

Public Document Pack

Gareth Owens LL.B Barrister/Bargyfreithiwr
Chief Officer (Governance)
Prif Swyddog (Llywodraethu)



To: Cllr Tim Newhouse (Chairman)

CS/ST

Councillors: Glyn Banks, Haydn Bateman,
Alan Diskin, Alison Halford, Ian Roberts and
Arnold Woolley

21 January 2015

Paul Williams

Sharon Thomas 01352 702324
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Dear Sir / Madam

A meeting of the **AUDIT COMMITTEE** will be held in the **CLWYD COMMITTEE ROOM, COUNTY HALL, MOLD CH7 6NA** on **WEDNESDAY, 28TH JANUARY, 2015** at **10.00 AM** to consider the following items.

Yours faithfully

Democracy & Governance Manager

AGENDA

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**
- 3 **MINUTES** (Pages 1 - 6)
To confirm as a correct record the minutes of the meeting held on 10 December 2014 (copy enclosed).
- 4 **AUDIT OF FINANCIAL STATEMENTS 2013/14 - ISSUES RAISED**
(Pages 7 - 12)
Report of Corporate Finance Manager enclosed.

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The Council welcomes correspondence in Welsh or English
Mae'r Cyngor yn croesawau gohebiaeth yn y Cymraeg neu'r Saesneg

- 5 **ANNUAL AUDIT LETTER** (Pages 13 - 18)
Report of Corporate Finance Manager enclosed.
- 6 **TREASURY MANAGEMENT STRATEGY 2015/16 AND TREASURY MANAGEMENT UPDATE 2014/15** (Pages 19 - 50)
Report of Corporate Finance Manager enclosed.
- 7 **COUNCIL BANKING ARRANGEMENTS** (Pages 51 - 54)
Report of Corporate Finance Manager enclosed.
- 8 **ANTI-FRAUD AND CORRUPTION STRATEGY AND FRAUD RESPONSE PLAN** (Pages 55 - 80)
Report of Chief Officer (Governance) enclosed.
- 9 **EXTERNAL REGULATORS AND INSPECTIONS REPORTS** (Pages 81 - 90)
Report of Chief Officer (Governance) enclosed.
- 10 **ACTION TRACKING** (Pages 91 - 96)
Report of Internal Audit Manager enclosed.
- 11 **FORWARD WORK PROGRAMME** (Pages 97 - 100)
Report of Internal Audit Manager enclosed.

AUDIT COMMITTEE **10 DECEMBER 2014**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 10 December 2014

PRESENT: Councillor Tim Newhouse (Chairman)

Councillors: Glyn Banks, Haydn Bateman, Alison Halford, Ian Roberts and Arnold Woolley

LAY MEMBER: Mr. Paul Williams

IN ATTENDANCE:

Chief Executive, Chief Officer (Governance), Internal Audit Manager, Democracy & Governance Manager, Corporate Finance Manager and Committee Officer

Ms. Amanda Hughes of Wales Audit Office

Finance Manager - Technical Accountancy (for minute number 39)

Policy & Performance Manager (for minute numbers 40 and 41)

37. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

There were no declarations of interest.

38. MINUTES

The minutes of the meeting of the Committee held on 24 September 2014 were submitted.

RESOLVED:

That the minutes be approved as a correct record and signed by the Chairman.

39. TREASURY MANAGEMENT - MID YEAR REPORT 2014/15

The Finance Manager - Technical Accountancy introduced an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2014/15 to the end of September 2014. In summarising the key points, she stated that no new borrowing had taken place during the year and this was likely to be the case for the remainder of 2014/15. She referred to the impact of both the Housing Revenue Account (HRA) subsidy reform (reported to Cabinet in November 2014) and the 'bail-in' provisions resulting from the EU Bank Recovery and Resolution Directive, both of which would be covered as part of the Treasury Management training session in January 2015. In line with the usual practice, all Members had been invited to attend the training and suggestions for other topics to be included in the session were welcomed.

In response to a question from Councillor Haydn Bateman, the Finance Manager explained that investments with Money Market Funds were pooled.

Investments made with banks and building societies were normally for periods up to 12 months in line with the advice received, however there was potential to invest over a longer term to achieve a better rate, depending on the security of the counterparty.

Councillor Glyn Banks asked for clarification on the settlement payment to be paid by all stock-retaining councils to the Welsh Government (WG) to abolish the HRA Subsidy system. The Finance Manager advised that the final amount for Flintshire (yet to be confirmed) would need to be borrowed from the Public Works Loans Board and that exiting the system would benefit the Council through the receipt of additional revenue each year to re-invest in stock.

The Chief Executive said that there would be no new risks to the HRA as a result of this action, which would benefit the Council, and that further detail would be shared with Members at the training session.

Following a question on investments made within smaller periods, the Finance Manager explained that decision-making on investments involved taking a measured view within the context of the Council's changing cashflow requirements.

RESOLVED:

That the draft Treasury Management Mid-Year Report 2014/15 be noted.

40. RISK MANAGEMENT UPDATE

The Chief Executive presented an overview of key risks to the achievement of the Council's Improvement Priorities together with work to further improve the approach to risk management as part of business planning arrangements. He provided information on the work undertaken by the Internal Audit Manager and his team to verify improvements from the new approach to managing risks, which had been reflected in the Wales Audit Office (WAO) Corporate Assessment to be made available in the New Year.

In presenting a summary of risks for the Improvement Priorities at September 2014, the Policy & Performance Manager highlighted ten from across the Authority showing an increase since June 2014. Many of these were due to external factors outside the Council's control, for example, dependency on Welsh Government (WG) funding, which demonstrated that most internal risks were being managed well. Whilst acknowledging the improved approach to risk management, the work undertaken by Internal Audit and WAO had identified the need to address some areas of inconsistency. In response to this, the revised approach being taken by the Chief Officer Team would be reported to a future meeting of the Committee.

Mr. Paul Williams sought clarification on the 'red' target score allocated to three 'red' risk areas under the Financial Strategy sub-priority. The Chief Executive provided explanation on the timing of factors such as ongoing work on the strategy to close the Council's financial gap, confirmation awaited on the local government final settlement and uncertainty around specific grants. Although consultation on the draft strategy for the 2015/16 budget was due to take place

with Overview & Scrutiny Committees in January 2015, this would need to be viewed as a democratic risk as the acceptability of the budget proposals were yet to be fully tested.

RESOLVED:

- (a) That the summary of strategic risks related to the Improvement Priorities of the Council be noted; and
- (b) That the intent to refresh the Council's approach to risk management as part of streamlining and integrating the business planning arrangements be endorsed.

41. ANNUAL PERFORMANCE REPORT 2013-14 AUDIT - CERTIFICATE OF COMPLIANCE

Ms. Amanda Hughes of Wales Audit Office (WAO) introduced the positive Certificate of Compliance from the Auditor General for Wales in respect of the audit of the 2013-14 Annual Performance Report. She explained the requirement under the Local Government (Wales) Measure 2009 (the Measure) for the Council to publish its assessment of performance before 31 October in the financial year.

Information was provided on background to the issuing of Certificates, which replaced the previous practice, to confirm that the Council had complied with its duties under Section 15 of the Measure.

In response to a query from Councillor Haydn Bateman, Ms. Hughes explained that the current period of austerity had brought about a change in emphasis to enable audit work to offer insight and add value for improvement, as opposed to merely compliance 'tick box' checking.

RESOLVED:

That the positive Certificate of Compliance from the Auditor General for Wales in respect of the audit of the 2013-14 Annual Performance Report be noted.

42. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit Manager presented the update report on progress of the Internal Audit department. No major issues were reported on the Audit Plan, which included some lower priority audits for possible movement if necessary. Members were advised of reasons for changes made to the Plan since last reported and progress on the gradual switch to using integrated audit software due to be implemented from January 2015.

During an update on finalised reports, more detail was given on the findings of those with high level recommendations. On recommendation tracking, whilst eight recommendations had been implemented, 16 remained outstanding, however 11 of these related to work on the Capital Programme and Capital Strategy which was currently in development. On performance indicators, it was envisaged that the downward trend on 'days taken for departments to return draft

reports' may continue into Quarter 3. The Internal Audit Manager provided explanation on the reasons for this which identified one particular area of concern, however it was felt that the new audit software would help to improve the process. The report also included benchmarking data for 2013/14 compiled by the Wales Chief Auditors' Group, where Flintshire's performance amongst the 15 Councils taking part was mainly above the Welsh average. The one indicator where this was not the case would show improvement as a result of the changes introduced to the audit process.

As mentioned at the previous meeting, attention had been drawn to the new Whistleblowing Policy by highlighting on employees' payslips in October 2014, although no new referrals had been received to date. The contact details of the Internal Audit Manager had been provided should employees prefer not to raise any issues directly with their supervising officer. Following a request from Councillor Alison Halford, the Internal Audit Manager agreed to notify the Committee of the number of issues referred through the Whistleblowing Policy, which was also available in the Internal Audit Annual Report.

In response to a question from Councillor Halford on the investigation in waste services, the Chief Executive replied that four employees had been subject to the disciplinary procedures, two of whom had been dismissed and one demoted with one outcome awaited. The Internal Audit Manager said that in line with the request previously made by the Committee, a report would be shared following completion of the disciplinary process.

The Chief Executive made reference to the investigation into potential fraud on concessionary travel by a bus operator. The vigilance of employees supporting the service and services elsewhere in North Wales had helped to identify this issue, which was now being followed up at a national level by Welsh Government (WG) as the funder of all schemes across Wales.

The Internal Audit Manager agreed to action the request by Councillor Haydn Bateman to view the final reports on 'Repairs & Maintenance Procurement' and 'Voluntary Redundancy & Early Voluntary Retirement'.

On Section 106 Agreements, Councillor Halford raised queries on the progress of audit work, the review being undertaken by the Planning section and papers which may have been issued to Town/Community Councils. The Internal Audit Manager said that the Chief Officer (Planning & Environment) had attended a meeting of the Committee to respond to issues raised on S106 Agreements. He agreed to provide a response to the Committee on any follow-up issues and the queries raised by Councillor Halford.

In welcoming the benchmarking results, Councillor Glyn Banks asked if it could be made compulsory for all 22 Welsh Councils to report their results to achieve a more complete picture. The Internal Audit Manager explained that this was an initiative by the group rather than by WG, and that individual Councils chose whether or not to participate.

Members were reminded by Ms. Amanda Hughes of Wales Audit Office that all Internal Audit sections within Councils were required to set and manage

their own performance measures as part of compliance with the Public Internal Audit Standards.

In recognition of the benefits of all Welsh Councils taking part in the benchmarking exercise, the Chief Executive suggested that the Internal Audit Manager report the concerns to the Wales Chief Auditors' Group and make representations for the remaining seven Councils to take part.

RESOLVED:

- (a) That the report be noted; and
- (b) That the Internal Audit Manager make representations to the Wales Chief Auditors' Group, on behalf of the Committee, for all Welsh Councils to participate in the benchmarking exercise.

43. CORPORATE GOVERNANCE

The Democracy & Governance Manager presented a report to agree the annual update of the Code of Corporate Governance and the preparation process for the Annual Governance Statement (AGS) 2014/15.

Following a number of agreed changes made to the Code of Corporate Governance last year, only a small number of amendments were suggested as an update. Members' views were sought on the process for preparing the AGS including the questionnaire for Overview & Scrutiny Chairs which reflected changes agreed at an informal meeting of the Committee in response to a suggestion by Ms. Amanda Hughes of Wales Audit Office at the June 2014 meeting. The improvements to the process agreed and adopted last year would continue.

Following a question by Mr. Paul Williams, Ms. Hughes felt that the approach taken by the Council was reasonable and welcomed the opportunities created for greater Member involvement.

The Chief Executive said that the process had been strengthened through the approach for a greater level of officer and Member challenge. The Democracy & Governance Manager reported on the actions taken by the Working Group to scrutinise the questionnaires returned by Chief Officers to ensure that the self-assessments were justified by appropriate evidence.

RESOLVED:

- (a) That the updated Code of Corporate Governance shown in Appendix 2 to the report be agreed;
- (b) That the process for preparation of the Annual Governance Statement as shown in Appendix 3 to the report be endorsed; and
- (c) That the questionnaire to be sent to Overview & Scrutiny Chairs shown in Appendix 4 to the report be agreed.

44. ACTION TRACKING

The Internal Audit Manager presented an update report on actions carried out to date from points raised at previous meeting of the Committee. All actions due for completion had been finalised.

RESOLVED:

That the report be accepted.

45. FORWARD WORK PROGRAMME

The Internal Audit Manager presented the report to consider the Forward Work Programme for the next year. He agreed to report back to the next meeting on a Good Governance seminar to which he and Mr. Paul Williams were due to attend.

RESOLVED:

That the Forward Work Programme be noted.

46. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There was one member of the press in attendance at the start of the meeting.

(The meeting started at 10.00 am and ended at 10.54 am)

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Chairman

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 28 JANUARY 2015**

REPORT BY: **CORPORATE FINANCE MANAGER**

SUBJECT: **AUDIT OF FINANCIAL STATEMENTS 2013/14 –**
 ISSUES RAISED

1.00 PURPOSE OF REPORT

1.01 To outline the Council's response to the Wales Audit Office (WAO) report 'Audit of Financial Statements 2013/14' and to present to Members an 'action plan' of how issues raised in the report will be addressed.

2.00 BACKGROUND

2.01 As part of the final accounts process, the WAO present ISA 260 reports 'Audit of Financial Statements' every year to the Audit Committee upon the conclusion of the audit of the Council's Statements of Accounts. One report relates to Flintshire County Council, the other to the Clwyd Pension Fund. The ISA (International Standards on Auditing) 260 requires the auditor to communicate relevant matters relating to the audit of the financial statements to those charged with governance of the entity.

2.02 Both 'Audit of Financial Statements 2013/14' reports were presented by the WAO to the Audit Committee and Council on 24th September 2014.

3.00 CONSIDERATIONS

3.01 Appendix 1 to this report is the Council's Statement of Accounts Action Plan 2014/15 which summarises:

- The issues raised in the WAO report
- The Council's response to those issues
- Actions planned to respond to those issues raised

3.02 Officers are currently working to the action plan so that the issues raised are resolved for the 2014/15 statement of accounts.

