

NOTICE OF MEETING

Governance & Audit Committee

Tuesday 25 January 2011, 7.30 pm

Council Chamber, Fourth Floor, Easthampstead House, Bracknell

To: Governance & Audit Committee

Councillor Ward (Chairman), Councillor Thompson (Vice-Chairman), Councillors Beadsley, Blatchford, Edger, Leake, McCracken, Mrs McCracken and Mr G S Anderson

cc: Substitute Members of the Committee

Councillors Mrs Ballin, Mrs Beadsley, Birch, Harrison, Mrs Hayes, Mrs Shillcock and Worrall

ALISON SANDERS
Director of Corporate Services

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Published: 17 January 2011



Governance & Audit Committee
Tuesday 25 January 2011, 7.30 pm
Council Chamber, Fourth Floor, Easthampstead House,
Bracknell

AGENDA

Page No

1. **Apologies for Absence**
To receive apologies for absence and to note the attendance of any substitute members.
2. **Declarations of Interest**
To receive any declarations of personal or prejudicial interests, and the nature of that interest, in respect of any matter to be considered at this meeting.
3. **Minutes - 23 November 2010**
To approve as a correct record the minutes of the meetings of the Committee held on 23 November 2010. 1 - 2
4. **Urgent Items of Business**
Any other items which, pursuant to Section 100B(4)(b) of the Local Government Act 1972, the Chairman decides are urgent.
5. **Annual Audit Letter**
To receive the Audit Commission's Annual Audit Letter 2009/10 to the Governance and Audit Committee. The district auditor will be attending the meeting to present the Letter and answer any questions the Committee may have. 3 - 22
6. **Internal Audit 6 month report**
To receive a report which provides a summary of Internal Audit activity during the period April to December 2010. 23 - 40
7. **Committee Procedure Rules**
To receive a report with seeks the approval of the Committee to amendments to the Council's Code of Corporate Governance. 41 - 56
8. **Annual Governance Statement Preparation**
To receive a report which seeks the nomination of a Member to attend the meeting of the Governance Working Group which formulates the Annual Governance Statement and the AGS Action Plan. 57 - 58

9.	Code of Corporate Governance	
	To receive a report which seeks the approval of the Committee to amendments to the Council's Code of Corporate Governance.	59 - 68
10.	Treasury Management Report	
	To review the Treasury Management Report prior to its approval by Council.	69 - 86
11.	International Financial Reporting Standards	
	To receive a report to update the Committee of the progress that has been made towards the implementation of International Financial Reporting Standards.	87 - 90

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GOVERNANCE & AUDIT COMMITTEE
23 NOVEMBER 2010
7.30 - 8.16 PM



Present:

Councillors Ward (Chairman), Leake, McCracken, Mrs McCracken and Worrall

19. Apologies for Absence and Substitute Members

Apologies were received from Mr Anderson, Councillors Beadsley, Thompson and Edger, for whom Councillor Worrall substituted.

20. Declarations of Interest

There were no declarations of interest.

21. Minutes - 21 September 2010

RESOLVED that the minutes of the meeting held on 21 September 2010 be approved as a correct record and signed by the Chairman.

22. Contract Standing Orders

The Committee received the report which gave details of proposed amendments to the Council's Contract Standing Orders from the Borough Solicitor.

The Contract Standing Orders had been adopted by the Council in 2009. Experience of working with them had suggested a number of areas in which some alterations and improvements could be made.

The proposed amendment to procurement of residential placements for care, care and support for people in their homes or for SEN placements of young people would enable spot purchasing to take place more speedily, as could be necessary, whilst still seeking value for money. It was noted that spot purchasing would be carried out in accordance with guidelines to be established by the relevant Director, with the approval of the Executive Member, and with the advice of the Borough Solicitor and Head of Procurement.

RECOMMENDED to Council that the amendments to Contract Standing Orders summarised in the report and set out in the draft attached at Annex A be adopted.

23. Amendment's to the Council's Constitution

The Borough Solicitor introduced the report which sought approval to amendments to the Council's Constitution which were proposed as a result of recent experience and in consequence of legislation.

The proposed amendments included the removal of the Corporate Plan from the Policy Framework as it was no longer a requirement and the inclusion of the

Licensing Authority Policy Statement which was now a requirement. It was recommended that the Council's Pay and Workforce Strategy be included in the list of policies as it was of such fundamental importance to the business of the Council, particularly given the potential implications of public expenditure cuts.

Proposed amendments to the call-in procedure within the Council's Overview and Scrutiny Procedure Rules had been recommended from experience of a call-in which recently occurred in relation to the Site Allocations Policy Framework Development Plan Document. It was proposed that if Members requested a call-in they gave a brief summary of their reasons for the request and the proposed decision which they desired the Commission to take.

Members of the Committee agreed that the proposed amendments to the call-in should specify that a brief written summary of their request and reasons be given as it was possible that information for the request of a call-in could be misinterpreted by Officers if given verbally.

It was noted that the proposed decision from Members requesting a call-in could be amended at the meeting of the Commission as necessary.

RESOLVED that:

- i) part 2 section 3 of the Council's Constitution as proposed by paragraph 4.3 of the report be amended
- ii) subject to the amendments outlined by the Committee, part 4 section 8 of the Council's Constitution as proposed by paragraph 4.5 of the report be amended.

CHAIRMAN

GOVERNANCE AND AUDIT COMMITTEE 25 JANUARY 2011

ANNUAL AUDIT LETTER 2009/10 (Borough Treasurer)

1 PURPOSE OF DECISION

- 1.1 To present the Audit Commission's Annual Audit Letter 2009/10 to the Governance and Audit Committee. The district auditor will be attending the meeting to present the Letter and answer any questions the Committee may have.

2 RECOMMENDATION

- 2.1 **That the Governance and Audit Committee notes the Annual Audit Letter.**
- 2.2 **That the Corporate Management Team has regard to the recommendations set out in the Annual Audit Letter when developing the service plans for the coming year.**

3 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 3.1 There are no legal implications relating to this report.

Borough Treasurer

- 3.2 Nothing to add to the report.

Equalities Impact Assessment

- 3.3 There are no specific issues arising directly from this report.

Strategic Risk Management Issues

- 3.4 All risk issues identified in the Annual Audit Letter will be addressed in the next set of departmental service plans.

4 SUPPORTING INFORMATION

- 4.1 The Audit Commission is required to provide the Council with an Annual Audit Letter (set out at Appendix 1). The Letter provides an overall summary of the Audit Commission's assessment of the Council. Because of changes consequent on the new Government's approach to inspections, the Letter differs from previous years' Annual Audit and Inspection Letters (which used to set out star ratings). The new Annual Audit Letter now focuses solely on the Council's financial statements and arrangements to achieve value for money in the use of resources.
- 4.2 The Audit Commission has given an unqualified opinion on the Council's accounts. An unqualified opinion has also been issued regarding the Council's arrangements to

“secure economy, efficiency and effectiveness in its use of resources”. Four recommendations are set out in the report which will be addressed as the Council works up its next cycle of service plans.

Background Papers

None

Contact for further information

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Doc. Ref

F:\Governance & Audit Committee\Meeting 25 Jan 2011\Annual Audit Letter.doc

Annual Audit Letter

Bracknell Forest Council

Audit 2009/10

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Key messages

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- **the audit of your financial statements (pages 3 to 5); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 6 to 9).**

Audit opinion and financial statements

1 I gave an unqualified opinion on the Council's accounts on 28 September 2010. The Council's accounts met statutory requirements, financial reporting standards and gave a true and fair view of its financial performance and position.

Value for money

2 I also issued an unqualified value for money conclusion stating the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

Current and future challenges

3 The current economic climate and the public spending pressures are having a significant effect on councils and the services they provide. The Government's spending reviews will have an impact on the Council's Medium Term Financial Strategy.

4 The Council has a good record of making savings, but these will need to be extended in the light of the Government's current plans. More emphasis on strategic policy changes and longer term savings programmes will be required to shift the balance away from an annual round of targets to balance the revenue budget.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

I gave an unqualified opinion on the Council's 2009/10 financial statements on 28 September, meeting the statutory target date.

Overall conclusion from the audit

5 I was able to give an unqualified opinion on the Council's financial statements on 28 September 2010. The Council achieved a better closedown of year end accounts in 2009/10 and this enabled a smoother year end audit.

6 Improvements had been made in fixed asset accounting in response to my prior year recommendations. However, weaknesses remain over the valuation of assets and this led to amendments in the accounts. This is the key issue raised for the Council's attention with regard to financial reporting. Officers are planning to address this matter during 2010/11.

Matters of internal control

7 I did not identify any significant weaknesses in your internal control arrangements. I concluded that there was an adequate control environment in place and this supported my testing strategy on the financial statements.

8 I also reviewed your Annual Governance Statement and I was satisfied that it complied with proper practice and the disclosures made were consistent with my understanding of the Council.

The Council's Icelandic banks investments

9 Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of these banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £5 million deposited across two of these institutions at that point. In accordance with accounting practice, the authority considered that it was appropriate to make an impairment adjustment for the deposits in its 2008/09 accounts.

10 The Council has reviewed its impairments in 2009/10 and at 31 March 2010 has provided for a total impairment of £0.9 million. By 31 March 2010 recovery of £0.7 million had been secured. An earmarked reserve of £2.6 million has also been created.

11 In relation to Heritable bank (with whom the Council invested £2 million) information received indicates that it will recover a total of 85 per cent by the end of 2012/13 (the Council has received 35 per cent to date). The impairment for Glitner Bank (with whom the Council invested £3 million) had been based on the assumption that local authority deposits had priority status. This has now been challenged but legal advice remains that deposits have priority status under Icelandic Law. Although this is unlikely to be known until 2011/12, the impairment for 2009/10 has been calculated on this basis with recovery expected to be 100 per cent by June 2011. If priority status is not confirmed the Council expects to recover 29 per cent between October 2011 to October 2015.

12 The impairment of the principal amounts invested has been mitigated in the accounts according to government regulations. These have the effect of deferring the impact of the impairment charge on the General Fund until 2010/11.

The Pension Fund deficit

13 The Statement of Accounts, prepared in accordance with FRS 17 – Retirement Benefits, show a net pension liability of £143 million. This has significantly increased from the 2008/09 liability of £68.4 million due to the significant reductions in bond yields which have increased the liabilities of the fund, offset by smaller increases in market values of assets.

14 The 2010 triennial valuation will assess the scheme liabilities and funding position over the longer term. The actuarial review is also likely to take account of government pension policy changes in response to the Hutton report. Increased contributions may be required to ensure the pension scheme maintains an appropriate long-run funding level.

Adoption of International Financial Reporting Standards

15 From 2010/11, local government bodies have to prepare their financial statements to meet International Financial Reporting Standards (IFRS). This will change the basis of reporting the figures in the annual accounts and the format of some of the core statements.

16 The Audit Commission has undertaken a national study on the transition to IFRS in local government. This study assessed councils' progress towards preparing IFRS-based accounts in phases.

17 In July this year I carried out the phase-two survey to assess the Council's progress, and I decided the Council was an 'amber' risk. This was because, at the time of the survey, the Council had a project plan in place to achieve the required preparatory work but awaited dedicated resource to progress the plan. Since August good progress has been made particularly on the classification of leases and in drafting accounting policies. The Council is on track to provide restated balances for the end of November.

18 Looking ahead the Council needs to ensure that officers have sufficient capacity and expertise going forward to meet the additional demands associated with reporting under IFRS for the first time in 2010/11.

Recommendations

R1 The Council should ensure action is taken in response to the recommendations made in my Annual Governance Report.

R2 The Council should ensure it has sufficient capacity to meet the additional demands of first time reporting under IFRS.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money.

I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion. I gave an unqualified conclusion on 28 September 2010.

2009/10 use of resources assessments

19 At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on CAA would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

20 However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

21 I report the significant findings from the work I have carried out to support the VFM conclusion.

VFM conclusion

22 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

23 Table 1 provides a summary of my findings at the Council in respect of these specified criteria.

Table 1: **Assessment for VFM conclusion**

The specified use of resources criteria were achieved

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Strategic asset management	Yes
Workforce	Yes

24 Based on the above, I therefore issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources for the 2009/10 year.

Assessment of arrangements

25 The Council had performed well in delivering further improvements in managing the use of resources during the 2009/10 year. These achievements are summarised below. The Council:

- continued to manage its spending well. Budget monitoring remained strong and the Council has achieved its budget for the 12th year running;
- published its Medium Term Financial Strategy and continued to keep it under review in the current economic climate;
- revised its Treasury Management strategy to take account of the latest CIPFA guidance;
- achieved a better closedown of year-end accounts enabling a smoother year-end audit;
- further developed its engagement with stakeholders;
- progressed its Service Efficiency Strategy and achieved further savings;
- continued to redesign services to achieve improvements and to meet the needs of service users better;
- strengthened its corporate approach to data quality;

- reviewed governance arrangements for most major partnerships;
- developed arrangements for and carried out scrutiny of partnerships;
- strengthened risk management;
- recognised the significance of its backlog maintenance and made a good start on developing a strategy to address it;
- refreshed its workforce plans;
- maintained a planned approach to managing the workforce implications of change; and
- was awarded the 'achieving' level of the Equality Framework for Local Government in July 2010.

Opportunities for improvement

26 I have suggested the Council focus on further improvements in its arrangements to secure value for money in the use of resources in the following areas:

Managing finances

- Continue to address the impact of the Government's spending reviews in the Council's Medium Term Financial Strategy.
- Place more emphasis on strategic policy changes and longer-run savings programmes to shift the balance away from an annual round of targets to balance the revenue budget.

