



Tuesday, 15 September 2015

## **AUDIT COMMITTEE**

A meeting of **Audit Committee** will be held on

**Wednesday, 23 September 2015**

commencing at **2.00 pm**

The meeting will be held in the Meadfoot Room, Town Hall, Castle Circus,  
Torquay, TQ1 3DR

### **Members of the Committee**

Councillor Tyerman (Chairman)

Councillor Bent

Councillor O'Dwyer (Vice-Chair)

Councillor Robson

Councillor Stocks

Councillor Stringer

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**Working for a healthy, prosperous and happy Bay**

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# AUDIT COMMITTEE AGENDA

1. **Apologies**  
To receive any apologies for absence, including notifications of any changes to the membership of the Committee.
2. **Minutes** (Pages 4 - 8)  
To confirm as a correct record the Minutes of the meeting of the Audit Committee held on 29 July 2015.
3. **Declarations of interests**
  - (a) To receive declarations of non pecuniary interests in respect of items on this agenda  
**For reference:** Having declared their non pecuniary interest members may remain in the meeting and speak and, vote on the matter in question. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.
  - (b) To receive declarations of disclosable pecuniary interests in respect of items on this agenda  
**For reference:** Where a Member has a disclosable pecuniary interest he/she must leave the meeting during consideration of the item. However, the Member may remain in the meeting to make representations, answer questions or give evidence if the public have a right to do so, but having done so the Member must then immediately leave the meeting, may not vote and must not improperly seek to influence the outcome of the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.  
  
(**Please Note:** If Members and Officers wish to seek advice on any potential interests they may have, they should contact Governance Support or Legal Services prior to the meeting.)
4. **Urgent Items**  
To consider any other items that the Chairman decides are urgent.
5. **The Annual Audit Letter for Torbay Council** (Pages 9 - 15)  
To consider the Annual Audit Letter which summarises the key findings arising from the work that Grant Thornton carried out at Torbay Council for the year ended 31 March 2015.
6. **Audit Committee Update for Torbay Council** (Pages 16 - 28)  
To note a report on progress in delivering Grant Thornton's responsibilities as the Council's external auditors.
7. **Follow Up Report on Areas Requiring Improvement** (Pages 29 - 42)  
To consider a report on the above.

8. **Treasury Management Mid-Year Review 2015/16** (Pages 43 - 55)  
To consider a report on the above.
9. **Regulation of Investigatory Powers Act 2000 (RIPA)** (Pages 56 - 58)  
To note a report that updates Members on any current RIPA authorisations and authorisations in relation to communications data and National Anti Fraud Network.
10. **Performance and Risk Framework** (Pages 59 - 76)  
To consider a report on the above.
11. **Adult and Children Services Budget Overspend 'Deep Dive'** (Page 77)  
To consider a request for the Audit Committee to carry out an investigation into Adult and Children Services budget overspend.



## Minutes of the Audit Committee

29 July 2015

-: Present :-

Councillors Bent, O'Dwyer, Robson, Tyerman and Stocks

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### 1. Election of Chairman/woman

Councillor Tyerman was elected as Chairman for the 2015/2016 Municipal Year.

(Councillor Tyerman in the chair)

### 2. Apologies

An apology for absence was received from Councillor Stockman.

It was reported that, in accordance with the wishes of the Liberal Democrat Group, the membership of the Committee had been amended for this meeting by including Councillor Stocks instead of Councillor Darling.

### 3. Minutes

The Minutes of the meeting of the Audit Committee held on 18 March 2015 were confirmed as a correct record and signed by the Chairman.

### 4. Appointment of Vice-Chairman/woman

Councillor O'Dwyer was appointed Vice-Chairman of the Audit Committee for the 2015/2016 Municipal Year.

### 5. Audit Committee Terms of Reference

Members of the Committee requested the Terms of Reference be updated to reflect the Committee's responsibilities in respect of Treasury Management and Regulation of Investigatory Powers Act 2000 (RIPA). Members were advised technical amendments to the Constitution could be made by the Monitoring Officer in consultation with the Group Leaders.

Resolved:

That the Chief Finance Officer in consultation with the Chairman be authorised to propose amendments to the Audit Committee Terms of Reference for the Monitoring Officer and Group Leaders to consider.

## **6. Torbay Council Audit Findings Report 2014/15**

Members noted a report that highlighted key matters arising from Grant Thornton's audit of the Council's financial statements for the year ending 15 March 2015. As the Council's external auditors Grant Thornton are required to provide their opinion on whether the Council's financial statements present a true and fair view of the financial position, expenditure and income for the year and whether the financial statements have been made in accordance with the CIPFA Code of Practice on Local Authority Accounting. Members were also informed that Grant Thornton were also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Members were advised that Torbay would be one of the first local authorities in the South West to receive an opinion of their financial statements. Mark Bartlett of Grant Thornton advised that the draft accounts were produced to a good standard, the audit was facilitated by good supporting working papers and excellent assistance from the finance team. Grant Thornton had not identified any adjustments affecting the Council's reported financial position and as such was able to anticipate providing an unqualified opinion in respect of the financial statements.

## **7. Statement of Accounts and Annual Governance Statement 2014/15**

Members were advised that the Accounts and Audit Regulations 2011 require approval of the Council's Statement of Accounts and Annual Governance Statement for the year ended 31 March 2015 by a Committee of the Council before 31 September 2015.

Members paid particular attention to the pension liability (as set out in the table at Appendix 1 under heading 'Material Assets or Liabilities acquired – Assets'). Members sought clarification on the criteria that would enable a scheme to be placed in the 'other scheme' category as this totalled £13.4 million. In response the Chief Finance Officer agreed to circulate the criteria and provide a web link to the most recent capital outturn report.

Members proceeded to consider the Annual Governance Statement (AGS). The Assistant Director for Corporate and Business Services advised the Committee that the AGS had been compiled using a new format as the previous AGS did not make reference to the Code of Corporate Governance. Taking account of the Code of Corporate Governance, this had resulted in a change of emphasis with the AGS becoming a document that evolves and is built upon throughout the year rather than written in hindsight.

Members requested a separate statement regarding the Audit Committee holding the Mayor and executive to account from the Overview and Scrutiny Board, to enable the Audit Committee to undertake investigations in order to seek assurance that the appropriate controls are in place.

Resolved:

- i) that the Audit Committee reviewed the accounts including the significant accounting policies and considered the External Auditor's report and opinion on the accounts:
- ii) that the Assistant Director of Corporate and Business Services be authorised to correct typing errors and amend the following statement:  

'The Audit Committee and Overview and Scrutiny Board have met throughout the year to hold the Mayor and executive to account and therefore provide assurance.'
- iii) that subject to the amendments in ii) above the Annual Governance Statement as set out in pages 98 to 110 of Appendix 2 to the report be approved;
- iv) that the Council's Statement of Accounts for 2014/15, as set out in pages 14 to 97 of Appendix 2 to the report be approved;
- v) that the Chairman of the Audit Committee sign and date the accounts on behalf of the Council, to represent the completion of the Council's approval process of the accounts, in the 'Statement of Responsibilities for the Statement of Accounts' shown on page 16 of the Statement of Accounts;
- vi) that the Letter of Representation to Grant Thornton from the Council in relation to the 2014/15 Statement of Accounts, as set out in Appendix 1 to the report be approved; and
- vii) that the Chief Finance Officer establish a schedule of training on the Statement of Accounts, including a workshop when the accounts are in draft form, for Members of the Audit Committee.

## **8. Treasury Management Outturn 2014/15**

The Committee considered a report that informed Members of the performance of the Treasury Management function in supporting the provision of Council services in 2014/15 through management of cash flow, debt and investment operations and the effective control of the associated risks.

The Chief Finance Officer advised Members that a briefing had been arranged for September. Several advisors on investment methods would be present in order for Members and Officers to consider different investment approaches with a report then being presented to the Audit Committee on 23 September 2015.

## **9. Annual Audit Report 2014/15**

Members were advised that the Audit Committee, under its Terms of Reference, was required to consider the Chief Internal Auditor's Annual Report, in order to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Chief Internal Auditor informed Members that Internal Audit had not identified any fundamental weaknesses with only 14 areas 'requiring improvements' during 2014/15 – overall a reasonably positive report given the changes that the authority had undergone.

Members queried why some partner organisations were not required to have an internal audit function. Members were advised should they require assurance on partners governance arrangements, the contracts would need to specify such a requirement. Members requested future contracts include arrangements to require independent assurance from the contractor or retain the right for the Council's internal audit team to undertake an examination and evaluation of the governance arrangements.

Members noted that a significant amount of work on Children Services had been deferred due to the changes that were being implemented. Members were advised that the issue had been raised with the Senior Leadership Team and the Chief Internal Auditor had been reassured that a plan would be in place in order for Internal Audit to review the processes. Members were further informed that the Internal Audit Team had been asked to undertake a review on the Children Services 7 year plan.

Members sought reassurance that the savings plan was being monitored adequately, the Assistant Director of Corporate and Business Services agreed to forward the budget tracker to the Chief Internal Auditor for him to assess whether there would be any added value to include in internal audit reports.

#### **10. Regulation of Investigatory Powers Act 2000**

Members considered a report that reminded Members of the amendments to the guidance on the use of RIPA and the 2014 inspection recommendations.

Members acknowledged that the Council had not undertaken a RIPA authorisation since 2008 and requested future updates include information on investigation powers that were below the RIPA level in order for the Council's use of RIPA to be put into context.

Resolved:

- i) that the Audit Committee receives quarterly reports from the RIPA Co-ordinator on the use of RIPA within the Council; and
- ii) that the proposed actions to be taken by the RIPA Co-ordinator in response to the Office of the Surveillance Commissioner's inspection of the Council's RIPA procedures and their recommendations as set out in paragraph 4.15 of the submitted report be noted.

**11. Performance and Risk Framework**

Members noted the report and were informed that despite the withdrawal of the Corporate Plan officers were continuing to work towards delivery plans along the lines of the themes contained within the plan. Members were advised that a managers working group would be set up in order to review and challenge risks and mitigation. The group would also provide service level managers the opportunity to feed into the strategic risks encouraging greater ownership.

Members welcomed the update and requested the risk dashboards be populated in line with the themes set out in the draft Corporate Plan – plan on a page.

