To: Deputy Leader and Members of the Resources Board (Councillors Moore, Morson, Davis. N Dirveiks, Forwood, Johnston, Smith, Watkins and Winter)
For the information of other Members of the Council

For general enquiries please contact Emma Humphreys/Amanda Tonks on 01827 719221 or via email – emmahumphreys@northwarks.gov.uk or amandatonks@northwarks.gov.uk.

For enquiries about specific reports please contact the Officer named in the reports.

This document can be made available in large print and electronic accessible formats if requested.

RESOURCES BOARD AGENDA 10 OCTOBER 2011

The Resources Board will meet in the Chamber at The Council House, South Street, Atherstone, Warwickshire on Monday, 10 October 2011 at 6.30 pm.

AGENDA

- 1 Evacuation Procedure.
- 2 Apologies for Absence / Members away on official Council business.
- Declarations of Personal or Prejudicial Interests.

 (Any personal interests arising from the membership of various Parish Councils of Councillors Davis (Atherstone), Moore (Baddesley) and Morson and Winter (Dordon) are deemed to be declared at this meeting).

- 4 Request for discussion and approval of remaining En Bloc items.
- 5 Minutes of the Resources Board held on 11 July and 5 September 2001 (copies herewith) to be approved and signed by the Chairman.
- 6 Presentation from Linda Bird Assistant Director (Corporate Services) on the work of her Division.

PART A – ITEMS FOR DISCUSSION AND DECISION (WHITE PAPERS)

7 Internal Audit Strategy 2011-13 – Report of the Deputy Chief Executive

Summary

The report provides the Board with an updated Internal Audit Strategy.

The Contact Officer for this report is Barbara Haswell (719416).

8 Capital Programme 2011/12 Period Ending August 2011 - Report of the Assistant Director (Finance and Human Resources)

Summary

The report updates Members on the progress of the 2011/12 Capital Programme in terms of both expenditure and outcomes.

The Contact Officer for this report is Jon Illingworth (719489).

9 Proposed Council Response to the Consultation on Localisation of Council Tax Benefit – Report of the Assistant Chief Executive (Community Services)

Summary

The purpose of this report is to request Members feedback on the proposed response to the Government's consultation document on the Localisation of Council Tax Benefit that they propose to introduce as part of the wide range of welfare reform programme starting in April 2013.

The Contact Officer for this report is Bob Trahern (719378).

10 Proposed Council Response to the Consultation on a Single Fraud Investigation Service – Report of the Assistant Chief Executive – Community Services

Summary

The purpose of this report is to request Members feedback on the proposed response to the Government's consultation document on the establishment of a Single Fraud Investigation Service that they propose to introduce as part of the wide range of welfare reform programme starting in April 2013.

The Contact Officer for this report is Bob Trahern (719378).

PART B – ITEMS FOR EN BLOC DECISIONS (YELLOW PAPERS)

Housing Revenue Account Budgetary Control Report 2011/2012 Period Ended 31 August 2011 – Report of the Assistant Director (Finance and Human Resources)

Summary

The report covers total Housing Revenue Account revenue expenditure and income for the period from 1 April to 31 August 2011.

The Contact Officer for this report is Nigel Lane (719371).

Online Services Update and Plans for Promoting and Increasing Use – Report of the Assistant Director (Corporate Services)

Summary

This report gives an update on the use of the Council's Website and those services we deliver on-line via the Internet. The report also provides information on how we plan to promote, increase and improve the use of the website for those services that can be most effectively provided on-line.

The Contact Officer for this report is Linda Bird (719327).

13 **Budgetary Control Report 2011/12 Period Ended 31 August 2011** – Report of the Assistant Director (Finance and Human Resources)

Summary

The report covers revenue expenditure and income for the period from 1 April 2011 to 31 August 2011. The 2011/12 budget and the actual position for the period, compared with the estimate at that date, are given, together with an estimate of the out-turn position for services reporting to this Board.

The Contact Officer for this report is Nigel Lane (719371).

14 Consolidated Budgetary Control Report 2011/12 - Period Ended 31 August 2011 - Report of the Assistant Director (Finance and Human Resources)

The report covers total Council General Fund revenue expenditure and income for the period from 1 April 2011 to 31 August 2011.

The Contact Officer for this report is Nigel Lane (719371).

15 **Treasury Management Update Quarter 1 2011/12** – Report of the Deputy Chief Executive

Summary

This report shows the Treasury Management activity during the first quarter of 2011/12.

The Contact Officer for this report is Jackie Marshall (719379).

PART C – EXEMPT INFORMATION (GOLD PAPERS)

16 Exclusion of the Public and Press

Recommendation:

That under Section 110A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business, on the grounds that it involves the likely disclosure of exempt information as defined by Schedule 12A to the Act.

17 **Extension of Banking Contract** – Report of the Assistant Director (Finance and Human Resources)

The Contact Officer for this report is Jackie Marshall (719379).

JERRY HUTCHINSON Chief Executive

NORTH WARWICKSHIRE BOROUGH COUNCIL

MINUTES OF THE RESOURCES BOARD

11 July 2011

Present: Councillor Moore in the Chair

Councillors N Dirveiks, Forwood, Fowler, Hayfield, Johnston, Payne, Smith, Morson, M Stanley, Y Stanley, and Winter.

Apologies for absence were received from Councillors Ferro, Lea and Watkins.

Councillors Davis, L Dirveiks, Humphreys, Lewis, Phillips and Wykes were also in attendance.

10 Declarations of Personal or Prejudicial Interests

Any personal interests arising from the membership of Warwickshire County Council of Councillors Fowler and Hayfield and membership of various Parish Councils of Councillors Moore (Baddesley), Morson and Winter (Dordon) and M Stanley and Y Stanley (Polesworth) were deemed to be declared at the meeting.

11 Minutes

The minutes of the meeting of the Board held on 6 June 2011, copies having previously been circulated, were approved as a correct record and signed by the Chairman.

12 Presentation on the Work of the Housing Division

The Assistant Director (Housing) gave a presentation on the work of her Division.

13 Fillongley Churchyard Wall

The Assistant Director (Leisure and Community Development) advised Members of the Council's obligation in respect of the maintenance of the churchyard at the Parish Church of St Mary and All Saints, Fillongley, and sought approval for the funding of repairs to the churchyard wall.

Resolved:

a That the Council's obligations in respect of the maintenance of the churchyard at Fillongley be noted;

b That the proposed funding of the repair to the churchyard wall be approved.

14 HRA Self Financing

The Deputy Chief Executive identified the financial implications for the Council's 30 year business plan of the Government's self financing proposals for Housing.

Resolved:

- a That the financial implications of self financing be noted; and
- b That the Deputy Chief Executive works with the Council's Treasury Advisers to identify the most advantageous loans portfolio.

15 Investor in People Review

The Assistant Director (Finance and Human Resources) recommended that the Council did not seek to retain the Investor in People award when it expired on 31 March 2012.

Resolved:

- a That the Council does not seek a further assessment of the Investor in People Award; and
- b That the Council continues a programme of selfassessments and that a monitoring report be brought back to a future meeting of the Board.

16 Annual Treasury Report for 2010/11

The Deputy Chief Executive reported on the out-turn for 2010/11 and highlighted areas of significance.

Resolved:

- a That the Annual Treasury Report for 2010/11 be noted;
- b That the prudential Indicators set out in Appendix A to the report of the Deputy Chief Executive be noted; and

Recommended:

c That the out-turn be noted by Council.

17 Progress Report on Human Resources Issues

The Assistant Director (Finance and Human Resources) advised Members of the progress against the Human Resources Strategy Action Plan, the work being done by the Human Resources team, the sickness levels for the period of April 2010 to March 2011 and provided further information on the action taken in managing absence.

Resolved:

That the report be noted.

18 Budgetary Control Report 2011/12 Period Ended 31 May 2011

The Assistant Director (Finance and Human Resources) reported on the revenue expenditure and income for the period from 1 April 2011 to 31 May 2011. The 2011/12 budget and the actual position for the period, compared with the estimate at that date were detailed, together with an estimate of the out-turn position for services reporting to the Board.

Resolved:

That the report be noted.

19 Consolidated Budgetary Control Report 2011/12 – Period Ended 31 May 2011

The Assistant Director (Finance and Human Resources) updated the Board on the total Council General Fund revenue expenditure and income for the period from 1 April 2011 to 31 May 2011.

Resolved:

That the report be noted.

20 Housing Revenue Account Budgetary Control Report 2011/2012 Period Ended 31 May 2011

The Assistant Director (Finance and Human Resources) updated the Board on the total Housing Revenue Account revenue expenditure and income for the period from 1 April to 31 May 2011.

Resolved:

That the report be noted.

21 Capital Programme 2011/12 Period Ending May 2011

The Assistant Director (Finance and Human Resources) updated Members on the progress of the 2011/12 Capital Programme in terms of both expenditure and outcomes.

Resolved:

That the progress made against the 2011/12 Capital Programme be noted.

22 Exclusion of the Public and Press

Resolved:

That under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of exempt information as defined by Schedule 12A to the Act.

23 Affordable Housing Development Schemes

The Assistant Director (Housing) provided information about proposals to develop affordable housing on Council owned land in Hurley and Mancetter.

Recommended:

- a That the proposed valuation of £7,500 per plot to develop affordable houses on the sites detailed in the report of the Assistant Director (Housing) be agreed;
- b That the land is surplus to requirements; and
- That any capital receipts received by the Council in connection with the sale of land/proposed development on the land outlined in Appendix A (Hurley) and Appendix B (Mancetter) to the report of the Assistant Director (Housing) be used for affordable housing.

24 Land Sales

The Assistant Director (Streetscape) updated Members on two pieces of Council owned land which had previously been identified as being suitable for disposal and asked Members to agree a course of action in respect of each site.

Recommended:

- a That the sale of land at Jean Street, Baddesley Ensor, as detailed in paragraph 3.9 of the report of the Assistant Director (Streetscape) be agreed;
- b That the offer for land adjacent to 40 Kiln Way, Polesworth as set out in paragraph 3.8 of the report of the Assistant Director (Streetscape) be accepted; and
- c That any capital receipts received by the Council in connection with the sale of either parcel of land, be used for affordable housing.

25 Land at Atherstone

The Assistant Director (Streetscape) and the Solicitor to the Council informed Members of unauthorised works that had recently been undertaken by Arragon Construction to widen the access road from Long Street, Atherstone to Atherstone Leisure Centre and the development at Phoenix Yard. Members were asked to consider what action the Council should take next.

Recommended:

- a That the content of the report of the Assistant Director (Streetscape) and the Solicitor to the Council and the action taken so far be noted; and
- b That the Assistant Director (Streetscape) report back to the Board following discussions with Warwickshire County Council and that the Solicitor to the Council considers the financial and reputational risks in taking legal action and report those risks to the Board at a future meeting.

J Moore Chairman

NORTH WARWICKSHIRE BOROUGH COUNCIL

MINUTES OF THE RESOURCES BOARD

5 September 2011

Present: Councillor Moore in the Chair

Councillors N Dirveiks, Ferro, Forwood, Johnston, Payne, Smith, Morson, M Stanley, Y Stanley, Watkins and Winter.

Apologies for absence were received from Councillors Fowler, Hayfield and Lea (Official Council Business).

Councillors Humphreys and Phillips were also in attendance.

26 **Declarations of Personal or Prejudicial Interests**

Any personal interests arising from the membership of various Parish Councils of Councillors Moore (Baddesley), Morson and Winter (Dordon) and M Stanley and Y Stanley (Polesworth) were deemed to be declared at the meeting.

27 Presentation on the Work of the Finance and Human Resources Division

The Assistant Director (Finance and Human Resources) gave a presentation on the work of her Division.

28 Site Supervision – Artificial Grass Pitch at Queen Elizabeth School and Sports College

The Assistant Director (Leisure and Community Development) proposed the engagement of a Site Supervisor to manage community use of the new Artificial Grass Pitch at Queen Elizabeth School and Sports College in Atherstone.

Resolved:

That the appointment of a Site Supervisor to oversee community use of the Artificial Grass Pitch at Queen Elizabeth School and Sports College in Atherstone be approved.

29 A Review of the Effectiveness of Internal Audit 2010 - 11

The Deputy Chief Executive informed members of the annual review of the effectiveness of the system of Internal Audit.

Resolved:

- a That the findings of the annual review of the effectiveness of the system of Internal Audit for 2010 2011 be noted; and
- b That it be noted that the system of Internal Audit is operating effectively and can be relied upon as reflected in the Annual Governance Statement for 2010 2011.

30 Council Office Accommodation

The Management Team reminded Members of the serious Health and Safety issues arising from the poor state of the Council House's electrical installation, the ongoing issues with many other elements of the building's infrastructure and that there was urgent need to address all these. The background to the option appraisal and feasibility work carried out to date was also detailed.

Resolved:

a That the decision on the preferred option be deferred until later on in the meeting;

Recommendation to the Executive Board:

- b That the agreed preferred mechanism for progress on the project being reported back to Members be meetings of the Special Sub-Group; and
- c That the most appropriate methods of keeping both staff and the public up to date with progress on this project in the future should include North Talk, the staff Insider newsletter and the Council's web-site.

31 Payment Card Industry Requirements Review

The Assistant Director (Corporate Services) advised Members of the requirements being placed on the Council to achieve compliance with the Payment Card Industry data security standard and its implications for how the Council manages payments made to it.

Resolved:

a That the report be noted; and

b That a further report be brought to the Board when the outcome of the review is known and any financial implications identified.

32 Progress Report on Achievement of Corporate Plan and Performance Indicator Targets April – June 2011

The Chief Executive and the Deputy Chief Executive informed Members of the progress with the achievement of the Corporate Plan and Performance Indicator Targets relevant to the Resources Board for April – June 2011.

Resolved:

That the report be noted.

33 Review of Attendance Management Policy and Procedure

The Assistant Director (Finance and Human Resources) presented reviews and updates to the Attendance Management Policy and Procedure.

Resolved:

That the revised Attendance Management Policy and Procedure be adopted.

34 Internal Audit – Performance for First Quarter 2011-12

The Deputy Chief Executive reported on the progress of the Council's Internal Audit function against the agreed plan of work for the year.

Resolved:

That the report be noted.

35 Exclusion of the Public and Press

Resolved:

That under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of exempt information as defined by Schedule 12A to the Act.

36 Police Accommodation – Old Bank House

The Assistant Director (Streetscape) reported on progress to date on the previously agreed proposal that Warwickshire Police rent office accommodation within Old Bank House once the existing base within Atherstone Police Station closed in May 2011 and asked members to consider a further request from Warwickshire Police to rent four parking spaces within South Street Car Park on an annual basis to provide accommodation for essential but non-emergency vehicles. Members were also asked to agree to the principle that the Police be given the option to transfer their staff to the Council House once all agreed refurbishment work has been completed on the building.

Resolved:

- That the proposal, in principle, to make four parking spaces within South Street Car Park available exclusively to Warwickshire Police for non-emergency vehicles be agreed and the Assistant Director (Streetscape), in consultation with the Chairman and the Vice-Chairman of the Board, be authorised to determine an appropriate rental charge; and
- b That the proposal, in principle, that the Police will be given the option to transfer their staff to the Council House once all agreed refurbishment work has been completed be agreed.

37 Creation and Appointment of Financial Inclusion and Partnership Officer

The Assistant Chief Executive (Community Services) updated Members on a decision taken in July 2011 under the Chief Executive's emergency powers, in consultation with the Leader and both the Chairman and Shadow Chairman of the Board, to grant permission for a 11 month temporary position of Financial Inclusion and Partnership Manager to be created and advertised without Board approval.

Resolved:

That the report be noted.

38 Council Office Accommodation

The Management Team reminded Members of the serious Health and Safety issues arising from the poor state of the Council House's electrical installation, and the ongoing issues with many other elements of the building's infrastructure. Members were asked to decide on their preferred option for the refurbishment of the Council Offices based on the work carried out to date on a number of alternatives. The background to the option appraisal and feasibility work carried out to date were also detailed.

Recommendation to the Executive Board

- a That the Council agrees to pursue Option 2 as set out in Section 6.2 of the report of Management Team, as its preferred option for the refurbishment of the Council House:
- b That a specialist contractor to project manage the design, tendering and delivery of the preferred option is appointed as soon as possible;
- That a budget, as set out in the report of Management Team be established to fund the appointment and initial fees of that contractor:
- d Once the refurbishments are completed, all staff currently located at Old Bank House be moved to the main Council House building to free up Old Bank House for disposal or rental to a third party;
- e That the agreed preferred mechanism for progress on the project being reported back to Members on an ongoing basis be meetings of the Special Sub-Group; and
- f That recommendations (a) to (e) above be made available to the public.

38 Irrecoverable Local Taxation and Housing Debts

The Assistant Chief Executive (Community Services) detailed the amounts recommended for write-off, in accordance with the write-off policy agreed by the former Finance Sub-Committee in September 2000.

Resolved:

- a That the write-off of 1 balance over £1,250 totalling £1,281.53 in respect of unpaid Council Tax be approved;
- b That the write-off of 4 balances over £1,250 totalling £70,259.37 in respect of unpaid Non Domestic Rates be approved;
- c That the write-off of 3 balances over £1,250 totalling £4,123.36 in respect of overpaid Housing Benefit be approved;
- d That the write-off of 27 balances under £1,250 totalling £3,862.88 in respect of unpaid Council Tax be noted;
- e That the write-off of 7 balances under £1,250 totalling £1,949.85 in respect of unpaid Non Domestic Rates be noted;
- f That the write-off of 98 balances under £1,250 totalling £12,666.96 in respect of overpaid Housing Benefit be noted;
- g That the write-back of 12 balances totalling £811.63 in respect of unpaid Council Tax be noted;
- h That the write-back of 9 balances totalling £5,768.20 in respect of unpaid Non Domestic Rates be noted; and
- i That the write-back of 1 balance totalling £89.17 in respect of overpaid Housing Benefit be noted.

J MOORE CHAIRMAN

Agenda Item No 7

Resources Board

10 October 2011

Report of the Deputy Chief Executive

Internal Audit Strategy 2011-13

1 Summary

1.1 The report provides the Board with an updated Internal Audit Strategy.

Recommendation to the Board

That Members approve the revised Internal Audit Strategy.

2 Introduction

- 2.1 The Internal Audit Strategy (Appendix A) outlines how the internal audit service will be delivered and developed and how it links to the Council's objectives and priorities. It also communicates the contribution that Internal Audit makes to the Council.
- 2.2 The exiting strategy was originally approved by Board in 2004 and this updated document reflects the changes both undertaken and required to ensure that the service operates to maximum effect and meets the requirements of legislation, the Council and its external auditors.

3 Background

- 3.1 Section 6 of the Accounts and Audit (England) Regulations 2011 requires a local authority to "undertake an adequate and effective internal audit of its accounting records and of its system of internal control."
- 3.2 Internal audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources
- 3.3 The Internal Audit team operates in accordance with the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Internal Audit in Local Government in the United Kingdom 2006, a widely accepted and approved document.

4 Report Implications

4.1 Risk Management Implications

4.1.1 Not complying with the Code of Practice for Internal Audit in Local Government will result in non compliance with the Accounts and Audit Regulations 2006.

4.2 Links to Council's Priorities

4.2.1 An effective, productive and compliant Internal Audit service will contribute to the Councils priority of "Making best use of resources through achieving a balanced budget and developing our workforce".