Governance arrangements

- Continue to improve procurement practice and address the internal procedural weaknesses identified.
- Keep up the momentum on improving data quality. Explore the potential for improvement from the new PARIS system where this meets business needs.
- Maintain the focus on developing the Council's governance framework by assessing how well codes and policies are complied with and understood for business critical areas.
- Self-assess the functioning of the Governance and Audit Committee against the CIPFA statement.
- Strengthen risk management within departments to cover risks for ongoing business. Arrangements have been agreed to do this. Keep up the momentum on training.

Managing resources

- Continue to consider the long term implications of the Council's maintenance backlog against other spending priorities. Some baseline capital and revenue provision has been proposed for this.
- Align workforce plans with the financial strategy and policy changes spanning a longer term horizon. Ensure they are of equal quality. Explore joint workforce plans with partners in the light of policy changes.
- Improve statutory equality plans to make them more SMART so that outcomes can easily be measured.

Recommendation

R3 The Council should consider the opportunities for improvement identified in my use of resources review and develop plans to address areas of corporate priority.

Approach to local value for money work from 2010/11

27 Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

28 My work will be based on a reduced number reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

29 I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

Current and future challenges

The Council's finances

30 The Council set a revenue budget of £74.2 million for 2009/10. This included a planned use of reserves of £2.2 million. During the year the Council faced and managed budgetary pressures. These included reduced investment income from decreased interest rates. The recession also affected income from leisure services, commercial and industrial property rents and car parking. The Council received an exceptional item of £2.6 million for VAT repayments and also created a reserve for impaired investments in Icelandic banks. It had planned to use £2.2 million from reserves to support the budget, but the actual requirement was £1.5 million. The General Fund reserve at 31 March 2010 stood at £8.8 million.

31 Looking to the 2010/11 year, the Council's budget monitoring continues to identify in year and future income and expenditure variances, and at the mid point, spending is being contained within budget.

32 Officers and members are planning for the 2011/12 budget, although the final position for the Council will not become clear until after the government publishes the grant determination. Clearly, the public sector deficit combined with the economic downturn has been having a significant impact on public finances. It is affecting the ability of public sector bodies, including this Council, to fund service delivery and capital programmes and some sources of income continue to reduce. The government cuts in future financial support for local authorities have further increased the pressure.

33 The Council has a good record of making savings and managing in year pressure, but this will need to be extended in the light of the Government's current plans. More emphasis on strategic policy changes and longer term savings programmes will be required to shift the balance away from an annual round of targets and the use of revenue balances to balance the revenue budget.

34 My preliminary assessment indicates the Council is taking the necessary steps to meet the challenges to its financial stability over the coming years and to ensure it can continue to deliver key services for its residents. I will further develop my assessment of financial resilience during the 2010/11 audit.

Recommendation

R4 Update the Medium Term Financial Strategy in the light of the Government spending announcements and reflect the impact of strategic policy changes and longer-run savings programmes.

Closing remarks

35 This letter has been discussed with the Chief Executive and the Borough Treasurer. I will present this letter to the Executive on 18 January 2011 and will provide copies to all Councillors.

36 Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Council during the year.

Report	Date issued
Audit and Inspection Plan	April 2009
Audit plan refresh 2009/10	March 2010
Pre-statement audit Memorandum	May 2010
Review of Internal Audit	June 2010
Annual Governance Report	September 2010
Final Accounts Memorandum	October 2010
Annual Audit Letter	November 2010

37 I can confirm the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence. The fees for my audit are levied in accordance with guidance issued by the Audit Commission. The audit fees for 2009/10 are detailed in Appendix 1.

38 The Council has taken a positive and helpful approach to my audit. I wish to thank officers and members of Bracknell Forest Council for their support and cooperation during the statutory audit.

Phil Sharman
District Auditor

November 2010

Appendix 1 Audit fees

	Actual	Proposed	Variance
Financial statements and whole of government accounts opinion	169,000	169,000	0
Value for money conclusion	73,100	73,100	0
Total audit fees	242,100	242,100	0

Appendix 2 Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

Financial statements

The annual accounts and accompanying notes.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

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November 2010

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GOVERNANCE AND AUDIT COMMITTEE JANUARY 2011

INTERNAL AUDIT ASSURANCE REPORT April – December 2010

(Head of Audit and Risk Management)

1 INTRODUCTION

- 1.1 This report provides a summary of Internal Audit activity during the period April to December 2010. It covers work carried out by the internal audit contractors and the in-house team. Any significant developments since the time of writing will be reported verbally to the Committee and included in future assurance reports.

2 RECOMMENDATIONS

- 2.1 **The Governance and Audit Committee are asked to note the attached report.**

3. ADVICE FROM STATUTORY OFFICERS

- 3.1 Borough Treasurer
Nothing to add to the report

- 3.2 Borough Solicitor
Nothing to add to the report

3.3 Strategic Risk

Internal Audit provides assurance on the Council's control environment based on the work undertaken and areas audited. Internal control is based upon an ongoing process designed to identify and prioritise risks and to evaluate the likelihood of those risks being realised and the impact should they arise. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure altogether. No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

4 SUPPORTING INFORMATION

Background

- 4.1 Under the Council's Constitution and Scheme of Delegation the Borough Treasurer is responsible for the administration of the financial affairs of the Council under Section 151 of the Local Government Act 1972. Professional guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) requires the provision of an effective Internal Audit function to partly fulfil his responsibilities under Section 151.

- 4.2 The provision of Internal Audit services is largely outsourced to H. W Controls and Assurance under a contract for 3 years which commenced on 1 April 2009. H.W Controls and Assurance are responsible for delivering the audits set out in the Annual Internal Audit Plan approved by the Governance and Audit Committee in April 2010. In addition, three audits within the Annual Internal Audit Plan were carried out internally, one VAT audit was carried out by a specialist from Deloitte and three audits were undertaken by Reading Borough Council's Internal Audit Team. The attached report summarises delivery to date on the audits approved under the Plan and other activities carried out in-house.

5 CONSULTATION

- 5.1 Not applicable.

Background Papers

Internal Audit Reports
Annual Internal Plan 2010/11
Contract Monitoring Records
Quality Questionnaires
NFI submissions
CIPFA Code of Practice for Internal Audit
Strategic Risk Register

Contact for further information

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HEAD OF AUDIT AND RISK MANAGEMENT REPORT

APRIL – DECEMBER 2010

1. BACKGROUND

- 1.1 The Council is required under the Accounts and Audit (Amendment) (England) Regulations to “maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control.” This report summarises the activities of Internal Audit for the period April to December 2010 drawing together progress on the Annual Internal Audit Plan, risk management and other activities carried out by Internal Audit.

2. INTERNAL AUDIT

- 2.1 The basic approach adopted by Internal Audit falls broadly into three types of audit:
- System reviews provide assurance that the system of control in all activities undertaken by the Council is appropriate and adequately protects the Council’s interests.
 - Regularity (financial) checking helps ensure that the accounts maintained by the Council accurately reflect the business transacted during the year. It also contributes directly towards the external auditor’s audit of the annual accounts.
 - Computer/IT audits, carried out by specialist audit staff, provide assurance that an adequate level of control exists over the provision and use of computing facilities.
- 2.2 Recommendations are made after individual audits, leading to an overall assurance opinion for the system or establishment under review and building into an overall annual assurance opinion on the Council’s operations. The different categories of recommendation and assurance opinion are set out in the following tables.

Recommendation Classifications

PRIORITY	DESCRIPTION	IMPLEMENTATION DATE INDICATOR
1	Essential – addresses a fundamental control weakness and must be brought to the specific attention of senior management and resolved.	Immediate
2	Important – addresses a control weakness and should be resolved by management in their area(s) of responsibility.	To agreed timetable.
3	Best practice – addresses a potential improvement or amendment issue.	Following consideration

Assurance Opinion Classifications

ASSURANCE LEVEL	DEFINITION
Significant	There is a sound system of internal controls to meet the system objectives and testing performed indicates that controls are being consistently applied
Satisfactory	There is basically a sound system of internal controls although there are some minor weaknesses in controls and/or there is evidence that the level of non-compliance may put some minor systems objectives at risk.
Limited	There are some weaknesses in the adequacy of the internal control system which put the systems objectives at risk and/or the level of compliance or non-compliance puts some of the systems objectives at risk.
No Assurance	Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

- 2.3 Internal Audit provides the Borough Treasurer with details of all audits which have generated Priority 1 recommendations and, therefore, a limited (or no) assurance opinion, as soon as the draft report is issued. This ensures that the Section 151 Officer is informed at the earliest opportunity of any potential weaknesses or problem areas. Directors are also notified of every final audit report issued within their Directorate and the resulting assurance level. This is at the final report stage for audits other than those with a limited or no assurance opinion, when Directors receive a copy of the draft report.

3. SUMMARY OF INTERNAL AUDIT RESULTS TO DATE

- 3.1 The Annual Internal Audit Plan for 2010/11 was considered and approved by the Governance and Audit Committee on 29th April 2010. The delivery of the individual audits is largely undertaken by our contractors H.W. Controls and Assurance. Three audits have been undertaken by Reading Borough Council, 1 VAT audit has been undertaken by VAT specialists from Deloitte and 3 have been carried out in-house.
- 3.2 During the period April to December 2010, 1 grant claim audit and 25 reports were finalised, 21 reports had been issued in draft awaiting management responses, 12 were work in progress, 2 had been deferred to 2011/12 and 26 had not yet started (24 of which were scheduled as Quarter 4 audits). The assurance level given on reports finalised and issued in draft were as follows:

ASSURANCE	APRIL – DECEMBER 2010
Significant	4
Satisfactory	40
Limited	2
None	-
Total	46

- 3.3 The table below provides details by directorate on audits finalised, at draft stage and in progress setting out their status as at 31st December 2010.

2009/10 AUDITS NOT PREVIOUSLY REPORTED TO GOVERNANCE AND AUDIT COMMITTEE

Audit	Start Date	Date Draft Report Issued	Key Indicator Met	Satisfactory Client Questionnaire	Assurance Level				Recommendations			Status
					Significant	Satisfactory	Limited	None	Priority			
									1	2	3	
Children, Young People and Learning												
Risk Management	15/3/10	10/12/10	No			X			-	3	1	Draft issued
Adult Social Care and Health												
Direct Payments	10/2/10	5/7/10	No			X			-	6	6	Draft issued

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2010/11 AUDITS

Audit	Start Date	Date Draft Report Issued	Key Indicator Met	Satisfactory Client Questionnaire	Assurance Level				Recommendations			Status
					Significant	Satisfactory	Limited	None	Priority			
									1	2	3	
Chief Executive's Office												
Risk Management	10/5/10	21/9/10	No	Yes	X				-	-	-	Finalised
Data Quality	28/6/10	25/10/10	No – Exit meeting held after report was issued			X			-	6	1	Draft issued
Corporate Services												
Risk Management	17/5/10	20/8/10	No			X			-	3	-	Finalised
Imprests	26/4/10	26/5/10	Yes	Yes		X			-	5	-	Finalised
Commercial Properties	25/5/10	8/6/10	Yes			X			-	2	-	Finalised
VAT – (D&T)	23/10/10	22/10/10	Yes			X			-	2	1	Draft

Audit	Start Date	Date Draft Report Issued	Key Indicator Met	Satisfactory Client Questionnaire	Assurance Level				Recommendations			Status
					Significant	Satisfactory	Limited	None	Priority			
									1	2	3	
Council Tax Part 1 (Under Pericles)	2/8/10	15/10/10	Yes	Yes		X			-	7	1	issued Finalised
NNDR Part 1(Under Pericles)	10/8/10	25/10/10	Yes	Yes		X			-	6	-	Finalised
Design & Surveyors Services	9/8/10	7/9/10	Yes	Yes		X			-	4	-	Draft issued
Recruitment & Pre-employment Checks (RBC)	25/8/10	22/9/10	N/A – Exit meeting not held	Yes		X			-	4	3	Draft issued
Pericles Replacement IT Audit Part 1 (limited to the design of controls)	1/9/10	4/10/10	N/A – Exit meeting not held			X			-	1	-	Draft issued
Adherence to Government Connect (GSI code)												Not due as QTR 4 audit
Compliance with PCI Data Security Stds	20/9/10	20/10/10	Yes				X		2	-	1	Finalised
Budgeting/Budgetary Control	1/11/10											WIP
Treasury Management	4/10/10	27/10/10	Yes	Yes	X				-	-	-	Finalised
Creditors	5/10/10	6/12/10	No	Yes		X			-	2	1	Finalised
Debtors	11/10/10	14/12/10	Yes			X			-	2	-	Draft issued
Main Accounting inc. Reconciliations	15/11/10											WIP
Payroll	4/10/10	6/12/10	Yes			X			-	1	1	Draft issued but additional testing requested