Chairman/woman

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# The Annual Audit Letter for Torbay Council

Year ended 31 March 2015

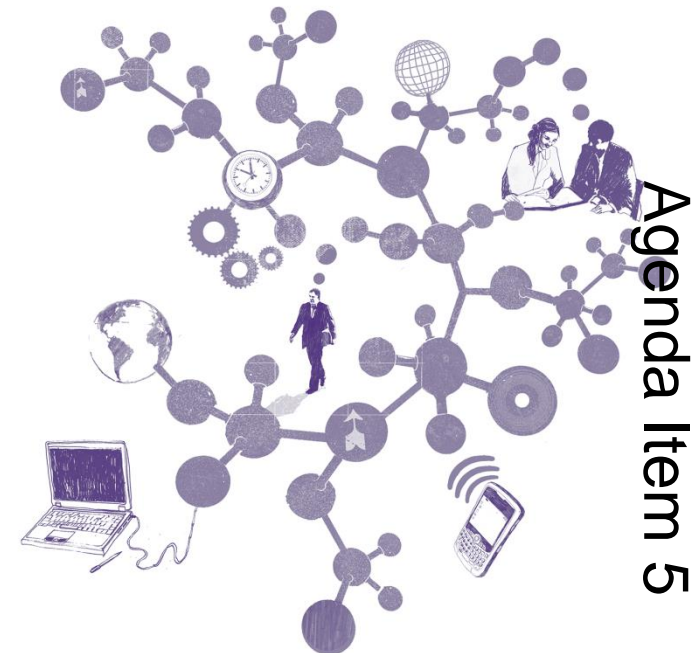
September 2015

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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Torbay Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 18 March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

<p><b>Financial statements audit (including audit opinion)</b></p> <p>Page 11</p>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 29 July 2015 to the Audit Committee. The key messages reported were:</p> <ul style="list-style-type: none"><li>• the timetable agreed with the finance team enabled an early audit start date of 15 June with reporting to the Audit Committee at the end of July</li><li>• we had a number of helpful early discussions with the finance team around key technical issues, which enabled the early resolution of issues that would have been difficult to resolve promptly once the audit was in progress</li><li>• the draft accounts were produced to a good standard, which was a credit to the finance team given the early timetable</li><li>• the audit was facilitated by good supporting working papers and excellent assistance from the finance team.</li></ul> <p>We issued an unqualified opinion on the Council's 2014/15 financial statements on 20 August 2015, well ahead of the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p>
<p><b>Value for Money (VfM) conclusion</b></p>	<p>We issued an unqualified VfM conclusion for 2014/15 on 20 August 2015.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.</p>

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## Key messages (continued)

<b>Certification of housing benefit grant claim</b>	Our work on the Council's housing benefit subsidy claim is in progress and the results of the work will be reported in the Certification Report later this year.
<b>Audit fee</b>	Our fee for 2014/15 was £136,070 excluding VAT which was in line with our planned fee for the year. Further detail is included within appendix B.

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# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>The Council's Medium Term Resource Plan (MTRP) has a gap of £32.8m over the 2016/17 - 2018/19 period. This represents a considerable challenge for the Council given the savings it has had to make in recent years.</p> <p><b>Recommendation:</b> The Council must urgently develop realistic savings plans to bridge the budget gaps in 2016/17 to 2018/19.</p>	High	<p>Accepted – Senior Leadership Team (SLT) are considering options to inform the budget process. The aim is to have a three year budget agreed in 2015/16.</p> <p>Responsible officer: Martin Phillips – Chief Accountant Due date: February 2016</p>
2.	<p>The Council's 2015/16 budget includes savings of £12m. If these are not achieved there will be even greater pressure on the savings to be identified in 2016/17 to 2018/19. The 2015/16 savings are being separately monitored by a savings tracker that is reported to SLT.</p> <p><b>Recommendation:</b> With continuing in-year pressures on Childrens' Services and Adult Social Care, the 2015/16 savings will require careful monitoring throughout the year.</p>	High	<p>Accepted – SLT receive monthly updates on the financial position and action plans are implemented as necessary.</p> <p>Responsible officer: Martin Phillips – Chief Accountant Due date: On-going</p>
3.	<p>The risk management arrangements is still not fully embedded at the operational risk management level and the format of the reporting of the strategic risk register to members is still developing, although progress is being made.</p> <p><b>Recommendation:</b> The Council must continue to work to fully embed the risk management process throughout the Council.</p>	High	<p>Accepted – Risk management arrangements and reporting are being improved.</p> <p>Responsible officer: Anne-Marie Bond – Assistant Director for Corporate and Business Services Due date: On-going</p>

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# Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

## Fees for audit services

	Per Audit plan £	Actual fees £
Audit fee	136,070	136,070
Housing benefit grant certification fee*	12,840	12,840
<b>Total audit fees</b>	<b>148,910</b>	<b>148,910</b>

## Fees for other services

Service	Fees £
<b>Audit related services</b>	
• Teachers Pension	3,800
<b>Non-audit related services</b>	Nil

\* This work is on-going and the final fee will be notified in the Certification Report later this year.

## Reports issued

Report	Date issued
Audit Plan	March 2015
Audit Findings Report	July 2015
Certification Report	December 2015
Annual Audit Letter	September 2015

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# Audit Committee Update for Torbay Council

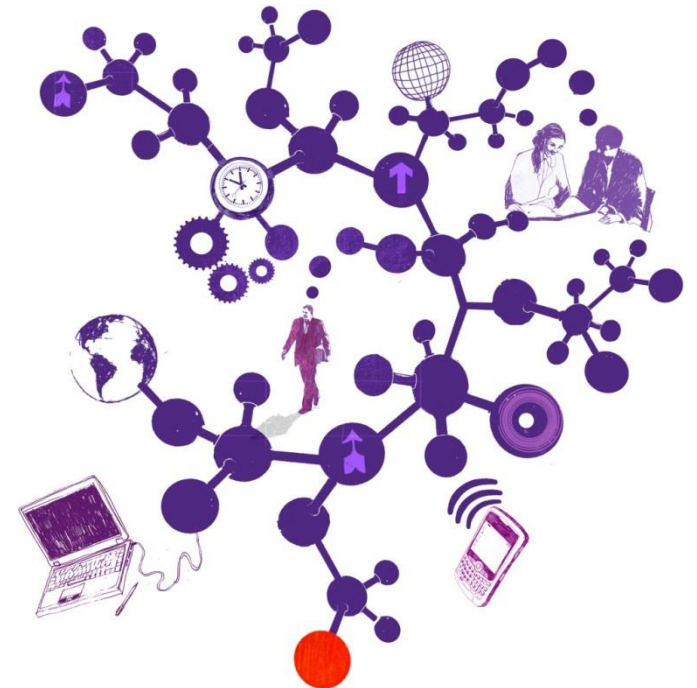
Year ended 31 March 2015

23 September 2015

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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# Progress at 10 September 2015

Work	Planned date	Complete?	Comments
<p><b>2014-15 Audit Fee</b> External Audit fees are determined by the Audit Commission after a period of consultation with the audited bodies.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 20</p>	28 February 2015	Yes	<p>In 2013/14, the Audit Commission increased the audit fee for all Unitary Councils by £1,070 to reflect the fact additional audit work was required on material business rates balances.</p> <p>This additional work was necessary as auditors were no longer required to carry out work to certify NNDR3 returns. The additional fee was 50% of the average fee previously charged for NNDR3 certifications for Unitary Councils.</p> <p>The Audit Commission has included this additional amount in all audit fees for 2014/15. The audit fee is now £136,070 for Torbay Council.</p> <p>The indicative certification fee for 2014/15 has been set at £12,840.</p>
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	31 March 2015	Yes	<p>We carried out the interim accounts visit between January and March 2015. The findings from the interim visit were reported in the Audit Plan to your March meeting.</p>

# Progress at 10 September 2015

Work	Planned date	Complete?	Comments
<p><b>2014-15 Audit Plan</b></p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	March 2015	Yes	The Audit Plan was reported to the March Audit Committee meeting.
<p><b>2014-15 final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2014-15 financial statements</li> <li>• proposed opinion on the Council 's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	30 September 2015 (Statutory deadline)	Yes	An unqualified opinion was issued on the 2014/15 financial statements on 20 August 2015, well in advance of the statutory date.
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> <li>• securing financial resilience; and</li> <li>• challenging how it secures economy, efficiency and effectiveness.</li> </ul>	30 September 2015 (Statutory deadline)	Yes	An unqualified VfM conclusion was issued on 20 August 2014, well in advance of the statutory date.
<p><b>2014/15 Annual Audit Letter</b></p>	31 October 2015	Yes	The 2014/15 Annual Audit Letter is included on the agenda of this meeting.

# Progress at 10 September 2015

Work	Planned date	Complete?	Comments
<b>Certification work</b> <ul style="list-style-type: none"><li>Housing benefit subsidy for 2014/15</li><li>Teachers Pension Return</li></ul>	30 November 2015	No	<p>Early housing benefit testing was carried out in June. The balance of the testing is scheduled in October 2015.</p> <p>The Teachers Pension Return has been agreed as additional audit related services. The work is scheduled to be carried out in October 2015.</p>
<b>Other activities</b> <ul style="list-style-type: none"><li>Grant Thornton held client workshops on accounting for schools and infrastructure assets in December 2014 and January 2015.</li><li>Our annual financial statements workshops, in conjunction with CIPFA, took place in February and March 2015. Torbay Council was represented at the event in Exeter on 11 February.</li><li>The Executive Director attended Grant Thornton's CEO Room, a session held in a dedicated room in our Bristol office focused on key strategic, financial and leadership issues for Torbay Council.</li><li>The audit team have regular discussions and meetings with key finance officers to discuss emerging issues and share information as it becomes available.</li></ul>			

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# Emerging issues and developments

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# Spreading their wings: Building a successful local authority trading company

## Grant Thornton

Our report, 'spreading your wings' focuses on how to set up a local authority trading company and, importantly, how to make it successful. It is available at <http://www.grant-thornton.co.uk/Global/spreading-their-wings-LATC-report-2015.pdf>

The trend in using alternative models to protect and develop services has continued over the last year. As councils continue to confront financial pressure, many have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures.

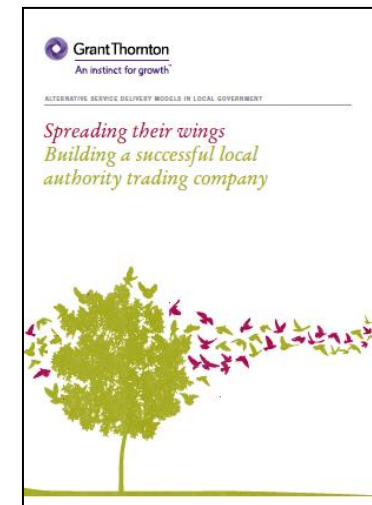
The introduction of LATCs has been a key part of this innovation and we predict that the number will grow in the next five years. While restricted initially to areas such as entertainment or airports – for example Birmingham's NEC and Manchester Airport – LATCs have grown into new areas such as highways, housing and education. More recently, LATCs dedicated to the delivery of social care services have emerged.

We recognise that the delivery of a successful company is not easy. In light of this, this report provides practical guidance on the steps that need to be followed in:

- deciding to set up a local authority trading company
- setting up a local authority trading company
- building a successful local authority trading company.

Grant Thornton has worked with many LATCs and continues to support growth in this area. We have based this report on market research, interviews with councils and LATCs, and our own experience of working with LATCs and councils. It is a practical guide drawing on our own experiences but also on the successful companies we have worked with.

Hard copies of our report are available from your Engagement Lead or Audit Manager.





