

AUDIT AND STANDARDS COMMITTEE AGENDA

Monday, 3 October 2016 at 10.00 am in the Blaydon Room - Civic Centre

From the Acting Chief Executive, Mike Barker

Item	Business
1	Apologies for Absence
2	Minutes (Pages 3 - 6) The Committee is asked to approve, as a correct record, the minutes of the meeting held on Monday 25 July 2016.
3	Declarations of Interest Members to declare interests in any agenda items.
4	Committee on Standards in Public Life (Pages 7 - 48) Report of the Acting Chief Executive and Strategic Director Corporate Services and Governance.
5	Results of 2015/16 CIPFA Audit Benchmarking (Pages 49 - 52) Report of the Strategic Director Corporate Resources.
6	Corporate Risk Management Quarterly Report to 30 September 2016 (Pages 53 - 66) Report of the Strategic Director Corporate Resources.
7	Review of Internal Audit Charter (Pages 67 - 76) Report of the Strategic Director Corporate Resources.
8	Annual Governance Statement 2015/16 - Internal Audit Review of Managers' Assurances (Pages 77 - 78) Report of the Strategic Director Corporate Resources.
9	Treasury Management - Performance to 30 September 2016 (Pages 79 - 84) Report of the Strategic Director Corporate Resources.

Cont...

10 Exclusion of the Press and Public

The Committee may wish to exclude the press and public from the meeting during consideration of the exempt items in accordance with Schedule 12A to the Local Government Act 1972.

11 Internal Audit Plan 2016/17 Quarterly Monitoring Report to 30 September 2016 (Pages 85 - 92)

Report of the Strategic Director Corporate Resources.

Contact: Neil Porteous

Tel: (0191) 433 2149

Date: Friday, 23 September 2016

**GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING**

Monday, 25 July 2016

PRESENT: Councillor H Hughes (Chair)
Councillor(s): J Adams and J McElroy

INDEPENDENT MEMBERS: G Clark, J Common and B Jones

APOLOGIES: Councillor(s): P Dillon, J Green and L Green

**ASC MINUTES
15**

RESOLVED: The minutes were approved as a correct record.

**ASC DECLARATIONS OF INTEREST
16**

RESOLVED: There were no declarations of interest.

**ASC AUDIT COMPLETION REPORT YEAR ENDED 31 MARCH 2016 AND
17 STATEMENT OF ACCOUNTS 2015/16**

The Accounts and Audit Regulations 2015 require that the Council's Statement of Accounts should be approved by a committee. In Gateshead's governance framework, this is the Accounts Committee. However, best practice guidance outlines that the Audit and Standards Committee should also review the financial statements and external auditor's opinion. Review by this Committee is an additional step in the process to comply with best practice.

The annual audit of the Council's Statement of Accounts and use of resources has now been completed for 2015/16 and the Council's external auditor, Mazars has issued its report.

The Audit Completion Report covers:

- The Council's Statement of Accounts including significant findings, internal control recommendations and a summary of misstatements.
- The Council's arrangements for securing economy, efficiency and effectiveness in its use of resources including a value for money conclusion.

The Committee welcomed the presentation of the Statement of Accounts two months earlier than in 2014/15, acknowledging that this provides an opportunity to

trial and prepare for the changes to the statutory deadlines from 2017/18. The Committee praised the work of all those involved.

The key messages are as follows:

- Audit Opinion - Mazars has issued an unqualified opinion on the Statement of Accounts, meaning that it is free from material error and has been prepared in accordance with proper practice.
- Use of resources – the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

The Statement of Accounts is materially consistent with the 2015/16 revenue and capital outturn reports considered by Cabinet on 14 June 2016. The report highlighted minor adjustments and presentational changes to the Statement which have been identified through the audit process.

None of the changes to the Statement of Accounts impact on the revenue and capital outturn positions reported to Cabinet, nor do they affect the position of any usable reserves. Management have agreed to amend the Statement to reflect the adjustments, with the exception of £4.035m balancing figure within the cash flow statement that was not analysed due to the minimal impact on the Statement.

The Committee was asked to note that although Mazars have completed their work, they also place reliance on the work of other auditors. Work by EYE on the Tyne and Wear Pension Fund (TWPF) has been delayed to the end of August and therefore the audit cannot be formally closed until this information is received.

It was commented that the recommendations made in respect of the need to review the disaster recovery plan concerning to mitigate the risk of data loss should be prioritised, as the issues were raised as part of the 2014/15 audit work. It was noted that the findings and recommendations have been agreed with officers and action plans are being produced in order to address the identified control issues within six months.

The Committee was satisfied with the assurance that the implications of the vote for the United Kingdom to leave the European Union and the potential establishment of a North East Mayoral Combined Authority will be built into financial plans.

The one 'other' payment made in 2015/16 (within the £150-200k exit package cost band) was queried. It was reported that the payment formed part of an agreed exit arrangement, in circumstances which were both extreme and sensitive.

It was queried whether audit activities cover the Council's Companies. It was clarified that there are income targets and that audit will focus on overstatement of income, however, once Companies are of a certain size they require audit. The Gateshead Housing Company, for example, has its own Audit Committee.

RESOLVED: i) That the contents of the report and review be noted.
 ii) That the Committee agreed to receive a further update following completion of the EY work on the TWPF.

iii) That the Accounts Committee be advised that the Audit and Standards Committee has no issues to raise on the outcome and findings of the Council's Statement of Accounts 2015/16 by Mazars.

ASC 18 ANNUAL REPORT TO CABINET AND COUNCIL: 2015/16

In accordance with the Committee's terms of reference, it was asked to consider the issues discussed during 2015/16, for an inclusion in the annual report to Cabinet.

The annual report to Cabinet and Council allows the Committee to demonstrate the positive impact of its work through providing effective challenge across the Council. This includes providing assurance on the Council's arrangements for risk management; maintaining effective control and reporting on financial and other performance.

Details of the activity covered over the last year were appended to the report.

RESOLVED: That the draft report to the Cabinet and Council be approved.

ASC 19 AMENDMENT TO THE TREASURY POLICY STATEMENT AND TREASURY STRATEGY 2016/17 TO 2018/19

The Committee received a report asking it to review a proposed amendment to the Treasury Policy Statement and Treasury Strategy for 2016/17 to 2018/19, prior to it being considered by the Cabinet in September 2016.

The current Strategy was approved by Cabinet on 15 March 2016 and it was agreed that any in year changes would have to be reported and agreed by Cabinet on an exception basis.

Following the recent vote for the UK to leave the EU and the action taken by credit ratings agencies on the UK sovereign rating, Capita (the Council's Treasury Advisers) produced a note to ensure that Local Authorities who have sovereign criteria in their strategy review their policy and remove the UK from their criteria.

It was noted that failure to adopt the amendment could mean that the Council is in a position where no deposits can be made with UK Banks.

RESOLVED: The Committee endorsed the recommendation.

ASC 20 CORPORATE RISK MANAGEMENT 2016/17 QUARTERLY REPORT TO 30 JUNE 2016

The Committee received a report on the developments in Corporate Risk Management during the period 1 April 2016 to 30 June 2016, in accordance with the requirements of good corporate governance.

The report covered progress against the corporate risk management Developmental

Objectives for 2016/17 (as cited in the Corporate Risk Management Annual Report 2015/16) and other risk management issues emerging within the period.

It was reported that Business Continuity Plans have been reviewed to ensure they are consistent with the revised Council structure. Further work will be carried out during 2016/17 to ensure any further challenges facing the Council or changes to delivery models are reflected.

It was also reported that work to undertake and refresh the Strategic Risk Register has been delayed to align progress with changes to the organisational and business environment.

The Strategic Risk Register was also provided for information.

RESOLVED: That the information be noted.

ASC 21 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED: That the press and the public be excluded from the meeting during consideration of the remaining business in accordance with paragraph 3 of Schedule 12A to the Local Government Act 1972

ASC 22 INTERNAL AUDIT PLAN 2016/17 QUARTERLY MONITORING REPORT TO 30 JUNE 2016 (EXEMPT)

A report was presented outlining the progress made by the Internal Audit and Risk Service against the audit plan for the financial year 2016/17. The report also summarised the main findings arising from audit activity throughout the period 1 April 2016 to 30 June 2016.

RESOLVED: That the information be noted.

Chair.....



**AUDIT AND STANDARDS
COMMITTEE**

3 October 2016

TITLE OF REPORT: Committee on Standards in Public Life

REPORT OF: Mike Barker, Acting Chief Executive and Strategic Director, Corporate Services and Governance

Purpose of the Report

1. The purpose of this report is to inform the Audit and Standards Committee of the activities undertaken by the Committee on Standards in Public Life (CSPL) during 2015 – 16.

Background

2. The Committee on Standards in Public Life monitors, reports and makes recommendations on all issues relating to standards in public life. This includes not only the standards of conduct of holders of public office, but all those involved in the delivery of public services
3. The Committee is an independent advisory non-departmental public body (NDPB) it is not founded in statute and has no legal powers to compel witnesses to provide evidence or to enforce its recommendations.

Annual Report 2015 – 16

4. The Annual Report (Appendix 1) provides an overview of the activities undertaken by the CSPL during 2015 - 16.
5. The report also identifies the Forward Plan of topics for consideration by the CSPL during 2016 – 17, as follows:
 - Operation of Referenda.
 - Ethical Standards for Providers of Public Services.
 - Local Government.
 - Party Funding.

Recommendation

6. The Committee is asked to note the information contained in Appendix 1.

Contact: Neil Porteous

Ext: 2149

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APPENDIX 1

Committee on Standards
In Public Life

Annual Report **2015–16**

Forward Plan **2016–17**

THE SEVEN PRINCIPLES OF PUBLIC LIFE

The Seven Principles of Public Life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, NDPBs, and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The Principles also have application to all those in other sectors delivering public services.

SELFLESSNESS

Holders of public office should act solely in terms of the public interest.

INTEGRITY

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

OBJECTIVITY

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

ACCOUNTABILITY

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

OPENNESS

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

HONESTY

Holders of public office should be truthful.

LEADERSHIP

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

These principles apply to all aspects of public life. The Committee has set them out here for the benefit of all who serve the public in any way.

The Seven Principles were established in the Committee's First Report in 1995; the accompanying descriptors were revised following a review in the Fourteenth Report, published in January 2013.

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FOREWORD

This report provides an overview of the Committee's activities over the course of the past year and also sets out our forward plan of work for 2016–17.

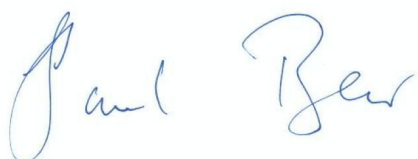
It is twenty one years since the First Report of this Committee made recommendations for reform. They have formed the basis of the language and infrastructure of standards of propriety in public life, which remain in place today. Nolan set out the Seven Principles of Public Life and the mechanisms for embedding and enforcing those principles.

This year the Committee has been undertaking a comprehensive review of how regulators seek to uphold the Seven Principles of Public Life. Despite the central role they play in public life, this is the first dedicated review of regulators that the Committee has undertaken. Created to operate in the public interest, their decisions impact on individuals and organisations. Like much of the public sector, regulators face reduced expenditure and unprecedented scrutiny on how they operate. Our report will argue that it is critical therefore, that regulators are robustly independent of those they regulate and demonstrate high standards with their own activities and decisions. And with the referendum decision to leave the EU, and Britain facing the prospect of having to rewrite much of its regulatory arrangements, these issues have become all the more acute and complex. We will be publishing the review in September 2016.

This year, the Referendum on whether the UK should stay in the EU has dominated the press. We received a number of complaints regarding the conduct of players in the referendum and much has been said as to whether both sides followed the rules. The Committee is clear that the topic requires ongoing review and analysis. To this end, the Committee intends to hold a seminar on referenda.

The issue of party funding has also been raised again – it remains a matter of significant public concern centred on the confluence of money, power and influence. The Committee's own efforts on this issue have continued to play a key role in taking the debate forward, our previous report from 2011 led to further discussion via the Trade Union Bill and subsequent House of Lords Select Committee Report. The Committee has undertaken further research in this area by commissioning [a study into party finances](#), building on previous work. The issue of party funding cannot be resolved without political will; the Committee believes it is long overdue for the main political parties to show leadership, put aside partisan positions and re-convene talks to reach cross-party agreement on possible reforms. Given the destructive nature of this issue for politics in the UK, I believe it is necessary to continue to press for reform.

Finally I must conclude by thanking our departing members. Patricia Moberly and Lord Alderdice have both made invaluable contributions to the Committee. Their knowledge, insight and judgement will be greatly missed. Patricia's contributions in particular to our reports, *Tone from the top* and, most recently, *Ethics for Regulators* have proven absolutely fundamental to the success of these projects. We wish them both well in their future endeavours.

A handwritten signature in blue ink that reads "Paul Bew". The signature is written in a cursive, flowing style.

Paul Bew

Chair

July 2016

ABOUT THE CSPL

1. The Committee on Standards in Public Life monitors, reports and makes recommendations on all issues relating to standards in public life.¹ This includes not only the standards of conduct of holders of public office, but all those involved in the delivery of public services.
2. As an independent Committee we are uniquely placed to consider the ethical landscape as a whole. As a standing committee we have a constant presence, which enables us to monitor progress on different issues, including our own recommendations, over time. It also enables us to respond quickly when an ethical issue arises which requires our consideration.
3. Our purpose is to help promote and maintain ethical standards in public life and thereby to protect the public interest through:
 - monitoring standards issues and risks across the United Kingdom (by invitation in the devolved areas);
 - conducting inquiries and reviews and making practical and proportional recommendations that are generally implemented;
 - researching public perceptions on standards issues relating to specific areas of concern, and also over time.
4. The Committee's status is that is an independent advisory non-departmental public body (NDPB). It is not founded in statute and has no legal powers to compel witnesses to provide evidence or to enforce its recommendations. Our secretariat and budget are sponsored by the Cabinet Office.
5. To fulfil our remit effectively it is important that we remain robustly non-partisan and independent of the Government that appoints us. It is for that reason that the chair and other members, other than those representing the political parties, are now appointed through a fair and transparent public appointment process, for non-renewable terms. The Committee's political members are nominated by Party Leaders at the time of appointment.
6. By convention, the Committee consults the Prime Minister before starting an inquiry, and can be asked by the Prime Minister to mount an inquiry on a specific subject, but the decision on whether to proceed will be our own.

¹ See Appendix 1 for our terms of reference

Our strategic objectives

7. The Committee has agreed the following five strategic objectives:
 - Where appropriate, we will undertake balanced, comprehensive inquiries which enable us to develop evidence-based, practical recommendations which will help maintain or improve ethical standards across public services.
 - We will undertake robust and effective research which will provide useful information about public perceptions of ethical standards across public services. We believe that it is important to check our perceptions of the standards the public expects of public servants and organisations, and the extent to which they are being met, against reality.
 - We will make informed contributions to public debates about ethical standards.
 - We will constantly be alert, spotting developments and responding promptly to emerging ethical risks, engaging with a wide range of stakeholders to develop the ethical standards agenda.
 - We will improve the way we work, evolving so that we continue to be an effective, efficient organisation delivering value for money.

Setting Priorities

8. Since our remit is wide and our resources limited, we will ensure that we take a strategic approach and set priorities. The distribution of our effort between substantive inquiries and the rest of our work will depend on our assessment of current standards issues, their relative importance and how best they can be addressed. We will ensure that time spent in responding to inquiries and consultations initiated by others, while important, and is not allowed to crowd out work on other issues we regard as important.

Selection of inquiries

9. The choice and scope of our inquiries will be informed by our assessment of the importance of the issue, the scope for a distinctive and authoritative contribution and its potential impact. We also have to bear in mind our limited staff and financial resources. In each inquiry we will aim to identify concrete recommendations which will ensure the highest standards of propriety in public life. After reports have been delivered we will continue to follow up on our recommendations, as appropriate, to monitor the extent of their implementation and the effectiveness of the measures taken.

10. Specific areas in which we will continue to take an interest in the next few years, which may not necessarily become the subject of a full inquiry, are set out in detail in the Standards Check section of this report.
11. We will be ready to initiate inquiries promptly on other issues not currently on the horizon, as circumstances require, and to identify any general lessons from individual issues of impropriety that may come to light.

Monitoring standards issues

12. To further our remit to monitor ethical standards across public services as a whole we will:
 - Maintain a watching brief to identify emerging or persistent standards issues and respond promptly to them.
 - Undertake independent quantitative and qualitative research into public perceptions of ethical standards.
 - Respond to consultations and key policy announcements and legislation where these impact on ethical standards and we have an informed contribution to make.

Making sure our voice is heard on standards issues

13. In addition to our inquiries and monitoring of standards issues, we will take steps to ensure our voice is heard promoting high ethical standards, including as appropriate by:
 - Providing evidence to Select Committees and Public Bill Committees in both Houses.
 - Writing to ministers and others on key issues.
 - Participating in conferences, seminars and workshops.
 - Contributing to published consultation papers.
 - Writing articles and delivering speeches to communicate our key messages; and
 - Speaking to the media.
14. We will also aim to increase our collaboration with other bodies providing advice, support and challenge to organisations as they work on standards issues; and jointly promoting high ethical standards in public life. We hope in this way we can add value and use our resources to best effect.