Audit	Start Date	Date Draft Report Issued	Key Indicator Met	Satisfactory Client Questionnaire	Assurance Level				Recommendations			Status
					Significant	Satisfactory	Limited	None	Priority			
									1	2	3	
Learning												
School Census	8/6/10	23/11/10	No	Yes		X			-	4	8	Finalised
Off Site Activities	9/6/10											WIP - Draft report significantly overdue
<i>Sandy Lane Primary (in-house)</i>	19/4/10	4/5/10	Yes	Yes		X			-	7	1	Finalised
<i>Wildmoor Heath School (in-house)</i>	9/11/10	30/11/10	Yes				X		6	13	-	Draft issued
<i>The Pines Follow Up 09/10 Limited (in-house)</i>												<i>Not due as QTR 4 audit</i>
Cranbourne Follow Up 09/10 Limited	16/6/10	7/7/10	Yes			X			-	7	-	Finalised
Brakenhale	9/6/10	7/7/10	Yes	Yes		X			-	8	2	Finalised
Crowthorne Primary	14/6/10	8/7/10	No	Yes		X			-	12	1	Finalised
Great Hollands Primary	10/6/10	29/9/10	No			X			-	6	4	Draft issued
Meadow Vale Primary	24/6/10	13/7/10	Yes	Yes		X			-	3	6	Finalised
Winkfield St. Mary's	14/6/10	10/8/10	No	Yes		X			-	7	9	Finalised
Whitegrove Primary	13/7/10	21/8/10	No	Yes		X			-	9	11	Finalised
Wildridings Primary	21/6/10	15/7/10	Yes	Yes		X			-	4	4	Draft issued
Woodenhill Primary	24/6/10	15/7/10	Yes	Yes		X			-	3	3	Finalised
College Hall PR Unit	16/6/10	13/7/10	No			X			-	10	3	Draft issued
Extended Services	12/7/10	26/8/10	Yes	Yes		X			-	3	-	Finalised
Children's Trust	2/8/10	17/8/10	Yes	Yes	X				-	-	-	Finalised
Alders Family Centre	9/8/10											WIP - Draft report significantly overdue

Audit	Start Date	Date Draft Report Issued	Key Indicator Met	Satisfactory Client Questionnaire	Assurance Level				Recommendations			Status
					Significant	Satisfactory	Limited	None	Priority			
									1	2	3	
Chestnut Family Centre	16/8/10											WIP - Draft report significantly overdue
The Spot Sandhurst - Youth Centre	1/9/10	16/12/10	Yes			X			-	11	1	Revised draft report issued
TRAX North Ascot Youth Centre	1/9/10	15/10/10	Yes	Yes		X			-	3	-	Finalised
Residential Placements	2/8/10	6/9/10	No			X			-	3	1	Draft issued but in process of being revised
SEN	19/7/10	3/8/10	Yes	Yes		X			-	4	1	Draft issued
Services to Schools	1/12/10											WIP
Framework (Children's System) IT audit												Not due as QTR 4 audit
Primary School Capital Strategy												Not due as QTR 4 audit
Post 16 Funding Transfer												Not due as QTR 4 audit
After Care Team												Not due as QTR 4 audit
Adult Social Care and Health												
<i>Stroke Grant Claim (in-house)</i>	7/6/10	22/6/10	<i>N/A – Exit meeting not applicable to grant claims</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Finalised
Contracting & Brokerage	23/8/10	7/10/10	Yes	Yes		X			-	5	-	Finalised

Audit	Start Date	Date Draft Report Issued	Key Indicator Met	Satisfactory Client Questionnaire	Assurance Level				Recommendations			Status	
					Significant	Satisfactory	Limited	None	Priority				
									1	2	3		
Garden Project												2011/12	
Housing & Council Tax Benefits Part 1 (under Pericles)	2/8/10	18/10/10	Yes			X			-	4	-		Finalised
Recruitment & Pre-employment Checks (RBC)	18/10/10	3/10/12	Yes	Yes		X			-	6	4		Draft issued
Procurement & Ordering	15/12/10												WIP
Housing & Council Tax Benefits Part 2 (under Northgate)													Not due as QTR 4 audit
Car Parks (in-house)													Not due as QTR 4 audit
Tree Services													Not due as QTR 4 audit
Libraries													Not due as QTR 4 audit
Cash Spot Checks													Not due as QTR 4 audit
Housing Strategy													Not due as QTR 4 audit
New Choice Based Lettings (Northgate) IT audit													Not due as QTR 4 audit
Upgrade of Lifeline System (Tunstall) IT audit													Not due as QTR 4 audit
Upgrade of GIS IT audit													Not due as QTR 4 audit

- 3.4 To date, limited assurance opinions have been given for 2 audits, one of which is still in draft. All audits, which have generated a limited assurance opinion, will be revisited in 2010/11, to ensure successful implementation of agreed recommendations. The key weaknesses identified during the two audits with a limited assurance opinion are as follows:

DIRECTORATE	AUDITS WITH LIMITED ASSURANCE CONCLUSION
Corporate Services	<u>Compliance with new PCI Data Security Stds (IT Audit)</u> The overall conclusion for this audit was limited assurance as two Priority 1 recommendations were raised. The first related to issues noted with the physical siting of one of the IT application servers and the need to upgrade the PDQ machines at one Council site. Internal Audit has been advised that these issues have already been partially resolved. The second recommendation related to storage of details and we have been informed that this matter has now been addressed.
Children, Young People and Learning	<u>Wildmoor Heath School issued 30 November 2010 (agreed with Head Teacher)</u> Limited assurance was concluded overall for this audit due to 6 priority 1 recommendations being raised relating to governance arrangements, training, delays in banking and the need to improve the management and controls over the private fund. The Director of Children, Young People and Learning has advised that officers are working with the Head Teacher and the new Chair of Governors to address these issues.

- 3.5 At the time of writing 27 completed client satisfaction questionnaires not previously reported had been received since April 2010. These are an important tool for monitoring contractor performance and it is disappointing that these have been returned for only 27 out of the 46 reports issued. We will chase outstanding questionnaires. The results are summarised as follows:

AUDIT YEAR	SATISFIED	NOT SATISFIED	TOTAL
2010/11	27	-	27

- 3.6 There were no questionnaires returned between April and December 2010 where the auditee was not satisfied with the audit.
- 3.7 The tables in section 3.3 show progress on delivery, the start date for each audit and hence the time scale for delivering audits. H W Controls and Assurance contract specification sets out the formal indicators for measuring performance which the contractors have committed themselves to in signing the contract with the Council. The key indicator for measuring performance for individual audits is issue of a draft report within 15 working days of holding the exit meeting. As detailed in the table in 3.3, out of the 46 audits finalised or issued in draft, 2 did not have an exit meeting. Of the remaining 44, 2 were in house audits, 1 was carried out by the VAT Deloitte auditor and 1 was carried out by Reading Internal Audit team. In all cases the target as set for HW had been achieved by the in-house team, Deloitte and Reading Internal Audit Service.

- 3.8 Of the audits that had been delivered by H W Controls and Assurance, in 26 out of 40 cases (65%) the target had been met. This is consistent with HW's annual performance for 2009/10 when they also met the target in 65% of cases.

4. RISK MANAGEMENT

- 4.1 A fundamental refresh of the Strategic Risk Register was undertaken during the first few months of 2010/11 and following agreement at the Corporate Management Team (CMT) the new format of the Register was reviewed and approved by the Executive in September 2010. The new format of the Register incorporates actions to address risks and will be reported through the Corporate Performance Overview Report. As previously, the Strategic Risk Register continues to be updated and reviewed by Strategic Risk Management Group (SRMG) and CMT on a quarterly basis. The last update was approved by CMT on 8 December.
- 4.2 To ensure that all significant operational risks are identified and managed, CMT agreed on 30 June 2010 that Directorate Risk registers should be developed to replace the risk factors in the Service Plan. First drafts of these have already been produced for most directorates.
- 4.3 The Head of Audit and Risk Management is currently looking in to the processes used to assess risk for savings proposals. Risk management can play a vital part in assessment of proposals by ensuring that officers consider the impact of their proposals for service recipients, partners, other departments and the Council as a whole. The purpose of this is not to hinder change but to facilitate it by ensuring that before any decision is taken, officers are fully aware of the wider implications, all officers whose departments are affected have identified the steps needed to address these implications before making the final decision and any necessary mitigating action is put in place before the change is implemented. Investing time to carry out a risk assessment to support each proposal will inform the decision making process and save time and costs in the longer term.

5. OTHER INTERNAL AUDIT ACTIVITIES

National Fraud Initiative (NFI)

- 5.1 The NFI is a biennial data matching exercise first introduced in 1996 and conducted by the Audit Commission to assist in the prevention and detection of fraud and error in public bodies. Bracknell Forest Council is obliged to participate in this. During the first half of 2010/11 Internal Audit coordinated the submission of the mandatory data for the latest cycle of the exercise. Resulting matches will be returned in the first few months of 2010 and will then be investigated within service areas.

Fraud and Irregularity

- 5.2 As previously reported to the Governance and Audit Committee, in August 2010, the Borough Treasurer was notified by the Department for Works and Pensions (DWP) of a case of a breach of the Memorandum of Understanding with the DWP by one member of staff accessing their own records. The situation was investigated by Internal Audit. The individual concerned resigned during the investigation and before any disciplinary action could be considered. The DWP was satisfied with the way that the Council dealt with this matter and is taking no further action. However, a number of actions were agreed with the Benefits team to tighten controls.
- 5.3 In addition the following minor irregularities were reported to Internal Audit during the year: -
- In April, Bracknell Day Services informed Finance that their safe had been broken into and petty cash totalling £193.06 had been stolen. Internal Audit contacted the manager to establish if they needed any advice.
 - In May, Internal Audit received a letter from a benefit claimant who had just advised the Benefits Team that due to her increase in savings she was no longer entitled to benefit. However, she was concerned that she had not received the benefits in accordance with her assessment during 2009/10 and 2010/11 and was concerned that monies due to her had been diverted. Audit confirmed that the Benefits system showed that no benefit payments had been made in respect of her claim during this time.
 - Revenue Services contacted Internal Audit in July as a member of the public claimed that they had paid £30 into one of the handi-tills but these monies had not been credited against their account. Internal Audit investigated this allegation and responded to the individual concluding that there was no evidence of the amount being received into the handi-till and advising that Audit were of the view that that the controls over the monies deposited in the handi-till were robust.
 - In November, Internal Audit were notified by ECC HR of an investigation into excessive dry cleaning bills at Easthampstead Conference Centre. Internal Audit provided advice to HR October 2010 for the purposes of their investigation. HR concluded there was no evidence of irregularity but new procedures have been introduced to tighten controls.
 - In November, ECC HR contacted Internal Audit asking for advice on the investigation into a one-off payment made directly to an individual instead of the charity for which he worked. Internal Audit provided advice to HR on matters to be considered in investigating this case and ensuring controls were properly complied with for the future. It was concluded that no irregularity had arisen.
- 5.4 In addition to the work undertaken by Internal Audit on fraud and irregularities, there is a Benefits Investigation and Compliance Team. The Investigation and Compliance Team is located within the Benefits section of Housing in Environment Culture and Communities. It is therefore outside of the management of the Internal Audit Team. The Investigation and Compliance Team consists of a Senior Investigations Officer, one Investigation Officer and

a Compliance Officer and is responsible for the investigation of potentially fraudulent claims for benefits. During the investigation of claims, Officers interview witnesses, take statements, carry out surveillance and interview under caution with a view to taking prosecution action. The Compliance Officer undertakes proactive visits to claimants to verify their details and confirm continuing entitlement to benefits.

- 5.5 All cases referred are investigated, however many can be unfounded and some may create an overpayment which falls outside our guidelines to investigate, that is it is an error rather than fraud. In some cases an overpayment is identified that is enough to proceed but there is not the level of evidence available to meet the Crown Prosecution Services' 'level of evidence test' to take to court and if we do not meet that requirement we cannot other any sanction so any overpayment is just recovered by the Benefits team through normal recovery procedures.
- 5.6 During the period 1 April to 14 December 2010, the Compliance Officer undertook 390 successful visits and the Team received 461 fraud referrals of which 309 arose from data matching and 152 were mainstream referrals from sources such as the cheatchasers line, assessor referral and revenue recovery.
- 5.7 As a result of work undertaken by the Investigation and Compliance Team, the sanctions applied during this period were 25 Formal Cautions, 12 Administration Penalties (a 30% penalty on top of overpaid benefit) and 16 successful prosecutions, one of which has gone to Appeal. There was 1 unsuccessful prosecution where the magistrate decided to give the defendant the "benefit of the doubt" despite the fact that he could offer no evidence to support his claims that he had provided information to the Housing Benefits Department.
- 5.8 The statistics analysing cases for quarter 3 were still being compiled at the time of drafting this report. For quarters 1 and 2, the sanctions which resulted were from investigations initiated as follows:
- 15 from data matching
 - 11 referrals from the Compliance Officer
 - 6 from Housing Benefit Assessors
 - 2 from joint working with jobcentreplus
- 5.9 The main reasons for referrals during quarters 1 and 2 were as follows:
- 10 Job Seekers Allowance ceased but the claimant failed to inform the Housing Benefit Department
 - 12 were income related
 - 7 were working and claiming
 - 5 undeclared tax credits.

Other Investigations

- 5.10 In July 2010, the S151 Officer requested that Internal Audit carry out a review to clarify the procedures in place over the payment, recording and recovery of

deposits relating to Housing Options and over the collection and recording of rents directly payable to the Council for housing accommodation.