# Welfare Reform Review: Easing the burden

## Grant Thornton

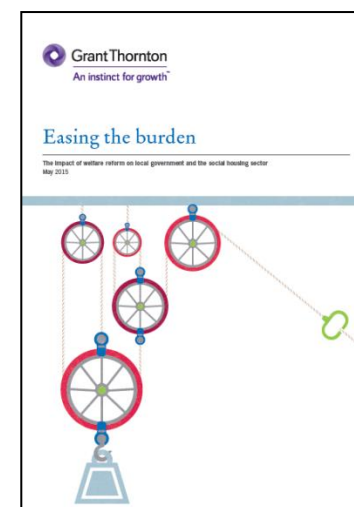
Our second welfare reform report, 'Easing the burden' provides insight into the impact of welfare reform on English local authority and social housing organisations over the past two years. It is available at <http://www.grant-thornton.co.uk/Global/Easing-the-burden-welfare-reform-report.pdf>

It focuses on the governance and management arrangements being put in place across the two sectors to deliver reform, the early signs of how successful the reforms have been and the upcoming issues and risks on the reform agenda in the wider context of social impact.

The key messages include:

- The cumulative effect of various welfare reforms is putting a significant financial strain on those people needing welfare support
- The majority of local authorities and housing associations surveyed have seen a rise in average council tax and rent arrears since 2012/13, which they attributed at least in part to welfare reform
- There has been limited movement to smaller properties as a result of the spare room subsidy and benefit cap reforms,
- Local authorities are becoming reliant on Discretionary Housing Payments (DHP) to plug the gap for those unable to pay.
- Any reduction in DHP funding from central government is therefore likely to result in further increases to rent arrears and homelessness in the next two years, unless mitigated by other means
- The withdrawal of ring-fenced hardship funding (formerly the Social Fund) will result in a reduction of provision, as the majority of local authorities told us that they are not in a position to fund this from their own revenue
- Reductions in DHP, hardship funding and general funding reductions inhibit the ability of local authorities and housing associations to pursue early intervention policies, preventing people falling into long-term benefit dependency. This has cost implications for the medium- to long-term.
- The cost of administering housing benefit is rising as a result of welfare reform. Around half of local authorities and housing associations surveyed said housing benefit is becoming significantly more costly to administer, partly due to the increased complexity of cases.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



# Local Government New Burdens

## Local government issues

The National Audit Office (NAO) published its review of new burdens on local government on 5<sup>th</sup> June 2015.

In 2011, the government reaffirmed its commitment to the New Burdens Doctrine (the Doctrine). The Doctrine set out how the government would ensure that new requirements that increased local authorities' spending or reduced their income did not lead to excessive council tax increases. The Doctrine commits the government to assess and fund extra costs for local authorities from introducing new powers, duties and other government-initiated changes.

The NAO report considers the new burdens regime, how it is managed and overseen and the DCLG's arrangements for new burdens assessments. It concludes that:

- government departments have embraced the new burdens Doctrine and the DCLG's guidance has promoted consistent assessment and encouraged consultation with local government on the impact of new requirements;
- however, the government is not sufficiently open about which new burdens are assessed or the outcomes of assessments; and
- the DCLG has not promoted post implementation reviews to ensure funding is adequate.

The NAO also concludes that the DCLG needs to use intelligence from new burdens regime better, to improve its understanding of the pressures affecting local authorities' financial sustainability.

# English devolution – local solutions for a successful nation

## Local government issues

The Local Government Association's (LGA) white paper on devolution includes a warning to the new government that the principle of cuts without reform could stifle growth and development and challenge the sustainability of vital local services. The paper sets out:

- Why devolution matters
- The principles to sustain devolution
- A road map to follow to help deliver reform
- Proposals that will strengthen accountability and governance in the new system

It states that:

*Local government has done more than any other part of the public sector over the course of the last parliament to make the public finances more sustainable and managed to do so while protecting front line services. All evidence suggests that this cannot continue over the next five years without more radical reform. Given the continuing need to reduce the national deficit, only a reinvigorated agenda for reform, underpinned by sustainable funding for local services, will deliver the ambition of the new Government for our communities and national economy.*



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## Internal Audit Report

Follow Up Report on  
Areas Requiring  
Improvement

**Torbay Council**

*August 2015*

**OFFICIAL**



## **Devon Audit Partnership**

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The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk).

## **Confidentiality and Disclosure Clause**

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This report is protectively marked in accordance with the National Protective Marking Scheme. Its contents are confidential and, whilst it is accepted that issues raised may well need to be discussed with other officers within the organisation, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

## **Introduction**

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At the July Audit committee members were provided with the Annual Internal Audit report for the Council. Appendix 4 of that report provided a summary of the audits undertaken during 2014/15, along with our assurance opinion. Where a “high” or “good” standard of audit opinion was provided we confirmed that, overall, sound controls were in place to mitigate exposure to risks identified; where an opinion of “improvement required” was provided then issues were identified during the audit process that required attention. We provided a summary of some of the key issues reported that were being addressed by management and pointed out that we were content that management were appropriately addressing these issues.

Members discussed and accepted the report; however, members at the other partner organisations of the Devon Audit Partnership have found it beneficial to receive a report on progress on the “improvement required” areas highlighted in Appendix 4 to the report.

As part of adding value and to ensure a consistent service across all partners, Devon Audit Partnership has completed follow up reviews to provide updated assurance to members. The results from this process are contained in this report at Appendix A.

## **Assurance Statement**

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Our assurance opinion remains as reported in our Annual Audit Report 2014/15. However, it should be recognised that there is potential for this assurance opinion to be adversely affected should the lack of progress made against certain individual audit management action plans continue.

## **Progress Impact Assessment**

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The progress made in the majority of areas means the previously identified risks are being minimised or mitigated where appropriate. However the limited progress made in certain action plans means a number of the risks previously identified and highlighted to management continue to remain.

In particular there remain two areas where progress has been limited:

- ICT Continuity – and the linkages between this and Corporate BCP, Risk Management and Emergency Planning (refer to Appendix A, page 9);
- Children’s Services - External Contracts

These are key to strategic and operational change in the coming months and in principle may impact the success of mitigation of wider strategic risks.

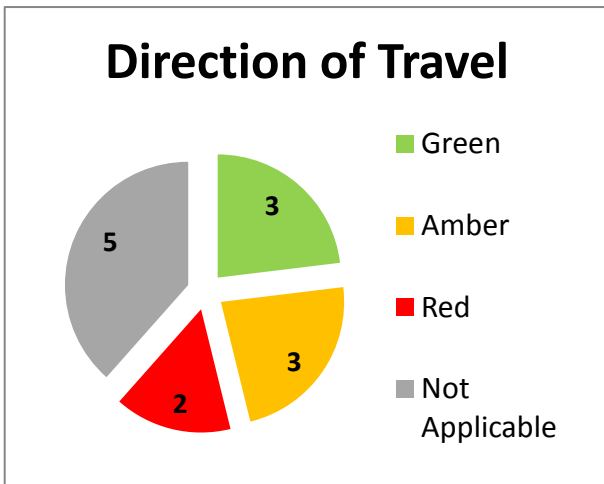
In addition, where the agreed actions are set for future dates and have therefore not formed part of this follow up exercise, the identified risks will remain until such time as the actions are complete.

This follow up activity was an opportunity to facilitate review and expedite progress for individual audits, to inform Management of the current position and to integrate the outcomes into the organisation’s strategic management.

## Progress

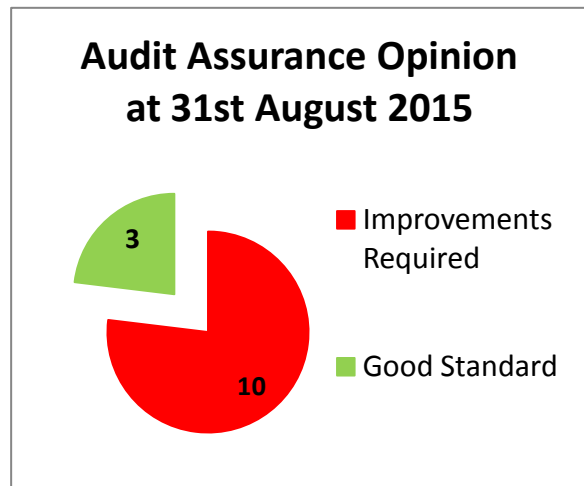
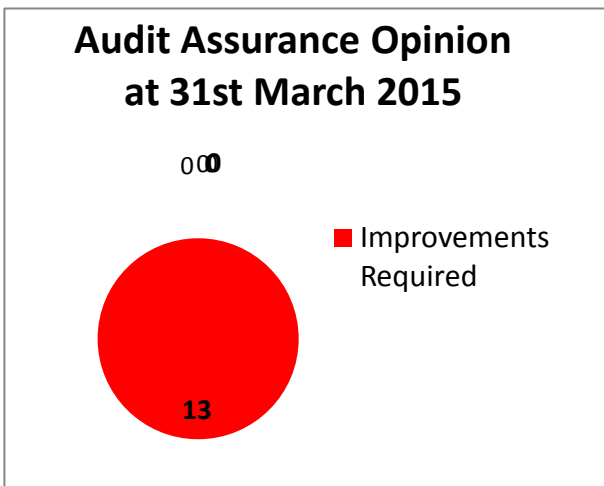
Some progress has been made against the agreed action plans as shown in the 'Direction of Travel' chart. The subsequent charts record the resulting change in audit assurance opinion based upon the follow up work undertaken.

It should be noted that a number of the audits were not followed up due to the timing being inappropriate linked to the timing of the agreement to the action plan for the original reports, hence in these instances the original assurance opinion remains.



### Direction of Travel Key

**Green** – action plan implemented or being implemented within agreed timescales;  
**Amber** – implementation of action plan not complete in all areas or overdue for key risks;  
**Red** – implementation of action plan not complete and we are aware progress on key risks is not being made.  
**N/A** – follow up not appropriate at this time / opportunity for progress has been limited



## Internal Audit Coverage and Results

Overall we can report that for the majority of audits progress is being made against the agreed recommendations following our initial audit and this is shown in the direction of travel chart above and in Appendix A of this report. A significant number of opinions remain unchanged at this time although this does not in all cases reflect lack of action.

It should be noted that in a number of instances action is being taken to address the issues identified, but this is ongoing and therefore we have been unable to form a new overall assurance opinion. It is acknowledged that the need to make changes to some processes can take time to achieve, and as a consequence not all recommendations



have been completed, but this is as expected.

Some agreed actions have not been implemented for a variety of reasons including strategic and operational changes in the service area and the need to prioritise resource in other directions. We shall work with management in determining revised implementation dates to ensure that actions are taken as promptly as is possible to address the risks identified.

During our initial audit work we have made reference to areas where risk exists; however in some cases it is either not economically appropriate to address this risk, or technical solutions are not yet available. In such cases management agree to accept this risk, and use other monitoring arrangements to ensure that the risk is kept to a minimum. In such cases we are unable to provide an improved audit opinion, although we fully recognise that the risk is identified, managed and management will resolve the issue as and when opportunities arise.

Appendix A of this report sets out the audits at the end of 2014/15 which were identified as 'improvements required' or 'fundamental weaknesses'. The appendix shows the current (updated) assurance opinion following our follow up work, and a 'direction of travel'. We have also provided some more detailed commentary on progress being made. Appendix B provides a definition of the assurance opinion categories.

## **Annual Governance Statement**

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The conclusions of this report provide further internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

These should be considered along with the conclusions from the Annual Audit Report 2014/15 presented to the Committee in July 2015.

## **Process**

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For each service area where an overall audit opinion of "improvements required" was provided at the end of 2014/15 we completed a follow up review. The follow up review was undertaken to provide assurance to management and those charged with governance, that the agreed actions identified at our initial audit visit had been implemented, or suitable progress is being made to address the areas of concern.