The Contact Officer for this report is Barbara Haswell (719416).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date	

NORTH WARWICKSHIRE BOROUGH COUNCIL

Internal Audit Services

THE INTERNAL AUDIT STRATEGY

The Audit Strategy is a high level statement of how the internal audit service will be delivered and developed in accordance with the terms of reference and how it links to the organisational objectives and priorities. It addresses:

- The sources from which resources are obtained to deliver the service
- The way in which the Strategic Audit Plan is structured to meet the needs of assurance for the Statement of Internal Control
- The contribution made by the Internal Audit Section to:
 - Corporate Governance
 - Risk Management
 - Internal Control
- The Council's commitment to risk-based auditing

INTERNAL AUDIT STRATEGY (2011-2013)

1. Introduction

The CIPFA Code of Practice 2006 for Internal Audit in Local Government requires that the Council develop and adopt an Internal Audit Strategy. The purpose of such a strategy is to communicate the contribution that Internal Audit makes to the organisation:

- Internal Audit objectives and outcomes
- how the Head of Internal Audit will form and evidence his/her opinion on the control environment to support the annual Statement on Internal Control
- how Internal Audit's work will identify and address significant local and national issues and risks
- how the service will be provided, i.e. internally, externally or a mix of the two
- the resources and skills required to deliver the strategy.

2. Model of Service Delivery

It is the view of the Section 151 Officer that the Council's requirements for an internal audit function are best met through:

- Maintaining the Internal Audit Section as an in-house unit capable of delivering core Section 151 work;
- The use of external contractors selected and managed by the Head of Audit to meet any requirement for specialist support in respect of IT, Corporate Fraud and Contract Audit.

The maintenance of an overwhelmingly in-house model of delivery gives the Council a higher level of control and flexibility than would be achievable though outsourcing.

It is also the case that the daily rates charged by external providers are significantly higher than those that apply to in-house staff so that the volume of internal audit cover achievable within a budget is significantly less where reliance is placed on external provision. While external providers may have access to more and better audit software and hence be capable of providing a valid internal audit opinion in fewer days of audit work, their capacity to provide assistance to service managers is necessarily more limited. Support to achieve improvements in internal control is a critical element of the service required by the Council.

The limited use of specialist external contractors recognises that the Council has neither the budgets needed to develop fully trained specialists nor the need for such specialists of a full time basis. It is currently judged that the Council has a requirement for about 20 days of specialist IT Audit work and 20 days for Counter Corporate Fraud each year to supplement the work of the in-house team while specialist Contract Audit skills are required only when the Council is involved in major capital schemes. The level of need is subject to continuous review by the Head of Audit.

3. Providing Appropriate Levels of Assurance

The Council is committed to a risk-based approach to internal audit in line with the Code of Practice. To meet this commitment, the Head of Audit has developed a Strategic Audit Planning process that identified the risk associated with all aspects of the Council's activities and allocates internal resources accordingly.

On an annual basis the risk-based approach is modified by two factors:

- The need to satisfy external audit's requirement that they should be able to place full reliance on the work of internal audit; and
- The desirability of subjecting standards of financial administration to continuous review and improvement.

While risk assessments indicate that the Council's fundamental financial systems are well-established and well managed and therefore do not merit annual audits, the external auditor is obliged to give an opinion on those systems on an annual basis. In developing that opinion the external auditor seeks to place reliance on the work of internal audit carried out during the year in question. If no internal audit work has been carried out in the year, external audit must report that it could not place reliance on internal audit: such a report undermines the standing of internal audit. To address this issue, it has been agreed with the external auditors that:

- full audits of fundamental systems will be carried out in line with the risk assessment derived from the annual plan (i.e. on a three-year cycle)
- shorter audits covering high level controls and key transaction streams will be carried out in "gap years" to deliver a level of assurance agreed with the external auditor

Audits of financial administration will be carried out on an annual basis because:

- this approach allows changes in the quality of financial administration to be closely monitored over time; this acts as
- a driver to quality improvement; and
- a way of detecting at an early stage lapses in quality that might impact on the Council's overall risk assessment.

4. Contribution to Corporate Governance, Risk Management and Internal Control

The Role and Responsibility Statement and the Internal Audit Charter (see Appendices 1 and 2) specify that internal audit is an independent review agency. The contribution that the Internal Audit Section makes to the Council's Corporate Governance, Risk Management and Internal Control Arrangements reflects that role.

A key outcome of the annual programme of s151 audit work is assurance as to the standard of the Council's framework of internal control and a series of recommendations designed to strengthen and enhance that framework. The Role and Responsibility Statement makes clear the responsibilities of service managers to address such recommendations. The Head of Audit's Internal Audit Opinion will be used to provide direct support to the Statement of Internal Control that the Chief Executive produces annually to satisfy the Accounts and Audit Regulations 2011.

The Council's corporate risk management arrangements are subject to audit at a frequency determined as part of the Strategic Audit Planning process. In addition, the system-based approach adopted by internal audit allows the way in which relevant strategic and operational risks are addressed to be evaluated as an integral part of each audit.

An effective internal audit function forms an integral part of the model corporate governance framework developed by CIPFA/SOLACE in response to Government agenda. In addition the work of internal audit will provide assurance as to the effective development and operation of that framework.

5. Preferred Audit Approach

It is the professional judgement of the Head of Audit that system- based auditing is the most effective general approach.

The Council will use a combination of self-assessment, PWC Key Control requirements and CIPFA system control matrices in establishing audit activity taking into account strategic and operational risks, value for money and equality issues.

STRATEGIC AUDIT PLANNING

Responsibilities

It is the responsibility of the Head of Audit to carry out strategic audit planning.

Purpose of Strategic Audit Planning

The purpose of strategic audit planning is to:

- ensure that all areas of Council activity are identified and evaluated in terms of risk and materiality;
- ensure that each area of Council activity is subject to audit at a frequency consistent with risk, materiality and the audit resources that are available;
- clarify audit priorities; and
- provide a framework within which internal audit work can be controlled and directed to deliver a cost-effective service.

ANNUAL AUDIT PLAN

PURPOSE OF THE ANNUAL PLANNING PROCESS

The Annual Audit Plan is produced to address a number of requirements:

- to set out clearly the work required of the Internal Audit Section in the coming year and identify the resourcing issues arising;
- to provide a framework within which performance during the year can be monitored and managed; and
- provide the basis upon which Members can endorse the year's programme of work and give Members the basis to monitor performance.

ANNUAL PLANNING PROCESS - OVERVIEW

- 1. The Head of Audit will calculate the days available to the Internal Audit Section after allowing for:
 - Bank holidays
 - Annual leave
 - Training commitments
 - Sick leave
 - Known corporate commitments (working parties, staff forum etc.)
- 2. The Head of Audit will calculate the effective days available after making a judgement as to the likely/acceptable level of non-productive time.
- 3. The Head of Audit will determine a contingency allowance to provide for unforeseen circumstances, including requests for advice and assistance.
- 4. Time available for planned Section 151 work will be calculated as: effective days available contingency allowance
- 5. The Head of Audit will use the constraint provided in terms of time available for planned Section 151 work to identify the number of audits that can be completed during the year.
- 6. This provisional schedule of audits will be modified to take account of the need to meet the requirement that external audit shall place reliance on internal audit.
- 7. The Head of Audit will review the initial draft of the Annual Plan for "reasonableness". At this stage consideration will be given to the need to add new audits in response to changes in the Government's agenda, new statutory requirements, developments in existing strategies or the adoption of new strategies, structural changes or other changes in the audit environment.
- 8. The Head of Audit will consult the Deputy Chief Executive on:
 - Level of contingency allowance
 - New audits

before seeking formal endorsement of the Annual Plan from Management Team and Board

DETERMINATION OF ESTIMATE OF NON-PRODUCTIVE TIME

The Head of Audit will determine a level of non-productive time by identifying:

- Level achieved in prior years
- Standards achieved in neighbouring councils

The Council will seek to achieve a level of productivity matching the best comparator. Where current levels of productivity do not meet that level, investigation of cause will be addressed through:

- Assignment Management processes
- Performance Monitoring

DETERMINATION OF CONTINGENCY ALLOWANCE

The Head of Audit will determine an appropriate level of contingency by identifying the time spent on unplanned activity in the previous year and making a judgement as to the underlying demand for unplanned work after identifying significant "one-off" exercises.

ENDORSEMENT OF THE AUDIT PLAN

The Head of Audit will take a report to Board at the start of each financial year outlining the Annual Plan.

A prior report will be taken to Management Team and Management Team will be invited to endorse the Plan. To ensure that Management Team has sufficient time to consider the implications of the Plan copies will be circulated to Directors in advance of the Management Team agenda

THE AUDIT APPROACH - SYSTEM BASED AUDITING

The Internal Audit Section is committed to a systems based audit approach. That approach centres upon the identification of key system/service objectives; specification of the types of controls that would be expected in a well constructed and maintained system/service to assure the delivery of those objectives; establishing the nature and effectiveness of the controls actually in place; and providing an opinion as to the effectiveness of those controls.

Audit Methodology

1. Identification of Key Objectives

In the case of the Council's Fundamental Financial Systems, the basic frameworks of Key Control Objectives have been defined by the Audit Commission and guidance from the external auditors has supported the development of that framework. It is the responsibility of the Head of Audit to ensure that Control Objectives for Fundamental Systems are identified.

It is the responsibility of the Head of Audit to consult with the relevant senior managers to identify the Key Control Objectives for non-fundamental and operational systems and to ensure that they are accurately and completely recorded.

2. Development of Expected Controls

It is the responsibility of the Head of Audit to ensure that the expected controls for each system are complete and up to date.

The Head of Audit will determine, for each audit of a non-fundamental system, whether the expected controls are to be developed by him/herself or the Auditor. The schedule will be developed making use of the responsible auditor's knowledge and understanding of the system/service supplemented by initial interviews of relevant senior managers.

3. Establishing Actual Controls

The Actual Controls will be identified by the responsible Auditor by the use of appropriate audit techniques (i.e. interviews, review of documentation, observations etc.) but unless there are good (and documented) reasons to the contrary, interviews with responsible managers and employees operating the relevant controls will provide the start point for the process.

4. Evaluation of Controls and Need for Testing

The auditor allocated responsibility for establishing actual controls will also be responsible for the initial evaluation of controls identified and for the initial identification of those aspects of the control environment where compliance or substantive testing is required.

In developing the initial judgement of the need for testing the auditor will need to consider:

- the summary control evaluation
- the materiality of any identified control weakness
- the material impact of any error in the summary control evaluation;
- the reliance that can be placed on information obtained from interview and/or other processes

Where there is doubt as to the reliability of information underpinning the control evaluation or where the impact of error is judged material, then consideration should be given to compliance/walk through testing to establish that the controls operate in the manner recorded.

Where the summary control evaluation refers to control weaknesses and these are judged likely to have material consequences, then substantive testing should be considered.

The Auditor/Head of Audit will review the initial evaluation and identification of testing requirements (depending on the level at which the initial work was carried out). Any changes to the evaluation or in the outline testing requirements will be supported by a written outline of the basis for change.

The Auditor/Head of Audit will develop testing schedules setting out for each test a formal statement of test purpose, testing procedure and sample size

5. Drafting Recommendations

The auditor allocated responsibility for establishing and evaluating actual controls will also be responsible for the outlining the first draft of the audit's recommendations.

If the auditor's judgement is "Appropriate and Adequate Controls" then, by definition, it would be inappropriate to make recommendations. In all other cases, the responsible auditor needs to consider whether a realistic way of improving the control framework exists. If so a recommendation should follow. If not, the auditor needs to specify why this is the case.

Any draft recommendation should be clear and precise about the action sought and should also specify:

- the outcome that the recommendation seeks to deliver
- the officer responsible for implementation
- a timescale for implementation.

Any draft recommendation included in a control matrix should have been discussed with the responsible service manager and any comments recorded on file

The Senior Auditor/Head of Audit will review the first draft of the recommendations (again depending on the level at which the initial work was carried out). Any changes to the draft recommendations will be explained in writing.

Appendix 1

INTERNAL AUDIT

ROLE AND RESPONSIBILITY STATEMENT

Internal Audit exists to promote:

- Proper stewardship; and
- Continuous improvement in the quality of internal control within the Council.

ROLE OF INTERNAL AUDIT

1. INTRODUCTION

The primary role of Internal Audit is to support and assist the Council's managers as they discharge their responsibilities for the proper administration of the Council; this is the s151 role. This involves the provision of accurate and appropriate information to Management Team and Members on the effectiveness of both financial and non-financial controls.

The s151 Role will be met by:

- Delivering a comprehensive internal audit service;
- Promoting and maintaining standards of probity, financial awareness and financial administration; and
- Providing advice and assistance to managers and other employees.

Internal Audit will discharge its s151 role in a balanced and objective manner that reflects the essential independence of the auditor from direct responsibility for the quality of the Council's financial administration. It is the responsibility of the Head of Audit to determine the allocation of available audit resources on the basis of his/her evaluation of audit priorities, and to account to the Deputy Chief Executive for the outcome of his/her decisions.

2. THE RESPECTIVE SECTION 151 RESPONSIBILITIES OF INTERNAL AUDIT AND MANAGEMENT

CONDUCT OF INTERNAL AUDIT

Internal Audit is responsible for delivering a comprehensive and independent appraisal of the Council's system of internal control. The scope of that appraisal extends to the:

- Reliability and integrity of information used for management purposes
- Systems established to ensure compliance with internal policies and procedures and externally imposed regulations.
- Means of safeguarding the Council's assets
- Economy, efficiency, effectiveness and equity of resource utilisation and
- Review of operations and programmes to determine their consistency with the policies and goals of the Council.

Internal Audit is responsible for reporting to management any weaknesses or scope for improvement in systems of control and for recommending how improvements might be achieved. It is the responsibility of Management to ensure that audit recommendations receive appropriate consideration, that they are formally responded to and that, where recommendations have been agreed, they are implemented in a timely and effective manner.

PROMOTION OF STANDARDS

Internal Audit is responsible for:

 Advising on any changes to Standard Orders or Financial Regulations, which may be identified by the internal audit process and Providing advice, if sought, on the drafting of procedural instructions that determine the effectiveness of financial and/or operational control over Council services/activities

It is the responsibility of corporate and departmental management to determine what constitutes proper behaviour and that this is reflected in the way that they carry out their jobs.

It is the responsibility of a manager seeking to draft new, or amend existing, procedural instructions that impact upon financial/operational controls to liaise with Internal Audit.

ADVICE AND ASSISTANCE

Internal Audit is responsible for responding in a timely and appropriate manner to requests for advice and assistance on matters of:

- Fraud or suspected fraud
- Probity
- Internal control and
- Financial administration

In considering requests for assistance, Internal Audit will take account of the need to promote a culture in which employees look, in the first instance, to their departmental managers for guidance on the proper conduct of their duties.

Where requests for advice and assistance highlight material issues of probity or internal control, Internal Audit has a responsibility to draw those matters to the attention of the relevant managers. It is for those managers to determine the appropriate response to such information, but if the Head of Audit considers that a response is inappropriate or inadequate, he/she has a responsibility to report, ultimately, to the Section 151 Officer and/or the Monitoring Officer.

3. MEASURES OF THE PERFORMANCE OF AUDIT SERVICES

The effectiveness with which Internal Audit discharges its section 151 responsibilities will be measured by the following indicators:

- 1. The percentage of the annual programme of s151 work completed in the year [reported annually].
- 2. The percentage of audit work completed within the resource budget allocated [reported quarterly].
- 3. The percentage of audit work completed by the deadline agreed with the client at the start of each audit [reported quarterly].
- 4. The percentage of draft recommendations accepted [reported quarterly].
- 5. The percentage of accepted recommendations implemented [reported quarterly].
- 6. The level of client satisfaction determined by post audit questionnaires [reported quarterly].

AUTHORITY FOR THE CONDUCT OF INTERNAL AUDIT WORK

The authority for the internal audit to carry out its work comes from two sources. Legislation specifies that local authorities must be subject to internal audit. The Council's own Financial Regulations specify the powers enjoyed by internal auditors.

Legal Authority

There are two principal pieces of legislation that impact upon internal audit at local authorities.

All principal local authorities and other bodies subject to The Accounts and Audit Regulations 2011 must make provision for internal audit in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

Section 6 of the Accounts and Audit (England) Regulations 2011 requires a local authority to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The Regulations also specify that any officer or Member can be required to make available to the internal auditors any of the Council's documents or records relevant to the audit and to supply such information or explanation as considered necessary for that purpose. The Deputy Chief Executive has established and maintains the Internal Audit Services Section to meet the requirements of the Regulations and to act as his representative in discharging this aspect of his s151 responsibilities.

Authority provided by the Council's Constitution

The Council's Financial Standing Orders make specific reference to the powers and authority of internal audit as follows:

3 INTERNAL/EXTERNAL AUDIT

- 3.1 The Deputy Chief Executive will provide an independent, continuous, adequate and effective internal audit of accounting, financial and other operations of the Council, in accordance with the CIPFA Code of Practice for Internal Audit in Local Government, the Auditing Practices Board's auditing guidelines "Guidance for Internal Auditors" and with any other statutory obligations and regulations.
- 3.2 The Deputy Chief Executive or his/her authorised representative for the purpose of internal audit shall have authority to:
 - (i) Enter at all times any property of the Council;
 - (ii) Have access to all records, documents, minutes and correspondence relating to any financial and other related dealings of the Council which are within the Council's safekeeping or control, including any Partnerships in which the Council is involved.
 - (iii) Ask for and receive such explanations as are necessary concerning any matter under examination;
 - (iv) Require any employee of the Council to produce cash, receipts, books, vouchers, stores, accounting records, plant or any other Council property under his/her control; and
 - (v) Review, assess and report to the Senior Officer of the Division being audited on the suitability and use of financial and other controls and the protection of the Council's property and assets against loss due to fraud and wasteful practices, poor value for money or other causes. The Senior Officer will discuss and agree his/her proposals to put right any weaknesses in systems.
- 3.3 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property of the Council or any suspected irregularity in the functions of the Authority, the Senior Officer concerned will inform straightaway the Chief Executive, Deputy Chief

Executive, Monitoring Officer or the Head of Audit who will take any necessary action to investigate and report. Officers finding grounds for suspecting irregularity, fraud or corruption will inform their Senior Officer straightaway.

- 3.4 It is the responsibility of Senior Officers to ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner.
- 3.5 Senior Officers will ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed and agreed by the Head of Audit and Assistant Director (Finance & HR) prior to implementation.
- 3.6 The Deputy Chief Executive will ensure that:
 - a external auditors are given access at all reasonable times to premises, personnel, documents and assets that they consider necessary for the purposes of their work; and
 - b there is effective liaison between external and internal audit.

Appendix 2

Internal Audit Charter

The Internal Audit Charter has been adopted to demonstrate that internal audit has an appropriate degree of independence within the organisation. Members adopted the Charter on the recommendation of Management Team. It specifies:

- The role of Internal Audit: to provide an independent appraisal function;
- The scope of Internal Audit: unrestricted coverage of the Council's activities
- Access to information: unrestricted access to all information, records assets and persons, deemed necessary in the course of an audit
- Access to those charged with corporate governance: unrestricted access, where the Head of Audit deems it necessary, to the Chief Executive, individual Directors and appropriate Boards/Committees

INTERNAL AUDIT CHARTER

Internal Audit provides an independent internal review function that meets the Council's statutory responsibility under Section 151 of the Local Government Act 1972.

1. INTRODUCTION

The purpose of the Audit Charter is to bring together in a single document the arrangements that have been made by the Council to ensure that the internal audit function can exercise effectively its responsibilities under S151 of the Local Government Act 1972.

2. THE ROLE OF INTERNAL AUDIT

Internal Audit is an independent review and appraisal agency. The requirement for independence is specified in the Code of Practice for Internal Audit in Local Government in the United Kingdom and the Council's external auditor is required, on an annual basis, to confirm that an appropriate degree of organisational and professional independence is maintained.

The Deputy Chief Executive has assured the appropriate organisational independence of the internal audit function by providing that it reports directly to him as the Council's Section 151 Officer and ensuring that it is not required to carry out any non-audit duties that might compromise its objectivity.