- 5.11 The review established that the service level agreement with Bracknell Forest Homes to maintain records on deposits and rents for the small number of properties maintained by the Council ceased with effect from 1 February 2010. The financial functions of the Council's ABRITAS housing Options IT system were from this point used for recording debts, cash receipts and direct debits relating to these deposits and rents.
- 5.12 Transferring data to the new system was a labour intensive exercise. Whilst details of properties, rents and arrears payable to the Council for temporary accommodation had been fully and accurately put on to ABRITAS, at the time of the initial audit fieldwork in July, only 2 out of the 594 deposit loans had been fully input on ABRITAS. *The Chief Officer: Housing advised on 27th October that all data transferred from Bracknell Forest Homes has now been entered on to ABRITAS.*
- 5.13 At the time of the audit, limited action was being taken on debt recovery. One of the key reasons for this appears to be the lack of resource to obtain all the necessary information to enable debts to be chased. *The Chief Officer: Housing advised on 12 January 2011 that following the Audit, the work on consolidating and validating all information on debts has now been completed. This information is now contained in the one system and places the Council in the strongest position it has ever been to manage current and historical debt. There is dedicated staff resource to chase current rent arrears debts and deposit and rent in advance loan debts. Now that the historical information has been reconciled it is possible to write off old debts. Even so, debts that are written off will still be passed to the debt collection agency as in some cases it has been possible for that agency to recover old debt.*
- 5.14 A list of actions had been agreed with the Chief Officer: Housing to address the weaknesses identified. Internal Audit will follow up progress on these actions as part of the Housing Strategy audit.

**GOVERNANCE AND AUDIT COMMITTEE
25 JANUARY 2011**

**COMMITTEE PROCEDURE RULES
(Director of Corporate Services – Democratic & Registration Services)**

1 PURPOSE OF DECISION

- 1.1 This report seeks the Committee's approval to a set of Committee Procedure Rules for recommendation to the Council for inclusion in the Council's constitution. The draft Rules are annexed to this report.

2 RECOMMENDATION(S)

- 2.1 **That the Committee Procedure Rules are approved and recommended to the Council for inclusion in the Council's constitution and to make any consequential changes to the constitution.**

3 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 3.1 The Borough Solicitor has been consulted in the preparation of this document.

Borough Treasurer

- 3.2 There are no financial implications arising directly as a result of this report.

Equalities Impact Assessment

- 3.3 Not required.

Strategic Risk Management Issues

- 3.4 Not relevant.

4 SUPPORTING INFORMATION

- 4.1 The Council's constitution contains a set of Council Procedure Rules which regulate the operation of Council meetings. In the absence of any rules specifically relating to the operation of committees and sub-committees, these rules apply to committees and sub-committees with some exceptions, which are set out in Rule 23.

- 4.2 A set of Committee Procedure Rules has been written to reflect the differences between the way business is conducted at Council and at committees and to clarify those rules that are specific to committees and sub-committees.

- 4.3 For ease of reference a number of rules have been copied from the Council Rules so that the Committee Procedure Rules are a stand alone document and there is no need to refer to both sets of rules at any one time.

Background Papers

None

Contact for further information

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SECTION 3 – COMMITTEE PROCEDURE RULES

Rule	Title	Page
1	Constitution of Committees and appointment of Councillors	
2	Appointment of Sub-Committees	
3	Appointment of Chairman and Vice-Chairman	
4	Ordinary meetings	
5	Special meetings	
6	Time and place of meetings	
7	Notice of, and summons to, meetings	
8	Cancelling meetings	
9	Quorum	
10	Appointment of substitute Members	
11	Attendance of Non-members	
12	Public Participation	
13	Requirement to attend for the entire item	
14	Conduct of debate	
15	Role of the Chairman	
16	Rules of debate	
17	Previous decisions and motions	
18	Voting	
19	Reference to Council	
20	Minutes	
21	Record of Attendance	
22	Exclusion of the press and public	
23	Disturbance of meetings	
24	Suspension and amendment of Committee Procedure Rules	
25	Application to Committees and Sub-Committees	
26	Interpretation of Rules	
27	Notice	
	Annex A - Rules of debate diagram	

1. CONSTITUTION OF COMMITTEES AND APPOINTMENT OF COUNCILLORS

- 1.1 At the Annual Meeting, the Council will:
- (i) decide which Committees to establish for the Municipal Year;
 - (ii) decide the size and Terms of Reference of those Committees;
 - (iii) decide the allocation of seats to political groups in accordance with the political balance rules;
 - (iv) receive nominations of Councillors to serve on each Committee, Steering Group or other body; and
 - (v) appoint to those Committees except where appointment to those bodies has been delegated by the Council or is exercisable only by the Executive.
- 1.2 Full Council may at any time create a Committee, dissolve a Committee or remove any of its Members or change the size of its membership.
- 1.3 On a vacancy arising in a Committee or Sub-Committee the Head of Democratic & Registration Services will take all necessary steps to enable the vacancy to be filled.
- 1.4 The proceedings of a Committee or Sub-Committee will not be invalidated by reason of any vacancy amongst its Members.
- 1.5 Where appointment to a particular Committee or Sub-Committee requires training, Members will be required to undertake the necessary training programme or activity.

2. APPOINTMENT OF SUB-COMMITTEES

- 2.1 Committees appointed by Council may appoint Sub-Committees for purposes to be specified by the Committee.

3. APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN

- 3.1 The Chairman and Vice-Chairman of every Committee and Sub-Committee will be elected at the first meeting of the Committee or Sub-Committee after the Annual Council Meeting.
- 3.2 In the absence of the Chairman and Vice-Chairman from a meeting, a Chairman for that meeting will be elected from the membership of those present. The person presiding at the meeting may exercise any power or duty of the Chairman.

4. ORDINARY MEETINGS

- 4.1 Ordinary meetings of Committees and Sub-Committees will take place in accordance with a programme decided at the Council's Annual Meeting, or at an earlier meeting of the Council prior to the scheduled Annual Meeting, or as subsequently agreed by the Committee or Sub-Committee. Ordinary meetings will:
- (i) elect a person to preside if the Chairman and the Vice-Chairman are not present;
 - (ii) receive any announcements from the Chairman;
 - (iii) receive any declarations of interest from Members, either at the beginning of the meeting or as soon as the interest becomes apparent;

- (iv) approve the minutes of the last meeting;
- (v) receive any Items of business that the Chairman decides are urgent, pursuant to Section 100B(4)(b) of the Local Government Act 1972;
- (vi) consider any other business specified in the agenda.

5. SPECIAL MEETINGS

5.1 Those listed below may request the Director of Corporate Services, or the Head of Democratic & Registration Services in his or her absence, to call Committee and Sub-Committee meetings in addition to ordinary meetings:

- (i) the Committee or Sub-Committee by resolution
- (ii) the Chairman
- (iii) the Chief Executive
- (iv) one quarter of the whole number of Members of the Committee or Sub-Committee, rounded up to the nearest whole number, but in no case fewer than three Members.

5.2 Only business specified in the agenda may be transacted at a special meeting.

6. TIME AND PLACE OF ORDINARY MEETINGS

6.1 The time and place of ordinary meetings will be determined by the Council, but, if the Council does not fix the time and place of meetings, the Committee or Sub-Committee may do so. Meetings will not be held on a Saturday, Sunday or Public Holiday except in an emergency. This Rule does not apply to special meetings, which are subject to Rule 5 or to planning site visits.

7. NOTICE OF, AND SUMMONS TO, MEETINGS

7.1 The Director of Corporate Services, or the Head of Democratic & Registration Services in his or her absence, will give notice to the public of the time and place of any meeting in accordance with the Access to Information Procedure Rules. At least five clear working days before a meeting, an electronic and paper copy agenda will be sent to every Member of the Committee or Sub-Committee or left at their usual place of residence. The agenda will be the summons to the meeting and will give the date, time and place of each meeting and specify the business to be transacted, and will be accompanied by such reports as are available.

8. CANCELLING MEETINGS

8.1 The Director of Corporate Services or the Head of Democratic & Registration Services in his or her absence, after consultation with the Chairman of the relevant Committee or Sub-Committee, (or in his or her absence the Vice-Chairman), shall be authorised to cancel an ordinary meeting where the agenda has not been issued, where there is insufficient business.

8.2 The Chief Executive, or Deputy Chief Executive, in his or her absence may cancel a Committee or Sub-Committee meeting where the agenda has been issued if it is considered expedient to do so, after consulting the Chairman of the relevant Committee or Sub-Committee (or in his or her absence the Vice-Chairman). Any outstanding business will be held over to the next meeting.

9. QUORUM

- 9.1 No business shall be conducted at a meeting unless a quorum of Members is present. The quorum of a Committee or Sub-Committee shall be a quarter of the voting membership, all figures to be rounded up to the nearest whole number, provided that at least three of the voting Members are present.
- 9.2 If a quorum is not present fifteen minutes after the time at which the meeting should have commenced, it will not take place and the Chairman will ask the Head of Democratic & Registration Services to fix another time and date for the meeting and issue a fresh summons accordingly. The names of the Members present shall be recorded in the Minute Book with a statement of the reason for the meeting not being held.
- 9.3 If a meeting becomes inquorate after it has commenced no further business will be transacted and the meeting will adjourn immediately. Remaining business will be considered at a time and date fixed by the Chairman. If he or she does not fix a date, the remaining business will be considered at the next ordinary meeting.

10. APPOINTMENT OF SUBSTITUTE MEMBERS

10.1 Substitute Members – Committees

In addition to appointing Members to serve on Committees, the Council may also, in accordance with the procedures set out in Rule 10.3 and Rule 10.4, appoint on the nomination of a political group represented on the Council a number of Councillors up to the maximum as shown in the table below, to act as substitutes for Members of their Group appointed to Committees.

<u>Size of Political Group</u>	<u>Maximum Number of Substitutes</u>
Fewer than 11	3
11-17	4
18 or more	5

10.2 Substitute Members – Sub-Committees

In addition to appointing Members to serve on Sub-Committees, Committees may also appoint, on the nomination of any of the political groups represented on the Council, up to three Councillors to act as substitutes for Members of their Group appointed to Sub-Committees, also in accordance with the procedures set out in Rule 10.3 and Rule 10.4.

10.3 Conditions for substitution

A substitute Councillor may attend a meeting as substitute for a Member if the following conditions are satisfied:

- (i) the Member asks the eligible Councillor to attend as a substitute and the eligible Councillor agrees; and
- (ii) at least two hours before the start of the meeting, and during normal office hours, the Member gives notice to the appropriate Democratic Services

Officer, orally, or in writing, that the eligible Councillor (naming him or her) has agreed to attend as substitute Member; or

- (iii) at least two hours before the start of the meeting, and during normal office hours, the substitute gives notice to the appropriate Democratic Services Officer, orally, or in writing, that he or she will be substituting for a particular Councillor (naming him or her); **and**
- (iv) the proposed Councillor attends the meeting and confirms to the appropriate Democratic Services Officer that he or she attends as substitute for the Member.

10.4 Status of substituted Member

- (i) On notifying the Democratic Services Officer that a substitution will be made, the original Member shall immediately, and irrevocably, cease to be a Member of that Committee or Sub-Committee until the conclusion of the meeting and any adjournment of it and the substitute shall be a full Member for the same period.
- (ii) Substitute Members will have all the powers and duties of any ordinary Member of the Committee but will not be able to exercise any special powers or duties exercisable by the person they are substituting.

10.5 The appropriate Democratic Services Officer shall, at the commencement of any meeting, report any Substitution Notice(s) stating the name(s) of Member(s) attending as substitutes, together with the names of the Members they have replaced. These shall be recorded in the minutes of the meeting.

10.6 Where acting as a substitute for a particular Committee or Sub-Committee requires training, Members will have undergone the necessary training or activity.

10.7 Substitutes are not permitted in respect of the Licensing and Safety Committee and the Planning and Highways Committee.

11. ATTENDANCE OF NON-MEMBERS

11.1 Members of the Council may attend meetings of Committees and Sub-Committees of which they are not Members provided that:

- (i) the visiting Member shall only address the Committee or Sub-Committee with the consent of the Chairman
- (ii) the visiting Member shall not have the right to vote
- (iii) the Committee or Sub-Committee may determine by resolution that the visiting Member should withdraw from the meeting.

11.2 A visiting Member may, with the consent of the Chairman, move a motion or an amendment to a motion which must then be seconded by a Member of the relevant Committee or Sub-Committee for it to be discussed. Then the normal rules of debate will apply.

11.3 A visiting Member shall not second a motion or amendment.

12. PUBLIC PARTICIPATION

- 12.1 The Licensing and Safety Committee, the Planning and Highways Committee and the Appeals Committee may make arrangements for public speaking at its meetings and meetings of its Sub-Committees.

13. REQUIREMENT TO ATTEND FOR ENTIRE ITEM

- 13.1 No Member will be entitled to take part or vote on any item for decision unless the Member has been present for the entire item.

14. CONDUCT OF DEBATE

- 14.1 Members must comply with the Council's Code of Conduct and the law in relation to declarations of interest in respect of items under discussion. Declarations of interest should be made at the beginning of the meeting or as soon as the interest becomes apparent.
- 14.2 When a Member speaks at a Committee or Sub-Committee meeting, he or she may remain seated and should address the meeting through the Chairman.
- 14.3 Speeches must be directed to the motion under debate or to a personal explanation or point of order.
- 14.4 When the Chairman stands during a debate, any Member speaking at the time must stop and the meeting must be silent.
- 14.5 If a Member persistently disregards the ruling of the Chairman by behaving improperly, offensively or deliberately obstructing business, the Chairman may move that the Member is silenced for that item. If seconded, this will be voted on without discussion.
- 14.6 If the Member continues to behave improperly after such a motion is carried, the Chairman may move that either the Member leaves the meeting or that the meeting is adjourned for a specified period. If seconded, the motion will be voted on without discussion.

15. ROLE OF THE CHAIRMAN

- 15.1 The Chairman will manage the business of the meeting. He or she shall try to ensure all points of view are heard, but balance this obligation with the need to ensure business is dealt with in a timely manner. The Chairman may limit the number of speakers in any debate at his/her full discretion. The Chairman's decisions on who is to speak and how the debate is to be conducted are final.
- 15.2 The order of business may be varied at the meeting at the discretion of the Chairman.

