SW	TF, GG			<b>Complete</b>	100%	Policy drafted - principles agreed by Team Leaders and adopted.	02/11/09	15/11/09
7	<b>Reduce repair costs</b>	Implement driver damage policy through implementation of management information system	SW	RFT, GG			<b>Not Started</b>	0%		01/02/10	31/03/10



# Service Improvement Plan

**Behind**  
**On Target**  
**Complete**  
**Not Started**

*Behind Schedule*  
*Started and on target*  
*Completed and documented*  
*Not due to start*

	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
8	Reduce repair costs	Implementation of checks to system	SW	RFT, GG			Behind	0%	Need to commence checks on implementation of policy. Analysis of vehicle spend (see below) provides opportunity to target checks	02/11/09	31/01/10
9	Reduce repair costs	Analysis of all spend to date by vehicle/driver/ supplier	SW	RFT			Complete	100%	Analysis of Vehicle spend to end Nov 09 complete.	02/11/09	18/01/10
10	Reduce repair costs	Establish a reporting system/mechanism for vehicle spend, driver and supplier.	SW	RFT, GG			On Target	20%	The reporting mechanism will be part of the new Transport IT system.	01/12/09	31/03/10
11	Reduce repair costs	Review operation of tyre contract - use of recut/remould tyres, retention of spares	SW	RFT, GG			Complete	100%	odge Tyre Co Ltd currently have a three year contract with NBC to supply Tyres including fitting and repairs for NBC from July 2008. This will be reviewed 6 months before the contract is due to expire.	03/12/09	31/01/10
12	Reduce repair costs	Review Insurance Cover/ Excess	SW	RFT, GG			On Target	2%	Meeting to be arranged with Michael Davis, to discuss current policy with Traveller insurance.	01/02/10	31/03/10
13	Reprocurement of plant	Negotiation and procurement of plant for further 12 months - opportunity to reduce maintenance & consumable costs	SW	GG, EW, RFT			Complete	100%	SGM Contract agreed with a 15% discount for the next 12 months.	23/11/09	22/01/10
14	Reduce number of vehicles	Identify all current short-term hire and opportunities to terminate	SW	RFT, GG			On Target	10%	Current review of contract hire agreements due for expiry over next 12-18 months. This will be completed in conjunction with the shift changes.	15/10/09	31/03/10
15	Reduce number of vehicles	Identify and agree forward programme of hires for vehicles and plant	SW	RFT, GG			On Target	10%	As above	04/01/10	31/03/10
16	Reduce number of vehicles	Review vehicle requirement in response to shift review (as per NES01)	SW	RFT, GG			On Target	10%	Impact currently being assessed on no. of refuse freighters of proposed split-shift recycling collection	04/01/10	31/03/10



# Service Improvement Plan

**Behind**  
**On Target**  
**Complete**  
**Not Started**

*Behind Schedule*  
*Started and on target*  
*Completed and documented*  
*Not due to start*

	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
<b>Recycling Income NES04</b>											
1	<b>Initial business case for investment in additional capacity</b>	Identify potential additional sources of recyclate - neighbouring authorities and trade waste contractors	SW	CB, GD		Y	<b>On Target</b>	50%	Reviewing list of TWC's and contacts in neighbouring authorities. Need to identify potential impact of discussions with Daventry re brokerage on potential throughput	01/03/10	31/03/10
2	<b>Initial business case for investment in additional capacity</b>	Review current productivity and capacity for additional materials - throughput and storage	SW	TF, GD			<b>On Target</b>	20%	Further site visit undertaken 8.3.10 - confirming capacity for more throughput	15/02/10	31/03/10
3	<b>Initial business case for investment in additional capacity</b>	Options for deploying additional resource - i.e. paper, plastics, sorting co-mingled waste, split shifts	SW	TF, GD			<b>On Target</b>	25%	Currently reviewing options in relation to most recent recyclate prices	15/02/10	31/03/10
4	<b>Initial business case for investment in additional capacity</b>	Submit report recommending course of action and potential increase in income	SW	TF, GD			<b>Not Started</b>			15/02/10	15/04/10



Section	Date	Summary of changes to SIP	
NES01	04/01/10	Single project for street cleansing - Town Centre and areas - replacing 2 separate workstreams	TF
	04/01/10	Deletion of realignment of shifts using agency staff	TF
	22/01/10	Update project for grounds maintenance and booking offices	KR
	25/01/10	Activity 2 - timescale changed to ongoing	TF
		Activity 3 - timescale to be revised to follow new structure/ shift patterns	TF
		Review of street cleansing - tasks broken down into further detailed actions	TF
	08/02/10	Update project for grounds maintenance and booking offices	KR
	10/02/10	Project plan for booking offices inserted into NES01	KR
	17/02/10	Updated actions re grounds maintenance - items relating to changes to shifts in grounds have been removed due to annualised hours option not being currently viable in the short term.	KR
	23/02/10	Updated actions re booking offices and grounds	KR
	04/03/10	Updated actions re booking office business case and grounds utilisation	
	05/03/10	Deletion of actions 1 - 9: MTUCM and consultation on changes to T&Cs (not needed)	TF
	05/03/10	New actions 1-9c to reflect revised approach	TF
	08/03/10	New actions added re actions to improve utilisation within grounds maintenance	KR
	NES02	22/12/09	Amendments to timescales to reflect timetable agreed with Simone Wade and Mandy White on 4/12
25/01/10		Additional task added - Organisational Development	KR
10/02/10		Additional detail added around administration reengineering.	KR
17/02/10		Updated re consultation and organisational development	KR
04/03/10		Updated re consultation and development of interview materials	KR
NES03	24/12/09	Updated current activity status within NES03, including comments. Amended targets dates to a more realistic time scale, taking resources and availability from the IT department in to consideration.	RFT
	25/01/10	Updated current activity around management information, repair costs, Reprocurement of plant and reduction of vehicles	RFT
		Original tasks 2 and 3 subdivided	RFT
	08/02/10	Timescales revised around implementation of the Transport Management System, waiting for internal decision on preferred option. Additional tasks added - Develop Management Information (4,5)	RFT
NES04	29/01/10	Timescales revised/ put back for detailed review/ Business Case	TF
		Tasks 5 to 8 deleted - will be revised on development of Business Case	TF
	05/03/10	Revised timescales	TF
LC01	14/01/10	Updated current activity around union consultation/MTCUM	KR
	21/01/10	Updated current activity around union consultation/MTCUM	KR
	16/02/10	Additional actions added post consultation phase. Update re responses to consultation	KR

Appendices



Item No.

7

**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Environmental Services Budget Options</b>
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	22 <sup>nd</sup> March 2010
<b>Policy Document:</b>	No
<b>Directorate:</b>	Environment & Culture
<b>Accountable Cabinet Member:</b>	Councillor Trini Crake

### 1. Purpose

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- 1.1 The purpose of this report is to outline to members of the Audit Committee the savings plans for Neighbourhood Environmental Services including those for 2010/11.
- 1.2 The savings plans delivered by our Value for Money Partner, Northgate Kendric Ash relate directly to the plans put in place to deliver the improvements as identified in the Audit Report on Grounds Maintenance (report No. 09\_10 Northampton Borough Council 04) and should therefore be read in conjunction with that report (agenda item 6).

### 2. Recommendations

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- 2.1 To note the savings plans as outlined within this report.

### 3. Issues and Choices

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#### 3.1 Report Background

- 3.1.1 A three-year plan to bring about improvements to Neighbourhood Environmental Services (NES) has been developed. In summary the plan sets out the following actions:

- 3.1.1.1 Year one (2009/10): This includes a number of activities to:

- Remove budgetary anomalies,
- Identify and prioritise areas for service improvement,

- Reduce the service budget from £12.5m to £9.2m through savings and efficiencies such as:
  - Increase the ratio of agency to permanent staff to allow the service to 'flex' to meet demand and make efficiencies. For example, in Waste Services this approach has allowed flexible waste collection rounds resulting in savings.
  - Address sickness absence,
- Improve the day-to-day performance across the service, and
- Reduce the level of customer complaints.

#### 3.1.1.2 Year two (2010/11) includes:

- The development and implementation of the Neighbourhood Model,
- A new service structure to support the Neighbourhood Model that includes a new manage structure and working practices to integrate frontline services and allow them to work closer with other Northampton Borough Council services and partners, particularly the Police.
- Preparing the service for potential procurement. This includes implementing a range of savings plans to further reduce the service budget from £9.2m to £8.15m. This involves the implementation of a programme of savings, efficiencies and improvements delivered in partnership with our Value for Money Partner, Northgate Kendric Ash (see section 3.2).

1.1 Year three (2011/12) includes looking to the private sector to establish whether it can deliver improved services at a reduced cost.

## **3.2 Issues**

3.2.1 As discussed at the Audit Committee held on the 11<sup>th</sup> January 2010 when considering the Grounds Maintenance Audit report, should the service be procured then any problems or issues need to be addressed ahead of time. The work of the Council's Value for Money Partner was discussed in light of the contribution they will make in addressing these service issues. Additionally it was identified that the savings plans that form part of the work programme of Northgate Kendric Ash (NKA) supports a high percentage of the service and council savings targets for years two and three as mentioned above and therefore carried with it a level of risk.

3.2.2 The NKA programme is due to deliver savings of £786,934 in 2010/11 (net of severance costs) and £1,015,340 in 2011/12. It should be noted that these figures may change as the programme is implemented and further costs/savings become known, for example the NES restructure is due to complete 22nd March 2010 and as such the total severance costs are not yet known.

3.2.3 The NKA programme is split into four main project areas as follows:

3.2.3.1 Productivity & Resource Management which includes:

- A review of the working patterns within Street Cleansing with the outcome of removing the cost of over time whilst creating a seven-day service.
- Annualised hours for Parks staff so that operatives are working in the parks when they are being used. This will have a significant impact on the Council's reputation and on the rate of crime.
- Review of Grounds Maintenance working practises.
- Rescheduling of Grounds Maintenance schedules of work
- Development of Street and Grounds cross team working
- Review of Parks bookings offices.
- Analysis of refuse rounds to reduce crewing levels/agency and vehicle costs.

3.2.3.2 Neighbourhood Model & Staffing Structures which includes:

- New management structure
- Organisational development plan to assist the service through the transition from area to neighbourhood working
- Re-engineering administrative processes/function to support new structure

3.2.3.3 Vehicle & Plant which includes:

- Development of management information, for example the introduction of the Chevin RoadBase system that will enable the service to manage fleet and fuel.
- Reduce repair costs through new driver and vehicle protocols and new suppliers of small parts such as tyres
- Reduction in fleet
- Re-procurement of grounds plant at a reduced price

3.2.3.4 Recycling which includes the development of a business case for increasing capacity and therefore income from the Materials Reclamation Facility (MRF).

3.2.4 A copy of the full service improvement plans for each of the above projects is attached at appendix one.

### **3.3 Choices (Options)**

- 3.3.1 The programme of work as described in 3.2.3 is required to not only deliver savings but to help prepare the service for comparison with the market and possible subsequent procurement.
- 3.3.2 In order to fully deliver the three-year plan for Neighbourhood Environmental Services, and deliver the full savings target there was a need to inject capacity to achieve the transformation and allow the service to develop in to its new role. This level of capacity and expertise was not available within the service, and therefore a Value for Money Partner was sought.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

- 4.1.1 None directly associated with this report.

### **4.2 Resources and Risk**

- 4.2.1 The programme is due to deliver savings of £786,934 in 2010/11 (net of severance costs) and £1,015,340 in 2011/12.
- 4.2.2 It should be noted that these figures may change as the programme is implemented and further costs/savings become known, for example the NES restructure is due to complete 22nd March 2010 and as such the total severance costs are not yet known.
- 4.2.3 As stated, this programme of work will deliver a high proportion of the service's and Council's savings targets and therefore the risk of those projects not being delivered must be closely monitored. In order to do this the service improvement plan at appendix one has incorporated into it a traffic light system to indicate the status of each work package within each project, so that the risk of the projects failing and therefore the savings not being delivered can be managed.
- 4.2.4 A management Board has been established to oversee the work of our Value for Money Partner.
- 4.2.5 The responsibility for the NKA programme rests with the Head of Service who works closely with NKA to ensure implementation of the programme.

### **4.3 Legal**

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

### **4.4 Equality**

- 4.4.1 All savings plans have had an equality impact assessment undertaken.

#### **4.5 Consultees (Internal and External)**

4.5.1 The following people have been asked to comment on this report:

- Director of Environment & Culture
- Director of Finance & Support
- Head of Finance & Asset Management

#### **4.6 Other Implications**

4.6.1 No further implications identified as associated with this report.

#### **5. Background Papers**

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5.1 Appendix one – Service Improvement Plan

**Report Author: Simone Wade, Head of Neighbourhood Environmental Services,  
Ext 7464**



**NORTHAMPTON**  
BOROUGH COUNCIL

## Service Improvement Plan



**KENDRIC ASH**

**Behind** Behind Schedule  
**On Target** Started and on target  
**Complete** Completed and documented  
**Not Started** Not due to start

Project	Description	SIP reviewed by Head of Service	NBC Lead	NKA lead	Status	Comment	Target Commencement	Target Completion Date
NES 01	Productivity & Resource Management	Tuesday, March 09, 2010	SW	TF	On Target		01/10/10	31/05/10
NES 02	Area Management	Tuesday, March 09, 2010	SW	KR	On Target		01/10/10	31/05/10
NES 03	Vehicle & Plant Management	Tuesday, March 09, 2010	SW	RFT	On Target		01/10/10	31/05/10
NES 04	Recycling Income	Tuesday, March 09, 2010	SW	TF	Behind	Revised timescales agreed with SW. Resources to focus on this project during March to complete Business Case review by mid-April	01/10/10	31/05/10



# Service Improvement Plan

Behind
On Target
Complete
Not Started

*Behind Schedule*  
*Started and on target*  
*Completed and documented*  
*Not due to start*

Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date	
<b>Productivity and Resource Management NES01</b>											
1	<b>Controls on overtime and agency costs</b>	Agreement of Controls to apply across department in respect of non-contractual overtime and agency staff	PH	TF - All Team Leaders				<i>Complete</i>	Agreement that a) no agency to cover sickness & leave outside refuse and b) no overtime other than pre-agreed routine work which will be absorbed into normal working hours through shift reviews. Monitored on a weekly basis.	12/10/09	27/11/09
2	<b>Development of cross-team resource management</b>	Ensure controls and monitoring implemented consistently across Directorate	PH	TF - All Team Leaders				<i>Complete</i>	Tighter monitoring evident which is starting to reduce monthly spend. Further areas for improvement identified. Weekly resource monitoring meetings now in place	12/10/09	Ongoing
3	<b>Development of cross-team resource management</b>	Ensure flexibility of labour across NES Teams	PH	TF - All Team Leaders				<i>Not Started</i>	To be introduced from April with implementation of new structure and new shift patterns for streets, grounds and refuse	01/04/10	01/06/10
4	<b>Development of cross-team resource management</b>	Develop management information system for monitoring staff costs and deployment - agency staff, sickness cover, overtime, crews deployed and finish times etc	PH	TF - All Team Leaders				<i>Complete</i>	Information collated and monitored for all agency spend by category, additional overtime and crew levels	12/11/09	21/12/09
5	<b>Revision of shifts and schedules - street cleansing</b>	Identify resource requirements/ activity levels and detailed options for organisation/ shifts	SW	TF, MT, FW, SJ, PH				<i>Complete</i>	2 stage process - i) reductions in frontline posts and use of agency staff for evenings and weekends and optional ii) 7-day shift system, 4-day working week	12/11/09	31/01/10
6	<b>Revision of shifts and schedules - street cleansing</b>	Identify impact on contract of employment of proposed shift changes - link to Pay & Grading review	SW	TF, MT, FW, SJ, PH				<i>Complete</i>	Meeting held with Catherine Wilson 24/2 to confirm impact of P&G on 7-day option	04/01/10	15/02/10
7	<b>Revision of shifts and schedules - street cleansing</b>	Produce Detailed Business Case	SW	TF, MT, FW, SJ, PH				<i>Complete</i>	Draft business case produced	18/01/10	15/02/10
8	<b>Revision of shifts and schedules - Town Centre cleansing</b>	Implement changes to schedules which reduce overtime but do not require changes to shifts	SW	TF, MT, FW, SJ, PH				<i>Complete</i>	Tasks identified - majority will be reallocated as part of shift review	01/12/09	01/02/10
9	<b>Revision of shifts and schedules - Town Centre cleansing</b>	Confirm detailed supervision arrangements for weekdays and for agency staff at evenings and weekends	SW	TF, MT, FW, SJ, PH				<i>On Target</i>	25% Creation of Lead Chargehands identified in Business Case and JD drafted. Next step to confirm procedures and arrangements for evenings/ weekends	15/03/10	31/03/10





# Service Improvement Plan

**Behind**  
**On Target**  
**Complete**  
**Not Started**

*Behind Schedule*  
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	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
10	Revision of shifts and schedules - Town Centre cleansing	Confirm requirements for agency staff	SW	TF, MT, FW, SJ, PH			On Target	50%	Business case based on current weekend hours/ staff mix and revised/ reduced coverage for evenings	01/03/10	31/03/10
11	Revision of shifts and schedules - Town Centre cleansing	Negotiate with agency for supply of staff/ supervision	SW	TF, MT, FW, SJ, PH			Not Started			01/04/10	30/04/10
	Revision of shifts and schedules - Town Centre cleansing	Revised sector schedules/ work patterns	SW	TF, MT, FW, SJ, PH			Not Started			15/03/10	30/04/10
	Revision of shifts and schedules - Town Centre cleansing	Terminate overtime rota, agency cover for vacancies and commence new arrangements	SW	TF, MT, FW, SJ, PH			Not Started			15/04/10	15/05/10
12	Re-engineer booking process for parks facilities	Process mapping and identification of alternative systems/ access - web, contact centre, Events	SW	KR, PC			Complete	100%	Initial review of process, reviewed potential use of SCUBA, other databases, telephone booking and costing up data link to Racecourse office. Initial meeting with Kath Suer 27th Jan - delays in meeting due to lack of response from IT. Meeting with Leisure 22/01 to review SCUBA option in more detail. Initial analysis of income and usage of sites. Follow up meeting with Kath Suer 09/02/10	01/12/09	31/01/10
13	Re-engineer booking process for parks facilities	Produce business case for transfer of resource (part of wider business case to be produced for Simone Wade re engineering of process)	SW	KR			Complete	100%	Initial discussions with SW and KS Jan 09. First draft to be completed shortly. Month by month analysis completed for KS. KS to analyse resource requirements. KR to provide more detail around potential call duration. Additional observation with bookings 19/02. Initial business case drafted with 3 options identified. Further discussions required with contact centre regarding utilisation. Discussion with PC 08/03 identified 4th option, further draft produced.	31/01/10	05/03/10



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**Not Started**

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	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
14	Re-engineer booking process for parks facilities	Agree staffing requirements.	KS/SW	KR			On Target	80%	This is linked with the business case, for this option to be viable, staffing costs need to fit appropriate demand and not current levels of resource. KR has completed additional work to demonstrate potential utilisation within the contact centre. KR to discuss with Kath Suer the impact on the contact centre of the 3 models in the business case.	31/01/10	13/03/10
15	Re-engineer booking process for parks facilities	Develop and sign off scripts and process flowcharts	KS/SW	KR			Not Started			19/02/10	31/03/10
16	Re-engineer booking process for parks facilities	Develop and sign off SLA between NES and Customer Contact Centre for this service	KS/SW	KR			Not Started			19/02/10	31/03/10
17	Re-engineer booking process for parks facilities	Load scripts - contact centre	KS	KR			Not Started			w/c 05/04/10	w/c 05/04/10
18	Re-engineer booking process for parks facilities	Recruit new staff - contact centre	KS	KR			Not Started			31/03/10	30/04/10
19	Re-engineer booking process for parks facilities	Staff training - contact centre	KS/SW	KR			Not Started			04/05/10	04/05/10
20	Re-engineer booking process for parks facilities	Monthly meetings to review progress	KS/SW				Not Started			Monthly from 28th May 2010	Ongoing
21	Re-engineer booking process for parks facilities	6 monthly meetings to review resource levels	KS/SW				Not Started			30/09/10	Ongoing
22	Re-engineer booking process for parks facilities	Develop business case for channel switching to online	KS/SW	KR			Not Started		Dependent on channel switching strategy	TBC	TBC
23	Re-engineer booking process for parks facilities	Implement new process eliminating requirement for agency staff	SW	KR, PC			On Target		Timescales adjusted above, as contact centre unable to go live with calls prior to 1st April due to billing period for Council tax March 09. Further delay due to need to make a decision on which option to implement.	01/02/10	01/05/10



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	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
24	<b>Revision of shifts and schedules - grounds</b>	Options appraisal	SW	KR, PC			Complete	100%	Initial analysis of spec, initial meeting with Paul Chambers 20/01. Observations with grounds maintenances team 26/01. Housing observations on site 10/02. Paper put to SW, annualised hours within grounds not currently viable due to actions that need to take place prior to implementation. Current focus to be on maximising utilisation and cross-functional working with cleansing etc.	04/01/10	01/02/10
25	<b>Revision of shifts and schedules - grounds</b>	Implement changes to schedules which reduce overtime but do not require changes to shifts	SW	KR, PC			On Target	15%	Action plan developed with Paul Chambers 18/02 and developed further 25/02. Currently investigating feasibility of actions proposed, these will be built into the SIP once agreed.	01/02/10	01/04/10
26	<b>Revision of shifts and schedules - grounds</b>	Increase active time .e.g. Ensuring that vehicles are fueled up the night before to reduce wasted time, Review alternative ways to allow for toilet breaks (e.g. scope out cost of portaloos). Reduce unnecessary trips to tip - soak away area at Westbridge for large shredder.	SW	PC KR			On Target	25%	PC to liaising with cleansing re afternoon fueling up schedule. PC has investigated portaloos, and not possible to have portaloos on current tippers. KR/PC developing business case for soak away area for large shredder.	01/03/10	30/04/10
27	<b>Revision of shifts and schedules - grounds</b>	Communication with Housing needs to improve (general comms, gardening projects, CASPER project etc)	SW	PC KR			On Target	100%	Reinstated meetings with Housing (every 3rd week) - including estate walkabouts where approp. Reinstate process re agreement when tenants take on maintenance of grounds near their property. Audit of what could be removed, approx cost, and how this would be funded. Ensure Housing are passing on info re projects such as CASPER. PC attending Housing Committee 08/02 to discuss issues above.	01/03/10	31/03/10
28	<b>Revision of shifts and schedules - grounds</b>	Liaise with Asset management re improving access to housing communal areas e.g. plans for broken panels ensuring that when replaced access issues are considered.	SW	PC			Complete	100%	PC w/c 01/03 discussed with Tim Ansell, and in some cases larger gates can be installed. On going cases and new proposals that may result in decreased access to be discussed in regular meetings with Housing.	01/03/10	31/03/10



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	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
29	<b>Revision of shifts and schedules - grounds</b>	Review work schedules and programmes linking in with sector based working	SW	PC KR			<b>Not Started</b>			01/03/10	31/03/10
30	<b>Revision of shifts and schedules - grounds</b>	Introduction of service charges in Housing. Liaise with Housing as to how this will be rolled out (e.g. grounds charges per estate, per block?), need action plan as to how we could roll this out (e.g. schedule of rates vs hours per block etc) and the process for this.	SW	PC			<b>Not Started</b>			01/03/10	31/03/10
31	<b>Further optimisation of refuse collection</b>	Opportunities to reduce agency staff/ crews on alternative weeks	SW	TF, PH, BM			<b>On Target</b>	90%	Team have begun reducing crews on 'lighter' weeks (glass/ green waste, plastics) - further review of round times undertaken which identifies opportunity for further reduction in crews for glass, paper/card and green waste (winter). To be pulled into overall Business Case for immediate and longer-term changes to be implemented	01/11/09	31/03/10
32	<b>Further optimisation of refuse collection</b>	Review and elimination of non-contractual overtime	SW	TF, PH, BM			<b>On Target</b>	10%	Main area is cleaning & prep time for vehicles; to be incorporated in wider review as per 25 below	01/12/09	31/03/10
33	<b>Further optimisation of refuse collection</b>	Monitor early finish times and implement system for utilising downtime of permanent staff	SW	TF, PH, BM			<b>Complete</b>		Analysis undertaken of start and finish times for all crews by type of round (residual/ green/ glass/ plastics/ paper) identifying spare capacity	23/11/09	21/12/09
34	<b>Further optimisation of refuse collection</b>	Option appraisal on split-shift/ 7 day working	SW	TF, PH, BM			<b>On Target</b>	60%	Currently working with PH and BM on split shift option for recycling combined with further reduction in rounds	01/03/10	01/05/10



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	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
<b>Staffing Structure and Neighbourhood Model of Management NES02</b>											
1	<b>Develop structure proposals</b>	Initial proposals for restructure and target savings	ALL	ALL		Y	<b>Complete</b>		Presented as part of phase 1	15/09/09	30/09/09
2	<b>Develop structure proposals</b>	Identify impact on redundancy and actuarial strain	SW	KR		Y	<b>Complete</b>		Estimates calculated and fed into MTPO process	09/10/09	31/12/09
3	<b>Develop structure proposals</b>	Draft changed Job Descriptions and seek evaluation of posts	SW	KR/TF		Y	<b>Complete</b>		JDs redrafted by Friday 4th Dec and awaiting evaluation by HR. Action plan has been developed identifying roles where JD is likely to be impacted from the restructure.	14/11/09	07/12/09
4	<b>Develop structure proposals</b>	Reengineer design of admin processes	SW	KR		Y	<b>Complete</b>		Work has commenced on reengineering design. Meeting with Marion Goodman 13/11/09 regarding improved use of system and impact on overall admin project.	05/11/09	30/01/10
5	<b>Develop structure proposals</b>	Develop business case for MTCM	SW	KR		Y	<b>Complete</b>		Report drafted - meeting 6th Jan	14/11/09	04/12/09
6	<b>Develop structure proposals</b>	Consideration by MTUCM - meeting 16/12/09	SW	JS		Y	<b>Complete</b>		Reorganised for 6th January	06/01/10	06/01/10
7	<b>Implementation of structure</b>	Informal TU meeting	SW	SW		N	<b>Complete</b>		Took place 16th December	21/12/10	21/12/10
8	<b>Implementation of structure</b>	Commence consultation period	SW	SW		N	<b>Complete</b>			11/01/10	11/01/10
9	<b>Implementation of structure</b>	End of consultation period	SW	SW		N	<b>Complete</b>			10/02/10	10/02/10
10	<b>Implementation of structure</b>	Responses to consultation	SW	SW		N	<b>Complete</b>		KR/TF meeting with SW 24/02/10. Interviews arranged. Draft interview packs developed.	15/02/10	15/02/10
11	<b>Implementation of structure</b>	Issue letters to staff confirming status (if no major changes to Business Case)	SW	SW		N	<b>Complete</b>		Delayed from original timescales. Draft interview packs developed.	22/02/10	22/02/10
12	<b>Implementation of structure</b>	Issue notices	SW	SW		N	<b>Behind</b>		Delayed	15/03/10	15/03/10
	<b>Organisational development</b>	Identify training requirements for new roles - develop plan	SW	KR		Y	<b>On Target</b>	75%	Draft development plan complete. KR to discuss with SW.	01/02/10	31/03/10
13	<b>Reengineering of administration</b>	Develop action plan for reengineering administration	SW	KR		Y	<b>Complete</b>	100%	High level action plan has been drafted. Areas prioritised to commence during consultation phase.	14/12/10	18/01/10



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	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
14	Reengineering of administration	Roll out of administration action plan	SW	KR		Y	On Target	10%	Some elements can commence during consultation period. Other areas more sensitive and need to wait until consultation complete.	18/01/10	31/03/10
15	Reengineering of administration	CRM process improvement to reduce impact on admin team	SW	KR		Y	On Target	10%	Initial meeting with Kath Suer/Stacy Upton. Observations of NES CRM processes with Felicia Black 22/02. Workshop scheduled with Stacy/Felicia and Elaine Mallard 22/02 to plot out process improvements. Rescheduled to 09/03/2010 due to EM/FB annual leave.	08/02/10	31/03/10
16	Reengineering of administration	General administration process - draft communication to wider users of administration services, set up hunt groups etc and process for message taking.	SW	KR		Y	Not Started			08/02/10	31/03/10
17	Reengineering of administration	Invoicing - sundry debtors et - Map out which areas (e.g. leisure) need own access to Agresso to avoid duplication in request to raise process. Map out proposed process for housing invoices	SW	KR		Y	Behind		Agresso roll out for NES sundry debtors/procurement likely now not to be until Sept/Oct 2010. This impacts process improvements around this area. However, some reengineering still possible prior to roll out of Agresso module.	08/02/10	31/03/10
18	Reengineering of administration	Skip administration processes - review of overlap/duplication of skips admin with Weighbridge Admin resource and Westbridge Admin team. Agree new process.	SW	KR		Y	Not Started			08/02/10	31/03/10
19	Reengineering of administration	Roll out of remaining elements of administration process improvement	SW	KR		Y	Not Started			12/03/10	31/03/10



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	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
<b>Vehicle and Plant Management NES03</b>											
1	<b>Develop management information</b>	Establish simple database to provide visibility of costs per vehicle - fuel, repairs etc	SW	RFT, GG, (ICT)			<b>On Target</b>	50%	Chevin system requires interface with Agresso and then management reports can be specified and produced. Chevin system is not compatible with the corporate server hence other option being pursued of using Agresso to manage Vehicle, driver, repairs costs etc. Specification drafted and to be discussed with Finance w/c 11.1. Details of main areas to be configured to be sent to finance, to estimate a timetable/resource for completion. Chevin have redeveloped their current version of Roadbase so it is compatible with a SQL server. We are still waiting for a decision on the preferred solution.	01/10/09	31/03/10
2	<b>Develop management information</b>	Specification for Transport Management	SW	RFT, GG/WL			<b>Complete</b>	100%	Currently reviewing the Agresso Financial System for Transport Management, because Chevin Roadbase is not compatible with NBC server. GG has written a specification for transport management on Agresso. WL will need to confirm whether the requirements can be met within the current system.	16/12/09	18/01/10
3	<b>Develop management information</b>	Establish whether requirements from the specification can be mapped in to the Agresso system	SW	RFT, GG/WL			<b>On Target</b>	20%	Finance yet to supply timescales for initial build of specification including any reports.	14/01/10	31/03/10
4	<b>Develop management information</b>	Specification for two way interface in to Agresso, If Chevin Roadbase is the preferred option	SW	RFT, GG/WL			<b>On Target</b>	40%	Meeting arranged to start mapping requirements.	08/02/10	31/03/10
5	<b>Develop management information</b>	Project Plan for implementation of Transport Management System	SW	RFT, GG/WL/ ICT			<b>On Target</b>	70%	Meeting arranged to start mapping requirements	08/02/10	31/03/10
6	<b>Reduce repair costs</b>	Develop revised Accidental/ Driver Damage Policy	SW	TF, GG			<b>Complete</b>	100%	Policy drafted - principles agreed by Team Leaders and adopted.	02/11/09	15/11/09
7	<b>Reduce repair costs</b>	Implement driver damage policy through implementation of management information system	SW	RFT, GG			<b>Not Started</b>	0%		01/02/10	31/03/10



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	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
8	Reduce repair costs	Implementation of checks to system	SW	RFT, GG			Behind	0%	Need to commence checks on implementation of policy. Analysis of vehicle spend (see below) provides opportunity to target checks	02/11/09	31/01/10
9	Reduce repair costs	Analysis of all spend to date by vehicle/driver/ supplier	SW	RFT			Complete	100%	Analysis of Vehicle spend to end Nov 09 complete.	02/11/09	18/01/10
10	Reduce repair costs	Establish a reporting system/mechanism for vehicle spend, driver and supplier.	SW	RFT, GG			On Target	20%	The reporting mechanism will be part of the new Transport IT system.	01/12/09	31/03/10
11	Reduce repair costs	Review operation of tyre contract - use of recut/remould tyres, retention of spares	SW	RFT, GG			Complete	100%	odge Tyre Co Ltd currently have a three year contract with NBC to supply Tyres including fitting and repairs for NBC from July 2008. This will be reviewed 6 months before the contract is due to expire.	03/12/09	31/01/10
12	Reduce repair costs	Review Insurance Cover/ Excess	SW	RFT, GG			On Target	2%	Meeting to be arranged with Michael Davis, to discuss current policy with Traveller insurance.	01/02/10	31/03/10
13	Reprocurement of plant	Negotiation and procurement of plant for further 12 months - opportunity to reduce maintenance & consumable costs	SW	GG, EW, RFT			Complete	100%	SGM Contract agreed with a 15% discount for the next 12 months.	23/11/09	22/01/10
14	Reduce number of vehicles	Identify all current short-term hire and opportunities to terminate	SW	RFT, GG			On Target	10%	Current review of contract hire agreements due for expiry over next 12-18 months. This will be completed in conjunction with the shift changes.	15/10/09	31/03/10
15	Reduce number of vehicles	Identify and agree forward programme of hires for vehicles and plant	SW	RFT, GG			On Target	10%	As above	04/01/10	31/03/10
16	Reduce number of vehicles	Review vehicle requirement in response to shift review (as per NES01)	SW	RFT, GG			On Target	10%	Impact currently being assessed on no. of refuse freighters of proposed split-shift recycling collection	04/01/10	31/03/10





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	Activity	Actions required	NBC Lead	Owner	Priority	Link to FIP	Traffic Light	Progress %	Current Status	Target Commencement	Target Completion Date
<b>Recycling Income NES04</b>											
1	<b>Initial business case for investment in additional capacity</b>	Identify potential additional sources of recyclate - neighbouring authorities and trade waste contractors	SW	CB, GD		Y	<b>On Target</b>	50%	Reviewing list of TWC's and contacts in neighbouring authorities. Need to identify potential impact of discussions with Daventry re brokerage on potential throughput	01/03/10	31/03/10
2	<b>Initial business case for investment in additional capacity</b>	Review current productivity and capacity for additional materials - throughput and storage	SW	TF, GD			<b>On Target</b>	20%	Further site visit undertaken 8.3.10 - confirming capacity for more throughput	15/02/10	31/03/10
3	<b>Initial business case for investment in additional capacity</b>	Options for deploying additional resource - i.e. paper, plastics, sorting co-mingled waste, split shifts	SW	TF, GD			<b>On Target</b>	25%	Currently reviewing options in relation to most recent recyclate prices	15/02/10	31/03/10
4	<b>Initial business case for investment in additional capacity</b>	Submit report recommending course of action and potential increase in income	SW	TF, GD			<b>Not Started</b>			15/02/10	15/04/10

Section	Date	Summary of changes to SIP	
NES01	04/01/10	Single project for street cleansing - Town Centre and areas - replacing 2 separate workstreams	TF
	04/01/10	Deletion of realignment of shifts using agency staff	TF
	22/01/10	Update project for grounds maintenance and booking offices	KR
	25/01/10	Activity 2 - timescale changed to ongoing	TF
		Activity 3 - timescale to be revised to follow new structure/ shift patterns	TF
		Review of street cleansing - tasks broken down into further detailed actions	TF
	08/02/10	Update project for grounds maintenance and booking offices	KR
	10/02/10	Project plan for booking offices inserted into NES01	KR
	17/02/10	Updated actions re grounds maintenance - items relating to changes to shifts in grounds have been removed due to annualised hours option not being currently viable in the short term.	KR
	23/02/10	Updated actions re booking offices and grounds	KR
	04/03/10	Updated actions re booking office business case and grounds utilisation	
	05/03/10	Deletion of actions 1 - 9: MTUCM and consultation on changes to T&Cs (not needed)	TF
	05/03/10	New actions 1-9c to reflect revised approach	TF
	08/03/10	New actions added re actions to improve utilisation within grounds maintenance	KR
	NES02	22/12/09	Amendments to timescales to reflect timetable agreed with Simone Wade and Mandy White on 4/12
25/01/10		Additional task added - Organisational Development	KR
10/02/10		Additional detail added around administration reengineering.	KR
17/02/10		Updated re consultation and organisational development	KR
04/03/10		Updated re consultation and development of interview materials	KR
NES03	24/12/09	Updated current activity status within NES03, including comments. Amended targets dates to a more realistic time scale, taking resources and availability from the IT department in to consideration.	RFT
	25/01/10	Updated current activity around management information, repair costs, Reprocurement of plant and reduction of vehicles	RFT
		Original tasks 2 and 3 subdivided	RFT
	08/02/10	Timescales revised around implementation of the Transport Management System, waiting for internal decision on preferred option. Additional tasks added - Develop Management Information (4,5)	RFT
NES04	29/01/10	Timescales revised/ put back for detailed review/ Business Case	TF
		Tasks 5 to 8 deleted - will be revised on development of Business Case	TF
	05/03/10	Revised timescales	TF
LC01	14/01/10	Updated current activity around union consultation/MTCUM	KR
	21/01/10	Updated current activity around union consultation/MTCUM	KR
	16/02/10	Additional actions added post consultation phase. Update re responses to consultation	KR

Appendices  
10



Item No.

8

**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

Report Title

TREASURY STRATEGY 2010-11 to 2012-13

AGENDA STATUS:

PUBLIC

<b>Audit Committee Meeting Date:</b>	22 March 2010
<b>Policy Document:</b>	Yes
<b>Directorate:</b>	Finance & Support
<b>Accountable Cabinet Member:</b>	David Perkins

### 1. Purpose

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- 1.1 To advise Audit Committee of their role in the scrutiny of the Council's treasury management strategies and policies, as required by the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (fully revised 2nd edition 2009).
- 1.2 To enable Audit Committee to put forward suggestions or recommendations for treasury management strategy, policy or procedures for consideration before the mid year review or as they think appropriate.

### 2. Recommendations

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- 2.1 That Audit Committee put forward suggestions or recommendations for treasury management strategy, policy and procedures for consideration as they think appropriate.

### **3. Issues and Choices**

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#### **3.1 Report Background**

3.1.1 In the light of the impacts on local authorities of the Icelandic bank situation in 2008, CIPFA has published (in 2009):

- Fully revised 2nd edition of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the Code)
- Fully revised 3rd edition of the Guidance Notes for Local Authorities.

3.1.2 It is a requirement of the Code that the Council should formally adopt the updated Code. This includes approval of the following:

- Update to the relevant section of the Council's Financial Regulations
- Treasury Management Policy Statement
- Treasury Management Practices
- Schedules to the Treasury Management Practices
- Annual Treasury Strategy

3.1.3 These items are dealt with in the Treasury Strategy 2010-11 to 2012-13 reports to Cabinet and Council on 24 and 25 February 2010 respectively, attached as an annex to this report.

#### **3.2 Issues**

##### **Audit Committee Role**

3.2.1 The updated Code requires the Council to place greater emphasis on the scrutiny of treasury management strategies and policies. This includes the nomination of the body (such as an audit or scrutiny committee) 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 for making recommendations to Council.

3.2.2 The Audit Committee is considered the most suitable body at NBC to undertake scrutiny this role.

## **Treasury Management Reports**

3.2.3 Treasury management reports include, at a minimum:

- Annual Treasury Management Strategy Report
- Treasury Management Mid-year Report
- Treasury Management Outturn Report

3.2.3 These reports will normally be put before Cabinet and Council before the last day of February, September and November each year.

3.2.4 Proposals will be put forward for the timetabling and processes to be put in place for the Audit Committee to have prior scrutiny of all future treasury management strategies, policies and practices and Cabinet and Council reports. Officers will bring forward proposals for agreement at Audit Committee on 24 June 2010.

## **Training**

3.2.5 The responsible officer (the Section 151 Officer) will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities. Officers will bring proposals for training to Audit Committee on 24 June 2010.

3.2.6 Audit Committee members are required by the statutory guidance to recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

## **3.3 Choices (Options)**

3.3.1 Audit Committee are asked to consider the recommendation at paragraph 2 above.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 The Treasury Strategy report sets the Council's policy on its debt and investment portfolios over the next financial year. It is revisited annually and reported to Cabinet and Council as part of the budget setting process.