3. THE SCOPE OF INTERNAL AUDIT ACTIVITY

Internal Audit is responsible for ensuring that all effective controls operate over all of the Council's financial and operational systems to provide for probity, the protection of assets and the achievement of value for money.

The Head of Audit is responsible for producing and executing a plan of internal audit that takes appropriate account of the risks associated with each area of audit activity. After consultation with appropriate senior managers, including Management Team, the Strategic and Annual Audit Plan is presented to the Resources Board for approval.

The Council has assured that the scope of internal audit is not trammelled through its adoption of the Audit Charter

4. INTERNAL AUDIT'S RIGHT OF ACCESS

To discharge its responsibilities, the internal audit function requires unrestricted access to all records of the Council and to cash, stores, premises and other assets. Such access shall be granted on demand and not be subject to prior notice. Such access also extends to partner bodies or external contractors working on behalf of the Council. The Head of Audit is answerable to the Deputy Chief Executive should it be considered that these rights have been abused or exercised in an arbitrary or unreasonable manner.

The Council has assured the necessary rights of access through in its Financial Regulations.

5. INTERNAL AUDIT'S RIGHT TO QUESTION INDIVIDUALS

To discharge its responsibilities, the internal audit function has the authority to require any officer or Member responsible for the custody or maintenance of accounts or other records of the Council or for custody of any Council assets to provide explanations or information necessary for the purpose of internal audit. This requirement applies to partner bodies or external contractors working on behalf of the Council. The Head of Audit is answerable to the Deputy Chief Executive should it be considered that these rights have been abused or exercised in an arbitrary or unreasonable manner.

The Council has assured the necessary rights of to ask questions or seek explanations through its Financial Regulations.

6. INTERNAL AUDIT'S REPORTING RIGHTS

The Code of Practice requires that the Head of Audit should report under his/her own name and that the Head of Audit has ultimate authority for the content and conclusions of audit reports. It also requires that the Head of Audit reports regularly to an appropriate Member forum on the significant issues arising from the work of internal audit.

The Head of Audit also requires unrestricted access, where he/she deems it necessary, to report to the Chief Executive, individual Directors and appropriate Boards/Committees on issues which, he/she judges, need to be considered in the relevant forum.

The Council has assured the necessary untrammelled reporting rights through the adoption of the Charter. In addition it has made administrative arrangements for the Head of Audit to report on a quarterly basis to the Resources Board on both internal audits' performance against the Annual Plan and the significant issues arising from that work, with the fourth quarters report taking the form of an Annual Report on Internal Audit.

The Council has also acknowledged the requirement, under the Accounts and Audit Regulations 2011, that the Head of Audit should issue an "internal audit opinion". This opinion forms part of the Annual Report on Internal Audit.

POLICY ON ACCEPTING NON-AUDIT WORK

In its definition of internal audit the Council acknowledges that it is appropriate for internal audit to carry out other non-assurance work, including consultancy work, on request where appropriate skills and resources are available. The Statement demands, however, that internal audit must be sufficiently independent of the activities that it audits to allow auditors to perform their duties without compromising the impartiality of their professional judgements – and without allowing for their impartiality to be questioned.

The Policy on Accepting Non-Audit Work has been developed to address these conflicting expectations by setting out the criteria to be used by the Head of Audit in determining whether or not an activity can be undertaken without compromising internal audit's actual and/or perceived independence.

Criteria 1: Internal Audit should set a standard of good practice

- The Head of Audit shall be responsible for the management of staff, budgets and other resources required for the delivery of an effective internal audit service and for ensuring that these are managed in line with Council policies, procedures and best practice guidance.
- The Head of Audit shall be responsible for the management of external contracts for services provided by or to the Internal Audit Section and for ensuring that those contracts are managed in line with Contract Standing Orders to deliver value for money.
- All audit staff will carry out such specific tasks as are necessary for compliance with Health and Safety and similar legislative requirements

Criteria 2: Internal Auditors should have no operational responsibilities

- The Head of Audit shall have no managerial responsibilities for staff or budgets falling outside the Internal Audit Section or for financial administration of other Budget Holders' budgets
- The Internal Audit Section shall not maintain or support software applications on behalf of other units
- Internal Auditors will not undertake any task that forms part of the control environment of any system or service

Criteria 3: Internal Audit is not responsible for implementing audit Recommendations

 Internal auditors will not accept commissions that directly involve them in correcting errors or making good failures of control and/or administration identified in the course of audit work.

Criteria 4: Internal Audit has a responsibility to promote and support Improvements to the Council's overall control framework and other initiatives to improve standards of performance.

- It is appropriate for internal auditors to serve on corporate or departmental working parties with the same level of responsibility and authority as any other employee of comparable grading and experience.
- Where internal auditors are active in working parties, it should be clearly
 understood that any advice or recommendation is made as an employee
 rather than as an auditor. Such advice and recommendations shall not
 prejudice the right of the Internal Audit Section to review subsequently the
 activities of a working party or the outcomes of that work.

Criteria 5: The Chief Executive as s151 Officer, Head of Paid Services and line manager shall ultimately determine what represents appropriate work for Audit Services

- Where the Head of Audit considers that an instruction from the Deputy Chief Executive has the potential to materially compromise the independence of internal audit, he/she will so advise the Director in writing.
- Where, in the opinion of the Head of Audit, work carried out on the direct instruction of the Deputy Chief Executive compromises the independence of internal audit, this must be recorded in the Annual Report of Internal Audit.

DECLARATIONS OF INTEREST

Responsibilities

It is the responsibility of individual auditors to report to the Head of Audit interests that might compromise the impartiality of their professional judgements – or give rise to a perception that their impartiality has been compromised.

Things to Declare

A declaration is required under the following circumstances:

- The auditor is in receipt of Housing or Council Tax Benefit or is related to or has a close personal relationship with a benefit recipient;
- The auditor is a landlord or agent of a property within the Council's boundaries or receives any financial benefit arising from such a property
- The auditor shares a household with anyone who receives benefits or acts as a landlord or agent
- The auditor has been found guilty of benefit fraud or has a close personal relationship with someone who has been
- The auditor has been subject to disciplinary action as a result of benefit fraud or suspected fraud or has a close personal relationship with someone who has been.
- The auditor is a Council tenant with rent arrears
- The auditor is being pursued by the Council for Council Tax arrears or any other debt or has a close personal relationship with someone who is being pursued for Council Tax, Community Charge, NDR or any other debt.
- The auditor or someone with whom the auditor has a close personal relationship has applied for or received a grant from the Council.
- The auditor has a close personal arrangement with an employee working within a service area that they have been instructed to audit.

In the event that an auditor is uncertain of the need for a declaration, the Head of Audit should be consulted.

Form of Declarations

Declarations shall be made/copied to the Head of Audit by e-mail. All declarations (including Mandatory Declarations) shall be held on file by the Head of Audit for three years.

Mandatory Declaration – Benefits

The Council has adopted a Benefits Counter-Fraud Strategy that requires all employees to complete an annual declaration that addresses specifically interests relevant to the proper administration of the Benefits Service. The specific requirements of the declaration and the declaration form are both shown below.

Notification by an employee of North Warwickshire Borough Council of interest in property and claims to Housing/Council Tax Benefit

I, an employee of North Warwickshire Borough Council (hereinafter called 'the Council') hereby register that I have the following interests in property or properties in the North Warwickshire area (*please state 'none' where appropriate and use a separate sheet if necessary*).

A) Property owned by me or which I have a fina	ancial interes	t in and is unoccupied:		
Address of Property	Type of Legal Interest			
B) Property I own or which I have a financial intenants:	nterest in, th	at is occupied by resident		
Address of Property	Type of Legal Interest			
C) Property that is subject to a claim for House	ing/Council	Tax Renefit or Discount		
Disregard or Exemption which I own / have interest in (e.g.) grandparents, parents, bro (please state the circumstances):	a financial i	interest in / have a family		
Address of Property	Circumstances			
D) A business premise or business that is subject to Non Domestic Rates:				
Address of Property		Type of Legal Interest		
	.1 1 . C	1 11 '		
I confirm that the information I have supplied to the best of my knowledge is correct. Should any of the above information change, or an employees details change which would require any of the above information to be updated, they must notify the Assistant Director (Revenues and Benefits) with 21 days of the event changing. Failure to notify of any change, which would result in an incorrect relief or benefit				
being awarded, is a serious matter and may be necessary.				
Signed: Date:	•			
Please Print		Name		

ACCOUNTABILITY OF INTERNAL AUDIT

The Internal Audit Section is located within the Directorate of Resources. This is because the Deputy Chief Executive is also the Council's Section 151 Officer with specific responsibility for the provision of an effective internal audit service.

The Head of Audit is directly accountable to the Deputy Chief Executive for the efficient and effective operation of the Internal Audit Section and for the quality of work delivered.

EXTERNAL CONTRACTORS

The objectivity of the Internal Audit Section might be impaired – or might be seen to be impaired – if internal audit contractors also provided non-audit services to the Council.

It is the responsibility of the Head of Audit to ensure that no such conflict of interest arises without a formal report being issued to the Section 151 Officer setting out the implications.

The Internal Audit Section currently relies upon an external contractor -Haines Watts— for the provision of specialist IT audit work, who also provide such services to all councils within Warwickshire. This contract is for a three-year period from 2010-11 to 2012-13.

The section also relies upon an external contractor – CEAC Counter Fraud & Security Management Services for the provision of Corporate Counter Fraud work on a rolling annual contract.

Agenda Item No 8

Resources Board

10 October 2011

Report of the Assistant Director (Finance and Human Resources)

Capital Programme 2011/12 Period Ending August 2011

1 Summary

1.1 The report updates Members on the progress of the 2011/12 Capital Programme in terms of both expenditure and outcomes.

Recommendation to the Board

- a That the Board notes the progress made against the 2011/12 Capital Programme; and
- b That the Board approves the virements outlined in section 9 of the report.

2 Consultation

2.1 Portfolio Holder, Shadow Portfolio Holder and Ward Members

2.1.1 Councillors Forwood and Lea have been informally consulted and any response will be verbally updated at the meeting.

3 Introduction

- 3.1 The Executive Board approved the Council's Capital Programme of £2,788,110 for 2011/12 in February 2011.
- 3.2 At the Executive Board on 27 June, it was agreed to carry forward £1,331,570 of unspent 2010/11 budgets. This gives a total approved capital programme for 2011/12 of £4,119,680.

4 Budget Profiling

4.1 To ensure that the Capital Programme projects are completed in a manageable time frame, a schedule of works is arranged by each budget holder and each of the schemes are timetabled for completion throughout the year. This schedule then feeds through to the budget profiling exercise, which identified that there are a number of capital schemes which were not due to have started by the end of August. The table below indicates the breakdown:

	£
Schemes not due to have started before end of August 2011	1,340,830
Schemes due to have started before end of August 2011	2,778,850
TOTAL	4,119,680

5 Schemes Not Yet Started in August

- 5.1 The total value of the projects not yet started is £1,340,830 (32.5% of the 2011/12 Capital Programme). The individual schemes are shown in Appendix A.
- 5.2 Although a programme of works has been established for the housing related projects, the tender process for the schemes shown in Appendix A is yet to be completed. It is currently planned for the projects to begin November 2011.
- 5.3 Within the General Fund schemes, the annual schedule of the electrical works to council owned premises is not planned to begin until January 2012. Invoices relating to some schemes are expected later in the year, such as the Warwickshire Direct Partnership and the Home Improvement Agency.
- 5.4 In addition, some new projects will not get underway until further reviews are undertaken. This is the case with the new telephone system, leisure booking system, switch gear projects and the Arcade improvements. Future reports will provide updates on these schemes.

6 Schemes already started in August 2011

- 6.1 Those schemes that were planned to start by the end of August 2011 total £2,778,850 (67.5% of the 2011/12 Capital programme) and are shown in Appendix B. The expenditure expected to date was £959,289, but actual spend or committed expenditure was £722,370; an under spend of £236,919.
- 6.2 Starting with housing schemes, the replacement of windows at Drayton Court and the roofs at Church Hill flats that initially began during 2010/11 has been completed. There are further works planned in for window and roof replacement but the tender process has yet to be completed. Four houses in Fillongley which were part of the contract for building 21 new houses in the Borough have now been completed; however the final account has yet to be settled.
- 6.3 Spend on heating is currently low as the tender process of contract for the main scheme of works for replacing boilers is yet to be completed. The spend that has taken place on heating systems relates to work that has been completed on void properties before being re-let and also work after annual servicing.

Grants is currently £122,598. However there are 32 cases still to be processed after the work has been approved, amounting to approximately £114,017. Similarly, there are 14 cases, around £28,000 of invoices relating to the Decent Home Scheme that have yet to be processed.

7 Variations to Housing Schemes not yet contracted out

- 7.1 Since the capital programme was reported earlier this year the Housing Division has received advice about how it should act with regard to ensuring fire safety in its blocks of flats. It is now necessary to act in accordance with this advice and regulatory requirements. The changes recommended here follow a tender process for the fire safety work requirements which has been undertaken to ensure accurate costs can be reported. The change to the level of work required in blocks of flats to ensure fire safety is significant. This work cannot be programmed into future years but needs to be addressed now. The additional cost of this work has meant that the internal insulation work originally planned for this year will be programmed for other years.
- 7.2 In order to comply with fire risk assessments and fire regulations, flat entrance doors and store doors for communal areas in the flats across the borough have to be replaced. Due to the number of doors that need to be replaced in the communal corridors (including shed doors), the work is expected to cost £456,390; budget provision of £235,400 had been included in the 2011/12 capital programme.
- 7.3 Based on revised cost estimates and a revision of the extent of work required, the work on pitched roofs is expected to cost £194,800, budget provision of £101,990 had been included within the 2011/12 capital programme.
- 7.4 The total cost of replacing boilers that are 15 years old and also fuel swaps from solid fuel to gas at Drayton Court, Eastlang Road and Gramer Court is expected to cost £556,430, budget provision of £500,100 had been included in the 2011/12 capital programme.
- 7.5 For the last 10 years a small annual programme has been in place to bring sheltered scheme communal rooms up to Disability Discrimination Act (DDA) standards. The original capital programme allowed for £46,000. However the adjustment made to allow for new fire doors means there is an opportunity to increase this year's scheme from two rooms to three. To meet DDA standards additional work needs to be completed at the George Road Water Orton, Eastlang Road Fillongley and Monument View Polesworth. For no additional cost compared to the usual conversion price at Eastlang Road there is an opportunity to convert part of the room (which is very large) to a flat which will bring in revenue income by way of the rent charged. The revised budget will be £106,620 against a budget provision of £46,000 which had been included in the 2011/12 capital programme.

- 7.6 In the original budget no budget provision was allowed for external works. However it is always beneficial to have a fund for external improvements to estates (for fencing and grounds work). The Decent Homes Standard has been met but if the Council's estates in general begin to deteriorate there can an impact on lettings and sustainability in general. A budget is recommended of £38,000 which is in line with previous years.
- 7.7 Adjustments have been made within the overall scheme to allow for the fire doors. To compensate, the budget provision for some schemes has been reduced:
 - The scheme relating to cavity wall insulation will not be completed during 2011/12 but in future years, saving £304,000.
 - The current capacity of the Housing Direct Works electricians is taken up with work funded from revenue budgets. For this reason the electrical works is forecast to cost £32,000 less than the original budget.
 - Work on installing loft insulation to sheltered houses and bungalows within the borough will cost £90 per property, this will reduce costs by £26,640 compared to the original budget.
 - Works to repair the stone frontage for the shops in Coleshill has finished and cost £11,000 less than that of the budget.
- 7.8 The proposed variations are summarised in the table below:

	Approved	Proposed	Revised
Scheme	Budget	Movement	Budget
Asbestos	70,000	(70,000)	0
Disabled Facility Adaptations	175,000	0	175,000
Community Centres	46,000	60,620	106,620
Windows & Doors	235,400	220,990	456,390
Kitchens	153,000	(31,420)	121,580
Cavity Wall Insulation	304,000	(304,000)	0
Roofing	101,990	92,810	194,800
Garages	8,000	0	8,000
Heating	500,100	56,330	556,430
Electrics	146,000	(32,000)	114,000
External Works	0	38,000	38,000
Piccadilly Development	70,000	0	70,000
Housing Loft Insulation	75,000	(26,640)	48,360
Housing General Cost	170,000	0	170,000
Lovells Prelims	0	600	600
Lovells Overhead	0	1,710	1,710
New Build Housing	289,620	0	289,620
Chimney Stacks	25,500	0	25,500
Coleshill Shops	20,000	(11,000)	9,000
Aerials	0	1,500	1,500
Fire Alarms (Drayton Court)	0	2,500	2,500
Grand Total	2,389,610	0	2,389,610

- 7.9 Given the reduced need for the budget of the schemes shown above, Members are asked to approve virements within the Housing Revenue Account (HRA) capital programme in order to fund the schemes where costs are higher than originally anticipated. The table highlights the zero impact on the total funding required for the HRA, but ensures sufficient funding for each individual scheme.
- 7.10 The tender quotes that have been received all include an allowance for asbestos removal and therefore the £70,000 allocation will need to be distributed over the schemes for which it is relevant.
- 7.11 There are also movements that relate to outstanding Lovells contract work, aerial replacement and fire alarms at Drayton Court, however as the movement is less than £3,000 for each individual scheme, this can be sanctioned with Senior Officer approval in consultation with the Assistant Director (Finance and HR)

8 Report Implications

8.1 Finance and Value for Money Implications

- 8.1.1 Of the total capital programme, schemes to the value of £1,340,830 were not started by August 2011. Of the remaining £2,778,850 capital programme, £959,289 was profiled to be spent and £722,370 has actually been spent or committed, leaving an under spend of £236,919 to date.
- 8.1.2 The schemes will contribute to various outcomes which will increase the services provided by the Council, from providing decent Council homes, assisting in carrying out adaptations to resident's houses to helping to fund efficient heating systems to promote carbon reduction and encouraging fitness and wellbeing.

8.2 Safer Communities Implications

8.2.1 The Home Safety Check Scheme provides a service with Age Concern to help elderly residents be safe within their homes.

8.3 Environment and Sustainability Implications

8.3.1 Expenditure incurred as part of the Council's Capital Programme enables the Council to continue to improve and deliver a range of services to the people of North Warwickshire. The implementation of the capital programme will lead to improvements in the quality of life for the communities of North Warwickshire.

8.4 Risk Management

8.4.1 Failure to make reasonable adjustments to ensure our buildings and facilities are accessible could expose the Council to potential litigation and risks damage to its reputation.

8.5 Equalities Implications

8.5.1 The Council is required to ensure that as far as it is reasonably practicable, it has taken appropriate steps to ensure compliance with the provisions of the DDA. Failure to do so could result in limiting access to services provided from our buildings and facilities by disabled people and the potential for legal challenges being taken against the Council.