16. RULES OF DEBATE

- 16.1 A simplified diagram showing how decisions might be reached is annexed to these Rules.

- 16.2 Each item will be introduced by the Chairman. The Director or his/her representative may be asked to briefly present the report and respond to Members' questions.
- 16.3 Each item must be moved and seconded before it is debated further. The person moving the item may speak for a maximum of five minutes. Other speeches should not exceed three minutes without the consent of the Chairman.
- 16.4 The seconder may choose to speak later in the debate.
- 16.5 Unless notice of the motion has already been given, the Chairman may require it to be written down and handed to him or her before it is discussed.
- 16.6 A Member who has spoken on a motion may only speak again whilst it is the subject of debate:
- (i) to speak once on an amendment moved by another Member;
 - (ii) to move a further amendment if the motion has been amended since he or she last spoke;
 - (iii) if his or her first speech was on an amendment moved by another Member, to speak on the main issue (whether or not the amendment on which he or she spoke was carried);
 - (iv) in exercise of a right of reply;
 - (v) on a point of order; and
 - (vi) by way of personal explanation.
- 16.7 **Amendments to motions**
- (i) An amendment must be relevant to the motion and will either be:
 - (a) to refer the matter to an appropriate body or individual for consideration or reconsideration;
 - (b) to leave out words;
 - (c) to leave out words and insert or add others; or
 - (d) to insert or add words.as long as the effect of (b) to (d) is not to negate the motion.
 - (ii) Only one amendment may be moved and discussed at any one time and no further amendment may be moved until the amendment under discussion has been disposed of, provided that the Chairman may permit two or more amendments to be discussed (but not voted on) together if circumstances suggest that this course would facilitate the proper conduct of the Committee's business.
 - (iii) If an amendment is not carried, other amendments to the original motion may be moved.

- (iv) If an amendment is carried, the motion, as amended, takes the place of the original motion. This becomes the substantive motion to which any further amendments are moved.
- (v) After an amendment has been carried, the Chairman will read out the substantive motion before accepting any further amendments, or if there are none, debate continues on the substantive motion.

16.8 Alteration of motion

- (i) A Member may alter a motion which he or she has moved without notice with the consent of the seconder.
- (ii) Only alterations which could be made as an amendment may be made.

16.9 Withdrawal of motion

A Member may withdraw a motion or amendment which he or she has moved with the consent of the seconder. No Member may speak on the motion or amendment after the mover has asked permission of the seconder to withdraw it unless permission is refused.

16.10 Right of reply

- (i) The mover of a motion has a right to reply to the points raised at the end of the debate on the motion, immediately before it is put to the vote.
- (ii) If an amendment is moved, the mover of the original motion has the right of reply to the points raised at the close of the debate on the amendment, but may not otherwise speak on it.
- (iii) The mover of the amendment has no right of reply to the debate on his or her amendment.

16.11 Procedural motions which may be moved during debate

When a motion is under debate, no other motion may be moved except the following procedural motions:

- (i) to withdraw the motion;
- (ii) to amend the motion;
- (iii) to proceed to the next business;
- (iv) that the motion be put;
- (v) to adjourn the debate;
- (vi) to adjourn the meeting;
- (vii) to exclude the public and press in accordance with the Access to Information Procedural Rules; and

- (viii) to not hear further a Member named under Rule 14.5 or to exclude him or her from the meeting under Rule 14.6.

16.12 Closure motions

- (i) A Member may move, without comment, the following motions at the end of a speech of another Member:
 - (a) to proceed to the next business;
 - (b) that the motion be put;
 - (c) to adjourn the debate; or
 - (d) to adjourn the meeting.
- (ii) If a motion to proceed to the next business is seconded and the Chairman thinks the item has been sufficiently discussed, he or she will give the mover of the original motion a right of reply and then put the procedural motion to the vote.
- (iii) If a motion that the motion be put is seconded and the Chairman thinks the item has been sufficiently discussed, he or she will put the procedural motion to the vote. If it is passed, he or she will give the mover of the original motion a right of reply before putting his or her motion to the vote.
- (iv) If a motion to adjourn the debate or to adjourn the meeting is seconded and the Chairman thinks the item has not been sufficiently discussed and cannot reasonably be so discussed on that occasion, he or she will put the procedural motion to the vote without giving the mover of the original motion the right of reply.

16.13 Points of order

A Member may raise a point of order at any time. The Chairman will hear them immediately. A point of order may only relate to an alleged breach of these Committee Procedure Rules, or the law. The Member must indicate the Rule or law and the way in which he or she considers it has been broken. The ruling of the Chairman on the matter will be final.

16.14 Personal explanation

A Member may make a personal explanation at any time. A personal explanation may only relate to some material part of an earlier speech by the Member which may appear to have been misunderstood in the present debate. The ruling of the Chairman on the admissibility of a personal explanation will be final.

17. PREVIOUS DECISIONS AND MOTIONS

17.1 Motion to rescind a previous decision

A motion or amendment to rescind a decision made at a meeting of the Committee or Sub-Committee within the past six months cannot be moved unless information which was not available when the resolution was passed is placed before the Committee or Sub-Committee.

17.2 Motion similar to one previously rejected

- (i) A motion or amendment in similar terms to one that has been rejected at a meeting of the Committee or Sub-Committee in the past six months cannot be moved unless information which was not available when the motion or amendment was rejected is placed before the Committee or Sub-Committee.
- (ii) Once the motion or amendment is dealt with, no one can propose a similar motion or amendment for six months.

18. VOTING

18.1 Majority

Unless this Constitution or the law provides otherwise, any matter will be decided by a simple majority of those Members voting and present in the room at the time the motion was put. The Chairman shall ascertain the numbers voting for and against, and his or her declaration of the result shall be conclusive.

18.2 Chairman's casting vote

If there are equal numbers of votes for and against, the Chairman will have a second or casting vote. There will be no restriction on how the Chairman chooses to exercise a casting vote.

18.3 Show of hands

Unless a recorded vote is demanded under Rule 18.4, the Chairman will take the vote by show of hands, or if there is no dissent, by the affirmation of the meeting.

18.4 Recorded vote

- (i) If, before the vote is taken, a Member of the Committee or Sub-Committee present at the meeting demands it, the names for and against the motion or amendment or abstaining from voting will be taken down in writing and entered into the minutes.
- (ii) A recorded vote shall not be taken where the Committee or Sub-Committee is voting on appointments.

18.5 Right to require individual vote to be recorded

Where any Member requests it immediately after the vote is taken, their vote will be so recorded in the minutes to show whether they voted for or against the motion or abstained from voting.

18.6 Voting on appointments

If there are more than two people nominated for any position to be filled and there is not a clear majority of votes in favour of one person, then the name of the person with the least number of votes will be taken off the list and a new vote taken. The process will continue until there is a majority of votes for one person.

19. REFERENCE TO COUNCIL

- 19.1 Subject to the provision in Rule 19.3 below, immediately following a vote on a decision taken by a Committee or Sub-Committee under delegated powers, one quarter of the Members of the Committee or Sub-Committee present and voting at the meeting may require that the decision be submitted to the Council as a recommendation. All figures to be rounded up to the nearest whole number.
- 19.2 Where a reference has been made pursuant to the provision in Rule 19.1 above, the decision shall not be implemented before consideration of that recommendation by the Council.
- 19.3 The provisions in Rule 19.1 shall not apply to the Licensing and Safety Committee, the Planning and Highways Committee and the Appeals Committee, or any Sub-Committee appointed by those Committees.

20. MINUTES

- 20.1 The Chairman will sign the minutes of the proceedings at the next suitable meeting. The Chairman will move that the minutes of the previous meeting be signed as a correct record. The only matter in relation to the minutes that can be discussed is their accuracy.
- 20.2 There is no requirement for the minutes to be agreed at the next meeting if it is a special meeting. The minute can be held over for agreement to the next ordinary meeting instead.

21. RECORD OF ATTENDANCE

- 21.1 All Members present during the whole or part of a meeting must sign their names on the attendance sheets before the conclusion of every meeting to assist with the record of attendance.

22. EXCLUSION OF THE PRESS AND PUBLIC

- 22.1 Members of the public and press may only be excluded either in accordance with the Access to Information Procedure Rules in Part 4 Section 4 of this Constitution or Rule 23 (Disturbance of meetings).

23. DISTURBANCE OF MEETINGS

23.1 General disturbance

If there is a general disturbance making orderly business impossible, the Chairman may adjourn the meeting for as long as he or she thinks necessary.

23.2 Removal of member of the public

If a member of the public interrupts proceedings, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room.

23.3 Clearance of part of meeting room

If there is a general disturbance in any part of the meeting room open to the public, the Chairman may call for that part to be cleared.

24. SUSPENSION AND AMENDMENT OF COMMITTEE PROCEDURE RULES

24.1 Suspension

All of these Committee Procedure Rules, except Rule 17.5 and 18.2, may be suspended if at least one half of the whole number of Members of the Committee or Sub-Committee are present, all figures to be rounded up to the nearest whole number. Suspension may be for the consideration of a particular item of business or for the duration of that meeting.

24.2 Amendment

Any motion, proposed and seconded, to add to, vary or revoke these Committee Procedure Rules, will stand adjourned, without discussion, to the next ordinary meeting of the Council.

25. APPLICATION TO COMMITTEES AND SUB-COMMITTEES

25.1 The Committee Procedure Rules apply to all Committee and Sub-Committee meetings, including meetings of Overview and Scrutiny except where their own procedure rules differ from these general procedure rules, in which case their own procedure rules take precedence.

25.2 Committee Procedure Rules 16, 17 and 18 do not apply to meetings of the Licensing and Safety Committee and its Sub-Committees, or Appeals Committee meetings when a hearing is being conducted.

26. INTERPRETATION OF RULES

26.1 The ruling of the Chairman of the Committee or Sub-Committee as to the application of these Procedure Rules shall be final and shall not be challenged.

27. NOTICE

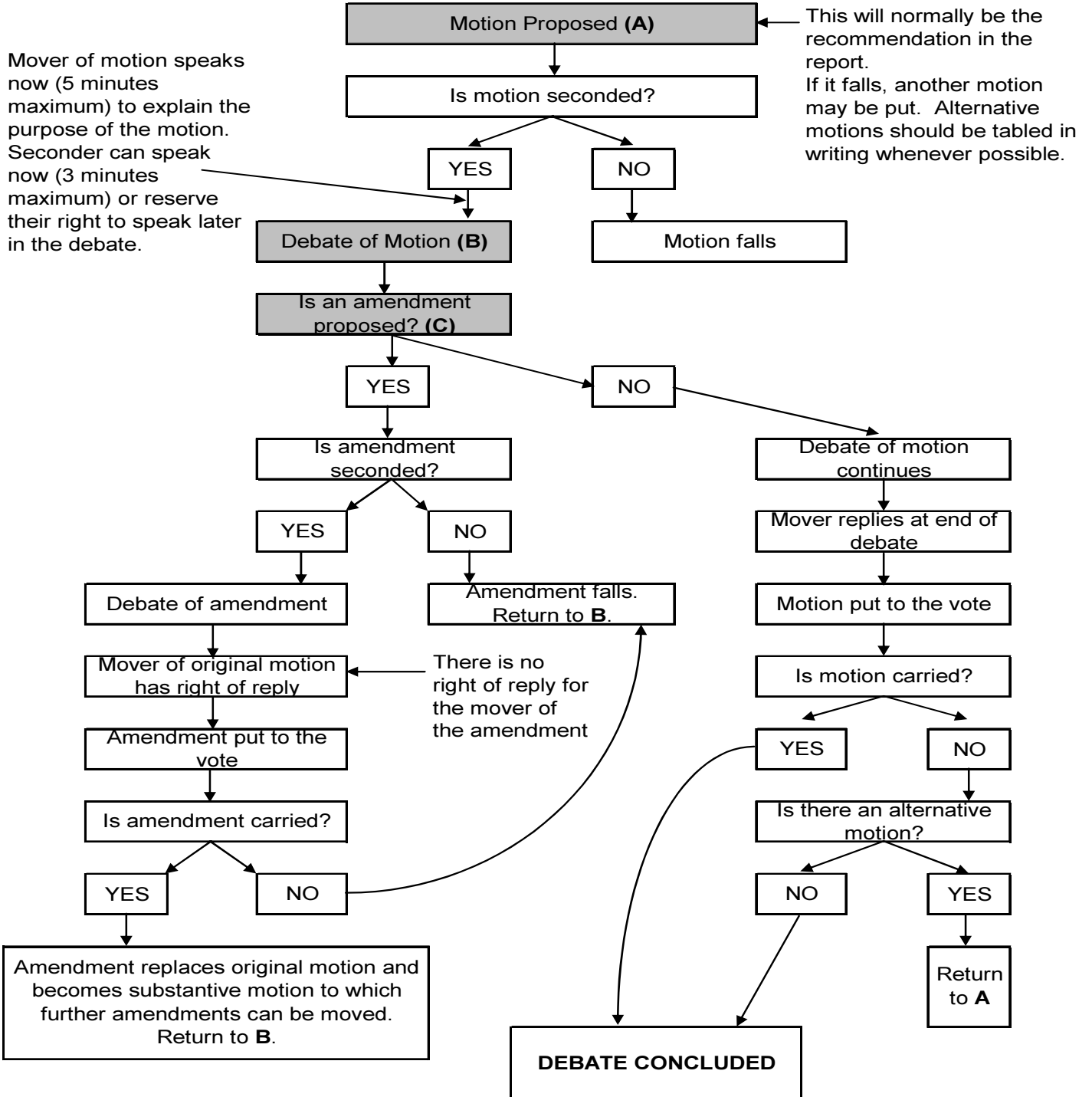
27.1 For the purposes of these Committee Procedure Rules, notice sent by email or fax shall be deemed to constitute notice in writing.