4.00 RECOMMENDATIONS

4.01 Members note the report and action plan.

5.00 FINANCIAL IMPLICATIONS

5.01 None directly as a result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 None required.

11.00 CONSULTATION UNDERTAKEN

11.01 None required.

12.00 APPENDICES

12.01 Appendix 1 – Statement of Accounts Action Plan 2014/15.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

Various 2013/14 Final Accounts Working Papers

Contact Officer: Liz Thomas
Telephone: 01352 702289
Email: liz.thomas@flintshire.gov.uk

STATEMENT OF ACCOUNTS ACTION PLAN 2014/15

Issue Raised in WAO Report	Flintshire's Response	Actions
<p>Non-current assets are not sufficiently detailed within the Council's asset register to allow the identification of individual assets across all asset categories.</p>	<p>Accepted.</p> <p>Asset registers are a cumulative accounting record of all asset related transactions undertaken over many years. FCC asset register has been maintained in the same way since its inception in 1996. Undertaking work to restate the way information is presented is therefore resource intensive and if the information needed is not available due to the length of time passed may not be possible.</p> <p>When FCC was set up in 1996, the Council inherited a share in percentage terms of Clwyd County Council's balance sheet. This means that it won't be possible to link these transactions to an individual asset.</p>	<p>Data from 2014/15 onwards will be entered onto the register in a manner that identifies individual assets sufficiently.</p> <p>During 2014/15 work will be undertaken to restate prior years information relating to assets in the classes below so that information on individual assets can be identified:</p> <ul style="list-style-type: none"> • Vehicles, Plant, Furniture and Equipment • Community Assets <p>Work will also begin on assets classed as Council Dwellings and Infrastructure, however due to the size of these portfolios this work won't be completed until 2015/16 financial year.</p>
<p>A number of transactions were identified which have been accounted for in the wrong financial year, despite the finance department issuing clear instructions to the Council</p>	<p>Accepted.</p>	<p>The finance department will strengthen the 2014/15 year end procedures by introducing a more robust review of transactions and which year they are being accounted for. Further, Corporate Finance will work with budget holders to strengthen their understanding of year end</p>

STATEMENT OF ACCOUNTS ACTION PLAN 2014/15

Issue Raised in WAO Report	Flintshire's Response	Actions
departments.		procedures.
<p>The Council needs to undertake an exercise, with reference to the individual agreements, to determine the appropriate accounting treatment of deposits (highways, environmental and s106 deposits etc)</p>	<p>Accepted.</p> <p>The volume of deposits and the length of time that some deposits date back to, mean that the task of reviewing all agreements was too resource intensive to complete during the audit period.</p>	<p>A full review of each deposit and associated legal agreement will be undertaken during 2014/15 to determine the appropriate accounting treatment going forward.</p>
<p>The Council does not have a clear protocol that sets out the arrangements for the establishment, discharge and review of reserves to support the Council's financial strategy and plan.</p>	<p>Accepted.</p> <p>All reserves are subject to a thorough review during the budget setting process. At the financial year end the creation of earmarked reserves from carry forwards / service balances is appropriately scrutinised. These arrangements are not documented however.</p>	<p>A full review of all reserves held has been undertaken during 2015/16 budget setting process to establish that the level of each reserve is appropriate.</p> <p>A reserves protocol is being developed for use by 1st April 2015.</p>

STATEMENT OF ACCOUNTS ACTION PLAN 2014/15

Issue Raised in WAO Report	Flintshire's Response	Actions
<p>Clwyd Pension Fund</p> <p>The Council needs to strengthen its arrangements to ensure that it identifies all retirements (and deaths) up to 31 March in order to accrue for the liability in the correct financial period.</p>	<p>Accepted.</p> <p>Consideration will be given on how to strengthen the process for estimating the accrual for the lump sum and death benefit liabilities.</p>	<p>Discussions will be held with the Altair software provider, Heywoods, to examine appropriate ways to extract acceptable information.</p>
<p>FCC & Clwyd Pension Fund</p> <p>The administering authority's (Clwyd Pension Fund) membership records are up to date and accurately record data for active, deferred and pensioner records. Both the employer body (via its payroll team) and the administering authority need to work together to ensure that membership records are kept up to date.</p>	<p>Accepted</p> <p>Consideration will be given on improving the process for the flow of member information from employers to the administering authority.</p>	<p>Regular meetings are held with Flintshire County Council to identify and rectify issues. Regular contact is made with Denbighshire CC and Wrexham CBC. The introduction of iConnect will ensure the accuracy of transfer of data between the Pension Fund and the Employers. Denbighshire CC and Flintshire CC have already contracted to participate.</p>

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 28 JANUARY 2015**
REPORT BY: **CORPORATE FINANCE MANAGER**
SUBJECT: **ANNUAL AUDIT LETTER**

1.00 PURPOSE OF REPORT

1.01 To report to the Committee the Annual Audit Letter from the Council's Appointed Auditor, Wales Audit Office (WAO).

2.00 BACKGROUND

2.01 The Appointed Auditor is required, under the Public Audit (Wales) Act 2004 to provide to Members of the Council, a summary of the key messages from his statutory responsibilities and reporting responsibilities under the code.

2.02 The letter is required to be issued by 30th November each year.

3.00 CONSIDERATIONS

3.01 The Annual Audit Letter to Members of Flintshire County Council is attached.

3.02 The letter brings together key messages and relevant updates from the (unqualified) audit opinion on the financial statements for 2013/14 which was issued on 30th September 2014 and reported to the Audit Committee and Council on 24th September 2014.

3.03 The actions to address the issues raised by WAO in the ISA260 report to Audit Committee and Council in September are included in a separate report also on this agenda.

3.04 A representative of WAO will be present at the meeting to present the annual letter.

4.00 RECOMMENDATIONS

4.01 Members are asked to note the Annual Audit Letter to Members of Flintshire County Council.

5.00 FINANCIAL IMPLICATIONS

5.01 None directly as a result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 None required.

11.00 CONSULTATION UNDERTAKEN

11.01 None required.

12.00 APPENDICES

12.01 Appendix A – Annual Audit Letter to Members of Flintshire County Council.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

Various 2013/14 Final Accounts Working Papers

Contact Officer: Gary Ferguson
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Reference	683A2014
Date	25 November 2014
Pages	1 of 4

Dear Aaron and Colin

Annual Audit Letter – Flintshire County Council 2013-14

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards. On 30 September 2014, I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of Flintshire County Council in my Audit of Financial Statements reports on 24 September 2014 and are summarised below:

- Records relating to non-current assets are insufficiently detailed within the Council's asset register to allow the easy identification of individual assets across all asset categories. This has potential implications for both the accounting of assets and the existence and use of them. The Council were able to provide us with enough information to issue an unqualified opinion on the accounts, but the Council could usefully improve the quality of asset register.
- The Council continued to make improvements to the quality of its accounts although we identified some issues in respect of expenditure cut off (ie accounting for transactions in the correct period) and classification of balances relating to deposits.
- Based on legal advice available to it, the Council did not fully recognise a liability for pension contributions on its equal pay liabilities. This is contrary to legal advice received by the Appointed Auditor which suggests that pension contributions should be paid on payment to resolve equal pay claims. Given the diverging legal views and uncertainty regarding the need to recognise a provision, the Appointed Auditor concluded that he would not take any further action as part of the 2013-2014 audit of accounts.
- Whilst we did not identify any specific issues, it is essential that the Council, in its role as the administering authority, continues to work closely with its Employer Bodies (including Flintshire, Wrexham and Denbighshire Councils, as well as a number of smaller bodies) to ensure that pension fund membership records are up to date and accurately record data for active, deferred and pensioner records. This is important both for the individuals concerned and also to the Employer bodies in ensuring that they account for pension obligations correctly within their respective financial statements.

The Council is required to provide Whole of Government Accounts (WGA) under the HM Treasury's *Whole of Government Accounts (Designation of Bodies) Order*. The Council submitted its WGA return by the due date. We reviewed the return and identified no issues that we wish to draw to your attention.

It is also worth noting, the Council lead on the preparation of the accounts of the North Wales Residual Waste Joint Committee and the Taith Regional Transport consortia. On 30 September I issued unqualified opinions on both sets of accounts confirming that they present a true and fair view of the respective Joint Committee's financial position and transactions. The key matters arising from the accounts audit were reported to the

members of the respective Committees in my Audit of Financial Statements reports. I do not need to bring anything to your attention in this letter.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts, as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report. This year, the Annual Improvement Report will include the findings of the Corporate Assessment undertaken in September 2014.

Prior to 2014-15, the Council has a track record of accurately identifying and meeting its budget shortfall on an annualised basis. In establishing its 2014-15 budget, the Council put in place a major structural review to yield savings from corporate and functional efficiencies, as well as organisational design which focused on both structure and workforce. The Council currently projects that a good proportion of the planned savings are likely to be achieved, but the first phase of the Voluntary Redundancy Programme did not yield the anticipated savings and a second phase is currently being worked through. There is a residual risk that, if permanent savings cannot be identified, an underlying budget shortfall will be carried through to 2015-16 onwards, adding to the pressures in future years.

The Council continues to strengthen its financial planning arrangements but at the same time faces unprecedented levels of austerity. Following details of the Welsh Local Government settlement for 2015-16, the Council now faces a budget gap of £16.4 million in 2015-16. The gap may be exacerbated by the shortfall in 2014-15, resulting in the need for a level of cuts not previously encountered.

The Council, particularly through the collective work of both Cabinet and the new Chief Officer Team, is developing detailed three-year service business plans which form the basis of the proposals to deal with this significant shortfall. However, the scale of the budget gap and the uncertainties that remain mean that the Council's ability to set a balanced and achievable budget for 2015-16 remains extremely challenging, as does the outlook for future years. I have previously expressed concern over the annualised nature of the financial planning, so it is positive to note that the Council's business plans will now form the basis of planning for 2016-17 and beyond, as well as 2015-16, and that this will be considered in the context of the 2015-16 budget.

I issued a certificate confirming that the audit of the accounts had been completed on 30 September 2013

I also issued a completion certificate for the Joint Committees on the same date.

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2014-15 accounts or key financial systems

In September 2014, the Audit Committee considered my Certification of Grants and Returns 2012-13 report which confirmed that the Council has adequate arrangements in place for the preparation and submission of its grant claims. However, 65 per cent of claims were either amended and/or qualified and the Council needs to further strengthen its arrangements. To assist in this, and following the delivery of grants training to relevant officers, we issued Grants feedback memoranda for each claim to identify improvements in respect of individual grants.

My programme of audit work on the 2013-14 grant claims is currently underway and I will issue a more detailed report on my grant certification work, in Spring 2015, once this year's programme of certification work is complete. I will be conducting follow-up work to determine whether the areas of improvement identified in our 2012-13 feedback memoranda have been addressed.

The financial audit fee for 2013-14 is currently expected to be in line with the agreed fee set out in the Annual Audit Outline.

Yours sincerely



**John Herniman
For and on behalf of the Appointed Auditor**

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **28 JANUARY 2015**

REPORT BY: **CORPORATE FINANCE MANAGER**

SUBJECT: **TREASURY MANAGEMENT STRATEGY 2015/16 AND**
 TREASURY MANAGEMENT UPDATE 2014/15

1.00 PURPOSE OF REPORT

- 1.01 To present the draft Treasury Management Strategy 2015/16 for review prior to the Committee recommending its approval to Cabinet.
- 1.02 To provide Members with a quarterly update on matters relating to the Council's 2014/15 Treasury Management Strategy up to the end of December 2014.
- 1.03 This report was supplemented by training available to all Members of the Council on treasury management on 21st January 2015.

2.00 BACKGROUND

- 2.01 The Local Government Act 2003 requires all local authorities to have due regard to both the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice (The CIPFA Code of Practice) and Welsh Government guidance on Local Authority Investments.
- 2.02 The Council has adopted The CIPFA Code of Practice which requires:-
- The Council to create and maintain a Treasury Management Policy Statement which states the Council's policies, objectives and approach to risk management of its treasury management activities.
 - The Council to create and maintain suitable Treasury Management Practices (TMPs) and accompanying schedules, stating how those policies and objectives will be achieved and prescribing how those activities will be managed and controlled.
 - The Council to receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form

prescribed in its TMPs.

- Responsibility for Treasury Management to be clearly defined. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to Head of Finance, who will act in accordance with the organisation's policy statement and TMPs and, CIPFA's *Standard of Professional Practice on Treasury Management*.
- A body to be responsible for the scrutiny of Treasury Management Policy, Strategy and Practices. The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management function. The Audit Committee has previously agreed to include treasury management as a standing item on each quarterly agenda to receive an update.

2.03 The Welsh Government guidance on Local Authority investments requires that the Council prepares an Investment strategy before the start of each financial year which sets out the Council's policies for the prudent management of its investments, giving priority, firstly to the security of those investments (protecting the capital sum from loss), and secondly liquidity (keeping money readily available for expenditure). The generation of investment income is distinct from these prudential objectives, however provided that proper levels of security and liquidity are achieved, it may (but only then) be reasonable to seek the highest yield consistent with those priorities.

The guidance stipulates that the investment strategy must also include the following:

- Specified Investments
- Non-specified Investments
- Credit Risk Assessment
- Investment Consultants
- Investment Training
- Investment of money borrowed in advance of need.

2.04 On 18th February 2014, the Council approved the Treasury Management Strategy 2014/15 following the recommendation of the Cabinet and consideration by Audit Committee. On 1st March 2013, the Council approved the Treasury Management Policy Statement 2013-2016 and Treasury Management Practices 2013-2016, following the recommendation of the Cabinet and consideration by the Audit Committee.

3.00 CONSIDERATIONS

2015/16 Treasury Management Strategy

- 3.01 The 2015/16 Treasury Management Strategy is attached in Appendix 1 for review and discussion. The Strategy is updated and reported annually to Members in accordance with the CIPFA Code of Practice and the Welsh Government guidance.
- 3.02 The Treasury Management Strategy details the approach that the Council will take for investing and borrowing over the next year, including the budgetary implications of the planned investment and borrowing strategy and a number of treasury management indicators that the CIPFA Code requires.
- 3.03 The contents and layout of the 2015/16 Strategy have not materially changed from that of the 2014/15 Strategy.

Changes made and matters needing to be brought to Members attention are summarised below along with the supporting rationale:-

- 3.04
- Section 4 – Local context.

This section summarises the anticipated treasury position in 2015/16. A new graph called the liability benchmark has been included (Table 4) which shows the net requirement for borrowing after considering resources available from reserves and working capital over the next 50 years. Treasury Management activity in 2015/16 will change and will focus more on borrowing and less on investments than in recent years.

- 3.05
- Section 5 – Housing Revenue Account; Subsidy Reform and introduction of self financing

Preparations continue to be made for the abolition of the Housing Revenue Account Subsidy (HRAS) system in Wales and the introduction of 'Self Financing' for the Housing Revenue Account on 31st March 2015. The treasury impact will be to increase the Council's debt position. Section 5 of the report provides further information.

- 3.06
- Section 6 – Investment Strategy.

Changes have been made to the format of the Investment criteria and limits detailed in table 5. The changes are necessary to ensure that the Council's exposure to credit risk is minimised. This is as a consequence of the recently introduced legislation (commonly referred to as 'bail-in') to reform procedures should financial institutions fail in the future.

The reforms end potential support available from the government and require investors / creditors classed as unsecured bondholders (such as Councils) to be bailed-in to secure the future financial stability in the event of a default.

3.07 • Section 7 – Borrowing Strategy.

Changes have been made to the planned borrowing strategy in 2015/16 from that of 2014/15 which can be seen in Section 7 – Borrowing Strategy. In 2014/15 the strategy was to create short term revenue savings by not undertaking any new borrowing. In 2015/16 the Council will need to borrow to fund the capital programme.

3.08 A training session open to all Members on treasury management was run by Arlingclose, the Council's Treasury Management advisors on the morning of 21st January. The aim of the workshop was to aid Members' understanding of the Treasury Management Strategy.

3.09 On 1st March 2013 the Council approved the current Treasury Management Policy and Treasury Management Practices with both documents covering 3 financial years, 2013 to 2016. It was agreed that these documents would not require annual approval by Members, unless any significant changes were required. No changes need to be made to the Policy, and only minor changes need to be made to the Practices simply to bring them in line with changes approved to the Strategy.