The Contact Officer for this report is Jon Illingworth (719489).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper	Author	Nature of Background Paper	Date

Appendix A

Capital schemes not started by end of August 2011 2010/11 2010/11 **Expenditure Proposals** 2011/12 Original **Slippage Approved** Budget Budget **Housing Revenue Account** 70,000 70,000 Asbestos 304,000 0 304,000 Windows & Doors 8,000 8,000 Garages 0 Piccadily Development 70,000 0 70,000 Loft Insulation 75,000 0 75,000 527,000 0 527,000 **Housing Revenue Account Total** General Fund Disability Discrimination Act (DDA) 150,000 201,250 351,250 Electrical Work To Council Premises 15,000 6,490 21,490 Arcade Improvement 193,000 193,000 ICT Infrastructure Development 20,000 20,000 0 30,000 Backup and Disaster Recovery 30,000 0 Warwickshire Direct Partnership 10,350 10,350 **EDRMS** 6,140 6,140 Leisure Book System Replacement 0 50,000 50,000 New Telephone System 0 65,000 65,000 New Switch Gear 55,000 55,000 Home Improvement Agency 11,600 11,600 **General Fund Total** 236,950 576,880 813,830

763,950

576,880

1,340,830

Grand Total

		Capital schemes started by end of August 2011					
2011/12 Original Budget	2010/11 slippage	2010/11 Approved Budget	Profiled Budget	TOTAL as at 31.08.11	Variance to profiled budget		
1							
175,000	0	175,000	72,917	36,736	(36,181)		
46,000	0	46,000	868	868	0		
235,400	0	235,400	39,500	39,252	(248)		
	0				`(63)		
	61.490				(43)		
	0						
	0	,			(9,130)		
	_	0			8,514		
-		170.000	-		0		
	_			-	597		
-	_	_	-				
-	_	_	-		(46,581)		
-	-				(5,224)		
	-		,	,	(11,043)		
Ĭ	20,000	20,000	20,000	0,337	(11,043)		
1,491,500	371,110	1,862,610	564,921	466,583	(98,338)		
- 1							
4 /							
0	0	0	0	19 817	19,817		
	_	0			(18,882)		
	-	52 010	-	, ,	(10,002)		
		,	-	` '			
		20,000	0,555		187		
_	_	50,000	50,000				
45,000	0,000	45,000	6,000	5,971	• • •		
	U	45,000	0,000	5,971	(29)		
^	^	^	^	2 620	ວ ເດດ		
19,000	0	18,000	10,000	3,628	,		
18,000	0	18,000	10,000	9,729	(271)		
18,000 30,000	0	18,000 30,000	10,000 22,546	9,729 22,546	(271) (0)		
18,000 30,000 7,500	0 0 0	18,000 30,000 7,500	10,000 22,546 7,500	9,729 22,546 7,211	(271) (0) (289)		
18,000 30,000 7,500 300,000	0 0 0 143,800	18,000 30,000 7,500 443,800	10,000 22,546 7,500 184,917	9,729 22,546 7,211 122,598	(271) (0) (289) (62,318)		
18,000 30,000 7,500 300,000 57,500	0 0 0 143,800 167,770	18,000 30,000 7,500 443,800 225,270	10,000 22,546 7,500 184,917 93,863	9,729 22,546 7,211 122,598 12,305	(271) (0) (289) (62,318) (81,557)		
18,000 30,000 7,500 300,000	0 0 0 143,800	18,000 30,000 7,500 443,800	10,000 22,546 7,500 184,917	9,729 22,546 7,211 122,598	(271) (0) (289) (62,318) (81,557)		
18,000 30,000 7,500 300,000 57,500	0 0 0 143,800 167,770	18,000 30,000 7,500 443,800 225,270	10,000 22,546 7,500 184,917 93,863	9,729 22,546 7,211 122,598 12,305	(271) (0) (289) (62,318) (81,557)		
18,000 30,000 7,500 300,000 57,500 24,660	0 0 0 143,800 167,770 0	18,000 30,000 7,500 443,800 225,270 24,660	10,000 22,546 7,500 184,917 93,863 11,209	9,729 22,546 7,211 122,598 12,305 14,067	(289) (62,318) (81,557) 2,858		
	175,000 46,000 235,400 153,000 40,500 500,100 146,000 0 170,000 0 25,500 0 1,491,500	175,000 0 46,000 0 235,400 0 153,000 0 40,500 61,490 0 500,100 0 146,000 0 0 0 0 170,000 0 0 289,620 0 25,500 0 20,000 0 1,491,500 371,110	175,000	175,000 0 175,000 72,917 46,000 0 46,000 868 235,400 0 235,400 39,500 153,000 0 153,000 18,250 40,500 61,490 101,990 74,500 500,100 0 500,100 27,000 146,000 0 146,000 60,833 0 0 0 0 0 0 170,000 0 170,000 54,104 0 0 0 0 0 0 0 289,620 289,620 186,324 25,500 0 25,500 10,625 0 20,000 20,000 20,000 1,491,500 371,110 1,862,610 564,921	175,000		

Agenda Item No 9

Resources Board

10 October 2011

Report of the Assistant Chief Executive (Community Services)

Proposed Council Response to the Consultation on Localisation of Council Tax Benefit

1 Summary

1.1 The purpose of this report is to request Members feedback on the proposed response to the Governments consultation document on the Localisation of Council Tax Benefit that they propose to introduce as part of the wide range of welfare reform programme starting in April 2013.

Recommendation to the Board

That Members approve the Councils response.

2 Background

2.1 The Current Council Tax Benefit Scheme

- 2.1.1 At the moment lower income households pay a reduced or in some cases zero amount of Council Tax through a system of relief called Council Tax Benefit. In last year's spending review the Government announced proposals to localise Council Tax Benefit and reduce spending on it by 10 per cent.
- 2.1.2 The Government have now announced more details of their plans for abolishing Council Tax Benefit and replacing it with a new system of local support for Council Tax. The consultation paper confirms the announcement in the spending review that help with Council Tax will not become part of Universal Credit the new benefit that amalgamates tax credits, out-of-work benefits and Housing Benefit but will instead remain a local authority responsibility. It also confirms the need for local authorities to save 10% of current expenditure but, importantly, makes clear that pensioners will be excluded from the effect of these cuts.
- 2.1.3 Council Tax Benefit (CTB) provides means-tested help to people on a low income who have to pay Council Tax. For working age people there is a limit on savings of £16,000. If you claim means-tested out-of-work benefits (Income Support, Jobseeker's Allowance and Employment and Support Allowance) you generally receive full assistance, so that you do not pay Council Tax at all. If you are in work or have other income you can still receive CTB but are likely to get less than the full amount, so that your Council Tax bill will be reduced but not eliminated.

2.1.4 A more generous system applies to pensioners. If you claim Pension Credit (guarantee element) there is no limit on the amount of savings you can have and you will normally not pay Council Tax at all. Pensioners with higher incomes can also qualify, even if they do not get Pension Credit, and depending on their circumstances can qualify. Around 60% of pensioners are entitled to CTB, although it is claimed many fail to apply.

3 Introduction

- 3.1 At the Spending Review 2010 the Government announced that it would localise support for Council Tax from 2013/14, reducing expenditure by 10 per cent. On 17 February 2011 the Government published the Welfare Reform Bill, containing provisions for the abolition of Council Tax benefit and paving the way for new localised schemes.
- 3.2 A consultation document 'Localising Support for Council Tax in England' was published in July and sets out a timeframe to seek views on proposals for the localisation of Council Tax support from 2013/14. The consultation period commenced on the 2 August 2011 and expires on 14 October 2011.
- 3.3 The localisation of support for Council Tax is taking place within a wider programme of welfare reform (a number of which have already been introduced and were covered in Agenda Item 22 Resources Board, 1 February 2011). The intention of the changes are to help move people back into work as well as making significant savings on the welfare benefit bill.
- 3.4 There are certain low-income groups, in particular pensioners, who the Government does not expect to work to increase their income. The Government intends protecting pensioners from any change in award as a direct result of this reform and there may be other groups who should also be protected who are deemed vulnerable.
- 3.5 The consultation sets out proposals on key elements of a framework for local support for Council Tax. This framework will be established in a local government finance bill to be introduced later this year. The Government intends to maintain discussions with local government on the developing detail of the scheme, and will also consult on the draft regulations. It is intended that local authorities will establish their own local schemes by April 2013.
- 3.6 The Government is seeking views on what guidance and other assistance is necessary to support local authorities in setting up local schemes. The consultation forms part of the Local Government Resource Review in England, which is looking at several key areas of local government finance, including local retention of business rates which is also currently subject of consultation

4 The Justification to Localise Support for Council Tax

- 4.1 The consultation document sets out a range of reasons for localising support for Council Tax:
 - Give local authorities a greater stake in the economic future of their local Area.
 - Provide local authorities with the opportunity to reform the system of support for working age claimants.
 - Reinforce local control over Council Tax.
 - Give local authorities a significant degree of control over how a 10 per cent reduction in expenditure on the current Council Tax benefit bill is achieved, allowing Councils to balance local priorities and their own financial circumstances.
 - Give local authorities a financial stake in the provision of support for Council Tax.
- 4.2 The consultation document sets out the Government's expectations about how local schemes could operate within the parameters that the Government proposes which are as follows;
 - Local authorities will be free to collaborate to reduce costs, develop schemes that support priorities that are shared by a number of neighbouring authorities, and manage financial risks.
 - Local authorities will be encouraged to consider how the process of establishing eligibility for working age claimants can be simplified. The Government will work with local authorities to understand how data sharing can help further reduce administrative costs and complexity.
 - Local authorities will seek to integrate arrangements for providing support within the Council Tax system, and will continue to provide support to households as a reduction in the amount of Council Tax payable, rather than a cash payment.
 - The reform will be accompanied by a new Government grant to local authorities, who will be able to take this into account when setting the local scheme. The Government will consider whether maintaining the new grant allocations will help to provide certainty for local authorities.
- 4.3 The implementation timeframe is very challenging in order to meet the Governments target to save £480m in 2013/14 and will require both primary and secondary legislation to be passed in the spring in order to enable Councils to design, consult and implement a scheme to start on 1 April 2013.

4.4 The proposed response from the Council is attached at Appendix A and outlines in detail why officers believe that the proposals outlined in the consultation paper should be rejected. The document attempts to answer the 45 primary technical questions from page 5 onwards. On pages 1 to 4, it provides an overview why officers believe the adopting a localised scheme would not be in the Councils interest as well as a detailed breakdown on the impact of the proposals in relation to the make up of our current Council Tax Benefit caseload.

5 Report Implications

5.1 Finance and Value for Money Implications

- 5.1.1 The proposed reduced level of Council Tax Benefit entitlement paid to customers from April 2013 will have a number of risks for the Council.
- 5.1.2 When the new system of local support for Council Tax is introduced in April 2013, it is proposed that the amount provided to local authorities will be reduced by 10% relative to current expenditure on CTB, saving around £480 million a year. However, characterising this as a 10% cut is disingenuous, as pensioners are in effect excluded from the new system. In terms of the population of working age claimants, who are the only ones that can be affected by new rules, the cut is much larger than 10%.
- 5.1.3 It is proposed that Central Government will provide a fixed amount of money to local authorities equivalent to 90% of its current Council Tax Benefit spend to operate their new schemes. Unlike current arrangements, this central government grant will not be ring-fenced and will not vary according to demand meaning any increase in caseload or expenditure will need to be paid by the Council Taxpayer. Conversely a reduction of more than 10% of current spend could be retained by the Council.
- 5.1.4 In the case of our current expenditure we would be required to achieve a saving of £520,000 on our current caseload of 5079 customers to whom we pay £5.2m in Council Tax Benefit.
- 5.1.5 It is unclear from the consultation to what extent, if at all, other major preceptors (i.e. the County Council and Police) would share any increased costs of Council Tax Benefit over and above the government grant.
- 5.1.6 In addition, the Council has the added challenge that the make up of its caseload is such that pensioners who will be protected under the consultation paper proposals make 56% of claims. This means that only 44% of our caseload are of working age and it is they from whom we will need to find the 10% saving. Of this 44%, around half of them currently pay no Council Tax as they are either on Income Support or Job Seekers Allowance and the remainder are in-work claimants on various levels of support dependent on their individual circumstances.

- 5.1.7 Another stated aim in the consultation paper requests that any localised scheme should seek not to disincentivise work in line with the aims of the Universal Credit. However to achieve the £520,000 saving from the 44% and to ignore this request would result in the need for an average 23% cut in the current award of Council Tax benefit liability (or an increased liability of £243 per property) to achieve this target. More detailed work would need to be done on the individual cases to work out the actual impact for each customer but for many customers, a 10% cut will result in a much higher liability. Officers views are that it will be impossible to achieve the two objectives of protecting pensions and not disincentivising work under the current proposals.
- 5.1.8 In addition the Council as both a landlord and with responsibilities for collection of Council Tax is likely to have significant additional demands and responsibilities placed on it to deal with the increased workload caused by the impact on the most vulnerable members of our communities. This is likely to result .in reduced collection levels, an increase in uncollectable debts and increased resources and costs in collecting more difficult but smaller debts
- 5.1.9 It is unclear whether any additional monies will be made available to deal with these costs

5.2 **Human Resources Implications**

5.2.1 There is the potential for new and additional demands/burdens to be placed on officers developing schemes, and providing support and services to customers reliant on benefits. However, it is not possible to determine the level of impact at this stage. Staffing costs to administer a Localised Council Tax Benefit scheme will remain and we do not know to what extent these will be covered by administration subsidy.

5.3 Safer Communities Implications

5.3.1 The impact of the known and proposed changes will result in a number of reductions in existing support and benefit as highlighted in the main body of the report and in Appendix A. Stable family, financial and housing conditions are key factors in a person's well being, security and sense of value and an erosion of any of these could have a negative impact within in the communities they live and result in new demands on service provision in the Borough.

5.4 Environment and Sustainability Implications

5.4.1 Ensuring early awareness of the impact of changes is going to be key to ensuring individuals affected are supported through these changes. Officers from Revenues and Benefits working closely with Housing colleagues and with third sector agencies will need to work ever closer together to achieve this and highlights the ongoing importance of the financial inclusion activities being delivered via the B.O.B brand

5.5 **Risk Management Implications**

- 5.5.1 There are many risks created by the consultation proposals to move away from the current model of funding for Council Tax support and instead move to a fixed grant to fund the local scheme of support. This is because it presents significant financial risk to local Councils, particularly District Councils who only retain around 16-18% of the Council Tax collected. Local Government will fully underwrite the extra costs of increased caseloads and therefore getting the details of schemes wrong or higher levels of non-collected Council Tax will have an adverse impact on the Councils financial position. In effect, the proposals remove any risk all together from Central Government and pass it fully onto the local Council Taxpayer. As mentioned in paragraph 5.1.5 it is unclear whether any increased costs will be shared with other authorities.
- 5.5.2 Officers believe this is unacceptable and is too great a risk as the suggestion that Councils can benefit from the scheme by encouraging claimants to move into work is flawed in the extreme for a number of reasons:
 - It assumes that Councils don't do this at present. This is not the case as we work closely with Jobcentre Plus, local employers and other public agencies to promote and develop growth in the Borough
 - It assumes that people entering work will not be as reliant on benefits. In our area, many of the employment opportunities for entry level jobs will be at rates of pay where ongoing Council Tax support will be necessary. With the Governments level of support under Universal Credit likely to be in place for longer for these customers, this makes the savings achieved by meeting this expectation lower than under the previous scheme as taper levels of reduction are higher.
 - Demography and the ageing population means that there will continue to be growth in the number of pensioners requiring support. The paper also proposes protecting future pensioners which adds another layer of complexity and with customers living longer, each additional pensioner claim increases the spend on local support most likely at a greater rate than any reductions gained from people entering work.
- 5.5.3 Administering the system is likely to be more expensive than at present, with many of the new customers who will be expected to pay likely to need to opt for weekly payments to help manage their budget. There is also the REAL possibility of mass non-compliance, as occurred initially with the Poll Tax. It is difficult to foresee all the risks as there are potentially so many as highlighted in the response at Appendix A.

9/6

5.5.4 More work will need to be done should the proposals outlined in the consultation paper be adopted. There will be a need to undertake equality impact and risk assessments on whatever customer groups are likely to be affected by changes at the appropriate time when designing any scheme.

The Contact Officer for this report is Bob Trahern (719378).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date
Localising Support for	CLG	Consultation Paper	2011
Council Tax in			
England			

Localisation of Council Tax Benefit Consultation

Introduction

North Warwickshire Borough Council believes that the proposals for localisation of Council Tax support will result in

- Hardship for the majority of working age customers,
- Significant new burdens and costs for the Council in developing and managing schemes and
- Create an unacceptable level of uncontrollable financial risk to local authorities, and in particular District Councils, who will be required to fund the scheme. This is in spite of only retaining less than a fifth of money it collects.

In contrast to the stated intention of Ministers, rather than supporting the drive to tackle worklessness, the proposals will see many workless, and customers in low paid employment faced with significant new liabilities that will create increased levels of debt and heightened levels of uncertainty. These will have a knock on effect by creating additional financial pressures for councils that in turn are going to impact on the delivery of the level of services they can offer, whilst dealing with an increasing demand on frontline support for Council and advice services to help meet the challenges these

proposals are likely to create.

The Council believes :-

- The twin objectives of protecting pensioners, and not disincentivising work are unachievable under the current proposals.
- The Government should look at alternative means of saving the £480m.
- The risks of increasing benefit costs must be shared by all major preceptors relative to the size of their precepts.
- The implication date of April 2013 is unachievable.
- The additional costs Council's will incur in collecting small amounts of Council Tax from people previously on full benefit must be recognised as a new burden on local government and funded accordingly

Rationale for reform

The consultation paper sets out the rationale for reform as follows:

- to give local authorities a greater stake in the economic future of their local area:
- provide opportunities for local authorities to reform the system of support for working age claimants;
- reinforce local control over Council Tax:
- give local authorities a significant degree of control on how a 10% reduction in expenditure is achieved:
- give local authorities a financial stake in the provision of support for Council Tax.

North Warwickshire Borough Council does not believe the proposals will achieve the aims behind the reform.

The Government's intention to cut expenditure in this area by 10%, prescribe a National scheme that protects pensioners from losses and put in place arrangements that ensure that local schemes support the intention behind Universal Credit to incentivise people in work and moving into work, means that there will be little scope for councils to carry out effective reform of the support provided. Instead councils will be left with little choice but to apply cuts of varying amounts in benefit support determined on the make up of its individual caseload in the help it can provide to unemployed working age customers who from our experience of dealing with financial inclusion and addressing the impacts of child poverty are already finding meeting demands on their limited resources very challenging.

In the case of North Warwickshire we would be required to achieve a saving of £520,000 on our current caseload of 5079 customers to whom we pay £5.2m in Council Tax Benefit. Our caseload has increased by 20% on 2007/08 levels (just under 1 in 5 of households receive CTB) and whilst we have seen no real increase in our caseload in the last twelve months (helped by the Council encouraging businesses set up in the area which has created new jobs), our caseload shows no sign of returning to its previous pre economic crunch levels in the near future. This is in part down to an increased number of pensioner claims as a result of successful take up campaigns with the third sector and other Government agencies and the fact that the number of new jobs created has not replaced those lost. We have also seen a significant increase in the number of unsuccessful claims made by customers who are in work earning above the current maximum benefit threshold but who are struggling to meet demands on in many cases reduced wages due to loss of overtime or shifts. The level of recovery action needing to be taken has also increased in spite of giving more time for late payments to be made before starting recovery action.

In addition the Council has the added challenge that the make up of its caseload is such that 56% of claims are made by pensioners who will be protected under the consultation paper proposals meaning that only 44% of our caseload are of working age and it is they from whom we will need to find the 10% saving. Of this 44%, around half of them currently pay no Council Tax as they are either on Income Support or Job Seekers Allowance and the remainder are in-work claimants receive varying levels of support dependent on their individual circumstances.

Another major challenge is the stated aim in the consultation paper that requests that any localised scheme should seek not to disincentivise work in line with the aims of the Universal Credit. However to achieve the £520,000 saving from the 44% and ignore this request would still result in the need for an average 23% cut in the current award of Council Tax benefit liability (or an increased liability of £243 per property) to achieve this target. More detailed work would need to be done on the individual cases to work out the actual impact for each customer.