RULES OF DEBATE

Simplified diagram showing how decisions might be reached.

Item is introduced by the Chairman.

Chairman invites questions (numbers may be limited). Director or representative responds.



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GOVERNANCE AND AUDIT COMMITTEE 25 JANUARY 2011

ANNUAL GOVERNANCE STATEMENT PREPARATION (Director of Corporate Services – Legal)

1 PURPOSE OF DECISION

- 1.1 This report seeks the nomination of a Member to attend the meeting of the Governance Working Group which formulates the Annual Governance Statement and the AGS Action Plan.

2 RECOMMENDATION

- 2.1 **The Committee is invited to nominate a Member to attend the meeting of the Governance Working Group which formulates the Annual Governance Statement and resulting Action Plan.**

3 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 3.1 The Borough Solicitor is the author of this report.

Borough Treasurer

- 3.2 There are no financial implications directly arising.

Equalities Impact Assessment

- 3.3 Not Required.

Strategic Risk Management Issues

- 3.4 Not relevant.

4 SUPPORTING INFORMATION

- 4.1 The CIPFA/SOLACE guidance on Governance for Local Authorities which constitutes best practice for the Accounts and Audit Regulations requires the production of an Annual Governance Statement (AGS); a review of the effectiveness of the Council's systems of internal control. The review of the Council's governing arrangements in the Annual Governance Statement leads to the formulation of an Action Plan to address any weaknesses identified.

- 4.2 In determining the arrangements for the preparation of last year's AGS it was considered that it would be helpful to have Member input into the process. Councillor Thompson was nominated by the Committee to attend the meeting of the Governance Working Group which formulated the AGS and the Action Plan.

- 4.3 Member input proved to be beneficial to the process and accordingly it is proposed that the arrangements be repeated for the preparation of this year's AGS.

Background Papers

None.

Contact for Further Information

Alex Jack – Borough Solicitor – (01344) 355679

Alex.jack@bracknell-forest.gov.uk

Doc Ref

AJ/f/reports/Governance and Audit Committee – 25 January 2011

GOVERNANCE AND AUDIT COMMITTEE 25 JANUARY 2011

CODE OF CORPORATE GOVERNANCE (Director of Corporate Services – Legal)

1. PURPOSE OF DECISION

- 1.1 This report seeks the approval of the Committee to amendments to the Council's Code of Corporate Governance.

2 RECOMMENDATION

- 2.1 **That the Council's Code of Corporate Governance be amended as shown in Annexe A to this report.**

3 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 3.1 The Borough Solicitor is the author of this report.

Borough Treasurer

- 3.2 There are no financial implications directly arising.

Equalities Impact Assessment

- 3.3 Not applicable.

Strategic Risk Management Issues

- 3.4 None Relevant.

4 SUPPORTING INFORMATION

- 4.1 In January 2009 the Council adopted a Local Code of Governance. The Code was adopted in accordance with CIPFA/SOLACE guidance which effectively establishes the principles of sound corporate governance for local authorities.
- 4.2 One of the actions contained in the approved Annual Governance Statement for 2010-11 was "to review and ensure the Local Code of Governance is up to date". Accordingly, the Code was reviewed at a meeting of the officer Governance Working Group, Annexe A shows tracked the amendments proposed by the Working Group.
- 4.3 At this juncture the amendments proposed to the Code are relatively modest. However, the Localism Bill, when enacted, will make significant changes to a number of governance topics and therefore it is likely that more radical surgery will be required to the Code during the next municipal year.

- 4.4 Should the Committee be minded to endorse the recommendation the revised Code will be published on the Council's web-site and the Code will be drawn to the attention of both Members and officers.

Background Papers

Annual Governance Statement

CIPFA/SOLACE "Delivery Good Governance in Local Government: Framework"

Contract For Further Information

Alex Jack – Borough Solicitor – 01344 355679

e-mail: alex.jack@bracknell-forest.gov.uk

Doc Ref

AJ/f/reports/Governance and Audit Committee 25.1.11 – Code of Corporate Governance



**BRACKNELL FOREST BOROUGH COUNCIL
CODE OF CORPORATE
GOVERNANCE**

INTRODUCTION

Corporate Governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads the community.

Bracknell Forest Borough Council is committed to being at the forefront of those local authorities that are able to demonstrate that they have the necessary Corporate Governance to excel in the Public Sector.

This Code is a public statement that sets out the way in which the Council will meet that commitment.

The Code is based upon the following 6 Principles:

- Focusing on the purpose of the Council, on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of Members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

Each of these Principles is an important part of Bracknell Forest Borough Council's Corporate Governance arrangements. This statement describes how the Council will meet and demonstrate its commitment to good Corporate Governance.

Also described in this document is how and by whom the Council's Corporate Governance arrangements will be monitored and reviewed.

THE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES

Focusing on the purpose of the authority, on outcomes for the community and creating and implementing a vision for the local area

1 The Council has set out its Vision as “To make Bracknell Forest a place where all people can thrive; living, learning and working in a clean, safe and healthy environment”. The vision has (following extensive consultation with the public and stakeholders) been translated into six overarching priorities for the period to 31 March 2011, namely:-

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- a town centre fit for the 21st century
- protecting and enhancing our environment
- promoting health and achievement
- create a Borough where people are safe and feel safe
- value for money

- sustain economic prosperity

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These priorities are underpinned by thirteen Medium Term Objectives and eighty two Key actions to be delivered over the period to progress the attainment of each of the priorities. The Vision, priorities and Medium Term Objectives are reviewed following elections to the Council and are promoted through the Council’s web-site, the Council’s newsletter to residents (Town and Country) and the Annual Report. Each year the Council sets out the Key Actions in its Service Plans for each Department, to be achieved in meeting the Medium Term Objectives. Progress in meeting the Action Points is monitored by Performance Monitoring Reports which are received by the Overview and Scrutiny Commission and Panels.

2. The Council will explain and report regularly on activities, performance and its financial position. Timely, objective and understandable information about the Council’s activities, achievements, performance and financial position will be provided. The Council will do this by publishing:-

- an Annual Report;
- quarterly Departmental Performance Monitoring Reports
- quarterly Corporate Performance Overview Report
- externally audited accounts; and
- independently verified performance information
- comprehensive budget papers when the Council sets the Council Tax

- the outcome of inspections conducted by external agencies

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3. The Council will aim to ensure that Council Taxpayers and service users receive excellent value for money. The Council will do this by:-

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- delivering and commissioning services to meet the needs of the local community underpinned by processes to ensure that they operate effectively
- ensuring that services are prioritised so that resources are directed to those that need services most
- developing and maintaining effective relationships and partnerships with other public sector agencies and the private and voluntary sectors
- responding positively to the findings and recommendations of external auditors and statutory inspectors and putting in place arrangements for the implementation of agreed actions

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- seeking the views of the community of Bracknell Forest on the services

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which the Council provides

- comparing information about our services with other organisations
4. The Council will continue to review and monitor the achievement of value for money.
 5. The Council will ensure that partnerships it enters into are compatible with the Council's vision and that any proposals to enter into a partnership are assessed by comparing the proposed objectives and intended outcomes of the partnership with the Council's priorities and the Sustainable Community Strategy.

Members and officers working together to achieve a common purpose with clearly defined functions and roles.

6. The Council will ensure effective leadership throughout the authority. It will clearly identify which functions are the responsibility of the Executive and those which are the responsibility of full Council or Committees, and will support the roles and responsibilities of the Overview and Scrutiny function. To that end the Council will:-

- appoint a Leader of the Council with power to appoint Executive Members and to designate responsibilities for Executive Members
- set out in the Council's Constitution the responsibilities of Executive Members
- set out in the Council's Constitution procedures for decision making by Executive Members and a Protocol for Executive decision making
- describe the Key Roles of Members in the Council's Constitution
- appoint annually the Committees which are responsible for regulatory and other non-Executive responsibilities and describe their terms of reference in the Council's Constitution
- define in the Council's Constitution the management responsibilities and roles of senior officers

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7. The Council will ensure that a constructive working relationship exists between Council Members and officers and that the responsibilities of Members and officers are carried out to a high standard. To that end the Council will:-

- set out in the Council's Constitution a Scheme of Delegation to Committees and to the Chief Executive, Directors and other senior officers
- identify within the Council's Constitution which decisions have to be taken by the full Executive or by full Council
- regularly monitor and update the Council's Constitution through the Governance and Audit Committee
- set out in the Council's Constitution the officer management structure of the Council including the roles of the Chief Executive (with responsibility and accountability for overall management), the Monitoring Officer (ensuring that the Council acts lawfully and that appropriate procedures are observed) and the Borough Treasurer (ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control)

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- have a Member and officer Protocol

- have a Leader and Chief Executive Protocol which includes provisions

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ensuring that the Leader and Chief Executive establish their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained

8. The Council will:-

- set out the terms and conditions for remuneration of Members in a Members Allowances Scheme to be approved by Council following the consideration of a report from an Independent Remuneration Panel (the scheme will be published in the Council's Constitution)
- ensure that Members are clear about their roles and responsibilities when working in partnerships
- ensure that there is clarity about the legal status of partnerships
- ensure that representatives of organisations working in partnership with the Council both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions

Terms and conditions of employment will be set out in National and Local Agreements including those governed by the National Joint Council for Local Government Services and the Joint National Council for Chief Executives and Chief Officers.

The Council will promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour.

9. The Council will ensure that Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance. The Council will do this by:-

- ensuring that the Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect
- publishing the Council's Core Values
- having and reviewing a Code of Conduct for Members, a Member and officer Protocol, a Protocol for Members in Dealing with Planning Matters and an Employee Code of Conduct which, together with other arrangements, will ensure that Members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and ensure that such arrangements operate in practice.

10. The Council will ensure that the organisational values are put into practice and are effective. The Council will have in place arrangements to ensure that its values are communicated effectively to Members, officers, the community and partner organisations and that those values act as a guide for decision making and for developing positive and trusting relationships within the Council. The Council will have in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards and will monitor their effectiveness in practice. The Council will have a Standards Committee to review and advise upon Codes of Conduct and Protocols and to determine allegations of misconduct against Members.

The Council will take informed and transparent decisions which are

subject to effective scrutiny and managing risk.

11. The Council shall:-

- have, through the Overview and Scrutiny Commission and Overview and Scrutiny Panels, an effective overview and scrutiny function which encourages constructive challenge and enhances the Council's performance overall
- provide in the Council's Constitution procedures for ensuring that decisions made by collective groups are taken at meetings open to the public unless it is appropriate for the public to be excluded in accordance with statutory provisions
- set out in the Council's Constitution those occasions on which reasons must be given for decisions and when written reports are required
- have an effective audit committee (or equivalent) which is independent of the Executive and Scrutiny functions
- have an effective, transparent and accessible Corporate Complaints Procedure and procedures for the investigation of complaints in accordance with statutory requirements
- ensure that written reports requiring decisions contain advice from the Borough Solicitor and Borough Treasurer together with other appropriate professional advice, a Strategic Risk Assessment and an Equalities Impact Assessment
- ensure that legal financial and other professional advice is available to all decision makers
- ensure that risk management is embedded into the culture of the Council with both Members and Managers at all levels recognising that risk management is part of their jobs
- have in place and operate a Whistleblowing Procedure available to staff, contractors and their employees
- ensure through Members and officers seeking the advice of the Legal Services Section that the Council does not act unlawfully but that the Council is able to exploit its legal powers to full effect
- abide by the law, and follow principles of good decision making and endeavour to act without maladministration
- offer Personal Development Planning to all Members
- have a Fraud and Corruption Policy

Developing the capacity and capability of Members and officers to be effective

12. The Council will ensure that Members and officers of the Council have the skills, knowledge and experience they need to perform well. The Council will do this by:

- providing induction and training programmes for Members and officers
- ensure that the Chief Executive, the Borough Treasurer and the Monitoring Officer have the resources and support necessary to perform their statutory roles, as set out in the Council's Constitution
- support all departments to achieve the Investor in People Standard
- conduct an annual appraisal of each individual member of staff and agree with them a Personal Development Plan
- require the Leader of the Council to submit a report to each meeting of the Council on the workings of the Executive and to answer questions on the report from any Member
- implementing a Member Development Training Programme
- have in place and implement a Member Development Strategy which includes provisions (inter alia) to encourage persons to stand as Councillors

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- have in place and implement a Community Engagement Strategy
- have in place and implement a Pay and Workforce Strategy and an Organisational Development Programme for staff
- cascading regular information to Members and staff

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Engaging with local people and other stakeholders to ensure robust public accountability

13. The Council will seek and respond to the views of stakeholders and the community. The Council will do this by:
- forming and maintaining relationships with the leaders of other organisations
 - entering into a Local Area Agreement as provided for by the Local Government and Public Involvement in Health Act 2007
 - continuing to operate the existing well-defined process for Trades Unions and employees through Local Joint Forum
 - provide an annual report to full Council from the Overview and Scrutiny Commission on the activity of the Commission and its Panels
 - implement the Community Engagement Strategy
 - secure engagement with key stakeholders with the Council's key stakeholders through themed partnerships
 - secure feedback on Council services through Town and Country and the Council's web-site and other user forums surveys and engagement mechanisms

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14. The Council will publish information on its website to promote transparency including data on items of expenditure in excess of £500, contracts and tenders and the salaries of senior officers.