Treasury Management 2014/15 Update

3.10 A statement setting out the Council's investments as at 31st December 2014 is attached as Appendix 2. The investment balance at this time was £52.4m across 19 counterparties with an average interest rate of 0.55%.

3.11 The Council has opened a 'custody account' with King & Shaxson (London). This enables the Council to invest in UK Government Treasury Bills, Certificate of Deposits, Bonds and other tradable instruments. The pooled nature of some of these financial instruments potentially enables investments to be made with counterparties who are not ordinarily active in the deposit market which the Council uses to make investments. This will assist with diversification of the Council's investment portfolio, and to date two £1m investments have been made in UK Treasury Bills.

3.12 A statement analysing the Council's long-borrowing portfolio as at 31st December is attached as Appendix 3. There has been no change since the last update reported with total long-term borrowing stands at £172.1m with a weighted average interest rate of 5.4%.

3.13 During the quarter debt rescheduling was considered as part of 2015/16 budget setting. Current market conditions have led to very low gilt yields which result in premiums being payable should the Council seek early repayment of debt which continue to be cost prohibitive.

4.00 RECOMMENDATIONS

4.01 Members review the draft Treasury Management Strategy 2015/16 and identify any matters to be drawn to the attention of Cabinet on 17th February 2015.

4.02 Members note the Treasury Management 2014/15 quarterly update.

5.00 FINANCIAL IMPLICATIONS

5.01 As set out in the report.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 Arlingclose Ltd.

11.00 CONSULTATION UNDERTAKEN

11.01 Arlingclose Ltd.

12.00 APPENDICES

12.01 Appendix 1 – Draft Treasury Management Strategy 2015/16
Appendix 2 – Investment portfolio as at 31.12.14
Appendix 3 – Borrowing portfolio as at 31.12.14

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

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FLINTSHIRE COUNTY COUNCIL

**TREASURY MANAGEMENT
STRATEGY**

2015/16

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Treasury Management Strategy Report 2015/16

The Council is recommended to:

- approve the Treasury Management Strategy for 2015/16
- approve the Treasury Management Indicators for 2015/16

1.0 Introduction

In April 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

In addition, the Welsh Government (WG) issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the WG Guidance.

The successful identification, monitoring and control of risk are central to the Council's treasury management strategy as the Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates.

2.0 Economic Context (including Interest Rate Forecast – as provided by Arlingclose Ltd, November 2014).

Economic background: There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP. However, inflationary pressure is benign and is likely to remain low in the short-term. There have been large falls in unemployment but levels of part-time working, self-employment and underemployment are significant and nominal earnings growth remains weak and below inflation.

The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee. Despite two MPC members having voted for a 0.25% increase in rates at each of the meetings August 2014 onwards, some Committee members have become more concerned that the economic outlook is less optimistic than at the time of the August Inflation Report.

Credit outlook: The transposition of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The *Bank Recovery and Resolution Directive* promotes the interests of individual and

small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast *Deposit Guarantee Schemes Directive* includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.

The continued global economic recovery has led to a general improvement in credit conditions since last year. This is evidenced by a fall in the credit default swap spreads of banks and companies around the world. However, due to the above legislative changes, the credit risk associated with making unsecured bank deposits will increase relative to the risk of other investment options available to the Authority.

Interest rate forecast: The Authority's treasury management advisor Arlingclose forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75%. Arlingclose believes the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. The risk to the upside (i.e. interest rates being higher) is weighted more towards the end of the forecast horizon. On the downside, Eurozone weakness and the threat of deflation have increased the risks to the durability of UK growth. If the negative indicators from the Eurozone become more entrenched, the Bank of England will likely defer rate rises to later in the year. Arlingclose projects gilt yields on an upward path in the medium term, taking the forecast average 20 year PWLB loan rate for 2015/16 to 2.8%.

Table 1: Interest rate forecast

	Bank Rate	3 month LIBID	12 month LIBID	20 year PWLB rate	50 year PWLB rate
Q1 2015	0.50	0.60	1.00	2.55	2.65
Q2 2015	0.50	0.75	1.05	2.65	2.70
Q3 2015	0.75	0.90	1.20	2.75	2.80
Q4 2015	0.75	1.05	1.35	2.85	2.90
Q1 2016	1.00	1.20	1.50	2.95	3.00
Q2 2016	1.00	1.35	1.65	3.00	3.05
Q3 2016	1.25	1.50	1.80	3.05	3.10
Q4 2016	1.25	1.60	1.95	3.10	3.15
Q1 2017	1.50	1.70	2.10	3.15	3.20
Q2 2017	1.50	1.80	2.20	3.20	3.25
Q3 2017	1.75	1.90	2.30	3.25	3.30
Q4 2017	1.75	2.00	2.40	3.30	3.55

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.65%, and that new long-term loans will be borrowed at a weighted average rate of 3.15%.

3.0 Current Treasury Portfolio

The Council's treasury portfolio as at 31st December 2014 was as follows:

Table 2: Current Treasury Portfolio

	Principal £m	Interest rate %
Investments:		
Call accounts	5.0	0.35
Money market funds	15.6	0.44
Short-term deposits	31.8	0.62
Long-term deposits	-	-
Total Investments	52.40	0.55
Borrowing:		
Short-term loans	-	-
Long-term PWLB loans (fixed)	143.16	5.86
Long-term PWLB loans (variable)	10.00	0.55
Long-term market loans (LOBOs)	18.95	4.53
Total Borrowing	172.11	5.42
Net Borrowing	119.71	

4.0 Local Context

Forecast changes in the sums in section 3 are shown in the balance sheet analysis in the table below.

Table 3: Balance Sheet Summary and Forecast

	31.3.14 Actual £m	31.3.15 Estimate £m	31.3.16 Estimate £m	31.3.17 Estimate £m	31.3.18 Estimate £m
Council Fund Capital Financing Requirement (Borrowing only)	154	164	186	190	188
Housing Revenue Account Capital Financing Requirement (Borrowing only)	25	24	122	130	140
Capital Financing Requirement (Borrowing only)	179	188	308	320	328
Less: Current borrowing	-172	-172	-172	-172	-172
Funding Required	7	16	136	148	156
Less: Usable reserves	-60	-43	-25	-21	-19
Less: Working capital	4	4	5	5	5
Investments / New borrowing (called the Liability Benchmark)	49	23	-116	-132	-142

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are

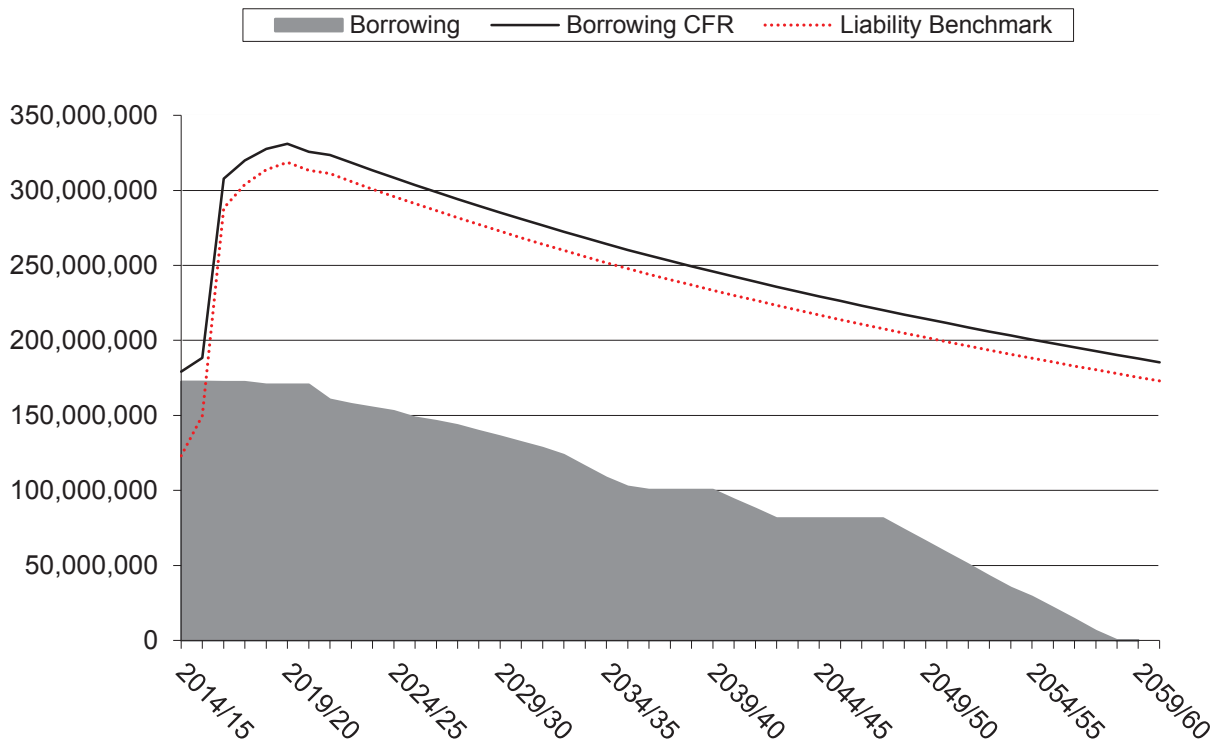
the underlying resources available for investment. The Authority's current strategy is to maintain borrowing below their underlying levels, sometimes known as internal borrowing.

Table 3 shows the Authority's CFR increasing steadily until 2015/16, this is linked with the capital programme which increases sharply in 2015/16 due to the 21st century schools building programme and the payment required to exit the Housing Revenue Account Subsidy system (described in more detail in section 5). The level of reserves the Authority has is expected to fall in 2014/15 following the implementation of the Single Status Agreement. The combination of the increase in capital expenditure and a reduction in reserves, results in:

- an expected reduction in investments in 2014/15 and 2015/16,
- a significant projected new borrowing requirement in 2015/16 and further new borrowing required in 2016/17 and 2017/18.

The graph in table 4 shows the Council's anticipated liability benchmark over the next 50 years, being the net requirement for borrowing after considering resources available from reserves and working capital. The steep rise in the liability benchmark in 2015/16 corresponds with the need to borrow to fund the increase in capital expenditure described above. The strategy in 2015/16 and over the medium term is to ensure that any new borrowing undertaken does not exceed the liability benchmark and cause the council to borrow more than it needs.

Table 4: Liability Benchmark - Flintshire County Council (January 2015)



The impact of the above will result in the focus of treasury management activity changing in 2015/16. In recent years attention will have been concentrated on investments, which will now switch to borrowing.

Budget implications

The budget for investment income in 2015/16 is £130k, based on an average investment portfolio of £20m at an average interest rate of 0.65%. The total budget for loan interest paid in 2015/16 is £12.6m, based on an average debt portfolio of £276.5m at a weighted average interest rate of 4.53%. If levels of investments, borrowing and interest rates differ from those forecast, performance against budget will be correspondingly different.

5.0 Housing Revenue Account (HRA) – Introduction of Self Financing and Subsidy Reform

Agreement has been reached between the UK Government and the Welsh Government to change the financing arrangements for council housing in Wales from April 2015. Currently a negative subsidy system is in operation which requires Flintshire to make annual payments of c£6m in negative subsidy to Welsh Government and on to UK Treasury, along with the other 11 stock retaining authorities in Wales.

The agreement is expected to generate revenue savings allowing the Council to increase its investment in existing stock, and support the delivery of additional supply of housing. It will also provide more local accountability to tenants.

Introduction of self financing will end the negative subsidy system and annual payments. The subsidy payments will be replaced with interest payments on PWLB loans that the Council must borrow to exit the subsidy system. The PWLB loans, called the settlement payment (a one-off lump sum payment), will be paid to Welsh Government (WG) and on to UK Treasury.

WG have established an officer Steering Group and a number of work streams to undertake the considerable amount of work involved to exit the subsidy system by the 31st March 2015, which Flintshire has been contributing to. Good progress has been made to date, but the work continues.

The settlement payment will be set with reference to PWLB interest rates on 31st March 2015 and therefore cannot be confirmed at this point in time. The current projection for Flintshire is £92m, based on the latest interest rate forecast. At this value the estimated annual revenue savings are £0.5m. These figures will change up until 31st March and will be monitored and revised as necessary.

The sharp increase in the HRA capital financing requirement from 2015/16 onwards in table 3 above, is due to the estimated £92m settlement payment and an estimated planned programme of £28.3m capital expenditure over 3 years to improve existing stock and to start building new council houses.

6.0 Investment Strategy

The Council holds surplus funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £45.2 and £80.9 million.

Both the CIPFA Code and the WG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Strategy

Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure asset classes during 2015/16. This is especially the case for any longer-term investment made. The majority of the Authorities surplus cash is currently invested in short-term unsecured bank deposits and money market funds. This diversification will therefore represent a change in strategy over the coming year.

Investment criteria and limits

The Council may invest its surplus funds with any of the counterparties in the following table, subject to the monetary and time limits shown.

Table 5: Investment criteria and limits

(This table should be read in conjunction with the notes that follow it)

Minimum Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Government			£ Unlimited 50 years		
AAA	£4m	£7m	£7m	£4m	£4m 10 years
AA+	5 years	5 years	25 years	5 years	
AA	£4m 4 years	£7m 4 years	£7m 15 years	£4m 4 years	
AA-	£4m 3 years	£7m 3 years	£7m 10 years	£4m 3 years	
A+	£4m 2 years	£7m 2 years	£7m 5 years	£4m 2 years	£4m 5 years
A	£4m 1 year	£7m 1 year		£4m 1 year	
A-	£4m 6 months	£7m 6 months		£4m 6 months	
Pooled Funds	£7m per fund				
BBB-	The Council is restricted to overnight deposits at its' own current account bank with a limit of £5m where the banks lowest credit rating is BBB+, BBB or BBB- (or equivalent)				
Unrated Local Authorities			£4m 2 years		
Unrated Other	The Council may invest in any other unrated organisation, subject to: <ul style="list-style-type: none"> • an external credit assessment and specific advice from the Authority's treasury management adviser (£1m each / 1 year limit) • a further policy framework for investing with any other organisations being developed (£100k each / 5 year limit) 				

Credit Rating

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Banks Unsecured

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator

determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB+, BBB or BBB- are restricted to overnight deposits at the Authority's current account bank.

Banks Secured

Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government

Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates

Loans, bonds and commercial papers issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers

Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Welsh Government or Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed. The Council will consider investing with unrated Registered Providers with adequate credit safeguards, subject to receiving independent advice.

Pooled Funds

Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Other Organisations

The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Authority's treasury management adviser.

Foreign countries

Investments in foreign countries will be limited to those that hold an AAA or AA+ / Aa1 sovereign credit rating from all three major credit rating agencies, and to a maximum of £10 million per foreign country. Investments in countries whose lowest sovereign rating is not AAA will be limited to one year's duration. No country limit will apply to investments in the UK, irrespective of the sovereign credit rating.

Risk assessment and credit ratings

The Council uses long-term credit ratings from the three main rating agencies Fitch Ratings Ltd, Moody's Investors Service Inc and Standard & Poor's Financial Services LLC to assess the risk of investment default. The lowest available credit rating will be used to determine credit quality.

