

# Public Document Pack

**Steve Atkinson** MA(Oxon) MBA FIoD FRSA  
Chief Executive

Date: 31 May 2013



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

**To: Members of the Finance, Audit & Performance  
Committee**

Miss DM Taylor (Chairman)  
Mr R Mayne (Vice-Chairman)  
Mr JG Bannister  
Mrs R Camamile

Mr PAS Hall  
Mr JS Moore  
Mr K Morrell

Copy to all other Members of the Council

(other recipients for information)

Dear Councillor,

There will be a meeting of the **FINANCE, AUDIT & PERFORMANCE COMMITTEE** in the Council Chamber, Council Offices, Argents Mead on **MONDAY, 10 JUNE 2013 at 6.30 pm** and your attendance is required.

The agenda for the meeting is set out overleaf.

Yours sincerely

A handwritten signature in purple ink, appearing to read 'Helen Rishworth'.

Helen Rishworth  
Communications & Democratic Accountability Officer

**A G E N D A**

1. APOLOGIES AND SUBSTITUTIONS
2. MINUTES OF PREVIOUS MEETING (Pages 1 - 4)  
To confirm the minutes of the meeting of the Finance Audit & Performance Committee held on 4 March 2013.
3. ADDITIONAL URGENT BUSINESS BY REASON OF SPECIAL CIRCUMSTANCES  
To be advised of any additional items of business which the Chairman decides by reason of special circumstances shall be taken as matters of urgency at this meeting.
4. DECLARATIONS OF INTEREST  
To receive verbally from members any disclosures which they are required to make in accordance with the Council's code of conduct or in pursuance of Section 106 of the Local Government Finance Act 1992. **This is in addition to the need for such disclosure to be also given when the relevant matter is reached on the Agenda.**
5. QUESTIONS  
To hear any questions in accordance with Council Procedure Rule 10.
6. AUDIT PROGRESS REPORT (Pages 5 - 24)  
Report of Internal Audit
7. ANNUAL INTERNAL AUDIT (Pages 25 - 36)  
Report of Internal Audit
8. ANNUAL GOV STATEMENT (Pages 37 - 56)  
Report of the Deputy Chief Executive (Corporate Direction)
9. PERFORMANCE MANAGEMENT FRAMEWORK (Pages 57 - 68)  
Report of the Chief Executive attached.
10. TREASURY MANAGEMENT TO 31 MARCH 2013 (Pages 69 - 82)  
Report of the Deputy Chief Executive (Corporate Direction).
11. PRUDENTIAL CODE & TREASURY MANAGEMENT ANNUAL REPORT 2012/13 (Pages 83 - 90)  
Report of the Deputy Chief Executive (Corporate Direction).
12. HOUSING REPAIRS REVIEW (Pages 91 - 94)  
Report from Deputy Chief Executive (Corporate Direction)
13. WORK PROGRAMME  
To discuss the 2013/14 work programme.
14. ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIRMAN DECIDES HAVE TO BE

DEALT WITH AS MATTERS OF URGENCY

15. MATTERS FROM WHICH THE PUBLIC MAY BE EXCLUDED

To consider the passing of a resolution under Section 100A(4) of the Local Government Act 1972 excluding the public from the undermentioned item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 and 10 of Schedule 12A of the 1972 Act.

16. HINCKLEY CLUB FOR YOUNG PEOPLE (Pages 95 - 98)

Report from Deputy Chief Executive Corporate Direction

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# Agenda Item 2

## HINCKLEY AND BOSWORTH BOROUGH COUNCIL

### FINANCE, AUDIT & PERFORMANCE COMMITTEE

4 MARCH 2013 AT 6.30 PM

PRESENT: Mr PAS Hall - Chairman  
Miss DM Taylor – Vice-Chairman

Mr JG Bannister, Mrs R Camamile, Mr JS Moore, Mr K Morrell and Mr K Nichols (for Mr R Mayne)

Also in attendance: Mark Watkins, Alison Breadon and Tim Ridout

Officers in attendance: Katherine Bennett, Louisa Horton, Julie Kenny and Sanjiv Kohli

#### 440 APOLOGIES AND SUBSTITUTIONS

Apologies were submitted on behalf of Councillor Mayne with the substitution of Councillor Nichols authorised in accordance with Council Procedure Rule 4.3.

#### 441 DECLARATIONS OF INTEREST

No interests were declared at this stage.

#### 442 MINUTES OF PREVIOUS MEETING

On the motion of Councillor Camamile, seconded by Councillor Moore, it was

RESOLVED – the minutes of the meeting held on 10 December 2012 be confirmed and signed by the Chairman.

#### 443 EXTERNAL AUDIT 11/12 CERTIFICATION REPORT

M Watkins from PWC presented the Grant Certification Report which considered the potential loss of subsidy to the Authority. As a result of the review it was estimated that there would be a loss of £6351 representing 0.03% of the total subsidy value. This would not be confirmed until the DWP had completed its work.

It was noted that this was Mark's last meeting, he was thanked for his input to HBBC.

#### 444 EXTERNAL AUDIT 2012/2013 AUDIT PLAN

Alison Breadon, the new Engagement Leader from PWC, presented the External Audit plan for 2012/13. The key activities of the council were reflected within the plan and information regarding feed and communication was confirmed.

In response to a member's question regarding capital expenditure, Alison Breadon confirmed it would be considered as a major part of the financial management of the Authority. She confirmed that decisions on expenditure were not challenged unless there was a reason to indicate that they should be due to impropriety or financial mismanagement.

The report was noted.

#### 445 INTERNAL AUDIT UPDATE REPORT

Tim Ridout from CW Audit introduced the internal audit block report for the 3<sup>rd</sup> quarter. It was noted that two scheduled Audits would be carried over to 2013/14.

The following assurances were given:

- Benefit Fraud Investigations – significant Assurance
- Fuel Controls – Significant Assurance. Following a question regarding CCTV it was agreed that the Committee would be advised regarding CCTV arrangements at the Jubilee Building
- Anti Fraud – this was a benchmarking report offering advice on best practice.
- Housing repairs – This was covered later on the agenda

The tracking report was noted.

#### 446 INTERNAL AUDIT PLAN 2013/15

T Ridout presented the report and explained that the plan layout was slightly different to previous years due to changes in Internal Audit Standards. The plan explained the purpose of internal audit, how the plan was formulated and the reporting lines including relationships with external audit and officers. The Plan showed the days proposed to be spent on specific audits in the financial years 13/14 and 14/15. There were some slight amendments due to movements of audits from 12/13 and an additional Housing Repairs audit.

The Plan was agreed.

#### 447 PERFORMANCE MANAGEMENT FRAMEWORK

The Chief Officer (Corporate & Customer Resources, Scrutiny & Ethical Standards) presented the 3<sup>rd</sup> quarter report showing performance as at 20.2.13. Questions were asked regarding performance indicators, service improvement plans and Corporate Risks:

- Housing re-let times: a request was made for an action plan
- Web satisfaction: members felt whilst our site was good, the planning portal was difficult to navigate
- Uniform upgrade: was it now complete?
- What was the impact on our CO2 targets with Jubilee building not being Excellent rated?
- A report was requested as early as possible regarding the bus station, in connection with Corporate Risk S.06.

The report was noted.

#### 448 GENERAL FUND BUDGET QUARTER 3 2012/2013

Kat Bennett presented the Revenue and Capital Outturn, the revenue account was indicating a £800,000 underspend from service budgets due to savings and increased income. The capital budget demonstrated a number of slippages indicating that £3million had been spent against a programme of £4.2 million. With regard to the HRA, an overspend of £136,194 was indicated though it was noted that this was due to the Council's position under self financing. In actual terms it was clarified that a smaller surplus was anticipated than what was originally budgeted.

Following a question regarding NNDR, officers explained that this was because HBBC had to pay 75% of the NNDR for the Stoke Road site as there was a delay in the sale.

SK confirmed in response to a further question the depot relocation costs and the Hub developer incentive.

449 WORK PROGRAMME 2013/14

The following were added to the work programme:

15 July – add training

3 June – Missing block for quarter two report.

450 HOUSING REPAIRS REVIEW

J Kenny presented a report regarding the Housing Repairs In House service. Originally an underspend had been noted, but on closer inspection it appeared that this was due to a backlog in processing. A full review had been undertaken and an action plan had been developed to ensure that the service performs and has strong financial control. A number of questions were raised by members regarding staffing and assurances regarding processes and it was agreed that there would be a full update report at the end of April 2013 regarding the outturn position and the Action Plan.

(The Meeting closed at 8.55 pm)

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CHAIRMAN

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# Hinckley & Bosworth Borough Council

## Internal Audit Summary Report 2012/13

June 2013

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Agenda Item 6

## 1. Introduction

This report summarises the work of Internal Audit for 2012/2013 which has yet to be reported to this Committee. It complements the Annual Audit Report provided separately on this agenda.

## 2. Progress summary

The amended internal audit plan for the 2012/13 year (agreed in June 2012) totalled 286 days, including additional work agreed during the year. Section 5 provides details of all the audit assignments included in the 2012/13 year, together with details of the quarter in which the assignments were delivered. We have delivered 270 days of work against the plan and management has requested we delay 2 reviews (Tenant Scrutiny and Sheltered Housing) into 2013/14 (a total of 16 planned days).

## 3. Summary of reviews completed

The following reviews have been completed and final reports agreed with management since the last meeting of this Committee (this includes reviews which were due to be reported to the cancelled January Committee). The tables below set out summaries of the outcomes and any high or medium risk issues raised, and agreed actions to address them.

Review	Summary	Level of assurance				
Council Tax	This audit examined the overall control framework in place regarding Council Tax operated by the Leicestershire Revenues & Benefits Partnership on behalf of HBBC (as well as other partners). A Significant Assurance Opinion was provided, with 1 medium level and 7 low level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	<b>Significant</b>				
System control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1. Suitable, authorised policies and procedures are in place covering Council Tax processing, and staff are aware of these and that they need to comply with them.		√				
2. Relevant property records are accurately, comprehensively and efficiently maintained and updated.		√				
3. Council Tax liability is determined efficiently and in line with statutory requirements for all properties.		√				
4. Billing procedures are in accordance with statutory regulations and amounts due in respect of each chargeable property have been correctly calculated and promptly demanded from the person or persons liable.	√					
5. The application of discounts/exemptions is authorised in accordance with statute, the authority's policy and is supported by documentary evidence.		√				
6. Secure and efficient arrangements are made for all collections, and all collections are promptly posted to the correct tax payers' accounts.	√					
7. Collection rates and other key performance indicators are regularly monitored.	√					
8. Refunds are in accordance with regulations and the Council's Standing Orders and Financial Regulations and all refunds are valid and authorised.	√					
9. Recovery and enforcement procedures are managed efficiently and in accordance with statutory requirements.	√					
10. Non-recoverable debts are written-off in accordance with policy and with suitable authorisation.		√				
11. There is a routine reconciliation between the main accounting system, the Council Tax system and the Cash Receiving system.	√					

The 1 medium level risk issue and management's response are set out below:

**System Control Objective 1: Suitable, authorised policies and procedures are in place covering Council Tax processing, and staff are aware of these and that they need to comply with them.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>1.1 Policies and Procedures</b>	As recommended during the previous audit, standard procedure notes should be developed to ensure that a consistent approach to CT processing is undertaken across all three councils within the partnership. This is included on the Partnership's Service Improvement Plan for 2012/13 which is monitored on a monthly basis. The expected completion date is March 2013.	Inconsistencies	3	Every effort should be given to ensuring that the completion date of March 2013 for the standardised procedure notes is achieved.	Our plan is that processes and procedures are harmonised by 31 <sup>st</sup> March 2013.  Where processes relate to implementation of Capita products in 2013/14 processes will be reviewed accordingly	Sue Williams-Lee	31 <sup>st</sup> March 2013

Review	Summary	Level of assurance				
Business Rates	This audit examined the overall control framework in place regarding Business Rates operated by the Leicestershire Revenues & Benefits Partnership on behalf of HBBC (as well as other partners). A Significant Assurance Opinion was provided, with 1 medium level and 6 low level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	<b>Significant</b>				
System control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1. Suitable, authorised policies and procedures are in place covering Business Rates processing, and staff are aware of these and that they need to comply with them.		√				
2. Relevant property records are accurately, comprehensively and efficiently maintained and updated.		√				
3. Business Rates liability is determined efficiently and in line with statutory requirements for all properties.	√					
4. Billing procedures are in accordance with statutory regulations and amounts due in	√					

Review	Summary					Level of assurance
	respect of each chargeable property have been correctly calculated and promptly demanded from the person or persons liable.					
5.	The application of reliefs and exemptions is authorised in accordance with statute, the authority's policy and is supported by documentary evidence.		√			
6.	Secure and efficient arrangements are made for all collections, and all collections are promptly posted to the correct tax payers' accounts.	√				
7.	Collection rates and other key performance indicators are regularly monitored.	√				
8.	Refunds are in accordance with regulations and the Council's Standing Orders and Financial Regulations and all refunds are valid and authorised.	√				
9.	Recovery and enforcement procedures are managed efficiently and in accordance with statutory requirements.	√				
10.	Non-recoverable debts are written-off in accordance with policy and with suitable authorisation.		√			
11.	There is a routine reconciliation between the main accounting system, the Business Rates system and the Cash Receipting system.	√				

The 1 medium level risk issue and management's response are set out below:

**System Control Objective 1: Suitable, authorised policies and procedures are in place covering Business Rates processing, and staff are aware of these and that they need to comply with them.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>1.1 Policies and Procedures</b>	As recommended during the previous audit, standard procedure notes should be developed to ensure that a consistent approach to business rates processing is undertaken across all three councils within the partnership. This is included on the Partnership's Service Improvement Plan for 2012/13 which is monitored on a monthly basis. The expected completion date is March 2013.	Unintended inconsistencies in processing	3	Every effort should be given to ensuring that the completion date of March 2013 for the standardised procedure notes is achieved.	Our plan is that processes and procedures are harmonised by 31 <sup>st</sup> March 2013.  Where processes relate to implementation of Capita products in 2013/14 processes will be reviewed accordingly	Sue Williams-Lee	31 <sup>st</sup> March 2013  Ongoing

Review	Summary	Level of assurance				
Benefits	This audit examined the overall control framework in place regarding Housing & Council Tax Benefits operated by the Leicestershire Revenues & Benefits Partnership on behalf of HBBC (as well as other partners). A Significant Assurance Opinion was provided, with 4 medium level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	<b>Significant</b>				
System control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1 Suitable, authorised policies and procedures are in place covering Benefits processing, overpayments and counter fraud, and staff are aware of these and that they need to comply with them.		√				
2 Processes are in place to ensure all benefit claims are processed and payments made in accordance with regulations and relevant policies, and are legitimate and appropriate.		√				
3 All relevant records and accounts are accurately updated in a timely manner to record all benefits transactions (including reconciliations to feeder and other systems).	√					
4 All payments and associated output are timely, recorded securely and data protected against unauthorised access.		√				
5 Overpayments of benefit are identified and accounted for in accordance with legislation/regulations, the organisation's policy, standing orders and financial regulations, and recovery (and where non-recoverable, write off) arrangements are efficient and effective.	√					
6 Fraud investigation is in accordance with statute, professional guidelines and the organisation's Standing Orders, Financial Regulations and relevant policies.	√					
7 Processing times, accuracy, overpayment levels, fraud case outcomes and other key performance indicators are regularly monitored.	√					

The 4 medium level risk issues and management's response are set out below:

**System Control Objective 1: Suitable, authorised policies and procedures are in place covering Benefits processing, overpayments and counter fraud, and staff are aware of these and that they need to comply with them.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>1.1 Policies and Procedures</b>	As recommended during the previous audit, standard procedure notes should be developed to ensure that a consistent approach to benefits processing is undertaken across all three councils within the Partnership. This is included on the Partnership's Service Improvement Plan for 2012/13 which is monitored on a monthly basis. The expected completion date is March 2013.	Unintended inconsistencies in processing	3	Every effort should be made to ensure that the completion date of March 2013 for the standardised procedure notes is achieved.	Our plan is that processes and procedures are harmonised by 31 <sup>st</sup> March 2013.  Where processes relate to implementation of Capita products in 2013/14 processes will be reviewed accordingly	Leigh Butler	31 <sup>st</sup> March 2013  Ongoing

**System Control Objective 2: Processes are in place to ensure all benefit claims are processed and payments made in accordance with regulations and relevant policies, and are legitimate and appropriate.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>2.1 New claim processing</b>	All new claims tested for all three partners had a completed application form and supporting documentation on file. Of the sample of 75 claims tested (25 for each partner authority) 14 had been processed outside the 23 day turnaround target, although the average processing time for the whole sample was 10.4 days.	Targets not met.	3	Continue to monitor and improve processing deadlines of new benefit claims.	We are aware of performance and will continue to make changes required to improve on this.  Benefit Team Leaders have and will continue to improve turnaround times.  We are working with the DWP Performance Division to improve processes of Atlas/ETD	Leigh Butler & Benefit Team Leaders	31 <sup>st</sup> March 2013 and ongoing

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
					data which in turn will assist new claim time		
2.2 <u>Change of circumstance processing</u>	All changes of circumstances had been processed correctly and the claimant had been notified in all cases. Of the sample of 75 claims tested (25 for each partner authority) 10 had been processed outside the 17 day turnaround target, although the average processing time for the whole sample was 6.3 days.	Targets not achieved. Overpayments may be generated.	3	Continue to monitor and improve processing deadlines of changes of circumstances.	We are aware of performance and will continue to make changes required to improve on this.  Benefit Team Leaders have and will continue to improve turnaround times.  We are working with the DWP Performance Division to improve processes of Atlas/ETD data which in turn will assist new claim time	Leigh Butler & Benefit Team Leaders	31 <sup>st</sup> March 2013 and ongoing

**System Control Objective 4: All payments and associated output are timely, recorded securely and data protected against unauthorised access.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
4.1 Declaration of interests	We confirmed through discussion with the Partnership Manager that a declaration of interests has not been completed for all HBBC and NWL staff; for the HDC staff a declaration has been signed but was completed in 2010. This matter was raised in the previous year's Internal Audit report and agreed to be addressed by January 2012.  Management noted in response to the previous audit report that "There is an audit log held within the Capita Academy systems	Employees could access and process claims/ transactions involving family and friends without the Partnership or relevant Council having any knowledge.	3	a) Arrangements should be put in place as soon as practicable to ensure all staff declare any interests they may have.	A response from Unison is due imminently – end of December 2012.  Work with HR teams to agree process for this.  Also HR will include within their own policies to ensure staff who claim benefit / any claims maintenance will	Leigh Butler & HR Managers	31 <sup>st</sup> March 2013 (Agreement with HR managers concerning forms and procedures to be adopted)



Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	<p>of who has viewed and updated records. Additionally, a further system control already exists which prevents users from accessing pre-determined accounts. It should be noted that staff are made aware when they commence employment / sign their contract that accessing the system for non work related or fraudulent purposes will lead to disciplinary action, which could result in dismissal." Clearly these are mitigations however the need for a declaration of interests remains.</p> <p>The Partnership Manager advised that the proposal currently is that HDC's declaration of interest form and NWL's declaration statement will be used for all staff within the Partnership. The Partnership Manager is currently discussing the declaration with all 3 council's Human Resource Managers and Unison to agree the contents of and approach to the declaration.</p>			<p>b) Staff should be prevented from working on or accessing any cases in which they have declared an interest.</p> <p>c) In advance of the arrangements for formal declarations being made by all staff, it would be prudent for a reminder to be issued to all staff regarding their contractual obligations regarding accessing the benefits system/data and the possible consequences of a breach.</p>	<p>be undertaken by benefit team leader and must go through that channel.</p> <p>Staff and system users will be informed to include completion of declaration</p> <p>Staff who have declared an interest will not have access to claim records and this is controlled within the benefit application.</p> <p>Staff will be informed before procedure is implemented of the contractual responsibility to inform and advise accordingly. This will be coordinated through HR teams</p>		<p>31<sup>st</sup> May 2013 (Anticipated)</p> <p>30th April 2013 (Anticipated)</p>

Review	Summary	Level of assurance				
Budgetary Control	This audit examined the overall control framework in place regarding budgetary control. A Full Assurance Opinion was provided, with 1 low level recommendation made. The individual level of assurance for each system control objective reviewed is provided below.	Full				
System control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1 The Authority prepares a Medium Term Financial Strategy (MTFS) which is designed to deliver strategic priorities and contains robust key assumptions.	✓					
2 Budgets are set in a structured, comprehensive and robust manner in accordance with the organisations plans and objectives and the MTFS.	✓					
3 Any changes to the startpoint budget are appropriately authorised, recorded and reported (including virement).	✓					
4 Responsibility for controlling budgets is delegated to trained and clearly defined budget holders who receive appropriate support from the finance department.	✓					
5 Accurate and complete financial information is produced in a timely manner to budget holders and committees for inspection, analysis and control of budget performance.	✓					
6 Budget variations are analysed, investigated, explained and acted upon.	✓					
7 Regular and robust forecasts are undertaken to project outturn against budget.	✓					
8 Any savings plans established to ensure a balanced budget are robust, and are reported upon and monitored at relevant Committee and Council level.	✓					

### Customer Services (reception)

This review was the first stage of a 'before and after' advisory assessment of the Council's arrangements to assess and assure itself regarding customer service at its reception point. The second stage of this work will be carried out following the Council's office move to Hinckley Hub. We provided observations at this stage of the review, which related to the services currently being provided at Argents Mead and preparations for the forthcoming move. The overall conclusion reached at this stage of the review is that the Council has been very proactive in planning the move of the reception to the Hinckley Hub and that all possible arrangements are in place to ensure that effective reception services will be delivered at the new site with the minimum

level of disruption. Management have identified a number of key issues and risks that arise from the forthcoming move and are taking action in each case to address these.

Review	Summary	Level of assurance				
Payroll & Expenses	This audit examined the key controls in place regarding payroll and expenses. A Full Assurance Opinion was provided, with 1 low level recommendation made. The individual level of assurance for each system control objective reviewed is provided below.	<b>Full</b>				
System control objective		Level of Assurance				
		Full	Significant	Moderate	Limited	No
1 Permanent payroll data held on the system is accurate, and any amendments to payroll data are valid, accurate, appropriately authorised and timely.		✓				
2 All deductions made from salaries are accurate, timely and authorised.		✓				
3 The payroll is processed in an accurate and timely manner, including any temporary variations to pay.		✓				
4 The security of payroll data is adequately maintained.		✓				

Review	Summary	Level of assurance				
Legal Services (IT audit - case management system)	This audit examined the key controls in place regarding the implementation of the system. A Significant Assurance Opinion was provided, with 3 medium and 2 low level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	<b>Significant</b>				
System control objective		Level of Assurance				
		Full	Significant	Moderate	Limited	No
1 The design, operation, use, and management of data systems is subject to statutory, regulatory and contractual security requirements.		✓				
2 Access to data, information processing facilities, and business processes should be controlled on the basis of business and security requirements.			✓			
3 System access and usage is appropriately logged and monitored		✓				
4 The objectives of the project, user requirements and level of functionality required are						

Review	Summary					Level of assurance
achieved.			✓			
5 That reports can be generated to gather appropriate management information.			✓			

The 3 medium level risk issues and management's response are set out below:

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>2.1 Contingency</b>	The current Business Continuity Plan for Corporate and Scrutiny Services is dated 2009 and therefore does not include elements specific to the IKEN management system (implemented in November 2012). Further the requirements for the availability of the IKEN system have not been provided to ICT to allow them to ensure that the application is made available when required (through their Disaster Recovery procedures).	Unnecessary delays in recovering critical systems. New systems not included in Disaster Recovery procedures, resulting in non-recovery	<b>3</b>	Legal Services should ensure that the IKEN application is risk assessed and a business impact analysis undertaken to determine Legal's requirements in the event that the system fails or is unavailable for a period of time. Results from the above exercise should then be detailed within the Business Continuity Plan for Corporate and Scrutiny Services. ICT should be informed of the requirements for supporting the IKEN application to ensure that Disaster Recovery plans are in place.	The business continuity plan is being updated currently as part of the Council off ice move in May and June 2013. Legal's requirements for the IKEN system will be taken into account in this review.	Adam Bottomley Senior Solicitor	By end June 2013
<b>2.2 User Identification</b>	There are 6 user accounts that are generic on the IKEN Case Management System. It is accepted that the number of generic ID's may be due to the original implementation of the system, where suppliers will usually include a number of accounts as part of the overall implementation and these have not been removed.	Unauthorised access undetected, lack of accountability.	<b>3</b>	Management should ensure that all staff, IT and Suppliers have individual user ID's that allow their actions on the IKEN system to be individually identified	This matter is being raised with the supplier and we are requesting that they have individually identified logons. We currently await a response.	Adam Bottomley Senior Solicitor	July 2013

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>2.3 Privilege Management</b>	There are three staff within the Legal Section with responsibilities for administrating IKEN, however, a review of user accounts and access levels identified three generic user accounts that also had either "IKEN support - Admin" or "System Administrator".	Unauthorised users obtaining access to sensitive data.	<b>3</b>	Ensure that the number of users with System Administrator access to IKEN is restricted to 2/3 staff within the section and that access to the role is restricted to these staff.	The three accounts noted are all generic accounts set up by the supplier and this is being addressed along with point 2.2 above.	Adam Bottomley Senior Solicitor	July 2013

Review	Summary	Level of assurance				
Housing Rents	This audit examined the key controls in place regarding housing rents. A Significant Assurance Opinion was provided, with 3 medium and 5 low level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	<b>Significant</b>				
System control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1 Approved policies and procedures are in place covering all aspects of rent and arrears administration and to ensure compliance with legal requirements.		✓				
2 Rent is charged correctly on all properties in accordance with policy, and with documented calculations of gross and net rent for each property.	✓					
3 Robust arrangements are in place for timely and complete collection of rent payments and crediting these to the correct account.		✓				
4 Arrangements to deal with arrears comply with policy and ensure efficient recovery of outstanding sums.		✓				
5 Access to system functions is restricted to authorised personnel and the security and integrity of the system is maintained.	✓					
6 Performance against targets in collecting rent and arrears is suitably monitored.		✓				

The 3 medium level risk issues and management's response are set out below:

### System Control Objective 4: Arrangements to deal with arrears comply with policy and ensure efficient recovery of outstanding sums.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>4.1 Debt Collection Agency</b>	The Authority does not currently use the services of a debt collection agency. It was reported that previous attempts to use an agency had not yielded particularly successful results.	Increasing risk of bad debts due to national changes in benefits payments.	<b>3</b>	The decision not use a debt collection agency should be re-considered in the light of the poor economic climate and the potential impact that reductions in benefits payment may have on rent recovery rates.	Review decision not to use debt collection agency, any review will be balanced with our responsibilities as a landlord to support and assist tenants in difficulty.	Sharon Stacey, Chief Officer – Housing , Community Safety & Partnerships  Jo Wykes, Housing Options and Rents Manager	October 2013
<b>4.2 Recovery costs</b>	The Council does not add recovery and court costs to accounts that are in arrears. This decision was taken at least four or five years ago on the basis that adding such costs only increased debt levels where there was little prospect of recovery. It is understood that this decision was not subject to formal discussion and approval at Council level.	Increasing recovery costs being borne solely by the Council.	<b>3</b>	In the light of ongoing reductions in benefits payments to tenants, the council should formally consider whether recovery and court costs should be added, either in full or in part, to rent accounts in arrears.	To review how court costs are dealt with.	Sharon Stacey, Chief Officer – Housing , Community Safety & Partnerships  Jo Wykes, Housing Options and Rents Manager	October 2013

### System Control Objective 6: Performance against targets in collecting rent and arrears is suitably monitored.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>6.1 Arrears Collection Monitoring</b>	Rent collection rates are regularly reported on and monitored through the Council's performance management system. The rate is calculated on the basis of the amount of rent collected to date, which is then extrapolated to take account of however many weeks of the year remain. The value of rent arrears is not however immediately identifiable from these rent collection rates, particularly as pre-paid accounts are included in the collection rate and	Lack of clarity on specific monitoring of arrears recovery performance. Likelihood of increased rent account arrears in current climate.	<b>3</b>	In the light of reductions in benefit payments to council tenants, the monitoring reports produced regularly for senior management review should be strengthened to include specific data on the age profile of rent accounts in arrears and other performance information related to action taken on accounts in	Work underway to increase performance monitoring through Housemark	Sharon Stacey, Chief Officer – Housing , Community Safety & Partnerships  Jo Wykes, Housing Options and Rents Manager	July 2013

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When																					
	<p>terminated tenant account debts are not included in the calculation.</p> <p>The system is capable of providing details on aged debt analysis of accounts in arrears, although such reports are not routinely produced. As at 5/2/13 aged debt analysis was as follows:</p> <table border="1"> <thead> <tr> <th>Period o/s</th> <th>No of accounts</th> <th>Value (£)</th> </tr> </thead> <tbody> <tr> <td>5-13 weeks</td> <td>261</td> <td>26,346.71</td> </tr> <tr> <td>14-26 weeks</td> <td>112</td> <td>27,337.00</td> </tr> <tr> <td>27-39 weeks</td> <td>56</td> <td>14,455.68</td> </tr> <tr> <td>40-52 weeks</td> <td>62</td> <td>22,323.93</td> </tr> <tr> <td>&gt;1 year, &lt; 2 years</td> <td>138</td> <td>41,699.98</td> </tr> <tr> <td>&gt; 2 years</td> <td>556</td> <td>116,119.76</td> </tr> </tbody> </table>	Period o/s	No of accounts	Value (£)	5-13 weeks	261	26,346.71	14-26 weeks	112	27,337.00	27-39 weeks	56	14,455.68	40-52 weeks	62	22,323.93	>1 year, < 2 years	138	41,699.98	> 2 years	556	116,119.76			arrears. Targets should be set and monitored for reducing long overdue rent arrears.			
Period o/s	No of accounts	Value (£)																										
5-13 weeks	261	26,346.71																										
14-26 weeks	112	27,337.00																										
27-39 weeks	56	14,455.68																										
40-52 weeks	62	22,323.93																										
>1 year, < 2 years	138	41,699.98																										
> 2 years	556	116,119.76																										

### Member Standards of Conduct arrangements

We have completed an advisory review on the arrangements in place regarding member standards of conduct and have reported on this work by letter to the Monitoring Officer. The review did not provide an overall assurance opinion, but raised matters for consideration where considered appropriate. We do not consider there are any significant matters that need to be raised with this Committee.

## 4. Recommendation tracking

CW Audit Services has implemented a system for tracking the actioning of agreed Internal Audit recommendations, as a management assurance tool for the Council and specifically this Committee. Managers are responsible for updating actions taken and other key information directly on the system. A further update for the Committee is provided below. This refers to all actions agreed and due by 31/3/13 in relation to audit reports issued in the current year up to now, and any remaining legacy actions carried forward from reviews carried out by the previous Internal Audit provider. These latter issues have been referred to specifically in previous reports to this Committee at the end of 2011/12.

The first table below represents the status of agreed actions due to be implemented by 31/3/2013, the second table the age of the outstanding recommendations (based on the original date due for implementation). The status shown is as advised by the relevant manager/Head of Service and does not imply that Internal Audit have verified the status.

Summary	1 Critical	2 High	3 Medium	4 Low	Total
Due by 31/3/2013	-	1	33	29	63
Implemented	-	-	18	18	36
Closed (effectively implemented or system changed)	-	-	-	5	5
In progress but not complete	-	1	10	5	16
Outstanding (not started)	-	-	5	1	6

Time overdue for actions o/s or not complete	1 Critical	2 High	3 Medium	4 Low	Total
Less than 3 months	-	1	12	5	18
3 – 6 months	-	-	1	1	2
Greater than 6 months	-	-	2	-	2
Total	-	1	15	6	22



The 2 issues more than 6 months overdue are as follows:

Review	Recommendation	Risk Rating	Response	Current Status per update
2012/13 Housing Repairs	<p><u>Performance management</u></p> <p>Management should ensure that performance targets are set for the housing repairs function and these are regularly monitored and reported upon.</p> <p>In addition consideration should be given to monitoring and reporting upon the performance of contractors separately.</p>	3	Regular performance management information needs to be widened to cover the major aspects of the service. Currently customer satisfaction information is collected and recorded. The Principal Housing Repairs Officer will ensure regular updating of information on the Council's TEN.	Now being addressed as part of wider Housing Repairs Action Plan. To be implemented by end July 2013.
2012/13 Housing Repairs	<p><u>Housing repairs (contractor)</u></p> <p>a) Management should review the total value of expenditure on contractors to ensure that the council is obtaining value for money in respect of their services.</p> <p>b) Contractor performance should be monitored and reported upon</p> <p>c) Every effort should be made to ensure post inspections are completed in a timely manner.</p>	3	<p>A review of Contractors used, and the associated spend, will take place to ensure value for money.</p> <p>These type of errors will be reduced when the new Direct Works System is introduced. Until then, random checks of data quality will take place.</p>	Now being addressed as part of wider Housing Repairs Action Plan. To be implemented by end July 2013.

## 2012/13 Internal audit plan

Description of audit	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Budgetary Control				✓	Final report issued	Full
Main Accounting			✓		Final report issued	Significant
Capital Accounting				✓	Agreed to be carried out in May- in progress	
Council Tax (see note above re LRBP)			✓		Final report issued	Significant
Business Rates (see note above re LRBP)			✓		Final report issued	Significant
Benefits (see note above re LRBP)			✓		Final report issued	Significant
Benefit Fraud Investigation ( joint review with OWBC)			✓		Assurance letter issued	Significant
Creditors			✓		Final report issued	Significant
Debtors			✓		Final report issued	Significant
Treasury Management			✓		Final report issued	Significant
Income Management & Cash Receipting			✓		Final report issued	Significant
Corporate Governance (standards of conduct)				✓	Letter issued (advisory)	N/A

Description of audit	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Risk Management		✓			Final report issued	Significant
Customer Services (reception)				✓	Letter issued	N/A
Anti-Fraud & Corruption		✓			Final report issued	Significant
Payroll & Expenses				✓	Final report issued	Full
Legal Services (IT audit - case management system)			✓		Final report issued	Significant
Allocations – Choice Based Lettings	✓				Final report issued	Full
Housing Rents			✓		Final report issued	Significant
Tenant Scrutiny				✓		Requested to postpone into 2013/14 plan
Sheltered Housing				✓		Requested to postpone into 2013/14 plan
Argents Mead				✓	Draft Letter issued	
Town Centre Regeneration				✓		To be carried out in 2013/14
Housing Repairs		✓			Final report issued	Significant

Description of audit		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Fuel Controls			✓			Final report issued	Significant
Contract Management (Grounds Maintenance)		✓				Final report issued	Significant
Additional review: Housing Repairs				✓		Complete; report issued	N/A

**cw audit services**

**Hinckley & Bosworth  
Borough Council**

**Annual Internal Audit Report 2012/13**  
May 2013

**Getting value from your service**



# Contents

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2. Annual Head of Internal Audit Opinion .....	2
3. Work undertaken during the year .....	3

# 1 Introduction

This annual report provides my opinion (see section 2) as the Head of Internal Audit to Hinckley & Bosworth Borough Council. It also summarises the activities of Internal Audit for the period 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013.

The Council is required by law (Accounts & Audit Regulations 2011) to maintain an adequate and effective system of internal audit of its accounting records and internal control systems in accordance with proper internal audit practices. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide a written report to those charged with governance, to support the Annual Governance Statement, AGS), setting out:

- An opinion on the overall adequacy and effectiveness of the organisation's control environment ;
- Disclose any qualifications to that opinion, together with the reasons for that qualification;
- Present a summary of the work carried out by Internal Audit during the year from which the opinion is derived, including any reliance that is being placed upon third party assurances;
- Draw attention to any issues the Head of Internal Audit deems particularly relevant to the Annual Governance Statement (AGS)
- Consider delivery and performance of the Internal Audit function against that planned;
- Comment on compliance with these Standards and the results of any quality assurance programme.

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The Council should consider my opinion, together with management assurances, its own knowledge of the organisation and assurances received throughout the year from other review bodies (such as External Audit) when producing its AGS.

My opinion takes into account the range of individual opinions arising from risk-based audit assignments that have been reported throughout the year. An internal audit plan was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. **A summary of the work we have performed and delivery against the plan is provided in section 3.**

Alongside the delivery of the operational internal audit work, we have met regularly with Council management to ensure any issues regarding our performance could be highlighted and any necessary action taken to resolve these. Following each audit, management are also requested to provide feedback on the service received. No significant issues or concerns regarding the internal audit service have been raised to date.

## 2 Annual Head of Internal Audit Opinion

### Roles and responsibilities

The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.

Internal Audit provides an independent and objective opinion to the organisation on the control environment and plays a vital part in advising the organisation whether these arrangements are in place and operating correctly.

The Annual Governance Statement (AGS) is an annual statement by the Leader and Chief Executive, that recognises, records and publishes an authority's governance arrangements.

In accordance with PSIAS, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Finance, Audit and Performance Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below. The Head of Internal Audit's role is also covered by the CIPFA Guidance on the Role of the Head of Internal Audit; we consider we comply substantially with the content of this Guidance.