Our approach was to initially write to the appropriate service manager to obtain an update on progress being made against agreed audit recommendations. The level of assurance we requested was dependent upon the priority of the agreed recommendation.

For recommendations of "low" priority we required written confirmation that the action had been enacted upon, or an update on the progress being made.

For "medium" priority recommendations we required written confirmation that the action has been enacted upon, or an update on the progress being made, plus some evidence to support this. For example, if the recommendation was for a monthly imprest reconciliation to be produced and signed as correct, then a copy of the most recent reconciliation was required.

For "high" priority recommendations we required written confirmation that the action had been enacted upon, or an update on the progress being made, plus some evidence to support this (as above) plus, and depending upon the nature of the recommendation, we considered a physical visit to confirm that the recommendation was operating as expected and that the identified risk had been reduced to an acceptable level.

Following the completion of our review we considered the progress made against of the agreed recommendations. This then enabled us to reconsider our assurance opinion against each of the risk areas identified, and has enabled us to reconsider our overall assurance opinion enabling an updated opinion to be provided where appropriate.

It should be noted that this updated opinion is based upon the assumption that systems and controls as previously identified at the original audit remain in operation and are being complied with in practice. The purpose of our follow up exercise has not been to retest the operation of those previously assessed controls, but to consider how management have responded to the agreed action plans following our previous work

## Appendix A

## Summary of Audit Follow and Findings 2014-15


### Risk Assessment Key

LARR – Local Authority Risk Register score Impact x Likelihood = Total & Level  
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management  
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available


### Direction of Travel - Key

Green – action plan implemented or being implemented within agreed timescales;  
 Amber – implementation of action plan not complete in all areas or overdue for key risks;  
 Red – implementation of action plan not complete and we are aware progress on key risks is not being made.


\* report recently issued, opportunity for progress has been limited


Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2015	Updated Audit Assurance Opinion as at 31 August 2015	Commentary and residual risk	
<b>Material Systems</b>					
Council Tax & NDR (2013-14)	ANA – Medium	Improvements Required	Improvements Required	The Council Tax & NDR Audit is an annual material systems audit and as such any recommendations made and associated agreed actions will be followed up as part of the annual audit exercise.  Completion of the 2014-15 annual audit was delayed but is now nearing completion, which includes the follow up of the 2013-14 recommendations and which will be reported in our six monthly performance outturn report	N/A
Payroll – System Procurement and Implementation	ANA – Critical	Improvements Required	Good Standard	Management responded positively to the report and associated recommendations made in relation to the project and are actively using them to inform the current Self Service project activity. This is evident through ongoing audit involvement in the current project.	
Crisis Support Follow-up	ANA – Low	Improvements Required	Improvements Required	The report was in draft at the time of the 2014-15 annual report. It has recently been issued in final and a management action plan agreed.	N/A *

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2015	Updated Audit Assurance Opinion as at 31 August 2015	Commentary and residual risk	
Creditors	ANA – High	Improvements Required	Improvements Required	<p>The report was in draft at the time of the 2014-15 annual report. It has now been issued in final and a management action plan agreed.</p> <p>Creditors is subject to an annual audit and therefore the status of individual recommendations against the agreed actions will be followed up then. The results of this audit will be reported in our six monthly performance outturn report.</p>	N/A *
Corporate Debt	ANA – High	Improvements Required	Improvements Required	<p>This report was issued in June 2015 and the agreed actions are not due for completion until January 2016. Corporate Debt is subject to an annual audit and therefore the status of individual recommendations against the agreed actions will be followed up then. The results of this audit will be reported in our six monthly performance outturn report.</p>	N/A *



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2015	Updated Audit Assurance Opinion as at 31 August 2015	Commentary and residual risk	
<b>IT audit</b>					
ICT Continuity	ANA - High	Improvements Required	Improvements Required	<p>The ICT Continuity / DR function is in itself specific to IT, however the audit identified a number of linked but wider Corporate Business Continuity issues resulting in recommendations for corporate consideration rather than IT Services specific, including a proposal to integrate ICT Continuity and DR, with Corporate Business Continuity, Emergency Planning and Risk Management and Legal which was accepted by SLT. Due to organisational structure changes and the need to integrate with the revised Risk Management methodology and the exercise to review business continuity plans, progress against agreed recommendations has not been undertaken as originally expected. The integration is being progressed through an initial review with the Executive Head – Customer Services; Assistant Director – Corporate &amp; Business Services; and Assistant Director – Community &amp; Customer Services; supported by Internal Audit.</p> <p>As a number of the agreed actions have not yet taken place, the level of risk has not been reduced. As outlined above, Management have provided assurance that the recommendations will be progressed.</p>	
Harbour Mooring system Replacement	ANA – Medium	Improvements Required	Improvements Required	<p>The existing system is now in need of replacement to enable more effective control on an expanding area of business and to provide an effective interface with the main accounting system for debt recovery. Interim arrangements have been made to the client's satisfaction as a one-off operation.</p> <p>The project for development of an in-house package by ICT was temporarily suspended as it did not meet client needs. However a subsequent specification has been drawn up and is currently under consideration. Development processes will be further reviewed within the 2015/16 audit plan.</p>	N/A


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Place					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2015	Updated Audit Assurance Opinion as at 31 August 2015	Commentary and residual risk	
Page 38	ANA – High	Improvements Required	Improvements Required	<p>Some progress against the agreed recommendations has taken place, with a number of recommendations having been implemented. However there remain a high number of recommendations that have either been implemented in part or have yet to be implemented. It is understood that a number of these will be considered as part of the Parking Review process. A large number of recommendations still require further action to ensure the control framework would be sufficiently robust to minimise or mitigate the identified risks. As a consequence, until such time as the actions are fully addressed, the level of risk has not been reduced.</p> <p>Internal Audit has been advised that resourcing issues within Parking Services has had an impact on the services ability to fully address the recommendations made.</p>	
		TOR2 Contract Monitoring	ANA - High	Improvements Required	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2015	Updated Audit Assurance Opinion as at 31 August 2015	Commentary and residual risk	
Torbay Harbour Authority – Asset Management	ANA – Medium	Improvements Required	Good Standard	We can confirm that significant progress has been made by management in addressing the risks identified in the original audit. The majority of agreed actions have taken place, considerably reducing the level of risk. A few recommendations remain to be completed, but we are confident that these will soon be addressed. The remaining issues are in relation to recharging in order to maximise income. It is understood that this is a complex area, however it is being progressed but has yet to be fully resolved.	

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Community Safety					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2015	Updated Audit Assurance Opinion as at 31 August 2015	Commentary and residual risk	
Bereavement	ANA – Low	Improvements Required	Improvements Required	Satisfactory progress against the agreed recommendations has taken place. We note that a number of recommendations remain to be completed. Management have provided assurance that these issues will be addressed in the near future.	
Community Safety – Safer Communities (Domestic Violence)	ANA – High	Improvements Required	Good Standard	The majority of agreed recommendations have been actioned or are ongoing.  Following changes in service delivery arrangements a number of previously identified operational issues are now managed by the new contractor.	

Children's Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2015	Updated Audit Assurance Opinion as at 31 August 2015	Commentary and residual risk	
Children's Services External Contracts	ANA - High Risk	Improvements Required	Improvements Required	Progress against the agreed recommendations has not been undertaken within the timescale originally expected. The intention was to set up a Joint Commissioning Team (July 2014) however this as yet has not taken place. Approval has now been given by the Mayor (July 2015) for a new proposed structure. A number of the agreed actions have not yet taken place or have not been able to be tested and as a consequence the level of risk has not been reduced.	



## Definitions of Audit Assurance Opinion Levels

Assurance	Definition
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required.	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
Fundamental Weaknesses Identified.	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

## Definition of Recommendation Priority

Priority	Definitions
High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.

## Confidentiality under the National Protective Marking Scheme

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Marking	Definitions
Not Protectively Marked or Unclassified	Documents, information, data or artefacts that have been prepared for the general public or are for the public web pages or can be given to any member of the public without any exemptions or exceptions to release applying, have the classification NOT PROTECTIVELY MARKED. Some organisations will also use the word UNCLASSIFIED for publicly available information.
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Secret	Very sensitive information that justifies heightened protective measures to defend against determined and highly capable threat actors. For example, where compromise could seriously damage military capabilities, international relations or the investigation of serious organised crime.
Top Secret	The most sensitive information requiring the highest levels of protection from the most serious threats. For example, where compromise could cause widespread loss of life or else threaten the security or economic wellbeing of the country or friendly nations.



**Meeting: Audit Committee**

**Date: 21<sup>st</sup> September 2015**

**Wards Affected: All Wards in Torbay**

**Report Title: Treasury Management Mid-Year Review 2015/16**

**Is the decision a key decision? No**

**Executive Lead Contact Details:** Mayor Gordon Oliver, 01803 207001,  
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**Supporting Officer Contact Details:** Pete Truman, Principal Accountant, 01803 207302,  
[pete.truman@torbay.gov.uk](mailto:pete.truman@torbay.gov.uk)

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## **1. Proposal and Introduction**

1.1 This report provides a mid-year review of Treasury Management activities during the first part of 2015/16. The Treasury function aims to support the provision of all Council services through management of the Council's cash flow and debt & investment operations.

1.2 The key points in the Treasury Management review are as follows:

- Bank Rate not forecast to rise until 2016
- Investment portfolio remains exposed to limited opportunities in terms of rates and suitable counterparties
- The Council's return on investments out-performs the market and Local Authority benchmarks
- No economic opportunities to reduce levels of borrowing
- Treasury Management activities are expected to generate a net Revenue Budget saving of £200k in 2015/16.

## **2. Reason for Proposal**

2.1 The preparation of a mid year review on the performance of the treasury management function forms part of the minimum formal reporting arrangements required by the CIPFA Code of Practice for Treasury Management.

2.2 Audit Committee, at its meeting in January 2015, instructed officers to evaluate opportunities to diversify the investment portfolio into higher risk/higher yield instruments.