MONITORING AND REVIEW

15. The Standards Committee has responsibility for providing an overview of the implementation of member and officer codes and protocols relating to probity and conduct.
16. In addition, the Council has a Governance and Audit Committee which considers reports from the Borough Solicitor reviewing the Council's Constitution and makes recommendations for its alteration to full Council
17. Through the bodies described above or through other appropriate mechanisms agreed by the Council the Council will ensure that these arrangements are kept under continual review. Those arrangements will be supplemented by;
- the work of Internal Audit
 - reports prepared by managers with responsibility for aspects of this Code
 - external Audit opinion
 - other review agencies and Inspectorates
 - advice from the Council's Statutory Officers

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The Annual Governance Statement

18. Each year the Council will publish an Annual Governance Statement. This will provide an overall assessment of the Council's Corporate Governance arrangements and appraisals of the key controls in place to manage the

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Council's principal governance risks. The Statement will also provide details of where improvements need to be made .

19. The Annual Governance Statement will be published as part of the Council's Annual Statement of Accounts and will be audited by our External Auditors.

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Aj/f/reports/A – Draft Code of Governance - 2011

GOVERNANCE AND AUDIT COMMITTEE 25 JANUARY 2011

TREASURY MANAGEMENT REPORT (Borough Treasurer)

1 PURPOSE OF DECISION

- 1.1 To review the Treasury Management Report.

2 RECOMMENDATION

- 2.1 **That the Committee review the Treasury Management Report prior to its approval by Council.**

3 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 3.1 Nothing to add to the report.

Borough Treasurer

- 3.2 Investment income is an integral part of the Council's budget and the management of investments and their associated risk is a key element of the Council's overall financial management arrangements. The primary focus is on the security of the capital sum invested and this is reflected throughout the Treasury Management Report and associated documents.

Equalities Impact Assessment

- 3.3 None required.

Strategic Risk Management Issues

- 3.4 The Treasury Management Report deals directly with the strategic management of risk associated with the Council's treasury management activities.

4 SUPPORTING INFORMATION

- 4.1 The Local Government Act 2003 requires a local authority to "have regard to" guidance issued by, or specified by, the Secretary of State. As such, the Council is required to have regard to the Prudential Code and Code of Practice on Treasury Management in the Public Sector, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 4.2 Under the requirements of the Prudential Code, the Council must set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The attached Treasury Management Report outlines the Council's Prudential Indicators for 2011/12 to 2013/14 and sets out the expected treasury operations for this period.

- 4.3 The Code of Practice recommends that a responsible body be nominated by the Council and having examined and assessed the effectiveness of the treasury management strategy and policies recommend them to Council. At its meeting on 3 March 2010 Council nominated the Governance and Audit Committee as the responsible body.
- 4.4 The attached Treasury Management Report was approved by the Executive, as a part of the Council's overall budget proposals, on 14 December 2010. The Executive requested that the Governance and Audit Committee review each of the key elements. Following this review the Treasury Management Report and associated documents will be presented to Council for approval on 2 March 2011, as a part of the overall budget package and resolution on the Council Tax for 2011/12.

Background Papers

CIPFA Code of Practice on Treasury Management in the Public Sector
CIPFA Prudential Code
Revenue Budget 2011/12 – Executive Report 14 December 2010

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TREASURY MANAGEMENT REPORT

- 1.1 The Local Government Act 2003 requires the Council to “have regard to” the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.
- 1.2 This report outlines the Council’s prudential indicators for 2011/12 – 2013/14 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements:
- The reporting of the prudential indicators setting out the expected capital activities at Annex E(i) (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities). The treasury management prudential indicators are now included as treasury indicators in the CIPFA Treasury Management Code of Practice;
 - The Council’s Minimum Revenue Provision (MRP) Policy at Annex E(ii), which sets out how the Council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007);
 - The Treasury Management Strategy Statement which sets out how the Council’s treasury service will support the capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the Authorised Limit, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by s3 of the Local Government Act 2003 and shown at Annex E(iii);
 - The Annual Investment Strategy which sets out the Council’s criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the CLG Investment Guidance and is shown in Annex E(iv).

The Capital Prudential Indicators 2011/12 – 2013/14

The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity, and reflects the outcome of the Council's underlying capital appraisal systems. This report updates currently approved indicators and introduces new indicators for 2013/14.

Within this overall prudential framework there is an impact on the Council's treasury management activity – as it will directly impact on borrowing or investment activity and as such the Treasury Management Strategy for 2011/12 to 2013/14 complements these indicators. Some of the prudential indicators are shown in the treasury management strategy to aid understanding.

The Capital Expenditure Plans

The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. A certain level of capital expenditure is grant supported by the Government; any decisions by the Council to spend above this level will be considered unsupported capital expenditure. This unsupported capital expenditure needs to have regard to:

- Service objectives (e.g. strategic planning);
- Stewardship of assets (e.g. asset management planning);
- Value for money (e.g. option appraisal);
- Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
- Affordability (e.g. implications for the council tax);
- Practicality (e.g. the achievability of the forward plan).

The revenue consequences of capital expenditure, particularly the unsupported capital expenditure, will need to be paid for from the Council's own resources.

This capital expenditure can be paid for immediately (by applying capital resources such as capital receipts, capital grants etc., or revenue resources), but if these resources are insufficient any residual capital expenditure will add to the Council's borrowing need.

The key risks to the plans are that the level of Government support has been estimated and is therefore maybe subject to change. Similarly some estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale. For instance anticipated asset sales may be postponed due to the impact of the recession on the property market, similarly the proceeds from the Right-to-Buy sharing agreement with Bracknell Forest Homes will also be impacted on by the wider economy.

The Council is asked to approve the summary capital expenditure projections below. This forms the first prudential indicator:

Capital Expenditure £000	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate
Capital Expenditure	15,722	18,663	14,118
Financed by:			
Capital receipts	2,000	3,000	3,000
Capital grants	5,264	6,200	5,600
Capital reserves	0	0	0
Revenue	0	0	0
Net financing need for the year	8,458	9,463	5,518

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

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

The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments (VRP). No additional voluntary payments are planned.

The Council is asked to approve the CFR projections below:

£000	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate
Capital Financing Requirement			
Total CFR	17,991	26,054	34,800
Movement in CFR	8,063	8,746	4,451

Movement in CFR represented by			
Net financing need for the year (above)	8,458	9,463	5,518
Less MRP/VRP and other financing movements	395	717	1,067
Movement in CFR	8,063	8,746	4,451

CLG Regulations have been issued which require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is a prudent provision. The Council is recommended to approve the MRP Statement attached in Annex E(ii)

Affordability Prudential Indicators

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

Estimates of the ratio of financing costs to net revenue stream.

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

%	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate
Ratio	-0.27%	-0.02%	+0.46%

The estimates of financing costs include current commitments and the proposals in the Capital Programme Budget report.

Incremental impact of capital investment decisions on the Council Tax

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

£	Forward Projection 2011/12	Forward Projection 2012/13	Forward Projection 2013/14
Council Tax - Band D	1.91	4.27	3.74

Minimum Revenue Provision (MRP) Policy Statement

The concept on the Minimum Revenue Provision (MRP) was introduced when the Local Government Capital Finance System was changed on 1 April 1990. This required local authorities to assess their outstanding debt and to make an annual charge to the General Fund of 4% of the General Fund Debt.

These regulations have now been amended and Department for Local Government & Communities (DCLG) issued new regulations in 2008 which require a local authority to calculate for the current financial year an amount of MRP which it considers “prudent”. The broad aim of a prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits or in case of borrowing supported by government, reasonably commensurate with the period implicit in the determination of the grant. The Council can choose to charge more than the minimum.

It is a requirement of these new regulations that full Council approve an annual MRP Statement of its policy on making MRP.

As capital expenditure is incurred which cannot be immediately financed through capital receipts or grant the Council’s borrowing need (its Capital Financing Requirement) will be positive and an MRP will be required. In practice the Council is unlikely to need to borrow externally in the medium term as it has sufficient revenue investments, arising from the Council’s reserves and balances to cover this expenditure. However it will still need to make a charge to revenue for this “internal borrowing”.

The move to International Financial Reporting Standards (IFRS) in local government is expected to bring more PFI schemes on balance sheet and to result in some leases (or parts of leases) being reclassified as finance lease instead of operating leases. These contracts would become subject to the requirement to provide MRP. IFRS requires these changes to be accounted for retrospectively. With the result that an element of the rental or service charge payable in previous years will be taken to the balance sheet to reduce the liability. On its own this change would result in a one-off increase to the capital financing requirement, and an equal increase in revenue account balances. This is not seen as a prudent course of action and as such the guidance recommends the inclusion in the annual MRP charge of an amount equal to the amount that has been taken to the balance sheet to reduce the liability, including the retrospective element in the first year.

The guidance sets out four options for making MRP. It envisages that authorities can distinguish between borrowing that is “supported” (through the RSG system) and other “unsupported or prudential” borrowing. The first two methods should only be used for “supported” borrowing

- 1) The regulatory method. This involves following the existing practice outline in the former DCLG regulation. For the Council this is essentially the same as the CFR method.
- 2) The CFR Method. This involves setting the MRP equal to 4% of the Capital Financing Requirement at the end of the preceding year. This is the method the Council has used in setting its MRP since the prudential system was introduced in 2003.
- 3) The Asset Life Method. This method requires MRP to be charged over the asset life. The asset life is determined in the year MRP commences and is

not changed. MRP will not be charged until the asset becomes operational. Therefore it will be possible to take an MRP holiday for those assets in construction.

- 4) The Depreciation Method. This requires the MRP to equal the actual depreciation based on standard accounting procedures.

Recommended Policy

In setting the 2011/12 budget and beyond the following policy is recommended:

- 1) There will be a presumption that capital receipts will be allocated to the appropriate assets in relation to the constraints of the medium term financial strategy.
- 2) The Council will identify the level of “supported borrowing” and use the CFR Method i.e 4% of this figure as part of the MRP charge. The supported borrowing will be used in full irrespective of the service block the funding was allocated in the grant settlement and will also be allocated to the appropriate assets in relation to the constraints of the medium term financial strategy.
- 3) For the remaining “unsupported borrowing” the Council will use the asset life method. We will use standard categories of asset life to streamline the process: These will be:
 - Freehold land – 50 years
 - Major new building on council owned land – 40 to 70 years (unless design life is demonstrably shorter)
 - Planned maintenance – 10 years
 - Major refurbishment of existing buildings -10 years
 - IT Equipment – 4 years
 - IT systems – 10 years
 - Other Equipment – 5 years
 - Infrastructure assets – 20 years
 - Vehicles & Plant - 7 Years

The actual charge made in the year will be based on applying the above policy to the previous years actual capital expenditure and funding decisions. Therefore the 2011/12 charge will be based on 2010/11 capital out-turn.

TREASURY MANAGEMENT STRATEGY STATEMENT

The Treasury Management service is an important part of the overall financial management of the Council's affairs. The prudential indicators in Annex E(i) consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The Treasury Management service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992.

The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management – revised November 2009). This Council adopted the Code of Practice on Treasury Management in March 2002, and will adopt the revised Code.

As a result of adopting the Code the Council also adopted a Treasury Policy Statement. This adoption is the requirement of one of the prudential indicators.

The Code of Practice requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report is produced after the year-end to report on actual activity for the year, and a new requirement of the revision of the Code of Practice is that there is a mid-year monitoring report.

This strategy covers:

- The Council's debt and investment projections;
- The Council's estimates and limits on future debt levels;
- The expected movement in interest rates;
- The Council's borrowing and investment strategies;
- Treasury performance indicators;
- Specific limits on treasury activities;

Debt and Investment Projections 2011/12 – 2013/14

The borrowing requirement comprises the expected movement in the CFR and any maturing debt which will need to be re-financed. The Council does not anticipate any external borrowing over the period 2011/12 to 2012/13, but projects that it will be required to borrow externally in 2013/14. The table below highlights the expected change in investment balances.

£'000	2011/12 Estimated	2012/13 Estimated	2013/14 Estimated
External Debt			
Debt at 31 March	0	0	6,000
Investments			
Investments at 31 March	9,000	1,000	0

Limits to Borrowing Activity

Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits. For the first of these the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2011/12 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Borough Treasurer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

The Authorised Limit for External Debt

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

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

The Council is asked to approve the following Authorised Limit:

Authorised limit £000	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate
Borrowing	20,000	28,000	37,000
Other long term liabilities	0	0	0
Total	20,000	28,000	37,000

Operational Boundary for External Debt

The Authority is also recommended to approve the operational Boundary for external debt for the same period. The proposed Operational Boundary is based on the same estimates as the Authorised Limit but reflects directly the estimate of the most likely but not worst case scenario, without the additional headroom included within the Authorised Limit to allow for unusual cash movements.

Operational Boundary £m	2012/13 Estimate	2012/13 Estimate	2013/14 Estimate
Borrowing	18,000	26,000	35,000
Other long term liabilities	0	0	0
Total	18,000	26,000	35,000

Borrowing in advance of need.

The Borough Treasurer may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Borough

Treasurer will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism. However given the level of investments projected for 2011/12 it is not expected that any borrowing in advance of need will be required in 2011/12.