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The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans. As such, it is one component that the organisation takes into account in making its AGS.

### The Head of Internal Audit Opinion

My opinion is set out as follows:

1. Overall opinion;
2. Basis for the opinion;

My **overall opinion** is that **significant** assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk.



The **basis** for forming my opinion is as follows:

1. An initial assessment of the design and operation of the underpinning risk management framework and supporting processes; and
2. An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
3. Any reliance that is being placed upon third party assurances.

## 3 Work undertaken during the year

### Summary of assurances provided

During the course of the year we have conducted work to provide assurance over financial, governance and operational systems. Appendix One summarises the assurance levels we have given.

### Delivery of the plan

An internal audit plan for 2012/13 was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. To achieve this our internal audit plan was divided into two broad categories; work on the financial systems that underpin your financial processing and reporting and then broader risk focused work driven essentially by principal risk areas that had been identified in your risk register. A summary of work undertaken is included below:

- During the year we have undertaken reviews of your core financial systems (including financial management, general ledger and financial transactions) and given full or significant assurance with regard to the management of risk in these areas.
- We have undertaken a number of pieces of work on areas of principal risk. In general we have been able to conclude that these systems are robust and operate in a good control environment.

It is my view, taking account of the respective levels of assurance provided for each audit review, an assessment of the relevant weighting of each individual assignment and the extent to which agreed actions have been implemented, that you have a generally sound system of internal control.

However we do need to highlight a Significant Internal Control Issue that would require disclosure within your AGS, as follows:

The Council experienced issues regarding Housing Repairs management during 2012/13 which impacted on the accuracy and timeliness of budget management during the year. In our routine work we highlighted potential control improvements including with regard to ordering and pricing of work; subsequently we were requested by the Council to support an internal management review on Housing Repairs by assessing a detailed sample of repairs jobs. We provided a report to the Council on this additional review which set out a number of areas for improvement regarding ordering and pricing of work, arrangements to authorise internal and external works orders and variations, and effective use of the Orchard system. Management took account of our findings and recommendations in their own action plan for service improvement, which has been reported on to members during the year. Implementation of this action plan continues, and we will carry out follow-up review during 2013/14.

### **Third party assurances**

In arriving at our overall Annual Head of Internal Audit Opinion, we have not sought to place reliance on any third party assurances.

### **Following up of actions arising from our work**

All recommendations and agreed actions are subject to an ongoing recommendation tracking process that is facilitated by CW Audit Services, but completed by the relevant managers responsible for implementing the recommendations. This is undertaken on a self-assessment basis, but is supplemented by our independent follow-up reviews where this is deemed necessary (for example following the issuance of a limited or moderate assurance report). A summary of the recommendation tracking results for the 2012/13 year is included as Appendix 2 to this report.

In addition elements of our work involve annual coverage of key areas of control for the organisation, such as in relation to key financial systems, and in such cases we also routinely follow up previously-agreed actions at each review.

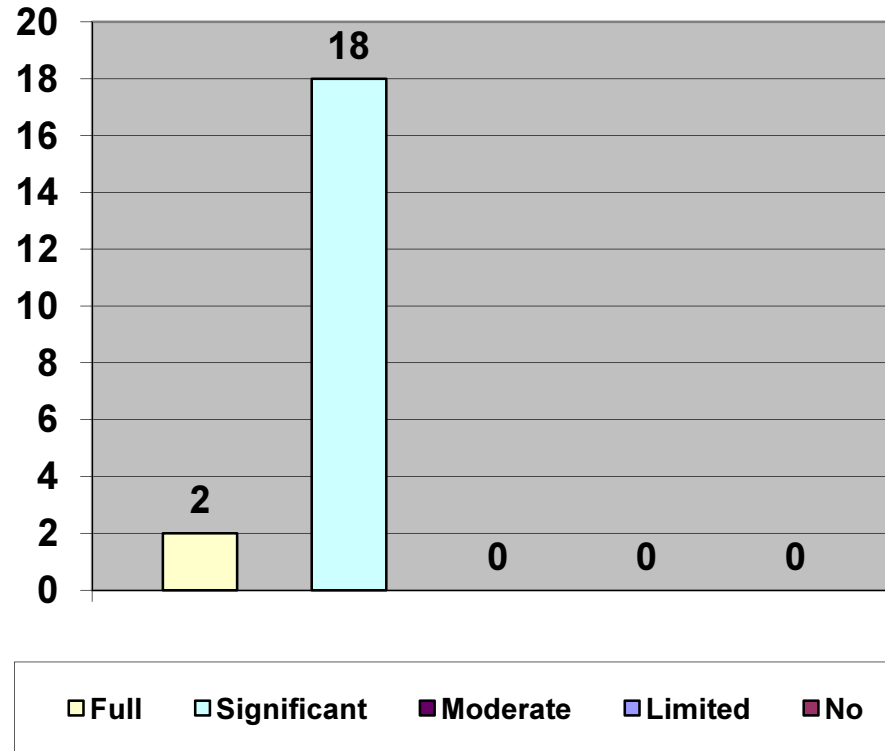
### **Closing remarks**

I have discussed and agreed this Annual Report and Head of Internal Audit Opinion with the Finance, Audit & Performance Committee. Further detailed findings, conclusions and recommendations in the areas covered by our internal audit plan are covered within the progress reports and individual assignment reports that have been issued to the Committee during the year.

Levels of Assurance – Individual Audit Assignments

Audit Review	Level of Assurance
Budgetary Control	Full
Main Accounting	Significant
Capital Accounting	TBA
Council Tax (LR&BP)	Significant
Business Rates (LR&BP)	Significant
Benefits (LR&BP)	Significant
Benefit Fraud Investigation (LR&BP)	Significant
Creditors	Significant
Debtors	Significant
Treasury Management	Significant
Income Mgt & Cash Receipting	Significant
Corporate Governance (Standards of Conduct)	Narrative
Risk Management	Significant
Customer Services (Reception)	Narrative
Anti-Fraud & Corruption	Significant
Payroll & Expenses	Significant
Legal Case Management System	Significant
Allocations – Choice Based Lettings	Full
Housing Rents	Significant
Argents Mead project management	Significant*
Housing Repairs*	Significant
Fuel Controls	Significant
Contract Mgt (Grounds Maintenance)	Significant

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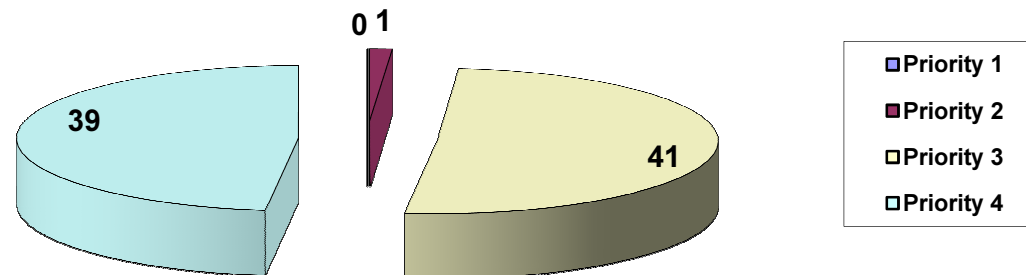
\*Additional review requested subsequently to support management review provided narrative assurance.

<b>Level of assurance</b>	<b>Criteria</b>
Full	No significant risk issues identified
Significant	Exposure to levels of risk that may only impair the effectiveness of the system or process under review
Moderate	Exposure to levels of risk that render some elements of the system's control environment undeliverable
Limited	Exposure to unacceptable level of risk that could have a serious impact upon the system or process under review
No	Exposure to unacceptable levels of risk that could have a serious impact upon the organisation as a whole

### Summary of Internal Audit Recommendations

#### Recommendations made in 2012/13

Priority	Number
1	0
2	1
3	41
4	39
<b>Total</b>	<b>81</b>

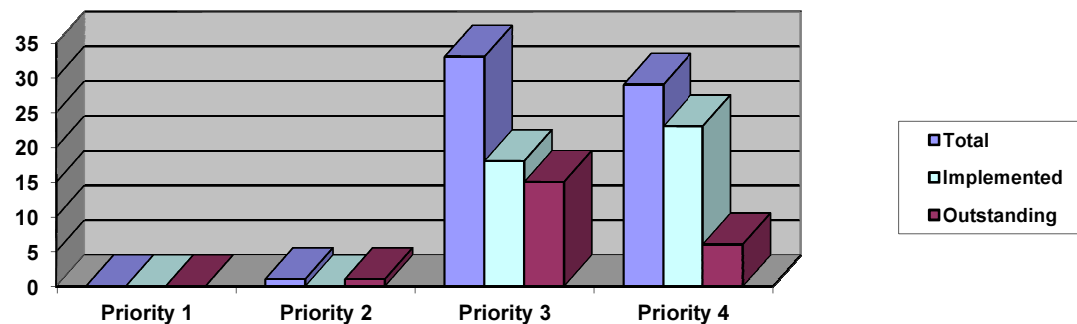


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#### Current status of all recommendations made and due for implementation by 31st March 2013

Priority	Number	Impl*	O/S
1	0	0	0
2	1	0	1
3	33	18	15
4	29	23	6
<b>Totals</b>	<b>63</b>	<b>39</b>	<b>22</b>

\*incl. 'closed'



## Definition of our risk rankings

Risk ranking	Assessment rationale
1	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, and which may also impact on the delivery of one or more of the organisation's strategic objectives.
2	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, but which are unlikely to impact on any of the organisation's strategic objectives.
3	The system has been subject to medium levels of risk that have, or could, impair the system from meeting its objectives.
4	The system has been subject to low levels of risk that have, or could, reduce its operational effectiveness.



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## The Annual Governance Statement

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### **SCOPE OF RESPONSIBILITY**

Hinckley and Bosworth Borough Council (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 and to ensure economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of corporate governance which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

Hinckley and Bosworth Borough Council has approved and adopted a code of corporate governance (The Constitution) which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Constitution can be found on the Council's website at *Services>Council & Democracy>Councillors, democracy and elections*. This statement explains how the Council has complied with the Constitution and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2011.

In overall terms this is a positive statement for the financial year 2012/13. This document relies on several assurance mechanisms including internal audit, the work of Council committees, risk and performance management processes and external audit.

### **THE PURPOSE OF THE SYSTEM OF CORPORATE GOVERNANCE**

The system of corporate governance is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of corporate governance is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's objectives, to evaluate the likelihood and impact of these risks, and to manage them efficiently, effectively and economically.

The governance framework comprises the systems processes and culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievements of its strategic objectives whether those objectives have led to the delivery of appropriate, cost-effective services

The governance framework has been in place at the Council for the year ended 31 March 2013 and up to the date of the approval of the Statement of Accounts

### **THE INTERNAL CONTROL ENVIRONMENT**

CIPFA's "*Delivering Good Governance in Local Government: Guidance Note for English Authorities*" outlines the principles of good governance. The addendum to

## Annual Governance Statement

this paper published in December 2012 (Delivering Good Governance in Local Government: Framework – Addendum) outlines these principles as:

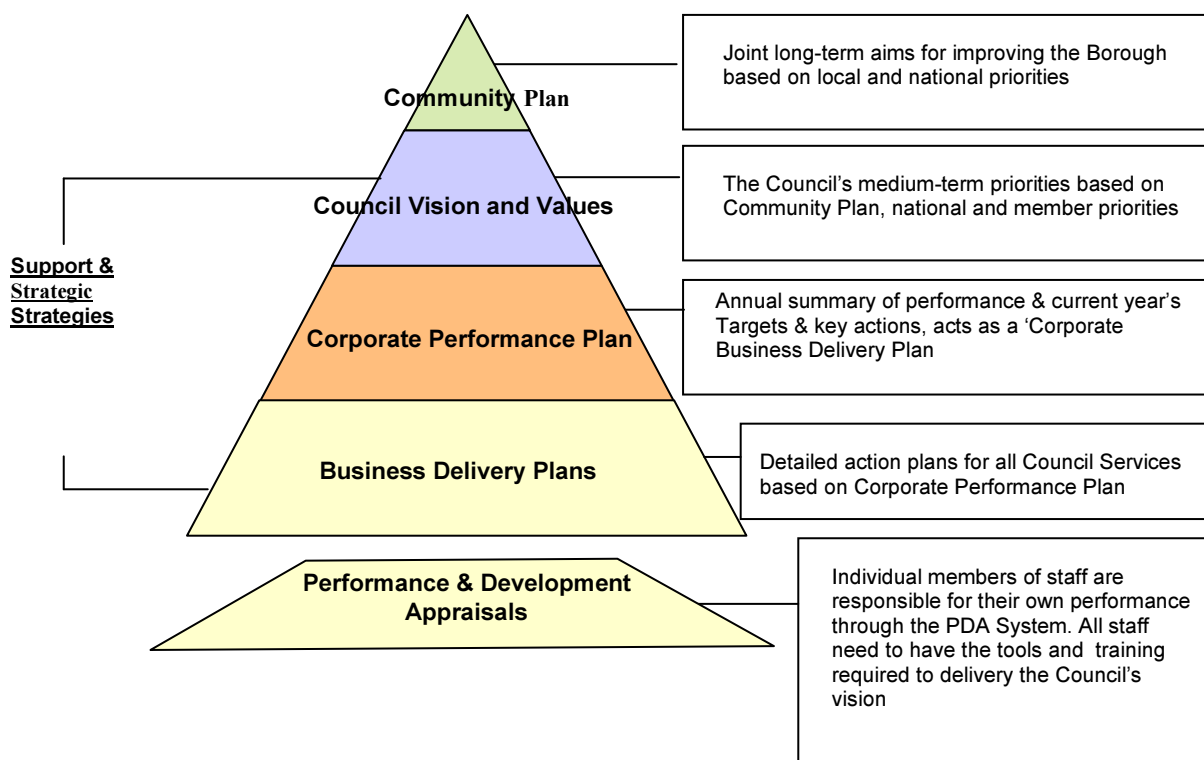
- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
- Reviewing the authority's vision and its implications for the authority's governance arrangements
- Translating the vision into objectives for the authority and its partnerships
- Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements
- Developing, communicating and embedding codes of conduct, defining the standards of behaviours for members and staff
- Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality
- Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
- Ensuring effective management of change and transformation
- Ensuring the authority's financial management arrangements confirm with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* and, where they do not, explain why and how they deliver the same impact
- Ensuring the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)* and, where they do not, explain why and how they deliver the same impact
- Ensuring effective arrangements are in place for the discharge of the monitoring officer function
- Ensuring effective arrangements are in place for the discharge of the head of paid service function
- Undertaking the core functions of an audit committee as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*
- *Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful*
- *Whistleblowing and for receiving and investigating complaints from the public*
- *Identifying the development needs of members and senior officer in relation to their strategic roles, supported by appropriate training*
- *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*
- *Enhancing the accountability for service delivery and effectiveness of other public service providers*
- *Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements*

## Annual Governance Statement

The key elements of the Council's internal control environment and governance framework are outlined below.

- The Council's Corporate Plan developed for the period 2010-2015 sets out the long-term aims of the Borough and drives the Corporate Performance Plan and Medium Term Financial Strategy. The Corporate Plan provides residents, councilors and staff with a clear idea of Council's long-term vision to improve the quality of life for residents and make Hinckley and Bosworth a 'Borough to be Proud Of'. The plan outlines five corporate aims which guide all decisions made by the Council. The Council is currently developing a revised Corporate Plan for the period 2013-2016 which will refresh the corporate priorities. This will be finalised in 2013/2014.
- The Council uses plans and strategies at all levels of the organisation to plan and monitor the achievement of its aims and objective. At a corporate level the system is governed by the Corporate Planning Framework which is represented by the diagram below. The Council's objectives are reflected in Service Improvement Plans which outline how each department will achieve the corporate aims within a three year period. Plans are refreshed on an annual basis and progress against targets are managed through the TEN performance management system on a monthly basis. Performance Reports are produced as part of service managers' team briefings and the Council's joint Management Boards on a quarterly basis. Performance reports are produced for the Finance Audit and Performance Committee on a quarterly basis, and annually in the Corporate Performance Plan.

### **Hinckley & Bosworth Borough Council – Corporate Planning Framework**



- The Council's financial strategy is outlined in the Medium Term Financial Strategy 2012/13-2015/16 which was approved by the Scrutiny Commission in June 2013 and by full Council on 16<sup>th</sup> July 2013. The document outlines ten financial

## Annual Governance Statement

objectives which the Council looks to achieve in order to resolve the continuing pressure of service requirements in the context of available resources. Alongside this, the Council has put in place a Housing Revenue Account (HRA) Business Plan which sets out how the Council will respond and operate under the new scheme of self financing.

- The system of internal financial control is based on a budgetary control framework which is based on the following principals:
  - Preparation of comprehensive annual budgets, reserves review and a Medium Term Financial Strategy to examine the financial health of the Council. In 2012/2013 the Council requested that benchmarking was carried out on this information by both internal and external audit to ensure robustness of the assumptions used and outputs generated
  - Robust financial regulations and authorisation limits to ensure accountable financial decisions
  - Monthly reporting packs which are discussed by Strategic Leadership Boards and the Corporate Operations Board
  - Preparation of regular financial reports for member committees which indicate actual expenditure against forecasts
  - Disaggregated reporting at both a fund and cost centre level to ensure that stakeholders receive information to inform decisions
  - Inclusion of financial implications in all committee reports.

The Council's budgetary control system is reviewed each year by internal audit and in 2012/13 received a "full assurance" rating both overall and for each individual control objective.