However, in addition to helping to protect in work claimants, the paper also talks about protecting other vulnerable people but gives no example of what a vulnerable person is. Of the 2143 working age claims that make up the 44% of our caseload:

739 (34%) have a disabled element to their claim and 1404 (66%) have children. If either of these gave rise to a status of vulnerable (not unusual when dealing with financial inclusion and child poverty objectives), the impact on the remaining claimants will be even more significant than that shown above. In reality some households would be faced with finding significant contributions towards Council Tax bills or losing benefit support all together creating immediate restructuring of outgoings. In many cases, this is likely to prove impossible based on other committed expenditure from an already limited income and combined with other benefit changes; increases in fuel costs and the general rise in the costs of living will create immediate and significant problems. Many of these will fall on the Council and its third sector partners to address and support at a time of needing to make wider public service cuts in line with current Government expectations.

Whilst maybe politically unacceptable, a much simpler scheme would be to simply deduct 10% from each award of Council Tax Benefit awarded in line with the current scheme. However, this would not achieve the aim of protecting pensioners even though in many cases this group of customers may be better off than other working age claimants as a number will be outright home owners and/or have a degree of savings.

As such while the scheme talks about being "local" this lack of real choice about where the cuts could apply reduce any local control over Council Tax support. This localism agenda is further reduced by the paper not allowing any review of current National discounts and exemptions from consideration within the definition of a localised scheme of support for Council Tax currently provided for in the Local Government Finance Act 1992. In our view, local control over Council Tax and Council Tax support should extend to the scheme of discounts and exemptions if the aims of the consultation paper have any chance of being achieved without causing extreme hardship on already vulnerable groups.

At present, 7,800 domestic properties (29.61% of all households in the borough) qualify for a Single Person Discount irrespective of whether the occupier has an ability to pay or not. If the average 25% discount in the borough were based on a Band B property charge of £1,388 (meaning our figures are likely to be understated), this would result in a loss of discount totalling £347 per property. This would provide a potential increased income of £2.7m per annum (over 5 times the target saving requirement for my Council).

A significant number of these could be single pensioner households which could retain the discount in full if Ministers wished but even if this accounted for 60% of the properties (reducing increased income from £2.7m to £1.1m), this would still provide a real alternative for consideration and allow those in need of assistance to continue to be supported and even more generous schemes for work incentive to be developed. This would be achieved by removing the discount in full or part from those with potentially greater means. We believe this widening of any local scheme to enable a review of discounts and exemptions is necessary to make any scheme feasible and equitable but this would require a sharing of risk and development to be adopted where two tier Council structures exist because of the way that precepts are levied and shared.

Returning back to the consultation paper proposals to move away from the current model of funding for Council Tax support and to move to a fixed grant to fund the local scheme of support, presents significant financial risk to local councils, particularly District Councils who only retain around 16-18% of the Council Tax collected. This is because of the way precepts work and the biggest selling point seems to be that it removes any risk all together from Central Government and passes it onto the local Council Taxpayer. We believe this is unacceptable and is too great a risk as the suggestion that councils can benefit from the scheme by encouraging claimants to move into work and off benefit reliance is flawed in the extreme for a number of reasons:

- It assumes that Councils don't do this at present. This is not the case in North Warwickshire where we work closely with Jobcentre Plus, local employers and other public agencies to promote and develop growth of jobs and skills in the borough
- It assumes that people entering work will not be as reliant on benefits. In our area, many of the employment opportunities for entry level jobs will be at rates of pay where ongoing Council Tax support will be necessary and with the Governments level of support under Universal Credit likely to be in place for longer for these customers, makes the savings achieved by meeting this expectation lower than would be achieved under the previous scheme where taper levels of reduction are higher for every pound earned over a threshold.
- Demography and the ageing population mean that there will continue to be growth in the number of pensioners requiring support particularly where claims are to be encouraged. The paper also proposes protecting future pensioners which adds another layer of complexity and with customers living longer, each additional pensioner claim increases the spend on local support most likely at a greater rate than any reductions gained from people entering work.

If the Government continues to believe that Councils should bear this risk and wish to continue with this proposal after this consultation period, it would seem fairer and much easier whilst still wholly undesirable to reduce the level of Public Service funding by £480m and distribute less grant to all Local Government and other Public Sector agencies which would ensure that the most vulnerable are protected and the risks proportionally shared. We are not advocating this approach and would ask Government to reconsider how this saving can be achieved but it does offer a more simplistic and fairer solution to achieving the savings target.

However, we would maintain that Council Tax Benefit should remain a fully nationally funded scheme whether Councils administer it locally as at present under a National framework (building in any changes to deliver the Governments intentions for savings). Alternatively, the decision should be reviewed regarding whether Council Tax Benefit should be included as part of the Universal Credit along with Housing Benefit. However, if Government were minded to pursue the latter, it must be on the understanding that the Council Tax element was credited to the customers Council Tax account rather than giving the customer the money equivalent and responsibility to pay the Council Tax direct to the Council. This is for the reasons of certainty of cash flow to meet collection fund demands, reducing the levels of recovery action and preventing significant extra costs and the potential return to the days of the Poll

Tax that saw increased levels of non payment, higher costs of collection, more irrecoverable debts and increased administration costs needed to collect many relatively small amounts of money.

Summary

North Warwickshire Borough Council does not support the proposals for a local council tax scheme. Whilst the council accepts reform is necessary, it does not believe these are achievable under the proposals set out in this consultation paper. It also believes that some of the poorest citizens will bear the brunt of the cuts and believes that a fairer system of local support could be achieved with the inclusion of council tax discounts and exemptions within a local scheme of support.

The proposals present are an unacceptable financial risk to councils at a time when councils are already faced with significant cuts to funding. Wrongly the primary driver for this reform is the need to achieve £480m government savings in Council Tax Benefit expenditure at a time when the majority of councils are continuing to see their caseloads increase or at best remain static.

We would strongly urge the Government to look elsewhere for these savings.

Failing that we would suggest that a national scheme should remain in place with the scheme redesigned to achieve the savings. Its primary goal should be to achieve a consistency of scheme irrespective of council boundaries and enable the Government to design a scheme that reflects the intentions underpinning Universal Credit. A national scheme must also continue to be funded centrally.

If the Government do intend to push ahead with localised schemes of support, then the deadline for implementation at a minimum must be deferred to April 2014 for further planning, proper consultation with partners, software providers and customers and to ensure as smooth an implementation as possible but we would hope that this will not be necessary. We would welcome further dialogue on this matter should you wish to clarify any of our comments. In the spirit of the consultation paper we have attempted to answer the 45 main questions raised in the paper constructively and having regard to the limited information that has been made available on how a proposed scheme may operate.

Bob Trahern IRRV (Hons) 9 September 2011

In making these general statements, the Council has also answered the questions raised in the consultation paper as below;

QUESTIONS

Section 5:

1.1 5a: Given the Government's firm commitment to protect pensioners, is maintaining the current system of criteria and allowances the best way to deliver this guarantee of support?

The proposals to protect pensioners and provide some protection for other people, including people in work and moving into work, would require, in effect, each council to operate multiple schemes. There would be:

- A national scheme for pensioners prescribed by Government and administered by councils;
- An in-work scheme that would work in tandem with Universal Credit to achieve acceptable marginal deduction rates for people in work;
- A local scheme offering protected levels of council tax support for vulnerable groups, most notably disabled claimants but also other groups not subject to the requirement to look for work; and
- A local scheme designed by councils that delivers an overall 10% cut in total expenditure from less than half the overall expenditure.

The administrative and software requirements arising from multiple schemes within councils are likely to be expensive, complex and difficult to deliver and would work against the overall aims of simplification and transparency that underpin Universal Credit.

WHILST PENSIONERS ARE AN OBVIOUS GROUP TO BE TREATED FOR PROTECTED HELP, THEY ALREADY BENEFIT UNDER A MORE GENEROUS SCHEME OF ENTITLEMENT THAN OTHER TYPES OF CLAIMANTS WITH MANY ABLE TO HAVE WHAT MAY BE DEEMED "REASONABLE LEVELS OF SAVINGS" AND STILL QUALIFY FOR LARGE AMOUNTS OF HELP. THIS EXTENDS TO GETTING HELP WITH FUEL, FREE TELEVISION LICENCES, FREE TRAVEL AND PRESCRIPTIONS, MANY OF WHICH ARE NOT ENJOYED BY OTHER WORKING AGE BENEFIT RECIPIENTS AND LOWER HOUSING COSTS WHERE THEY ARE OUTRIGHT OWNERS OF PROPERTY.

IT IS ALSO KNOWN THAT A NUMBER OF PENSIONERS WHO SHOULD QUALIFY FOR BENEFIT CHOOSE NOT TO APPLY. IF THE NAME WAS CHANGED TO A "REBATE" OR "DISCOUNT" AS PROPOSED AND THE PROCESS OF APPLICATION MADE EASIER, THIS IS LIKELY TO INCREASE THE NUMBER OF CUSTOMERS CLAIMING WHO WOULD BECOME PROTECTED AND ULTIMATELY THE COST OF ANY SCHEME WOULD INCREASE. THIS WOULD HAVE THE IMPACT OF REDUCING THE LEVEL OF HELP AVAILABLE TO OTHERS OR AN INCREASE IN THE LEVEL OF COUNCIL TAX BEING NECESSARY TO SIMPLY PAY FOR THIS GROWTH, WHICH WOULD BE DETRIMENTAL TO ALL.

1.2 5b: What is the best way of balancing the protection of vulnerable groups with the need for local authority flexibility?

Vulnerable groups are not defined therefore this will differ across Local Authorities (LA's). Because of the pressure on budgets, this may result in a different meaning of 'vulnerable people' leading to claims of inequality and postcode lottery. A national scheme rather than local scheme is preferred or at a minimum a definition of what the government term as a 'vulnerable person'.

The conditionality criteria in Universal Credit (UC) will identify those who would not be expected to find work, and most LA's would agree that these groups would not be expected to work. Where this was the case, dependent on the numbers will only serve to make finding the saving from the exiting claimant base even more difficult to achieve.

Section 6:

1.3 6a: What, if any, additional data and expertise will local authorities require to be able to forecast demand and take-up?

LA's have administered CTB and HB very professionally over many years the expertise is already there and ready.

Due to the moving environment no amount of information will allow LA's to forecast demand accurately in such turbulent times. Forecasts can be made using current and historic data on council tax benefit but there are many factors outside a councils' control that significantly increase demand (e.g.) a decision in the Far East to close down a locally based factory. The last 3 years, for instance, has seen significant increases in benefit claims as a result of the ongoing recession. There are other factors that make forecasting demand very difficult including the impact of Universal Credit itself. The majority of claims for Universal Credit will be from people in-work, a group that has relatively low levels of Council Tax Benefit take-up. It is likely that links between Universal Credit and local schemes of support will see increases in the numbers of in-work claimants getting local Council Tax support not less as will be required to meet the target.

Other factors include the impact of an ageing population and scheme design. Ideally we would need to know exactly how many pensioners are in our District receiving Pension Credit so we can identify the current potential under claim. If as the government predict, a simplified scheme will be more popular, then we need to know who is currently getting benefit in other forms but not currently claiming Council Tax Benefit and also who is economically inactive as they may step forward for assistance. We must be allowed to retain and develop the existing links through ATLAS, CIS, and Tell Us Once but again it is going to rely on a lot of crystal ball searching with no certainty of accuracy and also place significant new burdens on Councils to access and manage its risks.

Getting it wrong will be very damaging but the likelihood is highly likely when dealing with the design of a scheme with so many potential unknown future factors This could lead to very cautious assumptions being taken around future growth and in designing schemes could see significant provision being built into them meaning cuts will be much greater than the 10% needed to protect against future growth in caseloads.

1.4 6b: What forms of external scrutiny, other than public consultation, might be desirable?

External audit should cover it in their audit of the existing council tax audit as there will be no need to separately verify a subsidy claim.

1.5

1.6 6c: Should there be any minimum requirements for consultation, for example, minimum time periods?

We agree that local schemes should be subject to local consultation but require further guidance on what consultation will be necessary and when it should take place. Would we be consulting on an actual scheme or on principal and who would need to be consulted and when. The timing of consultation to bring a scheme in on 1 April 2013 would suggest that we would need to understand available grant and design scheme proposals by June 2012 at the latest which on the current legislative timetable appears highly unlikely. When coupled with other work pressures and delivery of the other wide ranging welfare reform changes we would go as far as to say impossible

We also have concerns about the intention to require further consultation on scheme changes. The timescales and processes required to consult would seem to prevent councils reacting to unexpected demand by taking steps to prevent further financial pressures occurring in the next financial year. Consultation in scheme adjustments should be limited to more fundamental redesigns and allow councils to adjust parameters without the need for a formal public consultation exercise.

1.7 6d: Do you agree that councils should be able to change schemes from year to year? What, if any restrictions, should be placed on their freedom to do this?

6e: How can the Government ensure that work incentives are supported, and in particular, that low earning households do not face high participation tax rates?

A key consideration is the methodology for establishing the initial grant and we are awaiting the promised technical paper on this. We would support annual refreshes of the funding to councils rather than the option for initial funding levels to remain unchanged for a number of years. An annual refresh of the grant will provide a degree of protection against the financial risk faced by councils through increased and unexpected demand. The concept that councils may gain from a fixed grant by reducing the number of people requiring local support for council tax is unrealistic when set against an ageing population, increased take-up by in-work claimants through links to Universal Credit (UC) and uncertain economic performance at a national level.

Without a complete understanding of how UC will work so LA schemes can support work initiatives, it is difficult to predict how any scheme will affect the household

income when we have not seen UC in operation or the regulations underpinning its introduction.

The annual refresh should also include uplift in funding to reflect changes to Council Tax levels likely to be higher in future years to offset the current economic climate and pressures. This would provide some protection against increased financial pressures and help provide stable schemes for those already faced with cuts in local support.

In summary, North Warwickshire Borough Council has undertaken considerable amounts of work to understand their customer base and the needs of their customers. It is a key priority to get people back into work and improve education within the borough and as such the authority has worked, and continues to work with many partners both in the private, public and voluntary sector to ensure every effort is being made to make this happen currently. It is unclear how this role will be made easier by the adoption of a less attractive Council Tax Benefit scheme that currently exists and it appears almost impossible how the National and the multitude of local schemes will be able to treat all those willing and trying to work equitably

Section 7:

1.8 7a: Should billing authorities have default responsibility for defining and administering the schemes?

Yes, if Government wish this scheme to go ahead in its proposed format, Billing Authorities (BA's) should be responsible for designing and delivering the schemes. This enables the link for collecting Council Tax by making a credit against an account to be achieved. In two tier authorities giving the work to County would add delay in the assessment and agreement of a reduction, which would then have to be communicated to the BA. However, it must be reiterated that with the government stance in dictating pensioners must be protected along with the most vulnerable groups (although undefined) the remaining revenues available will be very limited restricting the ability for LA's to define and administer local schemes.

The preferred option remains strongly for a National scheme administered by Local Authorities.

7b: What safeguards are needed to protect the interest of major precepting authorities in the design of the scheme, on the basis that they will be a key partner in managing financial risk?

7c: Should local precepting authorities (such as parish councils) be consulted as part of the preparation of the scheme? Should this extend to neighbouring authorities?

As major precepting authorities have no stake in the Council Tax Benefit scheme and it is proposed will not be expected to contribute to the increased costs of any scheme, there is currently no potential financial risk to them. The same being with parish councils as they notify of their precept amounts irrespective of any benefit implications. Therefore their involvement in designing schemes should be minimal.

It makes sense to consult with neighbouring LA's in terms of designing similar schemes where possible and there will be some economies to be made in doing so. However, with different levels of pensioner caseload, different financial restrictions and in many cases different software packages used, how possible this will be is unknown. As a Council who borders two other county boundaries, and two unitary boundaries, this exercise could be very cumbersome and difficult with no obvious advantage and gives rise to many different approaches in a relatively small area.

This will be another major burden avoided by having a National scheme

1.9 7d: Should it be possible for an authority (for example, a single billing authority, county council in a two-tier area) be responsible for the scheme in an area for which it is not a billing authority?

North Warwickshire Borough Council agrees that there could be merit in operating similar local schemes across regions in order to provide some degree of consistency between neighbouring councils and residents having regard to my comments above.

This includes the ability to collaborate and pool resources in design, consultation and implementation of schemes. However, the ability to do this will depend significantly on the make up of each council's caseload, the scope for achieving 10% cuts in expenditure after the application of the Government framework and forecast demand within each council. Alongside this each individual LA's political views would have to be considered and taken into account which is a major factor in the operation of Local Government and should not be understated.

Individual councils are unlikely to adopt a scheme that leads to significant financial pressures. Equally individual councils are unlikely to adopt less generous schemes to support and underwrite the risks of unrelated other councils and the principle of consistency – not least because this would increase the amount of Council Tax to be collected from the poorest people in the area.

For these reasons we maintain it should remain a National scheme.

1.10 7e: Are there circumstances where Government should require an authority other than the billing authority to lead on either developing or administering a scheme?

No, because the decision to award a reduction needs to be done at the billing point. Any other option just adds unnecessary delay in re-billing. Anyone who has a problem paying a demand for CT should not need to go anywhere other than the BA.

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8a: Should billing authorities normally share risks with major precepting authorities?

8b: Should other forms of risk sharing (for example, between district councils) be possible?

8c: What administrative changes are required to enable risk sharing to happen?

8d: What safeguards do you think are necessary to ensure that risk sharing is used appropriately?

Yes, major precepting authorities should share risks in proportion to their share of cost

As for different district councils sharing risks and underwriting another Council is even more complicated and suggests a complete lack of understanding how Local Government operates. It also moves more away from a localism agenda with the suggestion that one Council may underwrite the risks of another. This would be unworkable.

Risk sharing could be achieved by putting transactions through collection fund.

Section 9:

1.11 9a: In what aspects of administration would it be desirable for a consistent approach to be taken across all schemes?

The timescale for implementation is wholly unrealistic. The paper suggests that the required primary legislation for localised Council Tax support schemes will not be passed until spring or summer 2012 and that the necessary regulations will follow on from this. It is likely that the required detail and legal framework will not be on the statute books until November/December 2012 and it is not possible to design, consult, build and implement new schemes of support by April 2013. If the Government intends to pursue the localisation of Council Tax support then at the very least the implementation date for the schemes must be deferred until April 2014.

Benefit changes over the years made to simplify benefits has in fact made it more complex. If changes are made it should be for the better and not worse therefore it is very important that a consistent approach for ease of customers understanding and value for money administration can occur.

In terms of consistency and an ease of application, removal of the need to make a claim from those already in receipt of certain types of benefit, such as Universal Credit & Pensioner Credit, perhaps even other non-means tested benefits should occur. Identity should be established through CIS and NINO. Definitions of income and capital will still be necessary to administer pensioner claims under the current proposals but it also has to be noted that by adoption of these practices, they are likely to increase take up placing further pressure on Council budgets.

1.12 9b: How should this consistency be achieved? Is it desirable to set this out in Regulations?

A national scheme will give consistency and stop any postcode lottery occurring. It would be desirable and expected this should be set out in regulations in part but this will depend on the final scheme adopted

1.13 9c: Should local authorities be encouraged to use these approaches (run-ons, advance claims, retaining information stubs) to provide certainty for claimants?

With the proposal of a local scheme (albeit with proposed government caveats) certainty for claimants will be very much be dependent of the remaining funds available. However if a national scheme were to be agreed claimants would have certainty and a clear knowledge that all CTB customers were being treated the same across the country irrespective of postcode.

The approaches outlined in the question are all very valid but add complication and cost to the any scheme although they will provide incentives to work. Again how Councils will fund and administer all these proposals is unclear as it is required to makes a 10% saving.

1.14 9d: Are there any other aspects of administration, which could provide greater certainty for claimants?

9e: How should local authorities be encouraged to incorporate these features into the design of their schemes?

9f: Do you agree that local authorities should continue to be free to offer discretionary support for council tax, beyond the terms of the formal scheme?