## **4.2 Resources and Risk**

- 4.2.1 Effective risk management is a fundamental requirement for the treasury management function, and this theme runs clearly throughout the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Council's Treasury Management Policy, Treasury Management Practices (TMPs) and Schedules, and Treasury Management Strategy for 2010-11 discuss the ways in which treasury management risk will be determined, managed and controlled.
- 4.2.2 The Council's appetite for risk must be clearly identified in its strategy report. The Treasury Strategy at Annex D affirms that priority will be given to the security of capital and liquidity when investing funds. This will be carried out by strict adherence to the risk management and control strategies set out in the Schedules to the Treasury Management Practices and the Treasury Management Strategy. Responsibility for risk management and control lie within the Council and cannot be delegated to an outside organisation.
- 4.2.3 Further information on risk is contained in the Council report annexed to this report.

## **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. The relevant legislative and regulatory documents are referred to within the report and annexes and listed in the background papers

## **4.4 Equality**

- 4.4.1 An Equalities Impact Assessment has been carried out on the Council's Treasury Strategy for 2010-11, and the associated Treasury Management Practices (TMPs) and Schedules to the TMPs. This is attached at Annex H to the Council report.
- 4.4.2 As a result of that assessment, it should be noted that the potential impact of the strategy and associated documents (including Treasury Management Practices (TMPs) and the Schedules to the TMPs) on the different equalities groups must be considered as it is developed and put together each year. This includes the consideration of the potential impact on the different equalities groups of any processes, procedures or outcomes arising from these.

## **4.5 Consultees (Internal and External)**

- 4.5.1 Consultation on treasury management matters is undertaken as appropriate with the Council's external treasury advisers and with the Portfolio holder for Finance.

## **4.6 Other Implications**

4.6.1 No other implications have been identified.

## **5. Background Papers**

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### **5.1 Statute, Regulation and Guidance**

CIPFA Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes 2001

Local Government Act 2003

Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

CIPFA Prudential Code for Capital Finance in Local Authorities 2003

ODPM Guidance on Local Government Investments 2004

CIPFA Treasury Management in the Public Services - Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (Fully Revised Second Edition 2006)

CIPFA Prudential Code for Capital Finance in Local Authorities – Fully Revised Guidance Notes for Practitioners 2007

The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008

CIPFA Prudential Code for Capital Finance in Local Authorities (Fully Revised Second Edition) 2009

CIPFA Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes (Fully Revised Second Edition) 2009

CIPFA Treasury Management in the Public Services - Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (Fully Revised Third Edition) 2009

CLG Changes to the Capital Finance System – Consultation (November 2009)

### **5.2 Reports to Cabinet & Council**

Financial Regulations - Report to Council 19 November 2007 (Contains formal adoption of the CIPFA Code of Practice for Treasury Management)

Capital Programme 2010-11 to 2012-13 - Report to Cabinet 24 February 2010 & Council on 25 February 2010

Treasury Strategy 2010-11 to 2012-13 - Report to Cabinet 24 February 2010  
& Council on 25 February 2010

General Fund Revenue Budget 2010-13 - Report to Cabinet 24 February 2010  
& Council on 25 February 2010

Prudential Indicators for Capital Finance 2010-11 2012-13 - Report to Cabinet  
24 February 2010 & Council on 25 February 2010

**Report Author: Bev Dixon, Finance Manager, Capital & Treasury Ext 7401**





**NORTHAMPTON**  
BOROUGH COUNCIL

# COUNCIL

## 25 February 2010

**Agenda Status: Public**

**Directorate: Finance & Support**

<b>Report Title</b>	TREASURY STRATEGY 2010-11 TO 2012-13
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### 1. Summary

1.1 The purpose of the report is to bring to Council the proposed:

- Update to Financial Regulations in respect of the adoption of the revised CIPFA Treasury Management in the Public Services; Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009)
- Treasury Management Policy Statement
- Treasury Management Practices (TMPs) and TMP Schedules for 2010-11
- Treasury Strategy for 2010-11

### 2. Recommendations

2.1 That Council approve:

- a) The adoption of the revised CIPFA Treasury Management in the Public Services; Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009)
- b) The replacement of existing paragraph 5.9 of the Council's Financial Regulations with the wording at Cabinet report Annex A
- c) The Treasury Management Policy Statement at Cabinet report Annex B
- d) The Treasury Management Practices (TMPs) and TMP Schedules for 2010-11 at Cabinet report Annex C
- e) The Treasury Strategy for 2010-11 at Cabinet report Annex D, incorporating:
  - (i) The Capital Financing and Borrowing Strategy for 2010-11 including:

- The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.
  - The Affordable Borrowing Limit for 2010-11 as required by the Local Government Act 2003.
- (ii) The Investment Strategy for 2010-11 as required by the CLG (formerly ODPM) Guidance on Local Government Investments issued in 2004.

2.2 That Council note:

- a) The proposed Debt Financing Budget 2010-11 to 2012-13 (Cabinet report paragraph 3.2.15 and Annex F).
- b) Adherence to the Council's policy on reserves and balances (Cabinet report paragraph 3.2.16).
- c) Compliance with the requirement under the Local Government Finance Act 1992 to produce a balanced budget (Cabinet report paragraph 3.2.17 & 3.2.18).

### **3. Report Background**

See Cabinet report attached

### **4. Implications (including financial implications)**

#### 4.1 Resources and Risk

See Cabinet report attached

#### 4.2 Legal

See Cabinet report attached

#### 4.3 Other Implications

See Cabinet report attached

### **5. Background Papers**

See Cabinet report attached

**Report Author and Title:** Bev Dixon, Finance Manager – Capital and Treasury  
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Appendices

8



**NORTHAMPTON**  
BOROUGH COUNCIL

Item No.

## CABINET REPORT

Report Title

TREASURY STRATEGY 2010-11 to 2012-13

**AGENDA STATUS:**

**PUBLIC**

<b>Cabinet Meeting Date:</b>	24 February 2010
<b>Key Decision:</b>	YES
<b>Listed on Forward Plan:</b>	YES
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	YES
<b>Directorate:</b>	Finance and Support
<b>Accountable Cabinet Member:</b>	David Perkins
<b>Ward(s)</b>	Not Applicable

### 1. Purpose

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The purpose of the report is to bring to Cabinet:

- An update to Financial Regulations in respect of the adoption of the revised CIPFA Treasury Management in the Public Services; Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009)
- The Treasury Management Policy Statement
- The Treasury Management Practices (TMPs) and TMP Schedules for 2010-11
- The Treasury Strategy for 2010-11

## **2. Recommendations**

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2.1 That Cabinet recommend to Council that they approve:

- a) The adoption of the revised CIPFA Treasury Management in the Public Services; Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009)
- b) The replacement of existing paragraph 5.9 of the Council's Financial Regulations with the wording at Annex A
- c) The Treasury Management Policy Statement at Annex B
- d) The Treasury Management Practices (TMPs) and TMP Schedules for 2010-11 at Annex C
- e) The Treasury Strategy for 2010-11 at Annex D, incorporating:
  - (i) The Capital Financing and Borrowing Strategy for 2010-11 including:
    - o The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.
    - o The Affordable Borrowing Limit for 2010-11 as required by the Local Government Act 2003.
  - (ii) The Investment Strategy for 2010-11 as required by the CLG (formerly ODPM) Guidance on Local Government Investments issued in 2004.

2.2 That Cabinet recommend to Council that they note:

- a) The proposed Debt Financing Budget 2010-11 to 2011-12 (paragraph 3.2.15 and Annex F).
- b) Adherence to the Council's policy on reserves and balances (paragraph 3.2.16).
- c) Compliance with the requirement under the Local Government Finance Act 1992 to produce a balanced budget (paragraph 3.2.17 & 3.2.18).

### **3. Issues and Choices**

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#### **3.1 Report Background**

##### **Treasury Management in the Public Services - CIPFA Code of Practice**

- 3.1.1 On 19 November 2007 the Council approved updated Financial Regulations, including at paragraph 5.9 the adoption of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), and the specific adoption of the key recommendations as described in Section 4 of that code.
- 3.1.2 In the light of the impacts on local authorities of the Icelandic bank situation in 2008, CIPFA has now published (in 2009) a fully revised second edition of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and a fully revised third edition of the Guidance Notes for Local Authorities.
- 3.1.3 It is a requirement of the Code that this Council should formally adopt the updated Code. Cabinet is asked to recommend to Council that they adopt the revised Code as set out at Annex A, replacing paragraph 5.9 of the existing Financial Regulations.
- 3.1.4 Officers have prepared this report and the accompanying annexes to incorporate the requirements of the updated code throughout.

##### **CIPFA Prudential Code for Capital Finance in Local Authorities**

- 3.1.5 The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code), published in October 2003, introduced enhanced requirements for the manner in which capital spending plans should be considered and approved, and in conjunction with this, the requirement for an integrated treasury management strategy.
- 3.1.6 The Prudential Code requires the Council to set a range of prudential indicators for capital finance and a report setting out the prudential indicators for 2010-11 to 2012-13 is included elsewhere on this agenda.
- 3.1.7 CIPFA has issued a revised Prudential Code in 2009. Three of the existing prudential indicators have now been re-classified as treasury indicators, and these are included in this report:
- Authorised limit for external debt
  - Operational boundary for external debt
  - Actual external debt.
- 3.1.8 The code states that all the indicators are to be presented together as one suite. The Council's prudential and treasury indicators have all been set within an integrated strategy for capital expenditure and financing, and treasury management, and they are both brought to this same budget setting meeting for approval. The Council's Treasury Strategy includes both the prudential indicators relating to treasury and the treasury indicators.

- 3.1.9 The Prudential Code requires that where there is a significant difference between the net and the gross borrowing position, the risks and benefits associated with this strategy should be clearly stated in the annual strategy. This is covered in the Council's Treasury Strategy attached at Annex D at Section 9.

## **3.2 Issues**

### **Economic Background**

- 3.2.1 The UK, along with most major world economies, began 2009 in recession following the worldwide banking crisis of 2008. Banks were reluctant to lend due to fears over their weakened balance sheets, and many governments were forced to rescue their major banks in order to prevent the collapse of the world banking system. Central bank rates were cut in an attempt to counter the recession; the UK bank base rate was cut to 0.5% in March 2009 and has remained at this level throughout the year.
- 3.2.2 Worldwide, government debt increased as more support was given to failing banks, and the sovereign ratings of several countries were downgraded due to weak growth and increased debt. Standard and Poor's placed the UK's sovereign rating on negative outlook in May 2009, following concerns that UK government debt could approach 100% of GDP. The credit ratings of many worldwide banks continued to be unstable throughout the year, and while the frequency of downgrades has now decreased, negative rating watches remain in place for many counterparties.
- 3.2.3 While economic growth returned in the US and the EU in the third quarter of 2009, recovery in the UK has been slower, and the recession continued until January 2010. When the UK finally came out of recession, the level of growth was disappointing, at just 0.1%.
- 3.2.4 Opinion is divided on the speed and strength of recovery of the major world economies, and interest rate forecasts vary widely between analysts. In the UK the forthcoming general election is causing uncertainty for forecasters, but regardless of the outcome bank base rate is not expected to increase until the third quarter of 2010 at the earliest.

### **Local Impact**

- 3.2.5 External events have continued to have a significant impact on the Council's debt financing budget. The low bank base rate led to an overall reduction in investment rates; in addition to this the reluctance of banks to lend money led to a lack of demand for funds, and those banks willing to accept deposits offered lower rates. As anticipated, rates of return on the Council's investments have fallen significantly throughout the year; the average monthly rate of return on investments fell from 3.05% to 1.04% between March and November, as investments placed before the banking crisis matured and the funds were reinvested at lower rates.
- 3.2.6 Following the collapse of the Icelandic banks in 2008, the Council's list of approved investment counterparties was severely restricted and the

maximum investment period shortened in order to safeguard investments. These changes led to decreased return on investments, as short term investment rates were significantly lower than longer term rates and the limited number of available investment counterparties led to more deposits being placed with the UK Debt Management Office, at rates below bank base rate.

- 3.2.7 In November 2009, following a period of increased stability of credit ratings, the maximum period for investments with counterparties on the Council's existing counterparty list was extended from 3 months to 12 months, subject to (a) the investment being within the Council's external treasury adviser's recommended time limit for the counterparty, and (b) that a maximum of £10m is invested in this way. £6m has now been invested for periods between 3 and 12 months, which has led to a slight increase in the monthly rate of return on investments.
- 3.2.8 The situation continues to be fluid, and it is essential to have a counterparty selection policy that can respond quickly to changes. A balanced view must be taken, but management of risk must take a higher priority over returns, so that the Council's balances are protected. Policies for the management of credit and counterparty risk are set out at Section 1 of TMP 1 (including the accompanying schedules), attached at Annex C. The Council's proposed approach for 2010-11 is set out at Section 18 of the Treasury Management Strategy attached at Annex D.

### **Treasury Management Policy Statement**

- 3.2.9 The Council's Treasury Management Policy Statement is set out at Annex B. The statement follows the wording recommended by the revised CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes.

### **Treasury Management Practices (TMPs)**

- 3.2.10 The Council's Treasury Management Practices (TMPs) set out the manner in which the Council will seek to achieve its treasury management policies and objectives, and how it will manage and control those activities.
- 3.2.11 The TMPs are set out at Annex C, and are split as follows:
- Part 1: Main Principles
  - Part 2: Schedules
- 3.2.12 The Main Principles follow the wording recommended by the revised CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes.
- 3.2.13 The Schedules cover the detail of how the Council will apply the Main Principles in carrying out its operational treasury activities.

## **Treasury Management Strategy 2010-11**

3.2.14 The Council's Treasury Management Strategy for 2010-11 is set out at Annex D. The strategy incorporates:

- (i) The Capital Financing and Borrowing Strategy for 2010-11 including:
  - The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.
  - The Affordable Borrowing Limit for 2010-11 as required by the Local Government Act 2003.
- (ii) The Investment Strategy for 2010-11 as required by the CLG (formerly ODPM) Guidance on Local Government Investments issued in 2004. (Updated guidance is due to be published in 2010, with an implementation date of 1 April 2010)

## **Debt Financing Budget 2010-11 to 2012-13**

3.2.15 The debt-financing budget has been prepared in accordance with the requirements of the relevant legislation and guidance and with full regard to the Council's proposed capital programme, treasury strategy and prudential indicators and is included in the Revenue Budget 2010-11 to 2012-13 report to Cabinet. A copy is attached at Annex F for information.

3.2.16 The debt financing budget has been prepared on the basis of the Council's policy on reserves and balances – i.e. to protect balances wherever possible to allow the option of supporting future years' budgets, aiming for a minimum level of unallocated general fund reserves of £2.195m at the end of 2010-11 having regard to the outcome of the financial risk assessment. This policy is included in the Revenue Budget 2010-11 to 2012-13 report to Cabinet and Council.

3.2.17 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from increases in interest charges caused by increased borrowing to finance additional capital expenditure, and any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

3.2.18 The CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes requires this report to include a reference to compliance under the Local Government Act 1992 to produce a balanced



budget. Such compliance is demonstrated within the Revenue Budget 2010-11 to 2012-13 report to Cabinet & Council

## **Abbreviations**

3.2.19 A list of abbreviations used in this report and the accompanying annexes is provided at Annex G.

## **3.3 Choices (Options)**

3.3.1 Cabinet are asked to agree the recommendations at paragraph 2 above.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 The Treasury Strategy report sets the Council's policy on its debt and investment portfolios over the next financial year. It is revisited annually and reported to Cabinet and Council as part of the budget setting process.

### **4.2 Resources and Risk**

4.2.1 The resources required to deliver the Council's treasury management strategy and policies over the next three years are incorporated into the Council's debt financing and debt management budgets, which are included in the Council's Revenue Budget 2010-11 to 2012-13 report to Cabinet & Council

4.2.2 Effective risk management is a fundamental requirement for the treasury management function, and this theme runs clearly throughout the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Council's Treasury Management Policy, Treasury Management Practices (TMPs) and Schedules, and Treasury Management Strategy for 2010-11 discuss the ways in which treasury management risk will be determined, managed and controlled.

4.2.3 The Council's appetite for risk must be clearly identified in its strategy report. The Treasury Strategy at Annex D affirms that priority will be given to the security of capital and liquidity when investing funds. This will be carried out by strict adherence to the risk management and control strategies set out in the Schedules to the Treasury Management Practices and the Treasury Management Strategy. Responsibility for risk management and control lie within the Council and cannot be delegated to an outside organisation.

4.2.4 Risks in the debt financing budget have been taken into account in earmarked reserves and in the Risk Assessment of General Fund Reserves

4.2.5 There is a risk that proposed changes to the arrangements for housing finance and the HRA subsidy mechanism could have a significant impact on the Council's capital financing and borrowing position at some point in the coming three-year period. The details, impacts and timing of such changes are not yet

known, and a separate report will be brought to Cabinet (and Council if applicable) at a later date.

### **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. The relevant legislative and regulatory documents are referred to within the report and annexes and listed in the background papers.

### **4.4 Equality**

4.4.1 An Equalities Impact Assessment has been carried out on the Council's Treasury Strategy for 2010-11, and the associated Treasury Management Practices (TMPs) and Schedules to the TMPs. This is attached at Annex H.

4.4.2 As a result of that assessment, it should be noted that the potential impact of the strategy and associated documents (including Treasury Management Practices (TMPs) and the Schedules to the TMPs) on the different equalities groups must be considered as it is developed and put together each year. This includes the consideration of the potential impact on the different equalities groups of any processes, procedures or outcomes arising from these.

### **4.5 Consultees (Internal and External)**

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

### **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 The Council is required to keep its treasury management strategy under review and monitor against it. The strategy reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services (Fully Revised Second Edition) 2009. This contributes positively to Comprehensive Area Assessment (CAA) Use of Resources requirements, and supports the Council's priority to be "an efficient well-managed organisation that puts our customers at the heart of what we do".

### **4.7 Other Implications**

4.7.1 No other implications have been identified.

## **5. Background Papers**

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### **Statute, Regulation and Guidance**

CIPFA Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes 2001

Local Government Act 2003

Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

CIPFA Prudential Code for Capital Finance in Local Authorities 2003

ODPM Guidance on Local Government Investments 2004

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CIPFA Treasury Management in the Public Services - Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (Fully Revised Third Edition) 2009

CLG Changes to the Capital Finance System – Consultation (November 2009)

### **Reports to Cabinet & Council**

Financial Regulations - Report to Council 19 November 2007 (Contains formal adoption of the CIPFA Code of Practice for Treasury Management)

Capital Programme 2010-11 to 2012-13 - Report to Cabinet 24 February 2010

Treasury Strategy 2010-11 to 2012-13 - Report to Cabinet 24 February 2010

General Fund Revenue Budget 2010-13 - Report to Cabinet 24 February 2010

Prudential Indicators for Capital Finance 2010-11 2012-13 - Report to Cabinet 24 February 2010

**Bev Dixon, Finance Manager – Capital & Treasury, ext 7401**

## **Northampton Borough Council**

### **Adoption of the CIPFA Code of Practice on 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 Code), and specifically adopts the key recommendations as described in Section 5 of the Code.

1. Northampton Borough Council will create and maintain, as the cornerstones for effective treasury management:
  - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
  - Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

2. Northampton Borough Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. Northampton Borough Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
4. Northampton Borough Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

**Northampton Borough Council  
Treasury Management Policy Statement**

1. Northampton Borough Council defines its treasury management activities as:

“The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2. Northampton Borough Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
3. Northampton Borough Council 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.

**Treasury Management  
Practices**

**Part 1: Main Principles**

**February 2010**

### TREASURY MANAGEMENT PRACTICES

The Treasury Management Practices (TMPs) set out the manner in which the Council will seek to achieve its treasury management policies and objectives and prescribe how it will manage and control those activities.

TMP 1 Risk management

TMP 2 Performance measurement

TMP 3 Decision-making and analysis

TMP 4 Approved instruments, methods and techniques

TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

TMP 6 Reporting requirements and management information arrangements

TMP 7 Budgeting, accounting and audit arrangements

TMP 8 Cash and cash flow management

TMP 9 Money laundering

TMP 10 Training and qualifications

TMP 11 Use of external service providers

TMP 12 Corporate governance

Specific details of the systems and routines to be employed and the records to be maintained take the form of schedules to the TMPs, which are also set out in this document (from page 17).

### TMP 1 TREASURY RISK MANAGEMENT

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#### **General Statement**

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

#### **1) Credit and counterparty risk management**

This Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in *TMP4 Approved instruments methods and techniques* and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financial agreements.

#### **2) Liquidity risk management**

This Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

This Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.



### **3) Interest rate risk management**

This Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6 Reporting requirements and management information arrangements*.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

### **4) Exchange rate risk management**

It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

### **5) Refinancing risk management**

This Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

### **6) Legal and regulatory risk management**

This Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1 [1] *credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

This Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

### **7) Fraud, error and corruption, and contingency management**

This Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

### **8) Market risk management**

This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

### **TMP2 PERFORMANCE MEASUREMENT**

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This Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

**TMP3 DECISION-MAKING AND ANALYSIS**

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This Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

**TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

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This Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 *Risk management*.

### **TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

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This Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when this Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with *TMP6 Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the responsible officer in respect of treasury management are set out in the schedule to this document. The responsible officer will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management*.

### **TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

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This Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum:

The Council (ie full council) will receive:

- An annual report on the strategy and plan to be pursued in the coming year
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Council's treasury management policy statement and TMPs.

The committee/board/council will receive regular monitoring reports on treasury management activities and risks.

The body responsible for scrutiny, such an audit or scrutiny committee, will have responsibility for the scrutiny of treasury management policies and practices.

Local authorities should report the treasury management indicators as detailed in their sector specific guidance notes.

The present arrangements and the form of these reports are detailed in the schedule to this document.

### **TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

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The responsible officer will prepare, and this Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements*.

This Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.



**TMP8 CASH AND CASH FLOW MANAGEMENT**

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Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this Council will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 [1] *liquidity risk management*. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

**TMP9 MONEY LAUNDERING**

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This Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.

### **TMP10 STAFF TRAINING AND QUALIFICATIONS**

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This Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements.

The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule to this document.

### **TMP11 USE OF EXTERNAL SERVICE PROVIDERS**

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This Council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer, and details of the current arrangements are set out in the schedule to this document.

### **TMP12 CORPORATE GOVERNANCE**

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This Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

This Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

**Treasury Management  
Practices**

**Part 2: Schedules**

**February 2010**

## **TREASURY MANAGEMENT PRACTICES - SCHEDULES**

This section contains the schedules that set out the details of how the Treasury Management Practices (TMPs) are put into effect by this Council.

Key Principles

TMP 1 Risk management

TMP 2 Performance measurement

TMP 3 Decision-making and analysis

TMP 4 Approved instruments, methods and techniques

TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

TMP 6 Reporting requirements and management information arrangements

TMP 7 Budgeting, accounting and audit arrangements

TMP 8 Cash and cash flow management

TMP 9 Money laundering

TMP 10 Training and qualifications

TMP 11 Use of external service providers

TMP 12 Corporate governance

### **SCHEDULES TO THE TMPs - KEY PRINCIPLES**

The key principles of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes are that:

- Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
- Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy and should ensure that priority is given to security and liquidity when investing funds.
- They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

The Schedules to the Treasury Management Practices that follow and the Council's Treasury Strategy at report Annex D, are drafted in the context of these principles, as well as the requirements of the four key clauses (report Annex A), the treasury management policy statement (report Annex B), and the Treasury Management Practices (report Annex C).



### TMP1 RISK MANAGEMENT

#### 1. Credit and counterparty risk management

Credit and counterparty risk is the risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital or project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.

##### ***Specified Investments***

The Council may enter into any type of investment instrument categorised as a specified investment (See TMP4 Approved instruments, methods and techniques). Any type of specified investment that has not habitually been used by the Council – i.e. has not been used within the previous twelve month period, will only be entered into after consultation with the Council's external treasury management advisors, and with the express approval of the Chief Finance Officer.

All investments, with the exception of those to other local authorities and the Governments UK Debt Management Office, will be placed only with those banks, building societies and authorised deposit takers under the Financial Services and Markets Act 2000 and allocated a satisfactory rating by the Council's external treasury management advisors based upon credit ratings issued by the three main rating agencies, and also taking into account other relevant factors (e.g. sovereign ratings and movements in credit default swaps).

##### ***Non-specified investments***

The Council will set a limit each year for the level and type of non-specified investments that may be placed at any one time. This limit will be set in the Annual Investment Strategy and also, for investments over 364 days, in the Prudential Indicators.

The Council may undertake investments over 364 days, which are classified as unspecified investments. The maximum period of investment will be two years. These investments will only be placed with eligible counterparties, after consultation with the Council's external treasury management advisors and with the approval of the Finance Manager, Capital & Treasury.

##### ***Capital Expenditure***

The Council may make loans to third parties for the purpose of capital expenditure as allowable under paragraph 25 (1) (b) of the Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 (Statutory Instrument No. 3146)

### ***Counterparties***

The CIPFA Treasury Management in the Public Services; Code of Practice and Cross Sectoral Guidance Notes has emphatically laid down that the use of credit risk control measures in selecting counterparties with high credit worthiness to place on an approved counterparty list must be a normal and minimum part of day to day treasury management for all local authorities and public bodies.

The Council will use credit criteria in order to select creditworthy counterparties for placing investments with. Credit ratings will be used as supplied by the Council's external treasury management advisors, combining ratings from Fitch, Moody's and Standard and Poor's.

However, sole reliance will not be placed on credit ratings. Professional advice will be taken from the Council's external treasury management advisors on which institutions present the minimum level of risk to the authority. This analysis may include other criteria to determine creditworthiness; for example sovereign ratings and/or credit default swap spreads. These recommendations will form the Council's minimum levels of credit risk.

The Council is alerted to changes in credit ratings, and other relevant data such as rating watches, alerts or outlooks through its use of the creditworthiness service of its external treasury management advisers. Any changes to ratings are notified to the authority immediately and action is then taken to immediately remove them from or add them to the list as appropriate.

The Council will also use other independent external data - for example from market data and information, the quality financial press, information on government support for banks, and the credit ratings of that government support - to further inform its assessment of the financial standing of counterparties on its approved list.

The Chief Finance Officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising time, type, sector and specific counterparty limits.

The counterparty list may be further restricted with the approval of the Chief Finance Officer to limit the exposure of the authority to risk in times of economic or market uncertainty.

Treasury management staff will add or delete counterparties to or from the approved counterparty list in line with the policy on criteria for selection of counterparties, and as appropriate when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers.

The maximum value for any single investment transaction will be £5m.

The maximum level of investment with any counterparty, or group of counterparties will be £12m, with the following exceptions:

- £15m for UK banks or building societies supported by the UK banking system support package
- £15m for UK nationalised or part nationalised banking institutions
- £15m for the UK Debt Management Office
- £15m for other local authorities

Any proposals for adjustments to these maximum lending limits required to enable the effective management of risk in relation to investment will be submitted to Cabinet for approval.

Diversification will be achieved through the use of both UK and overseas counterparties and the application of the maximum investment levels. The maximum percentage of the portfolio that may be placed with overseas counterparties at any one time is 50%.

For the purposes of setting limits, institutions within the same banking group (eg Lloyds Banking Group) will be treated as a single counterparty.

The criteria in place to determine inclusion in the Council's current lending list will be reported as part of the Annual Investment Strategy. This will not limit the Chief Finance Officer's discretion to make temporary or other changes, so long as all investments are in line with the Council's minimum levels of credit risk and the requirements set out above under specified or non-specified investments.

## **2. Liquidity risk management**

Liquidity risk is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business or service objectives will thereby be compromised.

Money market investments will be placed with a view to maturity dates which correlate to cashflow needs for the discharge of the Council's liabilities.

Sufficient levels of cash deposits will be kept available in bank and building society deposit accounts, to meet short-term cashflow needs. This will include at least £5m available at 24 hours notice.

Bank balances will be maintained within the terms agreed with the Council's bankers, and by having regard to any constraints on the minimum sum that can effectively be invested.

The Council has an agreed overdraft facility of £200k with its bankers.

The Council may undertake temporary borrowing, in accordance with Part 1 of the Local Government Act 2003, if necessary to maintain a sufficient level of liquidity at a particular point in time.

Under the Local Government Act 2003 local authorities are able to borrow in year for the current year capital programme and for the following two years. The Council's policy on borrowing in advance of need is set out at Section 3 of the Council's Treasury Strategy. Any such borrowings will be invested within the rules of the Council's agreed investment and counterparty policies.

### **3. Interest rate risk management**

Interest rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself.

The upper limits for fixed and variable interest rate exposures in respect of net external debt are set each year by the Council as treasury indicators, in accordance with the Local Government Act 2003 and the associated regulatory framework. These are set out in the Council's Annual Treasury Strategy.

### **4. Exchange rate risk management**

Exchange rate risk is the risk that fluctuations in the levels of foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself.

The Council will only enter into loans and investments that are settled in £ sterling.

### **5. Refinancing risk management**

Refinancing risk management is the risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Council for those refinancings, both capital and current (revenue) and/or that the terms are inconsistent with prevailing market conditions at the time.

A schedule will be maintained of all long-term loans, including maturity profiles, in order to assist with the consideration of possible rescheduling opportunities that may arise as a result of changes to interest rates.

All rescheduling proposals will be fully costed in terms of costs/benefits to the organisation in the short, medium and long term, and in the context of the latest accounting guidance and regulations.

No refinancing of loans will be undertaken without the advice of the Council's external treasury management advisers and the express approval of the Chief Finance Officer.

### **6. Legal and regulatory risk management**

Legal and regulatory risk is the risk that the Council, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

The Council is mindful that all treasury management activities must be carried out within the current legal and regulatory framework.

This includes the following:

- Local Government Act 2003
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- ODPM Guidance on Local Government Investments 2004
- CIPFA Prudential Code for Capital Finance in Local Authorities – Fully Revised Guidance Notes for Practitioners 2007
- The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008
- CIPFA Prudential Code for Capital Finance in Local Authorities (Fully Revised Second Edition) 2009
- CIPFA Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes (Fully Revised Second Edition) 2009
- CIPFA Treasury Management in the Public Services - Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (Fully Revised Third Edition) 2009
- CLG Changes to the Capital Finance System – Consultation (November 2009)

As well as the statutory and regulatory documents listed above, regard will be had to other relevant statute and guidance - eg as relating to money laundering (see Schedule to TMP9)

The treasury function should also comply with the requirements of the Bank of England revised Non-Investment Products Code (NIPs Code), which was

drawn up by a wide cross-section of market practitioners in April 2009. The NIPs Code, which is market guidance, has no statutory underpinning; and there are no arrangements for supervision or enforcement. CIPFA commends the NIPs Code to its members as good practice to which they should adhere.

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 to apply any changes as necessary (See Schedule to TMP10).

Legal and regulatory risks associated with other organisations with which the Council deals in its treasury management activities are managed through counterparty risk management policies.

### **7. Fraud, error and corruption, and contingency management**

This is the risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

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.

#### ***Scheme of delegation and separation of duties***

- (i) The Director of Finance & Support, the Council's Chief Finance Officer (CFO) and Section 151 Officer, has been nominated as the Responsible Officer.

All executive decisions on borrowing, investment or financing have been delegated to the CFO.

- (ii) Finance Manager – Capital & Treasury (FMCT)

The FMCT has been nominated as the Operational Manager and is responsible for managing the overall treasury function and ensuring that at all times there is compliance with the Council's Schedules to the Treasury Management Practices (TMPs).

The FMCT has the authority, together with CFO and other senior officers nominated by the CFO, including the Head of Finance, the Assistant Heads of Finance, and the other Finance Managers, on

being satisfied that procedures have been complied with, to authorise the release of monies from the council's bank account, by whatever means appropriate, to repay monies borrowed or to invest short term temporary cash balances.

The FMCT has the authority, together with the Head of Finance, and the Assistant Head of Finance (Financial Management & Planning), to undertake borrowing from the PWLB or through money brokers on the documented approval of the CFO and being satisfied that all procedures have been complied with.

Neither the FMCT, the Head of Finance, the Assistant Heads of Finance, nor the other Finance Managers are authorised to enter into transactions with brokers for the investment or lending of any monies.

- (iii) The Assistant Accountant (AA) with day-to-day treasury management responsibilities in the Capital & Treasury Team is the main point of contact with the money market. In this capacity the AA is empowered to conclude deals with brokers or directly with counterparties for the investment and lending of monies on behalf of the Council within the conditions and criteria set out within the Schedules to the TMPs.

The AA may also carry out the administrative functions associated with the daily treasury activity in the absence of the Trainee Accountant (TA) – see below.

The CFO will authorise cover staff from within the Finance Section to cover this function in the absence of the AA.

Neither the AA, nor any person nominated to cover their role, is authorised to effect the final approval of monies to be released, by whatever means, from the Council's bank account.

- (iv) The Trainee Accountant (TA) with day to day treasury management responsibilities in the Capital & Treasury Team is responsible for carrying out back office checks on the treasury activities on a daily basis.

The CFO will authorise cover staff from within the Finance Section to cover this function in the absence of the TA.

The TA is also responsible for carrying out the administrative functions associated with the daily treasury activity. In his or her absence the AA may cover these duties.

A schedule will be maintained by the FMCT of all officers currently nominated for each level of delegation set above.

### ***Internal Audit***

The treasury management function will be the subject of an internal audit review each year and full and free access to all records will be given.

This review will include:

- Reviewing compliance with approved policy and procedures
- Reviewing division of duties and operational practices
- Assessing value for money from treasury activities
- Undertaking probity audit of treasury function

### ***Dealing procedures***

All dealing activities will be carried out in line with the Council's documented procedures and having regard to the conditions and criteria set out in the Schedules to the TMPs and the Treasury Strategy.

The AA is responsible for maintaining a schedule of procedure notes, and ensuring that these are made available to all relevant personnel.

All procedure notes will be assigned to a nominated individual who is responsible for reviewing and updating them on a regular basis.

### ***Emergency and contingency planning arrangements***

A business continuity plan is maintained by the FMCT in the format prescribed by the Council in its Risk Management Strategy. This will be backed up by detailed procedure notes, which are reviewed and updated at least annually.

An on-line back up of all data contained on the Council's IT networks is taken at 7am and 12am each working day. A copy is taken each evening at 6pm, which is stored off site at the Guildhall.

In the event of failure of the electronic banking system, Financial Director, bank balances and other daily information that is normally downloaded first thing in the morning can be obtained on the same day by means of a text file from the Co-op bank, which can be used to manually update the Council's records.

In the event of the failure of the electronic CHAPS payment system a manual CHAPS form can be completed and submitted by 3.00pm to the bank for processing that day.



A back-up PC with links to the electronic banking system is kept at the Guildhall, and links and procedure notes are tested on a regular basis.

Treasury management spreadsheets relating to daily activity are held on the central finance network drive (J drive) in a protected directory that can only be accessed by staff with specific treasury roles.

There are at least three trained finance staff to cover each process of the day-to-day treasury function.

### ***Insurance cover details***

Fidelity guarantee insurance cover is in place as required by law and officials indemnity insurance is also held by the Council.

## **8. Market Risk Management**

Market risk management is the risk that, through adverse market fluctuations in the value of principal sums that the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Council does not currently hold any investments that are subject to fluctuations in market value, such as gilts and CDs, and therefore does not currently have in place any procedures or limits for controlling exposure to those instruments. If circumstances change procedures will be put in place and agreed by the CFO before any such financial instruments are arranged. The procedures will require that before using any such investment products the treasury management staff will:

- Fully understand how the investment product works
- Fully understand what degree of risk exposure the product has
- Be comfortable that it is a suitable product that meets the risk appetite of the authority
- Be sure that the product complies with the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (Fully Revised Second Edition) 2009
- Ensure that they are fully satisfied with the level of security of the product
- Apply value for money principles to optimise investment returns

### TMP 2 PERFORMANCE MEASUREMENT

#### 1. Evaluation of treasury management decisions

##### *Performance reporting to management*

Monthly treasury management meetings are held to review the previous month's treasury activity and to plan for the following month and beyond. The meeting is attended by:

- Assistant Head of Finance (Financial Management and Planning)
- Finance Manager (Capital & Treasury)
- Assistant Accountant responsible for the operational treasury management
- Trainee Accountant responsible for treasury administration and the back office function.

The minutes and performance data arising from each meeting are reported to the Chief Financial Officer and the Head of Finance to provide regular management information on treasury management operations and performance.

The terms of reference for the meeting are as follows:

- 1 To record and review treasury management performance data
- 2 To discuss and agree or recommend actions pertaining to:
  - a) Treasury management performance data
  - b) Investment issues
  - c) Debt and/or borrowing issues
  - d) Debt financing budget
  - e) Treasury management strategic issues
  - f) Treasury management processes and procedures
  - g) Bank contract
  - h) Business continuity
- 3 To report upwards to the Head of Finance and the Chief Financial Officer, by means of:
  - a) Performance data
  - b) Documented decisions and action points

Corporate performance targets are set annually as part of the Finance Service Plan, and these are reported monthly to management through the Corporate Performance Reporting process. These are reviewed and set annually, but will include as a minimum targets for the average rate of interest achieved on temporary investments, and parameters for the level of daily bank balances.

### ***Performance reporting to Cabinet and Council***

Treasury management performance will be reported to Cabinet and Council at least twice each year, as follows:

The annual Treasury Mid Year report will be submitted to Council by 30 November following the year-end. The report will cover:

- Treasury activities undertaken
- Variations (if any) from agreed policies and practices
- Treasury performance to 30 September
- Monitoring information
- Monitoring of treasury management indicators (including relevant prudential indicators related to treasury management)

The annual Treasury Management Outturn report will be submitted to Council by 30 September following the year-end. The report will cover:

- Transactions executed and their revenue (current effects)
- The risk implications of decisions taken and transactions executed
- Compliance with agreed policies and practices and with statutory and regulatory requirements
- Treasury performance
- Compliance with the latest CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes
- Monitoring of treasury management indicators (including relevant prudential indicators related to treasury management)

In addition to the above Cabinet will receive:

- Prudential indicator reports in line with the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities (Fully revised second edition 2009)
- Monthly debt financing budget monitoring information, which is prepared and presented to Cabinet as part of the Council's overall revenue budget monitoring cycle

### **2. Testing value for money**

Banking services are re-tendered at least once every five years to ensure that the level of service reflects changing practices and represents value for money. During the life of the contract the Council's bankers will be required to be pro-active in drawing attention to new or innovative banking products that will assist with workflow, or which will generate savings for the Council in its banking related costs.

It is the Council's policy to appoint professional treasury management consultants specialising in local authority business, and this contract will be re-tendered at least once every five years.

The Council uses money broking services in order to make deposits or to borrow. A minimum of two money brokers are used in order to compare the rates offered. For operational purposes three brokers will typically be used, given the number of investment transactions currently undertaken. The standard of service provided is monitored on an ongoing basis.

### **3. Benchmarking**

The Council completes and submits the annual CIPFA Capital Expenditure and Treasury Management Statistics to enable comparisons of treasury management service costs with other local authorities.

In addition the Council has membership of the IPF Treasury Benchmarking Club, involving the completion of questionnaires and the attendance at meetings, usually twice a year. This membership is kept under review to ensure that it continues to be useful to the Council.

## TMP 3 DECISION-MAKING AND ANALYSIS

### 1. Funding, borrowing, lending and new instruments/techniques

#### *Records to be kept*

For each **counterparty** with which the council has treasury dealings, the following data will be maintained:

- Name and address and local contact if appropriate
- Bank details, name, address, sort code and account number
- Counterparty type and sector (for CIPFA and CLG returns)
- Borrowing and lending limits
- Maximum investment periods

For each **broker** with which the Council has dealings with the following data will be maintained:

- Name and address
- Local contact name
- Telephone and fax numbers
- Commission rates for borrowing

For each **transaction** the following data will be maintained:

- NBC reference
- Counterparty details
- Principal amount
- Transaction type
- Value date
- Repayment date, if fixed
- Initial interest rate
- Broker, if applicable
- Interest amount, if fixed

If the transaction is a variable rate instrument details of interest rate revisions and the final repayment date will be maintained.