Long-term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade. The Council's credit rating criteria are set to ensure that it is unlikely that the Council will hold speculative grade investments, despite the possibility of repeated downgrades.

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative")

so that it is likely to fall below the above criteria, then no further investments will be made in that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks.

Other information on the security of investments

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of “high credit quality” are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified investments

The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of “high credit quality”.

The Council defines ‘high credit quality’ organisations as those having a credit rating of A- or higher that are, domiciled in the UK, or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of [A-] or higher.

Non-Specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments in foreign currencies. Non-specified investments will therefore be limited to long term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement; those that are defined as capital expenditure, such as

money market funds and other pooled funds; and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in the table below.

Table 6: Non-Specified Investment Limits

	Cash Limit
Total long-term investments	£10m
Total shares in pooled funds	£30m
Total investments without credit ratings or rated below A- (not including pooled funds)	£10m
Total non-specified investments	£50m

Liquidity management

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

Planned investment strategy for 2015/16

The UK implemented the 'bail-in' provisions on 1st January 2015 ending government support potentially available should a bank fail in the future. Investors / creditors classed as senior unsecured bondholders will be bailed-in to secure the future financial stability of a bank in the event of a default.

There is a risk that following the withdrawal of potential government support, the credit rating agencies will downgrade the credit ratings of some institutions on Flintshire's counterparty list to BBB+, below A- which is the minimum rating required by the Treasury Management Strategy.

To mitigate this risk, the Council will:

- Not invest in any financial institution rated below A-, with the exception of overnight deposits with the Council's current account.
- Reduce the amount of unsecured investments made.
- Seek to invest in alternative, secure financial instruments such as UK Government Treasury Bills and investments secured on a bank or building societies assets, such as covered bonds, that are exempt from bail-in in the unlikely event of insolvency.
- Continue to diversify the portfolio of investments, subject to cash flow requirements as outlined in the following paragraphs

Treasury management staff will continue to seek out investments that meet the criteria detailed within this strategy whilst having full regard for the Council's cash flow requirements, in particular the expectancy to meet outstanding single status and equal pay obligations during the 2015/16 financial year.

The cash flow forecast will be used to divide surplus funds into three categories:

- Short-term – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows over the same period.
- Medium-term – cash required to manage the annual seasonal cash flow cycle, including amounts to cover forecast shortages, planned uses of reserves, and a longer-term contingency.
- Long-term – cash not required to meet cash flows, and used primarily to generate investment income.

Short-term funds are required to meet cash flows occurring in the next month or so, and the preservation of capital and liquidity is therefore of paramount importance. Generating investment returns is of limited concern here, although it should not be ignored. Instant access money market funds and bank deposit accounts will be the main methods used to manage short-term cash.

Medium-term funds which may be required in the next one to twelve months will be managed concentrating on security, with less importance attached to liquidity but a slightly higher emphasis on yield. The majority of investments in this period will be in the form of fixed term deposits with banks and building societies. A wide spread of counterparties and maturity dates will be maintained to maximise the diversification of credit and interest rate risks.

Cash that is not required to meet any liquidity need can be invested for the longer term with a greater emphasis on achieving returns that will support spending on local authority services. Security remains important, as any losses from defaults will impact on the total return, but fluctuations in price and even occasional losses can be managed over the long term within a diversified portfolio. Liquidity is of lesser concern, although it should still be possible to sell investments, with due notice, if large spending commitments arise unexpectedly. A wider range of instruments, including structured deposits, certificates of deposit, gilts and corporate bonds will be used to diversify the portfolio.

7.0 Borrowing Strategy

The Council currently holds £172.11m of long-term loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in section 4 shows that the Council will need to undertake significant new long term borrowing during 2015/16.

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which the funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

The Council's capital expenditure plans will be monitored throughout 2015/16 to inform and confirm the Council's long term borrowing need (figures in section 4 are an estimate). This is to ensure that the Council does not commit to long

term borrowing too early and borrow unnecessarily which will be costly. The use of short-term borrowing will assist with such. This will be balanced against securing low long term interest rates currently being forecast.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term instead. By doing so, the Council is able to reduce net borrowing costs (despite forgone investment income) and reduce overall treasury risk. Credit risk as a result of the bail-in legislation has increased as referred to in section 6 the planned borrowing strategy helps to mitigate the increased risk.

Whilst such a strategy is most likely to be beneficial over the next 2-3 years as official interest rates remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing costs are forecast to rise. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis.

In addition, the Council may borrow for short periods of time (normally for up to one month) to cover unexpected cash flow shortages.

Sources of borrowing

The approved sources of long-term and short-term borrowing will be:

- Public Works Loan Board (PWLB)
- UK local authorities
- any institution approved for investments above
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Clwyd Pension Fund)
- capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable joint local authority bond issues.

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

LGA Bond Agency (Municipal Bond Agency)

The LGA Bond Agency is a Local Capital Finance Company established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities.

This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet.

LOBOs

The Authority holds £18.95m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2015/16, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

Short-term and Variable Rate loans

These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators in section 9.

Debt Rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Planned borrowing strategy for 2015/16

The Corporate Finance Manager will:

- Manage the Council's debt maturity profile, i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing with the limits stated in this Strategy Statement. Appendix A analyses the debt portfolio of the Council, as at 31st December, 2014.
- Effect any borrowing that maybe required in 2015/16 at the cheapest cost commensurate with future risk based on interest rate forecasts.
- Monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movements, within the limits stated in this Strategy.

- Continue to monitor options for debt-restructuring and debt re-payment.

The Corporate Finance Manager will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances, reporting any decisions and actions taken under delegated powers to Cabinet via the Audit Committee.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance, such as bond issues and bank loans, that may be available at more favourable rates.

Loans that present additional risk to the authority, such as lender's option borrower's option (LOBO) loans and variable rate loans will be restricted to the limit on the net exposure to variable interest rates in the treasury management indicators in section 9.

8.0 Policy on Use of Financial Derivatives

In the absence of any legislative power, the Council's policy is not to enter into standalone financial derivatives transactions such as swaps, forwards, futures and options. Derivatives embedded into loans and investments may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

9.0 Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators. The Council is asked to approve the following indicators:

Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as an amount of net principal borrowed will be:

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposures	£330m	£350m	£360m
Upper limit on variable interest rate exposures	£60m	£70m	£80m

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Lower	Upper
Under 12 months	0%	10%
12 months and within 24 months	0%	10%
24 months and within five years	0%	30%
Five years and within 10 years	0%	50%
10 years and above	0%	100%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than 364 days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2015/16	2016/17	2017/18
Limit on total principal invested beyond year end	£10m	£10m	£10m

Any long term investments carried forward from previous years will be included in each years limit.

Borrowing limits

The Council is being asked to approve these Prudential Indicators as part of the Capital Programme report. However they are repeated here for completeness.

	2015/16	2016/17	2017/18
Operational boundary – borrowing	£304.1m	£321.1m	£333.1m
Operational boundary – other long-term liabilities	<u>£10.1m</u>	<u>£10.1m</u>	<u>£10.1m</u>
Operational boundary – TOTAL	£314.2m	£331.2m	£343.2m
Authorised limit – borrowing	£324.1m	£341.1m	£353.1m
Authorised limit – other long-term liabilities	<u>£20.1m</u>	<u>£20.1m</u>	<u>£20.1m</u>
Authorised limit – TOTAL	£344.2m	£361.2m	£373.2m

10.0 Other Matters

The WG Investment Guidance requires the Council to note the following three matters each year as part of the investment strategy:

Treasury Management Advisers

The Council's treasury management adviser, Arlingclose continues to provide advice and information on the Council's investment and borrowing activities, although responsibility for final decision making remains with the Council and its officers. The services received include:

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,
- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

The quality of this service is controlled by Financial Procedure Rules

Investment training

The needs of the Council's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA and other appropriate organisations.

Investment of Money Borrowed in Advance of Need

The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

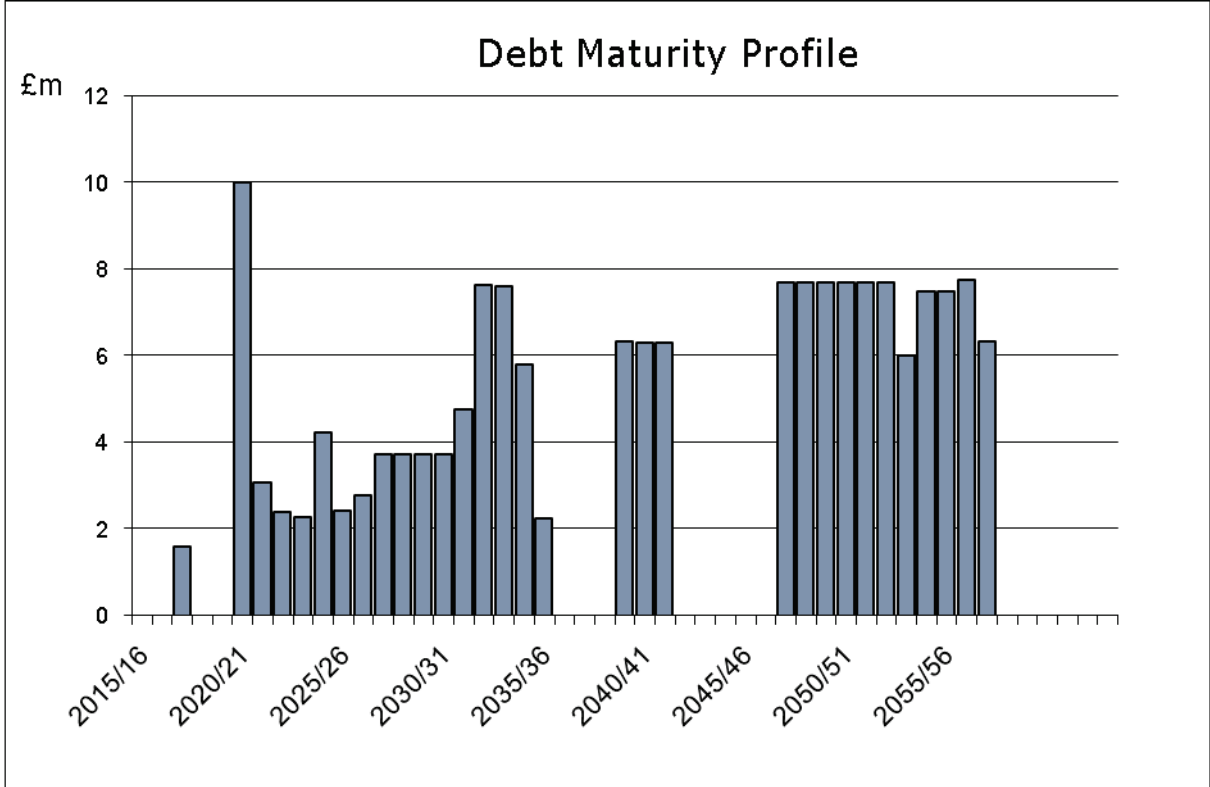
The total amount borrowed will not exceed the authorised borrowing limit of £344.2 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

Other Options Considered

The WG Investment Guidance and the CIPFA Code of Practice do not prescribe any particular treasury management strategy for local authorities to adopt. The Corporate Finance Manager, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in the following table.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter periods.	Interest income will be lower	Reduced risk of losses from credit related defaults
Invest in a wider range of counterparties and/or for longer periods.	Interest income will be higher	Increased risk of losses from credit related defaults
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain
Reduce level of borrowing if debt rescheduling costs weren't prohibitive	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain

APPENDIX A – DEBT MATURITY PROFILE



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FLINTSHIRE COUNTY COUNCIL - INVESTMENT PORTFOLIO

31st DECEMBER 2014

APPENDIX 2

Counterparty Name	Amount Invested £m	Start Date	Maturity Date	Interest Rate	Investment Interest £	Type of Investment	Period to Maturity
BANK OF SCOTLAND	4.0	04/04/14	02/04/15	0.95%	37,792	UK Bank	1 - 3 months
BANK OF SCOTLAND	3.0	05/06/14	05/06/15	0.95%	28,500	UK Bank	3 months +
BANK OF SCOTLAND	7.0						
BARCLAYS BANK	2.1	03/12/14	16/01/15	0.37%	937	UK Bank	1 month or less
BARCLAYS BANK	1.3	03/12/14	22/01/15	0.37%	659	UK Bank	1 month or less
BARCLAYS BANK	3.4						
BIRMINGHAM CITY COUNCIL	1.0	28/08/14	27/02/15	0.50%	2,507	Local Auth	1 - 3 months
BIRMINGHAM CITY COUNCIL	1.0						
BNP PARIBAS	2.7	02/04/14	30/01/15	0.46%	10,310	MMF	1 month or less
BNP PARIBAS	2.7						
CLOSE BROTHERS LTD	2.0	17/10/14	23/01/15	0.60%	3,222	UK Bank	1 month or less
CLOSE BROTHERS LTD	2.0						
CUMBERLAND BUILDING SOCIETY	1.0	07/11/14	09/02/15	0.50%	1,288	UK BS	1 - 3 months
CUMBERLAND BUILDING SOCIETY	1.0						
DBS BANK	1.0	28/10/14	28/01/15	0.55%	1,386	Overseas	1 month or less
DBS BANK	1.0						
DUMFRIES & GALLOWAY COUNCIL	2.0	11/12/14	11/03/15	0.48%	2,367	Local Auth	1 - 3 months
DUMFRIES & GALLOWAY COUNCIL	2.0						
FURNESS BUILDING SOCIETY	1.0	09/09/14	09/03/15	0.65%	3,223	UK BS	1 - 3 months
FURNESS BUILDING SOCIETY	1.0						
GLASGOW CITY COUNCIL	2.0	08/11/13	09/11/15	0.95%	38,052	Local Auth	3 months +
GLASGOW CITY COUNCIL	2.0						
HANDELSBANKEN	5.0	03/07/13	31/01/15	0.35%	27,664	Overseas	1 month or less
HANDELSBANKEN	5.0						
IGNIS STERLING LIQUIDITY FUND	5.9	01/04/14	31/01/15	0.47%	23,172	MMF	1 month or less
IGNIS STERLING LIQUIDITY FUND	5.9						
INSIGHT LIQUIDITY FUNDS LLP	3.0	01/04/14	31/01/15	0.41%	10,153	MMF	1 month or less
INSIGHT LIQUIDITY FUNDS LLP	3.0						
LANCASHIRE COUNTY COUNCIL	2.0	03/10/14	07/04/15	0.60%	6,115	Local Auth	3 months +
LANCASHIRE COUNTY COUNCIL	2.0	03/10/14	07/04/15	0.60%	6,115	Local Auth	3 months +
LANCASHIRE COUNTY COUNCIL	4.0						
MARKET HARBOROUGH BUILDING SOCIETY	1.0	04/09/14	27/02/15	0.60%	2,893	UK BS	1 - 3 months
MARKET HARBOROUGH BUILDING SOCIETY	1.0						
MORGAN STANLEY	4.0	01/04/14	31/01/15	0.39%	13,036	MMF	1 month or less
MORGAN STANLEY	4.0						
NATIONWIDE BUILDING SOCIETY	1.4	16/06/14	17/04/15	0.81%	9,476	UK BS	3 months +
NATIONWIDE BUILDING SOCIETY	2.0	01/12/14	16/01/15	0.45%	1,134	UK BS	1 month or less
NATIONWIDE BUILDING SOCIETY	3.4						
SCOTTISH BUILDING SOCIETY	1.0	19/12/14	18/03/15	0.50%	1,219	UK BS	1 - 3 months
SCOTTISH BUILDING SOCIETY	1.0						
UK GOVERNMENT - TREASURY BILLS	1.0	17/11/14	16/02/15	0.40%	997	UK GOVT	1 - 3 months
UK GOVERNMENT - TREASURY BILLS	1.0	01/12/14	02/03/15	0.38%	947	UK GOVT	1 - 3 months
UK GOVERNMENT - TREASURY BILLS	2.0						
TOTAL	52.4			0.55%	230,001		