### 3. Recommendations

- 3.1 That the Treasury Management decisions made during 2015/16 the first part of 2015/16 as detailed in this report be noted; and
- 3.2 That the Prudential and Treasury Indicators as set out in Appendix 2 of this report be noted; and
- 3.3 That the Committee determine the appropriateness of diversifying the investment portfolio into higher risk investments with recommendation to Council from the following options:
- i. That Council approve investment in peer to peer lending
  - ii. That Council approve investment in a Multi Asset Fund
  - iii. That Council approve Investment in a Property Fund
  - iv. That Council approve investment in a combination of two or three of the above instruments
  - v. No recommendation to diversify into higher risk investment instruments

### 4. Background Information

4.1 The Treasury Management Strategy for 2015/16 was approved by Council on 5<sup>th</sup> February 2015.

4.2 The Council defines its treasury management activities as:

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

4.3 The Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by the Council on 25<sup>th</sup> March 2010.

4.4 This mid year review has been prepared in compliance with the CIPFA Code of Practice and covers the following in Appendix 1 to this report:

- Interest Rate update;
- Review of the Council’s Borrowing strategy;
- Review of the Council Investments 2015/16;
- Revenue Budget Performance
- Compliance with Prudential Limits for 2015/16.
- Alternative Investments

### 5. Interest Rate Update

5.1 As forecast, interest rates have remained at historically low levels.

- 5.2 Despite concerns of rising earnings the Monetary Policy Committee have recently voted to maintain the Bank rate at 0.5% by eight votes to one. Any rise in Bank Rate is not expected until 2016.
- 5.3 The current view on interest rates (as at August 2015) of the Council's advisors, Capita Asset Services, is shown below:

	Now	Sep-15	Dec-15	Mar-16	June-16	Sep-16	Dec-16
BANK RATE	0.50	0.50	0.50	0.50	0.75	0.75	1.00
5yr PWLB	2.19	2.30	2.40	2.50	2.60	2.80	2.90
10yr PWLB	2.77	2.90	3.00	3.20	3.30	3.40	3.50
25yr PWLB	3.31	3.40	3.60	3.80	3.90	4.00	4.10
50yr PWLB	3.17	3.40	3.60	3.80	3.90	4.00	4.10

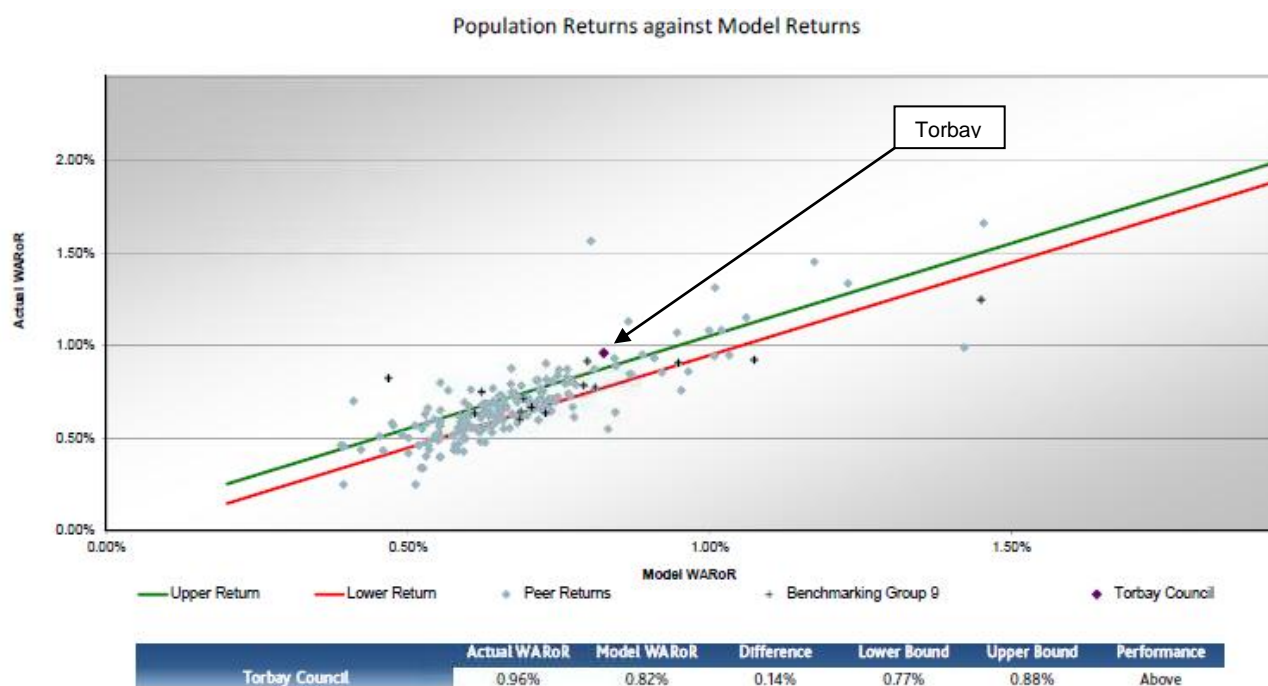
## 6. Borrowing Portfolio 2015/16

- 6.1 The current and expected levels of borrowing rates provide no economic opportunity to make any early repayment of borrowing in line with the preferred strategy
- 6.2 No new borrowing is anticipated in 2015/16.

## 7. Investments Portfolio 2015/16

- 7.1 The portfolio includes a number of one to two year duration deposits with the part-nationalised banks.
- 7.2 Going forward, officers are conscious that the new government is likely to step up the divestment of Lloyds Bank and accordingly have recently re-classified the Bank to a higher risk level within the counterparty policy. Existing exposure in the Bank will be unwound naturally as deposits mature to comply with the associated lower investment limits.
- 7.3 This re-classification will add significant additional pressure on the investment portfolio both in terms of available counterparties and the lower level of returns available.
- 7.4 Greater use has been made of AAA rated Money Market Funds to gain a slight improvement on return of liquidity monies.
- 7.5 In considering the Treasury Management Strategy for 2015/16 the Audited Committee requested Officers to evaluate and report on the impact of diversifying into new higher risk investment instruments. A discussion paper is provided at Appendix 3 to this report.
- 7.6 The external Fund Manager, Aberdeen Asset Management, held £30M of Council funds at the end of July 2015. The Fund has continued to add value to the Council's overall return and counterparty/instrument diversity although returns have been hit by market conditions over the past couple of months.
- 7.7 A comparison of the Council's investment performance to date against peer Local Authorities is given below and illustrated in the following graph:

	Torbay Performance Rate	Market Benchmark (7-day LIBID)	Capita Benchmarking	
			Local Group	English Unitaries
Weighted Average Rate of Return at 31/07/15 - In House	0.96%	0.35%	0.80%	0.77%
-External Fund Manager (net of fees)*	0.70%	0.35%	N/A	N/A
-Combined	0.86%	0.35%		



Source: Capita Asset Services

## 8. Revenue Budget Performance

8.1 Treasury Management activities are currently forecast to underspend the approved net budget target for 2015/16 by £200k.

	Original Budget 2015/16	Projected Outturn 2015/16	Variation
	£M	£M	£M
Investment Income	(0.6)	(0.7)	(0.1)
Interest Paid on Borrowing	6.1	6.1	0.0
<b>Net Position (Interest)</b>	<b>5.5</b>	<b>5.4</b>	<b>(0.1)</b>
Minimum Revenue Provision	4.7	4.7	0.0
PFI Grant re: MRP	(0.5)	(0.5)	0.0
Unsupported Borrowing Recharges	(2.0)	(1.9)	0.1
Premiums on Borrowing Repayment	0.2	0	(0.2)
<b>Net Position (Other)</b>	<b>2.4</b>	<b>2.3</b>	<b>(0.1)</b>
<b>Net Position Overall</b>	<b>7.9</b>	<b>7.7</b>	<b>(0.2)</b>

## **Appendices**

Appendix 1: Counterparties where funds were deposited (April 2015 – July 2015)

Appendix 2: Prudential Indicators 2015/16

Appendix 3: Alternative Investments

## **Background Documents**

[Treasury Management Strategy 2015/16](#)

Aberdeen Asset Management – Global Multi Asset Income Fund presentation

[Local Authorities' Property Fund Factsheet](#)

## Appendix 1

### Counterparties with which funds were deposited (April 2015 – July 2015)

#### **Banks and Building Societies**

Barclays Bank (UK)  
Lloyds Bank (UK)  
Royal Bank of Scotland/National Westminster (UK – part nationalised)  
Svenska Handelsbanken (Sweden)  
Goldman Sachs International Bank (UK)

#### **Local Authorities**

Greater London Authority

#### **Other Approved Institutions**

Goldman Sachs Sterling Liquid Reserves Fund  
Public Sector Deposit Fund  
Aberdeen Asset Management



## Appendix 2

### ANALYSIS OF TREASURY MANAGEMENT PRUDENTIAL INDICATORS AGAINST APPROVED 2015/16 TARGETS AT END JULY 2015

TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2015/16 LIMIT	As at 31/07/15
	£M	£M
<b>Authorised limit for external debt -</b>		
borrowing	167	138
other long term liabilities	40	8
TOTAL	207	146
<p>This is the Statutory “affordable borrowing limit” required under section 3(1) of the Local Government Act 2003. Impending breach would require the Council to take avoiding action.</p> <p><b>Borrowing Levels are within the Authorised Limit – no action required</b></p>		
<b>Operational boundary for external debt -</b>		
borrowing	148	138
other long term liabilities	40	8
TOTAL	188	146
<p>This is the most likely, but not worst case scenario for day-to-day cash management purposes. This indicator provides an early warning for a potential breach in the Authorised Limit. Occasional breach of this limit is not serious but sustained breach would indicate that prudential boundaries the Council has set may be exceeded, requiring immediate Council action.</p> <p><b>Borrowing Levels are within the Operational Boundary – no action required</b></p>		

<b>TREASURY MANAGEMENT PRUDENTIAL INDICATORS</b>	<b>2015/16 LIMIT</b>	<b>As at 31/07/15</b>
<b>Limit for fixed interest rate exposure</b>	<b>%</b>	<b>%</b>
Debt	100	100
Investments	80	52
<b>Limit for variable rate exposure</b>		
Debt	30	0
Investments	75	47
<p>The Code requires the Council to set ranges on its exposure to the effects of changes on interest rates. Fixed rate borrowing and investments can contribute to reducing the uncertainty surrounding future interest rates. However, a degree of use of variable interest rates on part of the treasury management portfolio may benefit performance. The limit for fixed rate exposure has been set to allow for the Council's entire debt to be locked in at low fixed rates.</p> <p>The limit for variable rate exposure reflects the Council's use of notice accounts for liquidity of the investment portfolio and the external Fund manager holding</p> <p><b>Rate exposures are within the approved limits – no action required.</b></p>		

	<b>2015/16 LIMIT £M</b>	<b>As at 31/07/15 £M</b>
<b>Upper limit for total principal sums invested for over 364 days</b> (per maturity date)	51	21
<p>The purpose of this indicator is to contain the Council's exposure to the possibility of losses that might arise as a result of it having to seek early repayment or redemption of principal sums invested. The 2015/16 limit applies to funds administered by the external fund manager and also allows for in-house core cash balances to be placed out longer term to gain enhanced returns while maintaining sufficient liquidity.</p> <p><b>The position above represents round 26% of the total portfolio held in longer term investments.</b></p>		

<b>Maturity structure of fixed rate borrowing during 2015/16</b>	<b>Upper limit</b>	<b>lower limit</b>	<b>As at 31/07/15</b>
Up to 10 years	50%	5%	14%
10 to 20 years	50%	5%	19%
20 to 30 years	60%	10%	25%
30 to 40 years	50%	10%	25%
Over 40 years	50%	0%	17%
<p>The Prudential Code is designed to assist authorities avoid large concentrations of fixed rate debt that has the same maturity structure and would therefore need to be replaced at the same time.</p>			

## Alternative Investments

### 1 Context and Background

#### Extract from CLG Investments Guidance

*“The guidance defines a prudent investment policy as having two objectives: achieving first of all **security** (protecting the capital sum from loss) and then **liquidity** (keeping the money readily available for expenditure when needed) ..... Once proper levels of security and liquidity are determined, it will then be reasonable to consider what **yield** can be obtained consistent with those priorities. This widely-recognised investment policy is sometimes more informally and memorably expressed as follows:*