Using our resources to best effect

15. The Committee accepts the importance of being as economical as possible in its use of resources, consistent with delivering effectively against its remit. Its annual budget for 2016/17 is £284 000. Both budget and staff numbers have reduced considerably over the last few years and this has necessarily placed limitations on the scope and extent of work the Committee can undertake and limited the Committee's ability to respond quickly and comprehensively to standards issues as they emerge.
16. We will continue to exercise economy, including in the following ways:

a) *Research*

Our Research Advisory Board added questions to a survey being undertaken by the Electoral Survey. This reduced costs without, we think, significantly compromising the quality of the results. In addition, analysis of the results of the research has been undertaken by a doctoral student part funded by the Committee, under the supervision of the Research Advisory Board.

b) *Visits*

While we continue to maintain an interest in standards issues in the devolved administrations, the Committee has not held public hearings or visited stakeholders in these areas, unless invited, since our remit was amended in 2013 to the effect that we should no longer do so without the agreement of their governments and legislatures.

As part of the evidence gathering for the 'Ethics for Regulators' inquiry we made 26 visits to regulators, however as travel was minimal the costs accrued remained relatively low.

In recent times budgets have not allowed the Committee to investigate comparable issues in countries outside the UK by making visits there. We have instead taken into account international surveys and studies where appropriate and commissioned international comparative work from academic sources. We may, however, request the resources necessary for overseas visits should the circumstances of an inquiry and the absence of the availability of necessary information from other sources appear to demand it.

c) *Administrative processes*

All services (including travel, accommodation, IT and HR) are obtained wherever possible through Cabinet Office framework agreements or approved providers. This ensures best value for money and helps maximise the volume of public sector business being obtained through certain contracts, in order to drive down costs across the public sector.

Measuring our effectiveness

17. Our effectiveness will depend upon the success with which we fulfil the specifics of each year's business plans. But we will continue to identify issues on which our voice has been heard and we have made a difference.
18. We have developed the following Key Performance Indicators:
 - Delivering effective reports as frequently as necessary which identify ways to improve and maintain ethical standards in public services, together with other proactive outputs as specific issues arise. We will always try to produce a rounded and proportionate package of measures intended to be implemented as a whole;
 - Demonstrably increasing the profile of ethical standards as an issue in public services; and
 - Ensuring we continue to justify our role and contribution through meaningful mechanisms of openness and accountability.
 - Ensure adequate media coverage.
19. In making recommendations it should always be our intention to make recommendations that are persuasive, practical and firmly evidence-based. In the past the Committee has usually had the majority of its recommendations accepted, although not always in the precise form suggested and sometimes not immediately. We will monitor this. We will not hesitate to make recommendations that we believe to be right even though we anticipate that those responsible for implementing them may find them difficult.
20. In addition, we will identify and measure the success of our impact and stakeholder engagement by developing, monitoring and evaluating the following measures:
 - Numbers attending events.
 - Numbers responding to consultations.
 - Requests for speeches or presentations.
 - Traffic to our website.
 - Coverage in print and broadcast media.
 - Twitter followers and usage.
 - Feedback and take up rate of quarterly newsletter.
 - Stakeholder survey results and feedback.

OVERVIEW OF ACTIVITIES 2015–2016

21. Our [Business Plan 2015–16](#) set out our plan for the year. We have delivered against that plan and gone further.

Ethics for Regulators

22. The Committee announced in its 2015/16 Business Plan that it would undertake a review of ‘Ethics for Regulators’. The initial aim was to undertake a ‘health-check’ of the way in which regulators manage ethical issues in their own organisations; and the extent to which the unique characteristics of regulators create or demand any specifically tailored ethical solutions. However, the range of issues around regulation we have encountered and the quality of the research has exceeded our initial expectations so we broadened the scope of this project into a full report and a command paper.
23. Regulators play a central role in public life, extending horizontally and sectorally across a broad range of commercial and non-market activity at national regional and local levels. Both within and beyond 22 Non-Ministerial Departments and 346 Agencies and Public Bodies, there are a substantial number of autonomous regulatory bodies in the UK, ranging from the very large to the very small. There has undoubtedly been an assumption that the Seven Principles of Public Life apply to regulators in the same way as to any other holder of public office. However, the Committee does not appear, at any time over its 20 years to have focused an entire report on them.² The project received responses to our survey from over 60 regulators and conducted 26 visits to regulators. We also held three roundtables for academics, regulators and stakeholders, respectively, and commissioned four academic papers and conducted desk research.
24. The Committee aims to publish its findings in September 2016.

Ethical standards for providers of public services guidance: follow up

25. In December 2015 the Committee published an [online guide](#) for providers of public services – whether outsourced or in-house – to promote high ethical standards. This guide followed up the Committee’s [earlier report](#) which established the importance of common standards for all those delivering public services.

² A brief reference was made to regulators in [Standards Matter](#) 2013

26. Lord Bew stated in his foreword to the online guidance:

'The purpose of this document is to emphasise the key messages from our report and build on its research and conclusions by providing short practical guidance to both providers of public services in building and embedding ethical standards in an organisation, and to commissioners in setting ethical expectations for the delivery of public services as well as ensuring those standards are met. The Committee recognises the efforts and investments which many providers have already made in enhancing awareness of, and adherence to high ethical standards. The Committee recognises the challenges faced by any organisation large or small in ensuring that all employees adhere to high ethical standards of behaviour...Ethics matter. This is increasingly recognised by the business community as a necessary part of winning trust and building confidence in the public service markets. Ethical standards should not be taken for granted. Commissioners and providers need to be explicit with each other and the public as to the standards expected in the services which are being delivered.'

27. The impact of this document has been considerable with 2750 online views since December. In addition, to coincide with the launch of the online guide, Committee member Sheila Drew Smith OBE gave an [interview](#) with the Financial Times which reiterated the need for chief executives to set "a tone from the top" in order to imbue the workforce with the importance of ethical behaviour.

28. The Committee will continue to make the case for public service providers to take steps to embed ethical practices and culture within their organisation. We remain committed to providing research and guidance to this end.

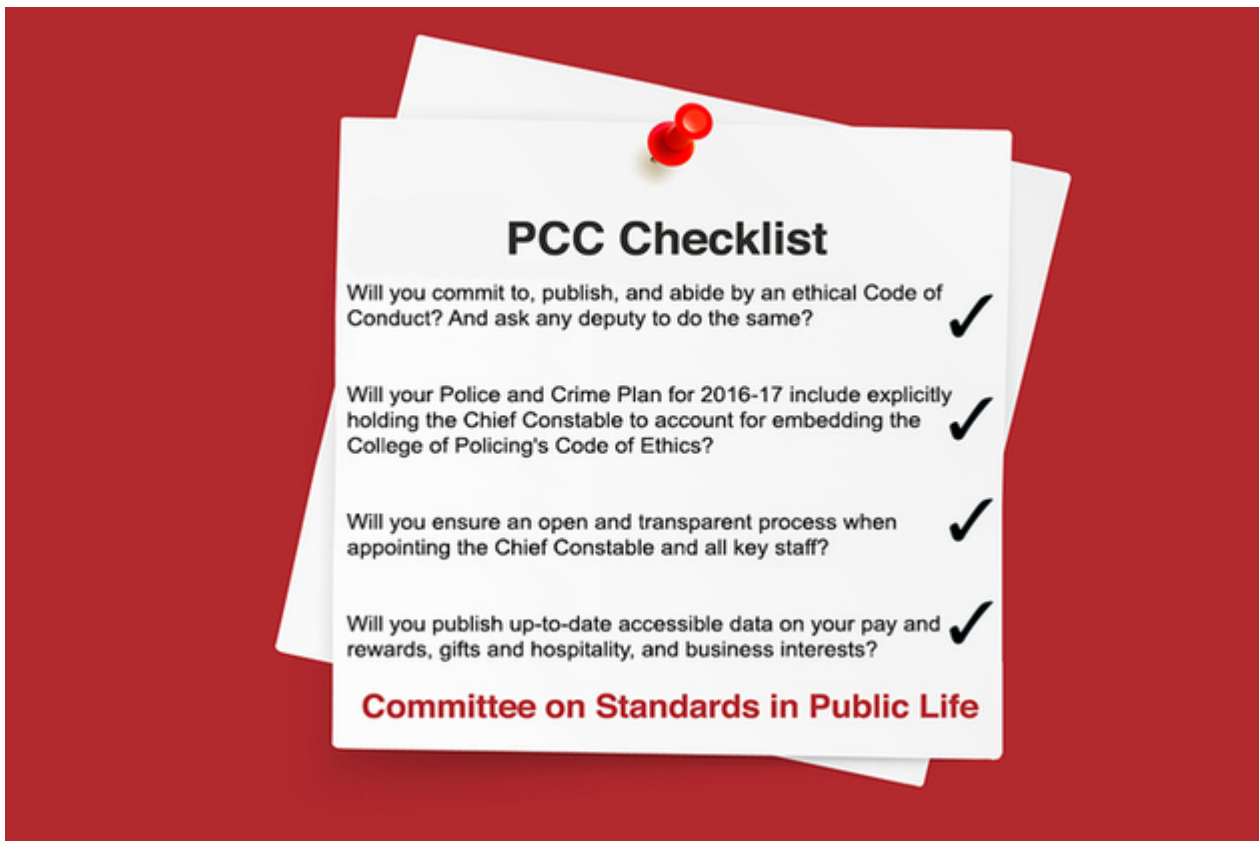
Police Accountability

29. On 29 June 2015 the Committee published the final report of its inquiry into policing accountability: [Tone from the top – leadership, ethics and accountability in policing](#). The Committee's research, conducted by Ipsos MORI, asked over 1000 members of the public what they knew about local policing accountability. Through a series of structured questions, it was found that, in general, respondents had a pretty positive perception of the standards of conduct of the police; the majority thought senior police officers could be trusted to tell the truth and felt that the police are held to account for their actions. People also largely thought that police deal with the crime and anti-social behaviour issues that matter.

30. However we also learned that despite being generally happy with the conduct of police and saying that the police are held to account, many people asked were unclear who to complain to about problems with local policing and thought that local people did not have a say in how the police spent their time and budget.

31. Following publication, letters to key stakeholders were sent at the end of July requesting their responses to the recommendations relevant to them.
32. Letters were sent to all Chief Constables, Chairs of Police and Crime Panels, Police and Crime Commissioners and representative organisations. Stakeholders were given until 29 November to respond, and we have received responses from 57 stakeholders to date.

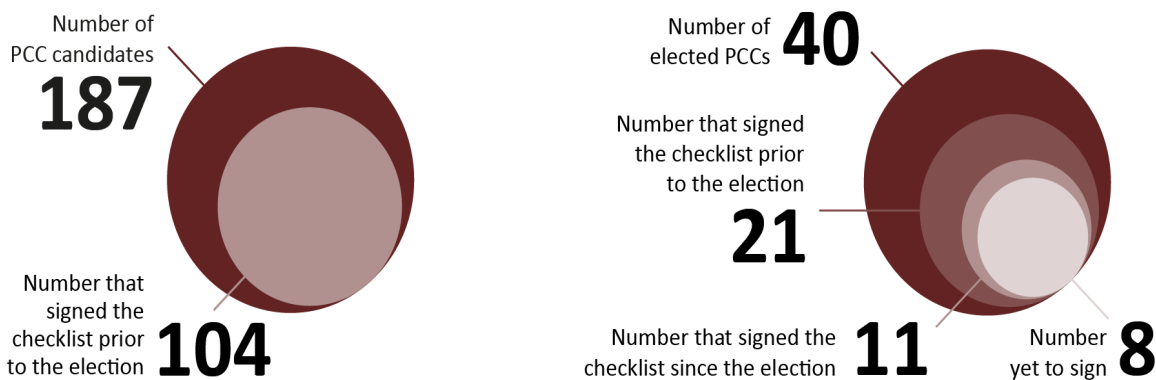
PCC Elections



33. On 21 March 2016, the Committee asked for all candidates standing to be Police and Crime Commissioners (PCCs) at the 5 May 2016 local elections to sign up to the ethical standards checklist. Following its inquiry last year into local policing accountability, the Committee called for all candidates to declare their approach to conduct, appointments and hospitality so that the public can make an informed judgement when casting their vote.
34. On 29 April Lord Bew published the blog '[PCCs – important and powerful roles need robust scrutiny and accountability](#)' following the decision by the South Yorkshire Police and Crime Commissioner to suspend the Chief Constable following the verdict in the Hillsborough inquest. Lord Bew noted that this is the most high profile illustration of the powers vested in elected PCCs which poses questions over who keeps the holders of such power to account – the Police and Crime Panels. Lord Bew wrote that after the elections,

we hope that Police and Crime Panels will use their scrutiny and support role to hold the new PCCs to their promises and help ensure that they live up to the standards of conduct and accountability expected by the public. He also reiterated the Committee's call for all PCCs to commit to our ethical checklist.

35. By the election on 5 May, over 50 percent of candidates had signed up to the ethical checklist. Following the elections the Committee wrote to the Police and Crime Panels reminding them of the recommendations in last year's [policing report](#). We also wished to restate our call for PCCs to commit to the ethical checklist, so the public know whether their PCC had signed up, and to bear this in mind when holding their PCC to account.



Lobbying: Follow Up

36. The Government responded in full in October 2015 to our report [Strengthening Transparency around Lobbying](#), which was published in November 2013.
37. The lobbying industry, along with their representatives, charities, campaign bodies, academics and think-tanks all gave evidence to our review. With the evidence gathered we aimed to produce proportionate recommendations which would be complementary and separate to the legislation passing through Parliament on lobbying and would help restore public trust and confidence. In particular we were keen that decision makers who experience lobbying are able to clearly demonstrate probity. We concluded that a package of measures was urgently required to deliver a culture of greater openness and transparency around lobbying; provide greater clarity for public office holders on the standards expected of them; and to reassure the public that a more ethical approach to lobbying is actively being applied by all those individuals and organisations involved in lobbying.
38. Following publication, the Committee Chair met with the then Minister, Francis Maude, in December 2014 to discuss the detail of our recommendations and the reasoning behind them. On 21 October 2015 the Government responded further by offering its assurance that transparency around lobbying is a key

priority and the acceptance of a number of recommendations the Committee believes are important. The Committee stated that it welcomed this response. In particular the Government's commitment to improving the timeliness and accessibility of the published information about Ministers' and Permanent Secretaries' official meetings with outside interest groups as well as hospitality received by ministers and members of departmental boards.

39. On 11 February 2016 Lord Bew posted the blog [‘Current arrangements aren't enough’](#) where he praised the Government's efforts in this area; but made it clear that the current arrangements and the lobbying register were not going to provide sufficient transparency and accountability to enable effective public scrutiny of lobbying.
40. The Committee will continue to monitor developments in this area in order to promote the highest standards of propriety in public life.

Trade Union Bill

41. Our 2011 report on party funding came back into public debate in early 2016 when the House of Lords agreed on 20 January to appoint a Select Committee to consider the impact of clauses 10 and 11 of the Trade Union Bill, in relation to the Committee on Standards in Public Life's report, *Political Party Finance: Ending the Big Donor Culture (2011)*. The Select Committee reviewed the necessity of urgent new legislation to balance those provisions with the other recommendations made in the Committee's report.
42. The Trade Union Political Funds and Political Party Funding Committee was appointed on 28 January.
43. On Tuesday 9 February 2016 Lord Bew and former chair, Sir Christopher Kelly, appeared before the Select Committee's second evidence session.

Key points from that session:

- Lord Bew reiterated the points that the report was intended to be taken as a package; that he had not received positive responses from the party leaders when he contacted them post-election regarding this issue. Lord Bew restated the need for action on this and the issues of party expenses more generally.
- Lord Bew also raised his ongoing concerns regarding the issue of public trust and the question of money in politics.
- Sir Christopher answered questions on the aims, content and reception of the 2011 report. He provided detail on the principles and pragmatic reasons for the emphasis of the recommendations as a

package. Sir Christopher confirmed that the aim was to achieve an outcome that was both fair and reasonable to all parties.

44. On 2 March the Select Committee published its [report](#), which concluded that the Trade Union Bill would have a significant impact on union political funds and in turn on Labour Party funding, whilst offering some measures to mitigate this effect. The Committee also advised the Government to convene urgent cross-party talks on party funding reform.

45. The report was debated in the House of Lords on 9 March when the Minister, Baroness Neville-Rolfe commented:

“Evidence to the committee suggested moving ahead with smaller reforms that might command cross-party support, such as finding practical ways in which to encourage more and smaller donations from wider audiences. As part of the Government’s broader approach of promoting giving to good causes, the Government would be willing to take that forward for further consideration, such as publishing a discussion paper in the first instance, if there was a positive reaction to such a potential step from the political parties. I hope noble Lords will be pleased to hear that; I shall be particularly interested to hear the views of the committee chaired by the noble Lord, Lord Bew, on these issues”.

46. The Committee confirmed to the Minister it would be happy to contribute to the debate and subsequently commissioned Dr Michael Pinto-Duschinsky to [update his 2011 report](#) on political funding with some additional work covering party income.