FLINTSHIRE COUNTY COUNCIL - INVESTMENTS SUMMARISED BY TYPE & MATURITY

31st DECEMBER 2014

APPENDIX 2

Type of Investment	Total Amount Invested £m	% of Total Portfolio	Period to Investment Maturity			
			1 month or less £m	1 - 3 months £m	3 months + £m	12 months + £m
UK Government Treasury Bills	2.0	4%		2.0		
UK Bank	12.4	24%	5.4	4.0	3.0	
UK Building Society (UK BS)	7.4	14%	2.0	4.0	1.4	
Overseas	6.0	11%	6.0			
Local Authorities	9.0	17%		3.0	6.0	0.0
Money Market Funds (MMF)	15.6	30%	15.6			
Total (£)	52.4		29.0	13.0	10.4	0.0
Total (%)		100%	55%	25%	20%	0%

31st DECEMBER 2014

Loan Start Date	Principal Loan Outstanding £	Interest Rate %	Annual Interest £	Loan Maturity Date
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PWLB Fixed Rate Maturity Loans				
20/03/86	2,436,316	9.50	231,450	30/11/25
01/04/86	1,392,181	9.13	127,036	30/11/23
01/04/86	1,218,158	9.13	111,157	30/11/21
24/03/88	696,090	9.13	63,518	30/11/27
25/08/88	696,090	9.50	66,129	31/03/28
26/10/88	870,113	9.25	80,485	30/09/23
26/05/89	1,044,135	9.50	99,193	31/03/25
26/05/89	1,044,135	9.50	99,193	31/03/29
28/09/95	561,642	8.25	46,335	30/09/32
28/09/95	181,120	8.63	15,622	30/09/32
28/09/95	348,045	8.25	28,714	30/09/27
28/09/95	696,090	8.25	57,427	30/09/28
28/09/95	1,740,226	8.25	143,569	30/09/29
28/09/95	1,740,226	8.25	143,569	30/09/30
28/09/95	1,740,226	8.25	143,569	30/09/31
28/09/95	522,068	8.25	43,071	30/09/21
28/09/95	696,090	8.25	57,427	30/09/24
28/09/95	1,740,226	8.25	143,569	30/09/26
28/09/95	1,000,282	8.63	86,274	30/09/22
18/04/97	2,000,000	7.75	155,000	18/10/27
18/04/97	2,000,000	7.75	155,000	18/10/28
18/04/97	2,000,000	7.75	155,000	18/10/29
18/04/97	2,000,000	7.75	155,000	18/10/30
22/05/97	1,600,000	7.38	118,000	22/11/17
* 17/07/97	4,000,000	7.13	285,000	31/03/55
* 17/07/97	4,000,000	7.13	285,000	31/03/56
* 17/07/97	4,492,873	7.13	320,117	31/03/57
* 17/07/97	3,500,000	7.00	245,000	31/03/55
* 17/07/97	3,500,000	7.00	245,000	31/03/56
* 17/07/97	3,278,252	7.00	229,478	31/03/57
* 20/05/98	1,333,332	5.75	76,667	18/04/31
20/05/98	1,050,000	6.00	63,000	18/04/26
09/06/98	2,000,000	5.75	115,000	30/09/32
09/06/98	3,000,000	5.75	172,500	30/09/33
09/06/98	4,000,000	5.75	230,000	30/09/34
17/09/98	3,850,000	5.25	202,125	31/03/58
08/12/98	1,200,000	4.75	57,000	31/03/54
08/12/98	2,500,000	4.75	118,750	31/03/58
08/12/98	4,800,000	4.50	216,000	31/03/54
01/04/99	6,000,000	4.63	277,500	31/03/53
22/04/99	4,000,000	4.50	180,000	31/03/52
* 10/08/99	1,700,000	4.50	76,500	31/03/53
* 10/08/99	3,700,000	4.50	166,500	31/03/52
* 10/08/99	7,700,000	4.50	346,500	31/03/51
* 10/08/99	7,700,000	4.50	346,500	31/03/50
* 10/08/99	7,700,000	4.50	346,500	31/03/49
* 10/08/99	7,700,000	4.50	346,500	31/03/48
05/04/01	2,500,000	4.75	118,750	31/03/25
15/11/01	1,400,000	4.50	63,000	31/03/23
15/11/01	1,350,000	4.50	60,750	31/03/22
* 02/08/05	1,700,000	4.45	75,650	18/04/31
* 02/08/05	4,900,000	4.45	218,050	18/04/32
* 02/08/05	4,600,000	4.45	204,700	18/04/33
* 02/08/05	1,800,000	4.45	80,100	18/04/34
* 02/08/05	2,244,611	4.45	99,885	18/04/35
Total	143,162,527	5.86	8,393,328	

Market Fixed Rate Loans (LOBOS)				
* 24/07/07	6,350,000	4.48	284,480	24/01/40
* 24/07/07	6,300,000	4.53	285,075	24/01/41
* 24/07/07	6,300,000	4.58	288,540	24/01/42
Total	18,950,000	4.53	858,095	

PWLB Variable Rate Maturity Loans				
* 05/05/10	10,000,000	0.55	55,000	05/05/20
	10,000,000	0.55	55,000	

Totals				
Fixed Rate	162,112,527		9,251,423	
Variable Rate	10,000,000		55,000	
Grand Total	172,112,527	5.41	9,306,423	

* New loan due to debt restructuring

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **28TH JANUARY 2015**
REPORT BY: **CORPORATE FINANCE MANAGER**
SUBJECT: **COUNCIL BANKING ARRANGEMENTS**

1.00 PURPOSE OF REPORT

1.01 To provide Members with an update on the award of the contract to provide the Council's banking arrangements.

2.00 BACKGROUND

2.01 The Council's contract for banking arrangements expired in May 2014.

2.02 The Audit Committee resolved at its meeting of 17th July 2013, to be informally updated of any progress on the provision of the Council's banking services.

2.03 In a report to Audit Committee on the 29th January 2014 it was explained that delays in the setting up of the Eastern Shires Purchasing Organisation (ESPO) procurement framework led to an agreement being reached with NatWest for them to continue to deliver the Council's banking services on the existing terms until the Council let the new contract.

3.00 CONSIDERATIONS

Procurement Process

3.01 A cross-directorate meeting was held to discuss the Council's future banking requirements for all Council establishments. The meeting was attended by senior officers from Corporate Finance, IT, Revenues & Benefits, Clwyd Pension Fund, Procurement, Schools and Social Care.

3.02 Following advice from the Procurement team, it was agreed that the Council would be best served by using a specialist procurement framework that was being developed by ESPO. The Council has made extensive use of tendering through ESPO previously. Utilising existing framework agreements is considered a far more efficient and cost effective process than the Council completing its own full tender exercise which is likely to result in the same organisations bidding in

any case.

- 3.03 The ESPO framework consisted of three major UK banks – Barclays, Lloyds and NatWest. Other major UK banks such as HSBC and Santander are not on the framework as they have expressed little interest in providing Local Authority banking services.
- 3.04 Following consultation with key internal stakeholders the tender was finalised and the contract was formally advertised via ESPO on 17th October 2014.
- 3.05 Lloyds contacted the Council's Procurement team shortly after the contract was advertised, to advise that they would not be tendering, citing difficulties they would have in utilising the Post Office branch network to support the Council's banking requirements. Barclays also opted not to tender, advising that they did not feel they could be competitive at the present time.
- 3.06 A tender was received from NatWest and the submission was subject to a thorough review and evaluation. A new contract with NatWest was subsequently agreed for them to deliver the Council's banking services for the next three years with an option to extend for a further year.
- 3.07 Whilst it was disappointing that the two main competitors opted not to submit rival tenders, the tender submission from NatWest was of a very high standard and provides short-term cost savings as well as the commitment and desire to work with the Council to deliver a more efficient and modern banking service.

Key elements of the new contract:

- 3.08 **Loyalty Offering** - NatWest have offered a loyalty discount in year one that provides 12 months free money transmission banking. Based on existing transaction volumes this amounts to a saving of £28k - approximately 65% of the total annual charge. Charges beyond year one remain unchanged from the previous contract.
- 3.09 **Post Office Counters** - NatWest have recently entered into a partnership arrangement with the Post Office network to provide increased flexibility around the deposit and withdrawal of cash. This has assisted in expanding their network, especially where there is no branch presence in the area. This will enable the Council to utilise Post Office counters to deposit cash and cheques without incurring Inter-Bank Agency tariffs which are expensive.
- 3.10 **Modernisation** – Throughout their tender, NatWest indicated a willingness and desire to work with the Council to help to modernise the banking provision and increase automation, including the potential to introduce Business Debit Cards which could replace some of the

Council's petty cash accounts.

4.00 RECOMMENDATIONS

Members are asked to note the report.

5.00 FINANCIAL IMPLICATIONS

5.01 As set out in the report.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

None.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

None.

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 28 JANUARY 2015**

REPORT BY: **CHIEF OFFICER (GOVERNANCE)**

SUBJECT: **ANTI-FRAUD AND CORRUPTION STRATEGY AND FRAUD RESPONSE PLAN**

1.00 PURPOSE OF REPORT

1.01 To outline to Members the updated Corporate Anti-Fraud and Corruption Strategy and Fraud and Irregularity Response Plan.

2.00 BACKGROUND

2.01 These documents have been in use since 2002 and were last updated and approved by the Audit Committee in 2010. There is a need to review them periodically to ensure they reflect any changes in working practice, legislation and other regulations. The two documents have been updated by Internal Audit in conjunction with People and Resources and Governance.

3.00 CONSIDERATIONS

3.01 The Corporate Anti-Fraud and Corruption Strategy is written for the benefit of employees, Councillors and the public and to inform organisations and businesses dealing with the Council who are also expected to act with integrity. It has been updated after review of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, the CIIA Policy Paper and 'Fighting Fraud Locally', published by the LGA. Published Strategies from other Councils have also been considered.

3.02 The Strategy states the Council Policy of zero tolerance for fraud and corruption, defines them and outlines the culture within the Council to combat them. It outlines the deterrence, prevention, detection and investigation measures in place and lists the roles and responsibilities of individuals and groups both within and outside the Council.

3.03 The Fraud and Irregularity Response Plan defines the responsibilities for action and provides guidance to managers and employees in the event of a suspected fraud or other irregularity.

3.04 It outlines the actions that should be taken by employees, managers and Members if they suspect fraud, and also what will happen after

they pass on the suspicion and the action that may be taken. It also refers to the Whistleblowing Policy, which was updated recently.

- 3.05 The amendments to both the Strategy and the Response Plan are substantive, so it would not be helpful to use tracked changes from the existing documents. The new Strategy and Response Plan are shown in the Appendices.
- 3.06 The Corporate Anti-Fraud and Corruption Strategy and the Fraud Response Plan both form part of the Council Constitution. Following approval by the Audit Committee they will be presented to the Constitution Committee.
- 3.07 It is intended to publicise the Strategy and the Response Plan to all employees. An e-learning module is being developed to raise awareness and knowledge among employees. This will be launched as part of the Council's e-learning package in early 2015. Members will also be informed of the new Strategy and Response Plan.

4.00 RECOMMENDATIONS

- 4.01 For the Audit Committee to agree or amend as appropriate the updated Corporate Anti-Fraud and Corruption Strategy.
- 4.02 For the Audit Committee to agree or amend as appropriate the updated Fraud Response Plan.

5.00 FINANCIAL IMPLICATIONS

- 5.01 None as a result of this report.

6.00 ANTI POVERTY IMPACT

- 6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

- 7.01 None as a result of this report.

8.00 EQUALITIES IMPACT

- 8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

- 9.01 None as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 With the Chief Executive, Chief Officer Governance, Chief Officer People and Resources, Democracy and Governance Manager and Trades Unions.

11.00 CONSULTATION UNDERTAKEN

11.01 With the Chief Executive, Chief Officer Governance, Chief Officer People and Resources, Democracy and Governance Manager and Trades Unions.

12.00 APPENDICES

12.01 Appendix A – Corporate Anti-Fraud and Corruption Strategy 2014
Appendix B – Fraud Response Plan 2014

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

None.

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FLINTSHIRE COUNTY COUNCIL

Corporate Anti-Fraud and Corruption Strategy

Policy owners	Internal Audit Manager
Date implemented	April 2007
Date last reviewed	October 2010
Date of last amendment	November 2014
Date of next review	

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ANTI FRAUD AND CORRUPTION POLICY STATEMENT

- **The Chief Executive and Flintshire County Council are committed to this policy and to maintaining high ethical standards**
- **Flintshire County Council does not tolerate any form of fraud or corruption from within the Council or from external individuals or organisations.**
- **Flintshire County Council is committed to the prevention, deterrence, detection and investigation of all forms of fraud or corruption within or against all its activities.**
- **Flintshire County Council will support prosecutions or apply other relevant sanctions to those who commit acts of fraud or corruption.**
- **Flintshire County Council encourages anyone who suspects fraud and corruption to report it, and will support anyone who does this.**

CORPORATE ANTI-FRAUD AND CORRUPTION STRATEGY

1. Introduction

1. Flintshire County Council employs around 7,000 staff and spends in excess of £250m a year. The Council commissions and provides a wide range of services to individuals and households and works with many other private, public and voluntary sector organisations.
2. The size and nature of the Council's services means that there is an ongoing risk of loss due to fraud and corruption from both internal and external sources. The council is continuously developing anti-fraud initiatives and remains committed to:
 - The prevention, detection, deterring, investigation and correcting all forms of fraud and corruption, whether these are attempted from within or external to the organisation.
 - Minimising losses caused by fraud, corruption and breaches of regulations.
 - Embedding management of fraud risk throughout the organisation.

- Increasing awareness of counter-fraud responsibilities at all levels within and outside the Council.
3. The Council's commitment to the protection of public funds against fraud and corruption is set out in this strategy and supporting policies.

The strategy is structured to reflect the CIPFA code of practice on managing the risk of fraud and corruption. The five key elements of the code are to:

- ***Acknowledge the responsibility of the governing body for countering fraud and corruption;***
 - ***Identify the fraud and corruption risks;***
 - ***Develop an appropriate counter fraud and corruption strategy;***
 - ***Provide resources to implement the strategy***
 - ***Take action in response to fraud and corruption***
4. The Strategy covers
- All employees and Members of the Council
 - Partner Organisations
 - Council Suppliers, Contractors and Consultants
 - General Public

The Council requires all individuals and organisations with whom it deals in any capacity to behave toward the Council with integrity and without intent or actions involving fraud or corruption. Members of the public are encouraged to report any concerns which they may have.