Provide adequate funding and the assurance that there would be equality of provision Nationally and localising the current system of Council Tax discounts and disregards would assist. By not allowing LA's this option is against the spirit of the reform, both in terms of allowing councils choice and making for greater simplicity. Though the legislation establishing discounts is separate from that for Council Tax Benefit there is no reason for not including them in the new scheme. Single person's discount is a remnant of the Community Charge and that, twenty years on from its abolition, there are good reasons for returning to a tax based wholly on property value.

Abolishing automatic discounts for particular categories and wrapping all support into one comprehensive means-tested scheme could raise a substantial amount of money. Even after taking into account its interaction with Council Tax Benefit, the removal of single person's discount would yield two or three times more than the governments savings target nationally on average, money which could then be reinvested into more generous work incentives.

1.15 9g: What, if any, circumstances merit transitional protection following changes to local schemes?

If a local scheme were to go ahead LA funds would be very limited meaning there would be no monies available for transition - if the government were to dictate a need for transition additional monies available from the government would be necessary.

Transitional Protection is difficult to administer and confusing for the public and should be avoided where possible. If necessary it should be time limited as we will wish to avoid running multiple schemes as at present and having to pay for the software changes to allow these to be administered. They raise error rates and there will be gainers and losers, which is never good in a scheme where certainty and understanding that impacts on the most vulnerable is concerned.

1.16 9h: Should arrangements for appeals be integrated with the new arrangements for council tax appeals?

The proposed scheme will no doubt ensure the flood gates will open in relation to appeals against the granting of support. It is foreseen that many will be on the grounds of equality and human rights, and as such another potential large expenditure for LA's through European courts due to the government not defining a 'vulnerable person'. These would all ensure that natural justice is seen as being part of any scheme.

Will Tribunals be able to understand the various schemes and make consistent decisions that can be related to other claimants in the way current decisions are used?

9i: What <u>administrative</u> changes could be made to the current system for council tax support for pensioners to improve the way support is delivered (noting that factors determining the calculation of the award will be prescribed by centre Government)?

Whilst as an authority we believe there is a need to protect pensioners we also believe our responsibility to help every customer within our borough is as important. The consultation states pensioners will not be affected by any changes therefore as an authority our support will predominately be needed to help our low paid earners already struggling to make ends meet and our younger population trying to obtain skills to enable them to work. This will place added demands on already stretched services.

The Pension Service has already achieved automation of a reduction so doing away with any need to ask pensioners to make a claim or re-confirm something where evidence has already been supplied would be preferable. This could also be extended to Universal Credit customers etc.

Section 10:

10a: What would be the minimum (core) information necessary to administer a local council tax benefit scheme?

10b: Why would a local authority need any information beyond this "core", and what would that be?

10c: Other than the Department of Work and Pensions, what possible sources of information are there that local authorities could use to establish claimants circumstances?

Would you prefer to use raw data or data that has been interpreted in some way?

It all depends on the requirements of the scheme adopted, but the core information would be name, address, NINO, type of benefit and the amount if necessary payable each week. Date of claim for that benefit, and the start of entitlement, access to notes made by DWP/HMRC/PS assessors as currently available through CIS. Details of any sanctions applied. The current national system works and works well with the inclusion of GCSX, and more recently ATLAS information between organisations, which is secure and received in a timely manner. At a minimum this would be expected to continue but until a scheme is finalised we are unable to state what other information and in what format would be required.

1.17 10d: If the information were to be used to place the applicants into categories, how many categories should there be and what would be the defining characteristics of each?

If categories were to be defined by government for a local scheme this potentially would put additional pressure on LA's budgets. However, it is difficult to answer this question without further information especially as the Government seem reluctant to assist in categorising what constitutes vulnerable which would be useful.

1.18 10e: How would potentially fraudulent claims be investigated if local authorities did not have access to the raw data?

This would be very difficult especially if existing powers were lost. The government are proposing a central fraud team and now appear to be backtracking and saying LA's will also need a fraud team – this cannot be cost effective and how will it be funded. Local knowledge will be needed for both HB and CTB and should be combined not dealt with in isolation.

1.19 10f: What powers would local authorities need in order to be able to investigate suspected fraud in council tax support?

The same as they currently hold for investigating HB and CBT. LA CTB investigators would require their own powers to request information to enable them to investigate offices.

1.20 10g: In what ways could the Single Fraud Investigation Service support the work of local authorities in investigating fraud?

LA's would be a point of contact to supply SFIS investigators with historic HB data

The government have decided on a single fraud team taking away fraud from LA's but now it is being suggested that LA will have to employ further fraud officers to deal with CTB only – surely far less cost effective than what you are taking away.

1.21 10h: If local authorities investigate possible fraudulent claims for council tax support, to what information, in what form would they need access?

Same as what they currently use to investigate HB and CTB some of which are:

Information from employers including details of employee and related employment (including salary) Details of private pensions paid. Financial investment records, credit reference agency information, telecommunications detailing bill payer, start dates of contracts, addresses of bill payer, HMRC and DWP raw data, insurance information

1.22 10i: What penalties should be imposed for fraudulent claims, should they apply nationally, and should they relate to the penalties imposed for benefit fraud?

These will all depend on the scheme being proposed but the following could be considered:

Where the offence is strict liability and has been committed in isolation of any other benefit, we could move away from administration penalties and use the level 2 or 3 fines as in current council tax cases. This would simplify the schemes and appeals processes. More serious cases would still be prosecuted or, more serious fines/penalties would be considered

1.23 10j: Should all attempts by an individual to commit fraud be taken into account in the imposition of penalties?

Penalties are already being used in HB and CBT however until the new scheme has been determined along with the detail regarding the single fraud team I am unable to comment in detail. However offences would need to reflect the difference between strict liability offences and offences where there is the need to prove through investigation that the offender knew that what they were doing was wrong.

Section 11:

1.24 11a: Apart from the allocation of central government funding, should additional constraints be placed on the funding councils can devote to their schemes?

With LA funding being constantly reduced it is unrealistic of the Government to suggest LA's should have any additional constraints. By moving to fund Council Tax Benefit from a cash limited grant, the Government will be putting an unacceptable level of risk on Local Authorities in that it may be very difficult to administer schemes

within cash-limited resources. The Paper is silent on how year to year increases in the level of grant will be planned and managed and the relationship between increases in Council Tax Benefit Grant and the overall regime of Council Tax capping. It is possible that Councils will be in the strange position of having to raise Council Tax simply to raise enough additional resources to pay for Council Tax Benefit

1.25 11b: Should the schemes be run unchanged over several years or be adjusted annually to reflect changes in need?

To enable LA's to try and manage unmanageable budgets - no adjustments to schemes within year should be allowed but schemes should be able to be adjusted from year to year to reflect changes in need. However, there has to be some thought about a major change that happens in year (a major employer going bust) and how this would be addressed.

Again the comments made would be addressed if it were a nationally funded scheme where Central Government was able to compensate for such a local eventuality.

Section 12:

1.26 12a: What can be done to help local authorities minimise administration costs?

Having one all encompassing National scheme!

The administrative and software requirements arising from multiple schemes within councils are likely to be expensive, complex and difficult to deliver and would work against the overall aims of simplification and transparency that underpin Universal Credit.

If the Government are determined to go ahead, the automation of entitlement in as many pensioner cases as possible as it will eliminate the need to invite new claims. This would result in an increased caseload and higher payments. Transition relief or protection to be either not imposed or if it has to be, then only for the first year. The established links with CIS/ATLAS/TUO to be developed so information could be exchanged. The establishment of a national exchange of claimant's details, so moves from one district to another can be managed through the Tell Us Once system with minimal contact with the claimant.

1.27 12b: How could joint working be encouraged or incentivised?

There may be scope for some council to collaborate and jointly administer local schemes, particularly where there are current shared schemes. However, this scope exists at the moment with the National Council Tax Benefit scheme therefore if a National scheme where to be maintained joint working could be continued and built upon.

Moving to localised schemes significantly reduces this ability as well as the ability to recruit trained staff.

Section 13:

1.28 13a: Do you agree that a one-off introduction is preferable? If not, how would you move to a new localised system while managing the funding reduction?

If this scheme was to go ahead and additional funding was not available a one off introduction would be necessary – but not necessarily preferred. It is anticipated no LA will have any additional funding available - Schemes will need to be designed based on a fixed grant allocation.

Local authorities will need to consider what additional contingency arrangements should be put in place within their local schemes to take account of unplanned increases in demand or take-up.

One off transition is preferable as modelling a phased transition will increase the risk of miscalculating the need. The churn in the existing caseload is slowing. We are seeing that the number of new claims received each week has levelled off, yet the caseload continues to rise, indicating people are staying on benefit for longer.

1.29 13b: What information would local authorities need to retain about current recipients/applicants of council tax benefit in order to determine their entitlement to council tax support?

This wholly depend on the scheme being proposed but at a minimum it is anticipated all information currently retained and obtained by LA's will continue to be required

1.30 13c: What can Government do to help local authorities in the transition?

Be realistic in what you are proposing because in the current potential format, failure is imminent resulting in backlogs and errors, impacting on cash flow and causing major financial disruption to the most vulnerable. The consequences of getting this wrong are enormous and should not be understated

The timescale for implementation is wholly unrealistic. The paper suggests that the required primary legislation for localised Council Tax support schemes will not be passed until spring or Summer 2012 and that the necessary regulations will follow on from this. It is likely that the required detail and legal framework will not be on the statute books until November/December 2012 and it is not possible to design, consult, build and implement new schemes of support by April 2013. If the Government intends to pursue the localisation of Council Tax support then at the very least the implementation date for the schemes must be deferred until April 2014.

1.31 13d: If new or amended IT systems are needed what steps could Government take to shorten the period of design and procurement?

By having a national scheme IT suppliers will only have one set of system changes to make rather than hundreds of individual changes.

The software requirements arising from multiple schemes within councils are likely to be expensive, complex and difficult to deliver and would work against the overall aims of simplification and transparency that underpins Universal Credit.

These answers should be in place already to ensure a realistic transition and avoid failure.

1.32 13e: Should applications, if submitted prior 1 April 2013, be treated as if submitted under the new system?

The funding of a local scheme will require there must be an end date for the old system and a start date for the new system and this is when all must transfer irrelevant of date of commencement – any variation to this will require additional funding from government because this could not be managed by LA's when taking into account a 10% reduction in grant

13f: how should rights accrued under the previous system be treated?

Rights accrued previously would have to be null and void if a local scheme were to be administered, as a local scheme cannot financially work without additional funding from government if rights accrued were taken into account.

However in truth this question is not broad enough. There are many topics under CTB, which are not dealt with in the consultation document. For example students, PFA's non-dependants and second adult rebate and again we believe the Government have underestimated the task in hand.

Agenda Item No 10

Resources Board

10 October 2011

Report of the Assistant Chief Executive (Community Services)

Proposed Council Response to the Consultation on a Single Fraud Investigation Service

1 Summary

1.1 The purpose of this report is to request Members feedback on the proposed response to the Government's consultation document on the establishment of a Single Fraud Investigation Service that they propose to introduce as part of the wide range of welfare reform programme starting in April 2013.

Recommendation to the Board

That Members approve the Council's response.

- 2 Background: The Existing Arrangements to deal with Housing Benefit and Council Tax Benefit Fraud
- 2.1 Currently we have a single post of Senior Benefit Fraud Investigator that deals with all Housing benefit and Council Tax benefit fraud in the Borough.
- 2.2 This small resource is supplemented by administrative assistance from the Council's Benefits Section and gains effectiveness by close co-working with their opposite number at the Department for Work and Pensions fraud section.
- 3 Future Proposed Arrangements
- 3.1 The Government has now announced more details of their intention to bring together the fraud investigators from Local Authorities (LA), the Department of Work and Pensions (DWP) and Her Majesty's Revenues and Customs (HMRC) into a Single Fraud Investigation Service (SFIS) in April 2013 to mirror the amalgamation of currently separate welfare benefits into a single Universal Credit from October 2013.
- 4 Consultation Options
- 4.1 The four options that the Government have asked Local Authorities to respond to with regard to their own fraud investigator resource are
 - Option 1 LA staff remain employed by LAs but operate under SFIS powers.
 - Option 2.LA staff remain employed by LA's but are seconded to DWP.
 - Option 3 LA staff become DWP employees but operate from LA premises.
 - Option 4 LA staff become DWP employees and operate from DWP premises.
- 4.2 The Government has stated that the costs to the public purse of each option,

or how each option would be funded have not been considered at this stage.

5 **Recommended Response**

5.1 Although the details of the options are at best sketchy at this stage and on the assumption that LAs would be funded to at least to the level of being no worse off, the preferred option would initially be option 1 on the basis that it would minimise disruption to the Council's benefit service at a time of great upheaval and may still allow us to access an income stream of administrative penalties that would otherwise go to the DWP. This is also the Government's preferred option.

6 Report Implications

6.1 Finance and Value for Money Implications

6.1.1 As stated in paragraph 4.2 it is difficult to assess these implications but as in 5.1 we have chosen the option that seems to be most financially advantageous to the Council.

6.2 Safer Communities Implications

6.2.1 The options are neutral on these implications.

6.3 **Environment and Sustainability Implications**

6.3.1 Locally based investigators would keep business mileage down and help to reduce car exhaust emissions.

6.4 Human Resources Implications

6.4.1 Option 1 would maintain a steady state in terms of staffing giving a degree of certainty to staff budgets.

6.5 Risk Management Implications

6.5.1 Until details of funding are released it is hard to assess the financial risks of each option. Similarly until the LA's role in Universal Credit is finalised it is difficult to assess how much, if any, it will affect the Council's exposure to losses through fraud.

6.6 Equalities Implications

6.6.1 The options are neutral on these implications.

The Contact Officer for this report is Bob Trahern (719378).

Background Papers

Background Paper	Author	Nature of Background Paper	Date
Options Paper for the	DWP	Consultation Paper	2011
inclusion of Local			
Authority Benefit Fraud			
Investigation Teams in			
the Single Fraud			
Investigation Service			

APPENDIX

Options Paper for the inclusion of Local Authority Benefit Fraud Investigation Teams in the Single Fraud Investigation Service

1. Purpose of the Paper

1.1 The coalition government's strategy for tackling welfare fraud and error, published in October 2010, set out a commitment to create a single fraud investigation service (SFIS) to investigate benefit and Tax Credit fraud. This commitment will be achieved by bringing together investigation staff from Local Authorities (LA), Department for Work and Pensions (DWP) and Her Majesties Revenues and Customs (HMRC).

1.2 This paper:

- focuses on options for including LA benefit fraud investigation teams within SFIS,
- the criteria by which DWP has measured each option
- the initial DWP analysis
- seeks your views on the options.
- 1.3 This paper **does not** consider the costs to the public purse of each option, nor does it consider how each option would be funded. However, the Government does not intend the creation of the Single Fraud Investigation Service to put pressure on local government finances, in line with the new burdens doctrine. The Government will therefore work with local authorities to assess the net impact of any changes, including the transitional costs of moving to the new arrangements.
- 1.4 Since October 2010 the department has engaged closely with LA representatives and benefit and tax credit fraud practitioners around the country to understand the challenges involved with designing SFIS. Responses to this engagement exercise will inform further work and DWP will continue to consult on proposals once they are more fully formed.
- 1.5 The options within the paper have been developed from that engagement and seek to address some of the key issues identified.
- 1.6 A key concern and driver from LAs has been the need for a clear direction regarding the creation of SFIS by Autumn 2011 to inform the financial and planning rounds. The work on the options has been prioritised to meet that need with a view to confirming the position in November.
- 1.7 In developing these options consideration has been given to the wider LA fraud strategy being developed in conjunction with Department for Communities and Local Government and the National Fraud Authority and LA capacity to deal with other fraud. At Spending Review 2010 the Government announced that it would localise support for council tax from April 2013. On 2 August 2011 DCLG published its consultation, Localising Support for Council Tax in England, which set out proposals on key elements of a framework for local support for council tax, and is seeking views on all aspects of the proposed approach, including the investigation of fraud.

2. Why a Single Fraud Investigation Service?

2.1 The current investigation arrangements mirror the existing disparate welfare provision with DWP investigators covering DWP administered benefits, local authority investigators covering Housing and Council Tax Benefits fraud, and HMRC responsible for investigating Tax Credits fraud. This has resulted in variations in policy, practice and operational responsiveness.

- 2.2 In addition, due to the large overlap in the customer base across these benefits and credits, fraud affecting one benefit/credit can also affect those administered by the other parties. This, therefore, requires duplication of investigation resources in order to tackle all such frauds simultaneously. In practice, however, there are frequently gaps in investigation coverage or resource which mean that not all frauds being committed by the same customer are tackled effectively.
- 2.3 Measures in the Welfare Reform Bill represent the biggest change to the welfare system for over 60 years. The creation of a Universal Credit to replace benefits and Tax Credits for people of working age provides the opportunity to take a fresh look at welfare fraud investigation and address the inefficiencies in the current arrangements.
- 2.4 It follows that a single Universal Credit system should be supported by a single fraud investigation force, but the impact of such a force in tackling welfare fraud would be considerably diminished if we continued with the current disparate and inefficient arrangements for legacy benefits fraud investigation. That is why, in 2013, we plan to introduce a new Single Fraud Investigation Service for all welfare fraud. This will improve efficiency and consistency.
- 2.5 People will begin to claim Universal Credit from 2013 with a full migration of legacy claims and transition to the new service being achieved by 2017. In considering options for developing SFIS it makes sense therefore for those options to take into account the gradual design of the full service delivery of Universal Credit in 2017. A clearer understanding of the service is expected to be available from 2015.

4. The Options

- 4.1 This section outlines the possible options for LA staff joining SFIS. They **do not** describe the design or implementation of SFIS overall. In addition, LA staff are not protected from any future changes to SFIS resource requirements.
- 4.2 There are four options. The first two relate to LA staff remaining LA employees, while the second two relate to LA staff becoming employees of DWP.
- **Option 1**. LA staff remain employed by LAs, but operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under a procedural change. By leaving employment and location unchanged this option would allow LAs the flexibility to redeploy resource to meet other LA priorities if required.
- **Option 2**. LA staff remain employed by LAs in LA estate but are seconded to the DWP this option means all LA investigation staff remain LA employees based in LA estate under formal secondment to DWP and operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under both management and procedural changes. This option would allow LAs a degree of flexibility to recall and redeploy resource to meet other LA priorities, under the terms of the secondment agreement if required.
- **Option 3**. LA staff become DWP employees but deliver investigation locally from the LA estate this option means all LA investigation staff become DWP employees based in LA estate and operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under both management and procedural changes.

Option 4. LA staff become part of the DWP working within DWP estate as employees - this option means all LA investigation staff become DWP employees based in DWP estate and operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under both management and procedural changes.