For each **long-term loan** raised the data will be maintained:

- NBC reference
- Counterparty details
- Principal amount
- Start and maturity dates
- Repayment method and period
- Interest rate and amount
- Interest payment dates
- Method of interest payment

### ***Processes to be pursued***

All dealing activities will be carried out in line with the Council's documented procedures and having regard to the conditions and criteria set out in the Schedules to the TMPs and the Treasury Strategy.

The AA is responsible for maintaining a schedule of procedure notes, and ensuring that these are made available to all relevant personnel.

All procedure notes are assigned to a nominated individual who is responsible for reviewing and updating them on a regular basis.

### ***Issues to be addressed***

The Council's Financial Regulations approved by Council on 19 November 2007, "delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management" (Paragraph 5.9.3).

The Council's Section 151 Officer is the Director of Finance and Support, who is also the Council's Chief Finance Officer (CFO).

Operational treasury management decisions have been further delegated to other staff as set out in the Schedule to TMP 5 (Section 4 Duties and Responsibilities).

In respect of every decision made the CFO and the Council's treasury management staff will:

- Above all be clear about the nature and extent of the risk to which the council may become exposed.

## Annex C

- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping.
- Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded.
- Be content that the terms of any transaction have been fully checked against the market, and have been found to be competitive.

In respect of borrowing and other funding decisions the CFO and the Council's treasury management staff will:

- Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets
- Evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

In respect of investment decisions the CFO and the Council's treasury management staff will:

- Consider the optimum period, in the light of cash flow availability and prevailing market conditions.
- Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital.

Further details on how decision making processes are managed at an operational level, and in the context of the prevention and management of fraud, error and corruption and contingency management, are contained in the Schedule to TMP1 (Section 7 Fraud, error and corruption, and contingency management).

### TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

#### 1. Approved activities of the treasury management operation

Approved activities of the Council's treasury management function include:

- Cash flow management
- Money market investments
- Use of external deposit accounts
- Treasury related banking activities
- Borrowing
- Debt repayment and rescheduling
- Risk management of treasury management activities
- Developing treasury policy and treasury strategy
- Reporting on treasury management activities

#### 2. Approved instruments for investments

Under the Local Government Act 2003 the Council is required to have regard to the CLG (formerly ODPM) Guidance on Local Government Investments issued in March 2004 (due for update in 2010) and CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009) and Guidance Notes for Local Authorities (Fully revised third edition 2009).

In accordance with the Guidance on Local Authority Investments issued under Section 15 (1) (a) of the Local Government Act 2003 the instruments approved for investment by local authorities are sub-divided into specified and non-specified investments.

- Specified investments – broadly, sterling investments, not exceeding 364 days and with a high credit rating.
- Non-specified investments – do not satisfy the conditions for specified investments.

#### ***Specified investments***

An investment is a specified investment if it satisfies the conditions set out below:

- The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
- The investment is not a long-term investment (i.e. it does not exceed 364 days duration).



- The investment does not involve the acquisition of share capital or loan capital in any body corporate.
- Either of the following conditions is met:
  - (i) The investment is made with the UK Government or a local authority (as defined in section 23 of the 2003 Act) or a parish council or community council.
  - (ii) The investment is made with a body or in an investment scheme which has been awarded a high credit rating by a credit rating agency (either Standard and Poor's, Moody's Investment Service Ltd or Fitch ratings Ltd).

Specified investments are as follows, and must have a maturity of less than one year (i.e. 364 days or less)

- Gilts
- Treasury Bills
- Term deposits with local authorities and credit rated banks and building societies
- Certificates of deposit with credit rated banks and building societies
- Bonds issued by a financial institution that is guaranteed by the UK Government and multi-lateral development banks as defined in Statutory Instrument 2004 No. 534
- Triple A rated Money Market Funds (MMFs)
- Debt Management Office Deposit Facility
- Reverse Gilt Repos
- Forward deals with credit rated banks and building societies (negotiated deal period plus period of deposit must be less than 364 days)
- Commercial paper
- Gilt funds and other bond funds

### ***Non-specified investments***

Non- specified investments include those listed above with a maturity of one year or longer, together with investments placed with un-rated banks and building societies.

Furthermore, following the spirit of the CLG Guidance on Local Government Investments (2004), any investment product that takes on greater risk should be subject to greater scrutiny and justification, and should fall into the category of non-specified investments. Should the Chief Finance Officer determine that the authority would wish to make use of such higher risk investments, this will be brought to Council as a specific change to the Annual Investment Strategy in order that the decision to use such instruments receives effective scrutiny by those charged with governance.

### 3. Investments methods and techniques

The Council may enter into any type of investment instrument categorised as a specified investment, as listed above.

The majority of the Council's investments fall into the category of specified investments, as they relate to short term cash flow surpluses that can be invested until required to meet expenditure commitments.

Any type of specified investment that has not habitually been used by the Council – i.e. has not been used within the previous twelve month period, will only be entered into after consultation with the Council's external treasury advisers, and with the express approval of the Chief Finance Officer.

The Council will set a limit each year for the level and type of non-specified investments that may be placed at any one time. This limit will be set in the Annual Investment Strategy.

The Council may undertake investments over 364 days, which are classified as unspecified investments. The maximum period of investment will be two years. These investments will only be placed with eligible counterparties, after consultation with the Council's external treasury management advisors and with the approval of the Finance Manager, Capital & Treasury.

Investments, with the exception of those to other local authorities and the UK Debt Management Office, will be placed only with those banks, building societies and authorised deposit takers under the Financial Services and Markets Act 2000 and allocated a satisfactory rating by the Council's external treasury advisers.

Only counterparties in the Council's current lending list, using the criteria determined by the Chief Financial Officer and set out at the Schedule to TMP 1 and in the Annual Treasury Strategy will be used.

All dealing activities will be carried out in line with the documented procedures and having regard to the conditions and criteria set out in the Schedules to the TMPs and the Treasury Strategy.

The Council may make loans to third parties for the purpose of capital expenditure as allowable under paragraph 25 (1) (b) of the Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 (Statutory Instrument No. 3146).

For further details see Schedule to TMP1 (Credit and counterparty risk management)

### **4. Approved instruments for borrowing**

The statutory basis of the local authority's power to borrow is derived from the Local Government Act 2003. Essentially a local authority may borrow (or invest) for any purpose relevant to its functions, under any enactment or "for the purpose of the prudent management of its financial affairs".

Local authorities may only borrow in sterling, except with the consent of the treasury. It is generally held that they have no powers to use financial derivatives such as interest rate swaps.

The main source of local authority borrowing is through Public Works Loans Board (PWLB) loans. Other borrowing sources include money market instruments, including low start or stepped interest rate structures, such as LOBOs (Lenders Option, Borrowers Option).

Local authorities may also borrow from each other.

Local authorities are required by the 2003 Act to determine and keep under review limits as to how much money they can afford to borrow. The Council's Authorised Borrowing Limit as set in the Treasury Strategy and its Prudential Indicators must not be exceeded.

Regard must be had to the contents of TMP9 (money laundering).

### **5. Borrowing methods and techniques**

#### ***Long-term borrowing***

All long-term borrowing requires the express approval of the Chief Finance Officer, who will also sign any associated internal or external approval or authorisation documentation. The Chief Finance Officer has the delegated authority to take the most appropriate form of borrowing from approved sources.

Long-term borrowing may take the form of loans from the Public Works Loans Board (PWLB) or from the market, including LOBO loans.

PWLB loans are arranged directly with the PWLB, using their standard application procedures. Money market loans are arranged via a money broker.

Advice from the Council's external treasury advisers will be sought and documented before entering into any long-term loan arrangements.

### ***Short-term borrowing***

The Council may take short-term deposits from other local authorities, arranged via a money broker, to facilitate the management of cash flow, and, under long established arrangements, from two local organisations.

All borrowing activities will be carried out in line with the documented procedures and having regard to the conditions and criteria set out in the Schedules to the TMPs and the Treasury Strategy.

**TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS**

**1. Limits to responsibilities/discretion at executive levels**

***Council***

The Council is responsible for:

- Receiving and reviewing reports on treasury management policies, practices and activities, including the setting and monitoring of the prudential indicators.
- Approval of the annual Treasury Strategy

***Cabinet***

The Cabinet is responsible for the following:

- Approval of/amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices
- Annual strategy/budget consideration and recommendation to Council
- Annual out-turn report consideration and recommendation to Council
- Receiving and reviewing external audit reports and acting on recommendations
- Approving the selection of external service providers and agreeing terms of appointment if the total contract value exceeds the OJEU threshold
- Annual setting of prudential indicators consideration and recommendation to Council
- Regular monitoring of prudential indicators consideration and recommendation to Council.

***Audit Committee***

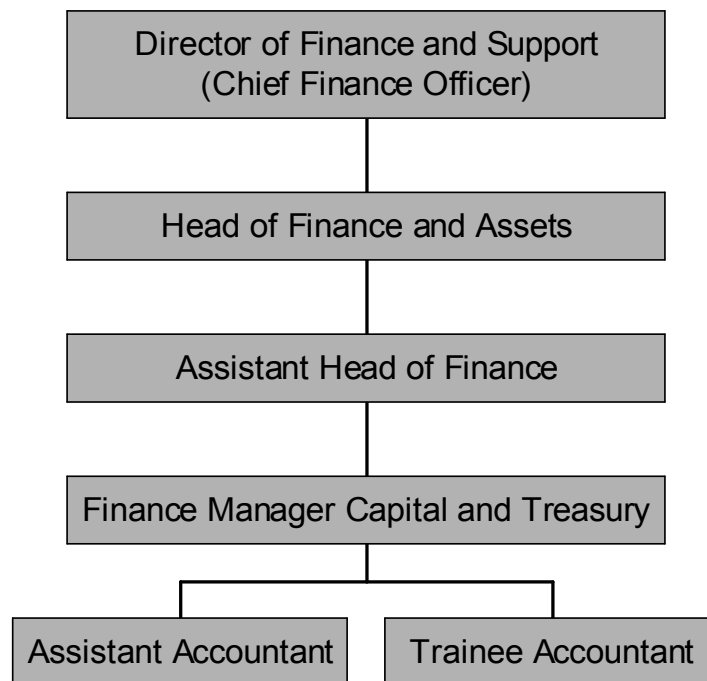
Audit Committee is the body responsible for scrutiny and will have responsibility for the review of all treasury management policies and procedures, the scrutiny of all treasury management reports to Cabinet and Council, and for making recommendations to Council.

**2. Segregation of duties**

Segregation of duties is achieved by the allocation of treasury duties to specific posts within the finance structure, and by the authority levels set up on the Council’s electronic banking system, Financial Director, which is used to make electronic CHAPS payments. See the Schedule to TMP1 for a full description of the levels of delegated responsibility and separation of duties designed to restrict opportunities for fraud, error and corruption.

**3. Organisation chart**

The current structure of the Council’s treasury division is set out below.



**4. Duties and responsibilities**

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.

### ***Head of the Paid Service***

The Head of Paid Service is the Chief Executive, responsible for the corporate and overall strategic management of the Council as a whole. He has responsibility for establishing a framework for management direction, style and standards, and for monitoring the overall performance of the organisation.

The Chief Executive heads up the Management Board, of which the CFO is a member. Management Board meets on a weekly basis. Treasury reports feed into the corporate domain via the Management Board.

### ***Monitoring Officer***

The Council's Monitoring Officer is the Borough Solicitor. The Monitoring Officer is responsible for promoting and maintaining high standards of conduct by both members and officers and therefore provides support to the Standards Committee. He is also responsible for the reporting of any actual or potential breaches of the law or maladministration to the full Council and/or Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

The Monitoring Officer, in conjunction with the Chief Executive and Section 151 Officer, has responsibility for advising Cabinet or the full Council on whether a decision is likely to be contrary to or not wholly in accordance with the Council's budget and policy framework.

The responsibilities of this post will include-

- Ensuring compliance by the Chief Finance Officer with the treasury management policy statement and treasury management practices and that they comply with the law
- Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice
- Giving advice to the Chief Finance Officer when advice is sought.

### ***Chief Finance Officer***

The Director of Finance and Support is the Council's Chief Financial Officer and the officer designated for the purposes of section 151 of the Local Government Act 1972 as the Responsible Officer for treasury management at Northampton Borough Council.

This post, as defined in Article 13 of the Constitution, has statutory duties in relation to the financial administration and stewardship of the authority. This

statutory responsibility cannot be overridden. The statutory duties arise from:

- Local Government Act 1972 (Section 151)
- Local Government Finance Act 1988
- Local Government and Housing Act 1989
- Local Government Act 2003
- Accounts and Audit Regulations 2003

These statutory duties are set out in more detail in the Council's Financial Regulations. Council are recommended to agree updated wording for the Financial Regulations, as set out at Annex A of the is report, at their meeting of 25 February 2010.

The proposed update to the Council's Financial Regulations "delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management"

The detailed responsibilities are:

- Ensuring that the schedules to the Treasury Management Practices (TMPs) are fully reviewed and updated annually and to monitor compliance to the Treasury Management in the Public Services: Code of Practice and Guidance Notes.
- Ensuring that the annual Treasury Strategy Report, the Mid Year Treasury Management report and the annual Treasury Outturn Report are submitted to Council via Cabinet (See Schedule to TMP6),
- Reviewing the performance of the treasury management function and promoting value for money.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending or approving the appointment of external service providers (e.g. treasury advisors) in line with the approval limits set out in the Council's procurement rules.

The CFO has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments. These powers have been delegated to officers as set out below.



The CFO and the Council's Monitoring Officer will ensure that the policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible in accordance with their statutory duties.

Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Chief Finance Officer to be satisfied, by reference to the Monitoring Officer, the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.

### ***Head of Finance/Assistant Head of Finance***

These posts have line management responsibility through the structure of the department. As such they may carry out delegated tasks as instructed by the CFO. This may include delegated Section 151 responsibilities in her absence. They also have managerial responsibility for the tasks carried out by the operational manager and the other operational treasury management staff.

Both post holders are involved in the Council's monthly treasury management meeting, either as attendees or as recipients of the action points and performance data. (See Schedule to TMP2)

### ***Operational Manager***

The Finance Manager – Capital and Treasury (FMCT) will operate as the Operational Manager and shall be responsible for:

- Implementing and ensuring compliance with the policies and procedures as set out in the TMPs and schedules, and the Council's Treasury Strategy.
- Reviewing treasury management policies and practices and submitting proposals for changes, as appropriate, to the CFO.
- Drafting, for the consideration of the CFO, all treasury management and prudential indicator reports to Cabinet and Council.
- Preparing an annual debt-financing budget for consideration, taking all relevant factors into account, and ensuring that the debt-financing budget is monitored as part of the Council's budget monitoring process, reporting all significant deviances to the CFO.
- Providing such reporting information, as determined by CFO, to enable her to fulfil her obligations as the Responsible Officer.

- Managing, on behalf of the CFO, the overall treasury management function ensuring that there is, at all times, an appropriate division of duties within the treasury team.
- Supervising treasury management staff.
- Ensuring that the treasury management team, and other staff undertaking treasury functions, receive such training as is required for them to undertake their respective functions.
- Holding monthly treasury management meetings including a review of performance data.
- Ensuring that sufficient information is available at all times to satisfy internal and external audit requirements, and liaison with internal and external auditors.

### ***Assistant Accountant (AA)***

The Assistant Accountant (AA) will operate as the Council's Treasury Manager and be responsible for:

- The arrangement and execution of all transactions.
- Adherence to agreed the policies and practices on a day to day basis.
- Maintaining relationships with counterparties and external service providers.
- Ensuring that all loans received and investments repaid have been received into the Council's bank account.
- Entering, arranging approvals and sending all CHAPS payments via Financial Director.
- Raising the payment documentation for all loan repayments, interest instalments and investments and ensuring that all loans are repaid on the due date and that interest payments are made on the appropriate date.
- Monitoring performance on a day to day basis
- Submitting management information reports to the Operational Manager and others.
- Keeping the Operational Manager informed of all matters relating to her responsibilities.
- Identifying opportunities for improved practices.

- Acting as an early warning system should it appear that timely action is required by the Council to take account of changes in the money markets, which may have been advised by brokers or advisers.
- Preparation of the necessary documentation (letters, loan receipts etc) and subsequent despatch to the borrower/lender as appropriate.
- Checking that confirmation documentation provided by brokers, lenders and borrowers corresponds to the initial documentation prepared as above.
- Entering the necessary information, from the documentation, on to the relevant electronic and hard copy records, ensuring that at all times, the databases are accurate and up-to-date.
- Preparing weekly and monthly reconciliations and performance data.

### ***Trainee Accountant (TA)***

The TA will provide clerical support to the treasury management function. This includes providing the back office function, which contributes to the separation of duties.

The post holder is responsible for:

- Back office checks as set out in the treasury procedure notes.
- Completing all relevant journal entries into Agresso.
- Preparing monthly reconciliations.

### ***Internal Audit***

The treasury management function will be the subject of an internal audit review each year and full and free access to all records will be given.

This review will include:

- Reviewing compliance with approved policy and procedures.
- Reviewing division of duties and operational practices.
- Assessing value for money from treasury activities.
- Undertaking probity audit of treasury function.

### **5. Cover arrangements and business continuity**

An adequate number of nominated officers at an appropriate level are trained and set up to provide cover arrangements.

The Assistant Accountant maintains a schedule of lead and cover responsibilities for dealing, manual and system authorisation, back office checks, and system support. The schedule includes colour coding to demonstrate the segregation of duties to be practiced; this is backed up by system controls. The schedule is reviewed and updated or confirmed each month at the monthly treasury management meeting.

From April 2010 full ongoing training records will be kept of the training needs of those individuals with roles in the treasury management function, including those set up to provide cover arrangements. These will set out the specific skills and knowledge requirements at a detailed level and when and how they have been or will be addressed.

A business continuity plan is maintained by the FMCT in the format prescribed by the Council in its Risk Management Strategy. This is backed up by detailed procedure notes, which are reviewed and updated at least annually.

### **6. Dealing limits**

The Chief Finance Officer is responsible for formulating suitable criteria for assessing and monitoring the credit risk of investment counterparties and constructing a lending list comprising time, type, sector and specific counterparty limits. This is carried out with reference to the creditworthiness advice given by the Council's external treasury advisors. The criteria and limits are set out at TMP1 (Section 1 Credit and counterparty risk management) and in the Treasury Strategy at Section 18 Counterparties.

### **7. Approved brokers**

The Council currently uses the following money brokers

- ICAP Europe Ltd
- Tullett Prebon (Europe) Ltd
- Tradition (UK) Ltd

It is considered good practice to use a minimum of two brokers; three is the number that it is considered by the Council to be operationally suitable given the number of investment transactions typically undertaken. The standard of service provided is monitored on an ongoing basis.

There is no direct charge to the Council for using money brokers; their fees are met through commission received from the counterparty to the investment.

### **8. Policy on the taping of conversations**

All external treasury management calls related to the dealing process are tape-recorded. The tapes are kept for a minimum of one year.

### **9. Direct dealing practices**

Direct dealing arrangements can be used as an additional tool to achieve further spreading of counterparty risk, to aid flexibility and to improve on interest rates offered.

Direct dealing arrangements are only set up with authorised counterparties. Prior to new arrangements being set up the counterparty is supplied with a list of officers authorised to deal on behalf of the Council and a copy of the Council's standard bank settlement instructions.

### **10. Settlement transmission procedures**

Settlement transmission procedures are set out in the treasury management procedure notes.

### **11. Documentation requirements**

Documentation requirements are set out in the Schedule to TMP3, above, and the treasury management procedure notes.

### **12. Management of third party funds**

#### ***Section 106 Developer Funds***

The Council holds funds from developers (Section 106 funds) that are used to fund the Council's capital and revenue expenditure as per the terms of the individual legal agreements. In some instances the legal agreements provide for the funds to be returned to the developer if not used by the Council for the intended purpose after a given period of time. In cases where funds have to be returned, which are exceptional, interest is applied at the rate set out in the legal agreement. The Council declares the maximum liability for interest payable at year-end as a contingent liability in its annual Statement of Accounts.

#### ***Temporary borrowing arrangements***

Under long established arrangements the Council takes short-term deposits, treated as temporary borrowing, from two local organisations.

Formal agreements are in place for the management of these funds. Interest review dates are quarterly, and the interest rates are set at the Council's average rate for approved investments for the previous quarter, less 0.5% to cover administrative costs.

## **TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

### **1. Council and Cabinet Reports**

A key recommendation of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009) is that the Council's treasury management policy statement should specify formal reporting arrangements by the responsible officer to full council, to include at minimum annual reports both before, mid year and after the year end. These should include the Council's treasury management indicators.

Audit Committee is the body responsible for scrutiny and will have responsibility for the review of all treasury management policies and procedures, the scrutiny of all treasury management reports to Cabinet and Council, and for making recommendations to Council.

Council will receive, via Cabinet, the following reports:

#### ***Annual Treasury Management Strategy Report***

The Annual Treasury Management Strategy report will be submitted to Council before the start of the financial year, consisting of a review of the Council's approved clauses, treasury management policy statement and practices and a strategy report on the proposed treasury management activities for the year. The latter will incorporate:

(i) The Capital Financing and Borrowing Strategy for the coming year including:

- The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.
- The Affordable Borrowing Limit as required by the Local Government Act 2003.

(ii) The Investments Strategy for the coming year as required by the CLG (formerly ODPM) Guidance on Local Government Investments issued in 2004.

The Treasury Strategy will include the following elements:

#### **Capital Financing and Borrowing Strategy**

- Capital Financing
- Existing Borrowing
- New Borrowing

- Minimum Revenue Provision
- Borrowing Requirement
- Debt Rescheduling
- Long Term Interest Rates for Borrowing
- Sensitivity of Forecasts
- Borrowing Strategy
- Prudential Indicators
- Treasury Indicators
- Affordable Borrowing Limit
- Temporary Borrowing
- Overdraft Facilities

### Investment Strategy

- Current Investment Portfolio
- Specified/ Non specified Investments
- Investment strategy;
- Counterparties
- Liquidity of Investments
- Bank Base Rate
- Short Term Interest Rates for Investments
- Sensitivity of Forecasts
- Prudential Indicators
- Treasury Indicators

The annual report will also include:

- The proposed debt financing and debt management budget for the coming three years
- Demonstration of adherence to the Council's policy on reserves and balances
- Compliance with the requirement under the Local Government Finance Act 1992 to produce a balanced budget

### ***Treasury Management Mid Year Report***

The annual Treasury Mid Year report will be submitted to Council by 30 November following the year-end. The report will cover:

- Treasury activities undertaken
- Variations (if any) from agreed policies and practices
- Treasury performance to 30 September
- Monitoring information
- Monitoring of treasury management indicators (including relevant prudential indicators related to treasury management)

### ***Treasury Management Outturn Report***

The annual Treasury Management Outturn report will be submitted to Council by 30 September following the year-end. The report will cover:

- Transactions executed and their revenue (current effects)
- The risk implications of decisions taken and transactions executed
- Compliance with agreed policies and practices and with statutory and regulatory requirements
- Treasury performance
- Compliance with the latest CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes
- Monitoring of treasury management indicators (including relevant prudential indicators related to treasury management)

### ***Other reports to Cabinet and Council***

In addition to the above Cabinet will receive:

Prudential indicator reports in line with the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities (Fully revised second edition 2009)

Monthly debt financing budget monitoring information, which is prepared and presented to Cabinet as part of the Council's overall revenue budget monitoring cycle

### ***Reports to Audit Committee***

Audit Committee is the body responsible for scrutiny and will have responsibility for the review of all treasury management policies and procedures, the prior scrutiny of all treasury management reports to Cabinet and Council, and for making recommendations to Council.



### 2. Reports to the Chief Finance Officer

The following performance reports will be submitted to CFO on a monthly basis along with the action points/minutes from the monthly treasury management meetings.

- Details of all outstanding loans, including name of lender, amount, period and interest rates.
- Details of all outstanding investments including name of borrower, amount, period and interest rates
- Variations on actual daily bank balances against targets
- Average monthly rates achieved on temporary investments, with base rate and average 7-day LIBID and LIBOR rates as comparators.
- Details of any variations (if any) from agreed policies/practices

Notifications of changes to counterparty credit ratings are advised on a daily basis with, if applicable, a note of the value of any investments that the Council holds with the counterparty.

### TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

#### 1. Budgeting arrangements

Working within the overall context of the Council's Medium Term Financial Strategy, the FMCT will prepare a three-year medium term financial plan, which will incorporate, for the following three years:

- The debt financing and debt management budget for the forthcoming year and provisional estimates
- The prudential indicators, including those for treasury, related to external debt
- The treasury indicators

These will be submitted to Council for approval at their annual budget setting meeting preceding the start of the financial year in, respectively, the Annual Revenue Budget report, the Prudential Indicators report and the Treasury Strategy report.

The debt-financing budget will comprise:

- Interest and investment income
- Debt and other financing costs (including MRP)
- Recharges to and from the HRA
- Other recharges

The debt management budget will comprise:

- Staffing numbers and related costs (in the form of recharges)
- Premises and other administrative costs (in the form of recharges)
- Bank and overdraft charges
- Brokerages, commissions and other transaction related costs,
- External advisers' and consultants' charges

#### 2. Accounting practices and standards

All current accounting standards, regulations, practices and guidance pertaining to budgeting and accounting will be followed. This will include the CIPFA Accounting Statement of Recommended Practice (SORP) (or from 2010-11 the CIPFA Code of Practice on Local Authority Accounting) and Best Value Accounting Code of Practice (BVACOP), as well as the treasury management specific documents referred to at the Schedule to TMP 1.

### **3. Information requirements of external auditors**

Year-end figures and working papers on the Council's debt and investment portfolios will be provided as required for the Council's annual Statement of Accounts in line with the requirements of the latest CIPFA guidance, currently the CIPFA SORP (Statement of Recommended Practice).

The working papers provided will be of sufficient quality to include all relevant supporting information reasonably required by the external auditors, set out in a clear and logical manner and providing a clear audit trail.

Any other information or supporting documents reasonably requested by the council's external auditors will be provided in a timely manner.

### **TMP 8 CASH AND CASH FLOW MANAGEMENT**

#### **1. Cashflow forecasts**

The Finance Manager (Capital & Treasury) will prepare high level cash flow projections annually, for the following three years, to prepare the debt financing budgets, as part of the Council's budget setting cycle.

The Assistant Accountant responsible for the day-to-day treasury function will prepare cash flow projections at detailed level for the current year, and, by 28 Feb each year, for the forthcoming year, updated on a daily basis.

The types of information to be included in the cashflow forecasts include the following:

- Details of all BACS runs
- Details of large cheques drawn
- Details of forthcoming Right-to-Buy, Shared Ownership and other property sales
- RSG and NDR receipts and/or payments (from annual schedule)
- Housing Benefits subsidy payments or receipts
- Details of local precepts and levies
- Details of loan interest and principal payable.
- Details of returns of previous investments

Comparisons of forecasts to actual figures will be undertaken in order to improve the accuracy of projections.

#### **2. Overdraft arrangements**

The Council has a £200k overdraft facility with its bankers, the Co-operative Bank, for which an annual fee of 0.25% (£500) applies. The overdraft rate applicable to use of the agreed facility is 2% above base rate. Borrowing in excess of the agreed facility is charged at 5% above base rate.

The overdraft facility is only used to cover unforeseen events; usage is kept to a minimum and generally occurs only as a result of events outside of the Council's control; for example, failure by third parties to make agreed payments. The use of the overdraft facility is monitored on a daily basis against a performance target and reported monthly to senior managers through the corporate performance reporting framework.

### **2. Bank statement procedures**

Electronic bank statement extracts are downloaded daily via the electronic banking system (Financial Director) in order to calculate the net cash position and take investment or short term borrowing action as necessary. They are also used for bank reconciliations using the automated Agresso process. This is the responsibility of the Corporate Finance Team. The Council also receives hard copies of all bank statements.

### **3. Payment scheduling and agreed terms of trade with creditors**

The Council's normal settlement terms are 30 days in accordance with Best Value Performance Indicators (BVPI8). In the current economic climate, and to support local businesses, efforts are being made to make payment to NN postcodes within 10 days.

Payments are made by BACS wherever possible and payment runs are made daily. Other BACS runs are made for salaries/wages and housing benefit payments.

Bank details are requested from all new suppliers in order to keep cheque payments to a minimum to reduce costs.

### **4. Procedures for banking of funds**

All income coming into the authority must be banked promptly. All payments received into the authority are banked via an E-Return. Individual departments that receive income hold paying in books that are specific for their individual area and submit separate banking returns for cash and cheque payments. E>Returns is a simple and effective tool for processing payments onto the Council's cash /cheque collection system which feeds into Agresso, the Council's financial management system.

Northampton Borough Council has closed its cash offices. Customers wishing to make cash payments can still do so at the 100 Payzone and 26 Post Office locations throughout Northampton.

### **TMP 9 MONEY LAUNDERING**

#### **1. Wider context**

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering.

The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering, which apply to all persons in the UK in a personal and professional capacity. The Terrorism Act 2000 also contains provisions in respect of money laundering in the context of terrorist activity.

In December 2007 the government published the Money Laundering Regulations 2007, which replaced previous regulations of 2003. This defines money laundering as an act which falls within section 340(11) of the Proceeds of Crime Act 2002

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the Proceeds of Crime Act 2002, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. However as responsible public bodies they are expected to employ policies and procedures which reflect the essence of the UK's anti-terrorist financing and anti-money laundering regimes. It is for individual organisations to evaluate the prospect of laundered monies being handled by them and to determine the appropriate safeguards to be put in place. It is the legal responsibility of every person engaged in treasury management to make themselves aware of their personal responsibilities. However CIPFA recommend that organisations bring them to their staff's attention and consider the appointment of a member of staff to whom they can report their suspicions.

#### **2. Procedures for establishing the identity or authenticity of lenders**

The Council does not accept loans from individuals. All long-term loans are obtained from the PWLB, or from authorised institutions under the Financial Services and Market Act 2000. A register of these institutions is maintained by the Financial Services Authority (FSA) and can be accessed through their website on [www.fsa.gov.uk](http://www.fsa.gov.uk).

The Council may also take short-term deposits from other local authorities, to facilitate the management of cash flow, and, under long established arrangements, from two local organisations.

**3. Other NBC arrangements**

Any suspicions of money laundering must be reported immediately to the Head of Finance in his role as the Money Laundering Reporting Officer.

Training will be provided for treasury management staff on their responsibilities in respect of money laundering (See Schedule to TMP 10)

### **TMP 10 TRAINING AND QUALIFICATIONS**

#### **1. Training and qualifications**

It is vital to the success of the treasury function that all members of the treasury management team, and all other individuals undertaking treasury roles, including those with responsibility for governance, are suitably qualified and receive sufficient training to enable them to carry out their functions efficiently, effectively and to a high standard. This has become increasingly evident in the context of the worldwide banking crisis and economic environment of the past two years, which has highlighted the growing complexity of treasury management in general, and its application to the public sector in particular.

Training can be achieved in a number of ways. Professional qualifications and specific internal and external training courses are evidently important. Work shadowing and on the job training are also valuable training tools and will be undertaken on an ongoing basis as required. Regular more formal in-house training will also be used. In addition general awareness training that comes from reading appropriate publications and electronic communications on a regular basis is essential to keep up to date with the external environment in order to contribute to the successful operation of the treasury management function.

The way in which the individual training needs of those involved in the treasury management function at the Council can be met are set out in the table below. Professional and AAT qualifications are in line with the requirements of the post. The level and nature of other training will be as appropriate to the role.

For the specific treasury responsibilities of each of those listed below, see the Schedule to TMP5 (Section 4. Duties and responsibilities)



## Annex C

### Meeting training needs for treasury management responsibilities

<b>Job Title</b>	<b>CCAB Qualified</b>	<b>AAT Qualified</b>	<b>External Seminars/ Workshops</b>	<b>In-house training</b>	<b>Reading</b>
Cabinet and Audit Committee Members	N/A	N/A	Yes	Yes	Yes
Chief Executive	N/A	N/A	Yes	Yes	Yes
Chief Finance Officer/ S151 Officer	Yes	N/A	Yes		Yes
Head of Finance	Yes	N/A	Yes		Yes
Assistant Head of Finance	Yes	N/A	Yes		Yes
Finance Manager	Yes	N/A	Yes		Yes
Assistant Accountant		Yes	Yes	Yes	Yes
Cover for above		Yes	Yes	Yes	
Trainee Accountant		Trainee	Yes	Yes	
Cover for above		Yes	Yes	Yes	
System support				Yes	

### 2. Training Records

From April 2010 full ongoing training records will be kept of the training needs of those individuals with roles in the treasury management function, setting out their specific requirements at a detailed level and when and how they have been or will be addressed.

Areas to be covered by training (dependant on role) will include:

- Regulatory framework
- Governance
- Risk management
- Best practice
- Investment
- Borrowing
- Cashflow
- Performance management
- Prudential Indicators
- Budgeting and budget monitoring
- Money laundering
- Local financial systems

### 3. Statement of Professional Practice (SOPP)

Where the Chief Financial Officer is a member of CIPFA, there is a professional requirement for the post holder to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

Similarly the Chief Financial Officer as a CCAB member and other staff as CCAB or AAT members are required to follow the professional standards and codes of conduct of their own professional bodies.

### **TMP 11 USE OF EXTERNAL SERVICE PROVIDERS**

Details of existing contracts with service providers are set out in the paragraphs below.

#### **1. Banking services**

The current supplier of the service is the Co-operative Bank plc. The contract commenced 1 April 2004 with an initial contract period of 3 years and an option to extend for a further 3 years. This option has been exercised, and the contract has been further extended for a period that will not exceed 30 September 2010.

A full retendering exercise was started during 2009 under the ESPO (Eastern Shires Purchasing Organisation) Framework. The outcome of this exercise is not yet determined; the contract award is due to take place before the end of March 2010.

The costs of the banking service are provided for in the council's annual revenue budget. Payments under the current contract are due in a combination of monthly and quarterly frequency.

#### **2. Money-broking services**

The Council currently uses the following money brokers

- ICAP Europe Ltd
- Tullett Prebon (Europe) Ltd
- Tradition (UK) Ltd

It is considered good practice to use a minimum of two brokers; three is the number that it is considered by the Council to be operationally suitable given the number of investment transactions typically undertaken. The standard of service provided is monitored on an ongoing basis.

There is no direct charge to the Council for using money brokers; their fees are met through commission received from the counterparty to the investment.

#### **3. Treasury Management Advisers services**

The current supplier of service is Sector Treasury Services Ltd. The contract commenced 20 March 2005 with an initial contract period of three years and an option to extend for further years, year on year. The contract was extended initially to 19 March 2009; a further extension was then agreed to 31 March 2010.

## **Annex C**

A new contract for treasury management advisory services is currently being procured, in line with the Council's procurement rules, to run from 1 April 2010. Quotes were due back by 15 February 2010; the outcome of this exercise is not yet determined.

The costs of the service are provided for in the Council's annual revenue budget. Payments under the contract are currently based on a fixed fee, payable half yearly in arrears. Additional services are available at rates specified in the contract.

### TMP 12 CORPORATE GOVERNANCE

#### 1. Arrangements for corporate governance

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

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

The Council produces an Annual Governance Statement in its annual Statement of Accounts, which explains the corporate governance arrangements that the Council has in place and how it ensures compliance with these arrangements.

The Council has adopted and has implemented the key recommendations of the CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes 2001 and 2006 update. The Council is asked in the Treasury Strategy report 2010-11 to 2012-13 to adopt the updated wording of the 2009 second fully revised edition. This, together with detailed arrangements contained in the Schedules to TMP 1 to 11, are considered vital to the achievement of proper corporate governance in treasury management, and the Chief Finance Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Documents subject to Cabinet or Council approval and available to the public on the Council's website include:

- Annual Treasury Strategy Report
- Mid year Treasury Management Report (from 2010-11)
- Treasury Outturn Report
- Prudential Indicators Setting Report
- Prudential Indicators Monitoring Reports
- Three Year Revenue Budget Setting Report
- Three Year Capital Programme Report
- Capital Strategy
- Annual Statement of Accounts.

### **2. Procedures for consultation with stakeholders**

The Council recognises that it is important to actively involve the community in the decision making process through consultation in order to provide good quality services and deliver them well.

The Council adopted a Community Engagement Strategy in 2008 and has introduced a Consultation Toolkit as a means to improve how it consults, engages and involves with the people and service users of Northampton.

### **3. External funds managed on behalf of others**

#### ***Section 106 Developer Funds***

The Council holds funds from developers (Section 106 funds) that are used to fund the Council's capital and revenue expenditure as per the terms of the individual legal agreements. In some instances the legal agreements provide for the funds to be returned to the developer if not used by the Council for the intended purpose after a given period of time. In cases where funds have to be returned, which are exceptional, interest is applied at the rate set out in the legal agreement. The Council declares the maximum liability for interest payable at year-end as a contingent liability in its annual Statement of Accounts.

#### ***Temporary borrowing arrangements***

Under long standing arrangements, the Council manages deposits from two local organisations. Formal agreements were set up with these organisations from 1<sup>st</sup> April 2009. These contain the following operational arrangements:

- Interest rates set in line with the average rate of interest achieved by the Council in the preceding period, less 0.5%
- Quarterly review of interest rates
- Withdrawal notice periods of 7 days
- Termination notice of 7 days

# Northampton Borough Council Treasury Management Strategy 2010-11

## Contents

Introduction and Equalities Statement

### **Capital Financing and Borrowing Strategy**

1. Capital Financing
2. Existing Borrowing
3. New Borrowing
4. Minimum Revenue Provision
5. Borrowing Requirement
6. Debt Rescheduling
7. Long Term Interest Rates for Borrowing
8. Sensitivity of Forecasts
9. Borrowing Strategy
10. Prudential Indicators
11. Treasury Indicators
12. Affordable Borrowing Limit
13. Temporary Borrowing
14. Overdraft Facilities

### **Investment Strategy**

15. Current Investment Portfolio
16. Specified/ Non specified Investments
17. Investment strategy;
18. Counterparties
19. Liquidity of Investments
20. Bank Base Rate

21. Short Term Interest Rates for Investments

22. Sensitivity of Forecasts

23. Prudential Indicators

24. Treasury Indicators



## Introduction and Equalities Statement

### *Introduction*

The Council is required to adopt the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009) and it is a requirement under that Code of Practice to produce an annual strategy report on proposed treasury management activities for the year.

The Treasury Management Strategy Report incorporates:

(i) The Capital Financing and Borrowing Strategy for the coming year including:

- The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.
- The Affordable Borrowing Limit as required by the Local Government Act 2003.

(ii) The Investments Strategy for the coming year as required by the CLG (formerly ODPM) Guidance on Local Government Investments issued in 2004.

The purpose of the Treasury Strategy is to establish the framework for the effective and efficient management of the Council's treasury management activity, including the Council's investment portfolio, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse.

### *Key Principles*

The key principles of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes are that:

- Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

- Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy and should ensure that priority is given to security and liquidity when investing funds.
- They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

The Treasury Strategy that follows, and the Council's Schedules to the Treasury Management Practices at report Annex C, are drafted in the context of these principles, as well as the requirements of the four key clauses (report Annex A), the treasury management policy statement (report Annex B), and the Treasury Management Practices (report Annex C).

### ***Equalities Statement***

An Equalities Impact Assessment has been carried out on the Council's Treasury Strategy for 2010-11, and the associated Treasury Management Practices (TMPs) and the Schedules to the TMPs.

As a result of that assessment, it should be noted that the potential impact of the strategy and associated documents (including Treasury Management Practices (TMPs) and the Schedules to the TMPs) on the different equalities groups must be considered as it is developed and put together each year. This includes the consideration of the potential impact on the different equalities groups of any processes, procedures or outcomes arising from these.