5. The Strategy has the full support of Members and the Council's Chief Officers Team. It is approved by Audit Committee and The Cabinet.

2. Fraud and corruption definitions

1. The Fraud Act 2006 came into force on 15th January 2007. It created a single offence of fraud which can be committed in three separate ways:
- False representation
 - Failure to disclose information where there is a legal duty to do so
 - Abuse of position.

Four new offences were also created:

- Possession of articles for use in fraud
- Making or supplying articles for use in fraud
- Obtaining services dishonestly
- Participating in fraudulent business

Theft – “A person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it” (Theft Act 1968).

Corruption – The Council has defined corruption as “The offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person”. The introduction of the Bribery Act 2010 created criminal offences for any individual who either offers or receives a financial or other advantage intending the advantage to be rewarded by the improper performance of a function or activity. The Act also created an offence of directly or indirectly offering, promising or giving a bribe to a foreign public official so as to influence the actions of the foreign public official. Any individual found guilty of any of these offences is liable to imprisonment for up to a maximum period of 10 years.

Computer fraud occurs where information technology equipment has been used to manipulate programmes or data dishonestly (for example, by altering, substituting or destroying records or creating spurious records), or where the use of an IT system was a material factor in the perpetration of fraud.

3. Adopting the Right Strategy

- 3.1 To reduce losses to fraud and corruption to an absolute minimum, a strategic approach is implemented encompassing a clear remit covering all areas of fraud and corruption affecting the organisation.
- 3.2 The approach adopted by the organisation involves a three stage process:
 - 1) **Deter** – by having a culture within the organisation which deters the committing of fraud
 - 2) **Prevent** – by having measures in place to help prevent fraud occurring
 - 3) **Detect** – by having measures in place to detect fraud should it occur

The approach is covered in more detail later in this document.

- 3.3 The full range of integrated actions should be taken forward with the focus on outcomes (i.e. reduced losses) rather than activity (i.e. number of investigations).

4. Accurately identifying the risks

- 4.1 Fraud and corruption risks are considered as part of the organisation’s strategic risk management arrangements.

- 4.2 The nature and scale of losses to fraud and corruption are identified where they can be practically established. By measuring the scale of losses, and learning from where they are detected, knowledge is gained of where controls within systems should be strengthened or introduced.

5. Creating and Maintaining a Strong Structure

- 5.1 The Council is committed to the Nolan principles of standards in public life, namely objectivity, openness, leadership, accountability, honesty, selflessness and integrity. High ethical standards should be adhered to and be demonstrated in all the Council's actions and decisions.

The Council's commitment to the highest standard of governance is supported by a strong framework including the Constitution, Code of Corporate Governance, Member and Officer Codes of Conduct and specific counter fraud policies e.g. Whistleblowing and the Anti-Money Laundering Policy. The Annual Governance Statement includes reference to the measures taken to counter fraud and corruption.

The Council expects elected members and all employees to lead by example in demonstrating opposition to fraud and corruption, by adhering to rules and regulations, and that all practices and operating procedures are beyond reproach.

- 5.2 Within the County Council those charged with countering fraud and corruption have the appropriate authority to pursue their remit effectively. In order for the Council to effectively deal with allegations of fraud those charged with investigating matters must receive full support from all officers.
- 5.3 It is management's responsibility to establish sound systems of internal controls to prevent and detect fraud, designed to reduce the risk posed by fraud within service areas.
- 5.4 The Accounts and Audit (Wales) Regulations require every local authority to maintain adequate and effective Internal Audit.
- 5.5 One of the roles of Internal Audit is to promote anti-fraud and anti-bribery best practice and to ensure management has effective systems in place to detect and prevent corrupt practices. Internal Audit staff are properly trained to gain the appropriate knowledge and skills in respect of fraud awareness, prevention, detection and investigation. In Flintshire a clear mandate has been provided to Internal Audit to investigate potential fraud and irregularities and this is specified in the Audit Charter and the Financial Procedure Rules (11.17e).

- 5.6 Where appropriate, Flintshire County Council will co-operate with other local authorities and public sector bodies in the prevention, detection and investigation of fraud and corruption e.g. participation in the National Fraud Initiative and liaison with the Police.

6. Responsibilities by Role

Individual / Group	Role / Responsibility
Chief Executive	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.
Chief Officer Governance (Monitoring Officer)	Advise members and officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice. Prepare a report to Council where it appears that the authority has or is about to do anything which would be in contravention of the law or which would constitute maladministration
Corporate Finance Manager (Section 151 Officer)	Ensure proper arrangements are made for the Council's financial affairs. Maintain an adequately resourced internal audit team.
Chief Officer Team	Overseeing the corporate approach to counter-fraud activity, setting the tone to embed a culture of high standards and integrity.
Chief Officers and Managers	Notify Internal Audit of all suspected fraud or corruption incidents in their area – see Fraud and Irregularity Response Plan, para 5. Ensuring that adequate systems of internal control exist within their areas of responsibility, and that such controls, checks and supervision operate in such a way as to prevent or detect fraudulent activity. Regularly need to assess the types of risks and scope for potential fraud associated with the operations in their area. Ensure that employees receive fraud awareness training. The extent of this will depend on the work that individual employees carry out. Remind employees who are an integral part of the control framework of fraud and risk issues. Ensure this Strategy and the Fraud Response Plan are available to all employees.

Individual / Group	Role / Responsibility
Employees	<p>A duty to act if they believe there is a possibility of fraud or corruption taking place or the rules are being breached – see Fraud and Irregularity Response Plan para 3.</p> <p>Their own conduct and for contributing towards the safeguarding of corporate standards (including declaration of interest, private working, whistleblowing, etc.)</p> <p>Acting with propriety in the use of official resources and in the handling and use of corporate funds.</p> <p>Be alert to any financial transactions that may suggest money laundering.</p>
Internal Audit	<p>Providing a pro-active corporate anti-fraud function to facilitate the identification and subsequent investigation of alleged acts of fraud or corruption.</p> <p>Completion of any and all investigations of fraud and corruption that do not fall within the remit of other investigative bodies, such as Housing Benefit.</p> <p>Receiving and reviewing notifications of all frauds reported within the Council and analysing fraud risk.</p> <p>Making appropriate arrangements to co-ordinate the Council's work on the National Fraud Initiative.</p> <p>Undertake internal data matching across Council systems.</p> <p>Reporting to and liaising with the local police on individual cases.</p> <p>Provide reports to the Audit Committee on incidents of fraud and corruption.</p> <p>Issuing guidance to members and management in relation to fraud and corruption related legislation and procedures.</p> <p>Provide advice and guidance on internal controls to prevent or detect fraud or corruption.</p> <p>Promoting fraud awareness and training.</p> <p>Acting as the Council's consultant on issues of fraud and corruption,</p>
External Audit	<p>Considering if the Council has adequate arrangements in place to prevent and detect fraud and corruption.</p>
Trade Unions	<p>Notifying Officers if they believe there is a possibility of fraud or corruption taking place or the rules are being breached, see Fraud and Irregularity Response Plan para 4.</p> <p>Support their members throughout the process.</p>

Individual / Group	Role / Responsibility
Members	Notifying Officers if they believe there is a possibility of fraud or corruption taking place or the rules are being breached, see Fraud and Irregularity Response Plan para 5. Responsible for their own conduct. Contributing towards the safeguarding of corporate standards, as detailed in the Members Code of Conduct.
Audit Committee	Reviewing and monitoring policies for preventing and detecting fraud. Reviewing reports relating to fraud from internal and external auditors.
Partners, Suppliers, Contractors, Consultants and the Public	To be aware of the possibility of fraud and corruption within their organisation or against the Council and report any genuine concerns / suspicions.

7. Taking action to tackle the problem

Deterrence

The Council will publicise its counter fraud measures using all available means e.g. the press, newsletters, the Infonet and internet.

Publicised information makes employees aware that fraud and corruption are serious offences and that they may face disciplinary action if there is evidence that they have been involved in these activities.

Where fraud and corruption is proved, and the Council has suffered a financial loss, the Council will seek to recover the full value of any loss. In some cases this may involve civil proceedings being instigated through the courts. As a deterrent to others the Council will seek to publicise such cases.

Prevention

Managers at all levels within the County Council have a responsibility for the prevention of fraud and corruption (within their own remit) and for implementing appropriate strategies to minimise the risk effectively. Such strategies include promoting fraud awareness, assessing compliance with Council policies (e.g. Financial Regulations) and ensuring sufficient levels of internal control are maintained within systems and procedures.

The internal audit plan includes time for audit involvement in the development of new systems. Involvement at this stage should help to ensure that controls are designed into the systems to help prevent the risk of fraud and corruption.

Detection

Managers play a key role in ensuring that systems and processes are in place to detect fraudulent activity

In many cases, the diligence of employees and the alertness and good citizenship of the public at large detect acts of fraud or corruption. Fraud and corruption may also be discovered by Internal Audit during routine audits, proactive fraud audits or through the use of data matching. Frauds are also detected as a result of the Council's participation in the National Fraud Initiative exercise.

Employees, elected members and external stakeholders are expected to report suspected fraud or corruption in accordance with Financial Regulations and the Council's Whistleblowing procedures.

Investigation

Reporting suspected cases of fraud and corruption by the above means will ensure that all reported incidents are considered by Internal Audit in accordance with the Fraud Response Plan. All referrals are logged and assessed with timescales being agreed for completion of the investigation taking into account any future loss of evidence or funds.

During the investigation the Investigating Officer (Auditor) will contact any other relevant parties e.g. the Monitoring Officer, People and Resources or the Police, to ensure all allegations and evidence are properly investigated and reported upon. When referrals are passed to the Police, the Crown Prosecution Service will determine whether a prosecution will be pursued.

Internal Audit investigation reports identify the specific control weaknesses which were present at the time of the fraud and allowed it to be committed. Recommendations to address these weaknesses and strengthen the control environment are included within investigation reports. Recommendations are graded depending upon their severity and the manager responsible must complete an action plan detailing dates for implementation and officer responsible.

Where necessary, the Council's disciplinary policy will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. The decision to invoke the disciplinary policy will be a consideration of Departmental Management and People and Resources.

To prevent misuse of the investigation process, someone who maliciously raises a matter they know is untrue may be subject to disciplinary action.

Sanctions and Redress

Where fraud or corruption has been identified the Council will recover any losses (where applicable) and prosecute or apply other sanctions as detailed within the Fraud Response Plan. Sanctions will be applied in a comprehensive, consistent and proportionate manner. Examples of the type of sanctions that could be considered are; disciplinary action (against employees) and/or civil and criminal action.

Redress will be applied in accordance with the Recovery of Losses section detailed in Fraud Response Plan. Rates of recovery will be monitored as part of the quality process.

8. Defining Success

An annual report will be presented to the Audit Committee on the performance against this strategy

9. Awareness and Training

Training and guidance are vital to maintaining the effectiveness of the Anti-fraud and Corruption Strategy. The Council supports induction and work related training and will ensure that fraud awareness training is provided to all Members and Senior Managers of the Council.

Employees within Internal Audit will receive specific training to ensure compliance with professional standards and relevant legislation.

In order to raise awareness of this strategy and fraud and corruption in general, the Council will arrange periodic publicity campaigns and will issue advice encouraging fraud awareness.

10. Conclusion

Flintshire County Council has in place a clear framework of systems and procedures to deter, prevent, detect and investigate fraud and corruption.

The Council will monitor performance of the Anti Fraud and Corruption Strategy through regular reports submitted to the Audit Committee. The Audit Manager will, in addition, keep this policy under review in order to take account of any changes in Council policy and government legislation.

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FLINTSHIRE COUNTY COUNCIL

Fraud and Irregularity Response Plan

Policy owner	Internal Audit Manager
Date implemented	April 2007
Date last reviewed	October 2010
Date of last amendment	November 2014
Date of next review	

1. Introduction

1.1 This document provides guidance to employees and management in the event of their becoming aware of, or suspecting a fraud or corrupt act being committed in Flintshire by a Council Member, member of staff, contractor or a supplier.

1.2 A one page flowchart is also included at the end of this document, to provide an at-a-glance summary of the process.

1.3 The plan is not intended for use where there is suspicion of child abuse. Where concerns are noted in relation to child protection these should be referred in the first instance to the Duty and Assessment Team, Social Services on 01352 701000 for a preliminary discussion.

2. Objectives

2.1 The objectives of a fraud and irregularity response plan are to ensure that timely and effective action can be taken to:

- ensure there is a clear understanding over who will lead any investigation and to ensure local managers, Internal Audit and People and Resources are involved as appropriate;
- prevent further losses of funds or other assets where fraud has occurred and maximise recovery of losses;
- ensure there is substance and evidence to support any allegation against an employee before that employee is subject to disciplinary action;
- minimise the risk of inappropriate action or disclosure taking place which would compromise an investigation or recovery of losses;
- secure evidence and ensure containment of any information or knowledge of any investigation into the matter reported;
- identify the perpetrators and maximise the success of any disciplinary / legal action taken; and

3. Employee Responsibilities

3.1 As an employee, there are a number of actions you may be required to take depending on who is involved in the fraud or corruption. You should remember, however, that when you know of or suspect a fraud or corrupt act you must not discuss it with other work colleagues either before or after reporting it to the appropriate person.

3.2 You should never confront the suspected individual or act in a manner which might draw their attention to your suspicions.

3.3 At the earliest opportunity you should clearly record all the activities you have witnessed and information you have received or are aware of. It is important to record as much information as possible to inform any subsequent management assessment or investigation, including dates, times and sequences of events.

Suspected Fraud by another Council Employee

3.4 If a work colleague is giving rise to suspicions that she / he is committing a fraudulent or corrupt act within the Authority, then under normal circumstances you should report it to your **line manager**. However, you may not wish to report to your line manager, particularly if you suspect them of committing a fraud or corrupt act, or having an involvement in what you have observed. Therefore, the option exists to report to any of the following officers:

- **Your line Manager's Manager;**
- **Your Chief Officer;**
- **The Internal Audit Manager**

In addition, suspicions can be reported to your Trade Union, see Para 4.

Suspected Fraud by an elected Member

3.5 If you need to report a suspicion or an actual fraud or corrupt act by a Councillor, you should report this to one of the following officers in the Council:

- **The Chief Officer Governance, who is the Council's Monitoring Officer;**
- **The Internal Audit Manager**

Suspected Fraud by a contractor, supplier or a member of the public

3.6 If the fraud or corrupt act is being committed in your Service area, then under normal circumstances you should report your concerns to your **line manager**. If your suspicions do not relate directly to your area, then you should not ignore the information you have, but should report the matter directly to the **Internal Audit Manager**. This could include information that comes into your possession through your profession or social life.

Whistleblowing policy

3.7 If you prefer to raise your concerns confidentially the Council has a Whistleblowing policy (available on the intranet) in accordance with the provisions of the Public Interest Disclosure Act 1998. The policy provides employees with a method of raising concerns about any financial or other malpractice in the Council.