47. On 3 May the Bill returned to the Lords having undergone significant amendments, most notably:

- The government agreed that the switch to an ‘opt-in’ approach to union political funds would now be contingent on consultation with the union Certification Officer and trade unions – plus the backing of both Houses of Parliament.
- If the consultation and Parliament determine that the switch to ‘opt-in’ should go ahead, unions will now be given at least a year, as opposed to the three months outlined in the Bill previously, to transition towards making members ‘opt in’ to their political funds.
- Ministers conceded that unions can trial e-voting for their internal elections and strike ballots.
- Members will now be allowed to opt in to union political funds online.

Both Houses agreed on the text of the Bill which received Royal Assent on 4 May 2016.

48. As stated above, Lord Bew made the point at the Select Committee in February that the landscape had changed since 2011 and that the Committee would undertake further research on the topic. To this end the Committee will be undertaking work in this area in 2016/17 by commissioning the work by Michael

Pinto-Duschinsky as noted above and see forward plan (below) for further details.

Consultation by Law Commission: Misconduct in Public Office

49. In January 2016, the Law Commission announced it was undertaking a review of the offence of misconduct in public office. The reform objectives were to decide whether the existing offence of misconduct in public office should be abolished, retained, restated or amended and to pursue whatever scheme of reform is decided upon.
50. The Committee has previously commented on this issue in the 1997 paper on misconduct in public office. That paper argued that the current common law offence lacked clarity and advised that consideration should be given to the introduction of a new statutory offence.
51. Lord Bew spoke at the Commission's Symposium on Misconduct in Public Office on 20 January 2016 at King's College London, where he reiterated the general position of our 1997 paper and highlighted that the challenge for the Committee is to negotiate space between those breaking law and moral behaviours in general.
52. The Committee responded to the Commission's consultation and published its evidence on the website. The Committee did not focus on the legal technicalities, which were beyond its scope, but the [response](#) considered general principles and standards which are the Committee's primary focus. We did make two key points regarding: (a) the definition of public office holders; and (b) sanctions for any misconduct.
53. With regards to the definition of public office holders the Committee noted the difficulty in defining the term "public office" and "public office holders". There is an increasingly blurred distinction between public, private and voluntary sectors; this has been reflected in the Committee's own remit being widened to make clear that the seven principles apply to any organisation delivering public services. However, the Committee also made clear that the public want all providers of public services to adhere to and operate by common ethical standards, regardless of whether they are in the private, public or voluntary sectors.
54. With regards to the issue of sanctions the Committee acknowledged that the picture had moved on since our previous 1997 paper.³ We did state that, whilst we believe standards remain high, our position now is that there is the need, to have sanctions in place if standards are not met. We believe that to define clear and principled consequences of any material failure to achieve ethical standards would support the re-building and sustaining of public trust in public office. Therefore, if it is decided to proceed with a legal definition of "misconduct" we, the Committee, would strongly encourage the discussion of sanctions and consequences in the event of any transgression.

³ Since then the Bribery Act 2010 and the Local Government Act 2000 have addressed many of the issues raised in the 1997 paper.

55. Professor Mark Philp, Chair of the Research Advisory Board provided a note as part of the Committee's [response](#) which highlighted the broad issue of the complex nature of this offence, as well as commenting on the distinction between public and political office and on the issue of sanctions.

MPs' Code of Conduct

Parliamentary Commissioner's Consultation

56. On 21 January 2016 the Independent Parliamentary Commissioner, Kathryn Hudson, launched a public consultation exercise to review the current Code of Conduct for MPs. The Committee was asked to respond to the consultation, which comprised a set of questions ranging from what the overall purpose of the code should be, to whether the Commissioner should be able to investigate alleged breaches of the general principles of conduct.

57. The Committee's response argued that the Code's purpose should be to establish the standards and principles of conduct expected of all Members and to set the rules which underpin these standards.

58. Additionally the response made the case for a principles-based approach to the Code, arguing that leadership is essential in promoting and supporting the seven principles, and that the Code of Conduct should reinforce these fundamental values.

59. More specifically, the Committee restated the view that the House needs an Independent Commissioner as her role in overseeing registering interests and investigating breaches remains key in the Commons standards system. Breaches of the Code are the most public aspect of the role and we stated that it is essential that a mechanism for their investigation remain in place.

Oral Evidence

60. Lord Bew also [gave evidence](#) on 15 March 2016 to the Parliamentary Standards Committee which is exploring the same issue of the code of conduct alongside the Commissioner's own review. Prior to this appearance, Lord Bew gave an interview with *the Daily Telegraph* where he stated his support for the Committee as well as the importance of input from lay members.

61. During the session, Lord Bew highlighted the strengths of the Code while suggesting it remains open to improvement. He reiterated the role of induction for MPs as well as the repeating the Committee's position that lay members of the Parliamentary Standards Committee should be given voting rights, or at the least that their views should be made public. He also supported the suggestion that the Parliamentary Commissioner be given more power to investigate breaches of the Nolan principles.

Consultation on Review of Public Appointments Process – Grimstone Review



62. On 2 July 2015 the Minister for the Cabinet Office announced that Sir Gerry Grimstone would lead a review of the Office of the Commissioner for Public Appointments. Although the Office of the Commissioner for Public Appointments is technically not a public body, the review followed the guidance on conducting a triennial review.
63. On 29 October 2015, the Committee published its [contribution](#) to Sir Gerry's review. With regards to the role of Commissioner, the Committee stated that, given the role of public scepticism around appointments, it is firmly of the view that the Commissioner's role is still required. The Committee sees no case to depart from the model of a Commissioner for Public Appointments who is demonstrably independent of government and the civil service and can provide effective, external scrutiny. This model has gained broad acceptance and recognition and has stood the test of time. However, we added that this does not mean that more cannot be done to improve the way in which these important appointments are made.
64. The Committee also stated that, in the interests of transparency for stakeholders and the public alike, the Committee believes there should be a separation of post holders between Public Appointments Commissioner and the First Civil Service Commissioner.
65. Sir Gerry Grimstone's report was published on 11 March 2016, and on 17 March the Committee welcomed the [announcement](#) of the Rt Hon Peter Riddell CBE as the preferred candidate for Commissioner for Public Appointments.
66. We welcomed the proposals in Sir Gerry Grimstone's [report](#) to improve the transparency of the public appointment process. However, the Committee expressed its unease about the cumulative effect of the other changes suggested in the Grimstone review.

67. The Committee stated it fears the changes will remove some of the independent checks and balances of the public appointments process, and may have the unintended effect of offering limited protection for Ministers who wish to demonstrate they have appointed on merit alone.
68. The Committee will be looking at the Grimstone report's recommendations in more detail. The Public Administration and Constitutional Affairs Select Committee (PACAC) offered its qualified support to the appointment of Peter Riddell as the Commissioner for Public Appointments. PACAC expressed its concern that the changes proposed by Grimstone may be leading to an increasing politicisation of senior public appointments. They added that they would report on their inquiry into the Grimstone proposals after the Code of Practice for Public Appointments and a new Order-in-Council have been published. In fact PACAC reported in July and requested the Government to think again about implementing the proposals.
69. Our Committee noted that the Government will be seeking further views and bringing forward changes in the Code of Governance and we hope to work with them and Peter to help address these risks.

STANDARDS CHECK

In addition to the specific areas of inquiry outlined above, we have also maintained an interest in other standards issues during this year:

Party Funding

70. The debate prompted by the Trade Union Bill has brought renewed prominence to the issue of party funding in Britain. As noted above, this is a topic that the Committee has reported on previously, most recently in [2011](#). One of the key conclusions the Committee reached at the time was that the system, while not corrupt, was perceived to be corruptible. And our research showed that the public were highly sceptical of the motivations of all big donors; regardless of whether they were individuals, trades unions or organisations.
71. The package the Committee put forward required all parties to accept some challenging measures in the interests of the health of democracy in this country. The package also proposed an extra £25m of public funding, which the Committee recognised was a significant request in an incredibly difficult financial climate.
72. Once the report was published, with dissenting notes from both Margaret Beckett MP and Oliver Heald MP, the three main parties convened talks. Despite the fact that reform of party funding was in all three parties' manifestos and in the Coalition agreement, the talks failed.
73. The Committee has maintained an interest in this issue and, as stated in our [last report](#), the Chair wrote to each party following the 2015 general election inviting them to re-convene discussion on party funding; particularly in the light of public dissatisfaction with the political process as evidenced by the Hansard Audit. Unfortunately the response we received to this request was not as forthcoming as we would have hoped and these talks were not held.
74. Given the time that has elapsed since that last report, we have decided to return to the topic of party funding in order to gauge the key developments in what has been a rapidly evolving context. To this end the Committee arranged for questions on party funding to be included in the British Election Study, results of which will be available in Summer 2016. In addition, we have also commissioned Dr Michael Pinto-Duschinsky to [update his previous contributions on this topic](#). These steps will enable the Committee to gauge the current public opinion on party funding, as well as refining its position to contribute to the debate.

Parliamentary Standards

75. The Committee continues to contribute to the issue of Parliamentary Standards. As noted above we responded to the Parliamentary Commissioner's review into the current Code of Conduct for MPs, as well as giving evidence at a session by the Parliamentary Standards Committee which was exploring the same issue. In addition we will be contributing to the Independent Parliamentary Standards Authority's consultation on MPs' scheme of business costs and expenses.
76. The Committee continues to stress role of guidance, education and training on the rules and principles of the standards regime particularly with regard to recall. The public remain highly critical of MPs and are unlikely to accept ignorance of the principles or the rules as a defence in cases of alleged misconduct and, for their part, MPs are unlikely to accept unclear advice on opaque rules. We welcome the recent appointment of four additional lay members to the House of Commons Committee on Standards, which results in an equal number of MPs and lay members on the committee.
77. The Parliamentary Standards Commissioner (the post recommended by this Committee) and the Standards Committee will need to continue the work started with the House Authorities and the political parties on induction training to raise awareness and understanding of a clear and transparent standards regime amongst MPs.

Local Government Standards

78. The Committee on Standards in Public Life has a long-standing interest in local government standards. In our 2014/15 [Annual Report](#) we stated that the Committee had agreed at the time of the Localism Act to maintain a watching brief on:
- the need for a mandatory code of conduct,
 - strong local leadership,
 - effective independent persons; and,
 - concern at the lack of sanctions.
79. We continue to note that there is some evidence to suggest that the role of the independent person is generally well received and that vexatious complaints are falling. However, the effectiveness of the sanctions regime is still a concern.

80. The Committee maintains a watching brief of national and local media on this issue, as well as correspondence. We receive correspondence both from members of the public, Councils and councillors on this issue. This correspondence includes, for example, calls for a national code of conduct, strengthened guidelines or sanctions or a power of recall.
81. The Committee promotes the Seven Principles as consistent descriptors of ethical standards which represent common standards and core values. They can then be translated into outcome focused, locally based rules, codes or methods of implementation which are flexible enough to adapt to changing circumstances. We continue to invite councils to consider whether their own local standards frameworks are sufficient to address standards breaches and build public trust.
82. We will continue to liaise with the relevant stakeholders on the way in which ethical standards can effectively be embedded in all parts of local government.

Civil Service and government

83. The Committee has, over the years, made a number of recommendations relating to the regulatory regime for appointments to the Civil Service and how best to achieve high standards of conduct and propriety by civil servants. Many of these recommendations have been adopted.⁴ In October 2014, the Committee responded to the Triennial Review of the Civil Service Commission. We argued that there is a continuing need for the Civil Service Commission, specifically as an independent body, with its remit and the regulatory arrangements for Civil Service appointments, as well as the Civil Service Code values of honesty, integrity, impartiality and objectivity, remaining on a statutory basis.
84. On 11 March 2016, the Government published Sir Gerry Grimstone's [review](#) of the Public Appointments Process. As stated above, the Committee's response was to welcome the review, while expressing unease about the cumulative effect of some of its recommendations.
85. On 7 April 2016, the Committee submitted evidence to the Public Administration and Constitutional Affairs Committee (PACAC) inquiry on the review of the public appointments process.

⁴ For example, putting the civil service, the Civil Service Code and the principle of appointment on merit after a fair and open competition on a statutory basis (First Report, Sixth Report, Ninth Report); an active role for the (then) Civil Service Commissioners in scrutinising the maintenance and use of the Civil Service Code, particularly in induction and training (Ninth Report); convergence between the regulatory regime of the (then) Civil Service Commissioners and the Commissioner for Public Appointments (Tenth Report).

86. Our submission welcomed the Government's intention to seek further views and consult on the Code of Governance, as the quality of the Code will be vital in ensuring the success of the new system. However the Committee continued to express its unease, about the potential cumulative effect of the changes proposed in the review. The Committee fears that, taken together, the changes proposed may remove too many of the checks and balances on Ministerial powers in relation to the public appointments process. In addition, our concerns are greater where the public appointment is to a sensitive or high profile organisation and in particular appointments to regulatory bodies.

REPRESENTATIONS, SPEECHES AND COMMUNICATION

87. The Committee continues to maintain an international profile in the field of standards promotion in terms of exemplifying an effective principles-based approach to standards in public life. As has been the case in previous years, the Committee has found that the UK has a high international reputation in such matters and many other countries wish to learn from our experience. The Committee will continue to host international delegations, visiting civil servants, scholars and students to explain how the standards framework operates in the UK. The Committee will also continue contributing to the research base on standards, trust and compliance, both by working with national and international institutions and scholars, and conducting in-house research.
88. Over the course of the year, the Chair has spoken at a number of events on standards issues, promoting the work of the Committee and the importance of the Seven Principles of Public Life and providing other examples of best practice, including:
- 07/09/2015 – Police Superintendents Association
 - 16/09/2015 – Policing in Northern Ireland
 - 08/10/2015 – Solace Annual Summit
 - 14/10/2015 – Public Chairs Forum
 - 28/10/2015 – CoPaCC – PCCs and Transparency
 - 12/11/2015 – Westminster Abbey Institute
 - 01/03/2016 – Induction for new peers
 - 08/03/2016 – Inside Government – Improving Leadership, Ethics and Accountability in Local Policing
 - 14/06/2016 – Policing and Ethics Conference – Bath Spa University
89. Other Committee and Secretariat members also spoke about the work of the Committee and standards issues in a range of contexts including:
- 14/03/2016 – Police and Crime Panelists at an LGA Workshop – Patricia Moberly and Monisha Shah
 - 15/03/2016 – CoPaCC PCC Candidate National Briefing Day – Monisha Shah

90. The Committee has been proactive in promoting the Seven Principles of Public Life through responses to a number of consultations including:
- Parliamentary Commissioner’s Consultation – MP’s Code of Conduct
 - Law Commission: Misconduct in Public Office Review
 - Review of Public Appointments Process – Grimstone Review
91. The secretariat receives and responds regularly to public enquires and correspondence on standards issues, including requests under the Freedom of Information Act 2000.

Communications

92. Between 1 September 2015 and 31 July 2016, the Committee’s corporate website on Gov.uk (<https://www.gov.uk/government/organisations/the-committee-on-standards-in-public-life>) received 14,420 visits, totalling 19,871 page views. The Seven Principles of Public Life page (<https://www.gov.uk/government/publications/the-7-principles-of-public-life>) was viewed 42,267 times over this period.
93. We will continue to ensure that we communicate our work effectively, making it visible to public office holders and others with an interest in ethical standards. Recommendations will be targeted, specific and followed up as appropriate. We will contribute to relevant policy debates where we can add an informed and distinctive voice. We will engage in constructive dialogue with key stakeholders including ethical regulators. We will ensure our website provides an effective means of communicating our views and activities.

Policy on openness

94. In its first report, the Committee defined the Seven Principles of Public Life. The Committee has always sought to implement these principles in its own work, including the principle of Openness.
95. The Secretary of the Committee has responsibility for the operation and maintenance of the Committee’s publication scheme under the Freedom of Information Act 2000. Most of the information held by the Committee is readily available, and does not require a Freedom of Information Act request before it can be accessed. The Committee can be contacted in writing, by email, by telephone or by fax. The public can also access information via the Committee’s website. Requests for information under the Freedom of Information Act should be made to the Secretary to the Committee at the following address:

Committee on Standards in Public Life

Room GC.05

1 Horse Guards Road

London

SW1A 2HQ

public@public-standards.gov.uk

Areas of Interest

96. In addition to following up on our recent reports, which considered a series of standards issues that raised significant ethical risks we will continue to track and monitor and, where necessary, intervene and maintain a watching brief on the issues set out in Standards Check.
97. Given our limited resources, the Committee will need to be very focused on the particular areas it devotes attention to during the next 12 months. We have identified the following topics which will allow the Committee to fulfil its remit, while operating within the context of a reduced budget and secretariat:

Operation of Referenda

98. On 16 July 2015 Lord Bew gave evidence to the Public Administration and Constitutional Affairs Committee (PACAC) inquiry into Purdah and Impartiality.
99. The inquiry focused on the proposal in the EU Referendum Bill to disapply Section 125 of the Political Parties and Referendum Act 2000 (PPERA 2000) which sets out the statutory rules which apply to the 28 day purdah period in the run up to the Referendum.
100. Lord Bew reiterated the Committee's support for the ethos of Section 125. The Section was a response to the Committee's own recommendation from the 1998 report which stated "The Government of the day in future referendums should, as a Government, remain neutral and should not distribute at public expense literature, even purportedly 'factual' literature, setting out or otherwise promoting its case".
101. Following the EU referendum, the Committee received a number of complaints from members of the public regarding the conduct of both remain and leave camps during the campaign. PACAC opened an inquiry into lessons learned from the referendum;⁵ the inquiry ran from July to September 2016. Given the timescale of the inquiry and that this issue is a matter of public concern of direct relevance to the Committee, we have decided that the topic requires ongoing review and analysis. We wrote to the Chair of PACAC to explain our plans.
102. We intend to work with interested parties, to co-host a seminar on this issue in the latter half of 2016. The seminar will look at key issues arising from the operation of referenda to identify possible areas for research.