## Capital Financing and Borrowing Strategy

### 1. Capital Financing

The Council's capital programme is financed by borrowing and by other available sources such as capital receipts, grants, third party contributions and revenue contributions.

The Council makes use of operating leases to fund some types of expenditure that would otherwise be treated as capital where they offer better value for money. Examples of the types of expenditure that might be suitable are IT equipment and office furniture. The annual costs of operating leases are currently treated as revenue expenditure in the accounts and are not included in the Council's capital programme.

The Council's policy is not to enter into finance leases, which have to be treated as capital expenditure in the accounts, and generally do not offer any financial benefits to the authority.

However the treatment of leases is set to change with the introduction from 2010-11 of International Financial Reporting Standards (IFRS). Some leases currently defined as operating leases will be treated as finance leases, and this will include some retrospective adjustments.

There are two scenarios where borrowing may be used to fund the Council's capital expenditure.

- (i) Supported borrowing – The government may award borrowing approvals in the form of Supported Capital Expenditure (Revenue) (SCE(R)) and provide associated revenue support to meet some of the costs of borrowing (i.e. repayment of principal and interest). This is targeted towards specific service blocks, including education and social services. The nature of district council services means that very little supported borrowing is awarded to this Council, with the exception of a limited amount for housing services.
- (ii) Prudential borrowing – The Council has to fund the full costs of borrowing from its own revenue resources. This is sometimes referred to as unsupported borrowing. This method of funding is particularly suitable for 'spend to save' schemes, where the financing costs of borrowing can be funded from revenue savings. However lack of capital resources means that it is also used for other essential capital schemes where no other resources can be identified.

## 2. Existing Borrowing

Existing borrowing to fund capital expenditure stands at £31.8m. This borrowing is primarily in the form of Money Market LOBO (Lenders Option, Borrowers Option) loans. However borrowing from the Public Works Loans Board (PWLB) is now also included in the Council's debt portfolio. The following tables illustrate the debt type and maturity profile of existing borrowing as at 31 January 2010.

### Analysis of Outstanding Debt as at 31 January 2010

Type of Loan	Principal £'000	Proportion of Long Term Debt %	Range of Interest	
			From %	To %
Public Works Loan Board	6,000	19	3.47	3.97
Money Market LOBO Loans	24,600	77	4.85	7.03
Homes and Communities Agency	1,242	4	9.25	9.25
<b>Total</b>	<b>31,842</b>	<b>100</b>		

### Long Term Debt Maturity Profile as at 31 January 2010

Time Frame: within -	Year	Value Maturing £'000	Proportion of Long Term Debt %
0-10 years	2009/10-2018/19	21,806	68
10-20 years	2019/20-2028/29	532	2
20-30 years	2029/30-2038/39	504	2
30-40 years	2039/40-2048/49	0	0
Over 40 years	2049/50 onward	9,000	28
<b>Total</b>		<b>31,842</b>	<b>100</b>

## 3. New Borrowing

The Council has access to Public Works Loan Board (PWLB) loans for its long term borrowing needs. Loans, including LOBO loans, are also available from major banks via the Money Market and these may be considered when they offer better value for money than PWLB loans.

Decisions on the timing and type of borrowing are taken in consultation with the Council's external treasury management advisors.

Under the Local Government Act 2003 local authorities are able to borrow in year for the current year capital programme and for the following two years.

The Council's policy on borrowing in advance of need is that this will not be undertaken purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

The Council will:

- Ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- Ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- Consider the merits and demerits of alternative forms of funding
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

£6m of borrowing was undertaken in January 2010 with the Public Works Loans Board (PWLB) to provide for capital programme expenditure in 2010-11 and 2011-12. Interest rates on borrowing are forecast to rise over the coming three-year period, and this strategy will lock the Council into borrowing costs, as far as possible, at the lowest level forecast.

It is anticipated that no further external borrowing will be required to fund the 2010-11 and 2011-12 capital programmes. However, borrowing of around £8m has been budgeted for 2012-13 to support the HRA programme, which is directed at meeting decent homes targets.

#### **4. Minimum Revenue Provision (MRP)**

Prior to 2007-08 the Council was required by statute to provide for the repayment of a minimum amount of 4% of General Fund debt principal each year. This debt repayment is known as the Minimum Revenue Provision (MRP). The Housing Revenue Account is not subject to an MRP charge.

The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008, which came into force in February 2008, required local authorities to make instead 'prudent provision' for the repayment of debt. A number of options for prudent provision are set out in the regulations. The underlying principle is that the repayment

of debt should be more closely aligned to the useful life of the asset or assets for which the borrowing has been carried out.

In 2007-08 the Council used the transitional measures available to calculate MRP for all capital expenditure prior to 1 April 2008 as if the previous regulations were still in force.

The authority is required, under the 2008 regulations, to prepare an annual statement of their policy on making MRP for submission to Council. The Council's policy statement on MRP for 2010-11 (which also applied to 2008-09 and 2009-10) is set out in the following paragraphs:

*The Council will implement the new Minimum Revenue Provision (MRP) guidance in 2008-09 and future years, and assess their MRP for 2008-09 and future years in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.*

*MRP relating to the historic debt liability incurred for years up to and including 2007-08 will continue to be charged at the rate of 4% on the reducing balance, in accordance with option 1 of the guidance, the "regulatory method".*

*The debt liability relating to capital expenditure incurred in 2008-09 and future years will be subject to MRP under option 3, the "asset life method", and will be charged over a period that is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.*

*Estimated life periods will be determined in line with accounting guidance and regulations. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, the Council will generally adopt these periods. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.*

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

## Annex D

*Where finance leases are held on the balance sheet, the MRP will be set at a charge equivalent to the element of the annual lease charge that goes to write down the balance sheet liability, thereby applying Option 3 in a modified form.*

*The Council will take advantage of any transitional arrangements introduced to minimise or negate the impact of retrospective accounting adjustments as a result of the transfer to the balance sheet of finance leases previously treated as operating leases under the introduction of IFRS.*

Applying the policy as set out above, MRP for the next three years is estimated at:

	2010-11	2011-12	2012-13
	£000	£000	£000
Repayment of debt principal (MRP)	722	902	959

### 5. Borrowing Requirement

The Council's long-term borrowing requirement for the next three years is estimated at:

		2010-11	2011-12	2012-13
		£m	£m	£m
(i)	New borrowing to cover new capital expenditure	6.125	5,853	10.168
(ii)	Replacement of loans maturing in year	0.00	0.00	0.00
(iii)	Less: debt repayment (see Section 4)	(0.722)	(0.902)	(0.959)
	<b>Total new borrowing/ (provision for debt repayment)</b>	<b>5.403</b>	<b>4.951</b>	<b>9.209</b>

See Section 3 above for the Council's strategy on new borrowing for capital expenditure in 2010-11 to 2012-13.

### 6. Debt Rescheduling

As is the current practice, the debt portfolio will be kept under review throughout 2010-11 and beyond; with debt rescheduling opportunities being investigated for potential cash savings and / or discounted cash flow savings or to enhance the balance of the portfolio.

Recent changes to accounting regulations, and to the structure of PWLB rates, mean that rescheduling opportunities are more limited

than in the past, but decisions will be based on appropriate advice from the Council's external treasury management advisers.

LOBO loans of £15.6m, 50% of the current debt portfolio, are due for repayment in 2014-15. Officers are investigating options to manage this, and will consult with the Council's treasury advisers to determine whether it is prudent to let these loans run their full course or to repay or reschedule them.

Any debt rescheduling will be reported to Cabinet at the meeting following its action.

**7. Long Term Interest Rates for Borrowing**

Interest rates on PWLB and Money Market loans fluctuate daily according to market conditions, and in accordance with movements on the gilt market.

The table below illustrates the prevailing PWLB rates and forecasts to Quarter 4 (December) 2011. The forecasts are as at 30 January 2010 and are provided by Sector Treasury Services Ltd.

<b>Long Term Borrowing Rates - PWLB Maturity Loan Interest Rates</b>			
	<b>10 Years</b>	<b>25 Years</b>	<b>50 Years</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>2010</b>			
Forecast Quarter 1	4.00	4.55	4.60
Forecast Quarter 2	4.05	4.65	4.70
Forecast Quarter 3	4.15	4.70	4.75
Forecast Quarter 4	4.30	4.80	4.90
<b>2011</b>			
Forecast Quarter 1	4.45	4.90	5.00
Forecast Quarter 2	4.60	5.00	5.10
Forecast Quarter 3	4.80	5.05	5.15
Forecast Quarter 4	4.90	5.10	5.20

Due to the external interest rate environment, the LOBO market is not currently widely available to local authorities, and as a result LOBO rates are not being published at the present time.



### 8. Sensitivity of Forecasts

In normal times the main sensitivities of the forecast are likely to be the two scenarios below. Officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of view:

- If it were felt that there was a significant risk of a sharp rise in long and short term rates, perhaps arising from a greater than expected increase in world economic activity or further increases in inflation, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be used whilst interest rates were still relatively cheap.
- If it were felt that there was a significant risk of a sharp fall in long and short term rates, due to e.g. growth rates weakening, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.

The borrowing and investment market remains very subdued at the present time. Borrowing has recently been undertaken (January 2010) at current rates in anticipation of future rate increases. Internal borrowing to support capital expenditure in the current environment of low investment returns is also being utilised.

Because of the Council's relatively low debt position and the unlikelihood of having to undertake further external borrowing to fund the capital programme expenditure until 2012-13, the impact on the Council of changes to interest rate forecasts related to new borrowing is not significant in the same way as that of investments – see Section 22 below.

A significant proportion of around 77% of the Council's long-term debt is in the form of Money Market LOBO (Lenders Option, Borrowers Option) loans. Officers consider that the degree of risk on these loans in the current interest rate environment is low.

### 9. Borrowing Strategy

The Prudential Code requires that where there is a significant difference between the net and the gross borrowing position, the risks and benefits associated with this strategy should be clearly stated in the annual strategy.

The Council has a significant excess of investments over borrowings. Average values forecast for 2010-11 are £57.4m and £31.4m respectively, making a negative difference of £26m between gross debt and net debt after deducting cash balances.

The Council aims to reduce the difference between the two debt levels over the next three years in order to reduce the credit risk incurred by holding investments. The use of internal borrowing in recent years has already reduced substantially the level of credit risk and this will continue. Another factor that will be carefully considered is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.

There are benefits and risks to the use of internal and external borrowing. In the current interest rate environment these are as follows:

- Over the next three years, investment rates are expected to be below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt. This would maximise short-term savings.
- However, short term savings by avoiding new long term external borrowing must also be weighed against the potential for incurring additional long term extra costs by delaying unavoidable new external borrowing until later years when long term rates are forecast to be significantly higher

In view of these factors a combination of both internal and external borrowing will be used to finance the capital programme funding requirements of the next three years.

Internal borrowing – This is the management of cash flows, using funds from maturing investments within the financial year, to finance capital programme expenditure. As long term borrowing rates are currently higher than rates on investment income and look likely to remain so in the short term, this is a viable strategy. The running down of investments also has benefits of reducing exposure to interest rate and credit risk. Internal borrowing of around £5.5m over the next three years is anticipated, and this has been built into cash flow and debt financing budget forecasts.

External borrowing - Once the affordability of external borrowing to finance capital programme funding requirements has been established and the balanced capital programme and revenue budgets approved, decisions about when to borrow are driven by the forecasts on interest rates. Advice is sought from the Council's treasury management advisors before entering into any long-term loan arrangements.

All long-term external borrowing requires the express approval of the Chief Finance Officer, who should also sign any associated internal or

external approval or authorisation documentation. The Chief Finance Officer has the delegated authority to take the most appropriate form of borrowing from approved sources.

£6m of new borrowing with the Public Works Loans Board has been undertaken in 2009-10, in anticipation of capital programme expenditure during the current and following two years as current borrowing rates are at a low point compared with forecasts. This comprised fixed rate maturity loans of £2m to January 2016, £2m to January 2017 and £2m to January 2018 at rates of 3.47%, 3.75% and 3.97% respectively. The Council's strategy is to replace these with longer-term loans on expiry or when longer-term rates are at a sufficiently low level.

It is anticipated that external borrowing of a further amount of £8m will be required in 2012-13, and this has been built into cash flow and debt financing budget forecasts.

### 10. Prudential Indicators

The proposed prudential indicators that relate to the Capital Financing and Borrowing Strategy are set out below. These are included in a separate report to Cabinet. Full explanations for each of the indicators can be found in Annex B of the Prudential Indicators for Capital Finance 2010-11 to 2012-13.

#### ***Authorised limit for total external debt***

The proposed authorised limit for total external debt gross of investments for the forthcoming, and following two financial years is:

Authorised limit for external debt			
	2010-11	2011-12	2012-13
	Limit £000	Limit £000	Limit £000
Borrowing	48,000	48,000	53,000
Other long-term liabilities	2,000	2,000	2,000
<b>TOTAL</b>	<b>50,000</b>	<b>50,000</b>	<b>55,000</b>

**Operational boundary for total external debt**

The proposed operational boundary for total external debt for the forthcoming, and following two financial years is:

Operational boundary for external debt			
	2010-11	2011-12	2012-13
	Boundary £000	Boundary £000	Boundary £000
Borrowing	43,000	43,000	48,000
Other long-term liabilities	2,000	2,000	2,000
<b>TOTAL</b>	<b>45,000</b>	<b>45,000</b>	<b>50,000</b>

Other long-term liabilities, shown in both tables above, relate to finance leases, which are currently at negligible values, but which may increase with the introduction of IFRS related accounting changes.

**11. Treasury Indicators**

The proposed treasury indicators that relate to the Capital Financing and Borrowing Strategy are set out below. These indicators were previously treated as prudential Indicators, but the revised codes and guidance now require them to be included in the Treasury Strategy as treasury indicators.

***Maturity Structure of Borrowing***

This represents the amount of projected borrowing that is fixed rate maturing in each period expressed as a percentage of total projected borrowing that is fixed rate at the start of the period where the periods in question are:

- Under 12 months;
- 12 months and within 24 months;
- 24 months and within 5 years;
- 5 years and within 10 years;
- 10 years and above.

This sets both upper and lower limits with respect to the maturity structure of the Council's borrowing.

The proposed limits for the forthcoming year are:

Maturity structure of borrowing		
	Lower Limit %	Upper Limit %
Under 12 months	0%	25%
1-2 years	0%	25%
2-5 years	0%	50%
5-10 years	0%	100%
Over 10 years	0%	100%

LOBO loans of £15.6m, just below 50% of the portfolio, are due for repayment in 2014-15, within the 2 to 5 year period. Officers are investigating options to manage this, and will consult with the Council's treasury advisers to determine whether it is prudent to let these loans run their full course or to repay or reschedule them.

Risk – The debt maturity profile is actively managed to ensure that debt maturity is prudently spread across future years. This ensures that the Council can properly plan for the maturity of its borrowings, and is not exposed to unmanageable risks.

## **12. Affordable Borrowing Limit**

The Local Government Act 2003 and supporting regulations require the Council to determine and keep under review how much it can afford to borrow. The amount determined is termed the "Affordable Borrowing Limit". This is equivalent to the authorised limit at Section 10 above.

Affordable Borrowing Limit		
2010-11	2011-12	2012-13
Limit	Limit	Limit
£000	£000	£000
50,000	50,000	55,000

Accounting regulations allow local authorities to forward funding for their capital programmes up to a maximum of three years. The affordable borrowing limit figures include a provision for future forward funding should it be advantageous to do so.

Cabinet are asked to recommend to Council that they approve the Affordable Borrowing Limits for 2010-11 to 2012-13.

### **13. Temporary Borrowing**

The Council may occasionally undertake short-term temporary borrowing if this is needed to cover its cash flow position. The maximum amount of temporary borrowing that the Council will borrow from any one counterparty will be £5m.

In addition, under long standing arrangements, the Council manages deposits from two local organisations. Formal agreements were set up with these organisations from 1<sup>st</sup> April 2009. These contain the following operational arrangements:

- Interest rates set in line with the average rate of interest achieved by the Council in the preceding period, less 0.5%
- Quarterly review of interest rates
- Withdrawal notice periods of 7 days
- Termination notice of 7 days

### **14. Overdraft Facilities**

The Council has a £200k overdraft facility with its bankers, the Co-operative Bank, for which an annual fee of 0.25% (£500) applies. The overdraft rate applicable to use of the agreed facility is 2% above base rate. Borrowing in excess of the agreed facility is charged at 5% above base rate.

The overdraft facility is only used to cover unforeseen events; usage is kept to a minimum and generally occurs only as a result of events outside of the Council's control; for example, failure by third parties to make agreed payments. The use of the overdraft facility is monitored on a daily basis and reported monthly to senior managers through the performance reporting framework. Performance against target has improved significantly during 2009-10 due to the application of more efficient and robust cashflow monitoring processes.

## Investment Strategy

### 15. Current Investment Portfolio

The investment portfolio as at 31 January 2010, including deposit and call accounts, was as follows:

	£m	%
Banks outside the UK with sovereign (country) ratings of AAA	13.0	20.1
UK banks and building societies supported by the UK banking system support package	14.2	21.9
UK nationalised or part nationalised banking institutions	29.6	45.7
Debt Management Office	1.0	1.5
Other Local Authorities	7.0	10.8
Total	64.8	100

The portfolio includes a small amount placed with the Council's own bankers, the Co-operative Bank as at 31<sup>st</sup> January 2010. Amounts are placed with the Co-op Bank for operational purposes only as the bank does not currently meet the Council's investment counterparty criteria.

### 16. Specified/Non specified Investments

Under the Local Government Act 2003 the Council is required to have regard to the CLG (formerly ODPM) Guidance on Local Government Investments issued in March 2004 and CIPFA's Treasury Management in the Public Services Code of Practice (Fully Revised Second Edition 2009) and updated Guidance Notes (Fully Revised Third Edition 2009).

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 high credit rating.
- (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.

The detailed conditions attached to each of these categories are set out in the TMPs at Annex C.

Updated CLG Guidance on Local Government Investments is due to be published in 2010, with an implementation date of 1 April 2010.

### **17. Investment Strategy**

The Council's appetite for risk must be clearly identified in its strategy report. The Council affirms that priority will be given to the security of capital and liquidity when investing funds. This will be carried out by strict adherence to the risk management and control strategies set out in the Schedules to the Treasury Management Practices and the Treasury Management Strategy.

Responsibility for risk management and control lie within the Council and cannot be delegated to an outside organisation.

The Council's counterparty and credit risk management policies are set out at the Schedule to the TMP1 Risk Management (Credit and counterparty risk management) and its approved instruments for investments are set out at the Schedule to TMP 4 Approved Instruments, Methods and Techniques. These, taken together, form the fundamental parameters of the Council's Investment Strategy

#### ***Specified Investments***

The majority of the Council's investments in 2010-11 will fall into the category of specified investments.

Further counterparty limits may be put in place to minimise risk to the authority (see Section 18 below)

#### ***Non-Specified Investments***

Prior to the start of each financial year officers review which categories of non-specified investments they consider could be prudently used in the coming year. The officer recommendation for 2010-11 is that long-term investments (those for periods exceeding 364 days) could prudently be used where interest rates are favourable and funds are not required for short-term cashflow management. This is subject to an evaluation of counterparty and other risk.

Advice will be taken from the Council's external treasury advisors before entering into any long-term investments.



Only counterparties in the Council's current approved counterparty list that have limits of over 364 days will be used for such investments.

Any overall stricter limits in force in the Council's investment counterparty policies at any time will take precedence.

The maximum amount that the Council will hold at any time during the year as long-term investments is £8.5m. This is just below 15% of the forecast average level of total investments in 2010-11, which is around £57m. This level of longer-term investment could be undertaken without having an adverse effect on the required liquidity of cashflow.

### ***Capital Expenditure***

The Council may make loans to third parties for the purpose of capital expenditure as allowable under paragraph 25 (1) (b) of the Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 (Statutory Instrument No. 3146)

## **18. Counterparties**

Policies for the management of counterparty and credit risk are set out at Section 1 of the Schedule to TMP 1, attached to the accompanying Cabinet report at Annex C.

The Council's approach to counterparties for 2010-11 is set out below:

The Chief Finance Officer (CFO) will use the recommendations of the creditworthiness service provided by the Council's external treasury advisers to determine suitable counterparties and the maximum period of investment, using the ratings assigned.

The CFO will determine, in the context of the above, and taking into account appropriate risk management factors:

- Any further criteria to be put in place to determine suitable counterparties
- The maximum investment amount to be held with each type of counterparty assigned a rating
- The maximum investment period with each type of counterparty assigned a rating

## Annex D

	<b>Investments may be placed with counterparties within the maximum periods recommended by the Council's external treasury advisors, and which meet the following criteria:</b>	<b>Additional limits</b>
(1)	Counterparties having sovereign ratings of AAA (Overseas or UK)	NBC <b>additional limits</b> in force will be £12m and a maximum of 12 months (364 days).
	Or:	
(2)	UK nationalised or part nationalised banking institutions	NBC <b>additional limits</b> in force will be £15m and a maximum of 12 months (364 days).
	Or;	
(3)	UK banks or building societies supported by the UK banking system support package	NBC <b>additional limits</b> in force will be £15m and a maximum of 2 years (729 days).

A schedule is attached at Annex D of counterparties that meet the criteria above as at 31 January 2010. This schedule is at a particular point in time and is subject to change according to changes in credit ratings and other economic and market data. Maximum investment periods (currently from 3 months to 364 days) will also vary for individual counterparties for the same reasons. The inclusion or exclusion of counterparties from this schedule is entirely a reflection of the Council's investment criteria, which may differ from those of other organisations.

It should be noted that the inclusion of counterparties in a counterparty list does not necessarily mean that they will be in the market for investment deals at any one point in time.

For the purposes of setting limits, institutions within the same banking group (eg Lloyds Banking Group) will be treated as a single counterparty.

Investments may also be placed with other local authorities and with the Government Debt Management Office (DMO). The limits will be £15m, for periods of up to 364 days.

The maximum percentage of the portfolio that may be placed with overseas counterparties at any one time is 50%.

Other investments that fall within the category of specified investments as set out in the schedule to TMP4 may also be made, up to a limit of £12m and 364 days with any individual counterparty. Any type of specified investment that has not been used by the Council within the previous twelve-month period will only be entered into after consultation with the Council's external treasury management advisors, and with the express approval of the Chief Finance Officer.

Deposits may be placed with the Council's own bankers, the Co-operative Bank plc. These will generally be for small amounts of up to £100k. However amounts of up to £5m may be placed for periods of up to a week for operational purposes should the need arise.

The Chief Financial Officer has discretion during the financial year to lift or increase the restrictions on the counterparty list and/or to adjust the associated lending limits on values and periods should it become necessary to enable the effective management of risk in relation to investments. At all times the Council's minimum level of credit risk, as set out at the Schedule to TMP1, will be met.

The total value of investments over 364 days at any one time is restricted by the treasury indicator for the upper limit on investments for periods longer than 364 days (See Section 24 below). For 2010-11 this is £8.5m.

### **19. Liquidity of Investments**

Most short-term investments are held for cashflow management purposes and officers will ensure that sufficient levels of short-term investments and cash are available for the discharge of the Council's liabilities. Investment periods range from overnight to 364 days as specified investments or longer as a non-specified investment.

The average period of each new investment in the current financial year, as at 31 January 2010 is 79 days. When deciding the length of each investment, regard is had to both cashflow needs and prevailing interest rates.

For short term and overnight investment the Council makes full use of appropriate bank call and deposit accounts offering competitive rates and in most instances instant access to funds.

As referred to in Section 17 above, it is recommended that a maximum total of £8.5m be invested for periods exceeding 364 days (if interest rates are favourable) and in accordance with counterparty limits. The balance of funds will be held as short-term investments (under 365 days).

**20. Bank Base Rates**

The bank base rate has been held steady at its current all time low of 0.50% since March 2009, whilst the Bank of England has pursued its alternative course of quantitative easing.

The current interest rate view of Council’s treasury management advisors is that bank base rate will gradually begin to rise from current levels from the third quarter of 2010 as the economy starts to gather speed in its recovery from the global recession.

The rate is then expected to continue a steady rise until it reaches 4.5% in Q1 2013. There is downside risk to these forecasts if the recession proves to be deeper and more prolonged than currently expected.

The table below shows the Council’s treasury advisors forecast bank base rates for 2010 to 2012:

<b>Base Rate</b>	<b>2010 Forecast</b>	<b>2011 Forecast</b>	<b>2012 Forecast</b>
Quarter 1	0.50%	1.50%	3.50%
Quarter 2	0.50%	2.25%	3.75%
Quarter 3	0.75%	2.75%	4.25%
Quarter 4	1.00%	3.25%	4.25%

**21. Short Term Interest Rates for Investments**

Short-term interest rates for investments tend to be linked to the bank base rate levels, and in the current economic climate these are abnormally low, and forecast to remain so for some time.

The Council’s treasury advisors have advised that the Council should budget for an investment return of 1% on investments placed during 2010-11. Officers have reduced this by a further 0.25% to build in a contingency to allow for prudent budgeting.

The rate of return used to build the debt-financing budget for 2009-10 was 2%, and the average rate of return to 31 December 2009 was 1.82%. The reduction in rates over the high levels of previous

years (in 2007-08 the average rate of return was 5.26%) has had a significant impact on the forecast of income from investments.

In 2010-11, at an average forecast balance of £57.4m, the loss of income is around £574k per 1% reduction in rates. As some of the cash being invested relates to HRA balances, a proportion of the impact is passed on to the HRA and offset against the HRA subsidy calculations; the remaining balance has a direct hit on the General Fund budget.

The impacts of the interest rate reductions have been included in the 2010-11 debt-financing budget included in the Council's Revenue Budget 2010-11 to 2012-13 report.

### **22. Sensitivity of Forecasts**

The amount that can be earned on interest on investments is sensitive to changes in the prevailing interest rates. This is particularly marked in the current economic climate. Officers have budgeted prudently, and the rates achievable on investments are currently so low that it is unlikely that they would drop further, so any swing would more likely be towards the upside.

Officers, in conjunction with the Council's treasury advisors, will continually monitor both the prevailing interest rates and market forecasts, taking corrective action as required.

Any impact on the debt-financing budget of changes in forecast returns will be reported to Cabinet as part of the monthly revenue budget monitoring reporting.

### **23. Prudential Indicators**

There are no prudential indicators that relate specifically to the Investment Strategy.

### **24. Treasury Indicators**

The proposed treasury indicators that relate to the Investment Strategy are set out below. These indicators were previously treated as prudential Indicators, but the revised codes and guidance now require them to be included in the Treasury Strategy as treasury indicators.

#### ***Upper limits on interest rate exposures***

The Council must set for the forthcoming financial year and the following two financial years, upper limits to its exposure to the effect of changes in interest rates. These limits relate to both fixed interest rates and variable interest rates, and are referred to as the upper limits on fixed interest rate and variable interest rate exposures.

These limits can be expressed either as absolute amounts or as a percentage. They may be related either to the authority's net principal sum outstanding on its borrowing/investments or to the net interest on these. The Council has chosen to work to a limit represented as an absolute amount of principal sums. Officers consider this to be the most transparent and straightforward method.

The treasury management guidance states that where in doubt borrowing and investments should be treated as being at variable rates for the purposes of these indicators. With this in mind, borrowing in the form of LOBOs (Lenders Option, Borrowers Option) has been treated as being at variable rates, as the rates are reviewed at agreed intervals of typically 6 months or a year. Additionally, money market investments of less than one year at fixed rates are treated as variable rate investments due to their short-term nature.

Since the Council has a significant excess of investments over debt, both calculations should result in a negative figure. The upper limit has therefore been set at zero – i.e. a positive result representing an excess of fixed or variable rate debts over fixed or variable rate investments would exceed the limit.

Proposed upper limits on interest rate exposures for the forthcoming, and following two financial years are therefore:

Upper limits on interest rate exposures		
	Fixed Interest Rate Exposures £000	Variable Interest Rate Exposures £000
2010-11	0	0
2011-12	0	0
2012-13	0	0

### **Total principal sums invested for periods longer than 364 days**

Under the Local Government Act 2003 and the CLG (formerly ODPM) Guidance on Local Authority Investments 2004, all Councils are now permitted to invest for periods exceeding 1 year (or 364

## Annex D

days). The Council is required to set a limit to the level of such investments it might wish to make.

This limit can be expressed as a percentage or as an absolute amount (i.e. a monetary figure). The Council has chosen to work to a limit represented as an absolute amount as officers consider this to be the most transparent and method and the more straightforward to monitor.

The limit has been set at a level that would allow for monies not anticipated to be spent in year e.g. capital receipts, to be invested for longer periods if interest rates are favourable.

The proposed limits for the forthcoming, and following two financial years are as follows.

Upper limit on investments for periods longer than 364 days	
	Upper Limit £000
2010-11	8,500
2011-12	7,000
2012-13	6,500

Risk analysis – This upper limit has been set at a prudent level (below 15% of forecast total external investments in each year) in order not to compromise cash flow liquidity.

## Counterparties meeting NBC investment criteria for 2010-11 as at 31 January 2010

Institution	Country	Maximum Amount (£m)
Bank of Montreal	Canada	12
Bank of Nova Scotia	Canada	12
Canadian Imperial Bank of Commerce	Canada	12
National Bank of Canada	Canada	12
Royal Bank of Canada	Canada	12
Toronto Dominion Bank	Canada	12
Danske Bank As	Denmark	12
Nordea Bank Finland plc	Finland	12
BNP Paribas	France	12
Credit Industriel et Commercial	France	12
Credit Agricole SA	France	12
Societe Generale	France	12
UniCredit Bank AG	Germany	12
Deutsche Bank AG	Germany	12
Deutsche Postbank AG	Germany	12
Landesbank Berlin AG	Germany	12
DZ Bank AG	Germany	12
Landesbank Hessen-Thuringen Girozentrale	Germany	12
Landwirtschaftliche Rentenbank	Germany	12
Banque et Caisse d'Epargne de L'Etat	Luxembourg	12
Clearstream Banking	Luxembourg	12
Bank Nederlandse Gemeenten	Netherlands	12
ING Bank NV	Netherlands	12
Cooperatieve Centrale Raiffeisen - Boerenleenbank BA	Netherlands	12
DnB NOR Bank	Norway	12
DBS Bank Ltd	Singapore	12
Oversea-Chinese Banking Corporation Ltd	Singapore	12
United Overseas Bank Ltd	Singapore	12
Banco Bilbao Vizcaya Argentaria	Spain	12
Banco Santander	Spain	12
Confederacion Espanola de Cajas de Ahorros	Spain	12
Nordea Bank AB	Sweden	12
Svenska Handelsbanken	Sweden	12
Credit Suisse	Switzerland	12
Bank of America, NA	USA	12
Bank of New York Mellon	USA	12
Citibank, NA	USA	12
Deutsche Bank Trust Company Americas	USA	12
HSBC Bank USA, National Association	USA	12
JP Morgan Chase Bank NA	USA	12
Northern Trust Company	USA	12
State Street Bank and Trust Company	USA	12
Wachovia Bank National Association	USA	12
Wells Fargo Bank NA	USA	12



## Annex E

Santander UK plc	<b>UK*</b>	<b>15</b>
- <i>Abbey National Treasury Services plc</i>	<i>UK*</i>	<i>15</i>
- <i>Cater Allen</i>	<i>UK*</i>	<i>15</i>
- <i>Alliance &amp; Leicester Plc (not covered by Santander support)</i>	<i>UK</i>	<i>12</i>
Bank of New York Mellon (International) Ltd	UK	12
Barclays Bank plc	UK*	15
Citibank International Plc	UK	12
Clydesdale Bank	UK	12
Credit Suisse International	UK	12
Crown Agents Bank Ltd	UK	12
HFC Bank Ltd	UK	12
HSBC Bank plc	UK*	15
MBNA Europe Bank	UK	12
Nationwide Building Society	UK*	15
Standard Chartered Bank	UK*	15
Sumitomo Mitsui Banking Corporation Europe Ltd	UK	12
UBS Ltd	UK	12
Lloyds Banking Group	<b>UK</b>	<b>15</b>
- <i>Bank of Scotland plc</i>	<i>UK</i>	<i>15</i>
- <i>Lloyds TSB Bank plc</i>	<i>UK</i>	<i>15</i>
- <i>Cheltenham and Gloucester plc</i>	<i>UK</i>	<i>15</i>
Royal Bank of Scotland Group	<b>UK</b>	<b>15</b>
- <i>ABN AMRO Bank NV</i>	<i>UK</i>	<i>15</i>
- <i>National Westminster Bank Plc</i>	<i>UK</i>	<i>15</i>
- <i>Royal Bank of Scotland</i>	<i>UK</i>	<i>15</i>
- <i>Ulster Bank Ltd</i>	<i>UK</i>	<i>15</i>
Other Local Authorities	UK	15
Debt Management Office	UK	15

\* UK banks or building societies supported by the UK banking system support package

This schedule is at a particular point in time and is subject to change according to changes in credit ratings and other economic and market data. Maximum investment periods (currently from 3 months to 364 days) will also vary for individual counterparties for the same reasons.

The inclusion or exclusion of counterparties from this schedule is entirely a reflection of the Council's investment criteria, which may differ from those of other organisations.

## DEBT FINANCING &amp; DEBT MANAGEMENT

	Budget 2010-11 £	Budget 2011-12 £	Budget 2012-13 £
<b>Debt Financing &amp; Interest</b>			
<b><u>INTEREST PAYABLE</u></b>			
<b>Interest on Long Term Debt</b>			
Existing Borrowing	1,382,500	1,381,120	1,377,130
New Borrowing	263,800	263,800	687,800
Commission for New Towns - Annual Annuity	114,890	113,440	111,860
<b>Total Interest on Long Term Debt</b>	<b>1,761,190</b>	<b>1,758,360</b>	<b>2,176,790</b>
<b>Other Interest Payable</b>			
Interest on Temporary Borrowing	1,500	5,500	7,500
Other Misc Interest	13,170	10,570	11,110
<b>Total Other Interest</b>	<b>14,670</b>	<b>16,070</b>	<b>18,610</b>
<b>TOTAL INTEREST PAYABLE</b>	<b>1,775,860</b>	<b>1,774,430</b>	<b>2,195,400</b>
<b><u>INTEREST RECEIVABLE</u></b>			
Interest on Investments	(430,500)	(1,308,400)	(1,711,400)
Other Misc Interest	0	0	0
<b>TOTAL INTEREST RECEIVABLE</b>	<b>(430,500)</b>	<b>(1,308,400)</b>	<b>(1,711,400)</b>
<b>NET INTEREST PAYABLE/RECEIVABLE</b>	<b>1,345,360</b>	<b>466,030</b>	<b>484,000</b>
<b><u>OTHER ADJUSTMENTS</u></b>			
<b><u>Recharges to/from HRA</u></b>			
Interest on Cash Balances	41,900	146,700	175,300
HRA Interest	46,300	44,800	(340,000)
Debt Management Recharges			(33,560)
<b>Total Recharges to/from HRA</b>	<b>88,200</b>	<b>191,500</b>	<b>(198,260)</b>
<b><u>Repayment of Debt</u></b>			
Minimum Revenue Provision	732,440	897,470	954,260
<b>Total Repayment of Debt</b>	<b>732,440</b>	<b>897,470</b>	<b>954,260</b>
<b>Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL OTHER ADJUSTMENTS</b>	<b>820,640</b>	<b>1,088,970</b>	<b>756,000</b>
<b>Total Debt Financing &amp; Interest</b>	<b>2,166,000</b>	<b>1,555,000</b>	<b>1,240,000</b>
<b><u>Debt Management</u></b>			
Professional Services	12,180	12,180	12,180
Bank Charges	100,000	100,000	100,000
Recharges	204,190	204,190	204,190
Other Miscellaneous Income	(57,000)	(57,000)	(57,000)
<b>Total Debt Management</b>	<b>259,370</b>	<b>259,370</b>	<b>259,370</b>

**DEBT FINANCING & DEBT MANAGEMENT**

**Budget  
2010-11**

**Budget  
2011-12**

**Budget  
2012-13**

**Treasury Strategy 2010-11 to 2012-13**  
**Abbreviations used in the Report and Annexes**

AA	Assistant Accountant
AAT	Association of Accounting Technicians
AIS	Annual Investment Strategy
BACS	Bankers' Automated Clearing Services
BVACOP	Best Value Accounting Code of Practice
CAA	Comprehensive Area Assessment
CCAB	Consultative Committee of Accountancy Bodies
CD	Certificate of Deposit
CFO	Chief Finance Officer
CHAPS	Clearing House Automated Payment System
CIPFA	Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government
DMO	Debt Management Office
FMCT	Finance Manager Capital and Treasury
GDP	Gross Domestic Product
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standards
IPF	Institute of Public Finance
LIBID	London Interbank Bid Rate
LIBOR	London Interbank Offered Rate
LOBO	Lenders Option Borrowers Option
MMF	Money Market Fund
MRP	Minimum Revenue Provision

NDR	Non Domestic Rate
NIPs	Non Investment Products
PWLB	Public Works Loan Board
RSG	Revenue Support Grant
SOPP	Statement of Professional Practice
SORP	Statement of Recommended Practice
TA	Trainee Accountant
TMPs	Treasury Management Practices

# Treasury Strategy 2010-11

## Initial Screening

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### Equality Impact Assessment – screening.

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Name of Strategy/Policy: Treasury Strategy 2009-10 Date of Assessment: Feb 2010

Is this a new or updated Policy? New  Updated

How is the Strategy/Policy finalised/adopted: Cabinet/Board  Delegated   
Council

Lead Officer conducting the assessment: Bev Dixon Job Title: Finance Manager  
(Capital & Treasury)

Service area: Finance Contact details: Ext 7401

**Others involved in the assessment** (*this could include service users, front line officers, people with specialist knowledge or interest*):  
Rebecca Smith

**Identify what the activity is trying to achieve – why is the Policy/activity<sup>1</sup> required** (*is there a statutory duty, how was the issue identified, who was the originator of the activity, etc*).

The Annual Treasury Management Strategy report is submitted to Council before the start of the financial year, consisting of a review of the Council's approved clauses, treasury management policy statement and practices and a strategy report on the proposed treasury management activities for the year.

The report asks Cabinet to recommend to Council that they approve:

- a) The adoption of the revised CIPFA Treasury Management in the Public Services; Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009)
- b) The replacement of existing paragraph 5.9 of the Council's Financial Regulations with the wording at Annex A
- c) The Treasury Management Policy Statement at Annex B
- d) The Treasury Management Practices (TMPs) and TMP Schedules for 2010-11 at Annex C
- e) The Treasury Strategy for 2010-11 at Annex D, incorporating:

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<sup>1</sup> Policy/activity in this context includes policies, services, strategies, functions, projects, plans, restructures, major events, etc

- (i) The Capital Financing and Borrowing Strategy for 2010-11 including:
- The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.
  - The Affordable Borrowing Limit for 2010-11 as required by the Local Government Act 2003.
- (ii) The Investment Strategy for 2010-11 as required by the CLG (formerly ODPM) Guidance on Local Government Investments issued in 2004.

The report asks Cabinet to recommend to Council that they note:

- a) The proposed Debt Financing Budget 2010-11 to 2011-12 (paragraph 3.2.15 and Annex F).
- b) Adherence to the Council's policy on reserves and balances (paragraph 3.2.16).
- c) Compliance with the requirement under the Local Government Act 2003 to produce a balanced budget (paragraph 3.2.17 & 3.2.18).