3.8 Under that policy, if you ask us to protect your identity by keeping your confidence, we will not disclose it without your consent apart from exceptional cases. For example this could be in cases when the person raising the concerns will need to provide a statement and potentially appear as a witness in subsequent legal proceedings, or may be required to give evidence in a disciplinary hearing. It is also possible that the

investigation itself may serve to reveal the source of information, although this will be avoided where possible.

3.9 Subject to the constraints of Data Protection legislation and the Council's duty of confidentiality to employees and Councillors, we will give you as much feedback as we properly can within an agreed timescale.

4. Trade Union Role

4.1 Should any employee who is a member of a recognised Trade Union have any concerns regarding their own behaviour, or that of others, in relation to any potential fraudulent activity then they can seek advice and assistance from their Trade Union. Whilst discussions between Union members and their Union are confidential, the disclosure of any potential fraudulent activity to a Trade Union Official will result in it being disclosed to the Organisation for them to investigate it fully. Disclosure of information to the Trade Unions will protect the identity of the individual making the disclosure and they will of course receive the full support of their Trade Union throughout the ensuing process.

5. Members Responsibilities

5.1 Where Members come into possession of information which may indicate that a fraudulent or corrupt act is being perpetrated against Flintshire County Council, they must report this to either the **Chief Executive, the Internal Audit Manager, the relevant Chief Officer, or the Monitoring Officer (Chief Officer Governance)**. The officer in receipt of the report should ensure that any subsequent investigation follows the requirements of this fraud response plan.

5.2 Under no circumstances should a Member discuss a suspected fraud with other Members or the press.

6. Management's Role

6.1 As soon as a complaint or an allegation is received by a manager (including referrals made by Members as in 4.1), it is their responsibility to inform the **Internal Audit Manager** in accordance with Finance Procedure Rule 11.17(e) and **People and Resources** (where the allegation relates to a member of staff) to undertake an initial risk assessment of the facts. This enquiry should be carried out as quickly as possible, with the objectives of either substantiating or repudiating the allegation that has been made.

6.2 At no time during the preliminary investigation should the manager confront the alleged suspect, nor put evidence at risk. Under no circumstances should a manager discuss a suspected employee fraud with other staff members or peer managers.

6.3 If there are suspicions that similar frauds are or could be being committed the situation should be discussed with the **Internal Audit Manager**.

7. What will happen next?

7.1 After the initial assessment has been carried out and where evidence suggests there is a potential fraud or irregularity, a detailed investigation will need to be undertaken. Depending on the nature of the allegation the options for this will be

- Appoint an Investigating Officer; this will usually be a senior officer in the relevant service and will be actioned by People and Resources. He/she will carry out the investigation (for investigations under the disciplinary policy) in conjunction with People and Resources;
- Internal Audit carry out the investigation in conjunction with the Investigating Officer;
- The matter is referred to the Police (in conjunction with Internal Audit where required);
- The matter is referred to an external agency for investigation eg. Housing Benefit fraud.

8. How will the investigation proceed?

8.1 Every case is unique. The Internal Audit Manager will work with the appointed Investigating Officer and People and Resources to ensure the most appropriate course of action is taken.

Considerations will include:

- The preparation of an investigation plan;
- The potential requirement to suspend a member of staff, in accordance with the Council's Disciplinary Procedure, while the investigation is undertaken;
- The need to secure evidence (including documents, computer records, CCTV tapes, etc);
- The commissioning of specialist services from both within and outside the Council (e.g. surveillance experts, forensic IT specialists, specific service areas or subject matter experts);
- Carrying out interviews to gather information and witness statements (any interviews must be conducted fairly and will, where possible, be tape-recorded);
- Potential referral to other internal or external agencies, e.g. Housing Benefit Fraud team, the Department for Work & Pensions, the Police, Standards Committee.

9. Investigation outcomes

Allegations against an employee

9.1 If an allegation is substantiated following an investigation, the disciplinary process will be instigated.

9.2 At the same time, if there is evidence that fraud has been committed against the Council, the Internal Audit Manager will formally consider referring the matter to the Police (if not already done so at initial assessment stage), and liaise with them over whether formal charges will be brought and an investigation taken forward to possible prosecution. A referral to the Police will be carried out, normally following consultation with the Chief Officers for People & Resources and Governance.

9.3 In appropriate circumstances the Council will consider taking civil action against the accused employee to recover any debt caused as a result of their actions.

Allegation against a Councillor

9.4 Any allegations which are substantiated against a Councillor will be considered under their code of conduct by the Monitoring Officer and could result in a referral to the standards committee, Public Service Ombudsman for Wales or the Police.

Allegation against a contractor or supplier

9.5 If an allegation of fraud against the Council by a contractor or supplier is substantiated, it will be referred to the police and may result in prosecution.

9.6 In addition to the criminal route, wherever applicable, the action taken by the Council will also follow a civil route, in order to recover assets or monies obtained by the potential offender.

External Audit

9.7 In some cases it may be necessary to immediately inform the Council's External Auditor of the fraud or corruption. This will be the responsibility of the Internal Audit Manager.

Audit Committee

9.8 Except in special circumstances, after taking into consideration issues of confidentiality, fraud investigations will normally be reported in outline to the Audit Committee every quarter. Where it would be proper to do so, the Chair of the Audit Committee will be briefed immediately with any sensitive/serious matters.

9.9 Any variation from the approved fraud response plan, together with reasons for the variation, will be reported to the Audit Committee where it would be appropriate to do so.

Press and publicity

9.10 The Corporate Communications Team will deal with the press and publicity in all matters regarding fraud and corruption. Where appropriate the details of all successful prosecutions for fraud will be released to the media through the Corporate Communications Team. Such disclosures will maintain the confidentiality of the initial referral. Staff and Managers must not directly disclose to the press the details of any cases suspected or under investigation.

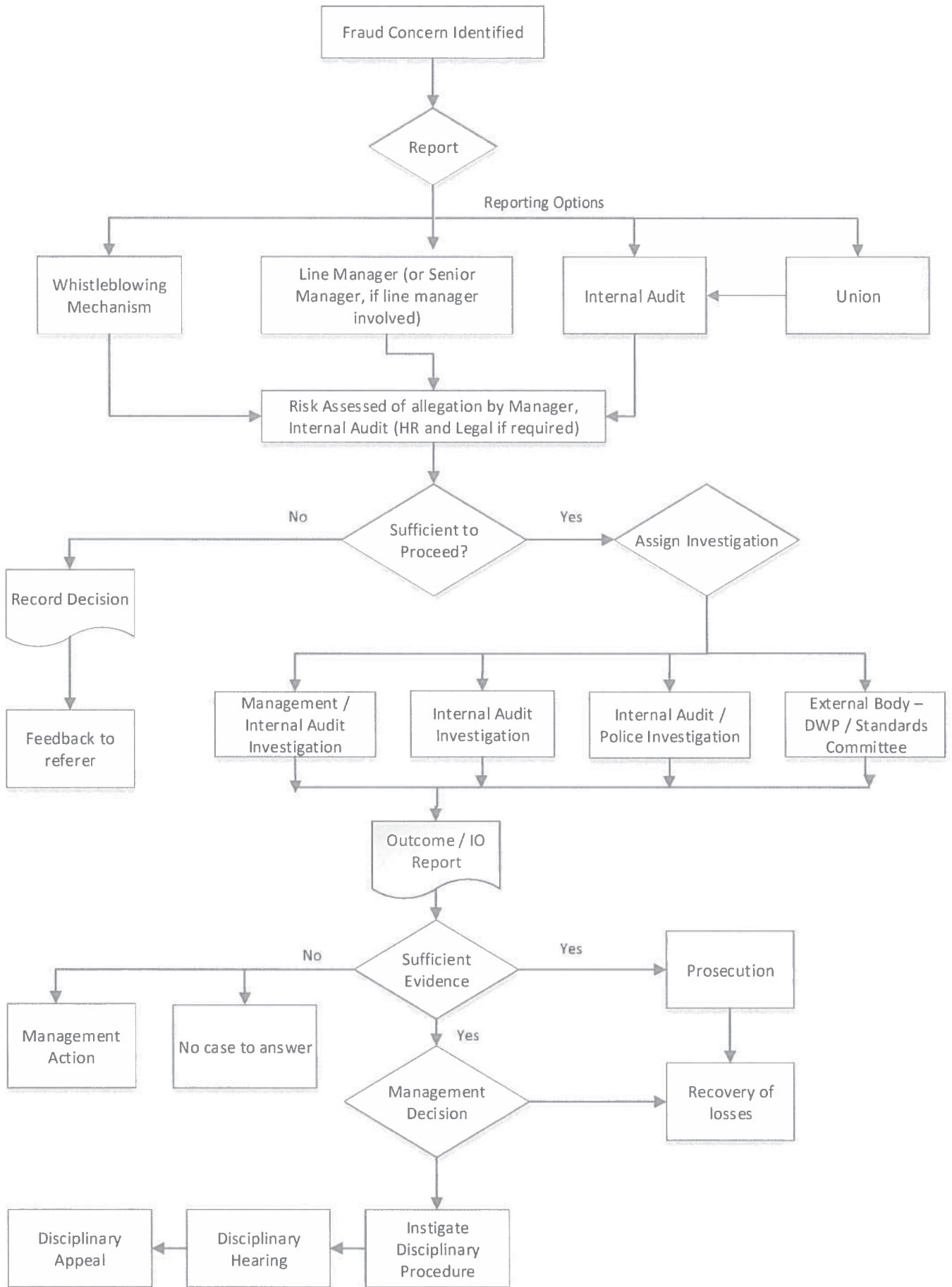
9.11 Disclosure of details to the media without the express authority of the Corporate Communications Team could be regarded as a disciplinary matter. The aim is to publicise the Council's intolerance of fraud or corruption both within the Council and by users of its services. It also serves to publicise our successes against those who would perpetrate such fraud or corruption against the Council.

10. Conclusion

10.1 The Fraud and Irregularity Response Plan for Employees and Management, in conjunction with the Anti-Fraud and Corruption Strategy, the Whistleblowing Policy, the Codes of Conduct (Employees and Members), the Prosecution Policy and the Employee Disciplinary Policy will support the Council's objectives in countering and investigating corporate fraud and corruption. However no guidance such as this can expect to cover all eventualities and, therefore, if you have any issues or are unsure of the action to take in a given situation you should immediately contact the Internal Audit Manager.

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Flintshire County Council - Fraud Response Plan



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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 28 JANUARY 2015**

REPORT BY: **CHIEF OFFICER (GOVERNANCE)**

SUBJECT: **EXTERNAL REGULATORS AND INSPECTIONS
REPORTS**

1.00 PURPOSE OF REPORT

1.01 To receive the second annual report detailing reports by external auditors, other regulators and inspectors.

2.00 BACKGROUND

2.01 The Local Government (Wales) Measure contains various provisions relating to the work of audit committees. Statutory guidance made under Section 85 of the Measure was issued in June 2012. That guidance advised that audit committees should receive and consider reports from external auditors, other regulators and inspectors.

2.02 At the first informal meeting between members of the Audit Committee and Chairs and Vice-chairs of Overview and Scrutiny held on the 22 February 2013 it was agreed that officers should put in place a process to monitor all reports issued by external auditors, regulators and inspectors. This to include details of which committees or other member fora such reports have been reported to.

2.03 Following that meeting officers put in place arrangements for such records to be maintained by the Policy & Performance Team within the Chief Executive's portfolio. Attached as Appendix 1 is a table detailing the reports issued during 2014 by various external regulators and inspectors, a short summary of the findings and the member bodies to which those reports have been reported and when.

3.00 CONSIDERATIONS

3.01 Where a report by an external auditor, other regulator or inspector contains recommendations, it is important that those recommendations receive proper consideration by both officers and members and are responded to. The responses will, on occasions, require an action plan to implement changes and appropriate procedures need to be in place to oversee the implementation of such action plans.

3.02 It is part of the Terms of Reference of the Audit Committee to ensure that effective processes are in place for setting and monitoring such action plans. Whilst the Audit Committee has the responsibility for ensuring all audit reports issued by the external auditor are implemented, for other reports the Committee's Terms of Reference make clear it is sufficient that it is satisfied that there are effective processes in place. These processes may, for example, include the work of Overview and Scrutiny Committees.

3.03 Appendix 1 shows that with one exception the reports issued by the Wales Audit Office during 2014 were reported to the Audit Committee. The one that was not relating to the national study on delivering with less will be reported to a future meeting. Appendix 1 also shows that all reports issued during the year by Care and Social Services Inspectorate Wales (CSSIW) have been considered by the Social & Health Overview & Scrutiny Committee. Appendix 1 shows that during the year 12 reports by regulatory bodies were reported to various Overview & Scrutiny Committees.

4.00 RECOMMENDATIONS

4.01 To note how reports by external auditors, other regulators and inspectors have been dealt with during 2014.

5.00 FINANCIAL IMPLICATIONS

5.01 None as a result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 With officers in the Policy & Performance Team.

11.00 CONSULTATION UNDERTAKEN

11.01 With officers in the Policy & Performance Team.

12.00 APPENDICES

12.01 Appendix 1 – Reports issued by the Wales Audit Office

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

None

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APPENDIX 1

Regulatory Body	Year	Name of Report	Date Issued	Findings	Council Response	Timescale	Responsible Officer	Where reported	Date
Wales Audit Office	2013/14	Annual Improvement Report	Jun-14	Extracts from summary In 2012-13, the Council made good progress against the improvement priorities we looked at and improved its overall performance against the national indicators. The Council has taken action to strengthen its approach to performance evaluation, but further work is required to harmonise its improvement planning and performance reporting arrangements. During 2013-14, the Council has enhanced its arrangements for planning and supporting improvement, but further action is required to provide the rigour needed to cope with the challenges ahead. No new recommendations or proposals for improvement were made.	As is practice the Council published a response on the issues raised within the report.	On-going	Chief Executive	Cabinet Audit Committee Corporate Resources O&S Committee	Jun-14 Jun-14 Jul-14
Wales Audit Office	2014/15	Improvement Plan 2014/15 - Certificate of Compliance	Aug-14	Certificate 1 The Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties. There are no new statutory recommendations or proposals for improvement.	In our response we set out how we will make improvements to ensure full compliance with the spirit and detail of the national guidance.	On-going	Chief Executive	Cabinet Audit Committee Corporate Resources O&S Committee	Sept-14 Sept-14 Sept-14
Wales Audit Office	2014/15	Corporate Assessment	Awaited - informal feedback received Oct-14				Chief Executive		
Wales Audit Office	2014/15	Audit of Flintshire County Council's assessment of 2013/14 performance (Annual Performance Report)	Nov-14	Certificate 2 The Council has discharged its duties under sections 15(2), (3), (8) and (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.	A formal response was not made as no issues were raised.	Not Applicable	Chief Executive	Cabinet Audit Committee Corporate Resources O&S Committee	Dec-14 Dec-14 Dec-14