Expected Movement in Interest Rates

Short-term rates are expected to remain on hold for a considerable time. The recovery in the economy has commenced and recent growth data has come in at the high side of expectations. Nevertheless, this higher rate is unlikely to be sustained, with growth expected to revert back to more insipid levels. The danger of a double-dip recession is fading but the crisis in the euro-zone, the prospects of tight economic policies at home and tenuous consumer confidence means the threat has still not evaporated completely.

The Office for Budget Responsibility has presented a realistically downbeat view of the economy's recovery prospects over the short and medium term, projecting that growth will struggle to exceed its trend rate in the current parliament. The Government's determination to cut the size of the public sector deficit considerably more quickly than its predecessor will be a drag upon activity in the medium term.

The void left by significant cuts in public spending will have to be filled by a number of alternatives – corporate investment, rising exports and consumers' expenditure. In terms of sheer magnitude, the latter is the most important and a strong recovery in this area is by no means certain. The combination of the desire to reduce the level of personal debt and continued job uncertainty is likely to weigh heavily upon spending. This will be amplified by fiscal policy tightening, outlined in the Budget and expanded upon in the 20 October Comprehensive Spending Review. Without a rebound in personal spending, any recovery in the economy is set to be weak and protracted.

The Bank of England admits that inflation will remain above target until 2012. Inflation performance remains a key risk to the future course of interest rates. Nevertheless, the perceived need to counter the fiscal squeeze via accommodative monetary policy suggests that barring a deterioration from the current situation, the MPC will be prepared to hold rates at very low levels until the latter stages of 2011.

Medium-Term Rate Estimates (averages)

Annual Average %	Bank Rate	Money Rates		PWLB Rates*		
		3 month	1 year	5 year	25 year	50 year
2010/11	0.5	0.7	1.5	2.6	4.6	4.7
2011/12	0.7	1.0	1.8	3.3	5.3	5.4
2012/13	1.7	2.0	2.8	4.2	5.5	5.6
2013/14	3.1	3.2	3.7	4.8	5.6	5.7
2014/15	4.0	4.2	4.5	5.6	5.6	5.8
2015/16	4.0	4.2	4.2	5.3	5.5	5.5

* Borrowing Rates

The outlook for long-term interest rates is favourable in the near term but is set to deteriorate in the latter part of 2011. Yields will be suppressed by continued investor demand for safe haven instruments following the uncertainties and unfolding tensions within the entire Eurozone. In addition to this, the market has been underpinned by evidence of decelerating activity in major economies and the coalition government's

apparent determination to deal with the parlous state of public sector finances. These two factors will restrict any deterioration in gilt market performance in the near term.

However, while the UK's fiscal burden will almost certainly ease, it will be a lengthy process and deficits over the next two to three financial years will still require a very heavy programme of gilt issuance. The latest Bank Inflation Report suggests the market will not be able to rely upon Quantitative Easing indefinitely to alleviate this enormous burden.

Eventually, the absence of the Bank of England as the largest buyer of gilts will shift the balance between supply and demand in the gilt-edged market. Other investors will almost certainly require some incentive to continue buying government paper.

Borrowing Strategy 2011/12

Given the level of current investments, the Council does not envisage any long-term borrowing in 2011/12 although the Authorised Limit for External Debt has been set to enable the Council to manage its cash flow effectively through the use of temporary borrowing, in the unlikely event that this should be necessary.

Investment Strategy 2011/12 – 2013/14

Key Objectives

The Council's investment strategy primary objectives are safeguarding the repayment of the principal and interest of its investments on time first and ensuring adequate liquidity second – the investment return being a third objective. Following the economic background outlined in the Treasury Management Strategy, the current investment climate has one over-riding risk consideration that of counterparty security risk. As a result of these underlying concerns officers are implementing an operational investment strategy which maintains the tightened the controls already in place in the approved investment strategy.

Investment Counterparty Selection Criteria

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration.

After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Borough Treasurer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria is separate to that which chooses Specified and Non-Specified investments as it provides an overall pool of counterparties considered high quality the Council may use rather than defining what its investments are.

The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

In accordance with the Investment Guidance, the Council will, in considering the security of proposed investments, follow different procedures according to which of two categories, Specified or Unspecified, the proposed investment falls into.

Specified Investments offer high security and high liquidity and are:

- ◆ Denominated, paid and repaid in sterling;
- ◆ Not long term investments, i.e. they are due to be repaid within 12 months of the date on which the investment was made;
- ◆ Not defined as capital expenditure; and
- ◆ Are made with a body or in an investment scheme which has been awarded a high credit rating by a credit rating agency or are made with the UK Government or a Local Authority in England, Wales, Scotland or Northern Ireland.

Non-Specified Investments are those which do not meet the definition of Specified Investments.

The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) is:

- ◆ UK Banks and Building Societies – must meet the minimum following credit criteria

Fitch	Moodys	S&P
Short Term F1	Short Term P1	Short Term A1
Individual A Support 1 to 3	Financial Strength C	
Individual A/B Support 1 to 3		
Individual B Support 1 to 3		
Individual B/C Support 1 to 2		

- ◆ Money Market Funds – AAA Rating Sterling Denominated
- ◆ UK Government (including gilts and Debt Management Account Deposit Facility (DMADF))
- ◆ UK Local Authorities

Country and sector considerations.

Due care will be taken to consider the country, group and sector exposure of the Council's investments. The current investment strategy limits all investments to UK Banks and Building Societies.

Use of additional information other than credit ratings.

Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

Time and Monetary Limits applying to Investments.

The time and monetary limits for institutions on the Council's Counterparty List are as follows (the monetary limits will cover both Specified and Non-Specified Investments):

	Money Limit	Time Limit
UK Banks and Building Societies	£7m	364 days

Money Market Funds	£7m	n/a
UK Government	unlimited	364 days
UK Local Authorities	£7m	364 days

The proposed criteria for Specified and Non-Specified investments are attached to this document.

In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded however the current investment limits for 2011/12 restrain all investments to less than 1 year. Any amendment to this strategy will require the credit-criteria to be amended to include a long-term rating. This will be addressed through the formal approval by Council of a revised Treasury Management Strategy and Annual Investment Strategy.

Economic Investment Considerations

Expectations on shorter-term interest rates, on which investment decisions are based, show likelihood of the current 0.5% Bank Rate remaining flat but with the possibility of a rise in mid/late-2011. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.

The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions the Borough Treasurer may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments will be restricted.

Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (a Government body which accepts local authority deposits), Money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

Sensitivity to Interest Rate Movements

Future Council accounts will be required to disclose the impact of risks on the Council's treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management income for next year. That element of the investment portfolio which is of a longer term, fixed interest rate nature will not be affected by interest rate changes.

£'000	2011/12 Estimated + 1%	2011/12 Estimated - 1%
Revenue Budgets		
Investment income	200	200

Treasury Management Limits on Activity

There are four further treasury activity limits, which were previously prudential indicators. The purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

Upper limits on variable interest rate exposure – This identifies a maximum limit for variable interest rates based upon the debt position net of investments

Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.

Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

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

The Council is asked to approve the limits:

	2011/12	2012/13	2013/14
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	25%	25%	25%
Limits on variable interest rates based on net debt	100%	100%	100%
Maturity Structure of fixed interest rate borrowing 2010/11			
		Lower	Upper
Under 12 months		0%	100%
12 months to 2 years		0%	0%
2 years to 5 years		0%	0%
5 years to 10 years		0%	0%
10 years and above		0%	0%
Maximum principal sums invested > 364 days			
Principal sums invested > 364 days	£m 0	£m 0	£m 0

Performance Indicators

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. For 2011/12 the Council does not expect

to enter into any borrowing and as such the relevant benchmark will relate only to investments and will be the “7 Day LIBID Rate”. The results of these indicators will be reported in the Treasury Annual Report.

Treasury Management Advisers

The Council uses Sector as its treasury management consultants. The service was previously provided by Butlers, however in November 2010 Butlers was bought by Sector and incorporated into its operations. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings/market information service comprising the three main credit rating agencies;

Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. Following on from the organisational restructuring impacting on Sector/Butlers, this service will be reviewed in 2011.

Member and Officer Training

The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. Following the nomination of the Governance and Audit Committee to examine and assess the effectiveness of the Treasury Management Strategy and Policies, initial training was provided to the Committee in November 2010. The need for further training will be reviewed in 2011. Officer training is carried out in accordance with best practice and outlined in **TMP 10 Training and Qualifications** to ensure that all staff involved in the Treasury Management function are fully equipped to undertake the duties and responsibilities allocated to them

Risk Benchmarking

Yield benchmarks are currently used to assess investment performance. Discrete security and liquidity benchmarks are new requirements to the Member reporting, although the application of these is more subjective in nature. The Council will review the practical application of such indicators over the coming year and will work in conjunction with the Council’s Treasury management advisers and Members to implement a scheme of risk benchmarks that adds value to the treasury management function.

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GOVERNANCE AND AUDIT COMMITTEE
25 JANUARY 2011

INTERNATIONAL FINANCIAL REPORTING STANDARDS
- IMPLEMENTATION UPDATE
(Borough Treasurer)

1 PURPOSE OF DECISION

- 1.1 To inform the Committee of the progress that has been made towards the implementation of International Financial Reporting Standards.

2 RECOMMENDATION

- 2.1 **That the Committee note the progress that has been made towards the implementation of International Financial Reporting Standards (IFRS).**

3 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 3.1 Nothing to add to the report.

Borough Treasurer

- 3.2 Comments are contained within the body of the report.

Equalities Impact Assessment

- 3.3 There are no equalities issues arising from the introduction of IFRS.

Strategic Risk Management Issues

- 3.4 The only significant risk for the Council is being unable to implement IFRS within the required timescale and receiving a qualified audit opinion on its accounts as a consequence. This risk is being mitigated by:

- Using a detailed project plan to prioritise key areas of work
- Providing staff with comprehensive training on IFRS
- Utilising external advisors to support the Council with the most technically complex aspects of IFRS
- Close and regular liaison with other authorities and the district auditor.

4 SUPPORTING INFORMATION

Reasons for Implementation

- 4.1 The Chancellor's 2007 Budget announcement introduced IFRS based financial reporting for the public sector from 2008/09. This was updated in the 2008 Budget Report and as a result Central Government and Health were required to adopt IFRS for the production of their 2009/10 annual accounts (with comparatives for 2008/09). The adoption by Local Government will be required for annual accounts from 2010/11 (with comparatives for 2009/10).
- 4.2 The main reason for adopting IFRS is to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice.
- 4.3 The private sector has been using IFRS since 2005 and the Government decided that the annual financial statements of Government Departments and other public sector bodies will in future be prepared using IFRS, adapted as necessary, for the public sector.

Progress with Implementation

- 4.4 In accordance with its implementation timetable the Council submitted its proposed accounting policies and a series of technical papers to the district auditor in October. The technical papers explained the Council's intended approach to some of the detailed implementation issues.
- 4.5 The Council subsequently completed the restatement of its 2009/10 accounts and submitted these to the district auditor for review and comment in early December. The district auditor's review of these is currently underway and at the time of writing this report no significant issues have been raised with regard to the implementation or the restatement of the 2009/10 accounts.

Changes to Accounting Policies

- 4.6 The first time adoption of IFRS has resulted in a significant change in accounting treatment in some key areas. These are summarised below:

Grants and Contributions

- 4.7 In future grants and contributions relating to capital and revenue expenditure will be accounted for on an accruals basis and recognised immediately in the Income and Expenditure Account, except to the extent that the grant or contribution has a condition(s) attached to it that the Council has not satisfied. Previously capital grants and contributions were amortised to the Income and Expenditure Account over the life of the asset that they financed.

Lease Classification

- 4.8 Leases will still need to be classified as either finance leases or operating leases. Previously the lease of land and buildings were considered together for the purposes of the accounts. Under IFRS the lease will need to be split, from inception, into a lease for the land and a lease for the building. Unless title is expected to pass to the lessee at the end of the lease term, the Council will be treating the lease of land as

an operating lease. Finance leases will continue to be recognised in the Balance Sheet, but adjustments will be required to reflect the reclassification of some leases.

Investment Property

- 4.9 Investment properties will, in future, be shown as a separate category of asset on the Balance Sheet. Any changes to the value of investment properties will also need to be recognised through the Income and Expenditure Account.

Non Current Assets Held For Sale

- 4.10 A non current asset held for sale is an asset where there is an expectation that the amount included in the Balance Sheet will be recovered through a sale transaction rather than through the continuing use of the asset. Under IFRS non current assets held for sale will need to be shown separately on the Balance Sheet.

Creditors

- 4.11 Under IFRS the Council will need to accrue for the annual leave of staff which has been earned but not yet taken.
- 4.12 Any payment received at the inception of an operating lease will be shown as a creditor on the Balance Sheet and will be amortised to the Income and Expenditure Account over the life of the lease.

Next Steps

- 4.13 The next phases of the implementation are as follows:
- Continue to work with the district auditor to ensure that any issues arising from the revised accounting policies, technical papers and restated 2009/10 accounts are resolved at an early stage.
 - A further progress report to the Governance and Audit Committee on 22 March. This will identify any issues raised by the district auditor and seek the Committee's approval to the Council's revised accounting policies as a basis for the preparation of the 2010/11 accounts.
 - Preparation of the 2010/11 accounts on an IFRS basis, the draft version of which will need to be approved by the Governance and Audit Committee before 30 June.
 - Alongside the above training of staff will continue to ensure that they are conversant with the requirements of IFRS.

Background Papers

IFRS transition working papers

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