***Security - Liquidity - Yield ...in that order!”***

#### Extract from CIPFA Code of Practice for Treasury Management

*“[The Organisation’s] policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy and should ensure that **priority is given to security and liquidity when investing funds.**”*

- 1.1 The Council’s risk appetite on investments has closely aligned to the letter of the Regulating guidance with the in-house team generally investing in simple instruments with only a remote risk of capital loss.
- 1.2 In previous years there were enhanced rates available to Local Authorities which made consideration of increasing risk fairly redundant. These enhanced rates have now been withdrawn by Banks and the Council’s investment portfolio is now experiencing the dual pressures of low returns and limited counterparty availability.
- 1.3 The current budgeted target for investment income is £600k with current investment performance around 0.80%. An additional 1% over the current rate would increase income by £10,000 for every £1million invested.
- 1.4 In response to a request by Audit Committee at its meeting in January 2015, this discussion paper has been prepared for the Committee to assess the impact and appropriateness of diversifying the Council’s investments into higher risk/higher yielding instruments.
- 1.5 Officers have looked at various markets and a briefing was held for Members on 7<sup>th</sup> September with presentations on three particular instruments

## 2 **Aberdeen Asset Management –Multi Asset Fund**

- 2.1 The Council’s external fund manager has offered up a multi-asset fund solution which they believe will add value while controlling overall risk.
- 2.2 Aberdeen already use a diverse range of instrument within the Council’s specified risk criteria. This new management option would blend the existing holdings with controlled exposure to other, more volatile funds e.g.: property, equities, sovereign debt and frontier debt.
- 2.3 It is envisaged that only small proportions of the Fund would be exposed to the new assets and liquidity would be maintained with repayments settlements at T+4 days.
- 2.4 The Council will be able to set a target rate and reject the use of any asset class it feels is outside it’s legal powers (although this may impact on the achievable return)
- 2.5 This is a new fund and as yet no performance data is available although figures are anticipated during October. Aberdeen are also meeting with the Council’s advisors, Capita Asset Services in early October and officers suggest that any transfer to the new fund is held pending an evaluation from Capita.
- 2.6 A Council decision is required to add the multi-asset fund to the approved investments within the Annual Investment Strategy including operational limits.
- 2.7 Risks

Positive	Negative
<ul style="list-style-type: none"> <li>• Target rate of 4.50% (gross)</li> <li>• Proven track record with Council funds</li> <li>• Opportunities for diversity into greater range of uncorrelated instruments thereby controlling risk</li> <li>• Simple to manage alongside existing fund arrangements</li> <li>• Liquidity – settlement T+4 days</li> <li>• Flexibility to set target rate and exclude particular assets</li> <li>• Consistent level of annual return</li> </ul>	<ul style="list-style-type: none"> <li>• New fund - Performance data not yet available.</li> <li>• Restriction of asset classes by Council could restrict yields</li> <li>• Annual Fee of 0.25% of fund balance (0.15% on current fund)</li> <li>• Requires a 3 year investment horizon</li> </ul>

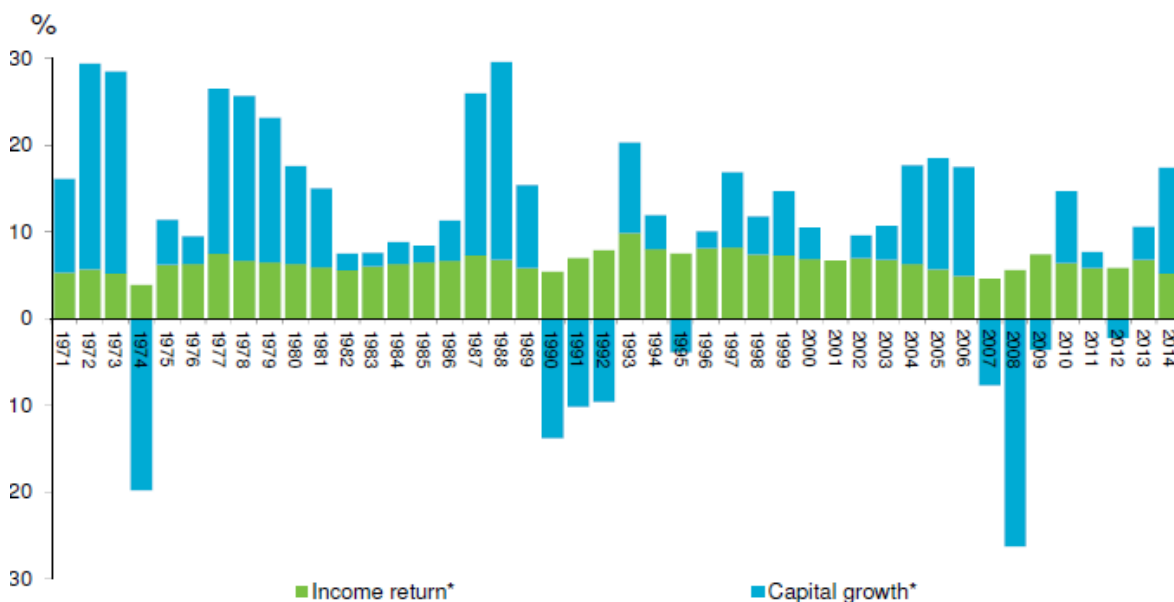
## 3 **CCLA Ltd – Local Authorities’ Property Fund (LAPF)**

- 3.1 Property funds invest in commercial properties and provide returns from income, through rental streams, and from capital growth. The LAPF is a particular fund operated solely for Local Authority membership which stands at 123 (including parishes and a total fund size of £380million.
- 3.2 Capita has supplied a summary analysis of returns achieved by property funds overall shown below alongside the LAPF’s published returns for comparison.

Fund Performance (net) 31/03/2015	Best Performing Fund	Worst Performing Fund	The Local Authorities' Property Fund
3 Months	4.3%	0.8%	na
1 Year	24.4%	10.1%	17.8%
3 Years Annualised	16.8%	8.4%	11.8%
5 Years Annualised	10.8%	7.9%	10.6%

3.3 The table in 3.1 illustrates the potential for returns far in excess of the Council's current performance. However, the volatility of property values can lead to annual losses which is illustrated the long term history below.

**Property investment returns since 1970**



Source: CCLA and IPD

3.4 Capital growth is generally high yielding but is volatile. Income yields are consistent (generally between 5% and 10%) year on year due to the quality of contracted lease tenants.

3.5 The acquisition of shares in a property fund usually constitutes capital expenditure with the requirement for Local Authorities to provide a revenue provision for repayment (MRP).

However, the CCLA Property Fund is approved by HM Treasury under section 11(1) of the Trustee Investment Act 1961 and in accordance with section 25(3) (d) of the regulations it is exempt from classification as capital expenditure.

3.6 Fees applicable to property funds are generally high with an annual management fee and exit and entry & exit charges at indicative levels of 7% and 1.5%. CCLA charge an annual management fee of 0.65% and further charges to cover costs (ie stamp duty and agents fees) equate to 7.3%.

3.7 Investment in a property fund should be treated as a long term investment to ensure total returns cover fees and any capital loss within the investment period. It is therefore only appropriate for core cash. Property is an illiquid asset class and it is not always possible to sell units quickly. As such an investment horizon for these funds should be a minimum of 5 years.

3.8 Risks

Positive	Negative
<ul style="list-style-type: none"> <li>• Potential for yields significantly above the Council’s current investment return.</li> <li>• LAPF management ethos based on bespoke Local Authority requirements.</li> <li>• Exemption from classification as capital expenditure (LAPF only)</li> </ul>	<ul style="list-style-type: none"> <li>• Possible annual capital losses due to volatility of property values</li> <li>• High fee level</li> <li>• Long term investment horizon</li> <li>• Illiquid</li> </ul>

**4 Peer to Peer Lending**

- 4.1 Peer-to-peer lending websites work by enabling savers/investors to lend directly to borrowers. Banks are cut out and without their margins participants can get slightly better rate deals than through traditional loan methods.
- 4.2 As part of the Business Finance Partnership scheme the government has committed £60million of funding to British businesses through the Funding Circle website. Over a dozen Local Authorities are lending through Funding Circle, predominantly to local businesses.
- 4.3 The Funding Circle has facilitated over £796million of loans and there are over 42,000 live lenders.
- 4.4 Borrowers are checked and assessed by the website and categorised as to risk (A+ to E). Lenders set their own risk and rate appetite and can select appropriate loans themselves (bespoke lending) or delegate the task to an automated process. This process spreads an investment over a number of loans, the lender taking a share (loan “part”) in the overall loan total.
- 4.5 It is recommended that an investment is diversified over at least 100 different loan parts to spread the risk of any capital loss through bad loans. It may take some time to lend out a full investment amount and any unlent cash will not attract interest.
- 4.6 Repayments are usually in monthly instalments and collected by the website.
- 4.7 The table below provides the estimated level of bad debt applicable to each risk category. Any participation in peer to peer lending must assume an element of capital loss but evidence strongly suggests that this is more than offset by the gross interest return.

A+	A	B	C	D	E	Total
0.6%	1.5%	2.3%	3.3%	5.0%	8.0%	1.9%

Source: Funding Circle

- 4.8 The Funding Circle levies a servicing fee of 1% of outstanding principal deducted from loan repayments.
- 4.9 The advertised net return after fees and bad debt is 7.2% assuming an investment is spread over a range of risk categories and durations. This indicative level has been corroborated by personal experiences within the Council arena.
- 4.10 While loans through peer to peer are generally fixed term, investors can realise their cash early by selling the loan parts they hold in a secondary market. This would be dependent on available buyers and selling price which could lead to a loss (or profit) on the investment return.
- 4.11 Use of peer to peer lending will require a Council decision to incorporate into the Annual Investment Strategy together with operational limits. To qualify as a Treasury Management instrument loans would have to be available to all UK businesses within a specified risk framework. However, the policy could also include an aspiration to lend to local businesses on a loan by loan basis if opportunities arise.

#### 4.12 Risks

Positive	Negative
<ul style="list-style-type: none"> <li>• High net returns available significantly above Council's current performance</li> <li>• Diversification over a wide range of loan parts</li> <li>• Council can set its risk parameters</li> <li>• Liquidity through selling of loan parts</li> </ul>	<ul style="list-style-type: none"> <li>• Tangible risk of capital losses</li> <li>• May take some time to lend the full investment allocation</li> <li>• No interest payable on unlent cash</li> <li>• Fee of 1% of outstanding principal</li> <li>• Medium to long term investment horizons</li> </ul>

# Agenda Item 9



**Meeting:** Audit Committee

**Date:** 23<sup>rd</sup> September 2015

**Wards Affected:** All

**Report Title:** Regulation of Investigatory Powers Act 2000

**Is the decision a key decision?** No

**When does the decision need to be implemented?** N/A

**Executive Lead Contact Details:** David Morris

**Supporting Officer(s) Contact Details:** Bob Clark, Executive Head Customer Services,  
[bob.clark@torbay.gov.uk](mailto:bob.clark@torbay.gov.uk) 01803 207420

Kelly Prince, Information Governance Lead, [Kelly.prince@torbay.gov.uk](mailto:Kelly.prince@torbay.gov.uk) 01803 207412

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## 1. Background

- 1.1 Torbay Council in its role as a Local Authority may wish to undertake an investigation under the Regulation of Investigatory Powers Act (RIPA) 2000.
- 1.2 RIPA 2000 regulates the use and method of surveillance which is carried out by public authorities. A Council is a public authority under RIPA 2000. A public authority may carry out covert surveillance where this surveillance is directed and not intrusive.
- 1.3 This report is to update members on any current RIPA authorisations and to bring forward the action from the meeting of 29<sup>th</sup> July 2015 where Members requested evidence of the authorisations used by the Council in relation to communications data and the use of National Anti Fraud Network (NAFN) as single point of contact.
- 1.4 Torbay Council has not currently undertaken any main RIPA authorisation since 2008 it is however necessary to ensure that all Members and staff are kept aware of the requirements of RIPA should the need arise.
- 1.5 This report will also outline the changes in the role of the RIPA Co-ordinator due to the Information Governance function and roles changing as of 26<sup>th</sup> October 2015.