- As a key element of internal control, the internal audit function operates a risk-based approach to its work and carries out its duties in accordance with the *CIPFA Code of Practice and Statement on the Role of the of Head of Internal Audit*. Internal audit reports are performed in accordance with the approved Plan. Internal audit review each scoped area against a set of system controls agreed with management at the start of the visit and within the overall framework of system control objectives. The findings of internal audit, and updates on recommendation implementation are reported to, and scrutinised by, the Finance, Audit and Performance Committee at each meeting. This Committee undertakes the core functions of an Audit Committee as set out in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*. Dedicated training was provided to this Committee on 10<sup>th</sup> December 2012 by Internal Audit to outline the content of this guidance and to review the effectiveness of the committee as those charged with governance.
- The Corporate Planning Framework is underpinned by a number of strategies which identify how the support services of the Council will reinforce and sustain the front line services that the Council provides. These include the:
  - Asset Management Strategy (including the acquisition and disposals strategies)
  - Budget Strategy
  - People Strategy
  - ICT Strategy and Web Strategy
  - Medium Term Financial Strategy
  - Health and Safety Policy
  - Risk Management Strategy
  - Procurement Strategy

## Annual Governance Statement

- The Council's strategic documents outline how specific services will be provided to the Borough in the medium to long term. These strategies include the Environmental Management Strategy, Anti Poverty Strategy, Cultural Strategy, Green Space Strategy, Hinckley Town Centre Master Plan, Local Development Framework, Children and Vulnerable Adults Safeguarding Policy and Strategy for Children and Young People.
- Council policies are produced in accordance with the Constitution and are recommended for approval following review by senior management. Decision-making that falls within the policy and budgetary framework rests with the Council's Executive, whilst those falling outside the framework are referred to full Council. The call-in procedure enables the Scrutiny Commission to review decisions made by Executive (although the major focus of the overview and scrutiny function involvement is through policy development rather than policy review). Day to day decision-making is carried out by appropriate officers in accordance with the Scheme of Delegated Powers and the Financial Procedure Rules. These arrangements all contribute to the economic, efficient and effective operation of the Council.
- The standards of behaviour expected from members and officers are set out in member/officer codes of conduct. A register of members' interests is maintained. All members are required to complete 'related party' declarations at the end of the financial year in support of the statutory financial statements. Members' allowances are published and a members' allowance scheme is included in the Constitution.
- The Constitution, Financial Procedure Rules, Whistleblowing Policy and Corporate Anti-Fraud Policy set the rules and standards within which Council business is conducted and provide the mechanisms for dealing with any failures in these procedures. All key policies are reviewed on an annual basis. A full review of the Constitution (10<sup>th</sup> edition) took place in September 2012. The Ethical Governance and Personnel Committee monitors the performance of members, senior officers and the Council's committees. The Council's decision making practices are guided by the values as set out in the Corporate Plan.
- The Constitution (Article 10) also includes provisions for the governance of partnerships the Council is part of. A separate constitution or terms of reference is in place for all partnerships which outlines their respective roles and responsibilities. Quarterly dashboards are produced to plot how partnerships are helping the Council achieve its strategic objectives. Significant partnerships that the Council is involved with include Leicestershire Together, West Leicestershire and North Warwickshire Cross Border Delivery Partnership, Leicester and Leicestershire Economic Partnership. Going forward, the Council will also participate in partnerships through "City Deal" arrangements.
- The Council ensures compliance with established policies, procedures, laws and regulations through various channels. Two statutory officers (Section 151 Officer and the Monitoring Officer) and the Head of Paid Services have responsibility for ensuring that the Council does not act in an ultra vires manner. Management are supported by the internal audit function, which facilitates the management and mitigation of risk and provides assurance on matters of internal control. The Human Resources function, through the use of workforce development reviews assess and provide a means of improving competencies to ensure that officers are equipped to discharge their duties in accordance with the requirements of the Council. All officers are required to complete annual appraisals and a process of 360 degree feedback has been introduced in year to widen the feedback process.

## Annual Governance Statement

The Council's financial management arrangements conform with the governance arrangements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)*.

- The Communication and Engagement Strategy and Statement of Community Involvement outlines how the Council will engage with local people and stakeholders through means such as the Tenant Advisory Panel, public meetings and the citizen's panel. A number of public consultations have taken place in year on pertinent issues including housing allocations, community safety priorities and Council Tax reform. The Council communicates to residents through Borough Bulletin which is circulated to all residents each quarter. Regular staff communication is ensured through Chief Executives' briefing notes and regular briefings held by the Strategic Leadership Board.
- The Council's dedication to quality of service is embedded through relevant strategies and also in the Council's Customer Service Charter. The Council collates customer satisfaction results for face to face, telephone and website interaction. Targets were exceeded in 2012/2013.
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  - Performance for current year
  - The target set for current year
  - Performance in the previous year
  - Targets for the next three years
  - An explanation of performance and the targets set
  - Data Quality Checks
- All information produced by the Council is subject to Data Quality Procedures. The Council's Data Quality Policy outlines how standards of data quality are maintained by the Council and respective responsibilities. Through implementation of this Policy, the Council is compliant with all relevant legislation including the Data Protection Act and Freedom of Information.
- The Council is committed to continuous improvement. This was proved by the fact that in 2008/09 the Council sought a CPA re-assessment and was re-categorised as an "excellent" Authority. This was a recognition of all the work that had been undertaken since 2004 to implement and embed the improvement actions identified in the 2004 inspection. The Council continues to win awards which evidence high performance. In 2012/2013 these included:
  - Green Flag Award for Green Spaces;
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- The Council's performance management regime is supported by risk management processes. The Risk Management Strategy outlines how best practice risk management processes are embedded into the Council's operations. Operational risk registers are maintained on the TEN system and all managers are required to assess the impact and likelihood of risks as well as mitigating

## Annual Governance Statement

controls and action plans to reduce their severity. Quarterly reports on the risk position are taken to Finance, Audit and Performance Committee and Executive.

### **REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is reported by internal audit in their Annual Report, Chief Officers through their service assurance returns and also by comments made by the external auditors and other review agencies and inspectorates.

#### Internal Audit

Internal audit is provided in accordance with the statutory responsibility under S151 of the Local Government Act 1972, the *Accounts and Audit Regulations 2011* and to the professional standards of the *CIPFA Code of Practice for Internal Audit in Local Government*.

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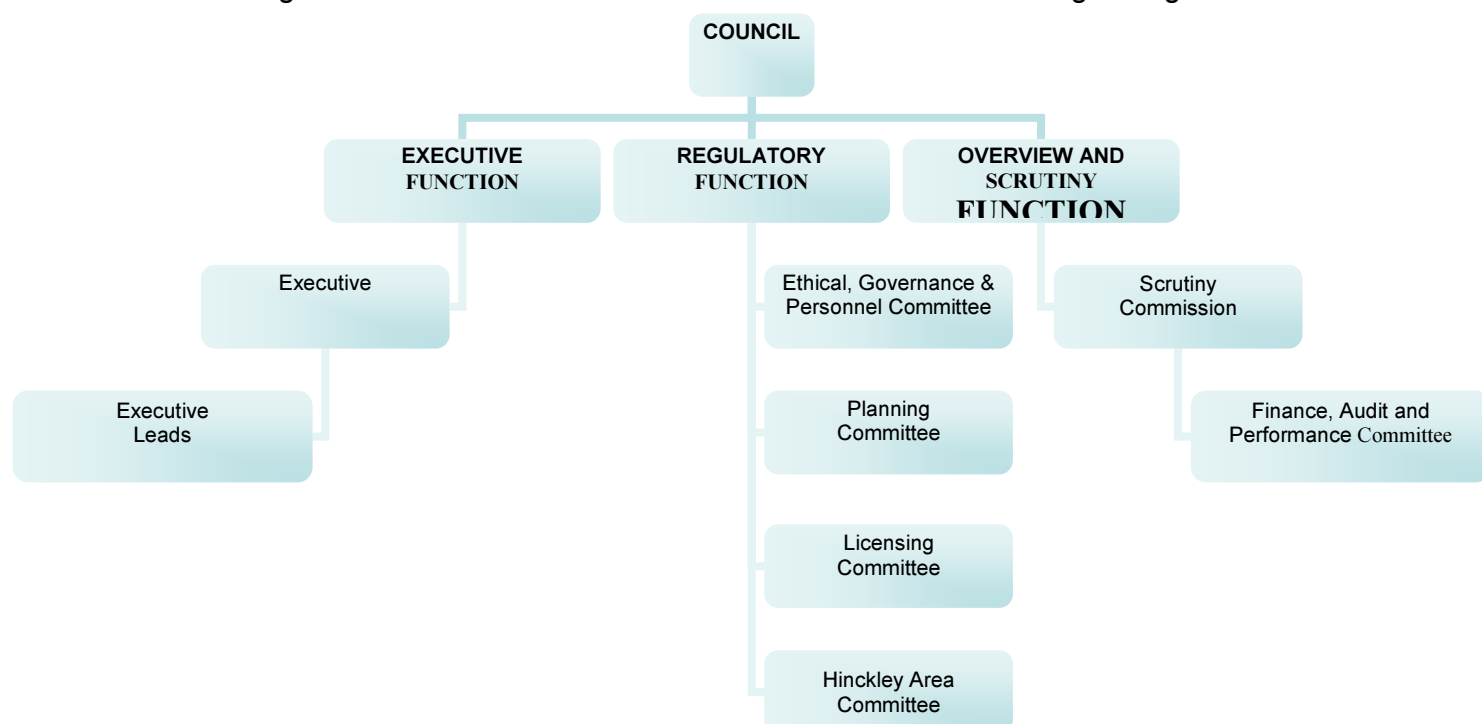
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The effectiveness of the internal financial controls are also reviewed annually by the external auditor whose Annual Audit Letter is considered formally by the Finance, Audit and Performance Committee.

# Annual Governance Statement

## Council Structure

The diagram below sets out the Council's democratic decision making arrangements



The Constitution sets out the essential elements of the scrutiny processes that are administered by the Scrutiny Commission and the Finance, Audit and Performance Committee. It describes the functions and membership of the Commission and Committee and Scrutiny Procedure Rules. Decisions of the Executive are subject to scrutiny by the Scrutiny Commission and the Finance, Audit and Performance Committee. The Scrutiny arm also has a role in policy development. In addition, task groups are established to oversee ad-hoc projects. Examples of areas reviewed by the Scrutiny Commission in year include:

- Welfare Reform and the impact on residents
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- Climate change
- Cultural and Sport Strategy
- Care for people with Dementia

The Scrutiny Commission publishes an Annual Report and a work programme that available on the internet and from the Council on request. In addition, the Council publishes a rolling Forward Plan/list of key decisions. This plan provides details of the key decisions that are planned to be taken over the following four month period, a minimum notice period of 28 days is given for key decisions.

Chapter 7 of the Localism Act 2011 outlined that there is no longer a statutory requirement to have a Standards Committee, however each Council will need to put in place arrangements dealing with complaints and standards issues. The Council adopted an individual own Code of Conduct in 2012/13 and formed an Ethical Governance and Personnel Committee which merged the remits of the previous Standards & Personnel Committees and covers conduct and complaints. The Council has in year appointed various 'Independent Persons' in partnership with other



## Annual Governance Statement

Authorities to deal with complaints where appropriate. Discussions are ongoing regarding a county-wide code of conduct to ensure consistency of processes.

### Officers

Each year all services are required to conduct a self-assessment of the adequacy of controls in place to manage principal business risks. This statement evaluates the effectiveness of procedures, systems and controls, highlights areas for improvement and actions intended to address these. Action plans are incorporated in the service planning process.

### **SIGNIFICANT INTERNAL CONTROL ISSUES**

The review of effectiveness has been considered in order to identify any significant control weaknesses that should be addressed by the Council.

#### **Significant Control Weaknesses**

In producing the Annual Governance Statement, one significant control weakness has been noted for 2012/2013. Details of this and actions taken to address the issue are detailed below, along with an update of the issue raised in the previous years statement:

##### 2012/2013 Significant Control Weaknesses

During 2012/13, it was noted by the finance team that the budgets for both programmed and responsive repairs were considerably under-spent. Following preliminary investigation, it was established that the main reason for this under-spend was due to a backlog of "work in progress" held within Orchard (housing repairs system). This related to jobs that are in the various stages of completion but were yet to be closed off for payment on Civica (financial management system). To understand the reasons for the backlog, Internal Audit were asked to complete a specific review based on sample testing of the backlog, plus a sample of paid contractor invoices. A number of control weaknesses were identified through this work which have been raised in Internal Audit's Annual Audit Report for 2012/2013. The impact of the backlog has meant that a large costs relating to previous years work have been transferred in 2013/2014, creating a gross overspend on housing repairs (capital) of £290,102.

In response to this issue, a dedicated internal review of housing repairs controls and processes was conducted, lead by the Chief Officer for Finance, ICT, Asset Management, Audit and Procurement. A comprehensive action plan was developed which outlines improvements that will be made to both operational and financial processes. In addition, a neighbouring Authority was commissioned to complete a high level peer assessment of the service to inform the action plan. Regular reports have been provided to the Finance, Audit and Performance Committee to provide assurance that actions have been put in place in line with timescales set. As at 31<sup>st</sup> March 2013, the back log of work had been transferred in full into the Civica system and will be accounted for within the 2012/2013 Statement of Accounts.

##### 2011/12 Significant Control Weaknesses

The Council's External Auditors (PricewaterhouseCoopers LLP) qualified the Council's Housing Revenue Account Base Data Subsidy Return for 2010/11 due to

## Annual Governance Statement

issues with the accuracy of stock information included in the return. The data recorded on the Council's Orchard system could not be verified to supporting documentation and as such, the auditors were unable to provide assurance on its accuracy. This qualification was reported to the DCLG.

In response to this issue, the Council set up a dedicated project team to organise the collation of stock data. A full verification process was commissioned in June 2012 to obtain updated data on all Council assets. The Council developed a methodology for the collection of the data and shared this with PricewaterhouseCoopers LLP so that they could gain sufficient assurance for their audit of the accounts. The results of this data were reported to the DCLG and included in the 2011/2012 Statement of Accounts. This issue has therefore been deemed to be resolved for the purpose of this Statement.

.....  
Steve Atkinson MA(Oxon) MBA FioD FRSA  
Chief Executive

Date.....

.....  
Stuart Bray  
Leader of the Council

Date .....

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## The Annual Governance Statement

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### **SCOPE OF RESPONSIBILITY**

Hinckley and Bosworth Borough Council (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 and to ensure economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of corporate governance which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

Hinckley and Bosworth Borough Council has approved and adopted a code of corporate governance (The Constitution) which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Constitution can be found on the Council's website at *Services>Council & Democracy>Councillors, democracy and elections*. This statement explains how the Council has complied with the Constitution and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2011.

In overall terms this is a positive statement for the financial year 2012/13. This document relies on several assurance mechanisms including internal audit, the work of Council committees, risk and performance management processes and external audit.

### **THE PURPOSE OF THE SYSTEM OF CORPORATE GOVERNANCE**

The system of corporate governance is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of corporate governance is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's objectives, to evaluate the likelihood and impact of these risks, and to manage them efficiently, effectively and economically.

The governance framework comprises the systems processes and culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievements of its strategic objectives whether those objectives have led to the delivery of appropriate, cost-effective services

The governance framework has been in place at the Council for the year ended 31 March 2013 and up to the date of the approval of the Statement of Accounts

### **THE INTERNAL CONTROL ENVIRONMENT**

CIPFA's "*Delivering Good Governance in Local Government: Guidance Note for English Authorities*" outlines the principles of good governance. The addendum to

## Annual Governance Statement

this paper published in December 2012 (Delivering Good Governance in Local Government: Framework – Addendum) outlines these principles as:

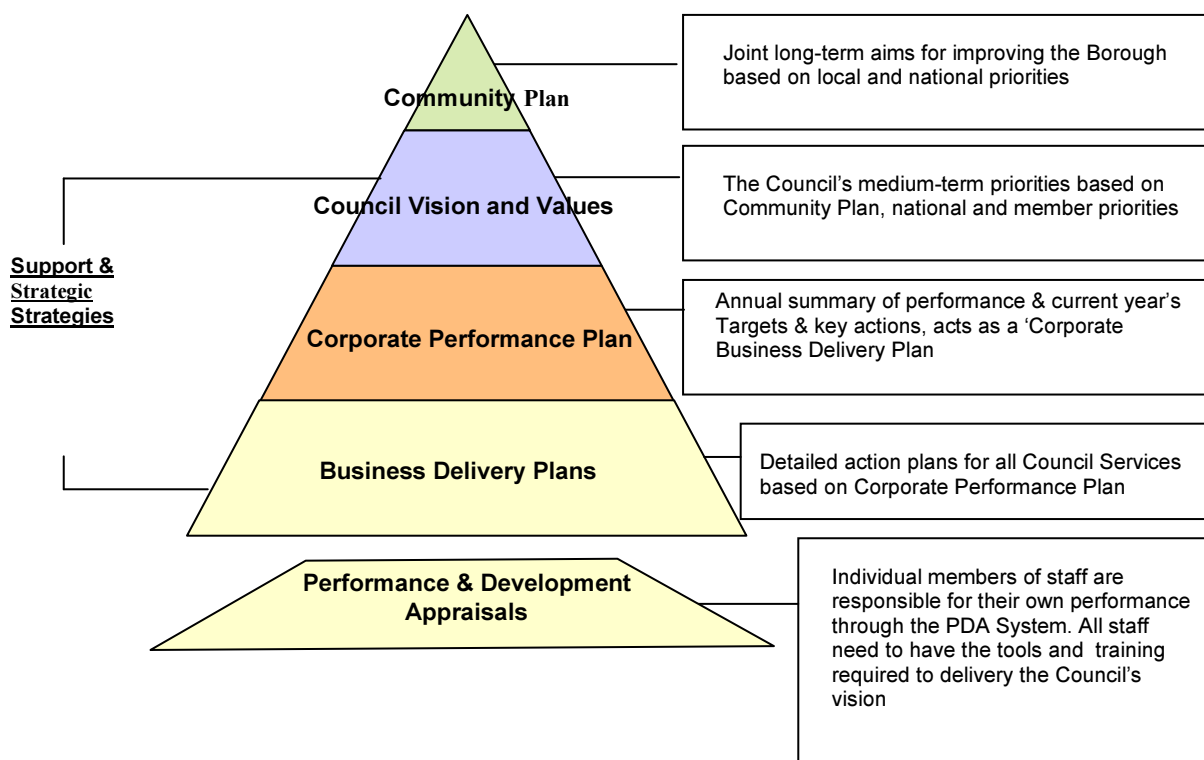
- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
- Reviewing the authority's vision and its implications for the authority's governance arrangements
- Translating the vision into objectives for the authority and its partnerships
- Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements
- Developing, communicating and embedding codes of conduct, defining the standards of behaviours for members and staff
- Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality
- Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
- Ensuring effective management of change and transformation
- Ensuring the authority's financial management arrangements confirm with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* and, where they do not, explain why and how they deliver the same impact
- Ensuring the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)* and, where they do not, explain why and how they deliver the same impact
- Ensuring effective arrangements are in place for the discharge of the monitoring officer function
- Ensuring effective arrangements are in place for the discharge of the head of paid service function
- Undertaking the core functions of an audit committee as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*
- *Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful*
- *Whistleblowing and for receiving and investigating complaints from the public*
- *Identifying the development needs of members and senior officer in relation to their strategic roles, supported by appropriate training*
- *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*
- *Enhancing the accountability for service delivery and effectiveness of other public service providers*
- *Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements*

## Annual Governance Statement

The key elements of the Council's internal control environment and governance framework are outlined below.