The Treasury Strategy (Annex D) includes the following elements:

### Capital Financing and Borrowing Strategy

- Capital Financing
- Existing Borrowing
- New Borrowing
- Minimum Revenue Provision
- Borrowing Requirement
- Debt Rescheduling
- Long Term Interest Rates for Borrowing
- Sensitivity of Forecasts
- Borrowing Strategy
- Prudential Indicators
- Treasury Indicators
- Affordable Borrowing Limit
- Temporary Borrowing
- Overdraft Facilities

### Investment Strategy

- Current Investment Portfolio
- Specified/ Non specified Investments
- Investment strategy;
- Counterparties

- Liquidity of Investments
- Bank Base Rate
- Short Term Interest Rates for Investments
- Sensitivity of Forecasts
- Prudential Indicators
- Treasury Indicators

**Purpose of the Policy/activity.** *(What does the activity entail? Consider how the activity relates to the council's equality and diversity duties and strategic priorities, etc).*

The purpose of the Treasury Strategy is to establish the framework for the effective and efficient management of the Council's treasury management activity, including the Council's investment portfolio, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse

The Council is required to keep its treasury management strategy under review and monitor against it. The strategy should reflect the requirements of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009).

This contributes positively to Comprehensive Area Assessment (CAA) Use of Resources requirements. This supports the Council's priority to be a well-managed organisation that puts customers at the centre of what we do.

**Identify the main beneficiaries or people affected by the issue** *(who benefits or is affected - local residents and users of area, community at large, visitors to the town, contractors working in the area, people delivering the service etc).*

Northampton Borough Council, Residents of Northampton (Council tax and rent payers)

**What information exists already?**

Treasury Strategy 2009-10 to 2010-11 approved by Council 26 February 2009

**Has any consultation been undertaken on this or related issue?**

No external consultation is required. The CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009) and the accompanying Guidance Notes for Local Authorities (Fully revised third edition 2009) broadly determine the format and content

**Are any reports or other relevant documents available from our organisation or from partners or other sources?**

Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009) and other associated statutory and regulatory guidance



**Which parts of the activity have the potential for adverse impact or to discriminate unlawfully?** *(Factors or issues that could contribute to inequality, consider risks and opportunities).*

None

**Could a particular sector of the community be disadvantaged by the strategy/policy.**

Yes  No  *(give details of any evidence you may have)*

**If yes**, proceed to undertake a full [Equality Impact Assessment](#) (EIA)

**If no**, then have this confirmed by the Corporate Equalities Steering Group representative for your area and signed off by your Service Head / Corporate Director/ Board. In the event of any queries, check with a member of the Policy team.

**Action points** *(please make this SMART-state what/who/how/when)*

To consider the potential impact of the strategy and associated documents (including Treasury Management Practices (TMPS) and the Schedules to the TMPs) on the different equalities groups as it is developed and put together each year.

To consider the potential impact on the different equalities groups of any processes, procedures or outcomes arising from the above

To include wording to that effect in the annual treasury strategy document.

**I agree that this policy/activity should not proceed to a full Impact Assessment**  
*(If appropriate, date equality impact assessment will commence)*

**Confirmed by:**

**Signed by:**

**Please attach a copy of this screening to the document it relates** ✓

**Copy to be sent to Policy Team Leader at [policy@northampton.gov.uk](mailto:policy@northampton.gov.uk)** ✓

Appendices  
4



Item No.

9

**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Risk Management Update</b>
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**AGENDA STATUS: PUBLIC**

<b>Meeting Date:</b>	22 <sup>nd</sup> March 2010
<b>Directorate:</b>	Finance and Support
<b>Accountable Cabinet Member:</b>	Cllr David Perkins
<b>Ward(s)</b>	Not Applicable

### 1. Purpose

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- 1.1 To provide an update on progress in Risk and Business Continuity Management across the authority.
- 1.2 To highlight the recent changes to the Risk Management Strategy and Risk and Business Continuity Management Handbook.

### 2. Recommendations

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- 2.1 To note the recent assessment of the Council's Risk Maturity.
- 2.2 To note the revised Risk Management Strategy and Risk and Business Continuity Management Handbook.

### 3. Issues and Choices

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#### 3.1 Report Background

- 3.1.1 Audit Committee requested an update on the developments within Risk and Business Continuity Management to be submitted to the Committee meeting.

#### 3.2 Issues

- 3.2.1 The Risk Management Strategy and The Risk and Business Continuity Management Handbook have undergone a review to ensure recent audit recommendations and general good practice is captured. Please see Appendix A and B.

- 3.2.2 The key developments within the Risk Management Strategy and the Handbook are:
- Includes opportunities as well as threats when identifying risks.
  - Provides more guidance on risk management in partnerships and projects.
  - Aligns roles, responsibilities and reporting to the revised governance process.
  - Improved Business Continuity Plan Template.
  - Revised action plan for the coming year 2010/11.
- 3.2.3 Only significant changes to the Strategy have to be approved by Cabinet, therefore it is proposed that the Cabinet Member responsible for Risk Management and the Director of Finance and Support approve these minor improvements.
- 3.2.4 Appendix C includes a summary of the 2009/10 Risk Management Strategy Action Plan.
- 3.2.5 In revising the Risk Management Strategy, an assessment of the Council's Risk Maturity was undertaken. This enables us to benchmark the Council's current risk management capability and helps us to understand where improvements can be made. The Council's current assessment of risk maturity is Level 3, please see Appendix D.
- 3.2.6 The Strategy Action plan outlines the actions to be undertaken in 2010/11 to further improve the Council's Risk Management Function.

### **3.3 Choices (Options)**

- 3.3.1 To suggest any additional areas to cover in future updates.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

- 4.1.1 None.

### **4.2 Resources and Risk**

- 4.2.1 This report provides an update on the progress being made to ensure that risk and business continuity management arrangements are in place across the Council.

### **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 The Director of Finance and Support and the Head of Finance & Assets have been asked to comment on this report.

#### **4.6 How the Proposals deliver Priority Outcomes**

- 4.6.1 Providing an early warning system to alert Officers and Members to potential opportunities and threats.
- 4.6.2 Targeting resources at areas and issues of greatest risk where the Council's objectives are most under threat.
- 4.6.3 Reduction in interruptions to service delivery.
- 4.6.4 Continuity of critical Council activities.
- 4.6.5 Enabling the Council to act proactively, avoiding reactive management wherever possible.
- 4.6.6 Protecting and enhancing the reputation of Northampton Borough Council.

#### **4.7 Other Implications**

- 4.7.1 Not applicable

#### **5. Background Papers**

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- 5.1 Appendix A – Risk Management Strategy.
- 5.2 Appendix B – Risk and Business Continuity Management Handbook.
- 5.3 Appendix C - 2009/10 Risk Management Strategy Action Plan.
- 5.4 Appendix D – Risk Maturity Assessment.

**Sue Morrell**  
**Risk and Business Continuity Manager, ext 8420**



**Northampton Borough Council**

**Risk and Business Continuity Management Handbook**

## Document Control

<b>Author (Post holder title)</b>	Risk and Business Continuity Manager
<b>Type of document</b>	Handbook
<b>Version Number</b>	V2
<b>Document File Name</b>	Risk and Business Continuity Handbook Final v2
<b>Issue date</b>	
<b>Approval date and by who</b>	
<b>Document held by (name/section)</b>	Sue Morrell/Risk Management
<b>For internal publication only or external also?</b>	Internal
<b>Document stored on Council website?</b>	No
<b>Next review date</b>	Bi-annually

### Change History

<b>Issue</b>	<b>Date</b>	<b>Comments</b>
Version 1	13/01/09	
Version 2	12/02/10	

# Contents

1. Purpose of this document
  2. Risk Management Methodology
    - 2.1 Risk Identification, Assessment and Management
      - 2.1.1 Stage One – Identify
      - 2.1.2 Stage Two – Assess
      - 2.1.3 Stage Three – Manage
      - 2.1.4 Risk Appetite
      - 2.1.5 Stage Four – Monitor and Review
  3. Business Continuity
    - 3.1 Introduction to Business Continuity Management
    - 3.2 Identification of Critical Functions
    - 3.3 Risk and Impact Identification
    - 3.4 Business Continuity Plan
    - 3.5 Testing and exercising
  4. Glossary of Terms
  5. References
- Appendix A – Example Risk Register  
Appendix B – Risk Management in Partnerships  
Appendix C – Risk Management in Projects.  
Appendix D - Approved Business Continuity Critical Functions  
Appendix E – Business Continuity Plan Template

## **1. Purpose of this document**

The purpose of this handbook is to assist Managers and those with specific Risk and Business Continuity responsibilities in undertaking both routine and non-routine risk management activities by providing guidance notes.

This handbook will evolve and develop over time, allowing for views and suggestions to be incorporated and processes adapted.

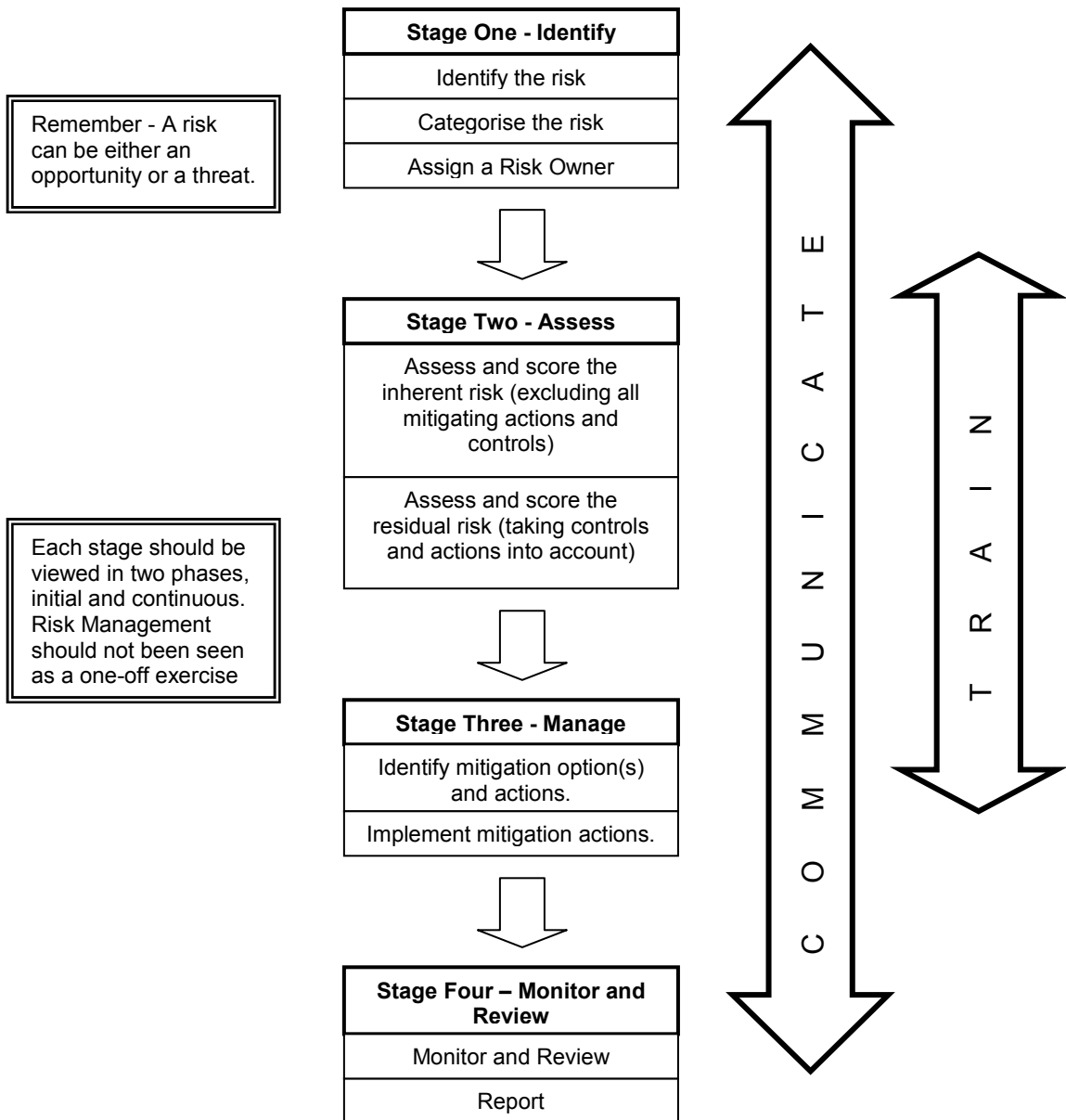
A copy of this handbook can be found on the Council's intranet site and is also available from the Risk and Business Continuity Manager on extension 8420.

If you require further support on your risk and business continuity activities or if you have any queries or comments relating to the handbook please contact the Risk and Business Continuity Manager on extension 8420.



## 2. Risk Management Methodology

There are four generic stages to the management of risk. The Council's approach to each of these stages is set out below.



## **2.1 Risk Identification, Assessment and Management**

### **2.1.1 Stage One - Identify**

The first key step in managing risk is to identify the threats, opportunities and barriers to achieving strategic, service, operational, partnership or project objectives(see appendix B and C for partnership and project management). Risks should be assessed and prioritised in relation to objectives. It is important for the Council's aims and objectives to be clearly defined to enable managers to understand the role their service has in delivering these objectives and to identify any potential barriers.

There are three steps to completing the identification stage:

1. A systematic approach should be taken when identifying risks. Brainstorm all potential risk causes, events and impacts.

Please contact the Risk and Business Continuity Manager if you would like help facilitating workshops or risk sessions.

The following tools can be used to assist in risk identification:

- Brainstorming
- Workshops
- Checklists
- Questionnaires
- SWOT analysis (strengths, weaknesses, opportunities and threats)
- Lessons learned reports

Remember that risks can be opportunities as well as threats. An opportunity is an uncertain event that could have a **favourable** impact on objectives or benefits, whereas a threat is an uncertain event that could have a **negative** impact on objectives or benefits.

It should be noted that if a risk has more than one impact, each impact should be recorded and scored independently. If a risk is too broad or generic, identifying impacts, mitigation actions and tracking progress can become problematical.

The following statement can be helpful when identifying risks - *As a result of (the cause) there is a risk that (the event) which may result in (the impact).*

A common error made when identifying risks is confusing a risk with an issue. An issue is an event or situation that has already occurred and needs managing now.

2. Northampton Borough Council, along with other local authorities, manages a diverse range of complex services and activities and the categorisation of each risk at the identification stage assists the reporting, review and monitoring of risks.

Categorise the risks using the categories listed below. Risks can be grouped by Risk Owner, Service Area or category i.e. financial, legal.

- Customers/citizens
- Communication
- Environmental
- Financial
- Health and Safety
- Human Resources
- IT
- Legal
- Partnership
- Political
- Property and Assets
- Reputation
- Service Delivery/business interruption
- Suppliers/contractors

3. At the identification and categorisation stage a Risk Owner, a single accountable officer, must be assigned to each risk. The Risk Owner must have adequate decision-making abilities in relation to the risk and be the individual best placed to monitor and manage the risk.

The Council's Risk Management process is supported by a specialist software package that simplifies the recording, reviewing and reporting on the Council's risks, whilst aligning the risks to corporate and service objectives. Training on the risk management software is available to Risk Owners and Risk Coordinators. Please contact the Risk and Business Continuity Manager on extension 8420.

### **2.1.2 Stage Two – Assess**

Each risk should be scored using the 5x5 scoring matrix below, taking into account the probability of the risk occurring and the severity of impact. The Strategic Scorecard can be used for guidance (Table 2). In the first instance risks should be assessed without taking any control measures or mitigations into account. This provides us with an ***inherent risk*** score. Understanding the inherent risk is important to the Council as it enables us to understand the true extent of our exposure if mitigating actions and controls are not implemented or maintained.

Now taking into account the controls and mitigation actions, re-score the risk. Risk Owners should consider how the controls and mitigating actions reduce the probability of the risk occurring and reduce the impact the risk may have. This provides us with a ***residual risk*** score.

**Table 1 - Scoring Matrix**

<b>Impact</b>	<b>5</b> <i>Catastrophic</i>	<b>5</b>	<b>10</b>	<b>15</b>	<b>20</b>	<b>25</b>
	<b>4</b> <i>Major</i>	<b>4</b>	<b>8</b>	<b>12</b>	<b>16</b>	<b>20</b>
	<b>3</b> <i>Moderate</i>	<b>3</b>	<b>6</b>	<b>9</b>	<b>12</b>	<b>15</b>
	<b>2</b> <i>Minor</i>	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>	<b>10</b>
	<b>1</b> <i>Insignificant</i>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
		<b>1</b> <i>Rare</i>	<b>2</b> <i>Unlikely</i>	<b>3</b> <i>Possible</i>	<b>4</b> <i>Likely</i>	<b>5</b> <i>Almost certain</i>
		<b>Probability</b>				

**Probability Guideline**

- Rare <5%
- Unlikely 6 – 20%
- Possible 21 - 50%
- Likely 51 – 80%
- Almost Certain >81%

**Table 2 – Strategic Scorecard**

The scorecard below provides a consistent approach to determining the level of impact, recognising that terms can mean different things to different people.

**Impact Guideline**

	Insignificant (Very Low)	Minor (Low)	Moderate (Medium)	Major (High)	Catastrophic (Very High)
<b>Financial Cost</b>	£1 - £50k	£51K - £250K	£251K -£500K	Over £501K up to £1M	£1M +
<b>Service Provision</b>	Quality maintained some minor issues	Slightly Reduced – deadlines not achieved / some Local PIs poor	Severely Reduced – majority of targets not achieved. KPI's poor	Service Suspended Short Term	Service Suspended Long Term Statutory duties not delivered
<b>Objectives</b>	Objectives broadly achieved	Objectives of Section not met	Service Objectives not met	Directorate Objectives not met	Strategic objectives not met
<b>Government/Inspectorate relations</b>	Minor issues	Areas for improved Options curtailed Freedoms not granted	Overall Poor Assessment(s) – Funding impact	Service taken over temporarily	Service taken over permanently
<b>Employee Relations</b>	Localised Issue Distraction	Issue in a number of departments Losing goodwill	Hostile working relations/non cooperation Major distraction	Industrial action Long term relationship “sourer”	Mass staff leaving/ long term grievance / Unable to attract staff
<b>Reputation</b>	Letters in local press	Adverse “one off” reports in local media	Long term adverse reports Regional TV reports	Adverse national publicity Fewer partners	High profile national bad publicity. Becomes difficult to attract any partners
<b>Mgmt Team</b>	Minor issues	Seen as poor	Misconduct / seen as failing	Potential loss of job	Imprisonment
<b>Health &amp; Safety</b>	First Aider	Broken bones/illness	Loss of Limb/Long Term illness	Loss of Life/Major illness	Large scale loss of life/major epidemic

### 2.1.3 Stage Three - Manage

The primary goal of this stage is to identify and prepare specific responses to the threats or opportunities identified in the identification stage above. If the responses and mitigation actions are fully considered at this stage it should prevent the Council being taken by surprise should a risk occur.

There are a number of ways to respond to a risk. Table 3 describes the potential responses available to threats and Table 4 describes the potential responses available to opportunities.

**Table 3 Response to Threats**

<b>Reduction</b>	Proactive actions taken to reduce: <ul style="list-style-type: none"> <li>➤ The probability of the event occurring, by performing some form of control</li> <li>➤ The impact of the event should it occur e.g. Business Continuity Plans.</li> </ul>
<b>Removal</b>	Typically involves changing one aspect of the activity i.e. changing the scope, procurement route, supplier or sequence of activities.
<b>Transfer</b>	A third party takes on responsibility for an aspect of the threat e.g. insurance.
<b>Retention</b>	A conscious and deliberate decision is taken to retain the threat, having decided that it is more cost effective to do so than attempt a mitigation action.
<b>Share</b>	Procurement methods that entail a form of risk sharing through the application of sharing pain or gain formula.

The list of definitions is taken from the OGC Management of Risk: Guidance for Practitioners.

**Table 4 Response to Opportunities**

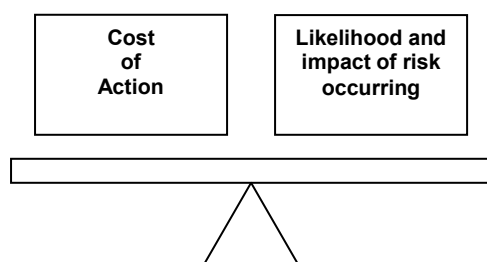
<b>Realise</b>	Identifying and seizing an opportunity. Ensures that potential improvements to an organisational activity are delivered.
<b>Enhance</b>	Seizing and improving on an identified opportunity. Refers to both the realisation of an opportunity and achieving additional gains over and above the opportunity.
<b>Exploit</b>	Identifying and seizing multiple benefits. Refers to changing an activity's scope, supplier or specification to achieve a beneficial outcome.
<b>Share</b>	Procurement methods entailing a form of risk sharing through application of pain/gain formula.

The list of definitions is taken from the OGC Management of Risk: Guidance for Practitioners.

One consideration available under the 'reduce' response is the development of Business Continuity arrangements and plans to reduce the impact if an event occurs. This is a key requirement for Local Authorities under the Civil Contingencies Act 2004, as described in Section 3.1 below.

Once a Risk Owner has decided which is the best response to take, the Risk Owner then has to decide on the controls and actions to put in place to manage the risk.

### **Balancing the risk**



It is important for Risk Owners to ensure the mitigation actions put in place are proportional to the risk. The Council's Risk Appetite is a useful tool when deciding on the best way to manage a risk.

#### **2.1.4 Risk Appetite**

Recognising that the Council should not manage all risks to the same extent, scoring helps to prioritise each risk enabling the Council to understand where time and resources should be focussed.

One of the key stages for the successful implementation of a risk management framework is the need to define the Council's 'risk appetite'. Risk appetite refers to the Council's attitude to taking risk and defines the amount of risk the Council considers acceptable in order to achieve its objectives.

The Council's risk appetite can be defined as set out in Table 5 below. Any residual risk scoring more than 12 is above the acceptable tolerance level and further work needs to be done to effectively manage this risk.

Actively using the information provided in Table 5 below can significantly help Risk Owners balance the level of resource and time taken to manage the risks on their risk registers, many risks will require no action to be taken with only periodic monitoring required.

**Table 5: Risk appetite as it relates to residual risk score**

Overall Residual Risk Score	RISK APPETITE	
<b>20-25</b>	Unacceptable level of risk exposure which requires <i>immediate corrective action to be taken or referral to next level</i>	<b>EXCEEDS OUR RISK APPETITE</b>
<b>12-16</b>	Unacceptable level of risk exposure which requires <i>constant active monitoring, and measures to be put in place to reduce exposure and/or referral to next level</i>	
<b>5-10</b>	Acceptable level of risk exposure subject to <i>regular active monitoring measures</i>	<b>WITHIN OUR RISK APPETITE</b>
<b>3-4</b>	Acceptable level of risk exposure subject to <i>regular passive monitoring measures</i>	
<b>1-2</b>	Acceptable level of risk exposure subject to <i>periodic passive monitoring measures</i>	

**2.1.5 Stage Four - Monitor and Review** All risks will be reviewed and updated at least monthly by the Risk Owner involving team members as required. Changes to the risk profile, updated information on mitigating actions and progress will be recorded on the Council’s electronic risk register with the support of the Risk Coordinators.

When undertaking a risk review, Risk Owners should consider:

1. Any new risks to be added or expired risks to be removed
2. Reassessment of current risk scores
3. Review of actions completed and outstanding
4. Any additional mitigating actions required
5. The need for escalation

There are several reasons why a risk may need to be escalated to the next level of management:

- Requires higher management level awareness or decision
- Request for additional resources to assist mitigation
- Potential transfer of risk to another level, ownership or register
- A more strategic or tactical, rather than operational approach

Risk escalation does not necessarily mean a transfer of Risk Ownership. Often Risk Ownership will stay the same whilst being supported by the next level of management.



### 3. Business Continuity

#### 3.1 Introduction into Business Continuity Management

Business Continuity Management is about identifying those services that the Council cannot afford to lose (in terms of vulnerable residents, financial loss, loss of reputation) and planning how to maintain those services if an incident or major disruption should occur.

Under the Civil Contingencies Act 2004 the Council has a responsibility to; *“maintain plans to ensure that they can continue to perform their functions in the event of an emergency, so far as is reasonably practicable”*.

Business continuity is not about managing the emergency, this is covered under emergency planning, but is concerned with the delivery of critical functions immediately following an emergency or disruption.

#### 3.2 Identification of Critical Functions

A two-staged, Council-wide, Business Impact Assessment has been undertaken to identify critical functions. A copy of the Council’s Critical Functions is included (Appendix D).

The first step in the process is to identify which functions are critical to the Council i.e. those that need to be up and running within a short period of time immediately following an incident. This stage helps to identify which services/activities need to have a Business Continuity Plan developed.

It can be undertaken as a workshop or as part of a team meeting. The outputs from this stage need to be recorded. Using a table can be a useful way of recording the outcomes. See Table 6 below.

**Table 6**

<b>SERVICE DESCRIPTION</b>	<b>IMPACT OF NOT DELIVERING THE SERVICE</b>	<b>LENGTH OF TIME REQUIRED (0-24 HRS, 1-3 DAYS, 3-7 DAYS, MORE THAN 1 WEEK)</b>	<b>TYPE OF RESOURCES REQUIRED (PEOPLE, TRANSPORT, PREMISES)</b>	<b>LEVEL OF RESOURCES REQUIRED (6 PEOPLE, 4 WORK AREAS WITH PC’S)</b>

**Task 1** - List all the services your service area/team delivers.

**Task 2** - Consider the impacts on all service stakeholders of not delivering that service, the extent and severity of the impact.

- Considering what is provided to whom, how, when, where and why.

**Task 3** - Identify how quickly each service needs to be up and running again in order to limit significant impacts on stakeholders.

- **Remember** – *we are not looking to resume all services to their normal operating standards.*
- For consistency please use the following timings:
  - 0 – 24 hours - Critical Function 1 (CF1)
  - 1 – 3 days - Critical Function 2 (CF2)
  - 3 – 7 days - Critical Function 3 (CF3)
  - > 1 week – not a Critical Function (NCF)

*Those services falling within the Critical Function classifications above are the key services that need a Business Continuity Plan in place and are the services that should be focused on in the remaining stages of the process.*

**Task 4** - Consider the type and level of resources required to maintain the critical activities within the timescales specified above i.e. premises, people, technology, communications, suppliers, information, transportation. Table 7 provides a useful series of questions to be used as a prompt.

**Table 7 – Questions to consider when quantifying the resources you require to maintain your critical activities.**

<p><b>People</b></p> <ul style="list-style-type: none"> <li>• What is the optimum number of staff you require to carry out your critical service?</li> <li>• What is the minimum staffing level with which you could provide some sort of service?</li> <li>• What skills/level of expertise is required to undertake these activities?</li> </ul>	<p><b>Technology</b></p> <ul style="list-style-type: none"> <li>• What IT is essential to carry out your critical activities?</li> <li>• What systems and means of voice and data communication are required to carry out your critical activities?</li> </ul> <p><b>Information</b></p> <ul style="list-style-type: none"> <li>• What information is essential to carry out your critical activities?</li> <li>• How is this information stored?</li> </ul>
<p><b>Premises</b></p> <ul style="list-style-type: none"> <li>• What locations do your critical activities operate from?</li> <li>• What alternative premises do you have?</li> <li>• What plant, machinery and other facilities are essential to carry out your critical activities?</li> </ul>	<p><b>Suppliers and Partners</b></p> <ul style="list-style-type: none"> <li>• Who are your priority suppliers/partners whom you depend on to undertake your critical activities?</li> <li>• Do you tender key services out to another organisation, to whom, for what?</li> <li>• Do you have any reciprocal arrangements with other organisations?</li> </ul>

HM Government, Business Continuity Management Toolkit.

### **3.3 Risk and Impact Identification**

To help us understand where we should focus our risk management activities, it is important for us to understand the type of risks that could occur, how probable they are and what the impact and disruption could be on your services.

The risk and impact identification stage in this process may have already been undertaken as part of your routine risk identification and management activities, please refer to section 2.4 of the Risk Management Strategy. However, detailed below are a few helpful points to consider.

- The Community Risk Register found on the following link is a useful document when considering the risks facing the authority.

<http://www.northamptonshire.gov.uk/en/councilservices/fire/eplan/Pages/CommRiskRegister.aspx>

- When considering the type of risk that could affect your services e.g. flood, flu pandemic, fire and the impact that risk could have, bear in mind that most risks will result in one or more of the following impacts to your service:
  - Loss of staff (flu pandemic, strike action)
  - Loss of premises (loss of utilities, fire, flood, within exclusion zone)
  - Loss of systems IT, telecommunications
  - Loss of transport (fuel shortage)
  - Loss of key supplier
- As with any risk management process, you now need to decide how the risk should be managed i.e.:
  - Reduce (manage it)
  - Remove (change, suspend or terminate a service)
  - Retain (live with it)
  - Transfer (insure it or get a 3<sup>rd</sup> party to manage it)
  - Share (share it with supplier or partner)

Decide what action should be taken and develop a strategy for meeting the recovery time as defined above. Please see Table 8 to assist in developing a strategy.

**Table 8 – Tactics you could adopt to protect your resources.**

<p><b>People</b></p> <ul style="list-style-type: none"> <li>• Inventory of staff skills not utilised within their existing roles – to enable redeployment.</li> <li>• Process mapping and documentation – to allow staff to undertake roles with which they are unfamiliar.</li> <li>• Multi-skill training of each individual.</li> <li>• Cross training of skills across a number of individuals.</li> <li>• Succession planning.</li> <li>• Use of third party support, backed by contractual agreements.</li> <li>• Geographical separation of individuals with core skills can reduce the likelihood of losing all those capable of undertaking a specific role.</li> </ul>	<p><b>Premises</b></p> <ul style="list-style-type: none"> <li>• Relocation of staff to other accommodation owned by NBC.</li> <li>• Displacement of staff performing less urgent business processes with staff performing a higher priority activity. Care must be taken when using this option that backlogs of the less urgent work do not become unmanageable.</li> <li>• Remote working – this can be working from home or working from other locations.</li> <li>• Use premises provided by other organisations.</li> <li>• Alternative sources of plant, machinery and other equipment.</li> </ul>
<p><b>Technology</b></p> <ul style="list-style-type: none"> <li>• Maintaining the same technology at different locations that will not be affected by the same business disruption.</li> <li>• Holding older equipment as emergency replacement or spares.</li> </ul>	<p><b>Suppliers and Partners</b></p> <ul style="list-style-type: none"> <li>• Storage of additional supplies at another location.</li> <li>• Dual or multi-sourcing of materials.</li> <li>• Identification of alternative suppliers.</li> <li>• Encouraging or requiring suppliers/partners to have a validated business continuity capability.</li> <li>• Significant penalty clauses on supply contracts.</li> </ul>
<p><b>Information</b></p> <ul style="list-style-type: none"> <li>• Ensure data is backed up and it is kept off site.</li> <li>• Essential documentation is stored securely (e.g. fire proof safe).</li> <li>• Copies of essential documentation are kept elsewhere.</li> </ul>	<p><b>Stakeholders</b></p> <ul style="list-style-type: none"> <li>• Mechanisms in place to provide information to stakeholders.</li> <li>• Arrangements to ensure vulnerable groups are accommodated.</li> </ul>

HM Government, Business Continuity Management Toolkit.

### **3.4 Business Continuity Plan**

Develop a Business Continuity Plan for each Critical Function that sets out how you will deliver the strategy above. Decide whether your plans should be developed by Service or Critical Function. Start with the most critical services first i.e. those defined as a CF1 or CF2.

Standard components of a Business Continuity Plan. Please use the template included in Appendix E.

- Document control – distribution list, version control
  - Document owner and maintainer.
  - Purpose and scope – relationship to other plans, services to be included.
  - Plan invocation – set out who has the responsibility to invoke the plan, circumstances for invocation.
  - Roles and responsibilities – individuals with a role in the implementation of the plan.
  - Location from which an incident will be managed.
  - Communication arrangements – plans for communicating with staff, stakeholders.
  - Set out critical activities and recovery times
  - Resource requirements and arrangements
  - Contact details – for all key stakeholders and staff involved in the plan.
- A Business Continuity Plan should be short and simple; if the information is not required during the immediate response then it should not be included in the plan.

### **3.5 Testing and exercising**

A Business Continuity Plan cannot be considered reliable until it has been exercised and tested. Valuable lessons will be learnt during an exercise drill that can be recorded as lessons learnt and changes incorporated within the plan. Exercises can be desktop based or a live exercise.

Assistance and support with testing and exercising Business Continuity Plans is available from the Risk and Business Continuity Manager.

All Business Continuity Plans will be reviewed at least annually, unless service activities or locations change.

## 4. Glossary of terms

<b>Business Continuity Plan</b>	A documented set of procedures and information intended to deliver continuity of critical functions in the event of a disruption.
<b>Business Impact Assessment</b>	Identifies and documents the key services and activities; the critical functions required to deliver these; the impact that a disruption of these activities would have on the Council and it's customers and the resources required to resume the activities.
<b>Category 1 Responder</b>	A person or body listed in Part 1 of Schedule 1 to the Civil Contingencies Act. Those in Category 1, are those organisations at the core of the response to most emergencies (e.g. emergency services, local authorities, NHS bodies). Category 1 responders are subject to the full set of civil protection duties.
<b>Civil Contingencies Act</b>	The Civil Contingencies Act 2004 establishes a single framework for civil protection in the United Kingdom. Part 1 of the Act establishes a clear set of roles and responsibilities for local responders. Part 2 modernises the emergency powers framework in the United Kingdom.
<b>Critical Function</b>	The functions which must be kept going or rapidly reinstated, at least in part, in the event of any disruption
<b>Enhance</b>	A risk response for an opportunity. The realisation of an opportunity and achieving additional gains over and above the opportunity.
<b>Exploit</b>	A risk response for an opportunity. Changing an activity's scope, suppliers or specification in order to achieve a beneficial outcome.
<b>Impact</b>	Impact is the result of a particular threat or opportunity actually occurring.
<b>Inherent Risk</b>	The exposure arising from a specific risk before any action has been taken to manage it.
<b>Issue</b>	A relevant event that has happened, was not planned and requires management action.
<b>Opportunity</b>	An uncertain event that could have a positive impact on objectives or benefits.
<b>Probability</b>	The evaluated likelihood of a particular threat or opportunity actually happening.
<b>Realise</b>	A risk response for an opportunity. Ensures that potential improvements to an organisational activity are delivered.

<b>Reduction</b>	A risk response for a threat. Proactive actions are taken to reduce the probability of the event occurring or the impact of the threat should it occur.
<b>Removal</b>	A risk response for a threat. Typically involves changing an aspect of the organisational activity.
<b>Residual Risk</b>	The risk remaining after the risk response has been applied.
<b>Retention</b>	A risk response for a threat. A conscious and deliberate decision is taken to retain the threat.
<b>Risk</b>	An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives.
<b>Risk Appetite</b>	An organisation's unique attitude to risk taking.
<b>Risk Cause</b>	A description of the source of the risk.
<b>Risk Event</b>	A description of the area of uncertainty in terms of the threat or opportunity.
<b>Risk Identification</b>	Determination of what could pose a risk.
<b>Risk Management</b>	Systematic application of principles, approach and processes to the tasks of identifying and assessing risks.
<b>Risk Owner</b>	An individual responsible for the management and control of all aspects of individual risks.
<b>Risk Register</b>	A record of all identified risks.
<b>Risk Response</b>	Actions that may be taken to bring the situation to a level where the exposure to risk is acceptable to the organisation.
<b>Share</b>	A risk response for a threat or opportunity. Procurement methods entailing a form of risk sharing through application of pain/gain formula.
<b>Strategic risk</b>	Risk concerned with where the organisation wants to go, how it plans to get there, and how it can ensure survival.
<b>Threat</b>	An uncertain event that could have a negative impact on objectives or benefits.
<b>Transfer</b>	A risk response for a threat. Whereby a third party takes on responsibility for an aspect of the threat.

## **5. References**

A Guide to Business Continuity Management in Gloucestershire County Council, 2006.

A Guide to the Corporate Manslaughter and Corporate Homicide Act 2007, Ministry of Justice.

Business Continuity Management Good Practice Guidelines 2008, The Business Continuity Institute.

Cambridge City Council Risk Management Strategy 2007.

How prepared are you? Business Continuity Management Toolkit version 1– HM Government.

Milton Keynes Council Risk Management Process – A Guide 2008.

Management of Risk: Guidance for Practitioners, Office of Government Commerce.

Managing Successful Projects with PRINCE2, Office of Government Commerce.

Northamptonshire County Council Risk Management Protocol May 2008.

Solihull Metropolitan Borough Council Risk Management Strategy March 2008

The Accounts and Audit Regulations 2006.

The Orange Book, Management of Risk – Principles and Concepts.



## Appendix A – Example Risk Register

The Council's risk register corresponds to the entry fields in the risk management software.

ID	Category	Risk Owner	Risk Cause (as a result of)	Risk Event (there is a risk that)	Risk Impact (which may result in)	Inherent Risk Scores (assume no controls)			Mitigation Actions and Controls	Residual Risk Scores			Action Owner	Action Completion Date	Progress update	
						Impact (1-5)	Probability (1-5)	Score I x P		Impact (1-5)	Probability (1-5)	Score I x P				

## **Appendix B – Guidance on Risk Management in Partnerships**

One element of good partnership governance is risk management. Risk management helps to ensure partnerships succeed in achieving the objectives they set out to deliver whilst protecting the interests of the individual partners and stakeholders. Prior to entering into a Partnership arrangement, the risks associated should be assessed to ensure the level of exposure is acceptable to the Council.

In a partnership environment, risks should be managed both from the perspective of the partnership and of each partner.

### ***Partnership Approach***

At the commencement of any partnership the following steps should be undertaken by the Partnership Manager:

1. Using the partnership's objectives, agreement, memorandum of understanding etc., undertake an initial risk identification exercise to understand both the barriers to achieving the objectives and any potential opportunities. Guidance can be found in the Council's Risk and Business Continuity Handbook.
2. Record the risks on a risk register, excel template attached.
3. For each risk identified, complete all sections of the register:
  - i. Cause, event and impact.
  - ii. Risk Owner.
  - iii. Inherent and residual risk scores.
  - iv. Mitigating actions and controls.
  - v. Action owners and estimated completion dates.
4. Routinely (depending on the partnership governance cycle and level of risk exposure) the Risk Owner should review and update the risk. The Action Owner should update progress on the actions.
5. In line with the partnership's governance approach, high risks or risks causing concern should be reported to the Partnership Board. Financial risks should be escalated to the Head of Service and service accountant.
6. Risk should be a standing agenda item at Board and Team Meetings.

The risk register should be available to all members of the partnership.

Any risks identified throughout the life of a partnership that relate to an individual partner should be escalated to the partner concerned.

### ***Approach for Individual Partners***

The individual partners involved in a partnership should undertake each of the steps above but should assess the risks from their own perspective. A risk can have a different impact depending on the organisation assessing it.

To ensure openness on the individual's risk approach, it may be prudent for the partner's own register to not be shared with the wider partnership.

## Notes

### Risk categories:

- Customers/citizens
  - Communication
  - Environmental
  - Financial
  - Health and Safety
  - Human Resources
  - IT
  - Legal
  - Partnership
  - Political
  - Property and Assets
  - Reputation
  - Service Delivery/business interruption
  - Suppliers/contractors
- The following statement can be helpful when identifying risks
    - As a result of **(the cause)** there is a risk that **(the event)** which may result in **(the impact)**.
  - Remember that risks can be opportunities as well as threats.
  - A common error made when identifying risks is confusing a **risk** with an **issue**. An **issue** is an event or situation that has already occurred and needs managing now.
  - Inherent risk score – the exposure from a risk before any action has been taken to manage it.
  - Residual risk score – the remaining risk once a risk response has been taken.