## 2. Introduction

- 2.1 The Audit Committee are presented with the information as mentioned below regarding use of RIPA for investigations as asked for in the Committee meeting of 29<sup>th</sup> July 2015.



2.2 One of the roles of the Council in terms of its obligations towards RIPA takes into account the use of Communications data.

### **3. Communications Data**

3.1 The Protection of Freedoms Act 2012 and RIPA (Directed Surveillance and Covert Human Intelligence Sources)(Amendment) Order 2012 came into effect on 1 November 2012. The Act and regulations made a number of changes to the Council's powers to undertake surveillance using RIPA.

3.2 From 1 November 2012 the council has not been able to use RIPA to investigate matters relating to anti social behaviour and can only carry out covert directed surveillance if the criminal offence under investigation is punishable by at least 6 months imprisonment, or where an offence is thought to have been committed under Sections 146, 147 or 147A of the Licensing Act 2003 for under age sales of alcohol, and the offence of under age sales of tobacco.

3.3 In addition the use of directed surveillance and/or the acquisition of communications data using RIPA now needs to be authorised by a Justice of the Peace before it can take effect.

3.4 All officers who use RIPA were made aware of these changes and the council's policy on the use of RIPA was amended accordingly. The Council does need to authorise post holder to apply to the Magistrates Court for approvals to use directed surveillance and communications data under section 223 of the Local Government Act 1972 as these are court proceedings.

3.5 RIPA allows the council to acquire communications data where it is to investigate any of the matters referred to in paragraph 3.2 above. To date the council has made use of it on a number of occasions. The Council needs to have a dedicated SPOC or single point of contact. The Council subscribes to the National Anti Fraud Network (NAFN) and they provide a legally compliant RIPA telecommunications service. All NAFN intelligence officers are accredited SPOCS under RIPA. They ensure requests are legally compliant and conform to codes of practice, the council makes use of this service rather than training its own officers to be a SPOC. The council still needs to have it's own designated person for communications data and this will now be Anne-Marie Bond, Assistant Director Corporate and Business Services. Caroline Taylor, Director of Adult Services is the Senior Reporting Officer.

3.6 The Council is also externally audited by the Office of the Interception of Communications Commissioner (OICC). An inspection was undertaken by the inspector of the OICC in June 2013 of NAFN and the report was entirely satisfactory.

3.7 The table below shows the use of NAFN as SPOC for investigations since the year 2011/2012.

Financial Year	RIPA led to a successful prosecution, caution, or fixed penalty notice	Department	Purpose
2011/12	No	Community Safety	The prevention and detection of crime or preventing disorder S22 (2)(b). Using NAFN, communication data is sought due to potential offences under the Consumer Protection from Unfair Trading Regulations 2008 regarding asbestos removal.
	No	Community Safety	The prevention and detection of crime or preventing disorder S22 (2)(b). Using NAFN, communication data is sought due to potential offences under the Consumer Protection from Unfair Trading Regulations 2008 regarding asbestos removal. This is a further enquiry seeking additional information from application above.
	No, but the facebook page was removed and a warning issued	Community Safety	The prevention and detection of crime or preventing disorder S22 (2)(b). Using NAFN, communication data is sought due to potential offences under the Trades Mark 1994 regarding counterfeit products on Facebook.
2013-14	Investigation legal file written.	Community Safety	The prevention and detection of crime or preventing disorder S21 (4)(c). Using NAFN, communication data is sought due to potential offences under Section 2 Fraud Act 2006 (fraud by false representation)
2014-15	No	Community Safety	The prevention and detection of crime or preventing disorder S22 (2)(b). Using NAFN, communication data is sought due to potential offences under the Road Traffic Act 1988 for the sale of an unroadworthy car.

#### 4. Moving forward

- 4.1 The Information Governance Lead is leaving the Council on the 23rd October, the role will be altered and will be moving from Customer Services to the Corporate and Business Services section. Once the new RIPA Co-ordinator has been decided the committee will be informed.



Title: **Performance and Risk Framework**  
Wards Affected: **All**  
To: **Audit Committee** On: **23 September 2015**  
Contact Officer: **Anne-Marie Bond**  
Telephone: **01803 207160**  
Email: **anne-marie.bond@torbay.gov.uk**

## 1. Background

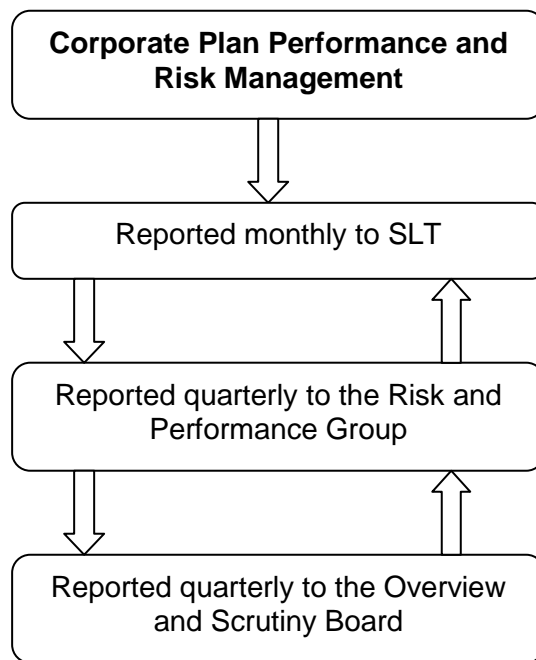
- 1.1 At its meeting on 29 July 2015, the Audit Committee received a report which outlined the Council's Performance and Risk Framework and how this should be aligned to the Corporate Plan.
- 1.2 The Corporate Plan for 2015 to 2019 has been drafted and will be considered by Council on 24<sup>th</sup> September 2015. The draft Corporate Plan sets out two overarching ambitions of a prosperous and healthy Torbay, supported by five targeted action areas which are:
  - Protecting all children and giving them the best start in life.
  - Working towards a prosperous Torbay.
  - Promoting healthy lifestyles across Torbay.
  - Ensuring Torbay remains an attractive and safe place to live and visit.
  - Protecting and supporting vulnerable adults.
- 1.3 Subject to approval at Council, the next stage for the Corporate Plan will see the development of longer term Delivery Plans against these five targeted actions. These delivery plans will set out the specific projects and actions the Council will undertake in order to achieve the ambitions of the Corporate Plan.
- 1.4 In developing the delivery plans outlined above, initial Performance and Risk Dashboards have now been produced for each of the targeted action areas which clearly align to the Corporate Plan. These dashboards do need to be populated with data, mitigating actions progress etc. In addition we would welcome the Committees view as to whether there should also be an additional line inserted to allow for national benchmarking to be included.
- 1.5 The purpose of this report is to update the Audit Committee on the progress made in relation to how the Council is managing its performance and risk since the last update provided in July 2015.
- 1.6 It should be noted that the creation of the Performance and Risk Dashboards are

still subject to change as the Councils Corporate Plan has not yet been approved, nor have the targeted actions.

## **2. Performance and Risk Management Update**

- 2.1 The Council's Performance and Risk Framework is clear that performance and risk management should be aligned to the Corporate Plan.
- 2.2 Since the last update to the Audit Committee in July 2015 Performance and Risk Dashboards have now been created, including the creation of a new Dashboard called 'Running an Efficient Council' – this Dashboard will include corporate performance indicators and risks, for example - finance, workforce planning, and reputational issues i.e. dealing with complaints on time, public satisfaction etc.
- 2.3 These dashboards have been created by the Policy, Performance and Review Team, working closely with Directors, Executive Heads and Service Managers. Copies of these dashboards can be found in appendix one.
- 2.4 The establishment of the 'Performance and Risk Group' has begun – Executive Heads and Directors have been asked to nominate 2-3 Service Managers / Officers from within their departments who will be responsible for reviewing and challenging the Performance and Risk Dashboards, and encouraging greater ownership of performance and risk generally.
- 2.5 An initial draft agenda for the first Performance and Risk Group has been formulated and Terms of Reference (TOR) for the group have been drafted (please see appendix two). The first meeting of the Performance and Risk Group is to be scheduled at the beginning of October. These meetings will then take place quarterly.
- 2.6 The Performance and Risk dashboards will be presented to Senior Leadership Team (SLT) for them to consider on a monthly basis. SLT will then be able to review and challenge the council's performance and risks on a regular basis and identify improvement actions or mitigations required. Feedback from the SLT meetings will then be presented to the Risk and Performance Group at their quarterly meetings.
- 2.7 Performance indicators and risks may be subject to change dependent on challenge from the Performance and Risk Group, SLT, and the Overview and Scrutiny Board, and also any issues that may arise throughout the year.
- 2.8 Operational performance and risks will continue to be monitored in business units, and issues of concern will be escalated to SLT and through the Risk and Performance Group for their review and consideration.
- 2.9 It is planned that once a quarter, a composite report including performance, risk and financial management information will be considered by the Overview and Scrutiny Board which will mean that there is open, democratic review and challenge to how well the Council is meeting its ambitions within the financial envelope.

- 2.10 Performance indicators and risks will be collated on the Council's performance management database spar.net. A complete review of spar.net is underway and the Performance and Risk Dashboards are in the process of being created within the system, including populating the Dashboards with performance and risk data and targets etc.
- 2.11 Officers, Service Managers and / or Executive Heads will be required to update / upload information and / or data on a regular basis. For risk, this will be monthly and for performance indicators this will be determined by the data required for the indicator.
- 2.12 As part of the review of spar.net meetings will be set up with Officers, Service Managers and / or Executive Heads that currently use the system on a regular basis to review the performance information that is currently held in the system to ensure that it is still relevant.
- 2.13 *Diagram showing reporting of Risk and Performance information:*



### 3. Recommendations

- 3.1 That the Audit Committee considers the performance indicators and risks contained within the Dashboards (available in appendix one) and provides feedback to the Policy, Performance and Review Manager.
- 3.2 That the Audit Committee considers the draft Terms of Reference (available in appendix two) and provides feedback to the Policy, Performance and Review Manager.