- The Council's Corporate Plan developed for the period 2010-2015 sets out the long-term aims of the Borough and drives the Corporate Performance Plan and Medium Term Financial Strategy. The Corporate Plan provides residents, councilors and staff with a clear idea of Council's long-term vision to improve the quality of life for residents and make Hinckley and Bosworth a 'Borough to be Proud Of'. The plan outlines five corporate aims which guide all decisions made by the Council. The Council is currently developing a revised Corporate Plan for the period 2013-2016 which will refresh the corporate priorities. This will be finalised in 2013/2014.
- The Council uses plans and strategies at all levels of the organisation to plan and monitor the achievement of its aims and objective. At a corporate level the system is governed by the Corporate Planning Framework which is represented by the diagram below. The Council's objectives are reflected in Service Improvement Plans which outline how each department will achieve the corporate aims within a three year period. Plans are refreshed on an annual basis and progress against targets are managed through the TEN performance management system on a monthly basis. Performance Reports are produced as part of service managers' team briefings and the Council's joint Management Boards on a quarterly basis. Performance reports are produced for the Finance Audit and Performance Committee on a quarterly basis, and annually in the Corporate Performance Plan.

### **Hinckley & Bosworth Borough Council – Corporate Planning Framework**



- The Council's financial strategy is outlined in the Medium Term Financial Strategy 2012/13-2015/16 which was approved by the Scrutiny Commission in June 2013 and by full Council on 16<sup>th</sup> July 2013. The document outlines ten financial

## Annual Governance Statement

objectives which the Council looks to achieve in order to resolve the continuing pressure of service requirements in the context of available resources. Alongside this, the Council has put in place a Housing Revenue Account (HRA) Business Plan which sets out how the Council will respond and operate under the new scheme of self financing.

- The system of internal financial control is based on a budgetary control framework which is based on the following principals:
  - Preparation of comprehensive annual budgets, reserves review and a Medium Term Financial Strategy to examine the financial health of the Council. In 2012/2013 the Council requested that benchmarking was carried out on this information by both internal and external audit to ensure robustness of the assumptions used and outputs generated
  - Robust financial regulations and authorisation limits to ensure accountable financial decisions
  - Monthly reporting packs which are discussed by Strategic Leadership Boards and the Corporate Operations Board
  - Preparation of regular financial reports for member committees which indicate actual expenditure against forecasts
  - Disaggregated reporting at both a fund and cost centre level to ensure that stakeholders receive information to inform decisions
  - Inclusion of financial implications in all committee reports.

The Council's budgetary control system is reviewed each year by internal audit and in 2012/13 received a "full assurance" rating both overall and for each individual control objective.

- As a key element of internal control, the internal audit function operates a risk-based approach to its work and carries out its duties in accordance with the *CIPFA Code of Practice and Statement on the Role of the of Head of Internal Audit*. Internal audit reports are performed in accordance with the approved Plan. Internal audit review each scoped area against a set of system controls agreed with management at the start of the visit and within the overall framework of system control objectives. The findings of internal audit, and updates on recommendation implementation are reported to, and scrutinised by, the Finance, Audit and Performance Committee at each meeting. This Committee undertakes the core functions of an Audit Committee as set out in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*. Dedicated training was provided to this Committee on 10<sup>th</sup> December 2012 by Internal Audit to outline the content of this guidance and to review the effectiveness of the committee as those charged with governance.
- The Corporate Planning Framework is underpinned by a number of strategies which identify how the support services of the Council will reinforce and sustain the front line services that the Council provides. These include the:
  - Asset Management Strategy (including the acquisition and disposals strategies)
  - Budget Strategy
  - People Strategy
  - ICT Strategy and Web Strategy
  - Medium Term Financial Strategy
  - Health and Safety Policy
  - Risk Management Strategy
  - Procurement Strategy

## Annual Governance Statement

- The Council's strategic documents outline how specific services will be provided to the Borough in the medium to long term. These strategies include the Environmental Management Strategy, Anti Poverty Strategy, Cultural Strategy, Green Space Strategy, Hinckley Town Centre Master Plan, Local Development Framework, Children and Vulnerable Adults Safeguarding Policy and Strategy for Children and Young People.
- Council policies are produced in accordance with the Constitution and are recommended for approval following review by senior management. Decision-making that falls within the policy and budgetary framework rests with the Council's Executive, whilst those falling outside the framework are referred to full Council. The call-in procedure enables the Scrutiny Commission to review decisions made by Executive (although the major focus of the overview and scrutiny function involvement is through policy development rather than policy review). Day to day decision-making is carried out by appropriate officers in accordance with the Scheme of Delegated Powers and the Financial Procedure Rules. These arrangements all contribute to the economic, efficient and effective operation of the Council.
- The standards of behaviour expected from members and officers are set out in member/officer codes of conduct. A register of members' interests is maintained. All members are required to complete 'related party' declarations at the end of the financial year in support of the statutory financial statements. Members' allowances are published and a members' allowance scheme is included in the Constitution.
- The Constitution, Financial Procedure Rules, Whistleblowing Policy and Corporate Anti-Fraud Policy set the rules and standards within which Council business is conducted and provide the mechanisms for dealing with any failures in these procedures. All key policies are reviewed on an annual basis. A full review of the Constitution (10<sup>th</sup> edition) took place in September 2012. The Ethical Governance and Personnel Committee monitors the performance of members, senior officers and the Council's committees. The Council's decision making practices are guided by the values as set out in the Corporate Plan.
- The Constitution (Article 10) also includes provisions for the governance of partnerships the Council is part of. A separate constitution or terms of reference is in place for all partnerships which outlines their respective roles and responsibilities. Quarterly dashboards are produced to plot how partnerships are helping the Council achieve its strategic objectives. Significant partnerships that the Council is involved with include Leicestershire Together, West Leicestershire and North Warwickshire Cross Border Delivery Partnership, Leicester and Leicestershire Economic Partnership. Going forward, the Council will also participate in partnerships through "City Deal" arrangements.
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## Annual Governance Statement

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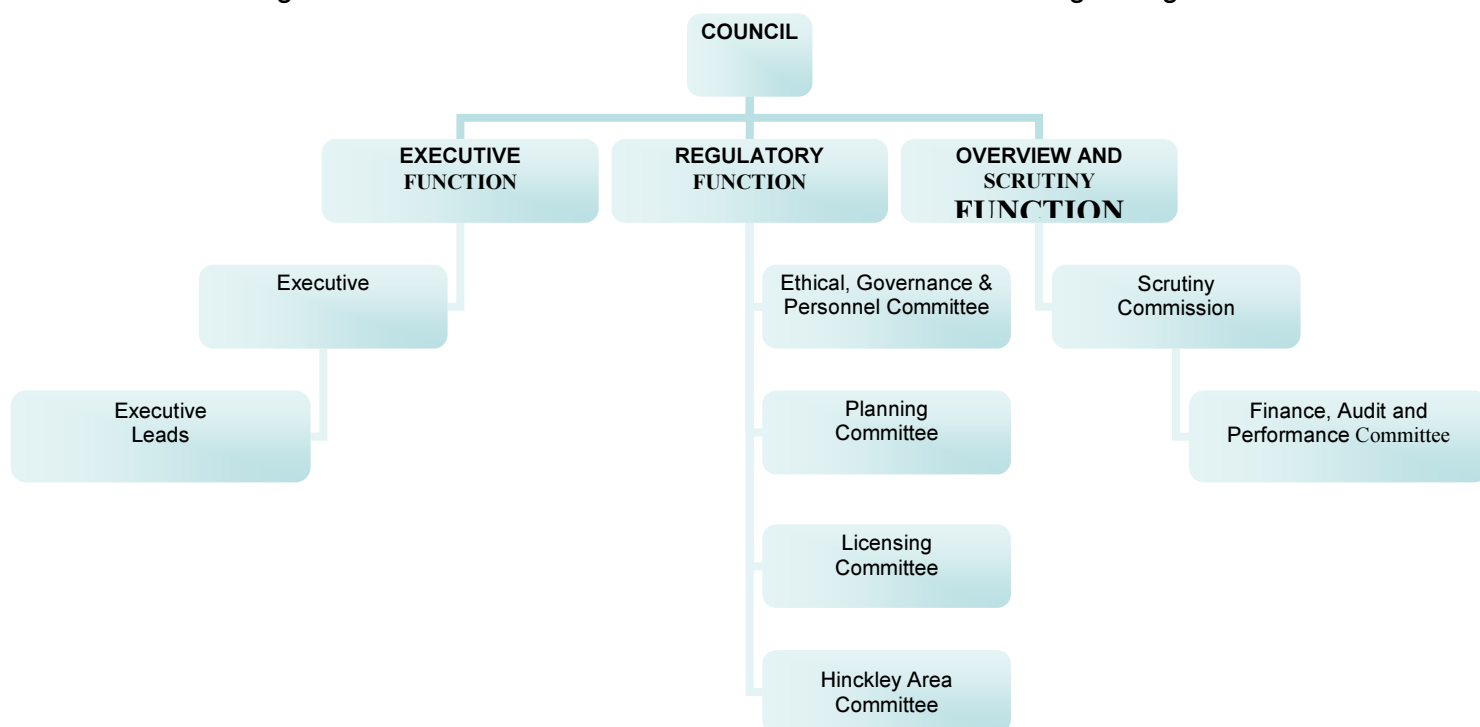
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# Annual Governance Statement

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## Annual Governance Statement

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### **SIGNIFICANT INTERNAL CONTROL ISSUES**

The review of effectiveness has been considered in order to identify any significant control weaknesses that should be addressed by the Council.

#### Prior year issues

The Annual Governance Statement produced in prior years identified a significant control weakness relating to over spends in the housing repairs service. The Council continued to closely monitor the spend of the external contractor in 2011/12 which resulted in an under spend against budget of £165k from April-September 2011. A decision was made to bring the housing repairs service back in house in October 2011. From this point to the end of the financial year, the Council run service secured an additional saving of approximately £300k.

#### **Significant Control Weaknesses**

In producing the Annual Governance Statement, one significant control weakness has been noted for 2012/2013. Details of this and actions taken to address the issue are detailed below, along with an update of the issue raised in the previous years statement:

#### 2012/2013 Significant Control Weaknesses

During 2012/13, it was noted by the finance team that the budgets for both programmed and responsive repairs were considerably under-spent. Following preliminary investigation, it was established that the main reason for this under-spend was due to a backlog of "work in progress" held within Orchard (housing repairs system). This related to jobs that are in the various stages of completion but were yet to be closed off for payment on Civica (financial management system). To understand the reasons for the backlog, Internal Audit were asked to complete a specific review based on sample testing of the backlog, plus a sample of paid contractor invoices. A number of control weaknesses were identified through this work which have been raised in Internal Audit's Annual Audit Report for 2012/2013. The impact of the backlog has meant that a large costs relating to previous years work have been transferred in 2013/2014, creating a gross overspend on housing repairs (capital) of £290,102.

In response to this issue, a dedicated internal review of housing repairs controls and processes was conducted, lead by the Chief Officer for Finance, ICT, Asset Management, Audit and Procurement. A comprehensive action plan was developed which outlines improvements that will be made to both operational and financial processes. In addition, a neighbouring Authority was commissioned to complete a high level peer assessment of the service to inform the action plan. Regular reports

## Annual Governance Statement

have been provided to the Finance, Audit and Performance Committee to provide assurance that actions have been put in place in line with timescales set. As at 31<sup>st</sup> March 2013, the back log of work had been transferred in full into the Civica system and will be accounted for within the 2012/2013 Statement of Accounts.

### 2011/12 Significant Control Weaknesses

The Council's External Auditors (PricewaterhouseCoopers LLP) qualified the Council's Housing Revenue Account Base Data Subsidy Return for 2010/11 due to issues with the accuracy of stock information included in the return. The data recorded on the Council's Orchard system could not be verified to supporting documentation and as such, the auditors were unable to provide assurance on its accuracy. This qualification was reported to the DCLG.

In response to this issue, the Council set up a dedicated project team to organise the collation of stock data. A full verification process was commissioned in June 2012 to obtain updated data on all Council assets. The Council developed a methodology for the collection of the data and shared this with PricewaterhouseCoopers LLP so that they could gain sufficient assurance for their audit of the accounts. The results of this data were reported to the DCLG and included in the 2011/2012 Statement of Accounts. This issue has therefore been deemed to be resolved for the purpose of this Statement.

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Steve Atkinson MA(Oxon) MBA FioD FRSA  
Chief Executive

Date.....

.....  
Stuart Bray  
Leader of the Council

Date .....

**FINANCE, AUDIT AND PERFORMANCE COMMITTEE – 03 JUNE 2013**

**REPORT OF THE CHIEF OFFICER FOR CORPORATE & CUSTOMER RESOURCES, SCRUTINY & ETHICAL STANDARDS/ MONITORING OFFICER**



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

**RE: PERFORMANCE MANAGEMENT FRAMEWORK**

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1. **PURPOSE OF REPORT**

- 1.1 To provide the Council's end of year position (2012/13) on:
- Performance Indicators
  - Service Improvement Plans
  - Corporate Risks

2. **RECOMMENDATION**

That members:

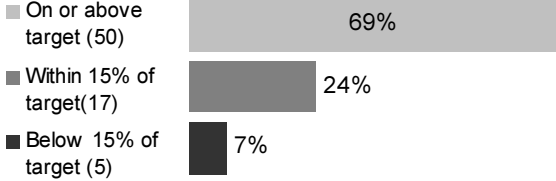
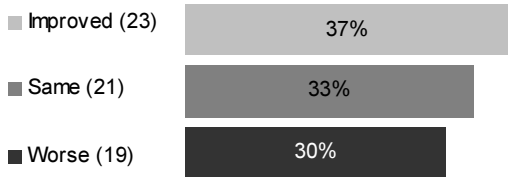
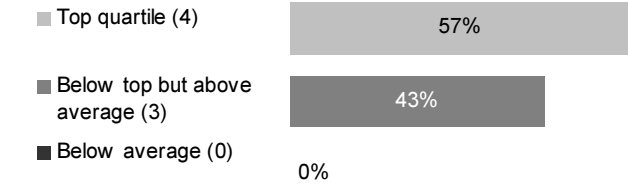
- (i) Note the Council's end of year performance information for:
  - Indicators whose performance is worse than the same period last year
  - Indicators that have not met target at year end
  - Indicators that are below average against current benchmarking data
- (ii) Note Service Improvement Plans that did not meet target dates
- (iii) Note the latest status of net Corporate/Strategic Risks

3. **BACKGROUND TO THE REPORT**

- 3.1 The Council reports quarterly on progress against its Performance Management Framework and Strategic Risk Management.
- 3.2 This report considers current performance with regard to the Corporate Plan Strategic aims.

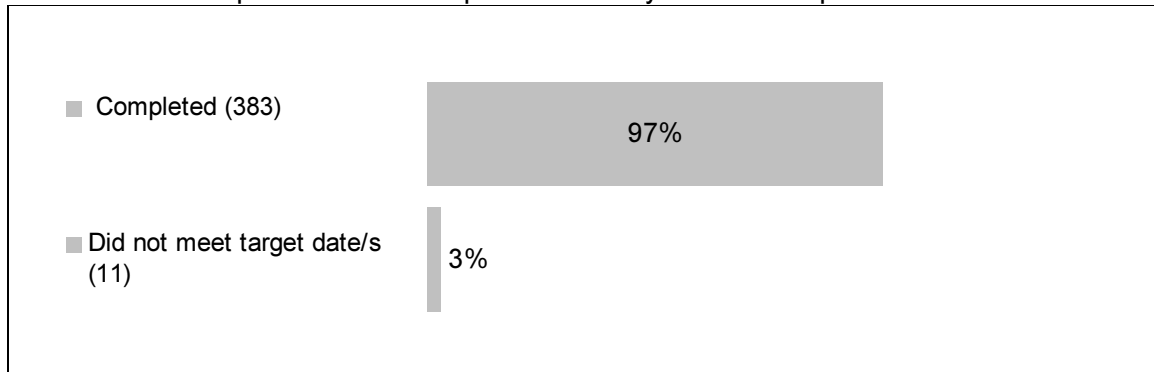
4. OVERALL SUMMARY – April 2012 to March 2013

4.1 Performance Indicators (78 Indicators) end of year position:

<p><b>Targets – how have we performed to set targets</b> (5 not returned &amp; 1 had no target set, see bottom of table for details)</p>	 <ul style="list-style-type: none"> <li>■ On or above target (50) 69%</li> <li>■ Within 15% of target (17) 24%</li> <li>■ Below 15% of target (5) 7%</li> </ul>
<p><b>Year on year – how have we performed against last years results</b> (5 PI's not returned &amp; 10 new PI's so cannot be compared)</p>	 <ul style="list-style-type: none"> <li>■ Improved (23) 37%</li> <li>■ Same (21) 33%</li> <li>■ Worse (19) 30%</li> </ul>
<p><b>Top quartile – how have we performed against other district councils</b> (7 indicators measured v's 11/12 returns) (Source LGA - all district councils)</p>	 <ul style="list-style-type: none"> <li>■ Top quartile (4) 57%</li> <li>■ Below top but above average (3) 43%</li> <li>■ Below average (0) 0%</li> </ul>
<p><b>PI's not reported due to end of year calculations being finalised:</b> LHS20 - Satisfaction: Housing repairs... NI 154 - Net additional homes NI 155 - Affordable homes delivered... BV86 - Cost of Household Waste Collection NI 185 - CO2 reduction from Local Authority operations</p>	
<p><b>One PI with no target set:</b> LI175 - No of hate crimes reported across all agencies</p>	
<p><b>Note on Quartile benchmarking:</b> East Midlands Councils and the East Midlands Improvement and Efficiency Partnership are currently inviting applications for a secondment to carry out a short project to identify and agree common performance measures that local authorities can use for benchmarking purposes</p>	

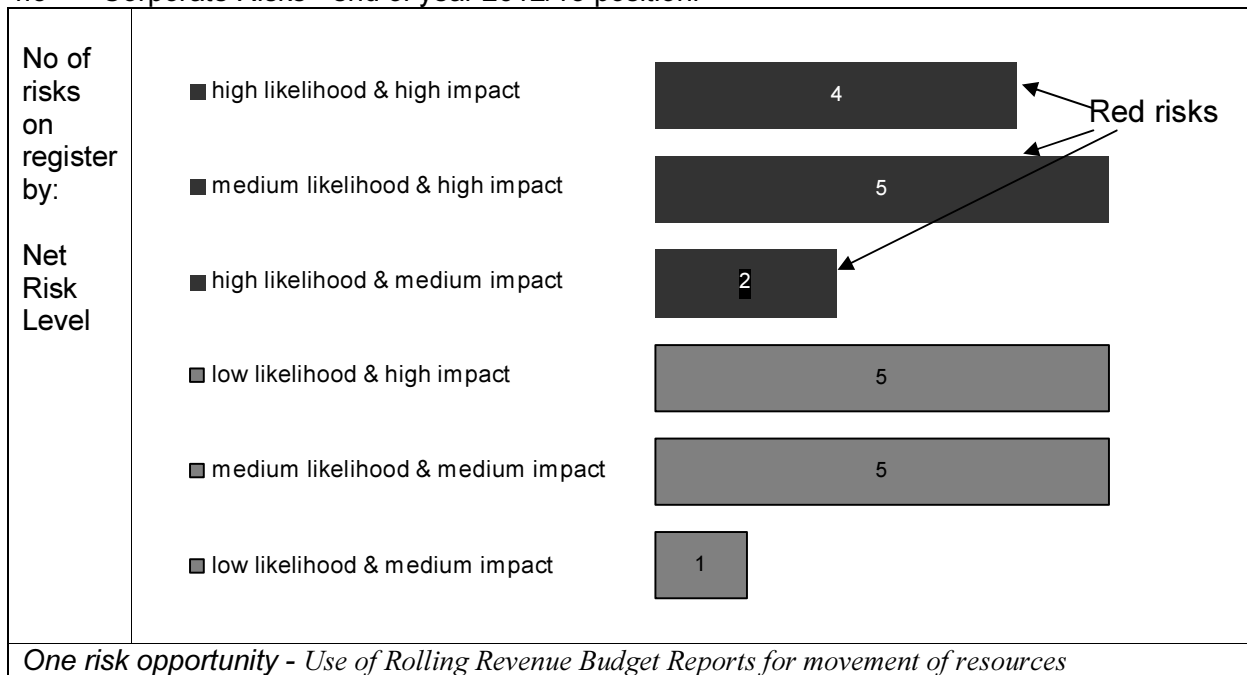
Details of exceptions are provided at appendix 1

4.2 Service Improvement action plans - end of year 2012/13 position:



Majority of plans that did not meet target date/s were due to HUB delays  
 Details of plans that did not meet target are provided at appendix 2

4.3 Corporate Risks - end of year 2012/13 position:



Details of red risks are provided at appendix 3

## 5. DATA QUALITY MANAGEMENT

### 5.1 The performance information provided is in compliance with the council's data quality management strategy:

"Ensure that data is managed to the highest quality"

When providing performance information data owners agree that they are managing data quality in accordance with the Data Quality Management Policy. In addition, the Corporate Performance service provides a 'help desk' facility and scrutinise Performance Indicator outturn returns for compliance.