5. Evaluation Criteria

- 5.1 In order to assess the relative advantages and disadvantages of the options, each one will be assessed using the following criteria. In order to inform this paper DWP have considered the top five criteria for each option to provide a summary DWP decision. There is also a paragraph which mentions other factors that exist for options individually.
 - **Legality:** Are there any legal restrictions or limitations between the options? Do we have existing legal powers or will the Welfare Reform Bill provide the powers?
 - Cost / Financial Implications: Not yet considered see paragraph 1.3.
 - Viability: How achievable is delivery of the option within the proposed timescales for SFIS?
 - People impact: Does the option require transfer of employee or changes to terms and conditions? How much training will be needed if job roles change, skills need development?
 - Fraud and Error Strategic fit: Does the option support or detract in any way from the strategic objectives of the fraud and error programme? Does it meet the specific SFIS objectives?
 - Operational impact: What does the option mean to operational performance and operational capacity to absorb change?
 - **Estates impact**: How easy or complex is each option in terms of integrating the LA estate into a single SFIS organisation?
 - IT Changes: Does the option provide a simpler or more complex IT requirement to implement? Could existing IT be enhanced to meet the proposed solution or is new IT system required?
 - Capacity of LA to deal with other Fraud: Does the option enable LA staff to continue to undertake other LA fraud activity as well as Housing Benefit Fraud?
 - **Future Proofing:** Does the option fit with the wider organisational changes around Local Government or Universal Credit implementation?
 - **Ministerial impact**: Does the option meet the expectations of Ministers and Government? Are there any wider political implications with the proposed option?
 - **Economic climate considerations:** Is the option consistent with the wider economic climate i.e. reductions in the size of the public sector?
 - 6. Option 1: LA staff remain employed by LAs, but operate under SFIS powers, policies, processes and priorities.
- 6.1 This option means that all LA investigators employed exclusively on benefit fraud remain LA employees based in LA estate but operate under SFIS powers, policies, processes and priorities. Under the Welfare Reform Bill SFIS investigators will have wider investigative powers. The investigation and prosecution policy will be the same for all welfare benefit fraud. SFIS operational processes will be agreed by 2013. This option brings LA investigation staff into SFIS under a procedural change. By leaving employment and location unchanged this option would allow LAs the flexibility to redeploy resource to meet other LA priorities.

Legality – option 1 utilises existing powers for investigation but work needs to be done on the Tax Credit element of investigations.

Cost / Financial implication – initial estimates are that costs would lower but new burdens implications need to be fully evaluated after responses were

considered and impacted alongside other changes being made in local government finance

Viability – this option is achievable by 2013 as the status quo remains in place until the decisions regarding Universal Credit are taken. It would work well in line with the localism agenda, supporting flexibility for LAs to deal with Council Tax support and other LA fraud, and allowing local knowledge to remain in the hands of the investigators.

People Impact – terms and conditions, locations and skills sets remain static but only until the organisation of Universal Credit is decided.

6.2 A key consideration for LAs, over and above the stability gained by maintaining the status quo, is that LAs retain their qualified staff who will be able to investigate Tax Credit fraud once the SFIS powers are implemented and there should also be flexibility to redeploy resource to other LA priorities.

7 Option 2: LA staff remain in LA estate employed by LA and are formally seconded to SFIS.

7.1 This option means all LA investigators employed full time on housing benefit fraud remain LA employees based in LA estate under formal secondment to DWP and operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under both management and procedural changes. This option would allow LAs a degree of flexibility to recall and redeploy resource to meet other LA priorities, under the terms of the secondment agreement.

Legality –utilises seconded staff who take on the same powers as DWP staff. DWP have existing powers for investigation which have been enhanced to cover Tax Credit investigations as part of the Welfare Reform Bill.

Cost / Financial Risk – new burdens costs would need to be fully evaluated after responses were considered and impacted alongside other changes being made in local government finance.

Viability – secondment arrangements may be difficult to implement and sustain over long periods.

People Impact – staff will be expected to remain with the same employer but work to DWP policies and procedures. This can cause tensions within the workplace. Further long term secondments may be difficult to maintain and do not offer staff security.

Fraud & Error Strategic Fit – although it fits with the fraud and error strategy, it only does so with potentially time limited secondment arrangements.

- **7.1** Other key things to consider for this option are: that it enables central control of operations and outputs yet allows the delivery of investigation services locally.
- 7.2 Key considerations for LAs are that the management and measurement of work and outputs, and of staff handling and responsibility during this period would need to be agreed and implemented. It would not necessarily be as easy for SFIS staff in LA estate to investigate other LA fraud as staff are seconded to DWP, although there is the flexibility of LAs to recall and redeploy their staff to other LA duties under the terms of the secondment agreement.
- 8 Option 3: LA staff become DWP employees but deliver investigation locally from the LA estate.

8.1 This option supports investigations to be directed by the SFIS powers, policies, processes and priorities. It also has the advantages of allowing LA investigators employed full time on housing benefit fraud to remain in their existing estate and link more closely with other parts of the local authority to combat other fraud.

Legality –brings all staff together as DWP employees. DWP have existing powers for investigation which have been enhanced to cover Tax Credit investigations as part of the Welfare Reform Bill.

Cost / Financial Risk – new burdens costs would need to be fully evaluated after responses were considered and impacted alongside other changes being made in local government finance. .

Viability – the HR work required by DWP to transfer LA staff to DWP is challenging and may not be achievable by 2013.

People Impact – the changes will lead to a great deal of uncertainty, with work required to align salaries, allowances and management activity.

Fraud & Error Strategic Fit – it mirrors the requirements of the strategy and allows a single management structure with common IT and investigation processes. However as LA and other SFIS teams are not co-located there is the risk of a loss of efficiency.

8.2 Key considerations for LA include the potential cost of estate hosting and the loss of trained LA staff to consider other LA fraud.

9 Option 4: LA staff become part of the DWP working within DWP estate as employees.

9.1 This option aligns people, processes, IT systems and estate. It enables flexibility and prioritisation by type of fraud, geographical location and areas of greatest loss.

Legality – has all staff co-located together as DWP employees. DWP have existing powers for investigation which have been enhanced to cover Tax Credit investigations as part of the Welfare Reform Bill.

Cost / Financial Risk – new burdens costs would need to be fully evaluated after responses were considered and impacted alongside other changes being made in local government finance.

Viability – option 4 is unlikely to meet delivery of SFIS by 2013, owing to the HR and estates work required.

People Impact – Salaries, pensions, local allowances, vehicles, equipment and moving location will all be a considerable source of concern and uncertainty for the staff involved.

Fraud & Error Strategic Fit – it mirrors the requirements of the strategy and allows a single management structure with common IT and investigation processes

9.2 Other key things to consider are: that it provides swift resolution and some certainty of SFIS outcome for staff. There would be some issues around the accountabilities for Section 151 officers; and it is not flexible enough to respond to the changing environment. From a DWP viewpoint this is the costliest and riskiest option.

9.3 Key considerations for LAs are the risks around Section 151 officer responsibilities, the loss of key trained staff, the impact on the localism agenda and the consideration of other LA fraud investigation

8 DWP Option Evaluation

1. Legality	Option 1 LA staff remain employed by LAs, but operate under SFIS powers, policies, processes and priorities Powers already exist to allow LA staff to investigate and prosecute benefit fraud	Option 2 LA staff remain in LA estate employed by LA and are formally seconded to SFIS Staff seconded take the same powers afforded to DWP. DWP powers exist and have been enhanced to	Option 3 LA staff become DWP employees but deliver investigation locally from the LA estate. DWP powers exist and have been enhanced to cover Tax Credit Investigations under Welfare Reform	Option 4 LA staff become part of the DWP working within DWP estate as employees. DWP powers exist and have been enhanced to cover Tax Credit Investigations under Welfare Reform
		cover Tax Credit Investigations under Welfare Reform		
2. Cost and Financial Implications	initial estimates are that costs would be lower but new burdens implications need to be fully evaluated after responses were considered and impacted alongside other changes being made in local government finance	new burdens costs would need to be fully evaluated after responses were considered and impacted alongside other changes being made in local government finance.	new burdens costs would need to be fully evaluated after responses were considered and impacted alongside other changes being made in local government finance.	new burdens costs would need to be fully evaluated after responses were considered and impacted alongside other changes being made in local government finance.
3. Viability	Achievable by 2013. LA staff remain with same employer and the focus is on integrating investigator roles into SFIS with minimum change	Achievable by 2013. LA staff remain with same employer and the focus is on integrating investigator roles into SFIS. However, secondment arrangements may be difficult to sustain long term.	Delivery by 2013 more challenging as the HR work to enable LA staff to become DWP employees will be significant.	Delivery by 2013 unlikely to be achieved. Combining the HR work to enable LA staff to become DWP employees and moving staff to the DWP estate would be very expensive.

4. People impact	Staff remain in LA employment but this is subject to review once the organisation of Universal Credit is determined. Changes to job roles, skills if LA staff do a wider set of benefit investigations. However, until then, the option provides a degree of stability and minimises disruption.	LA staff remain with the same employer but work to DWP policy and procedures. This will provide a level of consistency across all LA staff but there may be issues with the secondment arrangements if these are long term.	LA staff change terms and conditions which will generate a great deal of uncertainty. Salaries for similar roles will be different as well as pensions and local allowances for cars, transport.	LA staff change terms and conditions which will generate a great deal of uncertainty. Salaries for similar roles will be different as well as pensions and local allowances for cars, transport. Moving locations will also generate issues for some staff e.g. extra transport costs, domestic and family or child care related issues.
5. Fit with Fraud and Error Strategy	Enables a single SFIS to be established that meets policy intent and a degree of flexibility for future integration with the Universal Credit organisational design. Control over meeting SFIS objectives not as strong as other options.	Fits with F&E strategy as there is increased control to direct priorities. However, the secondment arrangements would need to be managed closely if over a longer term as competing LA priorities may overtake those of SFIS	Provides a single integrated SFIS organisation with team co-located. Would enable a single management structure and organisation with common processes and IT.	Provides a single integrated SFIS organisation with team colocated. Would enable a single management structure and organisation with common processes and IT.
Operational Risk	Potential impact on performance during transition to the Universal Credit model.	Potential impact on performance and need to merge processes for DWP/HMRC but LA processes largely the same.	Potential impact on performance and need to merge investigation into one model. More difficult to manage if not co- located.	Potential impact on performance and need to merge investigation processes from FIS/HMRC/LA into one model.

Estates analysis	Initially leaves LA investigators in LA Estate. Changes following introduction of Universal Credit not yet determined.	Leaves LA investigators in current estate so no additional cost.	Leaves LA investigators in current estate but LA may charge for the utilised space.	Integration with DWP Estate strategy required to establish how feasible it is to combine LA and DWP investigation teams. Likely capacity issues as well as high costs.
IT issues	LA staff still access existing IT. Integration of current IT could complex but further evaluation required on new IT system or linking existing systems.	LA's continue to use existing IT from within the LA Estate but sharing of information will be limited long term.	Complex issues over access to IT systems for HB/CTB. New or significantly changed IT needed for a fully integrated SFIS service in LA and DWP estate.	LA staff integrated into single IT infrastructure but complex issues over access to IT systems for Housing Benefit /Council Tax Benefit. New or significantly changed IT needed for a fully integrated SFIS service.
Impact on LA ability to deal with other fraud activity	LA staff remain under LA control until Universal Credit organisation decided when control may be lost.	LA staff remain under control of LA and can direct/prioritise resources as required.	LA staff move to DWP organisation and leave other LA fraud behind.	LA staff move to DWP organisation and leave other LA fraud behind
Future Proofing	Enables decisions on the future design of SFIS to dovetail with decisions on the organisational design of Universal Credit in 2015.	LA staff can be seconded to DWP from 2013 but the arrangements could present issues once decisions are made about the Universal Credit organisation	Taking a decision now to enable LA employees to become employees of DWP could prejudice the options for integration with the Universal Credit organisation by 2015. Future resource needs could be more difficult to manage.	Some risk relating to changing employer to DWP prior to UC decisions plus potentially tied into long term estate capacity and costs for colocation of LA staff with DWP staff.

Ministerial impact	delivers a single SFIS policy and allows LA staff to be integrated into SFIS with minimum disruption.	delivers a single SFIS policy and gives DWP more control over setting targets and priorities.	Potential for loss of capability of those who join DWP and this impacts the ability of SFIS to operate effectively.	Loss of capability enhanced if LA staff are unable to move to DWP locations. Ability to operate SFIS effectively could be severely compromised.
Economic Climate	Does not conflict with the pressure to reduce the size of the public sector as current LA employees remain with the relevant LA's.	Does not conflict with the pressure to reduce the size of the public sector as current LA employees remain with the relevant LA's.	Increase in number of Civil Servants is inconsistent with the general pressure to reduce the size of the public sector. Perception increased by recruitment of an additional 200 investigators.	Increase in number of Civil Servants is inconsistent with the general pressure to reduce the size of the public sector. Also adds to the cost of the DWP estate to house the extra civil servants

9. Your Views

- 9.1 Your input is sought to inform the final preferred option, and help to identify further issues, gaps and risks. This document will be circulated to LA Chief Executives and other key stakeholders followed by a series of further discussion opportunities including presentations at various events, teleconferences and articles in relevant publications. The letter to Chief Executives will be highlighted in HB Direct and online publications to LA staff.
- 9.2 DWP will then provide a summary response of the feedback received. The ultimate decision on which option is chosen will be made by Minister.
- 9.3 This paper and the subsequent decision does not predetermine the overall design of the SFIS, which will be developed collaboratively by DWP, HMRC and LAs. This paper does provide you with the opportunity to influence how LA staff can most effectively become part of the new SFIS service from 2013.
- 9.4 The project team aims to run a series of consultation opportunities to discuss it and deal with questions from your teams. This will include face to face presentation sessions at:
- IRRV NATIONAL 20/09/11 22/09/11
- IRRV Yorkshire & Humberside 23/09/11
- IRRV Northern Counties 26/09/11
- IRRV North Wales & North West 29/09/11
- 9.5 The Department will run a further series of engagement events after the paper is distributed as well as telekits and discussion opportunities as appropriate during the

consultation period. The Department will continue to engagement with Local Government throughout the process of designing and implementing the SFIS.

- 9.5 The Department will analyse your responses and the feedback from the governance process and produce a summary report which will be shared. Unfortunately there can be no response to individual comments, or comments received later than 14/10/11.
- 9.6 There is a proforma attached which asks some questions about the options. Please respond to SFIS.GOVERNANCE@DWP.GSI.GOV.UK no later than the 14th October 2011.

Options consultation on LA staff becoming part of Single Fraud Investigation Service (SFIS)

Many thanks for agreeing to share your views on our consultation on the options for LA staff to become part of Single Fraud Investigation Service. The survey includes a variety of questions – please disregard any you do not feel are not relevant.

We would like a single coordinated response from each Local Authority. Please ensure that your response first goes to the relevant officer. A restricted mailbox has been chosen to return the forms to and identity information will not be retained, with emails deleted once information has been captured.

Information will be managed and retained in accordance with Data Protection principles.

If you wish to provide additional information related to your response, a free text box is included at the end of the questionnaire. Alternatively, a separate email can be sent to

SFIS.GOVERNANCE@DWP.GSI.GOV.UK

Please note that we cannot reply to individual responses, and that responses received after 14/10/11 will not be accepted or fed into the consultation.

1	Which Local Authority does this co-ordinated response come from? Or if an individual response please specify.					
Noi	North Warwickshire Borough Council					
2	Do you agree with our selection criteria? If not, please say why and if there are other criteria you think we should have considered please specify.					
	Yes					
Х	No – because funding details were excluded.					

3	Do you feel the initial DWP options analysis is fair? If not please let us know what we have missed or not given emphasis to.
х	Yes
	No
4	Do you have a preferred option? If so which is it?
Х	Option 1
	Option 2
	Option 3
	Option 4
5	Why is this your preferred option / what is particularly good about it
ben	pendent upon funding details it gives the greatest stability to combating housing efit and council tax benefit fraud during a period of transition and keeps the vice local.
6	Please provide any other feedback on the options if you wish

Your Name: Bob Trahern

Your Position: Assistant Chief Executive (Community Services)

Please return your completed forms to <u>SFIS.GOVERNANCE@DWP.GSI.GOV.UK</u> no later than 14/10/11.

Thank you for taking the time to share your views.

Agenda Item No 11

Resources Board

10 October 2011

Report of the Assistant Director (Finance and Human Resources)

Housing Revenue Account
Budgetary Control Report 2011/2012
Period Ended 31 August 2011

1 Summary

1.1 The report covers total Housing Revenue Account revenue expenditure and income for the period from 1 April to 31 August 2011.

Recommendation to the Board

That the report be noted.

2 Consultation

- 2.1 Portfolio Holder, Shadow Portfolio Holder and Ward Members
- 2.1.1 Portfolio Holders and Shadow Portfolio Holders for Resources and Housing have been consulted regarding this report. Any comments received will be reported verbally to the Board.
- 3 Report
- 3.1 Under the Best Value Accounting Code of Practice (BVACOP), services should be charged with the total cost of providing the service, which not only includes costs and income directly incurred, but also support costs relating to such areas as finance, office accommodation, telephone costs and IT services and Member costs.

4 Overall Position

4.1 The Housing Revenue Account includes all costs and income relating to the letting and management of the Council's housing stock, and this has to be kept separate from General Fund expenditure. The actual position for the HRA for the period ended 31 August 2011 is a surplus of £628,582, compared with a forecast surplus position for the period of £596,841. Where possible, the forecast position has been profiled to reflect seasonal variations in expenditure and income, in order to give a better comparison with actual figures. The actual position is a favourable variance of £31,741 on the forecast position. Appendix A to this report provides details of the profiled and actual position for expenditure and income incurred by the HRA, and an explanation of significant variations are given in more detail below.

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Supervision and Management – General

5.1 There has been lower spending on legal action and court costs to date of £7,680. In addition there is a saving on recruitment of £2,490.

Supporting People, Laundries and Flats and Communal Centres

6.1 There has been a general under spend to date on utility costs of £7,620 and equipment budgets of £2,680 on the flats and communal centres budgets. In addition there is an under spend of £3,000 on the equipment maintenance budgets at the laundries. This has been partially offset by a reduction in income received to date of £8,670 for the Supporting People Service.

7 Dwelling Rental Income

7.1 Rental income is higher than expected due to a lower level of voids than was included in the budget. The actual rate is 0.55% against a budgeted rate of 1%. Two council house sales were included in the budget at this point, however four have been sold to date.

8 Housing Direct Works

- 8.1 As at the end of August there is a surplus on Housing Direct Works of £3,216, compared with a forecast surplus position of £21,787. The account balance fluctuates throughout the year depending on workloads and invoice payments. It is expected that the surplus will be achieved by the end of the financial year. Appendix B to this report provides the profiled and actual expenditure of Housing Direct Works in more detail.
- 8.2 The overspend on employee costs reflects the slightly higher usage of agency staffing on day to day repairs. The decrease in supplies and services has occurred due to lower usage and cost of materials of £12,980 and a lower use of Sub Contractors of £59,430 to date. Income is behind the profile as a lower number of jobs have been completed than expected in the period.

9 Housing Repairs Fund

- 9.1 The Housing Repairs Fund covers expenditure on all repairs and maintenance, both day to day and programmed whether carried out by Housing Direct Works or external contractors. This includes any surplus or deficit on the operation of Housing Direct Works.
- 9.2 The balance on the Fund at the start of the year amounted to £111,473. The balance can be used to cover timing issues between years. In 2011/12 the contribution to the fund is £2,477,680. Any over-spend in the repairs fund would impact on the use of Housing Revenue Account balances if it exceeded the balance on the fund and the contribution in the year. The position on the fund at the end of August is shown in Appendix C. The spend on the fund fluctuates during the year due to the timing of works, including the current surplus from Housing Direct Works.

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10 Risks to the Budget

- 10.1 The key risks to the budgetary position of the Housing Revenue Account in 2011/12 include:
 - Rising tenant expectations, following extensive improvement works may increase the demand for repairs, which will need to be continuously monitored:
 - Any reduction in the performance of Housing Direct Works will put pressure on the Council to use external contractors and therefore will impact on the level of expenditure.

11 Estimated Out-turn

- 11.1 Members have requested that Budgetary Control Reports provide details on the likely out-turn position for the Council. The anticipated out turn for the HRA for 2011/12 is £193,240 surplus, the same as the approved budget.
- 11.2 The estimated out-turn for the Repairs Fund also remains the same as that included in the original budget.

12 Report Implications

12.1 Finance and Value for Money Implications

12.1.1 The Council is currently forecasting a contribution to the Housing Revenue Fund balance for the 2011/12 financial year of £193,240. Income and expenditure will continue to be closely managed and any issues that arise will be reported to this Board for comment.