**Anne-Marie Bond**  
**Assistant Director - Corporate and Business Services**

## Appendices

### Appendix one :

Page 5-6	Performance and Risk Dashboard: Protecting all children and giving them the best start in life
Page 7-8	Performance and Risk Dashboard: Prosperous Torbay
Page 9-10	Performance and Risk Dashboard : Promoting healthy lifestyles
Page 11-12	Performance and Risk Dashboard : An attractive and safe place
Page 13-14	Performance and Risk Dashboard : Protecting vulnerable adults
Page 15-16	Performance and Risk Dashboard : Running an efficient Council

### Appendix two :

Page 17-18	Risk and Performance Group – Draft Terms of Reference
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Performance and Risk Dashboard – Protecting all children and giving them the best start in life



DRAFT Monthly Dashboard

August 2015

Protecting all children and giving them the best start in life

Responsible Director: **Richard Williams**

Assistant Directors/Executive Head(s): **Jacqui Jensen**

Key performance indicators:

Measure	Trend	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Current Target	Previous Year
Number of children looked after (quarterly)								
Fostering - In House (quarterly)								
Average time from entering care to moving in with adoptive family								
Reducing the No of children 12+ entering the care System								
Stemming the flow - No of special guardianship orders/residential orders								
In house Parent/Child Placements								
GCSE Attainment (annual)								
CAMHS/emotional health and wellbeing								

● Better than target    ▲ On target    ◆ Missed target

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Risk(s):

	Risk:	Mitigating Actions	Progress	Risk Owner	Score (RAG)
Risk 1	Increased demand for services (Troubled Families/Early Help Strategy)	Mitigating Actions	Progress to date	Richard Williams	0
Risk 2	Delivery of 5 year plan - Stemming The Flow (Including PIP)	Mitigating Actions	Progress to date	Richard Williams	0
Risk 3	Delivery of TPST and Integrated Care Organisation	Mitigating Actions	Progress to date	Richard Williams	0



Performance and Risk Dashboard – Prosperous Torbay



DRAFT Monthly Dashboard

August 2015

Prosperous Torbay

Responsible Director: Steve Parrock

Assistant Directors/Executive Head(s): Alan Denby

Key performance indicators:

Measure	Trend	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Current Target	Previous Year
gross value added (GVA) (2 year lag)									
key out of work claimants									
Business Centre Business Growth									
Number of inward investment enquiries									
% shops occupied									
Skills gap in the current workforce reported by employers									
Business Rate Income (NNDR)									
JSA claimant rate									

● Better than target  
 ▲ On target  
 ◆ Missed target

Risk(s):

		Mitigating Actions	Progress	Risk Owner	Score (RAG)
Risk 1	Adoption and delivery of the Local Plan	Mitigating Actions	Progress to date	Pat Stweard	0
Risk 2	Planning income targets not met	Mitigating Actions	Progress to date	Pat Steward	0
Risk 3	Failure to understand customer requirements (TDA)	Mitigating Actions	Progress to date	Alan Denby	0
Risk 4	Business Growth, Opportunities and Diversification (TDA)	Mitigating Actions	Progress to date	Alan Denby	0
Risk 5	Failure to meet TDA/TEDC current years Income targets	Mitigating Actions	Progress to date	Alan Denby	0

Performance and Risk Dashboard – Promoting Healthy Lifestyles



DRAFT Monthly Dashboard

August 2015

Promoting Healthy Lifestyles

Responsible Director: Caroline Dimond

Assistant Directors/Executive Head(s): TBC

Key performance indicators:

Measure	Trend	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Current Target	Previous Year
Inequalities - Gap in life expectancy									
Smoking - Smoking status at the time of delivery									
Alcohol admissions - Alcohol related admissions to hospital									
Childhood obesity - National Childhood Measurement Programme									
Health Checks - Uptake of health checks offered in primary care									
Drug Misuse - TBC ( This will be the NTA indicator)									
Mental Health - Unintentional and deliberate injuries to children									

● Better than target 
 ▲ On target 
 ◆ Missed target

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Risk(s):

	Risks	Mitigating Actions	Progress	Risk Owner	Score (RAG)
Risk 1	Pandemic - i.e. Flu/Ebola	Mitigating Actions	Progress to date	Caroline Dimond	0
Risk 2	Reduction in the public health grant from Public Health England to invest in the commissioning of public health services	Mitigating Actions	Progress to date	Caroline Dimond	0
Risk 3	Reduction in partnership funding for public health provisions	Mitigating Actions	Progress to date	Caroline Dimond	0
Risk 4	Reduction in statutory service funding for provisions that affect public health commissioned services or that offers added value for public health, particularly for vulnerable groups.	Mitigating Actions	Progress to date	Caroline Dimond	0

Performance and Risk Dashboard – An attractive and safe place



DRAFT Monthly Dashboard

August 2015

An attractive and safe place

Responsible Director: Fran Hughes

Assistant Directors/Executive Head(s): TBC

Key performance indicators:

Measure	Trend	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Current Target	Previous Year
Recorded crime									
Violent crime									
Domestic violence incidents									
Decent homes/housing conditions									
How attractive do local people feel Torbay is/how satisfied with local area									
Number of individuals sleeping rough									
Tourism/number of staying visitors									

● Better than target    ▲ On target    ◆ Missed target

Risk(s):

	Risks	Mitigating Actions	Progress	Risk Owner	Score (RAG)
Risk 1	Effective partnerships - i.e. Police, Housing Providers, Cultural	Mitigating Actions	Progress to date	Fran Hughes	0
Risk 2	Increased demand on housing services	Mitigating Actions	Progress to date	Fran Hughes	0
Risk 3	Meeting statutory thresholds	Mitigating Actions	Progress to date	Fran Hughes	0
Risk 4	Cost of highways improvements	Mitigating Actions	Progress to date	Fran Hughes	0
Risk 5	Cliff and Sea defence failures through storm/ lack of maintenance	Mitigating Actions	Progress to date	Fran Hughes	0
Risk 6	Effective balance between early intervention and enforcement action	Mitigating Actions	Progress to date	Fran Hughes	0
Risk 7	Cumulative impact of changes within other services i.e. Childrens, Adults etc	Mitigating Actions	Progress to date	Fran Hughes	0
Risk 8	Reduction in funding to commissioned services	Mitigating Actions	Progress to date	Fran Hughes	0

Performance and Risk Dashboard – Protecting Vulnerable Adults



DRAFT Monthly Dashboard

August 2015

Protecting Vulnerable Adults

Responsible Director: Caroline Taylor

Assistant Directors/Executive Head(s): TBC

Key performance indicators:

Measure	Trend	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Current Target	Previous Year
Permanent admissions to residential/nursing care homes									
Carers receiving needs assessment, review, information, advice, etc									
Number of repeat referrals in the last 12 months									

● Better than target  
 ▲ On target  
 ◆ Missed target

Risk(s):

	Risks	Mitigating Actions	Progress	Risk Owner	Score (RAG)
Risk 1	Increased demand for services	Mitigating Actions	Progress to date	Caroline Taylor	0
Risk 2	Implementation of the Care Act - Financial Strain	Mitigating Actions	Progress to date	Caroline Taylor	0
Risk 3	Establishment of the ICO	Mitigating Actions	Progress to date	Caroline Taylor	0
Risk 4	Sufficiency and sustainability of the care home market in Torbay	Mitigating Actions	Progress to date	Caroline Taylor	0



Performance and Risk Dashboard – Running an Efficient Council



DRAFT Monthly Dashboard

August 2015

Running an Efficient Council

Responsible Director: Steve Parrock

Assistant Directors/Executive Head(s): Anne Marie Bond

Key performance indicators:

Measure	Trend	Sep-15	Oct-15	Nov-15	Dec-15	###	#####		Current Target
Percentage of National Non Domestic Rates Collected									
All stage 1 complaints dealt with on time									
Predicted end of year variance against budget									
Public satisfaction (ViewPoint survey)									

● Better than target  
 ▲ On target  
 ◆ Missed target

**Risk(s):**

		Mitigating Actions	Progress	Risk Owner	Score (RAG)
Risk 1	Delivery against income targets	Mitigating Actions	Progress to date	Anne-Marie Bond	0
Risk 2	Workforce planning - retention of key/relevant skills across the organisation	Mitigating Actions	Progress to date	Anne-Marie Bond	0
Risk 3	Robust and safe decision making	Mitigating Actions	Progress to date	Anne-Marie Bond	0
Risk 4	Infrastructure and support across the Council (back office)	Mitigating Actions	Progress to date	Anne-Marie Bond	0
Risk 5	The Council not achieving a balanced budget	Mitigating Actions	Progress to date	Steve Parrock	0
Risk 6	Budget overspend within armslength organisations , and contracted services	Mitigating Actions	Progress to date	Steve Parrock	0

## Appendix 2:

### Risk and Performance Group Draft Terms of Reference

#### The Group:

##### a) Membership

Representatives from each of the service areas detailed below are required to attend each meeting:

- Joint Commissioning Team
- Joint Operations Team
  - Community and Customer Services
  - Corporate and Business Services

Directors and Executive Heads are asked to nominate 2-3 Service Managers/Officers from within their departments to attend the Risk and Performance Group. Not all officers will be required to attend each meeting to ensure that there is new challenge at each meeting, and so that different perspectives can be heard.

##### b) Deputies

Service areas should ensure that if they are unable to attend, someone with the appropriate knowledge and authority is asked to deputise.

##### c) Meetings

Meetings will be held quarterly.

Draft agenda items should be given to the organiser of the meeting one week before the meeting takes place.

#### Terms of Reference:

- To review and challenge the Councils 'Performance and Risk Dashboards'
  - Protecting all children and giving them the best start in life
  - Prosperous Torbay
  - Promoting healthy lifestyles
  - An attractive and safe place
  - Protecting vulnerable adults
  - Running an efficient council
- To scrutinise and score performance indicators and risks according to likelihood and impact factors.
- To raise corporate risk issues to be escalated to SLT (Senior Leadership Team), and to Overview and Scrutiny where key and corporate decisions are needed.
- To regularly review all performance indicators and risks, including projects.
- To ensure that the councils have a suitable performance and risk management framework to address, mitigate and manage performance and risk at all organisational levels, and within projects.
- To ensure a suitable process is in place, to escalate risks into the Performance and Risk Dashboards from lower levels, and equally to move risks down from the Performance and Risk Dashboards.

- To report on performance and risk management regularly, for example, in each Council's quarterly performance reports, to SLT, and to Overview and Scrutiny.
- To invite relevant officers or members to attend the Performance and Risk Group when required to consider particular risks and issues.
- To review the Terms of Reference when necessary.

## **Adult and Children Services Budget Overspend Working Party**

In accordance with paragraph 11 of the Audit Committee Terms of Reference, the Audit Committee has been requested to investigate the budget overspend for both Adults and Children's Services. The Audit Committee have a number of options available to them, such as establishing working parties or referring the matter to the Devon Audit Partnership for internal investigation. Should the Audit Committee be minded to establish a working party a suggested draft Terms of Reference are set out below:

### **Draft Terms of Reference**

- (i) To understand the key priorities for Adults and Children's Services;
- (ii) To fully understand the current financial situation of both Adults and Children's Services;
- (iii) To understand and evaluate the financial controls within Adult and Children Services;
- (iii) To evaluate the financial performance of these services and draw conclusions for consideration by the Audit Committee.