## 6. FINANCIAL IMPLICATIONS [DB]

None arising directly from this report

## 7. LEGAL IMPLICATIONS [AB]

None arising directly from this report

## 8. CORPORATE PLAN IMPLICATIONS

The report provides an update on the achievement of the Council's vision and revised Corporate Plan 2010 – 2015. The issues covered in this report relate to, and support the achievement of all the Council's Strategic Aims:

- Cleaner and greener neighbourhoods
- Thriving economy
- Safer and healthier borough
- Strong and distinctive communities
- Decent, well managed and affordable housing.

and values:

- Life quality and the environment within our community is further improved
- Improved effectiveness working in partnership at a competitive price
- Vulnerable people are safeguarded
- Equality and fair treatment for all

## 9. CONSULTATION

Each Service Manager has contributed information to the report and the performance outturn information is available on the Intranet via the TEN system



10. RISK IMPLICATIONS

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

The Strategic Risk Register identifying the significant risks for the council is considered alongside the reporting of performance and financial management.

11. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

Equality and Rural implications are considered as part of the implementation of the Corporate Plan. The Corporate Plan 2010-15 priorities are informed by a borough wide consultation exercise completed in summer 2009.

12. CORPORATE IMPLICATIONS

- o None

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Background papers: None  
Contact Officer: Cal Bellavia ☎5795  
Executive Member: Councillor Ms BM Witherford

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Appendix 1: PI exceptions

Black cell: worse than last year or below target

Reference	Name	Outturn 11/12	Outturn 12/13	12/13 Target	District Top 1/4	Good is:	End of year comments	Numbers used to calculate return, or figure (e.g. no of households in the borough) that the return is based on
LGM1	Grounds Maintenance sites meeting Quality criteria	78.84%	77.79%	76.00%	N/A	High	Performance slightly down on last due to: wet spring & summer, resulting in difficulties mowing the grass and weed control within shrubberies. Two periods of snow, resulted in winter maintenance being delayed. Two members of ground maintenance team were absent for long periods.	15 Inspections carried out per month
NI191	Residual household waste per household	451	453	450	441	LOW	Outturn figure shown relates to February 2013 and remains subject to confirmation. Data includes September 2012 - December 2012 MBT back allocation and 3rd party recycling tonnages. Number of households increased to 47020	Estimated housing number = 47020
LHE41	No of local authority parks with green flag award	1	1	2	N/A	High	Did not gain additional green flag due to lack of funding	potential green sites = 1
LCD60	B.C. Completion Certificates sent within 7 days	96.94%	94.81%	95.00%	N/A	High	Building Control Surveyors work permanently from home without printing capability, so these certificates can only be produced when they are in the office, due to the low numbers of professional and support staff and taking into account annual leave etc. it is not always possible for these certificates to be produced within the time frame.	34/34 - April
LCD61	B.C.Full Plans determined & returned within 5 weeks or 2 months	99.69%	99.26%	95.00%	N/A	High	Cannot always be officer controlled as the decision process relies on submitting agents to return documents within time frames to be able to act upon them. Majority of agents leave this to the last date to submit requested information. Due to the time taken from the receiving of information, processing, scanning and the low numbers of professional and support staff and information cannot always be acted upon instantly upon receipt.	24/24 - April
LCD62	B.C. Receipts sent within 4 working days from deposit	89.16%	93.91%	95.00%	N/A	High	This figure whilst is still 1.09% lower than the target is a 4.75% improvement on last, year, new working practices have been developed and the addition on the new part time temporary surveyor has help to speed up the validation process.	33/33 - April
NI157b	Processing of planning apps - minor	93.07%	87.06%	90.00%	83.00%	High	Number of reasons for applications going out of time including applications being called into planning committee, delays in the section 106 process and the balance of workload and resources. We are trying to work with legal to speed up Section 106 process and have temporarily taken on some consultants to assist with the backlog, however committee call-ins are not within our control.	9/16 - April
NI157c	Processing of planning apps - other	98.15%	94.56%	95.00%	91.00%	High		25/30 - April
BV012	Working Days Lost due to Sickness Absence	6.2	8.94	7	NA	Low	This year has seen an increase in long term absence cases compared to previous years. To provide comparison the number of days absence arising from long term illness has increased by 45% as at the end of December 2013. Short term absence has also increased but at a lower rate of 20%.	
LCUS1a	calls answered within 60 seconds	62.23%	54.42%	85.00%	N/A	High	Team performance impacted by annual billing and impact of welfare reform changes, however customer satisfaction continues to indicate that customers are happy with the service we provide both face to face and on the telephone. The team's performance has also been impacted by staff sickness/attendance at work. Our ability this year to answer calls within the target has been impacted by other service areas workloads e.g. changes to the benefit system	YTD calls answered: 10,661
LCUS1b	Lost calls	N/A	23.02%	15.00%	N/A	Low		
LCUS6c	Customer satisfaction with web services	36.80%	32.16%	50.00%	N/A	High		124 customers chosen to give feedback via govmmetric
LCUS3	Appropriate person sees customer within 10 mins	79.10%	75.30%	85.00%	N/A	High		estimated 19,200 customers per year. Actual 2,519 customers seen

Reference	Name	Outturn 11/12	Outturn 12/13	12/13 Target	District Top 1/4	Good is:	End of year comments	Numbers used to calculate return, or figure (e.g. no of households in the borough) that the return is based on
BV017a	% Ethnic minority employees	2.90%	3.00%	3.40%	NA	High	Percentage has dropped slightly due to an increase in the base number	total employees = 431
LHS212a	Average Time to Re-let Sheltered Housing	83	140	80	N/A	Low	Sheltered Housing is in low demand and performance has been hard to improve upon given the long term voids that we let within the year. However, Sheltered Housing can be readily and quickly available for those in need and in cases of emergencies.	Number of voids 41 Number of days 5752
LHS212b	Average Time to Re-let General Needs Housing	18	18	16	N/A	Low	Unfortunately target was missed despite being on or under target for three out of the four quarters. When we had delays in void repair works in quarter 2 our turnaround time increased and it has been difficult to overcome this deficit.	Number of voids 237 Total number of days 4224
LHS213	Housing Advice: preventing homelessness	606	578	550	N/A	High	New case management system implemented in March 2013 therefore the prevention will be recorded at the conclusion of the case resulting in Options Officers keeping contact with the client for an 8 week period. This has meant that only 5 cases were recorded as prevented in March 2013, 1 not prevented and there had been 102 approaches for assistance. 8 of those cases were mortgage notifications where contact was made but they did not attend appointments	
NI142	Vulnerable people supported to maintain independent living	98.50%	98.00%	99.20%	N/A	High	Measure is influenced by the passing away of people in sheltered housing. Year end ended slightly under target.	% of the 362 households in sheltered housing who have maintained independent living
NI16	Serious acquisitive crime rate	9.1	8.79	8.6	N/A	Low	Burglary dwelling a threat all year. In May was 40% over but ended at 3% under after partnership working. Year end finished slightly under target	1,000
LRBP1	Council Tax in - year collection rate	N/A	97.93%	98.60%	N/A	High	Even though HBBC has the lowest collection rate we have actually the lowest amount of accounts in debt when comparing with HDC and NWLDC	HBBC Net collectable debit £48.9m HDC Net collectable debit £46.5m NWLDC Net collectable debit £42.6m
LRBP3	NNDR in year collection	N/A	96.93%	98.55%	N/A	High		HBBC Net collectable debit 28.3m HDC Net collectable debit £35.6m NWLDC Net collectable debit 46.4m
BV008	Invoices Paid on Time	99.33%	98.83%	98.00%	NA	High	There was a minor decrease due to the capacity issues within the team	683 out of 685 invoices were paid in 30 days
BV119a	Satisfaction: Sports/Leisure facilities	82.00%	72%	82%	N/A	High	Response rates and demographical representation improved on previous surveys, which could explain drop in satisfaction levels across some areas	Yearly satisfaction survey (403 responses)
BV119e	Satisfaction: Parks/Open Space	92.00%	81%	85%	N/A	High		
BV89	Satisfaction: Street cleanliness	87.00%	78%	80%	N/A	High		
BV90a	Satisfaction: Waste Collection	95.00%	94%	88%	N/A	High		
BV03	Overall Satisfaction	93.00%	80%	82%	N/A	High		

**Appendix 3 - Service Improvement Plans that did not meet target date/s**

Area	Action plan	Comments
Corporate Services	32c - Work with our Partners to deliver a Customer Services Strategy for the Place by July 2012	This remains slow progress due to Partners commitment. Decision needs to be taken to have a locality approach bearing in mind the work with the HUB. 07.12 Plan to refresh our own Customer Service Strategy in line with move to Hub early 2013 if partnership strategy has not been set up. 02.13 Work will now be started to refresh our own Customer Services Strategy for our move to the Hub in June 2013. April 2013 - This strategy will now be completed when we move to Hub to reflect the new partnership approach to customers.
	06 - Achieve Councillor Development Charter by December 2012	Lack of member commitment in undertaking DNAs and in arranging steering group meetings
	09 - Develop a database to provide a comprehensive view of the customer on CRM	07.12 - currently awaiting upgrade of Software AG to allow reporting to be set up (due by end of August 12) Once upgrade complete work can begin to understand the information we currently hold and any gaps identified for data we may require. 02.13 Still awaiting upgrade. April 2013 - update the software is still awaited.
ICT	HH01_General Support for the Hinckley Hub Project [3/13]	[12/06] Continued support for the project. Budgets for the migration of the Data Centre and Users have been agreed with finance / Estates. ICT are using existing budgets to replace Data Centre equipment as part of the move to enable flexibility over move dates. (PL) [12/09] ICT Continuing to support the project and sub groups. (PL) [12/10] ICT are still awaiting decisions on common intranet / room booking. (PL) [12/12] ICT work completed until access can be gained to the building. On hold pending Hub update. (PL)
	HH02_CoDesign Hinckley Hub Data Centre [09/13]	[12/04] Specification for the Data Centre supplied to Estates. (PL) [12/06] Data Centre plans being finalised. ICT meeting with LCC ICT to agree layout. Comms line tender in process to be complete by end July. (PL) [12/08] Tender completed. New lines being progressed. (PL) [12/09] Comms lines being progressed and currently on target - only issue will be access to the Hub to finalise works. See Risks - ISDN lines are being migrated to Lloyds to reduce risk. (PL) [12/12] ICT work completed until access can be gained to the building. On hold pending Hub update. (PL)
	HH03_Migrate Servers to Hinckley Hub [3/13]	[12/06] Detailed discussions held with Steria. Migration plans being drawn up. (PL) [12/08] Migration plans agreed and orders raised. (PL) [12/09] Migration work has commenced. IP re-addressing completed. Consolidation of hardware (SAN) commenced and due for completion end Oct. Dry run scheduled for w/c 5 Nov. ICT are running a DR test at the Atkins Building and using it as a dry run for the move. This will provide both a learning exercise and provide key timings for the server migration. (PL) [12/12] DR exercise was very successful and all objectives were met during the test. ICT are now confident in the times to move the servers and the ability to instigate a DR situation should the need arise. No further work planned until ICT can access the building. (PL)
	HH04_Move staff to Hinckley Hub [3/13]	[12/06] Detailed discussions held with Steria. Migration plans being drawn up, based upon a flexible / minimum downtime solution. (PL) [12/09] Plans being firmed up - key risk / issue will be access to the Hub from Mid Dec. This time is required to prepare the network, install comms equipment and racking. Any delayed access will increase risks to the migration. See Risks. (PL) [12/12] Phasing plans drawn up with estates. Unable to complete moves due to delay to building completion. (PL)
	HH05_Migrate WAN links inc Depot	[12/06] WAN Tender underway, due for completion end July. (PL) [12/08] Lines ordered (PL) [12/09] Lines being installed. BT/Virgin will need access to the Data Centre in Dec to complete work. (PL) [12/10] ADSL line, WAN module and switches have been ordered for the old depot - ADSL expected to be live end Oct. Staff will be migrated thereafter subject to line performance. (MD) [12/12] Suppliers have been informed of the delay to the Hub. This is being assessed for implications. The Jubilee Line will need to be re-routed via Atkins. Again suppliers are assessing the implications. There is not expected to be any delay to the Jubilee line although the other lines will be delayed subject to access to the Hub being gained. (PL)
Procurement	Complete telephony review and procurement of new contract by Oct 2012	Being deferred and to follow relocation
	Academy Efficiency Version [30/6/2012]	The EV has been developed to make key processes within the software quicker to complete (fewer key strokes) [July 2012] We will not be moving to the EV until substantial testing has been carried out so the implementation date will be moved towards the end of the year Dec 12- Will not be implemented prior to April 2013 March 2013-To be carried forward to 2013/2014 SIP
Revs & bens	Shared Desktop [May 2012]	All correspondence will be actioned based upon pre-determined weightings of priority and will be accessible by all partnership staff. This is only possible when the partnership is operating from the same server. [July 2012] Shared desktop to be installed September 2012 Dec 2012-This is being deferred to after annual billing so will look at again in April 2013 March 2013-To be carried forward to 2013/2014 SIP

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## Appendix 2 - Corporate risks (deemed as red)

Risk	Month last reviewed	Risk Owner	Net Risk Level	Review commentary
S.01 - Failure to focus on priorities and initiatives	Mar 12/13	Steve Atkinson - Chief Executive	8: Likelihood (medium) - Impact (high)	Issue regarding the developer for Hinckley Hub going into Administration (November 2012) addressed effectively and speedily by our partner, MRP, with the outcome that the Hub will be completed by May 2013. The risk profile for this project has been reduced by this agreement. Council agreed the leisure Centre be relocated to Argents Mead and the procurement process for this is under way and on target, with strong interest. The depot is on track to be relocated and operational by end March 2013, with contingency plan in place to address transition phase. Management concentration now on the phased implementation of the scheme for the bus station
S.04 - Damage to Reputation/adverse publicity	Mar 12/13	Steve Atkinson - Chief Executive	8: Likelihood (medium) - Impact (high)	Current concentration on: Barwell SUE (planning committee in March 2013), impact of revisions to Council Tax Benefit/Subsidy scheme, Council Tax/Budget and Town Centre sustainability. Future plans for Leisure Centre and Bus Station will feature over next three months, along with opening of Hub and Jubilee House.
S.06 - Failure to implement the Town Centre Plan	Mar 13/14	Bill Cullen	9: Likelihood (high) - Impact (high)	November Council agreed a revised Development Agreement to allow the scheme to move ahead in phases as a result of the difficult economic climate and the Developers request to ensure more effective marketing for the retail element once the first phase has commenced. Since that time, the Council, with its advisers, have been engaged in dialogue with Sainsbury's and the Tin Hat Regeneration Company to seek renewed commitment for the scheme to commence as soon as possible, with Stage 1 being completed in 2015. A further report is planned for Council on progress within the next few months. We are urgently awaiting feedback from a recent Sainsburys Board meeting to determine scheme programme and delivery arrangements. A letter from the Chief Executive and Leader has been sent to Sainsburys Chief Executive seeking timely commitment to the scheme
S.15 - Failure to successfully adopt and deliver the LDF leads to:	Mar 13/14	Bill Cullen	8: Likelihood (medium) - Impact (high)	Evidence based documents continue to be progressed to support the emerging Housing Allocations and Development Control Documents (DPD). Member workshops have been convened and more are programmed to agree Hinckley and rural area housing allocations. The Barwell SUE application was approved by Planning Committee on 23 April 2013 which significantly helps maintain the Councils' five year housing supply pending the adoption of the above DPD document.
S.19 - Failure to improve sickness absence	Mar 12/13	Steve Atkinson - Chief Executive	9: Likelihood (high) - Impact (high)	Concerns at the start of the new financial year have been addressed and the levels of absence are now at a similar level to the first half of 2011/12. This will continue to be kept under monthly review for the next three months
S.29 - Loss of contract for Supporting People funded services	Mar 12/13	Sharon Stacey	8: Likelihood (medium) - Impact (high)	Contracts for older persons housing related support have been extended by the County council to allow time to discuss service specifications and impact on providers and customers of any proposed service. Service manager on working group looking at specification. Service manager also considering alternative delivery methods - intensive housing management. Discussions with NWLDC continuing regarding control centre.
S.33 - MIRA RGF Fund	Mar 13/14	Bill Cullen	9: Likelihood (high) - Impact (high)	The RGF project continues on programme. The procurement process has commenced for the power station upgrade with works due to commence in July 2013. The recent announcement of the Pinch Point scheme of £4.6M for Dodwells/Longshoot will supercede the RGF scheme element for these junctions and therefore, reduce the risk linked to the commuted lump sum payment. A legal agreement for the City Council underwriting (on behalf LLEP) the CLS has been completed and is awaiting sign off imminently. The main A5 upgrade works are programmed to commence November 2013. The joint RGF Project Board and internal RGF Board continue to meet regularly to monitor progress of the schemes. Work is currently underway in preparing a Business Case for the retention of the Longshoot/Dodwells element of the RGF funds (circa £2M) for reuse in extending the RGF project to provide additional transport improvements in the locality. This will be subject to DCLG sign off and agreement.
S.34 - Safeguarding of vulnerable adults, children & young people	Mar 13/14	Simon D. Jones	8: Likelihood (medium) - Impact (high)	Safeguarding children & vulnerable people remains a key priority. Update report on Safeguarding being drafted for Executive in Summer 2013. Comprehensive staffing training undertaken, good links with LCC Safeguarding Board, commencement of new SLF programme will enhance our support to those most in need.
S.35 - Ash die back disease	Mar 13/14	Caroline Roffey	7: Likelihood (high) - Impact (medium)	Loss of tree stock Capital and revenue - additional tree maintenance budgets to manage H & S risks from standing dead timber. Failure to manage a SSSI effectively (advice will be sought from Natural England). Government guidance is now to remove young trees which are infected, but not to try to manage the disease in mature tree stock. Young ash trees are within multi species plantations owned by HBBC at Brodick rd Park and Billa Barra Hill. No reported cases on HBBC owned trees. Risk level is over the long term - anticipated die back once established will need to be managed for at least 10 years.
S.36 - Variances to Housing Repairs Account	Mar 12/13	Julie Kenny	9: Likelihood (high) - Impact (high)	Operational controls are in place to minimize additional expenditure. Reconciliations are taking place on a regular basis and weekly budget monitoring is now taking place. An improvement plan for the service has been developed and is being implemented. The financial position is reviewed on a weekly basis.
S.38 - Land Charges fees	Mar 13/14	Adam Bottomley	7: Likelihood (high) - Impact (medium)	A group of personal search companies have issued legal action against all local authorities seeking to recover fees charged for personal searches between 2005 and 2011. The LGA has appointed Bevan Brittan as solicitors to act on behalf of the Local Authorities. Bevan Brittan are currently seeking to agree a settlement with the claimants following advice that their claim is at least in part justified. Bevan Brittan are also seeking a contribution from central government towards the local authorities costs as the charges made were based on Statute