### Risk Matrix

<b>Impact</b>	<b>5</b> <i>Catastrophic</i>	5	10	15	20	25
	<b>4</b> <i>Major</i>	4	8	12	16	20
	<b>3</b> <i>Moderate</i>	3	6	9	12	15
	<b>2</b> <i>Minor</i>	2	4	6	8	10
	<b>1</b> <i>Insignificant</i>	1	2	3	4	5
		<b>1</b> <i>Rare</i>	<b>2</b> <i>Unlikely</i>	<b>3</b> <i>Possible</i>	<b>4</b> <i>Likely</i>	<b>5</b> <i>Almost certain</i>
		<b>Probability</b>				

## ***Appendix C – Risk Management in Projects***

## **Appendix D – Approved Business Continuity Critical Functions**

<b>Description</b>	<b>Critical Function Category</b>	<b>Service Area</b>	<b>Head of Service</b>
Co-ordination of instruction of urgent repair works to corporate properties (not performance of actual repair works)	CF1	Asset Management	Gavin Chambers
Leisure Centres – Danes Camp, Lings Forum - to be used as 'reception centres' in the event of an emergency.	CF1	Culture and Leisure	Ian Redfern
External communications - media	CF1	Communications	Cara Boden
External communications - partners	CF1	Communications	Cara Boden
Internal communications (Live News / All User email)	CF1	Communications	Cara Boden
Website / intranet home page updates	CF1	Communications	Cara Boden
Time sensitive Corporate marketing activities	CF1	Communications	Cara Boden
Switchboard	CF1	Customer Services	Marion Goodman
Automated Call Distribution configuration	CF1	Customer Services	Marion Goodman
Emergency Repairs Call Handling	CF1	Customer Services	Marion Goodman
One Stop Shop or face to face access	CF2	Customer Services	Marion Goodman
General Call Handling – Contact Centre (Housing, Streetscene, Revs and Bens)	CF2	Customer Services	Marion Goodman
Emergency Management Team	CF1	Emergency Planning	Thomas Hall
Payroll*	CF2	Finance	Gavin Chambers

Final accounts, budget and council tax setting, Rent setting*	CF2	Finance	Gavin Chambers
Transactional banking	CF3	Finance	Gavin Chambers
Treasury Management	CF3	Finance	Gavin Chambers
S151 officer	CF3	Finance	Gavin Chambers
Key Holding Opening of buildings	CF1	Facilities Management	Marion Goodman
Disarming of Intruder Alarm	CF1	Facilities Management	Marion Goodman
Access/Entry System	CF1	Facilities Management	Marion Goodman
Evacuations	CF1	Facilities Management	Marion Goodman
Supply of meeting rooms & refreshments for emergency planning teams and provision of halls/meeting rooms in the event of evacuation to Guildhall.	CF1	Facilities Management	Marion Goodman
Cleaning of Buildings – potentially harmful or infectious substances.	CF2	Facilities Management	Marion Goodman
Mail Delivery and Collection	CF3	Facilities Management	Marion Goodman
Provision management of temporary accommodation	CF1	Housing Needs and Support	Fran Rodgers
Emergency housing allocations**	CF1	Housing Needs and Support	Fran Rodgers
Social alarm for community	CF1	Housing Needs and Support	Fran Rodgers
Out of hours call – social services	CF1	Housing Needs and Support	Fran Rodgers
Daily visits – Level 3s	CF1	Housing Needs and Support	Fran Rodgers
Hospital discharge assessments	CF1	Housing Needs and Support	Fran Rodgers

Emergency response service – coordinators	CF1	Housing Needs and Support	Fran Rodgers
Gateway Assessments	CF2	Housing Needs and Support	Fran Rodgers
Homelessness Investigations	CF2	Housing Needs and Support	Fran Rodgers
Private sector housing - duty	CF2	Housing Needs and Support	Fran Rodgers
Daily visits – Level 2s	CF2	Housing Needs and Support	Fran Rodgers
Daily visits – Level 1s	CF2	Housing Needs and Support	Fran Rodgers
Installation of life line – hospital discharge	CF2	Housing Needs and Support	Fran Rodgers
Housing advice – telephone service	CF2	Housing Needs and Support	Fran Rodgers
Corporate Health and Safety	CF1	Human Resources	Catherine Wilson
Access to HR systems	CF1	Human Resources	Catherine Wilson
Data Network Infrastructure	CF1	ICT	Marion Goodman
Voice Network Infrastructure	CF1	ICT	Marion Goodman
Server and Storage Area Network Support	CF1	ICT	Marion Goodman
Geographical Information Systems	CF2	ICT	Marion Goodman
Operational Server Support / Environmental Control / Data Storage/ Security Backups	CF2	ICT	Marion Goodman
I.C.T. Helpdesk	CF3	ICT	Marion Goodman
PC Support	CF3	ICT	Marion Goodman
Email and Internet Access	CF3	ICT	Marion Goodman
Business Application Support	CF3	ICT	Marion Goodman

Internet and Intranet Support	CF3	ICT	Marion Goodman
Court and Tribunal attendance for planned and emergency hearings, and urgent service of Planning Enforcement Stop Notices.	CF1	Borough Solicitor	Francis Fernandes
Provision of general legal advice related to the event	CF1	Borough Solicitor	Francis Fernandes
Provision of Monitoring Officer advice in relation to the event	CF1	Borough Solicitor	Francis Fernandes
Elections*	CF1	Borough Solicitor	Francis Fernandes
Legal Administration supporting court etc attendance	CF3	Borough Solicitor	Francis Fernandes
Committee Administration	CF3	Borough Solicitor	Francis Fernandes
Emergency Repairs	CF1	Landlord Services	Christine Ansell
Urgent Repairs	CF2	Landlord Services	Christine Ansell
Burials	CF1	Neighbourhood Environmental Services	Simone Wade
Westbridge Gatehouse	CF1	Neighbourhood Environmental Services	Simone Wade
Fuel Supply for Council Vehicles	CF1	Neighbourhood Environmental Services	Simone Wade
Management of Waste Operations (Staff/Office)	CF2	Neighbourhood Environmental Services	Simone Wade
Weekly Collection Of Domestic Waste In Black Sacks	CF2	Neighbourhood Environmental Services	Simone Wade
Clinical Waste Collections	CF2	Neighbourhood Environmental	Simone Wade



		Services	
Town Centre Cleansing	CF2	Neighbourhood Environmental Services	Simone Wade
Alternate Weekly Domestic Waste Collections In The Black Wheelie Bins	CF3	Neighbourhood Environmental Services	Simone Wade
Business Waste Collections	CF3	Neighbourhood Environmental Services	Simone Wade
Dangerous Structures	CF1	Planning	Sue Bridge
Provisions of CCTV	CF1	Public Protection	Steve Elsey
Emergency Prohibitions for Food Hygiene and H & S	CF1	Public Protection	Steve Elsey
Immediate control measures of a serious infectious disease	CF1	Public Protection	Steve Elsey
Immediate control measures of a serious incident where LA is enforcer	CF1	Public Protection	Steve Elsey
General Public Health control measures	CF3	Public Protection	Steve Elsey
Control measures of less serious infectious diseases	CF3	Public Protection	Steve Elsey
Housing Benefit – rent allowances (Private tenants)	CF1	Revenues and Benefits	Robin Bates
Bus Station - Management	CF3	Town Centre Management	Derrick Simpson
Car Parking	CF3	Town Centre Management	Derrick Simpson
Markets	CF3	Town Centre Management	Derrick Simpson

\*Critical at particular time of month or year.

\*\*Added to list after approval by Management Board – approved by FR



**Appendix E –Business Continuity Plan Template**



**Northampton Borough Council**

***(Insert service/department)* Business Continuity Plan**

***(Template)***

**Controlled Circulation – document contains confidential information**

<b>File name:</b>	
<b>Version:</b>	
<b>Document Owner:</b>	
<b>Approved By:</b>	
<b>Signature:</b>	

## Contents Page

## 1. Document Control

*(name a document owner and maintainer)*

### Distribution List

<b>Name</b>	<b>Location Of Plan</b> <i>(copies must be kept offsite i.e. at home or alternative office)</i>

### Record of Amendments

<b>Date</b>	<b>Version number</b>	<b>Detail of amendment/revision</b>	<b>Amended/revised by</b>

This plan will be reviewed and updated at least annually, more frequently if service location or activities change.

## 2. Purpose and Scope

*Relationship to other plans across the authority, services to be included and excluded, brief description of services.*

### 3. Plan Invocation/Activation

*Who has the responsibility to invoke the plan, circumstances for invocation.*

*Include a quick activation checklist e.g. the first 5 – 10 things that must be done.*

### 4. Roles and Responsibilities

*Details of individuals with a specific role in plan and details of the role.*

Name	Role/Tasks

## **5. Location from which the incident will be managed.**

*Details of location and an alternative. Address, Contact name, telephone number, access details.*

## **6. Communication Arrangements**

*Plans for communicating with staff and stakeholders, call cascade, who needs to know what and when, standard messages.*

## 7. Critical Functions and Recovery Times

*Approved critical functions.*

<b>Critical Function 1 – Brief Description</b>	<b>Impact on NBC if service not delivered</b>	<b>Recovery time</b>

<b>Critical Function 2 - Brief Description</b>	<b>Impact on NBC if service not delivered</b>	<b>Recovery time</b>

<b>Critical Function 3 - Brief Description</b>	<b>Impact on NBC if service not delivered</b>	<b>Recovery time</b>



## 8. Resource Requirements for Critical Functions

*Minimum requirements to achieve recovery time for critical functions and alternative sources for requirements.*

### Critical Function 1s

<b>Function Description</b>	
<b>Staff</b>	<i>Minimum number of staff, knowledge and skills required, what are the alternative staffing arrangements.</i>
<b>Accommodation</b>	<i>Desk space. Home working etc.</i>
<b>Agreed Alternative Accommodation Arrangements</b>	<i>Address, contact name, telephone number, access restrictions, key holders.</i>
<b>Systems (IT and comms)</b>	<i>Back up/recovery processes. Network connection, telephone access required etc.</i>
<b>Hard Data</b>	<i>Files, paperwork, where are they stored, alternative locations for storage.</i>
<b>Key Suppliers</b>	<i>Check their continuity arrangements, alternative suppliers etc.</i>
<b>Other</b>	

### Critical Function 2s

<b>Function Description</b>	
<b>Staff</b>	<i>Minimum number of staff, knowledge and skills required, what are the alternative staffing arrangements.</i>
<b>Accommodation</b>	<i>Desk space. Home working etc.</i>
<b>Agreed Alternative Accommodation Arrangements</b>	<i>Address, contact name, telephone number, access restrictions, key holders.</i>
<b>Systems (IT and comms)</b>	<i>Back up/recovery processes. Network connection, telephone access required etc.</i>
<b>Hard Data</b>	<i>Files, paperwork, where are they stored, alternative locations for storage.</i>
<b>Key Suppliers</b>	<i>Check their continuity arrangements, alternative suppliers etc.</i>
<b>Other</b>	

### Critical Function 3s

<b>Function Description</b>	
<b>Staff</b>	<i>Minimum number of staff, knowledge and skills required, what are the alternative staffing arrangements.</i>

<b>Accommodation</b>	<i>Desk space. Home working etc.</i>
<b>Agreed Alternative Accommodation Arrangements</b>	<i>Address, contact name, telephone number, access restrictions, key holders.</i>
<b>Systems (IT and comms)</b>	<i>Back up/recovery processes. Network connection, telephone access required etc.</i>
<b>Hard Data</b>	<i>Files, paperwork, where are they stored, alternative locations for storage.</i>
<b>Key Suppliers</b>	<i>Check their continuity arrangements, alternative suppliers etc.</i>
<b>Other</b>	

## 8. Contact Details

*For all key stakeholders, staff and suppliers involved in the plan.*

### Staff

Name	Job Title	Contact Details	Home location/walk to work?

### Stakeholder

Name	Role	Contact Details

### Supplier Contacts

Name	Role	Contact Details

### Other Useful Contacts

Name	Role	Contact Details

*Appendix A – Damage Assessment Form*

Description of Damage	Identified By	Time/Date Identified	Actions



**Northampton Borough Council**

**Risk Management Strategy**

## Document Control

<b>Author (Post holder title)</b>	Risk and Business Continuity Manager
<b>Type of document</b>	Strategy
<b>Version Number</b>	V2
<b>Document File Name</b>	Risk Management Strategy v2
<b>Issue date</b>	March 2010
<b>Document held by (name/section)</b>	Sue Morrell/Risk Management
<b>For internal publication only or external also?</b>	Internal
<b>Document stored on Council website?</b>	No
<b>Next review date</b>	January 2012

### Change History

<b>Issue</b>	<b>Date</b>	<b>Comments</b>
Version 1	13/01/09	Full update - Approved by Cabinet
Version 2	22/03/10	Minor improvements - approved by Audit Committee and Director of Finance and Support.

## ***Contents***

### Risk Management Policy Statement

1. Introduction
    - 1.1 Scope
    - 1.2 Objectives
  2. Risk Management Approach
    - 2.1 Risk Management defined
    - 2.2 The Benefits of Risk Management
    - 2.3 Risk Management Hierarchy
    - 2.4 Risk Management Methodology
    - 2.5 Risk Appetite
  3. Business Continuity Management
    - 3.1 Introduction to Business Continuity Management
    - 3.2 Business Continuity Approach
  4. Roles and Responsibilities
  5. Monitoring and Reporting Risk
  6. Risk and Business Continuity Management Training and Support
  7. Glossary of Terms
  8. References
- Appendix A – Action Plan

# Northampton Borough Council

## Risk Management Policy Statement

Whilst an element of risk is an integral part of everyday life, the level of exposure to risk is controllable. Northampton Borough Council will take all reasonable steps to remove or reduce sources of significant risk to its employees, assets and stakeholders.

Risk management is a positive tool that is incorporated into the management process to help achieve strategic and service objectives. The Council is committed to adopting a corporate, systematic and structured approach to the control of risk.

It is the responsibility of each individual employee to review their methods and conditions of work to ensure that significant sources of risk are removed, or controlled at an acceptable level. To assist in this, the Risk Manager will perform a facilitating role, providing information, support and expertise.

Wherever possible the Council will support any initiatives that significantly reduce the level of risk.

To give effect to this Policy Statement the Council will issue a Risk Management Strategy, the core elements include:

- Risk Management Objectives
- Risk Management Defined
- Benefits of a sound risk management function
- Risk Management Methodology
- Approach to Business Continuity
- Roles and responsibilities
- Monitoring and reporting
- Training and support



-----  
Director of Finance and Support

Date: 19 March 2010-03-08



-----  
Chair of Audit Committee

Date: 8 March 2010



## **1. Introduction**

Northampton Borough Council recognises there is uncertainty in everything it does and the uncertainties present both threats and opportunities. This strategy describes how the authority will manage these uncertainties by identifying, evaluating and controlling risk, increasing the authority's success in achieving its priorities and objectives. Details of the Council's Priorities are included in the Council's Corporate Plan.

The Council has a legal responsibility to manage risk and this Strategy supports the Council in meeting its responsibilities. Some of the key legal duties are detailed below:

The Accounts and Audit Regulations 2006 state under the Responsibility for Financial Management that:

*“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.”*

A guide to the Corporate Manslaughter and Corporate Homicide Act 2007, produced by the Ministry of Justice, states the following:

*“**What will the courts look at under the new offence?** - Factors that might be considered will range from questions about the systems of work used by employees, their level of training and adequacy of equipment, [ ] ...to questions about the organisation's strategic approach to health and safety and its arrangements for risk assessing, monitoring and auditing its processes.”*

Under the Civil Contingencies Act (CCA) 2004 the Council has specific responsibilities relating to Business Continuity. All Local Authorities are classified as a Category 1 responder. As a Category 1 responder the Council is required “to maintain plans to ensure that they can continue to perform their functions in the event of an emergency, so far as is reasonably practicable.”

The act goes on to explain that as a Category 1 responder the Council needs to be able to deliver the critical aspects of its own business functions to enable it to help others in an emergency situation, keeping the impact on the public to a minimum.

The Civil Contingencies Act also places a responsibility on Local Authorities to provide advice and assistance to businesses and voluntary organisations about business continuity management.

The Audit Committee is the lead Councillor body responsible for overseeing risk management across the authority and this strategy is one tool that can be used by the Audit Committee to understand the Council's adopted approach to risk management, the processes that sit behind the procedures and where the responsibilities for risk management lie within the organisation.

The Council's Risk Management Policy states that "Risk management is a positive tool that is incorporated into the management process to help achieve strategic and service objectives. The Council is committed to adopting a corporate, systematic and structured approach to the control of risk".

This strategy defines the approach Northampton Borough Council will take in managing risk as an intrinsic business function. The core elements of the strategy are:

- Risk Management Objectives
- Risk Management Defined
- Benefits of a sound risk management function
- Risk Management Methodology
- Business Continuity
- Roles and responsibilities
- Monitoring and reporting
- Training and support

## **1.1 Scope**

This Strategy is a corporate document, affecting all service areas. The management of risk is not a service specific function but cuts across all of the Council's business areas.

The Strategy is supported by an action plan (see appendix A) that details the activities scheduled to implement the objectives of the Strategy and the Risk and Business Continuity Management Handbook aimed at assisting Managers in identifying and managing their risks.

Recognising that the Council is striving to continually improve risk and business continuity management across the authority and that risk and business continuity management are evolving functions, the Council's Risk Management Strategy is a living document that will adapt to a dynamic environment. This strategy will be reviewed bi-annually or in response to new legislation or national standards. The Cabinet will approve any significant changes.

## **1.2 The key objectives of this strategy are:**

1. To facilitate the achievement of Council priorities and objectives by:
  - a) Embedding an effective process of identification and management of strategic, service level and key operational and project risks.
  - b) Embedding risk management in day-to-day management processes.
  - c) Maintaining and reviewing a centrally co-ordinated register of strategic and service level risks.
  - d) Defining roles and responsibilities for risk and business continuity management within the Council.
  - e) Engendering commitment to risk and business continuity management throughout the Council.
2. To assess and manage risks associated with partnership ventures.
3. To assess and manage risks associated with projects.
4. To ensure the Council fulfils its business continuity obligations under the Civil Contingencies Act 2004.
5. To provide a corporate approach to business continuity.
6. To provide a schedule of routine testing and review of Business Continuity Plans.
7. To provide risk and business continuity training and support.
8. To define the Council's risk appetite and escalation process.
9. To increase the accessibility and visibility of the Council's Risk and Business Continuity Management processes and procedures.

## **1.3 These objectives will be met by:**

Please see the Risk Management Strategy Action Plan, Appendix A, for a detailed breakdown of the Council's planned risk and business continuity management activities.

## **2. Risk Management Approach**

### **2.1 Risk Management Defined**

The Office of Government Commerce (OGC) defines risk as:

“An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. A risk is measured by a combination of the probability of a perceived threat or opportunity occurring and the magnitude of its impact on objectives.”

The OGC goes on to define risk management as “the systematic application of principles, approach and processes to the tasks of identifying and assessing risks, and then planning and implementing risk responses. This provides a disciplined environment for proactive decision-making”.

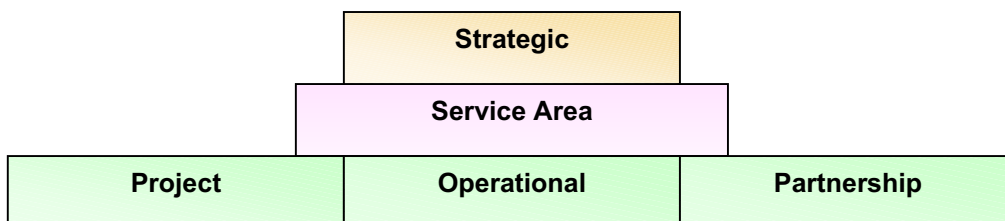
### **2.2 The benefits of risk management**

There are a number of benefits to the Council in continuing to develop and embed a sound risk management function. The key benefits include:

- Supporting the Council in achieving its priorities and objectives at all levels within the organisation.
- Providing an early warning system to alert Officers and Members to potential opportunities and threats.
- Reduction in interruptions to service delivery.
- Continuity of critical Council activities.
- Enabling the Council to act proactively, avoiding reactive management wherever possible.
- Targeting resources at areas and issues of greatest risk where the Council’s objectives are most under threat.
- Better-informed decision-making throughout the Council.
- Protecting and enhancing the reputation of Northampton Borough Council.
- Providing a vehicle for external assurance.

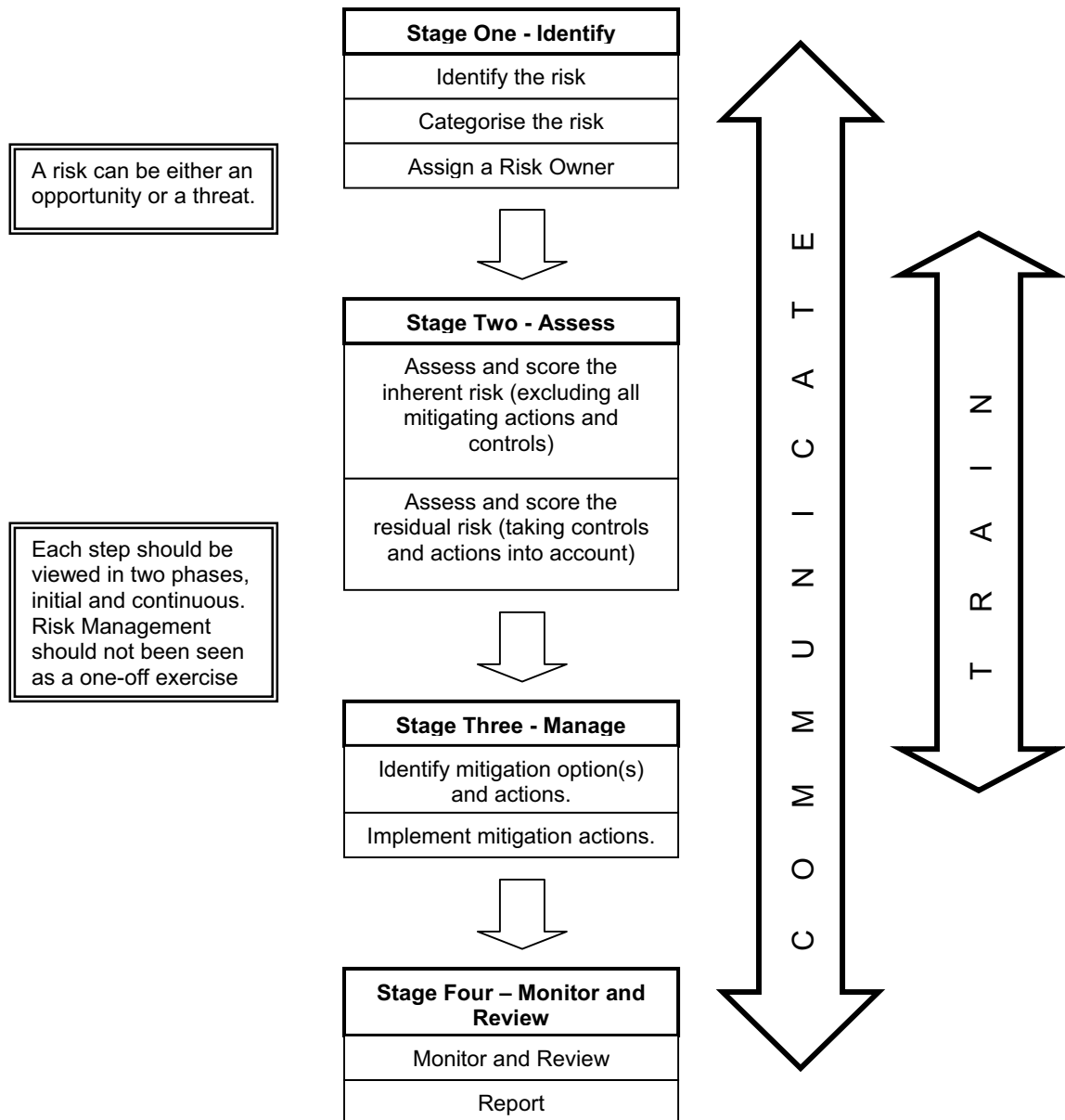
### **2.3 Risk Management Hierarchy**

To assist in aligning risks to the Council’s objectives and in defining specific roles and responsibilities, the Council has adopted a hierarchical approach to managing risk.



## 2.4 Risk Management Methodology

There are four generic stages to the management of risk. The Council's approach to each of these stages is set out in detail in the Risk and Business Continuity Management Handbook.



The Council's Risk Management process is supported by a specialist software package that simplifies the recording, reviewing and reporting on the Council's risks whilst aligning the risks to corporate and service objectives. Training on the risk management software is available to Risk Owners and Risk Coordinators.

## 2.5 Risk Appetite

Recognising that the Council should not manage all risks to the same extent, scoring helps to prioritise each risk enabling the Council to understand where time and resources should be focussed.

One of the key stages for the successful implementation of a risk management framework is the need to define the Council's 'risk appetite'. Risk appetite refers to the Council's attitude to taking risk and defines the amount of risk the Council considers acceptable in order to achieve its objectives.

The Council's risk appetite can be defined as set out in Table 1 below. Any residual risk scoring more than 12 is above the acceptable tolerance level and further work needs to be done to effectively manage this risk.

**Table 1: Risk appetite as it relates to residual risk score**

Overall Residual Risk Score	RISK APPETITE	
20-25	Unacceptable level of risk exposure which requires <i>immediate corrective action to be taken or referral to next level</i>	<b>EXCEEDS OUR RISK APPETITE</b>
12-16	Unacceptable level of risk exposure which requires <i>constant active monitoring, and measures to be put in place to reduce exposure and/or referral to next level</i>	
5-10	Acceptable level of risk exposure subject to <i>regular active monitoring measures</i>	<b>WITHIN OUR RISK APPETITE</b>
3-4	Acceptable level of risk exposure subject to <i>regular passive monitoring measures</i>	
1-2	Acceptable level of risk exposure subject to <i>periodic passive monitoring measures</i>	

The Council aims to fully integrate its approach to risk management across all services and activities. Using existing systems of internal control, there are a number of routine management processes that support, and are supported by, the Council's risk management approach. The key processes are detailed in Table 2 below:

**Table 2 Existing Systems of Internal Control**

<b>Service Planning</b>	Corporate plan, service plans, service improvement plans, team plans.
<b>Financial planning and management</b>	Medium term plans, Annual Budgets, Grant Applications, Capital Appraisals, Value For Money framework.
<b>Councillor Decision Making</b>	Cabinet Reporting, Overview and Scrutiny Reports.
<b>Performance Management</b>	Directorate Management Team Meetings
<b>Annual Appraisals and personal development</b>	Training, Mentoring, Appraisals, One-to-one sessions.
<b>Partnership Plans</b>	Including; Community Strategy, Local Area Agreement.
<b>Audit</b>	Recovery plans, Audit programme planning, Audit Committee, Internal and External Audit functions.
<b>Strategic plans</b>	Equalities Scheme, Customer Services, HR – Enabling Success Through People, ICT Strategy, Economic & Regeneration Strategy.
<b>Project Management</b>	Project Initiation Requests, Project Initiation Documents, Project Risk Registers, Project Initiation Group.

### **3. Business Continuity Management**

One response available to Managers to reduce the impact a risk may have if it occurs is the preparation of business continuity plans. This is of particular importance to Local Authorities who have an obligation to maintain critical services in the event of a major disruption.

#### **3.1 Introduction to Business Continuity Management**

Business Continuity Management (BCM) is the process that supports the Council in delivering its critical services and functions in the event of an unexpected emergency or disruption. The purpose of BCM is to provide the Council with a framework of procedures and plans that will assist in the recovery of its key functions as quickly as possible and practicable. This ensures the Council can respond to an emergency proactively, with a well planned and tested response rather than a reactive ad-hoc response.

BCM assists Managers in considering how they would deliver their service whilst facing the most disruptive emergency, enabling them to recover their critical functions and services within the agreed timescales.

#### **3.2 Business Continuity Approach**

A two-staged, Council-wide, Business Impact Assessment has been undertaken to identify critical functions. A copy of the Council's Critical Functions is included in the Risk and Business Continuity Management Handbook.

The Risk and Business Continuity Management Handbook details the approach the Council has adopted to business continuity management. In essence there are six key steps:

**Identify Critical Functions** - The first step in the process is to identify which functions are critical to the Council i.e. those that need to be up and running within a short period of time immediately following an incident. This stage helps to identify which services/activities need to have a Business Continuity Plan developed.

For consistency the following timings are to be used to define the level of critical function.

- 0 – 24 hours - Critical Function 1 (CF1)
- 1 – 3 days - Critical Function 2 (CF2)
- 3 – 7 days - Critical Function 3 (CF3)
- > 1 week – not a Critical Function (NCF)

**Resources** - Consider the type and level of resources required to maintain the critical activities within the timescales specified above i.e. premises, people, technology, communications, suppliers, information, transportation.



**Risk and impact** - To help us understand where we should focus our risk management activities, it is important for us to understand the type of risks that could occur, how probable they are and what the impact and disruption could be on services. This will be undertaken as part of the routine risk management activities.

**Strategy for managing the risk** – This step will be undertaken as part of the routine risk management activities.

**Development of Business Continuity Plans** – A Business Continuity Plan should be developed for each Critical Function, setting out how the strategy above will be delivered. A decision will need to be taken on whether a plan is developed by Service area or Critical Function. An outline of the key headings to be included in all Business Continuity Plans, along with a Business Continuity Plan Template, is included in the Risk and Business Continuity Management Handbook.

**Testing and exercising** – A Business Continuity Plan cannot be considered reliable until it has been exercised and tested. Valuable lessons will be learnt during an exercise drill that can be recorded as lessons learnt and changes incorporated within the plan. Exercises can be desktop based or a live exercise.

## 4. Roles and Responsibilities

Successful risk management is the responsibility of all employees and Members of the Council and it is vital that everybody understands the role they play in managing the Council's risks.

The Council's Audit Committee is the lead Member body and the Director of Finance and Support the lead Officer responsible for risk management within the authority.

Specific roles and accountabilities are detailed in Table 3 below. Those with specific responsibilities will be briefed on their roles to gain commitment to and approval of the responsibilities. As natural staff and Member turnover occurs, the Risk Manager will ensure individuals new in post are fully briefed on their responsibilities for risk management.

**Table 3 Roles and Responsibilities**

Who	Responsibilities
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>➤ The Audit Committee is the lead Councillor body responsible for overseeing risk management across the Council.</li> <li>➤ To ensure that the Council operates effective risk management systems.</li> <li>➤ To hold the Management Board accountable for effective risk management across the Council.</li> </ul>
<b>Management Board</b>	<ul style="list-style-type: none"> <li>➤ To review and update the Strategic Risk Register and ensure that mitigating actions are completed.</li> <li>➤ To champion the effective application of risk management processes and principles across the Council's business systems.</li> <li>➤ To lead risk management by example.</li> <li>➤ To review high Strategic level risks quarterly</li> </ul>
<b>Director of Finance and Support</b>	<ul style="list-style-type: none"> <li>➤ Lead officer responsible for embedding risk management across the Council.</li> <li>➤ To meet with the Risk Manager quarterly to report on progress and issues relating to the risk management framework.</li> </ul>
<b>Cabinet Members</b>	<ul style="list-style-type: none"> <li>➤ To have recognition of risks associated with Cabinet decisions.</li> </ul>
<b>Councillors</b>	<ul style="list-style-type: none"> <li>➤ To use risk management as a tool to support decision-making.</li> <li>➤ To raise risk issues and concerns.</li> </ul>

<b>Chief Executive and Directors</b>	<ul style="list-style-type: none"> <li>➤ To review risk registers within their Directorate Management Team Meetings.</li> <li>➤ To ensure effective risk management within their Directorate.</li> <li>➤ To escalate risks for inclusion on the Strategic Risk Register.</li> <li>➤ To instigate and manage actions to mitigate risks.</li> </ul>
<b>Heads of Service</b>	<ul style="list-style-type: none"> <li>➤ To review and create risk registers within their service area.</li> <li>➤ To ensure effective risk management within their service area.</li> <li>➤ To Instigate and manage actions to mitigate risks.</li> <li>➤ To escalate risks where appropriate.</li> </ul>
<b>Project Managers</b>	<ul style="list-style-type: none"> <li>➤ To identify and manage project level risks.</li> <li>➤ To escalate risks for inclusion on Service level risk registers</li> <li>➤ Report risks to Project Board.</li> </ul>
<b>Partnership Lead Officers</b>	<ul style="list-style-type: none"> <li>➤ To identify and manage partnership risks from the Council's perspective.</li> <li>➤ To identify and manage risks from the partnership's perspective (if the lead authority).</li> <li>➤ To escalate risks for inclusion on Service or Strategic level risk registers.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>➤ To escalate information regarding opportunities or threats within their working environment to senior management.</li> <li>➤ To take steps in everyday work activities to reduce risk.</li> <li>➤ Report incidents or near misses to senior management.</li> <li>➤ To create and maintain operational level risk registers as required.</li> </ul>
<b>Risk Coordinators</b>	<ul style="list-style-type: none"> <li>➤ To support Services in managing their Service Risk Register.</li> <li>➤ To maintain the Service Risk Register on Performance Plus.</li> <li>➤ To act as the key point of contact within their Service Area on risk issues.</li> </ul>
<b>Risk Manager</b>	<ul style="list-style-type: none"> <li>➤ Report to the Director of Finance and Support on a quarterly basis, on the effectiveness of risk</li> </ul>

	<p>management systems.</p> <ul style="list-style-type: none"><li>➤ Promote risk management throughout the Council</li><li>➤ To provide guidance and advice on the Council's risk management approach.</li><li>➤ To co-ordinate risk management across the Council.</li><li>➤ Arrange and facilitate risk workshops and training exercises.</li><li>➤ Maintain and manage the Strategic risk register.</li></ul>
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## 5. Monitoring and Reporting Risk

The table below summarises the frequency, responsibility and purpose of routine monitoring functions and activities.

**Table 4 Monitoring and Reporting Functions**

<b>Task</b>	<b>Purpose</b>	<b>Who</b>	<b>Frequency</b>
Review and update risk register.	Identify new risks, archive old risks, monitor actions, early warning.	All Risk Owners	Monthly as a minimum
Strategic Risk Workshop.	Identify new risks. Refresh previous register. Challenge. Lessons learned.	Management Board	In line with Corporate Planning Process.
Service Level Risk Workshop	Identify new risks. Refresh previous register. Challenge. Lessons learned.	Heads of Service	Annually – in line with annual Service Plan development.
Review of Strategic risk register	Challenge, input and for information.	Management Board	Quarterly
Service Level risk review/Directorate Management Team Meetings	Challenge and input	Heads of Service to Director/Portfolio Holder	Monthly
Risk Management Framework and Strategy Action Plan Review	Challenge, unblock issues, support	Risk Manager to Director of Finance and Support.	Quarterly
Risk Management update and progress review	Challenge, unblock issues, support	Audit Committee	At least twice a year

## **6. Risk Management and Business Continuity Training and Support**

As required, the Risk and Business Continuity Manager will provide training designed to meet the needs of the following groups:

- Council Members as part of the Member Development Programme
- Audit Committee
- Management Board
- Heads of Service
- Risk Owners
- Risk Coordinators

Risk management workshops will be held to produce and review each Risk Register. These will build on previous training exercises and give staff sufficient expertise to produce and maintain their own registers. Ad hoc support will be available from the Risk Manager, and externally, as required.

## 7. Glossary of terms

<b>Business Continuity Plan</b>	A documented set of procedures and information intended to deliver continuity of critical functions in the event of a disruption.
<b>Business Impact Assessment</b>	Identifies and documents the key services and activities; the critical functions required to deliver these; the impact that a disruption of these activities would have on the Council and it's customers and the resources required to resume the activities.
<b>Category 1 Responder</b>	A person or body listed in Part 1 of Schedule 1 to the Civil Contingencies Act. Those in Category 1, are those organisations at the core of the response to most emergencies (e.g. emergency services, local authorities, NHS bodies). Category 1 responders are subject to the full set of civil protection duties.
<b>Civil Contingencies Act</b>	The Civil Contingencies Act 2004 establishes a single framework for civil protection in the United Kingdom. Part 1 of the Act establishes a clear set of roles and responsibilities for local responders. Part 2 modernises the emergency powers framework in the United Kingdom.
<b>Critical Function</b>	The functions which must be kept going or rapidly reinstated, at least in part, in the event of any disruption
<b>Impact</b>	Impact is the result of a particular threat or opportunity actually occurring.
<b>Inherent Risk</b>	The exposure arising from a specific risk before any action has been taken to manage it.
<b>Issue</b>	A relevant event that has happened, was not planned and requires management action.
<b>Opportunity</b>	An uncertain event that could have a positive impact on objectives or benefits.
<b>Probability</b>	The evaluated likelihood of a particular threat or opportunity actually happening.
<b>Residual Risk</b>	The risk remaining after the risk response has been applied.
<b>Risk</b>	An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives.
<b>Risk Appetite</b>	An organisation's unique attitude to risk taking.
<b>Risk Cause</b>	A description of the source of the risk.
<b>Risk Event</b>	A description of the area of uncertainty in terms of

	the threat or opportunity.
<b>Risk Identification</b>	Determination of what could pose a risk.
<b>Risk Management</b>	Systematic application of principles, approach and processes to the tasks of identifying and assessing risks.
<b>Risk Owner</b>	An individual responsible for the management and control of all aspects of individual risks.
<b>Risk Register</b>	A record of all identified risks.
<b>Risk Response</b>	Actions that may be taken to bring the situation to a level where the exposure to risk is acceptable to the organisation.
<b>Strategic risk</b>	Risk concerned with where the organisation wants to go, how it plans to get there, and how it can ensure survival.
<b>Threat</b>	An uncertain event that could have a negative impact on objectives or benefits.



## **8. References**

A Guide to Business Continuity Management in Gloucestershire County Council, 2006.

A Guide to the Corporate Manslaughter and Corporate Homicide Act 2007, Ministry of Justice.

Business Continuity Management Good Practice Guidelines 2008, The Business Continuity Institute.

Cambridge City Council Risk Management Strategy 2007.

How prepared are you? Business Continuity Management Toolkit version 1– HM Government.

Milton Keynes Council Risk Management Process – A Guide 2008.

Management of Risk: Guidance for Practitioners, Office of Government Commerce.

Managing Successful Projects with PRINCE2, Office of Government Commerce.

Northamptonshire County Council Risk Management Protocol May 2008.

Solihull Metropolitan Borough Council Risk Management Strategy March 2008

The Accounts and Audit Regulations 2006.

The Orange Book, Management of Risk – Principles and Concepts.

**Appendix A**  
**Strategy Action Plan 2010 - 2012**

<b>Action</b>	<b>Link to Objective</b>	<b>Target Completion Date</b>	<b>Responsible Officer</b>
Embed risk management in partnerships.	2	December 2010	Risk Manager
Embed risk management in projects.	3	December 2010	Risk Manager
Further embed Performance Plus for risk reporting and monitoring.	1C	June 2010	Risk Manager
Test remaining Continuity Plans.	5	December 2010	Risk Manager
Test Corporate Continuity Plan	5	December 2010	Risk Manager
Target training opportunities within existing training programmes.	7	December 2010	Risk Manager
Continue to target key-suppliers for business continuity arrangements.	4	December 2010	Risk Manager
Define an approach for business continuity functions with recovery tolerance of more than 1 week.	4	March 2011	Risk Manager
Introduce formal process of self-regulation through internal risk reviews.	1c	December 2011	Risk Manager

## Appendix C

### 2009/10 Risk Management Strategy Action Plan

Action	Link to Objective	Status	Comments
Appoint permanent Risk and Business Continuity Manager or alternative appointment to deliver Risk Management Strategy Action Plan.	1A, 1B	Complete	-
Review all Strategic, Service Level Risk Registers.	1A	Complete	-
Create and advertise annual programme of risk workshops.	1A	Complete	Targeted through Service Planning Process.
Facilitate a move to Performance Plus for risk reporting and monitoring.	1C	Complete	Action in 2010/11 plan to further embed.
Contact all Officers and Members who have specific Risk or Business Continuity responsibilities to explain roles and responsibilities.	1D,1E	Complete	Ongoing task to capture new Officers and Members.
Create a programme of risk and business continuity management training and support.	1B,6	Partially complete.	Action included in 2010/11 plan.
Create an intranet page for Risk and Business Continuity Management.	8	Complete	-
Create a risk escalation process.	7	Complete	-
Create Business Continuity web page on NBC's internet site for the business community.	3	Complete	To ensure consistency utilised link through to Direct.Gov web pages.
Contact all 'leads' for NBC partnerships to review existing registers and offer risk workshops where required.	2	Partially complete	Further action included in 2010/11 plan.
Create Business Continuity Plans for all Critical Functions within the Council.	3, 4	Complete	-
Create a schedule of routine testing and review of Business Continuity Plans.	5	Complete	-
Test all Business Continuity Plans.	3, 5	Partially complete	Further action included in 2010/11 plan to capture remaining plans.
Update Corporate Business Continuity Plan	4	Partially complete	Plan currently in draft, awaiting Management Board approval.