⁵ <http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-administration-and-constitutional-affairs-committee/news-parliament-2015/lessons-learned-eu-referendum-launch-16-17/>

Ethical Standards for Providers of Public Services

103. In June 2014, the Committee published its report Ethical Standards for Providers of Public Services which considered what standards of ethical conduct should be expected from those third-party organisations providing public service. The report was followed by a short guidance document, published in December 2015. We now intend to follow up that work to review whether awareness of the need for ethical standards in the delivery of public services has changed. We will talk to government departments to review the current position and intend to report by Spring 2017.

Local Government

104. The Committee regularly receives correspondence on the issue of ethical standards in local government, at both officer and elected member level. So, looking further ahead, we intend to undertake a review to clarify the topics of substantive concern, research the underlying causes and to identify best practice in well-governed authorities. This work will straddle the Committee's work programme for 2016/17 and 2017/18.

Party funding

105. It is clear that party funding remains a live ethical issue of concern for the public around the confluence of money, power and influence. It is a significant issue of public concern that has not gone away and cannot be resolved without the political will to do so. The Committee remains committed to helping inform the debate. Lord Bew reported to the Select Committee in February 2016 that the Committee would undertake further research on the topic.

106. The Committee will publish in 2016 data from the BES questions on party funding.

107. These steps will help the Committee to gauge current public opinion on party funding, as well as considering whether any further work might be possible.

APPENDIX 1: ABOUT THE COMMITTEE

Our remit

On 25 October 1994, the then Prime Minister, the Rt Hon John Major MP, announced the setting up of the Committee on Standards in Public Life with the following terms of reference:

“To examine current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities, and make recommendations as to any changes in present arrangements which might be required to ensure the highest standards of propriety in public life.

For these purposes, public office should include: ministers, civil servants and advisers; Members of Parliament and UK Members of the European Parliament; members and senior officers of all non-departmental public bodies and of national health service bodies; non-ministerial office holders; members and other senior officers of other bodies discharging publicly-funded functions; and elected members and senior officers of local authorities.”⁶

On 12 November 1997 the terms of reference were extended by the then Prime Minister, the Rt Hon Tony Blair MP:

“To review issues in relation to the funding of political parties, and to make recommendations as to any changes in present arrangements.”⁷

On 5 February 2013 the terms of reference were clarified by the Government in two respects:

“...in future the Committee should not inquire into matters relating to the devolved legislatures and governments except with the agreement of those bodies.”

“...the Committee’s remit to examine ‘standards of conduct of all holders of public office’ [encompasses] all those involved in the delivery of public services, not solely those appointed or elected to public office.”⁸

Our remit does not allow us to investigate individual allegations of misconduct. That is usually the role of the relevant regulator. We do, however, seek to draw any general lessons that can be learned from individual instances.

⁶ Hansard (HC) 25 October 1994, col. 758

⁷ Hansard (HC) 12 November 1997, col. 899

⁸ Hansard (HC) 5 February 2013, col. 7WS

Our members

Committee members are appointed for a three year term, with the possibility of reappointment. The current four independent members were recruited for a five year non-renewable term. The Chair is also appointed for a single non-renewable five year term.

Chair: Lord Paul Bew

Appointed: 1 September 2013 **Term ends:** 31 August 2018

Paul Bew joined Queen's University Belfast in 1979 and was made Professor of Irish Politics in 1991. He acted as historical adviser to the Bloody Sunday Inquiry between 1998 and 2001 and was appointed as a non-party-political peer by the independent House of Lords Appointments Commission in February 2007 following his contributions to the Good Friday Agreement. In 2007 he served on the Local London Authority Bill Select Committee and in 2011 served on the Joint Committee on the Defamation Bill, which addressed key issues of academic freedom. He chaired the independent review of Key Stage 2 (SATs) provision in England which reported in 2011 and was accepted by the government. He also served on the Joint Committee on Parliamentary Privilege which produced its report on in July 2013. Lord Bew continues to teach Irish History and Politics at the School of Politics, International Studies and Philosophy at Queen's University. Among Lord Bew's many publications is the Ireland volume of the Oxford History of Modern Europe.

Members active in 2014–2015

Lord Alderdice

Appointed: 1 September 2010 **Reappointed:** 1 September 2013 **Term ends:** 31 August 2016

John Alderdice is a fellow of the Royal College of Psychiatrists. He led the Alliance Party and was President of the European Liberal, Democrat and Reform Party and or Vice President of Liberal International. He was one of the negotiators of the Good Friday Agreement. Raised to the peerage on October 1996, he took his seat on the Liberal Democrat benches in the House of Lords on 5 November that year. In 1998 Lord Alderdice was elected member for Belfast East and appointed Speaker of the Northern Ireland Assembly. In 2004 he was appointed as a Commissioner for the newly established Independent Monitoring Commission. He is currently a Senior Research Fellow and Director of the Centre for the Resolution of Intractable Conflict at Harris Manchester College, Oxford, and a Clinical Professor in the Department of Psychology at the University of Maryland. He is also the Chairman and a Director of the Centre for Democracy and Peace Building (based in Belfast) and President of ARTIS (Europe) Ltd, a research and risk analysis company.

Rt Hon Dame Margaret Beckett DBE MP

Appointed: 1 November 2010 **Reappointed:** 1 November 2013 **Term ends:** 31 October 2016

Margaret Beckett has been Labour MP for Derby South since 1983. She was Secretary of State for Trade and Industry 1997–1998, President of the Council and Leader of the House of Commons 1998–2001, Secretary of State for Environment, Food and Rural Affairs 2001–2006, for Foreign Affairs 2006–2007, Minister for Housing and Planning (attending Cabinet), Department for Communities and Local Government 2008–2009. She has also been Chair of the Intelligence and Security Committee. Margaret is a member of the Labour National Executive Committee and Chair of the Joint Committee on National Security Strategy.

Patricia Moberly

Appointed: 17 May 2012 **Term ends:** 1 September 2016

Patricia Moberly was Chair of Guy's and St Thomas' NHS Foundation Trust from 1999 to 2011. During her previous career as a schoolteacher, she worked in secondary schools in London and Zambia, and was Head of the Sixth Form at Pimlico School from 1985 to 1998. She served on the National Executive of the Anti-Apartheid Movement, was a member of Area and District Health Authorities and of the General Medical Council, a local councillor and a magistrate. Currently she is a prison visitor and serves on an advisory panel to the Secretary of State for Transport on drink and drug driving. She is a panellist for the Judicial Appointments Commission.

Sheila Drew Smith OBE

Appointed: 17 May 2012 **Term ends:** 16 May 2017

Sheila Drew Smith OBE is an economist by background. She was an independent assessor for public appointments (OCPA) from 1997 to 2012 and undertakes selection work in the private sector. She is the Chair of the National Approved Letting Scheme and a committee member for Safe Agents. She is also a member of the appointments panel of the Bar Standards Board, the Member Selection Panel of Network Rail, an independent panel member for RICS and a number of other regulatory bodies. She was a board member of the Housing Corporation between 2002 and 2008, the Audit Commission between 2004 and 2010, and the Infrastructure Planning Commission and the Office of the Regulator of Social Housing until March 2012. Prior to this she was a partner in the predecessor firms of PricewaterhouseCoopers working in the UK and internationally. Her earlier career was in the civil service.

Dame Angela Watkinson DBE MP

Appointed: 30 November 2012 **Term ends:** 30 November 2017

After an early career in banking and a family career break, Dame Angela Watkinson worked for several local authorities in special education and central services. She has served as a councillor for both the London Borough of Havering and an Essex County Council. Angela was elected as Conservative MP for Upminster in 2001 and continues to serve her enlarged constituency of Hornchurch and Upminster. She has spent most of her

Parliamentary Career as a Whip, and Lord Commissioner to the Treasury. Angela is also a member of the Parliamentary Assembly of the Council of Europe.

Richard Thomas CBE

Appointed: 17 May 2012 **Term ends:** 16 May 2017

Richard Thomas CBE LLD was the Information Commissioner from November from 2002 to 2009 and the Chairman of the Administrative Justice and Tribunals Council (AJTC) from 2009 to 2013. He is currently a Strategy Adviser to the Centre for Information Policy Leadership and has served as Deputy Chairman of the Consumers Association, as Trustee of the Whitehall and Industry Group, and as Board Member of the International Association of Privacy Professionals (IAPP). During his earlier career his roles included Director of Consumer Affairs at the Office of Fair Trading from 1986 to 1992 and Director of Public Policy at Clifford Chance, the international law firm, from 1992 to 2002.

Members appointed in 2015

Monisha Shah

Appointed: 1 December 2015 **Term ends:** 30 November 2020

Monisha took up post on 1 December for a five year term. She is Chair of Rose Bruford College of Theatre and Performance, non-executive director of Imagen Ltd, Cambridge, and independent non-executive director, Next Mediaworks Plc, India.

Monisha served as Trustee of Tate until July 2015. She was also Tate's Liaison Trustee to the National Gallery Board from June 2013. In July 2013, she joined the Board of the Foundling Museum. She has served on several councils and committees for all of the above, including Nominations, Governance, Remuneration, Digital Media, Ethics and Freedom of Information. Monisha has served on several panels as an Independent Member, including Triennial Reviews of the British Council and the British Film Institute, and the appointments panel for the Chair of the BFI.

Monisha's last executive role was with BBC Worldwide, where she worked for 10 years. She was Director of Sales for Emerging Markets, including Europe, Middle East, India and Africa where she was responsible for the exploitation of British intellectual property across television, radio, digital media and publishing. She represented BBC Worldwide on several Boards including joint ventures for radio and magazines. She stepped down from this role in 2010.

Monisha is a graduate of the University of Bombay, India; she also has a post-graduate degree from SOAS, and an executive MBA from the London Business School. She was elected Young Global Leader by the World Economic Forum in February 2009.

Research Advisory Board

The Committee's work is supported by a Research Advisory Board. The current Board members are:

- **Professor Mark Philp** (Chairman), Professor, Director of the European History Research Centre, Dissertation Coordinator, Department of History, University of Warwick
- **Dr Jean Martin**, Senior Research Fellow, Social Inequality and Survey Methods, Department of Sociology, University of Oxford
- **Professor Cees van der Eijk**, Professor of Social Science Research Methods, Director of Social Sciences Methods and Data Institute, University of Nottingham
- **Dr Wendy Sykes**, Director of Independent Social Research Ltd (ISR) and Member of the SRA implementation group on commissioning social research.

Members' attendance (1 April 2015 – 31 March 2016)

The table below shows the total number of meetings that each member of the Committee could have attended and the number they actually attended.

Name	Possible meetings	Actual meetings
Lord Bew	10	10
Lord Alderdice	10	4
Rt Hon Dame Margaret Beckett DBE MP	10	8
Patricia Moberly	10	10
Richard Thomas	10	9
David Prince	4	2
Sheila Drew Smith OBE	10	10
Dame Angela Watkinson DBE MP	10	9
Carolyn Fairbairn	4	4
Monisha Shah CBE	3	3

In addition to the monthly Committee meetings, all members attend a variety of other meetings and briefings in relation to the business of the Committee.

Remuneration

Committee members who do not already receive a salary from public funds for the days in question may claim £240 for each day they work on committee business. The Chair is paid on the basis of a non-pensionable salary of £500 per day, with the expectation that he should commit an average of 2–3 days a month, although this can increase significantly during Committee inquiries. All members are reimbursed for expenses necessarily incurred.

For the period 1 April 2015 to 1 March 2016 committee members other than the Chair claimed a total of £34,897.13 in fees and expenses.

In total, the Chair claimed £15,373.52 in fees and expenses.

Code of Practice

In accordance with the best practice recommended in its first report, members of the Committee formally adopted a code of practice in March 1999. The code is available on the website and has been reviewed periodically by the Committee, most recently in July 2011. The Code is required to be reviewed once during the tenure of each Chair. The Code is currently under review and an updated version will be published in the second half of 2016. Members provide details of any interests that might impinge on the work of the Committee through the Committee's register of interests, also available on the website at <https://www.gov.uk/government/publications/register-of-interests>

APPENDIX 2: FINANCIAL INFORMATION

Expenditure	2014–2015 (£)	2015–2016 (£)
Staff costs and fees	254,950	218,009.44
Other running costs	124,000	85,423.49
Total net expenditure	378,950	303,432.93

As an advisory Non-Departmental Public Body (NDPB), the Committee receives its delegated budget from the Cabinet Office. The Cabinet Office Accounting Officer has personal responsibility for the regularity and propriety of the Cabinet Office vote. Day-to-day responsibility for financial controls and budgetary mechanisms are delegated to the secretary of the Committee including responsibility for certain levels of authorisation and methods of control. Creation of all new posts and the use of external resources are subject to the approval of the Cabinet Office Approvals Board.

The Secretary and the rest of the secretariat are permanent civil servants employed by the Cabinet Office or on secondment from other departments.

Whilst the core secretariat has been reduced to three, the Secretary can and has used the budget to buy-in additional time limited resource to service specific inquiries and reviews. This level of resource necessarily constrains the choices the Committee makes in relation to its work programme and, together with the time taken to secure approvals, affects its ability to respond quickly and comprehensively to standards issues as they emerge.

The Secretary to the Committee is responsible for setting out the outputs and outcomes which the Committee plans to deliver with the resources for which they have delegated authority, and for reporting regularly on resource usage and success in delivering those plans. The Secretary is also responsible for maintaining a robust system of internal control over the resources she has delegated authority, and for providing the accounting officer with assurances that those controls are effective.

For the year 2014–15 the Committee's budget allocation was £400,000. There was an under spend of £21 050. The main causes of this underspend were savings generated by small forecast underspends on pay costs and press officer services. Both of the projects on the two most recent reports also ran into the current financial year.

APPENDIX 3: REPORTS AND PUBLICATIONS

The Committee has published the following reports:

- Ethics for Regulators – (Cm XXX) (July 2016)
- Tone from the top – leadership ethics and accountability in policing (Cm 9057) (June 2015)
- Ethics in Practice: Promoting Ethical Standards in Public Life (July 2014)
- Ethical standards for providers of public services (June 2014)
- Strengthening transparency around lobbying (November 2013)
- Standards matter: A review of best practice in promoting good behaviour in public life (Fourteenth Report (Cm 8519)) (January 2013)
- Political Party Finance – Ending the big donor culture (Thirteenth Report (Cm 8208)) (November 2011)
- MPs' Expenses and Allowances: Supporting Parliament, Safeguarding the Taxpayer (Twelfth Report (Cm7724)) (November 2009)
- Review of the Electoral Commission (Eleventh Report (Cm7006)) (January 2007)
- Getting the Balance Right: Implementing Standards of Conduct in Public Life (Tenth Report (Cm6407)) (January 2005)
- Defining the Boundaries within the Executive: Ministers, Special Advisers and the permanent Civil Service (Ninth Report (Cm 5775)) (April 2003)
- Standards of Conduct in the House of Commons (Eighth Report (Cm 5663)) (November 2002)
- The First Seven Reports – A Review of Progress – a stock-take of the action taken on each of the 308 recommendations made in the Committee's seven reports since 1994 (September 2001)
- Standards of Conduct in the House of Lords (Seventh Report (Cm 4903)) (November 2000)
- Reinforcing Standards (Sixth Report (Cm 4557)) (January 2000)
- The Funding of Political Parties in the United Kingdom (Fifth Report (Cm 4057)) (October 1998)
- Review of Standards of Conduct in Executive Non-Departmental Public Bodies (NDPBs), NHS Trusts and Local Public Spending Bodies (Fourth Report) (November 1997)
- Standards of Conduct in Local Government in England, Scotland and Wales (Third Report (Cm 3702)) (July 1997)
- Local Public Spending Bodies (Second Report (Cm 3270)) (June 1996)

- Standards in Public Life (First Report (Cm 2850)) (May 1995)

Since 2004, the Committee has also undertaken four biennial surveys of public attitudes towards conduct in public life. Findings were published in 2004, 2006, 2008, 2011 and 2013.

Annual Report 2015–16 and Business Plan 2016–17

Published electronically by the Committee on Standards in Public Life

The Committee on Standards in Public Life

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July 2016

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TITLE OF REPORT: Results of 2015/16 CIPFA Audit Benchmarking

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

- 1 The report informs the Committee of the annual Chartered Institute of Public Finance & Accountancy (CIPFA) Audit Benchmarking results for 2015/16.