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**FINANCE, AUDIT AND PERFORMANCE SELECT COMMITTEE –  
JUNE 3<sup>RD</sup> 2013**

**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE  
DIRECTION)**

**RE: TREASURY MANAGEMENT TO 31 MARCH 2013**



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

**WARD AFFECTED : ALL WARDS**

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**1. PURPOSE OF REPORT**

To inform the Select Committee of the Council's Treasury Management activity during 2012/13.

**2. RECOMMENDATION**

That the Select Committee note the report.

**3. BACKGROUND TO THE REPORT**

At its meeting in February 2012 the Council approved the Council's Treasury Management Policy for the year 2012/13 and delegated the oversight of the execution of the Policy to the Select Committee.

This report sets out the Treasury Management activities for the first half of 2012/13 and shows that they are in line with the limits set out in the Policy.

Treasury Management covers two main areas:-

1. The management of day to day cash flows by way of short term investing and borrowing. Longer term investment opportunities may arise depending on cash flow requirements.
2. Management of the Council's Long term debt portfolio which is used to finance capital expenditure that cannot be immediately funded by internal resources (e.g. by Capital Receipts).

**Economic Background**

The UK economy avoided contraction the first quarter, posting an initial estimate of a 0.3% rise. This avoided a triple dip recession which brought some relief to the Chancellor's position. However underpinning this good news, there remain the UK difficulties of weak growth, a depressed consumer sector and difficulties in our main export market, the Euro zone.

Household spending appears to have started the year on a stronger footing. However, the latest employment data tentatively suggested that the labour market's recent resilience is coming to an end. Elsewhere, the housing market has been revived a bit by the Bank of England's Funding for Lending Scheme (FLS) which helped to bring down some mortgage rates, primarily on fixed products. This is helping to support house prices.

On the fiscal front, the OBR forecast net borrowing of £121.9bn in 2012/13, is basically unchanged from the outturn seen in the last financial year. Underlying borrowing is now not forecast to fall substantially until 2014/15.

This year's Budget contained many good individual measures, but they were on a small scale and their overall effect was fiscally neutral. The Budget contained a reaffirmation of the MPC's 2% inflation target along with some minor tweaks to the MPC's remit, which will allow the MPC more flexibility in the communication of its policy.

Inflation, meanwhile, remained high, which with low wage settlements has contributed to the consumers falling real incomes, which coupled with debt and employment concerns does not suggest a consumer led recovery in the near future.

UK and global equity prices have rallied since the start of the year, with the FTSE 100 rising from 5,897 to 6,400. Gilt prices were volatile over the quarter, with the yield on 10-year gilts hitting 2.2% in early March, before falling back to 1.72% at the end of the quarter, similar to the level seen at the start of the year. Meanwhile, the pound has fallen sharply against the dollar, from \$1.63 to \$1.51. Sterling was slightly weaker against the euro, too, slipping from €1.23 to €1.19.

The Euro zone crisis flared up again at the end of the quarter, after it was agreed that bank deposits could be subject to a "haircut" as part of an international bail-out package for Cyprus. While a bailout package agreed by European Finance Ministers should avert disaster, the episode has raised fears about the safety of bank deposits in other periphery countries. Meanwhile, the underlying Euro zone economy looks weak. On past form the composite Euro zone Purchasing Managers Index points to a 0.3% quarterly contraction of GDP in Q1.

This economic background impacts directly on the availability and choice of investment counterparties. Appropriate credit quality institutions have become more restricted in recent years in terms of numbers of parties available, the amount that can be invested with a single counterparty and the length of time an investment can be made.

In the present climate it is considered to be imprudent to invest for an extended period of time for the following reasons:

In a volatile market the financial strength of counterparty can change quickly and therefore to invest for shorter periods reduces the Council's risk exposure.

Longer term interest rates, whilst higher than those for shorter periods, do not compensate the Council for the additional risk.

To invest with better quality counterparties for shorter periods does reduce the Council's exposure to risk and uncertainty but does mean that investment yields are reduced.

### Investment Activity

The Council's investment strategy primary objectives are safeguarding the re-payment of the principal and interest of its investments on time, then ensuring adequate liquidity, with the investment return being the final objective. Following the economic background

above, officers are implementing an operational strategy which tightens the controls already in place in the approved investment strategy.

The Council's investment criteria, approved by Council in February 2012 are:-

- **Banks 1 - Good Credit Quality** – the Council will only use banks which:
  - i. Are UK banks; and/or
  - ii. Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AAAAnd have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
  - i. **Short Term** – F1
  - ii. **Long Term** – A
  - iii. **Individual / Financial Strength** – C (Fitch / Moody's only)
  - iv. **Support** – 3 (Fitch only)
- **Banks 2 – Guaranteed Banks with suitable Sovereign Support** – In addition, the Council will use banks whose ratings fall below the criteria specified above if all of the following conditions are met:
  - (a) wholesale deposits in the bank are covered by a government guarantee;
  - (b) the government providing the guarantee is rated “AAA” by all three major rating agencies (Fitch, Moody's and Standard & Poors); and
  - (c) the Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.
- **Banks 3 – Eligible Institutions** - the organisation is an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary short and long term ratings required in Banks 1 above. These institutions have been subject to suitability checks before inclusion, and have access to HM Treasury liquidity if needed.
- **Banks 4** – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- **Bank Subsidiary and Treasury Operations** – the Council will use these where the parent bank has the necessary ratings outlined above.
- **Building Societies** – the Council will use all Societies which:
  - i. meet the ratings for banks outlined aboveOr are both:
  - ii. Eligible Institutions; and
  - iii. Have assets in excess of £500m.
- **Money Market Funds** – AAA
- **UK Government** (including gilts and the DMADF)
- **Local Authorities, Parish Councils etc**
- **Supranational institutions**

Funds for investment come from the following Sources

- a) Revenue Account Balances held by the Council
- b) Earmarked Reserves and Provisions
- c) Unapplied Capital Receipts
- d) Cash flow balances - income received before expenditure needs to be incurred

At 31 Dec 2012 the Council held the following investments totalling £4,989,000

Counterparty	Investment Date	Maturity Date	Amount	Interest Rate
Hinckley & Rugby BS	21/13/2013	19/04/2013	2,000,000	0.5000
Hsbc Call Account	27/03/2013	On call	839,000	0.3500
Newcastle BS	07/03/2013	8/04/2013	500,000	0.3500
Principality BS	18/03/2013	18/04/2013	1,650,000	0.3400

Details of all investments held from April 2012 to March are included in Appendix A attached.

Details of the weighted average investment to March 2013 are shown in the table below together with the average overnight, 7 day and 1 month London Inter Bank Bid (LIBID) as a bench mark to the rates received by the Council.

Period	Weighted Average invested	Average period (days)	Average Return	Overnight LIBID	7 Day LIBID	1 Month LIBID
April 12 to March 13	8,954,052	20.60 days	0.4644	0.39129	0.4055	0.4481

The figures above show that the Council received a rate of return that is compatible with the returns available in the market.

It also shows that the weighted average life is within the maximum set of 0.5 years.

Due to current economic conditions officers have decided to limit investment to less than one month and not to invest with banks other than with the Council's Bank. This together with mergers of Building Societies has meant the Counter Party invest list of organisations has shrunk. Average investments returns are however still higher than the comparable inter bank rate (return of 0.4644% compared against 0.4481%). The benchmarking rates in the table above are higher than the industry averages used by some local authorities. If industry benchmarks are used our average return is even more favourable. Industry average benchmark for 1 month rates are currently 0.037% compared against our average rate of 0.04644%.

### Borrowing Activities

#### *Long term borrowing to finance Capital Expenditure*

Excluding the HRA self financing element the Council has a Capital Financing Requirement of around £18m which arises from previous decisions to incur Capital Expenditure that was not financed immediately by internal resources e.g. Capital Receipts or Grants giving rise to the need to borrow to finance the expenditure. This borrowing requirement can either be met by long or short term external borrowing or by

internal borrowing i.e. using the cash behind the authority's balances and reserves and foregoing investment income. At the present time the interest payable on long term borrowing is significantly greater than the returns the Council could expect on its investments and therefore the Council has adopted a policy of being "underborrowed" with only £4.3m of long term loans on its books. Short term loans from the PWLB currently cost 1% so if the Council was fully funded with short term money and was receiving investment income of 0.4% there would be a cost of £82,200 pa. With longer term rates at about 4.0% the additional cost would be £548,000pa. In these circumstances the Council has not undertaken any long term borrowing in the current year and has relied on short term borrowing to meet cash flow needs.

Additionally, as part of the Self Financing HRA Settlement £67.652m has been borrowed from PWLB. Repayment options have been discussed with members and were presented to the Executive on 13<sup>th</sup> March 2012. Repayments for principal amounts for these loans will commence in 7 years time. The loan will be repaid in equal instalments of £2.9414m over 23 yrs.

*Short term borrowing to cover cash flow shortfalls.*

Some short term borrowing took place to cover temporary cash flow shortfalls. The movements are as follows:-

Amount outstanding at 1 April 2012	£2,600,000
Plus Total Amount borrowed to March 2013	£5,240,000
Less Total Amount repaid in year	£7,840,000
Amount outstanding at 31 March 2013	Nil

The average amount borrowed was	£115,671
Average period of loans	5.6 Days
Number of occasions	5
Average rate of interest paid	0.4458%

All borrowing was conducted with the Operational Limit set by the Council.

5. **FINANCIAL IMPLICATIONS (IB)**

Any losses resulting from a further tightening of our investment strategy will be reported within the Outturn position.

5. **LEGAL IMPLICATIONS (AB)**

There are no legal implications arising directly from this report.

6. **CORPORATE PLAN IMPLICATIONS**

This report supports the following Corporate Aims

- Thriving Economy

7. **CONSULTATION**

None

8. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

<b>Management of significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating actions</b>	<b>Owner</b>
Loss of investments due to failure of Counterparty	Ensure Counterparty is financially secure prior to lending by confining activity to institutions on a list of approved institutions based on credit ratings.	I Bham
	Ensure that lending is for appropriate periods and amounts as per Counterparty list	I Bham

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

Treasury management activities support all activities of the Borough Council and therefore impact on all areas of and communities within the Borough

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector implications

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Background papers: Investment and borrowing records

Contact Officer: Ilyas Bham, Group Accountant ext 5924

Executive Member: Cllr Keith Lynch

**FINANCE, AUDIT AND PERFORMANCE SELECT COMMITTEE –  
JUNE 3<sup>RD</sup> 2013**



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE  
DIRECTION)**

**RE: PRUDENTIAL CODE AND TREASURY MANAGEMENT ANNUAL REPORT 2012/13**

**WARDS AFFECTED: ALL WARDS**

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**1. PURPOSE OF REPORT**

- 1.1 The annual treasury report is a requirement of the Council's reporting procedures. It covers the treasury activity during 2012/13 and the actual Prudential Indicators for 2012/13.

The CIPFA Prudential Code for Capital Finance in Local Authorities (the Code), requires authorities to produce an annual report describing the activity compared to the strategy

The Council is required to comply with the code through Regulations issued under the Local Government Act 2003.

**2. RECOMMENDATION**

- 2.1 Note the reported is noted

**3. BACKGROUND TO THE REPORT**

**3.1 Introduction**

This report summarises:

- the economic background in 2012/13
- the capital activity during the year
- what resources the Council applied to pay for this activity;
- the impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- the reporting of the required prudential indicators;
- overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- debt activity; and investment activity.

**3.2 Economic Background**

The financial year 2012/13 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk. The original expectation for 2012/13 was that Bank Rate would start gently rising from quarter 4 2014. However, economic growth in the UK was disappointing during the year due to the UK austerity programme, weak consumer confidence and spending, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market - the European Union (EU). The UK coalition

Government maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Key to retaining this rating will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within the austerity plan timeframe. Weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing by £50bn in July to a total of £375bn. Bank Rate therefore ended the year unchanged at 0.5% while CPI inflation fell from 3% at the start of the year to end at 2.8% in March, with a fall back to below 2% pushed back to quarter 1 2016. The EU sovereign debt crisis was an ongoing saga during the year with first Greece and then Cyprus experiencing crises which were met with bailouts after difficult and fraught negotiations.

### 3.3 The Council's Capital Expenditure and Financing 2012/13

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

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

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

£'000	2011/12 Actual	2012/13 Estimate	2012/13 Actual
Non-HRA capital expenditure	2,889	4,501	4,333
HRA capital expenditure	2,425	2,610	2,785
HRA settlement	67,652	0	0
<b>Total capital expenditure</b>	<b>73,026</b>	<b>7,111</b>	<b>7,118</b>
Resourced by:			
Capital receipts	426	2,062	1,341
Capital grants	317	744	1,431
Revenue	3,000	889	3,061
<b>Unfinanced capital expenditure</b>	<b>69,283</b>	<b>1,312</b>	<b>1,285</b>

### 3.4 The Council's Overall Borrowing Need

The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. It represents 2012/13 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council.

### 3.5 Capital Financing Requirement

Whilst under treasury management arrangements actual debt can be borrowed or repaid at any time within the confines of the annual treasury strategy, the Council is required to make an annual revenue charge to reduce the CFR – effectively a repayment of the Non-Housing Revenue Account (HRA) borrowing need. There is no statutory requirement to reduce the HRA CFR.

The Council's 2012/13 MRP Policy (as required by CLG Guidance) was approved on 21st February 2013.



3.6 The Council's CFR for the year is shown below, and represents a key prudential indicator.

CFR (£'000)	31 March 2012 Actual	31 March 2013 Original Indicator	31 March 2013 Actual
Opening balance	16,659	85,193	85,193
Add unfinanced capital expenditure (as above)	69,283	1,312	1285
Less MRP	659	770	-770
<b>Closing balance</b>	<b>11,863</b>	<b>85,735</b>	<b>85,708</b>

### 3.7 Overall Treasury Position at 31 March 2013

Whilst the Council's gauge of its underlying need to borrow is the CFR, the Deputy Chief Executive (Corporate Direction) can manage the Council's actual borrowing position by either:

- borrowing to the CFR; or
- choosing to utilise some temporary internal cash flow funds in lieu of borrowing (under-borrowing); or
- borrowing for future increases in the CFR (borrowing in advance of need).

The figures in this report are based on the principal amounts borrowed and invested and so may differ from those in the final accounts by items such as accrued interest.

During 2012/13 the Deputy Chief Executive (Corporate Direction) managed the debt position to ensure that sufficient cash liquidity was available and to minimise external interest payments, and the treasury position at the 31 March 2013 compared with the previous year was:

Actual borrowing position	31 March 2012		31 March 2013	
	Principal	Average Rate	Principal	Average Rate
Fixed Interest Rate Debt	£4.3m	3.93%	£3.3m	3.97%
Variable Interest Rate Debt	£0m	n/a	£0m	n/a
<b>Total Debt</b>	<b>£4.3m</b>	<b>3.93%</b>	<b>£3.3m</b>	<b>3.97%</b>
<b>Under borrowed</b>	<b>£5.374m</b>		<b>£7.118m</b>	
Investment position	31 March 2012		31 March 2013	
	Principal	Average Rate	Principal	Average Rate
Fixed Interest Investments	£2.5m	5.4%	£4.15m	1.49%
Variable Interest Investments	£0m	n/a	£0m	n/a
<b>Total Investments</b>	<b>£2.5m</b>	<b>5.4%</b>	<b>£4.15m</b>	<b>1.49%</b>

<b>Net borrowing position</b>	<b>-£1.8m</b>		<b>£0.85m</b>	
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### 3.8 Prudential Indicators and Compliance Issues

Some of the prudential indicators provide either an overview or specific limits on treasury activity. These are shown below:

**Net Borrowing and the CFR** - In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. Net borrowing should not therefore, except in the short term, have exceeded the CFR. The table below highlights the Council's net borrowing position against the CFR.