## Appendix D

### Risk Maturity Assessment

Undertaking a Risk Maturity Assessment enables the Council to benchmark its current risk management capability and identify how and where improvements can be made.

This assessment has been used to help inform the Risk Management Strategy Action Plan.

#### Maturity Matrix

Assessment Criteria	Level 1 Initial	Level 2 Repeatable	Level 3 Defined	Level 4 Managed	Level 5 Optimised
<b>Policies, processes &amp; strategies</b>	Undocumented or vague.	Policies and processes defined.	<b>Policies further developed, refined and disseminated.</b>	Risk management routinely used to support decision making.	Focus is on continual improvement.
<b>Reporting</b>	No formal periodic reporting.	Basic management reports are issued consistently and in a timely manner.	<b>Senior management reports in a consistent format. Audit reports. Prioritised actions.</b>	Threshold limit violations reported. Risk measurement linked to early warning indicators.	Option analysis. Sensitivity analysis. Scenario modelling.
<b>Roles and Responsibilities</b>	Staff act in silos. No coordinated approach.	Risk owners, managers and actionees are identified and risk actions assigned.	<b>Integrated teams across the authority.</b>	Requisite knowledge, expertise and experience is in place.	Organisation, processes and individual performance measures are fully aligned.
<b>Centralised Risk Function</b>	No central point of contact for guidance or direction.	Roles and responsibilities of central risk function are established.	Relationship with Audit Committee, Management and Directorates is developed.	<b>Embedding risk management, 'selling' the benefits and refining the process.</b>	Driving improvements, integrating across directorates and aiding opportunity management.

<b>Review</b>	No formal processes. Reactionary ad hoc responses. Compliance focussed.	Process gaps are identified, assessed and corrected.	<b>Uniform processes are adopted across the organisation.</b>	Risk management is fully integrated with line management.	Continual benchmarking. Best practices are identified and shared across the organisation.
<b>Culture</b>	No defined policy, profile, process or vocabulary. No defined risk appetite.	<b>Risk appetite, profile and process defined.</b>	Early Warning Indicators established.	Risk appetite regularly reviewed and communicated. Process updated as a result of feedback.	Refined risk appetite. Strident initiatives to establish and maintain best practice.
<b>Improvement</b>	No risk management training. Lack of awareness of the majority of risk management techniques.	<b>People are trained in the process. Awareness of the most commonly used techniques.</b>	Different training levels are established. Consistent measures of probability and impact. Expanded risk coverage.	Sophisticated robust tools and models in use. Experienced personnel applying judgement to quantified results.	Knowledge and skills are updated constantly. Effective use of formal risk management techniques. Risk quantification is fully integrated into business decisions.

Taken from the MoR Maturity Model

Appendices  
4



**NORTHAMPTON**  
BOROUGH COUNCIL

Item No.  
10

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Lessons Learned - Cliftonville House Power Failure</b>
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**AGENDA STATUS: PUBLIC**

<b>Meeting Date:</b>	22 <sup>nd</sup> March 2010
<b>Directorate:</b>	Finance and Support
<b>Accountable Cabinet Member(s):</b>	Cllr David Perkins and Cllr Brian Markham
<b>Ward(s)</b>	Not Applicable

### 1. Purpose

- 1.1 To provide an overview of the circumstances surrounding the Cliftonville House Power Failure on 1<sup>st</sup> December 2009 and an outline of the lessons-learned from the event.

### 2. Recommendations

- 2.1 To note the circumstances and lessons-learned from the Cliftonville House Power Failure.

### 3. Issues and Choices

#### 3.1 Report Background

- 3.1.1 At the Audit Committee meeting on 11 January 2010, the Committee requested a report detailing the circumstances surrounding the Cliftonville House Power Failure that occurred on 1<sup>st</sup> December 2009, the report to include lessons-learned from the event.

#### 3.2 Issues

- 3.2.1 Detailed below is a brief summary of the circumstances that led to the power failure at Cliftonville House and subsequent evacuation.
- 3.2.2 Tuesday 1<sup>st</sup> December, 2009 Events at Cliftonville House:
- 3.2.3 At 7.15 am, the Caretaker on duty heard a “bang” and saw a small puff of smoke coming from the Sub station, which activated the fire alarm. The Caretaker attended the fire alarm panel and ascertained the source which was the sub station. The building was immediately fully evacuated. All entrances to and from the building were paroled to ensure the health and

safety of all staff. There was no supply of electric within the building (apart from emergency lighting). This left the building unsafe and unusable for working in.

- 3.2.4 The Fire Service arrived on site and attended the sub station with the assistance of the Caretaker. The Fire Service diagnosed an electrical fault and as a result electrical experts were called in. The alarm was silenced however it was still unsafe for staff to work in the building due to the lack of power as there was limited lighting, no heat and the emergency doors were inoperable.
- 3.2.5 The fire alarm activation immediately instigated the Facilities Management on-call procedure:
- Electricians were contacted
  - The Head of Service with responsibility for the emergency pager was contacted
  - Senior management were alerted and their advice sought
  - Time line following on-call procedure:
    - NBC Electricians on site 7.25am
    - Facilities team on site 7.30am
    - Central Networks on site 7.40am
- 3.2.6 Following discussions with the Fire Service, Facilities Management allowed staff to re-enter the building as there was no threat of fire although there was still no power (apart from emergency lighting).
- 3.2.7 Staff were instructed to collect any work they might require to work from home or an alternative location and to report to the Guildhall to await further instruction. The timescales offered by E-On indicated that the Cliftonville Offices would not be suitable for occupation for the remainder of the day due to the lack of power. Staff were offered transport to the Guildhall and upon arrival were given hot refreshments and met by members of Management Board.
- 3.2.8 Throughout the day, regular meetings were held between Management Board and Service Heads of the affected services to ascertain current information and issue directives accordingly.
- 3.2.9 Signage was clearly displayed on the outside entrances of Cliftonville House informing the public of the closure and the alternative methods of accessing services for that day
- At 3pm, a back-up generator arrived on site which had been provided by Central Networks, and at 5.00pm the Electric supply was connected.
  - Facilities staff remained on site at Cliftonville House until 8.00pm
  - ICT Staff remained on site at Cliftonville House until 8pm
  - Electricians remained on site at Cliftonville House until 8pm
  - Central Networks staff remained on site at Cliftonville House all day

- A decision was made to have a Security Guard on-site overnight, due to the fact that the intruder alarm was not operating, and to guard the generator.
- 3.2.10 The following day, Wednesday 2<sup>nd</sup> December 2009, Facilities Management were on site at 6.30am. They checked that all the electrics were working and that the building had been returned to the correct temperature for staff to work in. The electricians arrived on site at 7am.
- 3.2.11 An outline of why the incident happened:
- 3.2.12 Please see Appendix A and B, reports from Central Networks and the Fire Service.
- 3.2.13 Initially it was thought that the D/O box on the switchgear had faulted and was the cause. Subsequent investigation on site found that the initial problem was a cable joint on Cliftonville Road which had faulted, this then caused a flashover in the D/O box on the switchgear at the council offices and subsequent failure. A weakness had developed within the D/O box that was not evident under normal conditions but became a problem when abnormal fault current was passed through the cables and switchgear at the time of the fault.
- 3.2.14 The unit at the council offices was an oil filled ring main unit and has been replaced with a refurbished unit of similar function but a different design. The unit still uses oil as an insulation medium inside the switchgear but the D/O boxes are now a dry box, this means there is now no bitumen compound inside these boxes.
- 3.2.15 Attached to this report, Appendix C, is a summary of the lessons-learned from the incident. This unexpected disruption provided an excellent opportunity to test the resilience of our continuity arrangements both at a corporate and service level.
- 3.2.16 On the 10<sup>th</sup> and 15<sup>th</sup> December the Chief Executive held de-brief sessions to enable all lessons learned from the event to be captured and discussed. These meetings involved members of Management Board and officers from ICT, Communications, Facilities Management, Emergency Planning, Customer Services and Risk Management. The attached summary focuses on the lessons that were identified as part of these de-briefs. It should be noted that for those services heavily affected, de-briefs were also held at service level.
- 3.2.17 Requests for lessons-learned were made to all staff via the Chief Executive's Brief and via email to all Council Members on 11<sup>th</sup> December 2009.
- 3.2.18 Action owners and completion dates have been identified for each of the lessons identified, this will ensure the lessons are incorporated into the appropriate continuity plans.
- 3.2.19 Undertaking an assessment of the lessons learned for this event will strengthen the council's resilience and help to prevent similar situations occurring in the future.

### **3.3 Choices (Options)**

- 3.3.1 To suggest any additional areas to cover in future updates.



## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 None.

### **4.2 Resources and Risk**

4.2.1 This report provides an overview of what caused the Cliftonville House Power failure and the lessons that can be learned from the incident, enabling the Council to improve its resilience to similar events in the future.

### **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 The Director of Finance and Support, the Head of Finance & Assets and the Head of ICT and Customer Services have been asked to comment on this report.

### **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 Reduction in interruptions to service delivery.

4.6.2 Continuity of critical Council activities.

4.6.3 Enabling the Council to act proactively, avoiding reactive management wherever possible.

4.6.4 Protecting and enhancing the reputation of Northampton Borough Council.

### **4.7 Other Implications**

4.7.1 Not applicable

4.7.2

## **5. Background Papers**

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5.1 Appendix A – Fire Service Report

5.2 Appendix B – Central Networks Report

5.3 Appendix C – Lessons Learned Summary

**Sue Morrell**  
**Risk and Business Continuity Manager, ext 8420**  
**and**  
**Catherine Kimmet**  
**Facilities Manager, ext 7378**

## Identifier

<b>FRS Incident Number:</b>	1038301122009
<b>Incident Status:</b>	Published
<b>Recording FRS:</b>	Northamptonshire
<b>Recording station:</b>	The Mounts
<b>Recording Fire Officer:</b>	em-rharmer
<b>'Over the border' incident:</b>	No

## Call

<b>Origin of call:</b>	AFA from call centre
<b>Incident type at call:</b>	AFA

### ▶ Timings

<b>Time of Call:</b>	01 December 2009 07:21:12
<b>Late call:</b>	No
<b>Date/time of stopped message:</b>	01 December 2009 07:51:51
<b>Date/time closed:</b>	01 December 2009 08:25:40

## Attendance

<b>Incident category:</b>	Fire
<b>Type of property:</b>	Building > Non Residential > Offices and call centres > Purpose built office
<b>Property Regulated:</b>	Yes
<b>Number of appliances deployed:</b>	1
<b>Victims involved:</b>	No
<b>Evacuation involved:</b>	Yes
<b>Attack on firefighters:</b>	No
<b>Derelict buildings involved:</b>	No
<b>Chimney fire:</b>	No

## ► Location of incident

<b>Building name:</b>	CLIFTONVILLE HOUSE
<b>Street:</b>	BEDFORD RD
<b>Locality:</b>	NORTHAMPTON
<b>Postcode:</b>	NN4 7NR
<b>Location Description:</b>	CLIFTONVILLE HOUSE,BEDFORD RD,NORTHAMPTON
<b>X-coordinate:</b>	0476863
<b>Y-coordinate:</b>	0259942

## Other Details

**Multiple seats:** No  
**Time between ignition and discovery:** Immediately  
**Time between discovery and call:** Immediately  
**How the fire was discovered:** Automatic alarm system  
**Cause/motive:** Accidental  
**Occupied at time of incident:** Yes  
**Building normally occupied:** Yes - occupied  
**State of buildings means of escape:** OK - no visible concerns  
**State of buildings compartmentation found:** Stopped/Checked spread

### ▶ Alarm systems

Alarm System Type	Location	Operated	Reason for poor Outcome
Smoke alarm - mains and battery	In room of origin of fire	Yes and raised alarm	

## Resources

### ▶ Vehicles

**Type:** Pumping - Water tender ladder  
**Time mobilised:** 01 December 2009 07:22:01  
**Building Number:**  
**Deployed from Home Station:** Northamptonshire > The Mounts  
**Time mobile:** 01 December 2009 07:23:34  
**Time at scene:** 01 December 2009 07:27:35  
**Time available:** 01 December 2009 07:55:38  
**Demounted resource:** No  
**Number of crew:** 5  
**FRS Callsign:** 01P1

## Action

**Delay in commencing firefighting action:** No delay

**Main action taken by the general public prior to arrival:** None

**Main action taken by FRS personnel:** No firefighting

## Damage - How the fire started

**Main cause of fire:** Faulty fuel supply - electricity

**Person or action that caused the fire:** Not known

**Source of ignition:** Electricity supply - Apparatus - batteries, generators

**Powered the ignition:** Electric

**Item that ignited first:** Structural/fixtures/fittings - Internal - Wiring insulation

**Item mainly responsible for spreading fire:** Structural/fixtures/fittings - Internal - Wiring insulation

**Rapid fire growth caused by:** No rapid fire growth

## Damage - Substances/explosions involved

**Dangerous substances involved:** None

**Explosion:** No

## Damage - Property information

<b>Type of room/compartment fire started in:</b>	Power house/Plant/Generator
<b>Factors contributing to start of fire:</b>	None
<b>Impairment due to suspected drugs/alcohol:</b>	No
<b>Special method of building construction:</b>	None
<b>Heat and smoke damage only:</b>	No
<b>Size of fire when fire service arrived:</b>	Limited to item 1st ignited
<b>Distance from adjacent properties (m):</b>	No other property affected
<b>Distance from adjacent properties at stop (m):</b>	No other property affected
<b>Damage Restrict to:</b>	Limited to item 1st ignited
<b>Extent of the fire damage at stop:</b>	Up to 5
<b>Extent of the total area damaged (sq. m at stop):</b>	Up to 5
<b>Approximate size of room/compartment of fires origin(sq. m):</b>	11 - 20
<b>Approximate size of floor at fires origin (sq. m):</b>	101 - 200
<b>Number of floors above ground:</b>	2
<b>Number of floors below ground:</b>	0
<b>Floor fire originated:</b>	1

## Notes

Information Type	Note
Summary	compartmentation changed



**By email**

**With reference to: Incident 96261-S**

Hi Catherine

Please accept my apologies for the delay in responding to your email regarding the incident on 1<sup>st</sup> December 2009.

In responding I have tried to answer the questions you asked and I have also provided a timeline as recorded at our control room and from my information from site.

This details Central Networks response to the incident occurring, and our restoration of supplies to the area.

I hope this provides enough information as to the cause of the incident and any future risk.

I was directly involved with the restoration of supplies and the repair of the network so if you need any further help or clarification then please do not hesitate to contact me.

With Regards

Dave Marriott



D J Marriott

Project Manager Restoration & Repairs

9/2/2010

Central Networks East plc  
2366923

Central Networks West plc  
3600574

Central Networks Services Limited  
3600545

Registered in  
England and Wales

Registered Office:  
Westwood Way  
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Coventry CV4 8LG



## **Report on Incident 96261-S Northampton 11Kv, Riverside Way, 11Kv OCB 20**

Catherine I have answered your specific questions and then followed with a timeline of events.

### **Questions**

#### **Was the cabling smouldering?**

The explosion occurred on our 11000volt switchgear at a part we call the D/O box, this is where the cable connects to the switchgear. The D/O box is of a steel construction, the fault forced the bolted plate off the D/O box. Inside the box the cable is protected and insulated with bitumen compound to insulate the cable. It was this compound that caused the fumes and smoke.

There was significant damage to the box and also to the main switchgear tank which meant that the equipment along with its age meant replacement rather than repair was the best option to fix the problem.

#### **What was smouldering and giving off smoke?**

This would have been the bitumen compound and the cable within the D/O box.

Fumes were emitted from the substation on a subsequent day when we attempted to clean out the bitumen compound from within the D/O box. These fumes were sucked into the main building by the ventilation duct which sits above the substation door. We had consulted with NBC before using the equipment and the smoke sensor in the room was disabled to stop the fire alarm from activating unnecessarily. A decision was made after this to suspend all operations using a blow torch until we could provide adequate ventilation for the substation.

#### **Did the Fire officers use something to contain this or stop the smouldering?**

No there was no evidence of any being used; the initial explosion and any fire had quickly extinguished itself, although I am no fire expert.

#### **Thereafter:**

#### **NBC electrician were called out, who then called out Central Networks?**

Central Networks were aware that there was an 11000volt fault in the area and had already dispatched engineers to strategic positions. We were alerted to the potential fire at the council offices by Northamptonshire Fire & Rescue calling our call centre to report the problem; this was quickly linked to the fault so that no attempt was made to re-energise the area where the potential fault was located. Engineers were then sent to the council offices to investigate the extent of the problem.



## Questions

**What area does the Sub station cover, there seems to be conflicting information - I have heard that BMW (across the road), the hospital St Andrews, & the traffic lights were all affected, is this true?**

This circuit feeds different substations along the cable route before reaching a point on our network where there is an open switch; there are fourteen substations on this section of cable.

This did include initially St Andrews Hospital Main Site and the old Cliftonville school site, W Grose (Vauxhall garage) Northampton School for Boys and Riverside House amongst others and are a mixture of domestic and commercial customers..

The BMW garage was not off supply because of this incident, I am not sure about the Traffic lights but looking at the low voltage network I am of the opinion that they stayed on.

## Why did this happen?

Initially it was thought that the D/O box on the switchgear had faulted and was the cause of the fault. Subsequent investigations on site found that the initial problem was a cable joint on Cliftonville road which had faulted; this then caused a flashover in the D/O box on the switchgear at the council offices and subsequent failure.

A weakness had developed within the D/O box that was not evident under normal conditions but became a problem when abnormal fault current was passed through the cables and switchgear, at the time of the fault.

The unit at the council offices was an oil filled ring main unit and as been replaced with a refurbished unit of similar function but a different design. The unit still uses oil as an insulation medium inside the switchgear but the D/O boxes are now a dry box this means there is now no bitumen compound inside these boxes.

## Could this happen again?

Another fault on this piece of network or any other piece of network can never be ruled out and we rely on the fact that the 11000volt cable network and switchgear is normally robust enough to be able to deal with these situations. I know on this occasion it failed but this was not a normal occurrence and with the equipment that has been installed as a replacement this should now re-enforce the network to be able to withstand the stresses placed upon it in the future.

Preventative maintenance is carried out across our network and some issues were identified at this substation when it was maintained but they were not the cause of this incident. The unfortunate event this time is that we lost all functionality of the substation at the council offices because of the damage to the switchgear, normally with a cable fault we are able to re-energise either side of the fault to just leave the faulty section disconnected and all supplies restored, on this occasion both sides were affected, leaving portable generation as the only means to restore supplies.

## Timeline of Events

**01/12/2009**

- At 07:19 our Network Control Room received indications that the Riverside Way circuit at the Northampton 11Kv Primary substation had tripped initially affecting 859 customers
- This circuit feeds different substations along the cable route before reaching a point on our network where there is an open switch; there are fourteen substations on this section of cable. This did include initially St Andrews Hospital Main Site and the old Cliftonville school site, W Grose (Vauxhall garage) Northampton School for Boys and Riverside House.
- The BMW garage was not off supply because of this incident I am not sure about the Traffic lights but looking at the low voltage network I am of the opinion that they stayed on.
- I was the first engineer dispatched to site at 07:25 due to my proximity to the location, initially we were just aware of the circuit tripping and so we are dispatched to strategic substations to investigate whether the fault indicators at that site have operated. Another two engineers were dispatched at 07:35.
- At 07:39 Central Networks call centre received a call from Northants Fire & Rescue of smoke coming out of the substation building at the Borough council offices, one of our engineers was sent to site whilst I was involved in switching to restore customers supplies.
- At 07:52 837 customers had their electricity restored
- At 08:04 13 customers had their electricity restored
- This left the section of cable off supply with three substations connected and 9 customers  
a) Cliftonville Offices Substation (council offices) 1 customer. b) Quinns substation (behind the Vauxhall garage) 3 customers and c) Cliftonville School substation (now part of St Andrews and including the new hospital building).
- This piece of network was transferred to my control from our central control room to allow investigations to take place at the substation on the council site. Initial investigations revealed that the substation would not be re-energised because of the damage to the switchgear and so a Generator would be required.
- Central Networks supplied this generator and covered all the running costs. The generator was ordered at 08:56
- To try to restore supplies to the other two substations off supply a decision was made to cut and joint the cable outside the council substation. This would allow the cable to be re-energised restoring supplies to these customers.
- The generator arrived at about 13:00hours, the leads were run out and connected to the councils Low voltage distribution board with the help of the council's electrical Team, this was completed by 14:30hours. Supply was not restored at the council offices until 16:35hours due to a problem on the councils own equipment.

- The attempt to restore supplies at the other two substations failed when the cable did not pass its re-commissioning tests. At this time two additional generators were ordered for these sites, this was at 16:32hours.
- Whilst waiting for the generators a fault location was carried out which gave an indication of where the fault was located. This was about 50m away from the entrance to the old Cliftonville School.
- The supplies were restored to these at 22:34 Quinns substation and 23:20 Cliftonville School substation.

### **02/12/2010**

- Excavation works and further investigations took place

### **04/12/2010 – 11/12/2009**

- Excavation Jointing and switchgear replacement work

All electrical works and testing were completed by Friday 11<sup>th</sup> December 2009 when the electrical supply was available to use.

This just left the removal of the three generators with agreement from the customers.

The generator at Quinns substation was removed at 09:38hours on Sunday 13<sup>th</sup> December 2009.

The generator at Cliftonville School was removed at 06:30hours on Monday 14<sup>th</sup> December 2009.

The generator at the Council offices was removed on Saturday 19<sup>th</sup> December 2009.

I hope this gives an accurate timeline as to the events that occurred and Central Networks response.

Regards

Dave Marriott

Project Manager

Restoration & Repairs

Central Networks

# Cliftonville House Power Failure Lessons Learned

**Incident Date – 1<sup>st</sup> December 2009**

## Emergency/Business Continuity Planning

No.	Learning point	Action to address	Action owner	Estimated action completion dated
1	Emergency pager system worked. Some previous concerns that pager system may not be fully reliable. There have been problems with it in the past and there is an underlying worry about the reliability of the system working.	Review most effective way of establishing emergency contact.	TH	March 2010
2	Expectations need managing around what an Emergency Plan responder does when on call.	Recirculate existing guidance. Include in review.	TH	January 2010 March 2010
3	A situation report would have been very useful at the first emergency meeting following the incident.	Include in Corporate Continuity Plan.	SM	April 2010
4	Need to think about emergencies that last over 24 hours, in terms of those dealing with the incident, rota systems in place.	Include in Corporate Continuity Plan.	SM	April 2010
5	Make sure the critical function list is readily available. Intranet?	Request to upload on to intranet.	SM	March 2010
6	Critical function list proved useful in terms of quick assessment of impact on services and focus for emergency meetings.	No further action required.	-	-
7	Standard agenda for first emergency meeting would be handy.	Include in Corporate Continuity Plan	SM	April 2010
8	Emergency Management Team was convened quickly.	No further action required.	-	-

9	The thinking that had been done in developing continuity plans meant that service areas already had in mind what needed to be done.	No further action required.	-	-
10	Definite need for a revised Corporate Continuity Plan to bring together the overarching information not service specific.	Corporate Continuity Plan currently being drafted.	SM	April 2010
11	Need to understand the role of the Emergency Planning Team in this type of incident.	Discuss with EP colleagues and SM; any EP requirements included in plans	TH	March 2010
12	Continuity plan holders must keep a copy of their plans off-site.	Reiterate to Heads of Service and plan holders.	SM	March 2010
13	Need for alternative staff relocation plans/arrangements if entire buildings are evacuated. Perhaps arrangements should be made for Guildhall staff to assemble at Royal and Derngate. Procedure needed for all buildings including Westbridge.	Include in Corporate Continuity Plan	SM/CK	April 2010

## Facilities

No.	Learning point	Action to address	Action owner	Estimated action completion dated
14	Need a process to ensure nobody stays in the building after alarm activated.	Caretaker does a sweep of building. Included in fire evacuation procedure.	CK	-
15	Caretaker knew exactly what to do.	No further action required.	-	-
16	Tea and coffee provided for all staff relocated to Great Hall.	No further action required.	-	-
17	E-On responded quickly.	No further action required.	-	-
18	Electricians on site very quickly.	No further action required.	-	-
19	Process needed on how to contact maintenance staff i.e. electrical problems	Process in place, contact via Gatehouse. May need wider communication.	CA	April 2010
20	As the incident occurred as staff were turning up for work, no register or assembly point in this circumstance and therefore no record of attendance.	Include in Corporate Continuity Plan	CK	April 2010

21	No arrangements put in place for transporting disabled staff to Guildhall.	Transported in private cars. Options to be investigated.	CK	April 2010
22	Arrangements for tannoy system when power out.	Looking into alternative.	CK	April 2010
23	Procedure for allowing staff safely back into a building to collect items to enable them to work in this type of emergency.	Advice would be taken from the Fire Department. No further action required.	CK	-
24	Power back on and building up and running by 5pm the same day.	No further action required.	-	
25	Security alarms go off when power off.	Arrange extra security guards and mobile patrols, inform police.	CK	-
26	Need to look at what we put on door notices in future events.	Facilities Management to look at additional signage.	CK	April 2010
27	No alarm activated when burning smell noticed following day.	Use Fire Marshall Training to reiterate message.	Health and Safety	May 2010
28	Could have made better use of fire marshals at Cliftonville in terms of organising people, manning the doors etc.	Fire marshals were used for Evacuation. Depends on time and type of incident.	CK	-

## Staff

No.	Learning point	Action to address	Action owner	Estimated action completion dated
29	Corporately there should be a procedure of holding staff details. Team Leaders were taking down phone numbers of staff who were going home.	Because telephone system was down, it may be worth exploring having phone numbers on a phone pad. Looking into back up for telephone directory.	PB	June 2010
30	Staff relocation and communication did work very well but a procedure needs to be written down. Feedback that communication was excellent from staff but clear message was needed to go out to all staff.	Need a procedure for communicating to all staff when a situation occurs. Consider inclusion in Corporate Continuity Plan.	CW/SM	April 2010

	Some existing staff felt they were not kept updated.			
31	A number of staff worked over and above their normal duties.	No further action required.	-	-
32	What did we do about giving the staff involved in managing the incident a break?	Need a process in place to ensure staff working long hours have adequate breaks etc. Consider inclusion in Corporate Continuity Plan.	CW	April 2010
33	Clear message regarding pay if staff sent home.	Consider inclusion in Corporate Continuity Plan.	CW	April 2010

### Customer Services

No.	Learning point	Action to address	Action owner	Estimated action completion dated
34	Customer Services continuity plan needs updating following the event.	Update CS continuity plan.	CD	January 2010
35	Customer Services should have an up to date list of all work mobile phone numbers. Senior Management contacts should be held with Customer Services.	Add list of senior management contacts to the CS continuity plan.	CD	January 2010
36	Debriefs to be given by Customer Services in the event of an emergency.	Debrief to be held in conjunction with ICT.	CD	As required.
37	One Stop Shop should be CF1.	Update to CS continuity plan.	CD	January 2010
38	Improvements required on telecoms continuity plans. Staff sent to One Stop Shop in error.	Update CS continuity plan.	CD	January 2010

### Assets

No.	Learning point	Action to address	Action owner	Estimated action completion dated
39	Test needed to be carried out by Assets on sub stations based in close proximity to NBC buildings.	The sub stations are not under Council control, we do not have access rights as none of us hold a high voltage ticket. No	SD	-



		further Council action required.		
40	Clarify who is responsible for power to our buildings? Assets or Facilities Management?	<p>Primary responsibility for addressing Power interruption to buildings managed by Facilities Management (FM) is rationally an FM responsibility. FM officers should lead on reporting defects and co-ordinating recovery activity.</p> <p>In buildings not directly managed by FM, e.g. central museum, bus station, etc.... it is suggested that the key responsibility for initial reporting of power failures would rest with named "Building Managers" – as defined for example in NBC's Fire Policy.</p> <p>Post attendance by electricians instructed via the Asset Management based "Property Helpdesk" (to establish whether loss of power is a supplier and not an NBC problem), co-ordination of dealings with power supplier and recovery should be led by Asset Management (Corporate Property Maintenance Manager - acting in conjunction with NBC Electricians and Building Manager).</p>	SD	-

## ICT

No.	Learning point	Action to address	Action owner	Estimated action completion dated
41	Accessibility of the phone book on intranet.	ICT to investigate the provision of a resilient intranet	PB	June 2010
42	Difficulty caused by hardware failure and complexity in way we work with telephone systems. Had to redirect	ICT to investigate technologies to provide more resilient telephony systems. These to	PB	June 2010

	main lines coming into CH (this was done within 2 hours). Very quickly create a new hunt group and then reverse it the following day. With right technologies it would take seconds instead of hours. Voice Recognition was under its first test in an emergency situation. Telephone system is plugged into UPS.	include basic telephony and supporting software applications (egg voice recognition), contact centre telephony and supporting software applications.		
43	UPS worked.	No further action required.	-	-
44	UPS – does it give us long enough? <4hrs.	Since we are unable to estimate the duration of any power loss, UPS's are usually provided simply to enable the application servers to be shut down in a controlled manner. 4 hours would be considered by many authorities to be (at least) generous. No further action required.	PB	-
45	Transfer of calls from direct line numbers is dependent on telephone system being operational.	This is due to current (NBC) technologies, therefore included within serial 42 action.	PB	June 2010
46	Can we have a standard message on incoming emails as an auto answer?	This will be investigated further, however, initial investigations suggest this may be impractical (possibly create more problems than it solves)	PB	May 2010
47	Software didn't appear to allow for a standard message on the incoming calls.	This is due to current (NBC) technologies, therefore included within serial 42 action.	PB	June 2010
48	Alan Kench seemed to be pivotal in terms of his telephone knowledge, concerned if he had been on holiday.	Agreed. Whilst some alternate resources are available, they are limited in depth. However, this is also related to the current (NBC) technologies, therefore included with serial 42 action.	PB	June 2010
49	Debriefs to be given by ICT in the event of an emergency	I believe the debriefs actually happened (successfully), although there was a lack of clarity regarding the communication 'protocols' at the beginning of the day. ICT briefs should only originate from MG or PB	PB	-

## Gatehouse

No.	Learning point	Action to address	Action owner	Estimated action completion dated
50	Level of dependency on Gatehouse as back up for a large number of functions.	May need to rethink reliance on Gatehouse for many out of hours services.	SW/SM/MG	June 2010

## Communications

No.	Learning point	Action to address	Action owner	Estimated action completion dated
51	A line of formal communication is required in these circumstances to get clarity on messages. Avoid conflicting information.  Communication needs to be checked by a 'technical expert' before going out.	Include in Corporate Continuity Plan.	SM	April 2010
52	Difficulties with remote access to website and limited character space.	Current Software limitation. May be resolved in the next upgrade. No deliberate action required	PB	-
53	Communications Team need to be given a better understanding of emergency numbers and which ones to publicise in certain situations.	Discuss with DD; write up note for Comms staff	TH	March 2010
54	Fire Service need to be provided with a clear line of communication. Appeared to be communicating with Facilities Team but not with Communications Team.	Contact with Communications' contacts at the Fire Service.	DD	22 January 2010
55	Single point of contact for those working on emergency, otherwise constantly interrupted and distracted by having to continually update on the situation.	Include in Corporate Continuity Plan	SM	April 2010

## General

No.	Learning point	Action to address	Action owner	Estimated action completion dated
56	Communications with Members. Need to identify the best way to cascade information to Members in an emergency.	Suggest that Political Groups have their own continuity plans in place.	SM	June 2010
57	Concern over Choice Based Lettings bidding if Internet is down for 1 hour. Web is externally hosted.	ICT to look at issues over Choice Based Lettings bidding if internet is down for 1 hour	PB	May 2010
58	Brer Court needs to be captured as a CF1.	Business Continuity Plan being drafted.	FR	April 2010
59	The BCP for investments worked, £12m invested on that day via the desk allocated at the Guildhall (normally via secure link at Cliftonville)	No further action required.	-	-
60	The BCP for payroll was put in place, although in the event it wasn't needed, but the bank was ready should we of had to revert to the BCP arrangements	No further action required.	-	-

*Each service area affected by the incident has been asked to conduct their own service-specific lessons learned exercise and actions identified through this process will be managed locally within the relevant service area.*

### Action owners:

CA - Christine Ansell  
 CD – Cheryl Doran  
 CK – Catherine Kimmet  
 CW – Catherine Wilson  
 DD – Deborah Denton  
 FR – Fran Rodgers

PB – Pete Bonham  
 SD – Simon Dougall  
 SM – Sue Morrell  
 SW – Simone Wade  
 TH – Thomas Hall  
 MG – Marion Goodman

Appendices  
4



Item No.

11

**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Internal audit progress report and draft internal audit 2010/11 operational audit plan</b>
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	22 March 2010
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Finance and Support
<b>Accountable Cabinet Member:</b>	Councillor David Perkins

### **1. Purpose**

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1.1 To provide the Audit Committee with a report summarising progress made against the approved internal audit plan.

1.2 To provide the Audit Committee with the draft operational audit plan for 2010/11.

### **2. Recommendations**

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2.1 Receive the report.

### **3. Issues and Choices**

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#### **3.1 Report Background**

##### **3.1.1 Introduction**

The report is produced to inform the Committee on internal audit activity in the current year up to the date of the Committee meeting. The report will give an update on reports issued and recommendations made as well as highlighting any issues that are considered appropriate to bring to the attention of the Committee.

The report also includes the draft 2010/11 operational audit plan for consideration.

### 3.1.2 2009/10 Plan Outturn

We have undertaken work in accordance with the 2009/10 Internal Audit Plan which was presented to and approved by the Audit Committee at its meeting in February 2009.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. This shows that we have delivered nearly 90% of the agreed plan and have either planned or are in the process of scoping work for the remaining few reviews.

At the request of management we have removed the International Financial Reporting Standards (IFRS) review from the planned audit work as management has identified that work carried out by the Audit Commission means that work we could carry out will duplicate this.

We have also removed the contracts closedown review as our discussions with management have revealed that there have not been any significant contracts which have been finalised in year

The planned contracts review has also been deferred following discussion with management who felt that this review would be more beneficial next year when the PFI scheme has progressed further.

### 3.1.3 Reporting and activity progress

#### **Final reports**

The following audit reports have been issued as final since the January Audit Committee:

- **09\_10 NBC 13 Creditors** – This review focussed on both the Agresso and Uniclass systems. We have provided two separate opinions for this review. For Agresso we have provided a **moderate assurance** opinion as the controls are operating relatively well in this area. However we have been unable to provide any assurance over the Uniclass system. **No assurance** has been given based upon current year findings along with the poor response in addressing the issues raised in the prior year report. In total 12 of the 16 findings from the prior year had not been implemented. In previous years the planned implementation of IBS has been given as a response to the weaknesses within the Uniclass system. However this implementation has been delayed repeatedly and as such we would expect that appropriate alternative controls would have been put in place in the intervening period.
- **09\_10 NBC 15 Treasury Management** – This review focussed on the controls around compliance with Council policy in respect of cash flow management, investments and borrowings. All 8 recommendations from the prior year audit had been implemented and no further recommendations were made for 2009/10. The excellent progress made indicates that management has fully bought into the audit process and has recognised and addressed the weaknesses in place. Overall we were able to give a **High** level of assurance.

- **09\_10 NBC 17 Council Tax** – Our review focussed upon the arrangements in place at the Authority in order ensure that properties are identified, correctly valued and billed so that Council Tax income is maximised and income is accurately reflected in the Authority’s accounts. Overall we were able to give a **Moderate** level of assurance. There were 5 issues in total but all of these were either medium or low risk.
- **09\_10 NBC 18 Budgetary Control** – The review focussed upon the budget setting process to ensure that it is robust and that budgets are monitored and reported to ensure effective management information. As was the case for Treasury Management all 4 recommendations from the prior year had been implemented and no further recommendations were made for 2009/10. Therefore following the excellent progress made we were able to give a **High** level of assurance.
- **09\_10 NBC 19 Partnerships** – The review focussed upon the governance and management arrangements for key partnerships. Partnership working is an increasingly important part of Local Government. The Comprehensive Area Assessment (CAA) focuses on partnership working across a number of the Key Lines of Enquiry and demonstrating successful outcomes from partnership working can have a significant impact on the Councils CAA result. Overall we identified 7 weaknesses, with 1 being assessed as high risk. As such we gave **Limited** assurance over the systems and controls in place. The high risk issue is outlined below:
  - ◆ There is currently no requirement for key partnership arrangements to have an entry on the Authorities’ risk register. In addition not all partnership arrangements have a specific risk register in place for the partnership. An example of this is the Local Strategic Partnership where no reference is made to it on the Authorities risk register and no partnership risk register is in place for this partnership.

The following audit report is to be issued in final shortly and will be distributed to members of the Audit Committee once finalised. Management responses have been received in relation to this report, however a few minor amendments and changes have been requested prior to us being able to issue as a final report.

- **09\_10 NBC 12 Debtors** – The review focussed upon the controls around verifying that invoices are raised in a timely manner, cash received is correctly allocated, outstanding debts are recovered and the ledger is updated to reflect the debtors system. Overall we identified 10 control weaknesses, 4 of which are high risk. The number of issues raised was considerably less than in 2009/10 when we identified 20 control weaknesses, however due to the number of high risk issues we gave a **No assurance** opinion on the system and controls. Details of the 4 High Risk issues identified are shown below:
  - ◆ For some classes of debt on the IBS system no new cases have been put into recovery in 2009-10 because the Pay Point cash paying function is incapable of producing bar-coded invoices for old

rents debtors. IT is working to resolve the problem but there is no definite timescale for resolution of this issue.

- ◆ There is no consistent procedure for checking or authorising an invoice before it is input to IRAS across the authority. While some departments have authorisation procedures in place, some do not. In 10 out of 20 invoices tested there was no authorisation for the invoice being raised.
- ◆ It was noted from examination of the bad debt provision that the IRAS percentage provisions have not been changed for a number of years. Though they have been considered and deemed reasonable by the Authority they appear less stringent than is ideal in the current economic climate, with a debt not being fully provided for until it is almost 6 years old.
- ◆ It was noted during testing that 14 out of 30 cases in recovery were not being pursued according to the timetables set out by the Authority. It is also noted that 64.9% of the Authority's debt is over 90 days old. This is a similar position to the prior year.

### **2009/10 Draft reports:**

We have issued the following reports in draft format and we are now awaiting management responses.

- 09\_10 NBC 05 Freedom of Information and Data Protection (Follow up)
- 09\_10 NBC 06 VAT (Follow up)
- 09\_10 NBC 10 General Ledger - Initial responses received
- 09\_10 NBC 11 Cash Collection -Initial responses received
- 09\_10 NBC 14 Housing Rents
- 09\_10 NBC 16 Payroll
- 09\_10 NBC 20 Bank reconciliations - Initial responses received
- 09\_10 NBC 21 Housing Benefits
- 09\_10 NBC 22 Human Resources

### **2009/10 Fieldwork completed**

We have also recently completed our fieldwork in the following areas:-

- Citizen Engagement

#### **3.1.4 2010/11 Draft Operational Audit Plan**

Included in Appendix 4 is the 2010/11 draft operational audit plan. This is presented for consideration by the Audit Committee.