Background

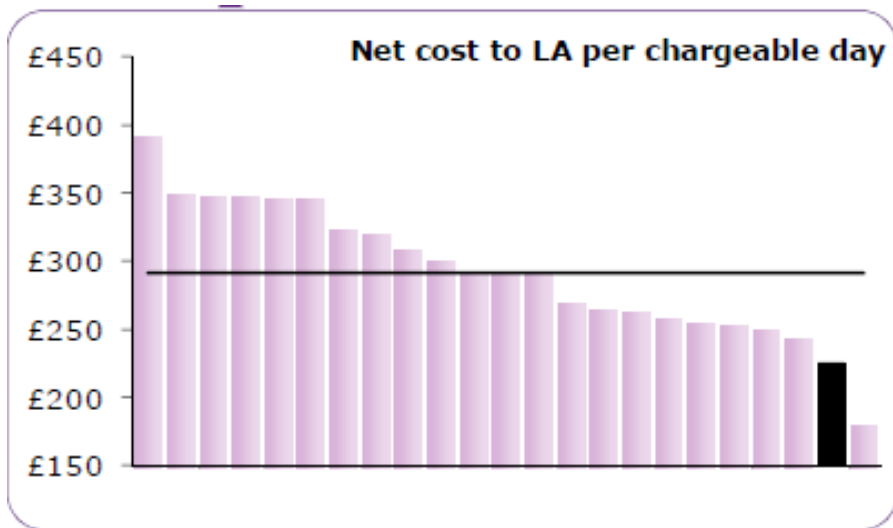
- 2 The Internal Audit Service is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of the Council's resources.
- 3 Benchmarking data allows the comparison of the Council's Internal Audit Service with 29 other local authorities (45 in 2014/15).

Summary of Results for 2015/16

- 4 Attached at Appendix A is a summary report of the 2015/16 benchmarking results. Overall this continues the trend from previous years and highlights Gateshead Council's Internal Audit Service as being low cost with high productivity; in comparison with other local authorities in the benchmarking data.
- 5 The information is based upon 2015/16 actual results taken from the financial ledger and Galileo; the Internal Audit Management system.

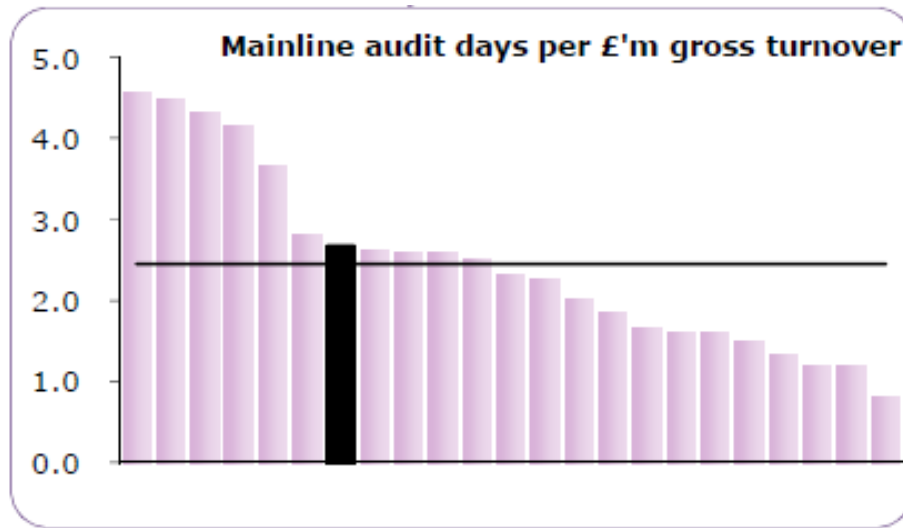
Recommendation

- 6 The Committee is asked to note this report.



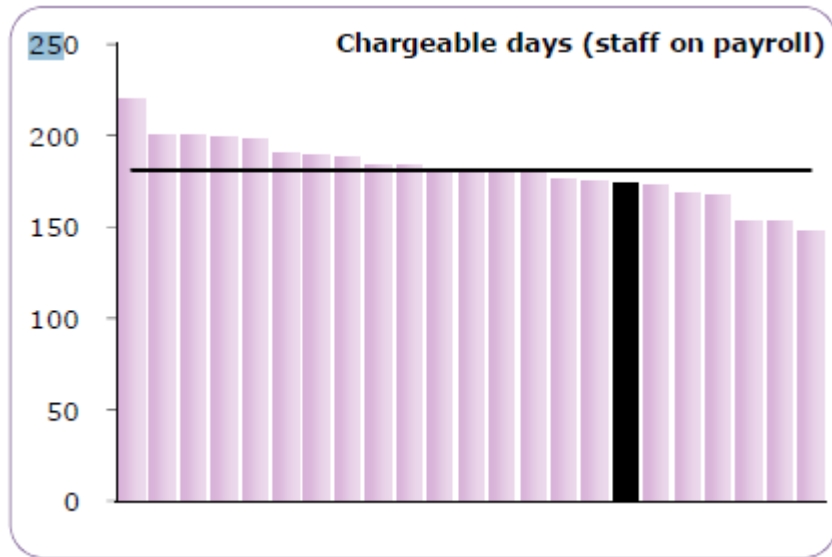
Gateshead Net Cost per Chargeable Day £235

Average £294

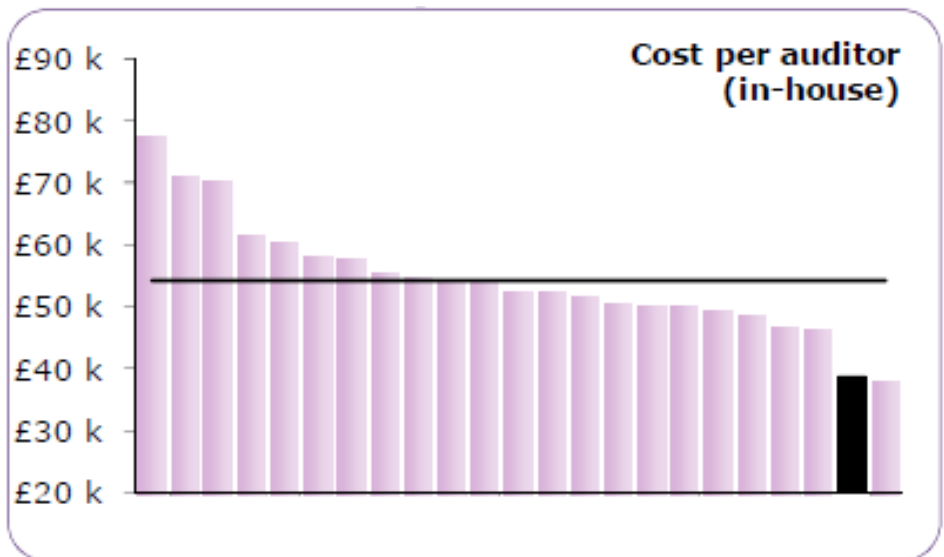


Gateshead Audit Days per £m turnover 2.69

Average 2.45



Gateshead Chargeable Days per Auditor 171
Average 184



Gateshead Cost per Auditor £38,750
Average £54,242

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TITLE OF REPORT: Corporate Risk Management 2016/17
Quarterly Report to 30 September 2016

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

1. This report updates the Committee of developments in Corporate Risk Management during the period 1 July 2016 to 30 September 2016 in compliance with the requirements of good corporate governance.

Background

2. Quarterly reporting to those with the responsibility for the oversight of risk management issues complies with the principles of good corporate governance. It is also embodied in the Corporate Risk Management Policy approved by Council on 6 June 2013.
3. The report covers progress against the Corporate Risk Management Developmental Objectives for 2016/17 as cited in the Corporate Risk Management Annual Report 2015/16 and any other risk management issues emerging within the quarter under consideration.

Delivery Objectives

4. The Action Plan for the delivery of the Developmental Objectives for 2016/17 incorporating progress to date is shown at Appendix 1.
5. The Risk and Resilience Group has been refreshed to reflect the new Council structure and to ensure the officers involved in the Group are best placed to embed risk within the Council. The broader membership will also have a wider profile to address resilience challenges facing the Council.
6. The first meeting of the refreshed Risk and Resilience Group was held on 28 September and the following items were discussed:
 - The review of the Strategic and Operational Risk Registers
 - The Council critical IT systems template and how the Group can support Services to complete the template. This work will enable ICT to implement the recommendations identified by the Council's External Auditors.
 - Resilience planning and the role of the Group in relation to the scenario exercise which will test the Council's response to a possible pandemic flu outbreak.
 - The upcoming power down weekend.
7. Other standing agenda items include Business Continuity Plans and Health and Safety Action Plans.

8. For information , the Council's current Strategic Risk Register is attached at Appendix 2.

Recommendation

9. It is recommended that the Committee note the report.

Corporate Risk Management: Developmental Objectives 2016/17

Ref:	Objective	Target Implementation Date	Progress to date
1	Business Continuity Plans will be updated, enhanced and subject to testing.	July 2016 – partial implemented March 2017 – for outstanding elements of this objective	The Business Continuity Plans have been updated to reflect the revised Council structure. Further work will be carried out during the year to enhance and test the Business Continuity Plans.
2	The Strategic Risk Register will be refreshed which will include a review of the template and supporting documentation.	December 2016	
3	The Operational Risk Register will be refreshed, this will include a review of the template and supporting documentation.	December 2016	A review of operational risks has taken place. Supporting documents and templates are currently being reviewed.
4	The Council's Risk Management and Business Continuity Policies will be reviewed to ensure they comply with best practice and are responsive to the challenges facing the Council	December 2016	

Ref:	Objective	Target Implementation Date	Progress to date
5	The provision of further Risk Management training to Councillors and officers appropriate to their responsibilities.	December 2016	
6	Assess the risk management performance indicators obtained through the participation in the ALARM/CIPFA benchmarking club to identify any areas of best practice that can be incorporated into the Council's Risk Management arrangements.	July 2016	Complete

GATESHEAD COUNCIL STRATEGIC RISK REGISTER

Strategic risks are events that could impact upon the Council's ability to achieve the objectives of the corporate plan and the longer term objectives of Vision 2030. They include significant events that could impact upon on the infrastructure and efficient operation of the Council.

The Council Plan 2015-2020 will focus on the following priorities:

- 1 Meeting the needs of Gateshead residents and reducing inequality.
- 2 Delivering our long term strategy, Vision 2030.
- 3 Delivering our ambition of sustainable economic growth and well being.
- 4 Focusing on our 'have to do', statutory functions (strategic, democratic, safety).

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
1	Reduction in local government finance	Government formula is partly influenced by factors such as size of population and areas of deprivation. Static or falling population within Gateshead and rural/urban mix may lead to unfavourable settlements. The March 2014 budget identified that resources to the local government budget were to be reduced from £16.6bn in 2013/14 to £13.8bn in 2014/15 and £12.1bn in 2015/16. The Chancellor also indicated that further cuts to public services of around £25bn were to be expected and these were likely to include additional cuts to councils. Central Government commitments to eliminating the budget deficit and to reducing the overall levels of public debt would indicate at least four more years of significant reductions in government grant. The Council will need to take into account local economic growth assumptions, potential future business growth and demand for council tax support when assessing future funding levels.	Strategic Director, Corporate Resources	4	4	RED 16	<p>1) Implementation of Medium Term Financial Strategy.</p> <p>2) Effective financial and business planning process in place.</p> <p>3) Lobbying of central government through various bodies e.g. ANEC, SIGOMA, LGA etc</p> <p>4) Actions to achieve Vision 2030 targets on population growth.</p> <p>5) Exit strategies for priority initiatives and significant partnerships contained within service plans.</p> <p>6) Transformation programme to transform the way we deliver services to ensure council services are efficient and effective.</p>	<p>Strategic Director, Corporate Resources</p> <p>Service Directors</p> <p>Asst Chief Executive</p> <p>Asst Chief Executive</p> <p>Strategic Director, Corporate Resources</p> <p>Asst Chief Executive</p>	4	2	RED 8	<p>1) Explore implications of Localism Agenda.</p> <p>2) Tighter monitoring of business rate collection and increased forecasting/modelling to manage risk and plan ahead for worst case scenarios.</p>	<p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources.</p>
2	Uncertainty over availability of capital finance to support key priorities.	Several major capital and regeneration projects require external funding to support the plans.	Strategic Director, Corporate Resources	4 External funding falling off due to economic recession and change in regional policy. Also own funding pressure has increased.	3	RED 12	<p>1) Explore new funding mechanisms</p> <p>2) Ability of Gateshead to demonstrate success with previous projects helps to secure external partners and external funding (building on reputation).</p> <p>3) Proactive engagement with potential public and private sector partners.</p> <p>4) Engagement of specialist consultants to advise and assist with projects.</p> <p>5) Scale down expectations of external funding.</p> <p>6) Make propositions more attractive to funders, which may include considering alternative models of project delivery and the level of match funding.</p> <p>7) MTFS includes target external funding levels and confirmed external funding levels to assist with the development of the Capital Programme.</p> <p>8) Do not commit to projects until firm commitment to funding.</p>	<p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Strategic Director, Corporate Resources</p> <p>Relevant Strategic Director</p>	3 May influence likelihood through more effective / appropriate bidding, lobbying, etc.	3 Unable to reduce impact	RED 9	<p>1) Add external funding regime update as standard agenda item for capital monitoring meetings.</p> <p>2) Explore implications of Localism Agenda.</p> <p>3) Strategic Investment Plan including Capital Programme</p>	<p>Relevant Strategic Director</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p>
3	Clawback of grant funding for previous projects due to failure to meet grant conditions / targets.	Gateshead Council is the accountable body for a number of prestige projects e.g. The Baltic. If grant conditions not met the Council could be liable to repay the funding body.	Strategic Director, Corporate Resources	4	4 Potential for clawback in excess of £10 million if grant conditions not met.	RED 16	<p>1) Financial control measures for projects are in place and implemented (including the requirement for Finance to consider and approve any accountable body requests).</p> <p>2) Project Management, data retention and monitoring processes are in place and implemented.</p> <p>3) An earmarked reserve is set aside within the Med. Term Financial Strategy for grant clawback and is reviewed on an annual basis.</p> <p>4) Internal Audit activity.</p>	<p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Relevant Strategic Director</p>	2	3	AMBER 6	<p>1) Asset Management Plan</p> <p>2) Issue External Funding Protocol to clarify External Funding processes</p> <p>3) Central register of external funding</p> <p>4) Agresso asset register module to record details of external funding for each asset</p>	<p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p>

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
4	Reduced financial resource due to higher than anticipated costs from implementation of the Council's workforce transformation strategy and residual equal pay claims.	As part of the workforce transformation strategy a voluntary redundancy exercise has been implemented the eventual cost of which has yet to be determined. The Workforce Transformation strategy has been successfully implemented, through phases of voluntary and compulsory redundancy and other operational changes to save employment costs. Further redundancies are likely to be required in future years. Residual costs of Equal pay are being managed.	Strategic Director, Corporate Services and Governance	4	2	RED 8	1) Reserves set aside within Medium Term Financial Strategy. 2) Proactive HR strategy to issues. 3) Capitalisation, use of reserves for management of workforce to produce savings.	Strategic Director, Corporate Resources. Strategic Director, Corporate Services and Governance. Strategic Director, Corporate Resources	2	2	AMBER 4		
5	Failure or delay in the transformation programme impacting on ability to deliver necessary scale of budget savings & long term planning.	<ul style="list-style-type: none"> The Programme fails to have clear strategic buy in, commitment and drive from the top, through to all levels of management The governance structure does not facilitate timely decision making at the appropriate level of the organisation using sound evidence / information, which impacts on the ownership, accountability, pace and deliverability of the overall programme The programme structure does not manage the aggregation of risks and issues from within individual projects (which may result in a greater cumulative impact on the council) The programme structure does not effectively manage links and interdependencies across the 5 transformation projects and other related work, resulting in sub-optimal benefits, double counting of savings and duplication of effort Failure to correctly assess ability to adhere to statutory duties and legislative requirements Failure to correctly assess the governance of any new delivery models and potential legal action and service failure Delays leading to non achievement of key milestones, leading to short term decision making and an unsustainable budget position Poor resource planning and scheduling of activities Ineffectives stakeholder engagement – focusing on residents, partners and suppliers as well as employees, councillors and trade unions leading to service failure, reputational damage, breach of legislation 	Strategy Group	3	4	RED 12	<ul style="list-style-type: none"> Strategy Group is utilised as a programme board. Regular update and progress reports to allow timely decision making 	Strategy Group	2	3	AMBER 6		
		<ul style="list-style-type: none"> Risk log to be managed by each board and consideration as a whole by transformation team on a regular basis Weekly team meeting to discuss activities within each area .Contact established across a network of key service areas to ensure areas of activity are acknowledged and fed into boards to ensure alignment Each board has a mixture of expertise including legal, HR, policy, ICT and finance as well as Service specific which will ensure the ability to meet current stautory and legislative requirements in any new arrangements will continue Specific professional advice will be sought at the appropriate point to assess any new arrangements that may be set up The programme is managed through Strategy Group and the Chief Executive allowing the drive and pace to be set from the most senior officers Key Milestones and project planning managed effectively by designated project managers Implement effective Communication and Engagement Plan for the transformation programme in a timely manner. 	Strategy Group	3	4	RED 12		Margaret Whellans	2	3	AMBER 6		
6	Failure to maintain or improve positive direction of travel in new environment of less centralised regulation.	Gateshead has a reputation as a Council that performs well. Failure to demonstrate continuous improvement could seriously damage the reputation and good standing of the Council.	Asst Chief Executive	4	3	RED 12	1) Policy planning and redesigned performance management framework. 2) Improvement plans including actions from assessment and inspection recommendations. 3) GSP protocol performance management framework and improvement plan. 4) Peer reviews and self assessment approaches.	Service Director, Communications, Policy and Improvement Service Director, Communications, Policy and Improvement Service Director, Communications, Policy and Improvement Service Director, Communications, Policy and Improvement	2 All targets may be achieved but direction of travel subjective to performance of other Councils.	2 Has potential to attract adverse local media coverage.	AMBER 4	1) Regional approach to Sector Led Improvement 2) Refocussed Fit for Future programme	Service Director, Policy, Transformation and Communications Asst Chief Executive