Wales Audit Office	2014/15	Asset Management Review	Aug-14	Informal feedback received - Overall, the Council's asset management arrangements support robust and effective decision making and improvement. Findings will be reported in the Corporate Assessment covered in the Council's Annual Improvement Report issued by WAO (due Jan/Feb 2015)	The findings of this review will be formally reported as part of the Corporate Assessment. A formal response to the Corporate Assessment will be made once it has been received (expected Jan/Feb 2015).		Chief Officer - Organisational Change (2)		
Wales Audit Office	2014/15	National Study: Delivering with less - The impact on environmental health services and citizens	Draft Issued Oct-14	Councils are mostly meeting their statutory environmental health obligations but because of budget and staff cuts, limited transformation work and poor resource planning, environmental health services are at risk of being unable to effectively deliver their current responsibilities or take on new statutory duties to protect the public and the environment in the future. General Feedback for FCC The Council is generally delivering environmental health services at above minimum levels and despite large budget cuts, staff numbers have increased. Whilst stakeholders are mostly positive about the Council's management of services the Council will find it challenging to take on new statutory duties that protect the public and the environment.	Final report awaited; the response to findings for Flintshire will be made once it is received.		Interim Public Protection Manager	Cabinet Environment O&S Committee Audit Committee	TBC TBC TBC
Wales Audit Office	2014/15	National Study: Delivering with less - Leisure Services	Project brief issued Oct-14						
Wales Audit Office	2014/15	National Study: Independence of Older People	Project brief issued Oct-14						
Wales Audit Office	2014/15	Review of Whistleblowing Arrangements	Final report awaited				Head of Internal Audit		
Wales Audit Office	2013/14	Audit of Financial Statements	Sep-14	Unqualified The accounting statements and related notes give a true and fair view of the financial position of Flintshire County Council as at 31 March 2014 and of its income and expenditure for the year. The accounts have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the UK	No response required.	Not Applicable	Chief Executive	County Council Audit Committee	Sept-14 Sept-14

Wales Audit Office	2013/14	Annual Audit Letter (from the Auditor General Wales)	Nov-14	Extracts: - An unqualified audit opinion on the accounting statements. Satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.	No response required.	Not Applicable	Chief Executive	County Council Audit Committee	TBC TBC
CSSIW	2014	National Review of Commissioning for Dementia Social Services in Wales 2014 (Overview Report)	Apr-14	Field work conducted in Blaenau Gwent, Vale of Glamorgan, Swansea, Merthyr Tydfil and Flintshire. A very positive report for Flintshire who were particularly noted for good practice for supporting people in the community (the Living Well Service). Flintshire's approach to service monitoring and review was also cited. Eight review recommendations were made for Local Authorities and Health Boards. Flintshire specific feedback included three recommendations: - • The local authority and the local health board should accelerate an integrated outcome focused approach to supporting people with dementia and their carers in the community. This should include the co-location of teams and agreeing the care management arrangements and approach to risk. • The local authority and local health board should review the dementia support workers service to optimise access and availability for people with dementia and their carers, especially around the time of diagnosis. • The local authority and its partners should develop a joint approach and plan to commission locally based, h	No response required. However the an action plan has been drawn up which was reported to Social & Health O&S Committee in September 2014. It was resolved "That the development of an 'integrated dementia action plan' and its implementation over the next 3 years being noted, recognising that it is 'work in progress' requiring further agreements in terms of performance measurement and monitoring arrangements".	Various as per Action Plan	Commissioning Manager	Social & Health O&S Committee Cabinet	May-14 & Sept-14 Jun-14
CSSIW	2014	Safeguarding & Care Planning of LAC & Care Leavers	Aug-14	The inspection focused on the work undertaken with looked after children over eleven years of age and care leavers who were identified as being vulnerable and/or involved in risky behaviours, against defined criteria. The inspection considered five key questions and summarised findings against each. A largely positive review with some areas for improvement identified. The findings will be fed into the national review, to be published later in the year.	The Council's response has been incorporated as part of the action plan to address the areas for improvement identified.	Various - as per action plan	Service Manager - Fieldwork Services	Social & Health O&S Committee	Nov-14

CSSIW	2013/14	Performance Evaluation Report 2013/14	Oct-14	<p>Generally positive and includes some items of good practice as well as recommendations. Extracts from Summary The council is increasingly realistic about the challenges posed by the need to deliver improving services within the context of reducing financial resources. This has accelerated the drive to greater efficiency, improving strategic partnership working, more integrated services and a growing commitment to regional commissioning. There is evidence of progress in a number of key areas in adult services with more people able to restore and maintain their independence, with relatively few needing residential care. Performance is less consistent in children's services and whilst there is evidence of good work, some planning and reviewing arrangements require strengthening in order to secure more robust quality assurance and the delivery of better outcomes in key areas such as health care and educational attainment.</p>	CSSIW are meeting with Senior Managers to discuss progress. An action plan is in place to address areas for improvement raised by CSSIW.	Various - as in action plan	Chief Officer - Social Services	Social & Health O&S Committee	Dec-14
CSSIW	2014	12 Residential Homes reviewed	Between July and Sept 2014	<p>Willowdale Rhyd-y-Cleifion Ty Cerrig Glyn Rhosyn Coed Duon Care Home The Glynne Bryn Yr Haul Chestnut House Allerton Lodge Bryn Edwin Hall Morfa Newydd Nursing Home Aston Hall Care Home (now closed)</p>	Not Applicable - Residential homes respond directly to CSSIW. The Flintshire Contact Monitoring Team are advised of results and will follow up with the homes where negative reports (escalating concerns) are received to ensure recommendations are actioned.	Various - as per Action Plans	Registered Manager	Social & Health O&S Committee (within Chief Officer Mid Year Report)	Jan-15
CSSIW	2014	Residential Home - Marleyfield House (FCC Home)	Sep-14	<p>Overall people using this service can be confident that they will be treated with respect and dignity. That they have choice on how they live their lives and are supported in the choices they make. Three non compliance notices were issued.</p>	The provider has submitted an action plan which addresses all the issues. Flintshire Contract Monitoring Team have been monitoring progress, and will be going back in January to ensure that all the issues have been satisfactorily managed.	Various- as per Action Plan	Registered Manager	As Above	Jan-15
ESTYN	2014	Schools Inspections	2013/14 School Year	<p>Estyn have undertaken inspections of 18 schools during the 2013/14 school year. Only 1 school is in special measures.</p>	Schools respond to Estyn.	Various - as per Action Plans	School's Govern Body	Lifelong Learning O&S	Oct-14

ESTYN / WAO	2014	Joint Inspection of GwE	To commence Jan-15						
Foods Standards Agency	2014	Report on the Food and Feed Law Enforcement Service	Sep-14	Conclusion: Some Assurance The report was generally favourable of the work undertaken in the Food Service as illustrated by the number of Strengths identified in the audit and management can take reassurance from this finding. A key area for improvement related to Feed control and an Action Plan, which is currently being implemented has been developed to address these concerns.	The Council's response has been incorporated as part of the Food Service Plan for 2014/15 to address the areas for improvement identified.	Various - as per Action Plan	Health Protection Manager	Cabinet Environment O & S Committee (within Chief Officer Mid Year Report)	Sept-14 Dec-14
The Electoral Commission	2014	The European Parliamentary elections and the local government elections in England and Northern Ireland	Jul-14	The elections on 22 May were well run. Voters were satisfied with the way they were run and were able to participate either by voting in person at a polling station or by completing and returning a postal vote. However, there remain a number of challenges and improvements that can be made for future elections to ensure that the interests of the voter continue to be put first. General recommendations made, to look at minor changes to regulations and administrative barriers. However, none specific to Flintshire.	Not Applicable - report is wider than Flintshire.	Not Applicable	Democracy & Governance Manager	Not Applicable	Not Applicable
Wales Public Library Standards	2013/14	Review of Flintshire's performance against the fourth framework of WPLS	Sep-14	Flintshire Library Service achieved 6 out of the 9 standards, an increase of 2 compared to March 2013. Two further standards were partly met. The authority had made some progress in the final year of the 4th assessment framework but performance overall have been limited by gradual erosion of spending in 2 key areas - the book materials' budget and the staffing budget. These matters had been drawn to the authority's attention in previous years and until such time as the authority is able to channel more resources into those areas the scope for achieving higher performance is very limited.	No formal response required.	Not Applicable	Principal Librarian	Lifelong Learning O & S Committee (within Chief Officer Mid Year Report) Lifelong Learning O & S Committee (Item 7)	Dec-14 Jan-15
Quality Management Standard	2014	Waste Services	Jul-14	No major non-conformities raised, some minor areas for improvement.	Continuing to hold the Quality Management Standard is an essential element of the Environmental Permit conditions	Not Applicable	Waste Services Manager	Environment O & S Committee (within Chief Officer Mid Year Report)	Dec-14

Quality Management Standard	2014	Highway Functions	Sep-14	No major non-conformities raised, some minor areas for improvement.	Continuing to hold the Quality Management Standard is an essential element to enable the authority to continue working on the Trunk Road network.	Not Applicable	Highway Strategy Manager	Environment O&S Committee (within Chief Officer Mid Year Report)	Dec-14

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 28 JANUARY 2015**
REPORT BY: **INTERNAL AUDIT MANAGER**
SUBJECT: **ACTION TRACKING**

1.00 PURPOSE OF REPORT

1.01 To inform the committee of the actions resulting from points raised at previous Audit Committee meetings.

2.00 BACKGROUND

2.01 At previous meetings requests for information or reports have been made. These have been summarised as action points. This paper summarises those points and provides an update on the actions resulting from them.

3.00 CONSIDERATIONS

3.01 A summary of the points and the actions taken is provided at Appendix A. The majority of the requested actions have been completed, with some still outstanding. They will be reported back to a future meeting.

4.00 RECOMMENDATIONS

4.01 The committee is requested to accept the report.

5.00 FINANCIAL IMPLICATIONS

5.01 None as a direct result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a direct result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a direct result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a direct result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a direct result of this report.

10.00 CONSULTATION REQUIRED

10.01 None as a direct result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None as a direct result of this report.

12.00 APPENDICES

12.01 Appendix A – Summary of Action Points.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

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AUDIT COMMITTEE ACTION SHEET

7TH MAY 2014				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
93	Audit Committee self-assessment against CIPFA guide	The work of Internal Audit and the Policy, Performance and Partnerships team on external partnership governance and performance be shared with the Committee	Internal Audit Manager.	Review included in audit plan 2014/15.

25TH JUNE 2014				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
7	Budget Setting and Budgetary Control Arrangements	The report of the Corporate Finance Manager be submitted to each O&S Committee to seek feedback on the effectiveness of financial scrutiny arrangements.	Democracy and Governance Manager	To be sent to all Overview and Scrutiny Committees when the budget process is finalised.

26TH JULY 2014

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
23	Forward Work Plan	Inclusion of an update report on the tendering exercise for the Council's banking arrangements	Finance Manager – Technical Accountancy	Paper to this meeting.

10TH DECEMBER 2014

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
42	Internal Audit Progress Report	To provide the Committee with the number of issues raised through the Whistleblowing Policy	Internal Audit Manager	E mail to Committee members, 18 th December 2014.
42	Internal Audit Progress Report	To share a report on the outcome of the Waste investigation with the Committee, once the process has completed.	Internal Audit Manager	Report to be brought to the Committee.
42	Internal Audit Progress Report	To arrange for Cllr Haydn Bateman to view the final reports on 'Repairs and Maintenance Procurement' and Voluntary Redundancy'	Internal Audit Manager	Reports e mailed to Cllr Bateman, 17 th December 2014.

10TH DECEMBER 2014

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
42	Internal Audit Progress Report	To prepare a note to the Committee in response to Cllr Halford's queries on Section 106 Agreements.	Internal Audit Manager	E mail to Committee members, 18 th December 2014.
42	Internal Audit Progress Report	That the Internal Audit Manager make representations to the Wales Chief Auditors Group, on behalf of the Committee, for all Welsh Councils to participate in the benchmarking exercise.	Internal Audit Manager	To be raised at the next meeting.

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 28 JANUARY 2015**
REPORT BY: **INTERNAL AUDIT MANAGER**
SUBJECT: **FORWARD WORK PROGRAMME**

1.00 PURPOSE OF REPORT

1.01 To consider the Forward Work Programme for the Audit Committee for the next year.

2.00 BACKGROUND

2.01 Items feed into the Committee's Forward Work Programme from a number of sources. In order to better manage the workflow for the Audit Committee, the draft programme needs to be kept under review.

3.00 CONSIDERATIONS

3.01 The programme is attached as Appendix A. It has been compiled based on the work that has been done in previous years and from information received from the various contributors to the Committee.

3.02 Although the programme gives the basis of the work of the Committee, it will be subject to change as necessary during the year. Changes will be notified to the Committee when they become known. Members may also wish to propose subjects for future reports or discussion.

4.00 RECOMMENDATIONS

4.01 That the Committee considers the draft Forward Work Programme and approves/amends as necessary.

5.00 FINANCIAL IMPLICATIONS

5.01 None as a result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None arising directly from this report.

8.00 EQUALITIES IMPACT

8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.00 None as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 Publication of this report constitutes consultation.

11.00 CONSULTATION UNDERTAKEN

11.01 Publication of this report constitutes consultation.

12.00 APPENDICES

12.01 Appendix A – Forward Work Programme.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

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AUDIT COMMITTEE
FORWARD WORK PROGRAMME 2014/15

MEETING DATE	AGENDA ITEM	AUTHOR
18 March 2015	<ul style="list-style-type: none"> • Annual Financial Audit Outline (WAO) • Treasury Management Update • Update of FPR's • Internal Audit Progress Report • Internal Audit Strategic Plan • PSIAS Compliance • Audit Committee Self Assessment • Action Tracking • Forward Work Programme • Protocol Internal and External Audit • Private Meeting (WAO and IA) 	Liz Thomas Gary Ferguson David Webster David Webster David Webster David Webster David Webster David Webster David Webster / WAO
3 June 2015	<ul style="list-style-type: none"> • Annual Improvement Report (WAO) • Regulatory Programme (WAO) • Certification of Grants and Returns Report (WAO) • Internal Audit Annual Report • Internal Audit Progress Report • Action Tracking • Forward Work Programme • Risk Management Update 	David Webster David Webster David Webster David Webster Karen Armstrong
15 July 2015	<ul style="list-style-type: none"> • WAO Certification of Grants report • Draft Statement of Accounts • Supplementary Financial Information to Draft Statement of Accounts 2013/14 	Liz Thomas Liz Thomas Liz Thomas

MEETING DATE	AGENDA ITEM	AUTHOR
	<ul style="list-style-type: none"> • Draft Annual Governance Statement • Treasury Management Update and Annual Report 2012/13 • Action Tracking • Forward Work Programme 	Gareth Owens Liz Thomas David Webster David Webster
September 2015	<ul style="list-style-type: none"> • Statement of Accounts 2014-15 • Audit of Financial Statements (WAO) • Internal Audit Progress Report • Action Tracking • Forward Work Programme 	Gary Ferguson David Webster David Webster David Webster
December 2015	<ul style="list-style-type: none"> • Internal Audit Progress Report • Action Tracking • Forward Work Programme • Risk Management update • Corporate Governance Report • Treasury Management Mid-Year Update 	David Webster David Webster David Webster Karen Armstrong Peter Evans Liz Thomas
January 2016	<ul style="list-style-type: none"> • Treasury Management Update and Strategy • Annual Report on external inspections • Anti-Fraud Strategy and Fraud Response Plan • Action Tracking • Forward Work Programme 	Liz Thomas Peter Evans David Webster David Webster David Webster