## **3.2 Issues**

3.2.1 As detailed in the report

## **3.3 Choices (Options)**

3.3.1 N/a

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 No implications other than enabling monitoring of internal audit reporting performance.

### **4.2 Resources and Risk**

4.2.1 Risks may be highlighted as a result of audit issues being reported.

### **4.3 Legal**

4.3.1 N/a

### **4.4 Equality**

4.4.1 N/a

### **4.5 Consultees (Internal and External)**

4.5.1 Director of Finance and Support and Head of Finance

### **4.6 Other Implications**

4.6.1 N/a

## **5. Background Papers**

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5.1 Appendices to the report

- Appendix 1 – Progress against approved plan
- Appendix 2 – Summary of recommendations made
- Appendix 3 – TeamCentral report extracts
- Appendix 4 – Draft 2010/11 operational audit plan

Other individual internal audit reports are available if required.

**Chris Dickens**  
**Senior Manager**  
**PricewaterhouseCoopers LLP**  
**01509 604041**

# Appendix One

Planned activity	Planned days	Actual days	Status
<b>1. Core Financial Systems – Fundamental assurance</b>			
▪ General Ledger	8	8	Draft Report
▪ Debtors	8	8	Draft Report
▪ Creditor Payments	10	10	Final Report
▪ Payroll	10	10	Draft Report
▪ Budgetary Control	8	8	Final Report
▪ Council Tax	8	8	Final Report
▪ Non Domestic Rates (NDR)	6	6	Final Report
▪ Bank Reconciliations	10	10	Draft report
▪ Cashiers	8	8	Draft report (replaced by cash collection review)
▪ Treasury Management	8	8	Draft Report
▪ Housing Benefits	10	10	Draft Report
▪ Fixed Assets	6	6	Draft Report
▪ Housing Rents	8	8	Draft Report
▪ Miscellaneous Income	5	5	Draft report (replaced by cash collection review)
▪ IFRS Healthcheck	5	0	No longer applicable
▪ PAYE	10	9	Draft Report

Planned activity	Planned days	Actual days	Status
<b>2. Operational system reviews – risk based assurance</b>			
▪ Legal Services	10	10	Final Report
▪ Human Resources	15	15	Draft Report
▪ Grounds Maintenance	10	10	Final Report
▪ Contract Audit	10	0	(work deferred at request of management)
▪ Partnerships	10	10	Draft Report
▪ Citizen Engagement (Including Housing Tenants)	8	7	Fieldwork completed
▪ ICT audit	20	4	Fieldwork underway
▪ Home Renovation Grants	10	10	Final Report
▪ Health and Safety	8	8	Final Report
▪ Closedown reports	10	0	No longer applicable

Planned activity	Planned days	Actual days	Status
<b>3. Strategic – performance assurance</b>			
▪ Risk management & Business Continuity Arrangements	15	15	Final Report
▪ Governance – management information	10	9	Survey Completed – Report due at the end of March
▪ Performance management and improvement delivery	10	0	(work deferred at request of management)
▪ Anti fraud and corruption	15	1	Fieldwork commencing 15 <sup>th</sup> March

Planned activity	Planned days	Actual days	Status
<b>4. Other</b>			
▪ Specific follow up reviews:	5	5	
➤ Freedom of Information & Data Protection			Draft Report
➤ VAT			Draft Report
▪ General follow up	10	14	TeamCentral training maintenance and follow up
▪ NFI	12	15	Data matches investigated
▪ Audit Management	18	17	
<b>Total</b>	<b>334</b>	<b>277</b>	
<b>Revised Total taking account of deferral of Performance Management review contracts review and removal of closedown reports and IFRS review</b>	<b>299</b>		

# Appendix Two





Assignment	Critical	High	Medium	Low	Total	Overall assurance rating	Direction of travel
09_10 NBC 01 NNDR	0	0	3	7	10	Moderate	↓
09_10 NBC 02 Home Renovation and Disabled Facilities Grants	0	1	6	4	11	Moderate	N/a
09_10 NBC 03 Health & Safety	0	0	1	2	3	Moderate (with improvement)	↑
09_10 NBC 04 Grounds Maintenance	0	3	4	0	7	No Assurance	N/a
*09_10 NBC 05 Freedom of Information and Data Protection Follow up	0	0	0	8	8	N/a	N/a
*09_10 NBC 06 VAT Follow up	0	0	1	0	1	N/a	N/a
09_10 NBC 07 Legal Services	0	1	3	1	5	Moderate	N/a
09_10 NBC 09 Risk Management & Business Continuity	0	0	7	6	13	Moderate	N/a
*09_10 NBC 10 General Ledger	0	0	5	2	7	Moderate	↑
*09_10 NBC 11 Cash Collection	0	0	8	2	10	Moderate	N/a
*09_10 NBC 12 Debtors	0	4	1	5	10	No Assurance	↑ (limited improvement)
09_10 NBC 13 Creditors	0	0	10	2	12	Agresso – Moderate Uniclass – No	↔

						Assurance	
*09_10 NBC 14 Housing Rents	0	0	5	7	12	Moderate	↑
*09_10 NBC 15 Treasury Management	0	0	0	0	0	High	↑
*09_10 NBC 16 Payroll	0	2	4	5	11	Limited	↑
09_10 NBC 17 Council Tax	0	0	4	1	5	Moderate	↔
09_10 NBC 18 Budgetary Control	0	0	0	0	0	High	↑
09_10 NBC 19 Partnerships	0	1	5	1	7	Limited	N/a
*09_10 NBC 20 Bank reconciliations	0	0	3	2	5	Moderate	↑
*09_10 NBC 21 Housing Benefits	0	1	2	1	4	Moderate	↑
*09_10 NBC 22 Human Resources	0	0	1	4	5	High	N/a
<b>Total</b>	<b>0</b>	<b>13</b>	<b>73</b>	<b>60</b>	<b>146</b>		

(\* denotes that report has been issued in draft and as such findings and assurance rating yet to be finalised.)

**Our assessment criteria are shown below:**

Each of the issues identified has been categorised according to risk as follows:

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the <b>Authority's objectives</b> in relation to: <ul style="list-style-type: none"> <li>• the efficient and effective use of resources</li> <li>• the safeguarding of assets</li> <li>• the preparation of reliable financial and operational information</li> <li>• compliance with laws and regulations.</li> </ul>
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key <b>system, function or process</b> objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
 Medium	Control weakness that: <ul style="list-style-type: none"> <li>• has a low impact on the achievement of the key system, function or process objectives;</li> <li>• has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</li> </ul>
 Low	Control weakness that does not impact upon the achievement of key <b>system, function or process</b> objectives; however implementation of the recommendation would improve overall control.

**Overall assurance rating:**

<b>Level of assurance</b>	<b>Description</b>
<b>High</b>	Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.
<b>Moderate</b>	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than high or they would be unlikely to occur.
<b>No</b>	There are weaknesses in the design and/or operation of controls which [in aggregate] have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.



# Appendix Three

## TEAMCENTRAL February 2010

Year	Number of recommendations made	Implemented / Closed	Outstanding
2008/09	284	263	21 (14 not yet due)
2009/10	63	39	24 (23 not yet due)

The table below shows the position as at end of February 2010.

Note:

- Only finalised reports are being tracked through TeamCentral

<b>Review and number of recommendations still pending as at end of February 2010</b>	<b>High Risk &amp; Outstanding (Includes overdue and not yet due)</b>	<b>Outstanding &amp; overdue</b>	<b>Not yet due</b>	<b>Imp. Awaiting verification</b>	<b>Closed</b>
Project : 08_09 NBC 01 - Cashiers (19)	-	-	-	-	19
Project : 08_09 NBC 02 - Freedom of Information & Data Protection (15)	1	1	2	12	-
Project : 08_09 NBC 03 – Expenses (11)	-	-	-	10	1
Project : 08_09 NBC 04 - Environmental Health (6)	-	-	-	6	-
Project : 08_09 NBC 05 - NNDR (6)	-	-	-	-	6
Project : 08_09 NBC 06 – Call Out Arrangements (10)	1	2	3	5	-
Project : 08_09 NBC 07 – Treasury Management (8)	-	-	-	-	8
Project : 08_09 NBC 08 - Housing Rents (14)	-	-	-	9	5
Project : 08_09 NBC 09 - Council Tax (6)	-	-	-	6	-
Project : 08_09 NBC 10 – Payroll (22)	-	-	1	17	4
Project : 08_09 NBC 11 - Car Parking Income (15)	1	1	2	11	1
Project : 08_09 NBC 12 - Fixed Assets (12)	-	-	-	7	5
Project : 08_09 NBC 13 - Creditors (16)	-	-	-	-	16
Project : 08_09 NBC 14 - Debtors (18)	-	-	-	14	4
Project : 08_09 NBC 15 - General Ledger (11)	-	-	-	9	2
Project : 08_09 NBC 16 - Budgetary Control (4)	-	-	-	-	4
Project : 08_09 NBC 17 - Fuel Management (11)	1	3	-	7	1
Project : 08_09 NBC 18 - Housing Management - Temporary Accommodation (11)	-	-	-	-	11
Project : 08_09 NBC 19 - Leisure Centre Income (17)	-	-	-	13	4
Project : 08_09 NBC 20 - Petty Cash (10)	1	-	5	3	2
Project : 08_09 NBC 21 - Concessionary Fares (6)	-	-	-	6	-
Project : 08_09 NBC 22 - VFM/Procurement (11)	-	-	1	10	-
Project : 08_09 NBC 23 - VAT (5)	-	-	-	5	-

<b>Review and number of recommendations still pending as at end of February 2010</b>	<b>High Risk &amp; Outstanding (Includes overdue and not yet due)</b>	<b>Outstanding &amp; overdue</b>	<b>Not yet due</b>	<b>Imp. Awaiting verification</b>	<b>Closed</b>
Project : 08_09 NBC 24 – Agresso 5.5 Post Implementation Review (8)	-	-	-	7	1
Project : 08_09 NBC 24a – Housing Benefits (8)	-	-	-	8	-
Project : 08_09 NBC 25 – Regeneration and LDS (4)	-	-	-	2	2
Project : 09_10 NBC 01 - NNDR (10)	-	-	-	9	1
Project : 09_10 NBC 02 - Home Renovations and Disabled Facilities Grants (9)	-	-	-	2	7
Project : 09_10 NBC 03 - Health and Safety (3)	-	-	-	2	1
Project : 09_10 NBC 04 – Grounds Maintenance (7)	3	1	6	-	-
Project : 09_10 NBC 07 – Legal Services (5)	-	-	1	4	-
Project : 09_10 NBC 09 – Risk Management and Business Continuity (13 )	-	-	6	7	-
Project : 09_10 NBC 13 – Creditors (12)	-	-	11	1	-
Project : 09_10 NBC 17 – Council Tax (5)	-	-	-	5	-

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## Appendix 4

Draft Operational Plan 2010/11

March 2010

# Northampton Borough Council

Internal audit risk assessment and plan

Draft Operational plan 2010/11

### Distribution List

Audit Committee  
Chief Executive  
Directors  
Heads of Service

# Contents

<b>Section</b>	<b>Page</b>
1 Introduction .....	1
2 Providing assurance .....	2
3 The risk assessment process .....	5
4 Our risk assessment.....	6
5 Proposed internal audit plan.....	11

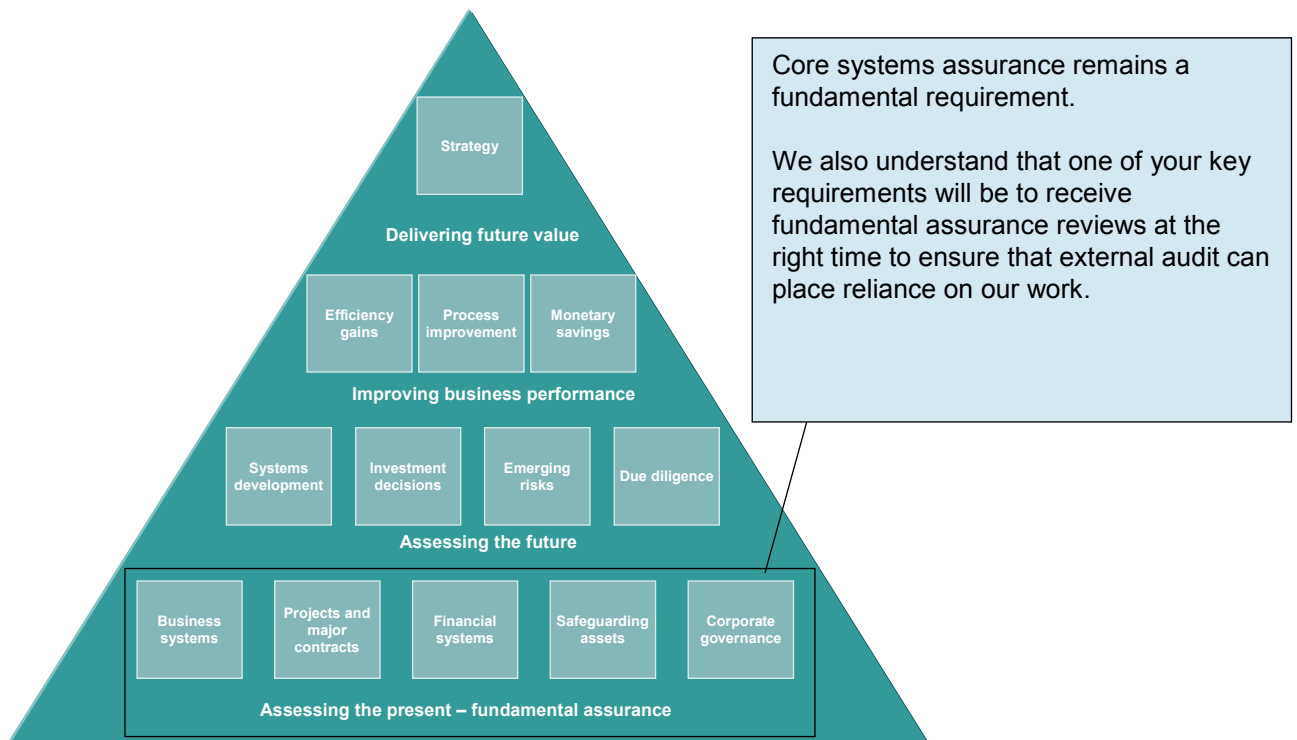
# 1 Introduction

In order to ensure that Northampton Borough Council's (NBC's) internal audit resources are effectively utilised, we have made use of the current assessment of the most significant risks facing NBC, as part of the process for preparing the Annual Internal Audit Plan for the period 2010/11. This is in line with current Internal Audit Standards and the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

This Risk Assessment is a key factor in deciding how to allocate internal audit resources available. It ensures that resources are focused on those areas where they can be of most benefit to NBC by providing assurance to the Audit Committee and management on controls over key risks. This document sets out the key risks identified and our responses as internal auditors.

## 2 Providing assurance

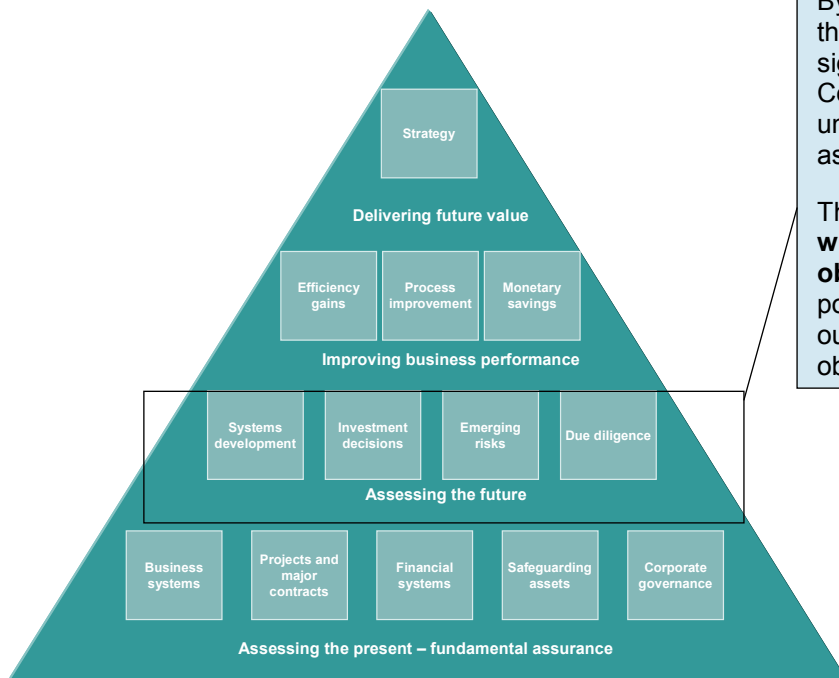
### Providing fundamental “core systems” assurance



We recognise the necessity to provide you with an on-going level of fundamental “core systems” assurance. We will also seek to maximise audit efficiency by continuing to work closely with your external auditors, the Audit Commission. This includes developing and enhancing our existing working arrangements with The Commission.



## Moving towards a risk based audit approach



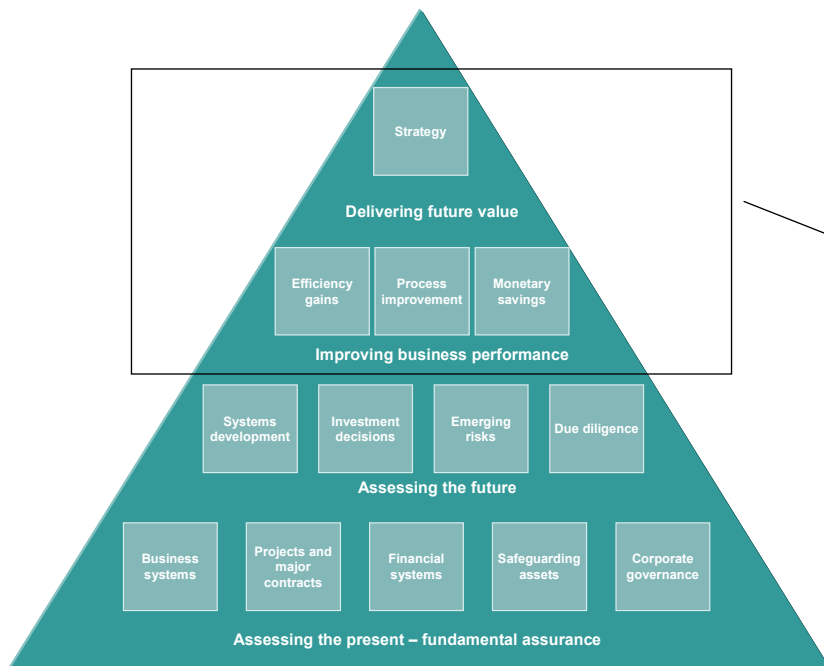
By adopting a risk based audit approach there will be clear linkage between the significant risks identified in your Corporate Risk Register and the work undertaken by internal audit in providing assurance against these.

The definition of risk is **“anything that will prevent you from achieving your objectives”**. As a result, the starting point for a risk based audit approach is our understanding of the Council’s objectives.

Risk based work is also critical to the Council, as it seeks to improve the risk awareness of staff, and improve overall control. Our work programme is designed to provide assurance that the significant risks identified within your risk register are being managed effectively. As part of this process we will also examine your risk management framework and governance procedures.

## Delivering value through improved performance

Internal audit can also provide a valuable role in improving business performance and delivering future value. We can assist the Council through the deployment of specialist skills and experience, and our expertise in helping Council’s deliver their improvement priorities through value added work.



A significant element of the internal audit plan will remain focused on fundamental assurance. However, over time as risk management processes develop and the internal control environment strengthens, we would expect the proportion of the internal audit plan spent on this to reduce. For 2010/11 this has enabled us to concentrate more of our resources on assisting you to improve your business performance in areas such as efficiency gains, process improvements and delivering savings. An example of this is the carbon reduction commitment included in the 2010/11 operational plan.

We have identified a number of internal audit assignments at a strategic level, which will focus upon strategic and/or operational effectiveness. These include:

- Risk management
- Carbon reduction commitment
- Governance arrangements
- Performance management

### **Next steps**

On approval of the risk assessment and internal audit plan, we will agree a 'project sponsor' for each review with management. All project sponsors will then be contacted and made aware of all audits during the year where they are the nominated sponsor. At this stage we will agree the timing of each review and a more detailed scope of work.. We will then issue Terms of Reference for each review in line with the agreed protocol.

# 3 The risk assessment process

The information which has been used to prepare our Risk Assessment and proposed Internal Audit Plan has been collected and collated from a number of different sources, including:

- A review of the NBC strategic and departmental risk registers
- Consultation with the following key individuals:
  - Management Board
  - Chair of Audit Committee
  - Heads of Service
  - External Audit
- A review of relevant documentation and reports provided to us
- Our knowledge of the Authority and results of our Internal Audit work undertaken in prior years.

## **Completeness of assessments and future reviews**

Our risk assessment is limited to matters emerging from the processes listed above. We will review and update this assessment and the resulting internal audit plan annually. If, however, additional risks arise, or change in priority, during the year the audit plan will be reconsidered with management and, with the approval of the Audit Committee, amended to ensure that audit resources are focused on the new risk areas.

## **The risk assessment**

Section 4 summarises the results of our Internal Audit Risk Assessment incorporating the strategic risks from the corporate risk registers. They show:

- The risk and consequence as identified by the Authority; and
- Our response with regard to our Internal Audit Plan.

This will allow the Audit Committee to track the proposed audit response to all the most significant risks NBC has identified. The Council's own response to these strategic risks will be addressed through its risk management process, which NBC operates as part of its overall governance arrangements.

## 4 Our risk assessment

Strategic risks identified by the Council through risk management processes		Audit response (Cross-referenced to operational plan)	
Risk	ID	Consequence of Risk	
Failure to understand our customers	1	<ul style="list-style-type: none"> <li>Services are not shaped in line with customer demand and requirements. Community becomes disengaged with the council. Feedback is inadequate to be of use to the organisations future development. Process waste is not eliminated and re-work remains high. Council's reputation is damaged.</li> </ul>	OP4.1 Follow Up: Citizen Engagement
Failure to respond to the diversity of our customer base	2	<ul style="list-style-type: none"> <li>Certain sectors of the community disengage with the council. Services are not shaped appropriately to meet the needs of the community as a whole. Services are not accessible to all and may disadvantage certain members of the community. Risk of legal action. Councils reputation is damaged</li> </ul>	OP4.1 Follow Up: Citizen Engagement
Failure to deliver a consistently positive customer experience	3	<ul style="list-style-type: none"> <li>Customers are unclear how to access services. Customers have to make several contact attempts to gain information or request a service. Failure to achieve against NI14. Operating costs are high due to high levels of re-work and wasted processes. Customers receive inconsistent service responses according to who they are liaising with. Customer satisfaction levels are low. Council reputation is damaged. Employee</li> </ul>	OP4.1 Follow Up: Citizen Engagement

Strategic risks identified by the Council through risk management processes		Audit response (Cross-referenced to operational plan)	
Risk	ID	Consequence of Risk	
Failure to manage customer expectations	4	<p>satisfaction is negatively impacted.</p> <ul style="list-style-type: none"> <li>Dissatisfied customers. Increased complaints. Customers have to make repeat contacts leading to dissatisfaction and increased operating costs. Loss of reputation.</li> </ul>	OP3.3 Performance management and Strategic Business Review Governance Arrangements
Well managed and mixed communities are not built	5	<ul style="list-style-type: none"> <li>Areas of continued deprivation. Pockets of worklessness. Weak communities with little ambition or civic pride. Spirals of decline in urban fabric and personal attainment.</li> </ul>	No specific internal audit work
Failure to instil lasting pride in Northampton	6	<ul style="list-style-type: none"> <li>Poor overall quality of life and dissatisfaction with the Council. Communities that are not engaged and do not assume responsibility for their neighbourhoods. The town stands still and does not attract new residents or new investment.</li> </ul>	OP4.1 Follow Up: Citizen Engagement
Failure to take full advantage of opportunities presented by the growth agenda and to deliver a better Northampton	7	<ul style="list-style-type: none"> <li>A legacy of unattractive housing estates with poor facilities. Congestion in the town and poor public transport. Continued deprivation in parts of the urban core.</li> </ul>	OP3.3 Performance management and Strategic Business Review Governance Arrangements
Failure to understand what the public perceive as a better Northampton and as a result fail to agree a shared vision/ambition for Northampton	8	<ul style="list-style-type: none"> <li>Low levels of public satisfaction. Ineffective priorities and investment plans. Low levels of buy in to new projects and poor ownership of what we are trying to achieve.</li> </ul>	OP3.3 Performance management and Strategic Business Review Governance Arrangements OP4.1 Follow Up: Partnerships
Failure to approve/adopt a coordinated suite of key strategies to deliver the shared vision and ambition for Northampton	9	<ul style="list-style-type: none"> <li>Non-delivery of ambition and a better Northampton. Weak recognition of Team Northampton and what it stands for.</li> </ul>	OP4.1 Follow Up: Partnerships
Tension/lack of community cohesion	10	<ul style="list-style-type: none"> <li>Exclusion of certain communities, creation of 'ghettos', possible violence.</li> </ul>	No specific internal audit work

Strategic risks identified by the Council through risk management processes		Audit response (Cross-referenced to operational plan)	
Risk	ID	Consequence of Risk	
Poor/inappropriate decisions/services	11	<ul style="list-style-type: none"> <li>Resistance to change/lack of understanding or perception.</li> </ul>	<p>OP1.5 Budgetary Control</p> <p>OP4.1 Follow Up: Partnerships</p>
Missed opportunity/development	12	<ul style="list-style-type: none"> <li>Lack of willing partners/loss of influence/bypassed for major decisions/loss or missed opportunities/funding.</li> </ul>	OP4.1 Follow Up: Partnerships
Lack of capacity to manage all resources, including people, finance and assets Inability to use our resources effectively	13	<ul style="list-style-type: none"> <li>Senior Management Team does not work effectively and corporately. Failure to learn from previous mistakes. Loss of public confidence. Silo working leading to sub optimal solutions. Failure to improve external judgements e.g. CAA, UoR, Direction of Travel. Budget only balance through service cuts. Overspending leading to further service cuts.</li> </ul>	OP3.2 Governance
Failure to establish priorities and align them with resources available	14	<ul style="list-style-type: none"> <li>Inability to focus. Unable to manage resources to deliver key priorities.</li> </ul>	<p>OP1.5 Budgetary Control</p> <p>OP3.2 Governance</p>
Failure to have effective governance and management arrangements in place throughout the council	15	<ul style="list-style-type: none"> <li>Slow and possibly unlawful decision making. Unconstitutional decisions. Inconsistent standards and added complexity to decision making.</li> </ul>	OP3.2 Governance
Failure to recognise opportunities internal and external	16	<ul style="list-style-type: none"> <li>Miss external funding opportunities. Miss collaborative opportunities. Fail to identify opportunities.</li> </ul>	OP3.1 Risk management & Business Continuity Arrangements
There is a risk that inconsistent messages are communicated; Culture is not changed continuing poor performance; Organisation	17	<ul style="list-style-type: none"> <li>Organisation isn't working towards Corporate Plan and Improvement agenda. Different cultures are developed in different</li> </ul>	OP3.3 Performance management and Strategic Business Review Governance

Strategic risks identified by the Council through risk management processes		Audit response (Cross-referenced to operational plan)	
Risk	ID	Consequence of Risk	
set objectives in different Directorates/services		directorates/services. People working to different objectives and thus not on same journey.	Arrangements
Risk that good performing staff leave; staff commitment reduces; staff don't commit to leadership challenge as they don't believe in leadership	18	<ul style="list-style-type: none"> <li>Improvement agenda not moving as quickly as required; Discontentment in staff = decrease in productivity.</li> </ul>	OP2.2 Human Resources
External – Government monitoring/scrutiny is not reduced; Public perception is not improving Internal – no internal ambassadors; increase in turnover – decrease in attraction to key jobs,	19	<ul style="list-style-type: none"> <li>Decrease in funding opportunities; Failure to hit 2013 target; Difficulty to fill key roles; Lack of internal ambassadors increases external lack of confidence; Increase in Recruitment and Selection costs</li> </ul>	OP1.5 Budgetary Control OP2.2 Human Resources
Disjointed working mixed messages to staff; decrease in funding opportunities if not joined up; 2013 objective not delivered	20	<ul style="list-style-type: none"> <li>Duplicate projects / work being undertaken; Reduced commitment in Council objectives; Less funding to deliver transformation agenda; Failure of our key objective</li> </ul>	OP3.2 Governance
Targets are not delivered and may not understand real reasons for non delivery; Staff who are committed to change become dissatisfied; Improvement agenda is not as quick as required	21	<ul style="list-style-type: none"> <li>Improvement plan fails; Increase in turnover of committed staff; Budget targets not achieved</li> </ul>	OP3.3 Performance management and Strategic Business Review Governance Arrangements
Strategic Business Reviews do not deliver the expected level of efficiencies and service improvements	22	<ul style="list-style-type: none"> <li>Lack of service improvements and financial efficiencies</li> </ul>	OP1.5 Budgetary Control OP3.3 Performance management and Strategic Business Review Governance Arrangements

In addition to the corporate risk registers, we have also identified other risk areas through our review of the departmental risk registers. These have been included in the operational plan in Section 5.

Management should consider those areas where there is no specific internal audit work planned and ensure that they can obtain sufficient assurance from other sources that risks are being mitigated effectively.



## 5 Proposed internal audit plan

The proposed internal audit plan for 2010/11 is set out below (in summary and detail) for the approval of management and the Audit Committee. This has been informed by the risk analysis in Section 3 in accordance with modern internal auditing standards and the CIPFA Code of Practice for Internal Audit in Local Government in the UK.

In each instance an overview of the review has been included, along with estimated days. Once the programme has been agreed in outline, we will refine the precise scope of each review and agree this, and the related days, with management.

Our plan assumes a mix of days as detailed below:

Grade	Days	% of audit plan
Auditor	132	45%
Manager	15	5%
Director/Senior Manager/Specialist	148	50%

### Summary operational internal audit plan 2010/11

Area of coverage	Proposed Days (2010/11)	Prior Year Days (2009/10)
Fundamental assurance (operational systems reviews)	103	111
Risk based assurance (operational systems reviews)	103	128
Performance assurance (strategic reviews)	37	50
Other	52	45
<b>TOTAL</b>	<b>295</b>	<b>334</b>

## Detailed operational internal audit plan 2010/11

System	Source	Points of Focus	Audit approach	Days	Quarter	Main Contact Details
<b>OP1 Operational systems reviews – fundamental assurance</b>						
OP1.1 General Ledger	Managed audit	Input controls. Accuracy of outputs. Security over access and data. System enhancements. Changes in key staff or operating procedures.	Full systems review; Review any system enhancements. Changes in key staff or operating procedures. Follow up	8	3	
OP1.2 Debtors	Managed audit	All sources of income are identified. Invoices are raised in a timely, complete and accurate fashion. Adequacy of debt collection, recovery and write-off procedures. Security over access and data.	Full systems review; Review any system enhancements. Changes in key staff or operating procedures. Follow up	8	3	
OP1.3 Creditor payments	Managed audit	Accuracy and review of output from the creditors system. Orders are raised in respect of all goods required. Payments are accurately made for goods received and appropriate authorisation has taken place. Security over access and data.	Full systems review; Changes to Agresso, OAP & Uniclass. Changes in key staff or operating procedures. Follow up	10	3	
OP1.4 Payroll	Managed audit	Starters, leavers and amendments Calculation of deductions Temporary variations to pay Security of system and access controls	Full systems review; Review any system enhancements. Changes in key staff or operating procedures. Follow up	10	3	
OP1.5 Budgetary Control	Managed audit	Efficiency savings programme 2010/11 Budget setting process for	Full systems review	8	4	

System	Source	Points of Focus	Audit approach	Days	Quarter	Main Contact Details
		efficiency savings 2011/12 Budget monitoring and reporting				
OP1.6 Council Tax	Managed audit	All properties have been identified and appropriate charges made Adequate control over monitoring and collection of charge Any dispensations are appropriately evidenced and authorised Arrears management Authorisation of write offs Process for amending bandings	Limited scope review; Review any system enhancements. Changes in key staff or operating procedures. Follow up	8	3	
OP1.7 National Non Domestic Rates	Managed audit	Identification and valuation of properties Reliefs and exceptions are appropriately calculated and applied Billing & collection Recovery and enforcement Accounting for NNDR Compliance with legislation	Limited scope review; Assess any changes made to the system. Undertake testing to ensure controls are operating. Follow up	6	2	
OP1.8 Bank Reconciliations	Managed audit	All bank accounts are subject to regular and independent review & reconciliations. Use of suspense accounts is limited and items promptly cleared. Re-performance of reconciliations to ensure accurately completed.	Limited scope review; Assess any changes made to the system. Undertake testing to ensure controls are operating. Follow up	7	3	
OP1.9 Cash Collection	Managed audit	All income collection points are known. Adequate controls over post opening and processes in place for the secure receipt and recording of cash. Banking takes place promptly. Cash is accurately recorded against debtor and income accounts.	Limited scope review; Assess any changes made to the system. Undertake testing to ensure controls are operating. Follow up	7	2	

System	Source	Points of Focus	Audit approach	Days	Quarter	Main Contact Details
		Use of suspense accounts. Adequate segregation of duties. Unders and overs are accurately recorded and investigated.				
OP1.10 Housing Benefits	Managed audit	Benefit assessment and payments	Review of assessment and payment procedures Overview of progress against improvement plan Follow-up	10	4	
OP1.11 Expenses (including members)	Managed audit	Policies and procedures are up to date and communicated to employees Claims are made in line with policies and procedures Discrepancies and investigated and resolved prior to payment. Only permissible expenses are claimed and paid Authorised signatory list is in place and only authorised claims are processed	Limited scope review; Review of the expenses claiming processes Undertake testing to ensure controls are operating	7	2	
OP1.12 Fixed Assets	Managed audit	Acquisitions identified Treatment of surplus assets Disposals/transfers Capital assets are completely and accurately recorded Capital asset verification Accounting for fixed assets and associated capital charges / revaluations Fixed assets are appropriately disclosed System is secure against unauthorised access and data loss	Limited scope review; Assess any changes made to the system. Undertake testing to ensure controls are operating. Follow up	6	4	
OP1.13 Housing Rents	Managed audit	Rent setting and annual increases Calculation of annual rent debit	Limited scope review; Assess any changes made to	8	3	

System	Source	Points of Focus	Audit approach	Days	Quarter	Main Contact Details
		Changes to housing stocks Debt collection, allocation and rebates	the system. Undertake testing to ensure controls are operating. Follow up			
<b>Subtotal</b>				<b>103</b>		

System	Source	Points of Focus	Audit approach	Days	Quarter	Main Contact Details
<b>OP2 Operational systems reviews – risk based assurance</b>						
OP 2.1 Carbon Reduction Commitment	Head of Finance	<p>Governance arrangements for the Carbon Reduction Commitment.</p> <p>Reporting arrangements, including monitoring of performance.</p> <p>Impact on cash-flow has been calculated and monitored.</p> <p>Maintenance of evidence records to show the annual organisation-wide energy consumption</p> <p>Systems in place to track actual usage vs budgeted allowances</p> <p>Outcomes used for Use of Resources purposes</p>	<p>Limited scope review</p> <p>Review the systems processes and controls in place and assess operation of these.</p>	10	2	
OP2.2 Human Resources	<p>Strategic Plan</p> <p>Departmental Risk register</p>	<p>Implementation of new sickness absence procedure</p> <p>Reporting arrangements for sickness absence</p> <p>Processes for using agency workers</p> <p>Pay and grading appeals</p>	<p>Limited scope reviews:</p> <p>Review the systems processes and controls in place and assess operation of these.</p> <p>Also prior year follow up</p>	13	1	
OP2.3 Westbridge Depot	Internal Audit and Head of Finance	<p>Streetscene</p> <p>Grounds maintenance</p> <p>Stores</p>	<p>Limited scope review:</p> <p>Review the systems processes and controls in place and assess operation of these.</p> <p>Also prior year follow up.</p>	15	2	
OP2.5 Voluntary Grants	Internal Audit	Grants to voluntary organisations	<p>Limited scope review</p> <p>Voluntary grant management</p> <p>Grant conditions</p>	7	2	

System	Source	Points of Focus	Audit approach	Days	Quarter	Main Contact Details
			Verification procedures SLA's			
OP2.6 Void Management	Departmental risk register	Void expenditure and void turnaround	Limited scope review: Voids management assessing expenditure on voids and turnaround	7	2	
OP2.7 Procurement/VFM	Departmental risk register	Monitoring and reporting of efficiency savings from shared procurement Procurement strategy.	Limited scope review Review of approach being taken to ensure value for money in respect of purchasing activity. Assess current procurement processes and strategies.	10	3	
OP2.9 Environmental Health and Private Hire Licensing	Internal audit	Commercial Services Private Hire Licensing Arrangements	Limited scope review: Review systems and procedures in place for granting, monitoring and enforcement in relation to licensing. Apportionment of costs for Private Hire Licensing	13	1	
OP2.10 Planning Applications	Departmental risk register	Policies and procedures Management information including performance indicators Communication with stakeholders Appeals process	Full scope review Review the systems processes and controls in place and assess operation of these.	8	2	
OP2.11 ICT audits	Risk Register & Strategic	Project initiation and management Implementation of IBS system modules.	Full scope reviews: Project management procedures and	15	3	

System	Source	Points of Focus	Audit approach	Days	Quarter	Main Contact Details
	Plan		implementation process.			
OP2.13 Insurance Claims	Internal audit	Claims management and handling. Data interrogation on source of claims Reporting	Review the systems processes and controls in place and assess operation of these.	5	2	
<b>Subtotal</b>				<b>103</b>		



System	Source	Points of Focus	Audit approach	Days	Quarter	Main Contact Details
<b>OP3 Strategic – performance assurance</b>						
OP3.1 Risk management & Business Continuity Arrangements	Strategic risk register	Risk management framework Fraud risk management Business continuity	Limited scope review Progress with risk management and assurance Fraud risk assessment BCP arrangements	5	2	
OP3.2 Governance	Corporate risk register Legal Services risk register	Management information to Cabinet	Limited scope review Robustness of management information provided to Cabinet members Process for production and authorisation of MI.	10	3/4	
OP3.3 Performance management and Strategic Business Review Governance Arrangements	Risk register	Performance framework KPIs Governance arrangements for Strategic Business Reviews Data quality	Full scope review Performance management measurement and monitoring Governance arrangements	12	2/3	
OP3.4 Anti fraud and corruption	Sector issue	Anti fraud and corruption policies and procedures	Limited scope review Evaluation of policies and procedures	10	4	
<b>Subtotal</b>				<b>37</b>		

System	Source	Points of Focus	Audit approach	Days	Quarter	Main Contact Details
<b>OP4 Other</b>						
OP4.1 Specific follow up reviews: Temporary Accommodation Home Renovation Partnerships Citizen Engagement		Follow up on recommendations made as part of 2009/10 Internal Audit Work on: Temporary Accommodation Home Renovation Partnerships Citizen Engagement	To obtain confirmation of actions taken to address any weakness highlighted	7	2	
OP4.1 Follow up	Team Central	Recommendations made as part of Internal Audit Work.	To obtain confirmation of actions taken to address any weakness highlighted as part of 2008/09 and 2009/10 Internal Audit Work and verify where appropriate. Also update TeamCentral with 2010/11 recommendations. Producing CPR reports. Ad hoc training.	12	3/4	
OP4.2 NFI	Audit Commission	Review of relevant reports prior to reporting back to Audit Commission.	To liaise with Risk Manager and identify reports that require audit follow up and investigate in a timely manner so that returns can be made to the Audit Commission.	15	3/4	
OP4.3 Audit management				18		
<b>Subtotal</b>				<b>52</b>		
<b>TOTAL</b>				<b>295</b>		

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