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
7	Reduction in scope to recruit and retain sufficient numbers of skilled staff in key areas.	The Council currently has a recruitment freeze in force which means that only posts which are required in order for the Council to meet a statutory duty or are frontline and critical to service delivery can be appointed to. In light of the budget savings required, the Council is also managing a large scale voluntary redundancy exercise. In considering applications for VR managers need to balance budgets savings targets and future service delivery. A new Workforce Strategy and Workforce Plan will be developed as part of the HR Business Plan. This will include analysis of the workforce demography and identify any skills gaps. A Learning & Development Plan has been drafted in consultation with GMTs and delivery is being prioritised to match identified needs.	Strategic Director, Corporate Services and Governance	3	4	RED 12	1) Reputation as a Council performing well attracts quality staff. 2) Reputation of the Council for financial stability helps to attract and retain staff. 3) Workforce Development Plan 4) Enhanced learning and development strategy plan. 5) Improved employment terms and conditions. 6) Improved profile of Gateshead as an area where people wish to live and work (Vision 2030).	Asst Chief Executive Strategic Director, Corporate Resources Strategic Director, Corporate Services and Governance Strategic Director, Corporate Services and Governance Asst Chief Executive.	2	2	AMBER 4		Service Director, Human Resources and Organisational Development
8	Continued sickness absence levels significantly in excess of national average.	Gateshead Council consistently records sickness absence levels in the bottom quartile of public sector bodies. Occupational Stress being the most frequent cause. A range of measures have been put in place with some progress made, outcomes are in need of improvement. Continued absence at this level could significantly impact on core priorities and CSR efficiency targets. The Council's latest sickness figures are increasing, over 9 days on average. Stress action plans are in place, and the Council is performing well against the HSE Work Related Stress Management Standards.	Strategic Director, Corporate Services and Governance	4 In lowest quartile	3	RED 12	1) Improvement plan developed following overview and scrutiny review. 2) Improvement plan following Audit Commission review. 3) Sickness levels monitored 6 monthly within Council Plan (as a strategic indicator). 4) HR Initiatives aimed at reducing sickness level, by reprioritising their work to pick up on long-term cases. 5) ICT reporting tool 6) Regular sickness reports to SMG (Performance and Services).	Strategic Director, Legal & Corporate Services Strategic Director, Legal & Corporate Services Service Directors Service Directors Service Directors	3	2	AMBER 6	1) Have a Workforce and Organisational Change workstream under Fit for Future that will ensure alignment of the Council's human resources with its future business direction and will include the development of a new workforce plan	Service Director, Human Resources and Organisational Development
9	New approach to commission and deliver services through neighbourhood working fails to provide improved services.	Neighbourhood and area working has been developed in some Council services, in support of area partnership working arrangements with partners. Some partners may not be able to commit to this model of working in future years due to budget pressures.	Strategic Director, Corporate Resources (Chair of Area Chief Executives Rep Group)	4	3 Has potential to attract adverse comment / criticism from external bodies	RED 12	1) Commissioning Plan, 2) Responsibilities for Area Portfolios assigned within cabinet. 3) Responsibilities for area working clearly assigned throughout senior management structure. 4) Area Conferences in place to develop effective partner engagement at area level. 5) Neighbourhood priorities developed. 6) Neighbourhood training and development programme. 7) Planned reviews of effective neighbourhood working. 8) Provision of intelligence through the analysis of data at appropriate spatial levels	Asst Chief Executive Asst Chief Executive Strategic Director, Communities and Environment Strategic Director with responsibility for area. Strategic Director with responsibility for area. Strategic Director, Communities and Environment Strategic Director, Communities and Environment Service Director, Policy, Transformation and Communications	2	2 Would result in some reputational issues	AMBER 4	1) Application and delivery of the Commissioning Plan. 2) Developing capacity of communities and the voluntary sector 3) Review of neighbourhood services	Asst Chief Executive Service Director, Culture, Communities & Volunteering Strategic Director Communities and Environment

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
10	Failure of Gateshead Council and neighbouring authorities to respond to changing national policy agenda.	Effective working relationships with other authorities in the North East is essential to address common and shared issues.	Chief Executive	3	3 Non-collaboration can cause problems in some policy areas	RED 9	1) Gateshead / Newcastle partnership GNP. 2) Significant Gateshead/ Newcastle joint initiatives 3) Work of the North East LEP and Combined Authority (governance). 4) Active senior level engagement in several regional and national forums. 5) General proactive approach to engagement in joint projects with neighbouring authorities. 6) North East Strategic Economic Plan March 2014 including North East Growth Deal 7) Regional City Deal	Asst Chief Executive Asst Chief Executive Asst Chief Executive Asst Chief Executive Asst Chief Executive	2	2	AMBER 4		Asst Chief Executive
11	Greater/ less than anticipated demand on key services resulting from demographic changes within Gateshead.	<p>Demographic intelligence currently indicate that the number of the very elderly and elderly within the Borough will continue to increase at a much greater rate than the working age population (which is only increasing due to the incremental changes in the retirement age). The number of births has stabilised and started to decrease again after a few years of growth. Policies and strategies are in place to promote economic and (working age) population growth. Efficient service delivery will need to take account of demographic changes and the ability to accurately forecast changes and future economic conditions. Increase in unemployment arising from the slow recovery from economic recession is an additional factor, together with the impact of welfare reform.</p> <p>The number of school age children has generally been on a declining trend, though an increase in the birth rate has halted this trend in recent years and small increases have been recorded and are expected to continue in the medium term. The number of births has stabilised and started to decrease again with the longer term trend for school age children declining again in the future. Efficient service delivery will rely on the accuracy of projections and also the success of several of the core priorities in meeting these needs and reversing trends. Increase in unemployment and worklessness arising from the economic recession is an additional factor, as is the impact of welfare reform.</p> <p>There has been a steady increase in the number of Looked After Children in the Borough since 2009/10, which reflects the national trend. We currently have 378 LAC in November 2012 compared to 316 at the end of March 2010, putting significant pressure on resources. There has been a significant rise in the number of more expensive Out of Borough and Independent Fostering Agency placements being used due to in-house placements being at capacity. Overall numbers of children being referred into the system have also significantly increased, leading to operational and financial pressure on assessments, care planning and safeguarding teams.</p>	Asst Chief Executive	4	3	RED 12	1) Self assessment and external validation. 2) Development of intelligence through the JSNA and Strategic Needs Assessment 3) Business Plans and PACE review process. 4) Medium Term Financial Strategy. 5) Initiatives working toward attainment of key 2030 targets. 6) Primary and Secondary School reviews. 7) Asset Management Plan. 8) Intelligent commissioning and needs assessment. 9) Fostering training - CBS/Learning and Children action plans 10) Monthly case by case review of Out of Borough placements 11) Payments for skills to focus resources on recruitment and training of in-house carers to increase capacity	Relevant Strategic Director Service Director, Policy, Transformation and Communications Service Directors Strategic Director, Corporate Resources. Asst Chief Executive Strategic Director, Care, Wellbeing and Learning Strategic Director, Communities and Environment Service Directors Strategic Directors, Care, Wellbeing and Learning Strategic Directors, Care, Wellbeing and Learning Service Directors, Care, Wellbeing and Learning	2	3	AMBER 6		

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
12	Major incident (accident, natural hazard or act of terrorism) affecting the safety, health, welfare, security or prosperity of the people of Gateshead.	A large number of external events could impact on the people of Gateshead ranging from flood, winter storms to pandemic flu. The Community Risk Register will identify in more detail the most significant risks.	Strategic Director, Communities and Environment	2	4 Potential for total disruption to key functions.	RED 8	<p>1) Single and Multi Agency Emergency plans and response arrangements in place and regularly exercised and tested to ensure preparedness to respond and recover</p> <p>2) Geographical approach to the Response arrangements to ensure an effective response in specific geographical areas</p> <p>3) Membership and active involvement with the Gateshead and Multi Agency Resilience and Emergency Planning Group.</p> <p>4) Membership and active involvement with Northumbria Local Resilience Forum, Executive Board, Business Management Group and Theme Groups.</p> <p>5) Involvement in CONTEST (Counter Terrorism) Agenda through the Strategic CONTEST Board and the Prevent Protect and Prepare Group (PPP)</p>	<p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Communities and Environment</p>	2	3	AMBER 6	<p>1) Implementation on Resilience Strategy and key priorities</p> <p>2) Further testing of the Council's emergency response and recovery arrangements in "Norland" multi-agency exercise in 2014.</p> <p>3) Further testing of the Council's emergency response and recover arrangements in strategic exercises 2014/15</p> <p>4) Continued involvement with the Gateshead Severe Weather Resilience Planning Group.</p>	<p>Strategic Director, Communities and Environment and relevant Service Directors</p> <p>Strategic Director, Communities and Environment and relevant Service Directors</p> <p>Strategic Director, Communities and Environment and relevant Service Directors</p> <p>Strategic Director, Communities and Environment and relevant Service Directors</p>
13	Major incident/ business interruption affecting availability of the Council's resources and impacting on ability to deliver critical services (as a result of the need to respond to major incident and/or loss/damage to Council Infrastructure).	As with all organisations the Council faces exposure to a number of external and internal events that could impact on the availability of the resources needed to perform its critical functions. Such events range from pandemic flu affecting availability of staff to the loss of the civic centre due to fire or explosion, to major IT failure.	Strategic Director, Corporate Resources	2	4 Potential for total disruption to key functions.	RED 8	<p>1) Business Continuity plans in place and regularly tested.</p> <p>2) Testing of plans to ensure no conflict between BCPs and the Emergency Response Plans and arrangements</p> <p>3) Training of key personnel in business continuity management.</p> <p>4) Awareness raising of BCPs to all staff.</p>	<p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources and Strategic Director, Communities and Environment and all Service Directors</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources and all Service Directors</p>	2	3	AMBER 6	<p>1) Further testing of the Council's emergency response and recovery arrangements via strategic exercises in 2014/15</p>	<p>Strategic Director, Corporate Resources and Strategic Director, Communities and Environment and all Service Directors</p>
14	Failure to understand and plan to mitigate the impact of the climate change on the Borough.	More frequent severe weather events will impact on the people of Gateshead ranging from flood, winter storms, heatwaves etc. Changing seasons and weather patterns may affect many services in their design and delivery which may have a serious effect on residents and businesses in their activities. The Community Risk Register will identify in more detail the most significant risks.	Strategic Director, Communities and Environment	4	3	RED 12	<p>1) Single and Multi Agency Emergency plans and response arrangements in place and regularly exercised and tested to ensure preparedness to respond and recover</p> <p>2) Membership and active involvement with Gateshead Multi Agency Resilience and Emergency Planning Group</p> <p>3) Membership and active involvement with Northumbria Local Resilience Forum, Executive Board, Business Management Group and Theme Groups</p>	<p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Care, Communities and Environment</p>	4	2	RED 8		

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk {Before Controls}	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk {After Controls}	Proposed / Further controls	Responsibility for proposed controls
15	Catastrophic failure in directly provided and commissioned service delivery.	Failure to protect children, young people and vulnerable adults could place individuals at risk of significant harm. It could also result in compensation claims against the Council, judicial review processes, poor inspection outcomes and reputational risk. Protecting vulnerable adults and securing the welfare of children and young people are key priorities of the Council Plan.	Strategic Director Care, Wellbeing and Learning and Asst Chief Executive.	4	4	RED 16	<ol style="list-style-type: none"> 1) Local Safeguarding Children Board 2) OSC monitoring of CQC and Ofsted inspections (announced and unannounced) 3) Corporate Health and Safety Framework – Health and Safety Management System in place which includes a revised H & S Policy. The H & S Strategy is under review and will go to the Corporate H & S Committee as part of the consultation process. Reporting on H & S issues is embedded in the Council with SMG receiving an annual then quarterly updates and OSC receiving an annual report. 4) Legionella action plan. Legionella documentation sits under the Corporate H & S pages on the intranet but are managed within D & E 5) Asbestos register. Asbestos documentation sits under the Corporate H & S pages on the intranet but are managed within D & E. 6) Pandemic Influenza Plan sits within resilience planning. 7) Safeguarding Adults Partnership Board 8) Quality monitoring framework including reviews, analysis of complaints, contract compliance and decommissioning procedures in place for adult social care services 	<p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p>	2	4	RED 8	<ol style="list-style-type: none"> 1) Sector Led Improvement 2) Resilience Planning 3) Development of Communications Strategy 	<p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Service Director, Policy, Transformation and Communications</p>
16	Failure to understand and plan to mitigate the impact of the economic recession on the availability and sustainability of adequate financial resources to deliver objectives.	The recent worldwide recession presents a major risk to the sustainability of adequate financial resources to fund the Council's objectives. The prevailing economic climate brings with it uncertainty and risk, which can impact on financial resources in a number of ways, including:- Shortfall in forecast capital receipts from disposal of surplus assets, due to reduced demand and suppression of land values; • Potential that private sector partners in capital projects fail to raise loan finance or suffer from market failure; • Reduced returns on monies invested due to interest rate reductions arising from the lowest ever base rate;	Strategic Director, Corporate Resources	4	4	RED 16	<ol style="list-style-type: none"> 1) Medium Term Financial Strategy. 2) Capital Receipts monitoring as part of the Capital Programme 3) Treasury Management processes and system. 4) The Treasury Management Investment Strategy, which balances the relationship between minimising risk and optimising returns on investments, is reviewed annually to ensure funds are placed in the most secure investments. 5) Corporate Asset Management Group 	<p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p>	2	3	AMBER 6		
17	An increased number of schools either deciding to become academies or are forced to by the DfE.	Two broad areas of risk: 1) an increased number of academies would result in the funding for central services being reduced and if schools did not decide to buy back then there would be a greater likelihood of redundancy; 2) a lack of central services, especially in school improvement, would reduce the Council's capacity to intervene and support maintained schools that are experiencing difficulties. The DfE may become more aggressive in its approach to schools leaving Local Authority control, reducing the potential impact of any control measures.	Strategic Director Care, Wellbeing and Learning	2	3	AMBER 6	<ol style="list-style-type: none"> 1) Continued offer of high quality central services that delivery value of money. 2) Maintain high quality school improvement officers that have credibility with school leaders. 3) Maintain strong networks with schools that reinforce the links within, and the benefits of being in the Gateshead Family. 4) Ensure that relationships are strong with Gateshead Academies and aim to be the provider of choice for "buy back" services. 5) Ofsted Inspections 	<p>All Service Directors delivering services to schools</p> <p>Service Director Learning and Schools</p> <p>Service Director Learning and Schools</p> <p>All Service Directors delivering services to schools</p> <p>All Service Directors delivering services to schools</p>	2 (although lower than previously)	3	AMBER 6	1) Devise a "Gateshead Academy Trust" that redefines the council's relationship with schools	Strategic Director, Care, Wellbeing and Learning