	<b>31 March 2012 Actual</b>	<b>31 March 2012 Original Indicator</b>	<b>31 March 2013 Actual</b>
<b>Net borrowing position</b>	<b>-£1.8m</b>	<b>0.85m</b>	<b>£0.85m</b>
<b>CFR</b>	<b>£85m</b>	<b>£86m</b>	<b>£86m</b>

**The Authorised Limit** - The Authorised Limit is the "Affordable Borrowing Limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2012/13 the Council has maintained gross borrowing within its Authorised Limit.

**The Operational Boundary** – The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached. The table below shows this limit was not breached.

**Actual financing costs as a proportion of net revenue stream** - This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The actual financing percentage was slightly higher than budgeted due to additional revenue savings in the year. Additional revenue savings reduce the base costs i.e increase the net revenue stream that financing costs are compared to hence the increase in the financing cost as a proportion of the net revenue stream.

	<b>2012/13</b>
<b>Authorised Limit</b>	<b>£86.413m</b>
<b>Operational Boundary</b>	<b>£86.013m</b>
<b>Actual CFR</b>	<b>£85.735m</b>
<b>Budgeted Financing costs as a proportion of net revenue stream</b>	<b>5.69%</b>
<b>Actual Financing costs as a proportion of net revenue stream</b>	<b>7.25%</b>

### 3.9 The Strategy Agreed for 2012/13

The strategy provided for 2012/13 expected

Investments to

- Maintain security i.e. only invest in sound institutions for short periods
- Ensure liquidity is available
- Earn a reasonable rate of interest given constraints economic constraints

Borrowing

- To maintain long term liquidity
- To minimise additional interest charge

### 3.11 Actual debt management activity during 2012/13

**Borrowing** – No new loans were drawn to fund the net capital spend and naturally maturing debt. One loan was repaid the details are:-

Lender	Principal	Type	Interest Rate	Maturity	Average for 2012/13
PWLB	£1m	Fixed interest rate	1.9%	3 years	1.9%

**Summary of Debt Transactions** –The overall position of the debt activity resulted in virtually balanced position. The actual cost was £165,688 compared to a budget of £167,567.

### 3.12 Investment Position during 2012/13

**Investment Policy** – The Council’s investment policy is governed by CLG Guidance, which has been implemented in the annual investment strategy approved by Council on 21<sup>st</sup> February 2013. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

**Resources** – The Council’s longer term cash balances comprise primarily revenue and capital resources, although these will be influenced by cash flow considerations. The Council’s core cash resources comprised as follows, and meet the expectations of the budget:

Balance Sheet Resources (£m)	31/3/12	31/3/13 est
Balances	3.992	3.574
Reserves	4.432	8.894
Unapplied Grants	0.949	2.950
Usable capital receipts	1.050	1.585
<b>Total</b>	<b>10.623</b>	<b>17.003</b>

**Investments Held by The Council** - The Council maintained an average balance of £13.233m of internally managed funds. The internally managed funds received an average return of 0.4644%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.3944%.

The Economic Background for 2012/13 (see Section 6) set out the continuing difficulties in economic conditions and the resulting high levels of counter party risks resulted in a more defensive position and slightly reduced returns compared to the budget. Members of Finance and Audit Select Committee receive and quarterly update on investments and borrowing.

**Regulatory Framework, Risk and Performance** In adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.

4. **FINANCIAL IMPLICATIONS (IB)**

There are none arising directly from this report

5. **LEGAL IMPLICATIONS (AB)**

Contained in the body of the report.

6. **CORPORATE PLAN IMPLICATIONS**

This report contributes to all aims in the Corporate Plan

7. **CONSULTATION**

None

8. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

<b>Management of significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating actions</b>	<b>Owner</b>
None		

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

There are none arising directly from this report

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account: [if you require assistance in assessing these implications, please contact the person noted in parenthesis beside the item]

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

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Background papers: Authority Financials ledger prints, Outturn reports

Contact Officer: Ilyas Bham, Accountancy Manager ext 5609

Executive Member: Cllr K W P Lynch

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**FINANCE, AUDIT AND PERFORMANCE SELECT COMMITTEE –  
JUNE 3<sup>RD</sup> 2013**

**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE  
DIRECTION)**



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

**RE: PRUDENTIAL CODE AND TREASURY MANAGEMENT ANNUAL REPORT 2012/13**

**WARDS AFFECTED: ALL WARDS**

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**1. PURPOSE OF REPORT**

- 1.1 The annual treasury report is a requirement of the Council's reporting procedures. It covers the treasury activity during 2012/13 and the actual Prudential Indicators for 2012/13.

The CIPFA Prudential Code for Capital Finance in Local Authorities (the Code), requires authorities to produce an annual report describing the activity compared to the strategy

The Council is required to comply with the code through Regulations issued under the Local Government Act 2003.

**2. RECOMMENDATION**

- 2.1 Note the reported is noted

**3. BACKGROUND TO THE REPORT**

**3.1 Introduction**

This report summarises:

- the economic background in 2012/13
- the capital activity during the year
- what resources the Council applied to pay for this activity;
- the impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- the reporting of the required prudential indicators;
- overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- debt activity; and investment activity.

**3.2 Economic Background**

The financial year 2012/13 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk. The original expectation for 2012/13 was that Bank Rate would start gently rising from quarter 4 2014. However, economic growth in the UK was disappointing during the year due to the UK austerity programme, weak consumer confidence and spending, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market - the European Union (EU). The UK coalition

Government maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Key to retaining this rating will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within the austerity plan timeframe. Weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing by £50bn in July to a total of £375bn. Bank Rate therefore ended the year unchanged at 0.5% while CPI inflation fell from 3% at the start of the year to end at 2.8% in March, with a fall back to below 2% pushed back to quarter 1 2016. The EU sovereign debt crisis was an ongoing saga during the year with first Greece and then Cyprus experiencing crises which were met with bailouts after difficult and fraught negotiations.

### 3.3 The Council's Capital Expenditure and Financing 2012/13

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

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

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

£'000	2011/12 Actual	2012/13 Estimate	2012/13 Actual
Non-HRA capital expenditure	2,889	4,501	4,333
HRA capital expenditure	2,425	2,610	2,785
HRA settlement	67,652	0	0
<b>Total capital expenditure</b>	<b>73,026</b>	<b>7,111</b>	<b>7,118</b>
Resourced by:			
Capital receipts	426	2,062	1,341
Capital grants	317	744	1,431
Revenue	3,000	889	3,061
<b>Unfinanced capital expenditure</b>	<b>69,283</b>	<b>1,312</b>	<b>1,285</b>

### 3.4 The Council's Overall Borrowing Need

The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. It represents 2012/13 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council.

### 3.5 Capital Financing Requirement

Whilst under treasury management arrangements actual debt can be borrowed or repaid at any time within the confines of the annual treasury strategy, the Council is required to make an annual revenue charge to reduce the CFR – effectively a repayment of the Non-Housing Revenue Account (HRA) borrowing need. There is no statutory requirement to reduce the HRA CFR.

The Council's 2012/13 MRP Policy (as required by CLG Guidance) was approved on 21st February 2013.



3.6 The Council's CFR for the year is shown below, and represents a key prudential indicator.

CFR (£'000)	31 March 2012 Actual	31 March 2013 Original Indicator	31 March 2013 Actual
Opening balance	16,659	85,193	85,193
Add unfinanced capital expenditure (as above)	69,283	1,312	1285
Less MRP	659	770	-770
<b>Closing balance</b>	<b>11,863</b>	<b>85,735</b>	<b>85,708</b>

### 3.7 Overall Treasury Position at 31 March 2013

Whilst the Council's gauge of its underlying need to borrow is the CFR, the Deputy Chief Executive (Corporate Direction) can manage the Council's actual borrowing position by either:

- borrowing to the CFR; or
- choosing to utilise some temporary internal cash flow funds in lieu of borrowing (under-borrowing); or
- borrowing for future increases in the CFR (borrowing in advance of need).

The figures in this report are based on the principal amounts borrowed and invested and so may differ from those in the final accounts by items such as accrued interest.

During 2012/13 the Deputy Chief Executive (Corporate Direction) managed the debt position to ensure that sufficient cash liquidity was available and to minimise external interest payments, and the treasury position at the 31 March 2013 compared with the previous year was:

Actual borrowing position	31 March 2012		31 March 2013	
	Principal	Average Rate	Principal	Average Rate
Fixed Interest Rate Debt	£4.3m	3.93%	£3.3m	3.97%
Variable Interest Rate Debt	£0m	n/a	£0m	n/a
<b>Total Debt</b>	<b>£4.3m</b>	<b>3.93%</b>	<b>£3.3m</b>	<b>3.97%</b>
<b>Under borrowed</b>	<b>£5.374m</b>		<b>£7.118m</b>	
Investment position	31 March 2012		31 March 2013	
	Principal	Average Rate	Principal	Average Rate
Fixed Interest Investments	£2.5m	5.4%	£4.15m	1.49%
Variable Interest Investments	£0m	n/a	£0m	n/a
<b>Total Investments</b>	<b>£2.5m</b>	<b>5.4%</b>	<b>£4.15m</b>	<b>1.49%</b>

<b>Net borrowing position</b>	<b>-£1.8m</b>		<b>£0.85m</b>	
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### 3.8 Prudential Indicators and Compliance Issues

Some of the prudential indicators provide either an overview or specific limits on treasury activity. These are shown below:

**Net Borrowing and the CFR** - In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. Net borrowing should not therefore, except in the short term, have exceeded the CFR. The table below highlights the Council's net borrowing position against the CFR.

	<b>31 March 2012 Actual</b>	<b>31 March 2012 Original Indicator</b>	<b>31 March 2013 Actual</b>
<b>Net borrowing position</b>	<b>-£1.8m</b>	<b>0.85m</b>	<b>£0.85m</b>
<b>CFR</b>	<b>£85m</b>	<b>£86m</b>	<b>£86m</b>

**The Authorised Limit** - The Authorised Limit is the "Affordable Borrowing Limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2012/13 the Council has maintained gross borrowing within its Authorised Limit.

**The Operational Boundary** – The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached. The table below shows this limit was not breached.

**Actual financing costs as a proportion of net revenue stream** - This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The actual financing percentage was slightly higher than budgeted due to additional revenue savings in the year. Additional revenue savings reduce the base costs i.e increase the net revenue stream that financing costs are compared to hence the increase in the financing cost as a proportion of the net revenue stream.

	<b>2012/13</b>
<b>Authorised Limit</b>	<b>£86.413m</b>
<b>Operational Boundary</b>	<b>£86.013m</b>
<b>Actual CFR</b>	<b>£85.735m</b>
<b>Budgeted Financing costs as a proportion of net revenue stream</b>	<b>5.69%</b>
<b>Actual Financing costs as a proportion of net revenue stream</b>	<b>7.25%</b>

### 3.9 The Strategy Agreed for 2012/13

The strategy provided for 2012/13 expected

Investments to

- Maintain security i.e. only invest in sound institutions for short periods
- Ensure liquidity is available
- Earn a reasonable rate of interest given constraints economic constraints

Borrowing

- To maintain long term liquidity
- To minimise additional interest charge

### 3.11 Actual debt management activity during 2012/13

**Borrowing** – No new loans were drawn to fund the net capital spend and naturally maturing debt. One loan was repaid the details are:-

Lender	Principal	Type	Interest Rate	Maturity	Average for 2012/13
PWLB	£1m	Fixed interest rate	1.9%	3 years	1.9%

**Summary of Debt Transactions** –The overall position of the debt activity resulted in virtually balanced position. The actual cost was £165,688 compared to a budget of £167,567.

### 3.12 Investment Position during 2012/13

**Investment Policy** – The Council’s investment policy is governed by CLG Guidance, which has been implemented in the annual investment strategy approved by Council on 21<sup>st</sup> February 2013. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

**Resources** – The Council’s longer term cash balances comprise primarily revenue and capital resources, although these will be influenced by cash flow considerations. The Council’s core cash resources comprised as follows, and meet the expectations of the budget:

Balance Sheet Resources (£m)	31/3/12	31/3/13 est
Balances	3.992	3.574
Reserves	4.432	8.894
Unapplied Grants	0.949	2.950
Usable capital receipts	1.050	1.585
<b>Total</b>	<b>10.623</b>	<b>17.003</b>

**Investments Held by The Council** - The Council maintained an average balance of £13.233m of internally managed funds. The internally managed funds received an average return of 0.4644%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.3944%.

The Economic Background for 2012/13 (see Section 6) set out the continuing difficulties in economic conditions and the resulting high levels of counter party risks resulted in a more defensive position and slightly reduced returns compared to the budget. Members of Finance and Audit Select Committee receive and quarterly update on investments and borrowing.

**Regulatory Framework, Risk and Performance** In adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.

4. **FINANCIAL IMPLICATIONS (IB)**

There are none arising directly from this report

5. **LEGAL IMPLICATIONS (AB)**

Contained in the body of the report.

6. **CORPORATE PLAN IMPLICATIONS**

This report contributes to all aims in the Corporate Plan

7. **CONSULTATION**

None

8. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

<b>Management of significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating actions</b>	<b>Owner</b>
None		

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

There are none arising directly from this report

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account: [if you require assistance in assessing these implications, please contact the person noted in parenthesis beside the item]

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

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Background papers: Authority Financials ledger prints, Outturn reports

Contact Officer: Ilyas Bham, Accountancy Manager ext 5609

Executive Member: Cllr K W P Lynch

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## **FINANCE, AUDIT & PERFORMANCE COMMITTEE**

### **REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)**

#### **RE: HOUSING REPAIRS REVIEW**

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#### **1 PURPOSE OF REPORT**

To provide members with an update on the progress made against the Action Plan produced in response to the review of the Housing Repairs Service.

#### **2 RECOMMENDATIONS**

That members:

- Note and endorse the progress made to date.

#### **3 BACKGROUND TO THE REPORT**

3.1 In response to two independent reviews and a further internal financial review by the Head of Finance, an Action Plan was developed to address the issues identified within the Housing Repairs Service. Delivery against this Plan is being closely monitored by senior management.

3.2 This Plan was reported to members at the previous meeting and it was agreed that updates and significant variations to the plan would be reported back. This report will therefore set out some of the key areas of progress made to date.

##### **3.3 Backlog**

The historical backlog of work completed has now been cleared successfully through the Housing Repairs system. This has resulted in more meaningful reporting of work in progress within the system.

##### **3.4 Finance Review**

The budgets for both “client” and “contractor” have been fully reviewed and revised accordingly. This has included a cleansing exercise for some erroneous codes and also new budget lines have been created to enable more detailed financial reporting.

A new methodology for budget monitoring has also been developed between the service and the Finance Team which will include a more accurate forecast position. This also includes Finance Surgeries involving more representatives from the service to increase awareness

and accountability. Specific targets are also being set, such as target cost per void property. Any variations from these will be challenged accordingly.

### 3.5 Processes, Procedures and Controls

Day to day procedures have now been reviewed, updated and implemented. This includes prompt closure of jobs on the system based upon new procedures adopted by the engineers. The review has also identified additional policies that are required, such as Acceptable Vehicle Usage.

### 3.6 Performance Management

We have identified the performance indicators for the service, based upon those we will report as part of our membership of Housemark. These include:

- % of urgent repairs completed within target time
- 5 of routine repairs completed within target time
- Repairs categorisation - P1 repairs as % all responsive

Training on the reporting tool to enable performance reporting is due to take place early June. Once a benchmark of current service provision is obtained, future targets will be set.

### 3.7 Review of Structure

This is underway and will be presented to staff and consulted upon end May / early June. It is being done to address potential resourcing / capacity issues, and is not expected to deliver any savings, although will enable more efficient ways of working..

3.8 As work continues to deliver this Plan, it is likely that it will continue to be amended to reflect new issues or requirements that are identified.

3.9 Much of the work undertaken has also been to try and minimise the risk of overspend. Once the decision had been made to bring the service back in-house, significant savings had been built into the budgets. It is therefore important to recognise that the service is still costing overall less than when it was delivered by an external contractor.

## 4 FINANCIAL IMPLICATIONS (KB)

The total capital programme for the HRA is forecasting an over commitment of £177,372 based on an approved budget of £2,610,330. Of this amount, £290,102 relates to over commitments on Housing Repairs scheme. This is due to the backlog of “work in progress” held on the Orchard system in 2011/12 that was not accrued for in 2011/12 or has been adjusted in a manner that impacts the “surplus” on the trading account. The full cost of these works has been processed in 2012/13 creating significant over commitments on voids and kitchens as detailed below. This will be funded through a transfer from the Housing Repairs



revenue balances, with any additional need financed from borrowing. It should be noted that these amounts in reality reflect a reduction in the level of savings anticipated following the return of the Repairs Service in house, and the in house service continues to make revenue savings compared to the previous outsourced provision.

<b>Housing Repairs scheme</b>	<b>Budget £</b>	<b>Actual £</b>	<b>Under (Over) spend £</b>
Adaptation Of Dwellings	357,150	351,434	5,716
Major Void Enhancements	624,150	845,583	-221,433
Programmed Enhancements	318,730	352,238	-33,508
Electrical Testing/Upgrading Windows : Single to Double Glazing	184,110	162,934	21,176
Re-Roofing	9,000	25,075	-16,075
Kitchen Upgrades	32,910	32,795	115
Boiler replacement	438,210	604,086	-165,876
Low maintenance doors	402,620	334,262	68,358
Housing Repairs Software System	31,160	16,939	14,221
	70,000	32,795	37,205
<b>Total Housing Repairs Capital</b>	<b>2,468,040</b>	<b>2,758,141</b>	<b>-290,102</b>

## **5 LEGAL IMPLICATIONS (AB)**

None raised directly by this report.

## **6 CORPORATE PLAN IMPLICATIONS**

The Housing Repairs Service significantly contributes to the delivery of “Decent, Well Managed and Affordable Housing”

## **7 RISK IMPLICATIONS**

It is the Council’s policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer’s opinion based on the information available, that the significant risks associated with this decision/project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report/decision were identified from this assessment:

<b>Management of Significant (Net Red) Risks)</b>
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<b>Risk Description</b>	<b>Mitigating Actions</b>	<b>Owner</b>
Variances to Housing Repairs Account	An improvement plan for the service has been developed.	Julie Kenny

**8. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

None.

**9. CORPORATE IMPLICATIONS**

By submitting this report the author has taken the following into account:-

- Community Safety Implications
- Environmental Implications
- ICT Implications
- Asset Management Implications
- Human Resources Implications

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Background Papers:           None

Author:                           Julie Kenny (Chief Officer (Finance, ICT, Assets, Audit & Procurement))

Executive Member:           Councillor KWP Lynch

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A of the Local Government Act 1972.

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