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
18	The impact of increased demand on Council services as a result of the socioeconomic impact of the Government's Welfare Reform programme.	<p>The aims of the Welfare Reform programme are to encourage people back into work and to reduce the costs of benefit administration. These reductions will in turn be used to reduce the Government's Budget deficit.</p> <p>However the cumulative impact of the reforms on residents with low incomes could have far reaching consequences for the Council in terms of increased demand for services e.g. Adult and Children's Services, Debt Advice and Housing services.</p> <p>The two main changes in relation to housing are the following;</p> <p>Housing benefit will be paid (from the Department of Work and Pensions) directly to the tenant (as part of the new Universal Credit payment) and not to the Council as is currently the case. Universal Credit is a key feature of Welfare Reform and is a single payment for people looking for work on a low income. All payments of rents will be made by the tenant to the Council and any recovery of rent arrears in relation to tenants on housing benefit will be the responsibility of the Council. The scheme goes live nationally from October 2013 for all new claimants and is expected to be fully implemented by 2017. A Universal Credit 'Pathfinder' programme will take place in Tameside, Oldham, Wigan and Warrington from 1 April 2013 and the findings will be used to make changes (where necessary) to the new scheme. For information, currently 13,763 (69%) of Gateshead Council tenants claim Housing Benefit.</p> <p>Housing benefits claimants living in the social rented sector (which includes local authority tenants) will receive less housing benefit from the Department of Work and Pensions from 1 April 2013 if they are under occupying a Council house (i.e. deemed to have more bedrooms than they need). The changes from 1 April 2013 are for tenants of working age only (those over state pension credit age are not affected). The cut will be a fixed percentage of the housing benefit eligible rent and will be set at a reduction of 14% for one extra bedroom or 25% for two or more extra bedrooms.</p>	Asst Chief Executive Strategic Director, Corporate Resources and Strategic Director, Care, Wellbeing and Learning	4	4	RED 16	<p>1) Given the complexities and cross cutting nature of the reforms, a Welfare Reform Officer Group has been set up to co-ordinate the Gateshead response.</p> <p>2) The cumulative impact of the loss of benefit reduced household income and spending power on the economy is being modelled in order to understand the increased pressure on individuals to manage their finances. This includes a focus on the risk of financial exclusion and debt issues as well as the pressure on businesses.</p> <p>3) 30 year HRA business plan</p>	<p>Service Director, Customer and Financial Services</p> <p>Service Director, Customer and Financial Services & Service Director Economic and Housing Growth</p> <p>Strategic Director, Corporate Resources</p>	3	3	RED 9	<p>1) Welfare Officer Reform Group to oversee and bring together activities, policy and strategy, recognising that many services will be involved in taking action in Gateshead.</p> <p>2) Financial Services/Corporate Finance monthly monitoring of collection fund</p> <p>3) Additional controls to be developed</p> <p>4) Digital Inclusion included as priority theme under the Gateshead Volunteering Plan. Volunteering programme will be developed to support the capacity building of publics skills and knowledge around IT.</p>	<p>Service Director, Customer and Financial Services</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Service Director, Culture, Communities and Volunteering</p>
19	Risk that the quality of care to Older People in residential and nursing care homes is compromised.	The Council has undertaken a fair cost of care process and alongside this introduced a revised Quality Excellence Framework. Cabinet approved this in June 2013. The Gateshead Independent Care Home Association Members have not signed up to the revised fees or quality framework. They have issued a pre-action protocol to Judicial Review over the decision making process. No formal proceedings have subsequently been issued to date. Those members continued to be paid a lower fee and have not been assessed as to the quality of care against the new framework.	Strategic Directors, Care, Wellbeing and Learning, Corporate Resources, and Corporate Services and Governance	2	4	RED 8	As a consequence of choice directions the Council has not taken a decision to cease making placements in the homes who have not signed up to the revised framework and fees. These homes are subject to CQC registration and part of the Council's Commissioning Inspection regime, which includes unannounced visits. There are also complaints and safeguarding processes which enable concerns about the quality of care to be raised with the Council.	Strategic Directors, Care, Wellbeing and Learning, Corporate Resources, and Corporate Services and Governance	2	3	AMBER 6	No Judicial Review proceedings issued, implementation of framework and new fees is in progress.	Strategic Directors, Care, Wellbeing and Learning, Corporate Resources, and Corporate Services and Governance

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
20	Risk of data breaches by staff, in relation to unauthorised disclosures of electronic, and paper based data and , unencrypted file transfers. this causes a risk to the Council's reputation and as well as a potential fine of up to £500,000 per data breach can lead to claims for damages from those affected.	The Council has an information security policy which clearly sets out responsibilities of staff in relation to data.	Strategic Director, Corporate Services and Governance	4	2	RED 8	The Council has a number of security measures in place to ensure that the 7th data protection principle can be met, however all data breaches so far have been down to staff not following our own policies and procedures.	Strategic Director, Corporate Services and Governance and Service Directors	2	2	AMBER 4	1) It is recommended that the SIRO and service directors reiterate with staff the need to adhere to the security policy and procedures and that firm action is taken against those who do not.	Strategic Director, Corporate Services and Governance and Service Directors
21	Risk of legal challenge arising from the Council's decision making processes examples of which are: Challenges to procurement processes; Allegations of ultra vires decisions; Allegations of inadequate consultations; Allegations that the Council has had insufficient regard to it's legal duties e.g. under equalities legislation; and Claims brought in employment tribunals.	The Council makes a myriad of decisions which can be challenged by those who are not happy with the impacts of such decisions. This takes on increasing prominence during difficult financial times when the Council may have to make decisions about reduction or cessation of services, reductions in staff and difficult or complicated procurement decisions. Getting decisions wrong can be costly in both financial and reputational terms.	Strategic Director, Corporate Services and Governance	3	3	RED 9	There are a range of controls in place including; Maintaining a properly resourced, experienced and trained legal and procurement workforce; Comprehensive quality assurance processes within legal for identifying risk; Cabinet and Council reports checked by legal officers; Training for officers and councillors on powers and probity in decision making; Access to expert advice from barristers and external solicitors if required.	Strategic Director, Corporate Services and Governance.	3	2	AMBER 6	Training for officers to be continued and developed where possible/appropriate.	Strategic Director, Corporate Services and Governance.
22	Risk of Implementation of the Gateshead Volunteers Plan, and achievement of the 4 main aims including : 1 Enable Everyone to make a recognised contribution to their community and become the volunteering capital of England, 2 Deliver economic growth and wellbeing, 3 volunteering activity adds value to local service provision, enabling neighbourhoods to have services that would not be otherwise provided and enhancing core public services, 4 increase formal volunteering from 18% to 25% by 2015, increased informal volunteering from 34% to 40% by 2017 overall 20,000 new volunteers.	The plan sets out the outcomes, deliverables, principles, functions, resources and structures, and priorities and next steps. The Council is centralising all volunteering opportunities to enable a "one door" approach to all Gateshead Volunteers, which currently does not exist. Through the implementation of the plan monitoring techniques will also enable a realistic overview of volunteer statistics within Gateshead. The implementation of the plan will improve and increase volunteering opportunities, improve publicity and marketing of opportunities, measure and evaluate and co-ordinate and support volunteering.	Service Director, Culture, Communities and Volunteering	3	3	RED 9	1) Establishment of central team dedicated to implementation of the plan. 2) Volunteering Steering Group, and Volunteering Action group established within partners to support the implementation throughout all organisations. 3) Detailed consultation of the plan throughout the Council and relevant partners. 4) Dedicated Communications and marketing plan specifically around volunteering within Gateshead. 5) Development of the Volunteers Month throughout June to promote volunteering opportunities and raise awareness. . 6) A centralised point of contact and team to co-ordinate all registered volunteers, with service area leads sitting behind the structure 7) Joined up partnership working with a range of organisations, including private, and voluntary and community sector.	Service Director, Culture, Communities and Volunteering	1	3	GREEN 3	1) Development and Implementation of the Gateshead Offer to support Capacity Building within VCS sector. Will develop standardised training packages and awareness raising information sessions 2) Development of Database to register all volunteers and provide them with tailored opportunities.	Service Director, Culture, Communities and Volunteering
23	HRA - Self Financing	Self financing for the HRA was introduced April 2012. Councils no longer receive a centrally distributed subsidy but are expected to manage housing stock within their own income streams. Part of the introduction of self-financing was the redistribution of <u>Key risks include:</u> • Increasing R&M expenditure • Social rent policy not being able to raise rents to be in line with RSLs • Increase in number of Right To Buys resulting in lower stock base • Management of debt against income streams. High interest rates • General Fund pressures impacting on HRA • Future Capital Requirements arising from stock condition survey & others such as estate regeneration • low Demand - Increase in Voids • Welfare reform/universal credit and the impact on rent arrears • Impact of componentisation in capital depreciation and downward revaluations which are charged to the	Strategic Director, Corporate Resources	3	3	RED (9)	1) 30 year Business Plan to capture key decisions and highlight risks to senior managers 2) Financial Model to assess sensitivities and cashflows 3) Treasury Management strategy & policies in place 4) Compliance with CIPFA voluntary code & Code of Practice 5) HRA minimum balance of £3m agreed by Cabinet	Strategic Director, Corporate Resources	3	3	RED (9)	More frequent monitoring of the HRA throughout the year Refresh model assumptions regularly	Strategic Director, Corporate Resources Working in partnership with; TGHC Strategic Director Communities and Environment

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
24	Risk of procuring and implementing a new HR and Payroll system	The current contract ends March 2016. Timescales for procuring and implementing a new corporate system are tight. If the system is not implemented in time there are a number of risks associated with payroll and HR activity.	Strategic Directors, Corporate Resources and Corporate Services and Governance	3	3	RED 9	A project team has been established to procure and implement a new HR and Payroll system	Strategic Directors, Corporate Resources and Corporate Services and Governance	1	3	GREEN 3	Regular update reports to Strategy Group	Strategic Directors, Corporate Resources and Corporate Services and Governance
25	Risk of not implementing the required changes resulting from the Care Act 2014	The Care Act 2014 introduces a number of changes for local authorities in the way that care and support services will be delivered. Key new features of the legislation are; <ul style="list-style-type: none"> • a duty to promote people's wellbeing and to prevent needs for care and support • a duty to provide an information and advice service about care and support • a requirement to carry out an assessment of both individuals and carers wherever they have needs, including people who will be "self-funders", meeting their own care costs • a duty to facilitate a vibrant, diverse and sustainable market of care and support provision and to meet people's needs if a provider of care fails. • a national minimum eligibility threshold for support – a minimum level of need which will always be met in every council area • a requirement to offer a universal "deferred payment" scheme, where people can defer the costs of care and support set against the value of a home they own • a duty in some cases to arrange "independent advocacy" to facilitate the involvement of an adult or carer in assessing needs and planning for care. 	Strategic Director, Care Wellbeing and Learning	4	3	RED 12	A steering group has been established to monitor what requirements the new legislation will place on the Council, what the resource required will be and how the Council's services will need to be changed as a result. DH grant to contribute towards implementation costs of the Care Act	Strategic Director, Care Wellbeing and Learning	4	2	RED 8	Steering group to continue to work through the impact of the legislation Regular updates to Strategy Group Use of implementation grant to resource the implementation of the legislation	Strategic Director, Care Wellbeing and Learning
26	Failure to maintain effective partnership working between the Council and its partners (ie two or more independent bodies working collectively to achieve an objective)	All councils are required to monitor how well they are governed. The council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. As part of an internal audit review of partnership working, 2 recommendations were made to ensure the council's arrangements for partnership working continue to be effective	Strategic Directors, Policy, Economic Growth & Transformation and Corporate Services & Governance	2	2	AMBER 4	1) Partnership Risk Register - Service Directors have responsibility for ensuring this register is kept up to date. The register is kept within Policy, Transformation and Communications. 2) Guide to Partnership Working - this guide has been reviewed and agreed by Strategy Group on 28 January 2015. It is available via the Gateshead Strategic Partnership website 3) Protocol on Partnership Working - updated February 2015 and available on the Council's intranet site. 4) Service Directors should ensure they complete their operational risk register as appropriate for each partnership they are responsible for.	Strategic Director, Policy, Economic Growth & Transformation Strategic Director, Corporate Services & Governance	2	2	AMBER 4	Annual Internal Audit Review. In addition, annual review of the guide and partnership risk register will be undertaken by officers in Policy, Transformation and Communications Service, with colleagues in Legal, Democratic & Property Services	Strategic Director, Policy, Economic Growth & Transformation Strategic Director, Corporate Services & Governance

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TITLE OF REPORT: Review of Internal Audit Charter

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

- 1 This report informs Committee of the review of the Internal Audit Charter

Background

- 2 The purpose, authority and responsibility of Internal Audit must be formally defined in an Internal Audit Charter, consistent with the definition of Internal Auditing outlined in Public Sector Internal Audit Standards (PSIAS). The Chief Internal Auditor must periodically review the internal audit charter and present it for approval.
- 3 The Internal Audit Charter was revised in March 2013 to comply with the introduction of a common set of UK Public Sector Internal Audit Standards (PSIAS) with effect from 1 April 2013.
- 4 The Standards have been revised from 1 April 2016 to incorporate the Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing.
- 5 The Internal Audit Charter was last presented to Committee in October 2015. This report seeks comments on and approval of the Internal Audit Charter in line with best practice.

Revised Internal Audit Charter

- 6 A key element of compliance with PSIAS is the periodic review and approval by the Audit and Standards Committee of an Internal Audit Charter. The Charter is a formal document that defines Internal Audit's purpose, authority and responsibility setting out the Chief Internal Auditor's functional reporting relationships, authorises rights of access for internal audit staff and defines the scope of internal audit activity.
- 7 Following the review and Committee approval, the Charter will be reported to Senior Management within the Council for information.
- 8 This year's review adds the Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing into the Charter to reflect their incorporation in the revised PSIAS.

Recommendation

- 9 The Committee is asked to approve the revised Internal Audit Charter to comply with Public Sector Internal Audit Standards.

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INTERNAL AUDIT SERVICE

INTERNAL AUDIT CHARTER 2016/17

1. Introduction

- 1.1 The Chief Internal Auditor is responsible for effectively managing the activity of the Internal Audit Service in accordance with this Charter. This Charter has been written in accordance with UK Public Sector Internal Audit Standards (PSIAS) and is the formal document that defines internal audit's purpose, authority and responsibility. The Charter also establishes internal audit's position within the organisation, including access to records, personnel and physical property.

2. Mission of Internal Audit

- 2.1 The Mission of Internal Audit articulates what internal audit aspires to accomplish within an organisation. The Council's Internal Audit Service has adopted the mission statement set out in the PSIAS:

"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."

3. Definition of Internal Auditing

- 3.1 The Council's Internal Audit Service has adopted the mandatory definition of internal auditing as set out in the common set of PSIAS:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes"

4. Core Principles for the Professional Practice of Internal

- 4.1 The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective in achieving its mission, all the following Principles should be present and operating effectively:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with strategies, objectives and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;

- Communicates effectively;
- Provides risk based assurance;
- Is insightful, proactive, and future-focussed; and
- Promotes organisational improvement.

5. Code of Ethics

5.1 The Code of Ethics, incorporated within PSIAS, is necessary and appropriate for the profession of internal auditors as it is founded on the trust placed in its objective assurance about risk management, control and governance. All internal auditors working for, or providing a service to the Council must conform to the Code of Ethics as set out below. If internal auditors have membership of another professional body then they must also comply with the relevant requirements of that body.

5.2 The Code of Ethics is based upon four principles:

- Integrity;
- Objectivity;
- Confidentiality; and
- Competency.

5.3 **Integrity:** The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement. All internal audit staff will:

- Perform their work with honesty, diligence and responsibility.
- Observe the law and make disclosures expected by the law and their profession.
- Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or the Council.
- Respect and contribute to the legitimate and ethical objectives of the Council.

5.4 **Objectivity:** Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. They will make a balanced assessment of all of the relevant circumstances and will not be unduly influenced by their own interests or the interests of others in forming judgements. All internal audit staff will:

- Not participate in any activity or relationship that may impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the Council.
- Not accept anything that may impair or be presumed to impair their professional judgement.
- Disclose all material facts known to them that, if not disclosed, may distort the reporting of the activities under review.

- 5.5 **Confidentiality:** Internal auditors will respect the value and ownership of the information they receive and will not disclose information without appropriate authority unless there is a legal or professional obligation to do so. All internal audit staff will:
- Be prudent in the use and protection of information acquired in the course of their duties.
 - Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Council.
- 5.6 **Competency:** Internal auditors will apply the knowledge, skills and experience needed in the performance of their duties. All internal audit staff will:
- Engage only in those services for which they have the necessary knowledge, skills and experience.
 - Perform their work in accordance with the International Standards for the Professional Practice of Internal Auditing.
 - Continually improve their proficiency, effectiveness and the quality of the service they deliver.

6. Principles of Public Life

- 6.1 Internal audit staff will also have regard to Nolan's Seven Principles of Public Life in the course of their duties. The seven principles are:
- **Selflessness:** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
 - **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
 - **Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
 - **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
 - **Openness:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
 - **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
 - **Leadership:** Holders of public office should promote and support these principles by leadership and example.

7. Purpose, Authority and Responsibilities

7.1 Purpose

7.1.1 Internal Audit Service is a managerial control primarily responsible for objectively examining, evaluating and reporting upon the adequacy of the internal control environment as a contribution to the proper economic, efficient and effective use of resources. The purpose of the Internal Audit Service is to deliver a risk-based audit plan in a professional and independent manner to allow the Chief Internal Auditor to provide the Council with an opinion on the level of assurance it can place upon the risk management, internal control and governance environments, and to make recommendations for continuous improvement in these areas. This opinion will be set out in the Internal Audit Annual Report to the Audit and Standards Committee and supports the Council's Annual Governance Statement which accompanies the Annual Statement of Accounts.

7.1.2 To this end the Internal Audit Service is required to review, appraise and report upon:

- The soundness, adequacy and application of accounting, financial and other operational controls.
- The extent of compliance with established policies, plans and procedures, statute and regulations.
- The extent to which the Council's assets and interests are properly accounted for and safeguarded from losses of all kinds including fraud, bribery, corruption, other offences, waste, extravagance, inefficient administration, poor value for money or other cause.
- The suitability and reliability of financial and other operational information.
- The economy, efficiency and effectiveness with which resources are utilised.
- Whether operations are being carried out as planned and objectives and goals are being met.
- The investigation of instances of fraud, bribery, corruption and irregularities.

7.2 Authority

7.2.1 The Internal Audit Service is an assurance function established by the Council under the requirements of the Accounts and Audit Regulations 2015. Article 9 of the Council's Constitution outlines the role of the Audit and Standards Committee. Delegated responsibility to maintain an adequate and effective internal audit of the Council's accounting records and control systems rests with the Strategic Director, Corporate Resources as set out in the Council's Constitution (Delegations to Individual Managers, Article 13).

- 7.2.2 The scope of Internal Audit Service activity allows for unrestricted coverage of the Council's control environment, which includes all of its operations, resources, services and responsibilities in relation to other bodies. The Chief Internal Auditor, in consultation with the Chair of the Audit and Standards Committee, the Strategic Director, Corporate Resources, other Strategic Directors and Service Directors will have the freedom to determine the priorities for Internal Audit Service activity.
- 7.2.3 The Chief Internal Auditor will carry out a systematic review and evaluation of all aspects of the internal control environment through consideration of the Council's risk register and consultation with senior managers and the Council's External Auditor. This enables the Chief Internal Auditor to prepare a three-year risk-based plan, covering all areas of the Council and to provide purpose and direction in this process. This plan will be linked to a statement of how the Internal Audit Service will be delivered and developed in accordance with this Charter and the Council's overall objectives.
- 7.2.4 Financial Regulations grant Internal Audit the authority to:
- Enter at all reasonable times any Council premises or land;
 - Have access to all records, documents, correspondence and any other sources of relevant information relating to any financial and other transactions of the Council;
 - Require such explanations believed to be necessary in the course of an audit, concerning any matter; and
 - Require any person to produce cash, stores or any other Council property.
- 7.2.5 Such rights of access extend beyond the Council to other bodies, including:
- Organisations to whom the Council has given grants;
 - Organisations with whom the Council contracts; and
 - Partner organisations in any schemes for which the Council has responsibility as the accountable body.
- 7.2.6 This will be affected by incorporating these audit requirements into appropriate agreements with external bodies. Where required assurances based on the work of the Internal Audit Service may be provided to such a respective body, this will take the form of a written assurance from the Chief Internal Auditor detailing the objectives of the internal audit activity undertaken and a conclusion on the assessment of the internal control environment.
- 7.2.7 The main determinant of the effectiveness of the Internal Audit Service is that it is seen to be independent. To ensure this, the Internal Audit Service will operate in a framework that allows direct reporting to the Strategic Director, Corporate Resources and free and unfettered access to all senior management, including the Chief Executive, Monitoring Officer and Councillors, including the Chair of the Audit and

Standards Committee. The Chief Internal Auditor reports on an administrative basis to the Deputy Strategic Director, Corporate Finance.

- 7.2.8 For the purposes of compliance with PSIAS within the Council the Audit and Standards Committee is designated as the “Board” and Strategic and Service Directors are designated as “senior management”.

7.3 Responsibilities

- 7.3.1 The Internal Audit Service will perform all audit work in accordance with PSIAS and the prescribed local procedures as outlined within the Council’s Internal Audit Manual, giving due recognition to the mandatory basis of the PSIAS. Auditors will carry out their duties in compliance with the standards and the Code of Ethics detailed within them. In addition to the Annual Internal Audit Report the Chief Internal Auditor will report progress against the annual audit plan to the Audit and Standards Committee on a quarterly basis. This will include details of any significant weaknesses identified in internal controls and the results of the Chief Internal Auditor’s Quality Assurance and Improvement Programme which assesses compliance with PSIAS.
- 7.3.2 The Internal Audit Service will have no responsibilities over the activities that it audits beyond the furnishing of recommendations and advice to management on associated risks and controls.
- 7.3.3 The existence of the Internal Audit Service does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered way. Management is expected to implement all agreed audit recommendations by the agreed date and each audit will be followed up to assess the extent to which this has happened.
- 7.3.4 Arrangements are in place with Strategic Directors, Service Directors and the Senior Insurance and Risk Officer to inform the Internal Audit Service of changes in Council systems and procedures on an ongoing basis.
- 7.3.5 Every effort will be made to preserve objectivity by ensuring that all Internal Audit Service employees are free from any conflicts of interest and do not undertake any non-audit duties other than those for the demands of the Service.

8. Resourcing of Internal Audit

- 8.1 The Chief Internal Auditor assesses resource requirements and draws up the Audit Plan by considering the following:
- The Council’s priorities;

- The level of risk, taking into account such areas as materiality, complexity, potential for fraud and sensitivity;
 - Consultation with senior managers and the External Auditor;
 - Changes in legislation;
 - The scope of planned external audit work; and
 - The implications of external inspection reports.
- 8.2 The staffing structure of the Internal Audit Service comprises of professional accountant, accounting technician and trainee posts with a mix of specialisms to reflect the varied workload of the Service. Where the Chief Internal Auditor considers there to be insufficient resources to deliver an effective audit plan this will be drawn to the attention of the Strategic Director, Corporate Resources and the Chair of the Audit and Standards Committee immediately.
- 8.3 As far as practical, the Internal Audit Service will not participate in the day-to-day operation of any systems of internal control. Where this is unavoidable then the auditor in question will not perform audit work in the same area for a minimum of 12 months thereafter. Any conflicts of interest relating to a respective area must be notified in advance to the Chief Internal Auditor. The Chief Internal Auditor maintains a record of all declared interests from Internal Audit staff and regular training sessions will be carried out to remind staff of the Code of Ethics. If any impairment to objectivity or independence does occur then these will be disclosed to appropriate parties depending on the nature of the impairment; with significant breaches being reported to the Audit and Standards Committee.
- 8.4 Employees within the Internal Audit Service will be expected to contribute to the general management and conduct of the Council's business through membership of working groups and participation in ad hoc exercises.
- 8.5 At the request of the Strategic Director, Corporate Resources, appropriate specialists from other Services should be made available to participate in any audit or review requiring specialist knowledge.
- 8.6 The Chief Internal Auditor will carry out a continuous review of the development and training needs of all audit personnel and will arrange in-service training delivered through both internal and external courses.

9. Fraud Related Work

- 9.1 Managing the risk of fraud, bribery and corruption is the responsibility of management and the Internal Audit Service does not have responsibility for the prevention and detection of these matters. Internal Auditors will however be alert to the risk and exposures that can allow fraud, bribery and corruption and will investigate such instances and any irregularities that are identified within the Council. Audit procedures

alone, even when performed with due professional care, cannot guarantee that fraud, bribery and corruption will be detected.

- 9.2 The Chief Internal Auditor has provision in the Audit Plan to allow for the investigation of fraud, bribery and corruption and the Council's Financial Regulations, Fraud and Corruption Policy and Statement on the Prevention of Bribery require him to be notified of all suspected or detected fraud, corruption or impropriety. The Chief Internal Auditor will assess the potential impact of such cases on the internal control environment.

10. Consulting Services

- 10.1 Where resources and skills allow within the Audit Plan, the Internal Audit Service will provide independent and objective services, such as consultancy at the request of management. Consultancy work will be assessed by the Chief Internal Auditor for its impact on the internal control environment and the potential added value in terms of the Council achieving its legitimate and ethical objectives. Audit and Standards Committee will be informed of all significant consulting services undertaken by the Internal Audit Service.

Next Review Date – October 2017



**Audit and Standards Committee
3 October 2016**

**TITLE OF REPORT: Annual Governance Statement 2015/16 –
Internal Audit Review of Managers’ Assurances**

**REPORT OF: Darren Collins, Strategic Director, Corporate
Resources**

Purpose of the Report

- 1 The report informs the Committee of the outcome of the work by the Internal Audit Service in reviewing the assurances provided by Service Directors to inform the 2015/16 Annual Governance Statement.

Background

- 2 The Accounts and Audit Regulations 2015 require Authorities to produce an Annual Governance Statement setting out its governance arrangements and reviewing their effectiveness.
- 3 The Audit and Standards Committee agreed on 1 February 2016 an assurance framework which would provide evidence for the completion of the 2015/16 Annual Governance Statement. Assurances from managers on the effectiveness of controls they have in place were a fundamental part of this framework.
- 4 Service Directors were asked to build on the work carried out in previous years and complete a self-assessment assurance statement detailing the level of assurance they felt they could place on their key control and governance processes. They were required to state whether they agreed or disagreed that the processes they had in place provided an effective level of assurance. There was also a requirement to detail the evidence to support this assessment. Internal Audit undertake an annual review of the assurance statements to ensure: -
 - Where key controls are not providing a sufficient level of assurance action has been taken to address these areas.
 - Any planned future action is taking place and improves the control environment.

- Where key controls are providing a good level of assurance evidence exists to support this assessment.
- 5 The 2015/16 Annual Governance Statement Audit was carried out using a theme based approach across the Council. All Service Directors were required to provide evidence to support their declarations made on the Governance Statement in response to the following questions:
- Data Quality and Performance
 - Business Continuity

Review Outcomes

- 6 The audit concluded that systems and controls were operating well. The following recommendation was made to two Services: Development, Transport & Public Protection; and Culture, Communities, Leisure and Volunteering which merits attention and which, when implemented, will enhance the control environment:
- The Service Directors should ensure that up to date performance data is produced and reported accordingly. This information should be available for audit inspection.
- 7 The overall conclusion of this work, as included in the quarterly update from Internal Audit reported elsewhere on today's agenda, is that the systems and processes for the completion of the Managers' Assurance Statements are operating well and that they provided a good level of assurance for the 2015/16 Annual Governance Statement.

Recommendation

- 8 The Committee is asked to note the report.

TITLE OF REPORT: Treasury Management – Performance to 30 September 2016

REPORT OF: Darren Collins – Strategic Director, Corporate Resources

Purpose of the Report

1. The purpose of this report is to review Treasury Management performance for the six months to 30 September 2016, covering investments and borrowing. This is consistent with approved performance management arrangements.

Background

2. The mid-year performance of the Treasury Management Service is reported in line with CIPFA's Code of Practice on Treasury Management and the Council's Treasury Policy Statement and Treasury Strategy which was approved by Council on 26 March 2016.
3. The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.
4. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations.
5. Accordingly, treasury management is defined as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
6. The primary objective of the investment strategy is to safeguard the Council's assets with a secondary objective of obtaining an optimum rate of return on investments and minimising the costs of borrowing.

Investment Performance

7. The latest projection of gross investment income for 2016/17 based on interest earned to date and expected interest to March 2017 is £0.479m, compared to the original estimate of £0.509m.

8. This gross investment interest is adjusted to account for £0.137m interest payable to third parties and interest receivable of £1.249m from various third parties, the most significant of which is Newcastle International Airport. This gives a projected net interest to the General Fund 2016/17 of £1.591m compared to the budget of £1.599m.
9. The current variance to budget is a result of the Bank of England's decision to reduce Bank rate from 0.50% to 0.25%, the first rate cut since 2009. This has resulted in investment counterparties reducing their deposit rates by around 0.25% which has resulted in a lower amount of interest expected for this financial year. There is potential for a further shortfall of expected investment income if the Bank of England decides to cut this rate again later in the year.

Rate of Return

10. The average rate of return is monitored for each investment type that the Council enters into and these are used to calculate an average rate of return for the Council for the year to date. The current rate of return is 0.62%, which is greater than the original estimate of 0.59%.
11. As a means of benchmarking, the average rate of return for the month and year to date is compared to the equivalent 7 day London Inter-Bank Bid Rate (LIBID), which is the rate that banks are willing to borrow money from each other. The monthly return of 0.050% exceeds the LIBID 7 day rate equivalent of 0.01%. The Council's average rate of return of 0.62% is also well in excess of the equivalent LIBID 7 day rate of 0.31%.
12. The quarterly Capita Asset Services Investment Benchmarking report assesses both the rate of return and the risk of the counterparty to calculate a weighted average rate of return, which is used for comparison across other authorities. In the most recent report received, June 2016, the Council achieved a return of 0.64% on its investments which is in line with the risk adjusted expectations defined in the Benchmarking Report. The Council is between the lower (0.59%) and upper (0.68%) performance boundaries which compares over 200 Local Authorities against an expected rate of return based on the amount of risk applied.
13. This rate of return would be expected to decrease during the year as investment balances reduce and current deposits are replaced with shorter, lower yielding deposits due to the cut in bank rate.
14. It is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous years as rates are at an all time low and in line with the current 0.25% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low for the remainder of the year.
15. Details of Capita Asset Services, the Council's treasury adviser's latest interest rate forecast as of the 8th August can be seen in Appendix 1.

Heritable Bank

16. The Council had a deposit of £2.792m at risk in Heritable Bank, a wholly owned subsidiary of an Icelandic bank, Landsbanki, when it entered administration in October 2008. The full deposit in Heritable was due to mature by the end of 2008/09 with interest.
17. To date dividends totalling £2.736m (98.00p in the £) have been received. This is an overachievement against the estimated return of 90p in the £. This includes a recent dividend of £0.111m received in August 2015, leaving an outstanding balance of £0.056m
18. The most recent update from the administrators, Ernst and Young, in March 2016, provided detail of all dividends received to date and advised that no further dividend is expected at the current time until the current administration period closes on the 6 October 2016.

Borrowing

19. The total borrowing for the Council and HRA as at 30 September 2016 was £593.721m, which was within the operational borrowing limit of £725m. This borrowing is made up of £473.721m PWLB loans and £120m market loans.
20. The Treasury Strategy estimates for this financial year were based on a borrowing requirement of £81m. To date this year the Council has taken long term borrowing from the PWLB of £5m. The timing of further borrowing will depend on a combination of cash flow requirements to support the capital programme and achieving preferential borrowing rates at the time.
21. The current forecast for interest payable on borrowing is allocated to the General Fund and the Housing Revenue Account (HRA) as shown in the following table:

	General Fund	HRA
Interest Payable	£11.234m	£15.366
Average rate of interest	3.87%	4.57%

This represents a gross saving of £1.124m on the original estimate, of which £0.628m is a saving for the General Fund and £0.497m is for the HRA.

Summary of Mid-year Performance

22. The projected net impact of investments and borrowing activity on the revenue budget in 2016/17 is an underspend of £1.117m, comprising £0.620m General Fund and £0.497m HRA.

23.

General Fund	Estimate £m	Projected Outturn £m	Variance £m
Investments	(1.599)	(1.591)	0.008
Borrowing	11.862	11.234	(0.628)
Net Position	10.263	9.643	(0.620)

24. Investment returns are likely to remain relatively low during 2016/17 and beyond and interest rates are expected to be below long term borrowing rates therefore value for money considerations indicate that best value can be obtained by delaying new external borrowing and by using internal cash balances to finance new capital expenditure in the short term (this is referred to as internal borrowing).

25. The current approach of borrowing internally provides benefits in terms of reduced credit risk, as the Council has less cash invested than if it had gone to the markets and borrowed externally. This means that cash balances are lower than projected and investment returns are lower than budgeted, but this loss of income is significantly outweighed by the savings from reduced borrowing costs and reduced credit risk.

26. Internal borrowing does have an element of interest rate risk on the overall treasury management positions, if interest rates were suddenly to rise but this is being taken into account when discussing potential borrowing options with our treasury management advisers, CAPITA

27. **Treasury Management Policy and Strategy Update**

28. The Treasury Management Policy and Strategy Statement approved by Cabinet on the 15 March 2016 required revision in the light of economic developments following the BREXIT vote and the requirement to remove the UK from the sovereign criteria. The report to make this amendment was presented to Audit and Standards committee and recommended by Cabinet on the 13 September 2016 and approved by Council on the 22nd September 2016.

Recommendation

29. The Committee is asked to note the Treasury Management Performance to 30 September 2016.

Capita Interest Rate Forecast

Appendix 1

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank rate	0.25%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%	0.25%	0.50%
5yr PWLB rate	1.00%	1.00%	1.00%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.20%	1.30%
10yr PWLB rate	1.50%	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%
25yr PWLB rate	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.60%
50yr PWLB rate	2.10%	2.10%	2.10%	2.20%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%

Capita Asset Services undertook its last review of interest rate forecasts on 8 August shortly after the quarterly Bank of England Inflation Report and the MPC cutting Bank Rate from 0.50% to 0.25% and launching various quantitative easing measures. This action was prompted by concerns that the UK economy would slow down sharply as a result of the Brexit vote. It is possible that the MPC could cut Bank Rate further to nearly zero, probably at the November quarterly inflation report meeting. Since the Brexit vote on 23 June, gilt yields and PWLB rates have fallen sharply. Investment rates also fell after the cut in Bank Rate.

The above forecast includes a very tentative first increase in Bank Rate in June 2018. The overall balance of risks to economic recovery in the UK is currently to the downside but huge variables over the coming few years include just what final form Brexit will take, when finally agreed with the EU, and when.

There are also concerns that weak growth in the UK, EZ, China and Japan is only being achieved by monetary policy being highly aggressive. While such policies undoubtedly help to stimulate growth, there is substantial doubt that without additional aggressive fiscal action by national governments to stimulate growth and inflation, (and also fundamental economic and political reforms in some countries), then many countries are likely to have a prolonged struggle to return to both strong growth, and inflation rising to around 2%, within the next few years.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or Fed. rate increases, causing a further flight to safe havens (bonds).
- Geopolitical risks in Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.
- A resurgence of the Eurozone sovereign debt crisis.
- Weak capitalisation of some European banks.

- Monetary policy action failing to stimulate sustainable growth and combat the threat of deflation in western economies, especially the Eurozone and Japan.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

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

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