12.2 Environment and Sustainability Implications

12.2.1 The Council has to ensure that it adopts and implements robust and comprehensive budgetary monitoring and control, to ensure not only the availability of services within the current financial year, but in future years.

The Contact Officer for this report is Nigel Lane (719371).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date

HOUSING REVENUE ACCOUNT

Budgetary Control Report as at 31 August 2011

	Original	Expected	Actual		
	Budget	Spend	Spend		
	2011/2012	2011/2012	2011/2012	Variance	Comments
EXPENDITURE					
EXPENDITORE					
Repairs and Maintenance	2,477,680	1,032,367	1,032,367	-	
Supervision and Management - General	1,122,580	428,729	419,028	(9,701)	Section 5.1
Supervision and Management - Special Services	391,680	157,091	153,689	(3,402)	Section 6.1
Provision for Bad Debts	20,960	8,733	8,733	-	
Transfer to CLG	3,753,740	1,501,496	1,501,496	-	
Capital Financing	314,330	130,971	130,971	-	
Depreciation and Impairment	1,986,320	827,633	827,633	-	
Total Expenditure	10,067,290	4,087,020	4,073,917	(13,103)	
INCOME					
Gross Rent Income from Dwellings	(9,709,770)	(4,450,311)	(4,470,448)	(20,137)	Section 7.1
Gross Rent Income from Non-Dwellings	(309,700)	(145,723)	(146,225)	(502)	Occilon 7.1
Charges for Services and Facilities	(91,630)	(25,564)	(23,563)	2,001	
onaligos for convicto ana i admited	(01,000)	(20,001)	(20,000)	2,001	
Total Income	(10,111,100)	(4,621,598)	(4,640,236)	(18,638)	
NET COST OF SERVICES	(43,810)	(534,578)	(566,319)	(31,741)	
Amortised Premiums and Discounts	29,040	12,100	12,100		
Investment Income - Mortgages	(350)	(146)	(146)	_	
- Other	(11,100)	(4,625)	(4,625)	_	
Guio.	(,)	(.,==5)	(1,020)		
NET OPERATING EXPENDITURE	(26,220)	(527,249)	(558,990)	(31,741)	
Revenue Contributions to Capital	122,000	50,833	50,833	_	
Transfer to/(from) Pensions Reserve	(67,700)	(28,208)	(28,208)	_	
Transfer to/(from) Major Repairs Reserve	(221,320)	(92,217)	(92,217)	-	
	(==:,==0)	(=,=.1)	(,:)		
TOTAL (SURPLUS)/DEFICIT FOR THE YEAR	(193,240)	(596,841)	(628,582)	(31,741)	

APPENDIX B

HOUSING REVENUE ACCOUNT

HOUSING DIRECT WORKS

Budgetary Control Report as at 31 August 2011

	Original Budget 2011/2012	Expected Spend 2011/2012	Actual Spend 2011/2012	Variance
EXPENDITURE				
Employee Costs Supplies and Services Transport	848,000 878,200 84,550	328,867 358,700 32,210	331,391 286,291 35,107	2,524 (72,409) 2,897
Gross Expenditure	1,810,750	719,777	652,789	(66,988)
Total Income	(2,164,350)	(884,358)	(798,799)	85,559
Net Controllable Expenditure	(353,600)	(164,581)	(146,010)	18,571
Central Support Capital Charges	296,210 53,260	121,032 21,762	121,032 21,762	-
NET EXPENDITURE	(4,130)	(21,787)	(3,216)	18,571

Appendix C

HOUSING REPAIRS FUND (to end of August 2011)

£

Balance at 1 April 2011	111,473
Contribution 2011/12 (to August 2011)	1,029,913
Expected Use of Fund (to August 2011)	(957,501)
Balance at 31 May 2011	183,885

Agenda Item No 12

Resources Board

10 October 2011

Report of the Assistant Director (Corporate Services)

Online Services Update and Plans for promoting and increasing use

1 Summary

1.1 This report gives an update on the use of the Council's Website and those services we delivery on-line via the Internet. The report also provides information on how we plan to promote, increase and improve the use of the website for those services that can be most effectively provided on-line.

Recommendation to the Board

That the report is noted.

2 Report

- 2.1 Each year this Board receives an update on the development and use of the Council's website¹ and how information and services are being provided directly through "self-service" over the Internet. Section 3 of this report gives this update information.
- 2.2 Easy access to accurate and up to date on-line information and the ability for customers and citizens to access Council services via its website can save staff and customers time and in turn deliver efficiencies and cost savings for the Council.
- 2.3 This report outlines the plans we have to encourage customers to move away from more costly, resource intensive and time consuming ways of accessing services to using the website. This work builds on the trend for people to increasingly use on-line services and on the Government's ambition, as expressed in the Race Online 2012 campaign, to make the UK the first nation in the world where everyone can use the web.
- 2.4 It is recognised that the website is not, and may never be, the most appropriate way to deliver our more complex or personalised services. There is also an estimated 8.7 million people nationally who have never used the internet. Therefore, we need to ensure we do not exclude people from services or disadvantage them unduly due to their lack of access, skills or desire to use the Internet.

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¹ www.northwarks.gov.uk

2.5 However, despite this, the website can and should be the definitive, first point of call for council information and for the completion of service request. Over 30 million people do use the internet every day and we should be continuing to plan on-line services around these people and empowering and encouraging those who don't to learn about, enjoy and benefit from Internet services. Section 4 of this report provides information on our plans to encourage the move to self-service via the internet and for monitoring satisfaction with this move.

3 Update

3.1 The Council's Website.

- 3.1.1 Over the last 12 we have completed a major upgrade and redesign of the website and introduced new features including a street search for refuse and recycling days and improved navigation to help people find information more easily.
- 3.1.2 The number of visitors to the Council's website has continued to increase; from an average of 2,750 visitors per month in 2004/05, to 10,344 by 2006/07, 22,009 per month in 2008/09 and most recently to an average of 24,406 visitors a month during 2010/11.
- 3.1.3 This level of website use reduces the demand for information and services provided in paper format, via the phone or in person. For example if 10% of our website visitors decided to telephone us, to find out the information they need, it would (based on a 2 minute call) add over 80 hours of work into the Contact Centre each month and an additional £6,295 in monthly transaction costs². If they decided to visit, it would result in an extra 122 people a day in the One Stop Shop and £840 per day additional transaction costs.
- 3.1.4 The Council's website aims to contain accurate information on all the services provided by the Borough and links to services provided by the County Council and other relevant organisations. Citizens should be able to get answers to all their "information" question and apply for the majority of services on-line.
- 3.1.5 Current best practice for website management stresses the need to ensure that the on-line services most used by customers work well. That queries are answered "right first" time e.g. "what time is the swimming pool open?" and transaction flow logically and deliver the service the person expects. .
- 3.1.6 The most frequently accessed sections of the Councils Website are News, Jobs, Sport and Leisure and Refuse and Recycling and popular pages include:

Benefits
 Swimming
 Pool
 Planning Application
 Search

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² National figures for Local Government (source - Society of IT Managers) indicate that it costs on average £7.20 to do a single service transaction face to face, £2.90 on the phone and £0.32 online.

- Job application Waste and recycling Guidance for Householder sites Developments
- 3.1.7 The demand for information from the website is in part cyclical e.g. play schemes during school holidays and school closures during the winter. Those managing the Website have to be flexible and able to anticipate people's needs and respond to one off events, such as news on items of local interest or road closer requests in advance of next year's Jubilee.
- 3.1.8 The website is heavily used as a source of information by Council staff and it underpins the advice provided by the Contact Centre.

3.2 On-line Services

3.2.1 Previous annual updates have given more detailed information on the use of a number of on-line systems used as part of service delivery. However, these are now well established and the "on-line" part of the service has become main-stream and built in to service plans. Examples of this include

On-line Planning:-

- The Planning Portal is used to submit applications electronically.
- The basic details of all planning applications back to 1960 are provided via the Planning web pages.
- Details of listed buildings and the majority of planning decision notices are available on-line
- Consultees and members of the public are able to view applications over the Internet and make comments electronically.

On-line Leisure Booking:-

 All four Leisure Centres are able to take on-line bookings for classes and facilities.

On-line Licensing:-

- A range of licenses can be applied, paid for and issued via the Internet.
- 3.2.2 More recently introduced on-line services are progressing well and usage is increasing as customers become familiar with them and confident in their use.
 - Housing Choice Based Letting (UChoose) Brings together the Council's vacancies and those of housing associations in the area and enables applicants to make just one application and express interest in vacancies across a range of local authority areas
 - We have used the "GovMetric" system to collect customers' feedback on the website and used it to improve the information and services we provide. Examples of the improvements made can be found on "You said...We did" page of the website.
 - We have well established Twitter and Facebook presences and over 1,200 followers on Twitter who regularly pick up Council news, jobs and other announcements

- 3.2.3 Last year we identified a number of services which we planned to review and improve how they were delivered on-line. This work has been completed for:-
 - Replacement Bins and Bags
 - Missed Bin reporting
 - Streetscape Reporting
 - Job Vacancies
 - General Enquires
- 3.2.4 Work on the remaining services has been delayed as they all involve payment and we have had to review the Council's e-payments solution in order to improve security and usability. Once this is complete and improvements made we will resume work on these services.
- 3.2.5 We have also been investigating using the Councils Customer Relationship Management Software used by the Contact Centre to provide forms for the public to complete on our website. However, this work has not progresses as quickly or smoothly as anticipated and we have decided to revert to using the forms capability of our website.

4 Increasing the use of On-line Services

- 4.1 As can be seen from some of the information included in Section 3 on-line services can deliver efficiencies for the Council by moving contact and service provision to less costly channels. Over time these efficiencies should become sufficiently significant to enable the Council to achieve cash savings or avoid additional costs if demand for services increases or new services arise.
- 4.2 There has been significant research done into encouraging people to move to different ways of using a service, including web self-service, this is known as "channel migration". However, getting citizens and customers to make the change is not always a simple or quick process. They need to be:
 - a) Convinced that there is a benefit to them from self-service.
 - b) Confident that they are getting a good, secure and reliable service.
 - c) Aware that our services are available on-line.
 - d) Skilled to use the internet and on-line services
 - e) Able to use the internet at a time and place convenient to them.
- 4.3 The Council has initiatives including Community Hubs and Broadband provision, which are in the process of being reported to members, that aim to tackle issues relating to point d skills and point e access.
- 4.4 To address the remaining issues (points a -c) around benefits to the customer, trust in the services we provide on-line and awareness of the Councils on-line services we plan to:

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- Continue to review and develop the Council's on-line forms to ensure they
 provide a good customer experience and result in the service being
 delivered as expected e.g. parking fine paid quickly and easily.
- Develop e-payments to enable on-line services to be paid for seamlessly and securely.
- Investigate the incentives and benefits we could pass back to customer for them using on-line services.
- Improve the experience of people using our website through mobile and smart phones, which is increasing steadily.
- Ensure our website remains reliable, secure and responsive.
- Investigate and if feasible implement new on-line services such as Council Tax e-billing and on-line payment for leisure activities.
- Take part in national campaigns such as Race On-line to encourage people to use, enjoy and benefit from the internet.
- Work with other local councils, partners and organisations to develop and promote on-line service.
- Promote on-line services through Northtalk, on the website, at events and on Council assets and publications.
- Continue to gather feedback on the problems people encounter when using the website and on-line services and then use the feedback to make improvements.

5 Report Implications

5.1 Finance and Value for Money Implications

5.1.1 There are no financial implications arising directly from this report. However, it is anticipated that increasing the use of on-line services will deliver efficiencies.

5.2 Environment and Sustainability Implications

5.2.1 Providing information and services on-line enables people to access them without having to travel to a Council building or incur additional costs such as call charges.

5.3 Equalities Implications

5.3.1 We aim to continue to make our website compliant with accessibility standards. The website contains functionality to make it more easily readable for people with visual impairments and can be read out to people using reader software readily available on the Internet.

5.4 Links to Council's Priorities

5.4.1 The website is an important way for customers to gain information and to access on-line services, such as Leisure bookings and Planning applications. Its ongoing development supports commitments made in the Council's Customer Access Strategy. The provision of services via the web compliments and supports other access channels such as telephone

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enquiries and can be more cost effective than providing paper information or delivering services face to face.

The Contact Officer for this report is Linda Bird (719327).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date

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Agenda Item No 13

Resources Board

10 October 2011

Report of the Assistant Director (Finance and Human Resources)

Budgetary Control Report 2011/12 Period Ended 31 August 2011

1 Summary

1.1 The report covers revenue expenditure and income for the period from 1 April 2011 to 31 August 2011. The 2011/12 budget and the actual position for the period, compared with the estimate at that date, are given, together with an estimate of the out-turn position for services reporting to this Board.

Recommendation to the Board

That the report be noted.

2 Consultation

- 2.1 Portfolio Holder, Shadow Portfolio Holder and Ward Members
- 2.1.1 Both Councillors' Forwood and Lea have been consulted regarding this report. Any comments received will be reported verbally to the Board.
- 3 Report
- 3.1 Introduction
- 3.1.1 Under the Best Value Accounting Code of Practice (BVACOP), services should be charged with the total cost of providing the service, which not only includes costs and income directly incurred, but also support costs relating to such areas as finance, office accommodation, telephone costs and IT services.
- 3.1.2 Therefore, to comply with this requirement, the budgets reporting to this Board fall into two categories services where the costs incurred are recharged to other services and Boards, and those services where costs remain within Resources Boards and are reported separately within this report.

4 Services Remaining Within Resources Board

4.1 **Overall Position**

4.1.1 The total expenditure for those services that remain within Resources Board as at 31 August 2011 is £1,287,064, compared with a profiled budgetary position of £1,399,637; an under-spend of £112,573 for the period. Appendix A to this report provides details of the profiled and actual position for each service reporting to this Board, together with the variance for the period. Where possible, the year-to-date budget figures have been calculated with some allowance for seasonal variations, in order to give a better comparison with actual figures. Reasons for the variations are given, where appropriate, in more detail below:

4.2 **Democratic Process**

4.2.1 There are a number of underspends that make up the total underspend of £10,576 and these include training, telephones, corporate subscriptions, vehicle hire (Mayoral car), members allowances and other member expenses.

4.3 Elections Expenses

4.3.1 The current over-spend relates to the purchase of polling booths and ballot boxes and is to be funded through a combination of reserves and contributions from future elections.

4.4 Council Tax Collection

4.4.1 There are currently underspends on professional fees, legal costs, bailiffs and advertising and publicity.

4.5 Unallocated Central Support Services

4.5.1 The budgets for training and recruitment are held centrally and transferred to services as expenditure is incurred. There are currently underspends on both training and recruitment of £9,525 and £4,007 respectively.

4.6 Innage Park Industrial Estate

4.6.1 The current underspend on this budget is a result of additional rental income due to the unbudgeted occupancy of three additional units on the estate. This is forecast to bring in an additional £15,590 in income over the full year.

4.7 Corporate and Democratic Core

4.7.1 This underspend is a result of a reduction in Audit Fees for the 2009/2010 Grant Certification Process

4.8 Rent Allowances

4.8.1 The current underspend on this budget is a result of increased income from the recovery of benefit overpayments.

4.9 Rent Rebates

4.9.1 The current position includes additional administration grant received and increased recovery of overpayments.

4.10 **Concessionary Fares**

4.10.1 The current underspend of £6,567 is a result of a credit from Warwickshire County Council for a reduction in the payment to WCC for the 2007/08 Concessionary Fares service.

5 Services Recharged to Other Directorates and Services

5.1 **Overall Position**

5.1.1 Net expenditure for those services that are recharged to other Directorates and Services, as at 31 August 2011, is £56,055, compared with a profiled budgetary position of £125,968; an under-spend of £69,913 for the period. Appendix B to the report gives the profiled and actual positions for the period for each service, together with the variance. Where possible, the year-to-date budget figures have been calculated with some allowance for seasonal variations, in order to give a better comparison with actual figures. Reasons for the variations are given, where appropriate, in more detail below.

5.2 **Directorate Budgets**

- 5.2.1 The Council's budget requirement for 2011/12 assumed that there would be salary vacancy savings in the year of £80,000, and this was included as a central amount. The central vacancy factor has been added into the budget columns shown in Appendix B, to enable easier comparison with the actual position. Current vacancy levels within the Directorates mean that we are ahead of the target at the current time, taking into account the use of temporary and agency staff to cover key duties and any recruitment costs resulting from these vacancies, and excluding vacancies that relate to the Housing Revenue Account.
- 5.2.2 The areas with vacancies are Policy Support, Transport and Streetscape, Facilities Management, Landscape Management, Community Support, Revenues and Benefits and Transport. A summary of the position contributing to the central vacancy factor (General Fund only) is shown below:

	£
Current agency staff variance	21,880
Current salaries underspend	(67,920)
TOTAL	(46,040)

In addition to the vacancies, provision for the £250 pay award for staff earning below £21,000 included in the budget has not been needed, giving a current underspend of £11,680.

5.2.3 Other significant variances include under-spends on Non Domestic Rates and building maintenance expenditure, staff cars, vehicle fuel, postage and professional fees. There are no significant over-spends at the moment.

6 Performance Indicators

6.1 In addition to the financial information provided to this Board, when the budgets were set in February, performance indicators were included as a means of putting the financial position into context. These are shown at Appendix C.

7 Risks to the Budget

. . .

- 7.1 A number of key risks to the budgetary position of the Council from services under the control of this Board were identified when the budget was set in February.
- 7.2 The key risks to the budgetary position of the Council from services under the control of this Board include:
 - A change in rental income at industrial estates through changes to vacancy levels and the added effect of the obligation for the Council to pay the Non Domestic Rates of these units was identified as a risk. Income is currently just below budgeted levels although it should be noted that the budget assumed a high number of vacant units, especially at Innage Park.
 - The costs of managing absence, for example occupational health costs and cover by agency staff. These are currently running below the profiled budget provision.
 - Increasing costs of maintaining mechanical equipment within the Council
 offices and other properties. As core mechanical elements of the building,
 such as the lift or the automatic entrance doors, continue to age, the
 likelihood of breakdown increases. At the moment expenditure is at a level
 at or below budget in most areas.
 - The negotiated pay award being in excess of that included in the budgets.
 The budgets included an additional £250 for all staff earning up to £21,000. It has since been confirmed that this does not apply to Local Government staff and the current position is that there will be no pay award in the current year.
 - Potential increases in vehicle fuel and utilities such as gas and electricity.
 Currently the increase built into budgets for vehicle fuel covers rises to
 date in this year but as costs continue to rise there may be pressures in
 this area. All other utility costs appear to be in line with budgets.

- Increase in contracts that are based on RPI (5.0% in May 2011 and currently 5.0%). To date no significant increases have been seen although many contracts are still to be increased.
- The increase in numbers of claimants for benefits could increase the council's costs. Whilst most of the costs are covered by subsidy (approximately 98%), the council would still have to find the balance.
- Additional resources that may be required to support externally funded projects such as North Warwickshire LEADER. No additional resources have yet been required but there are pressures on the day-to-day activities of those staff involved in supporting these projects.

8 Estimated Out-turn

8.1 Members have requested that Budgetary Control Reports provide details on the likely out-turn position for each of the services reporting to this Board. The anticipated out-turn for this Board for 2011/12 is £3,572,990 as detailed in the table below: -

	£
Approved budget 2011/2012	3,739,800
Projected salary under spends in excess of vacancy factor	(40,000)
Non payment of £250 pay award	(30,000)
Reduction in Recruitment	(15,000)
Reduction in WCC contribution towards Customer Contact	9,270
Expected Out-turn 2011/12	3,664,070

9 Report Implications

9.1 Finance and Value for Money Implications

9.1.1 The Council's budgeted contribution from General Fund balances for the 2011/2012 financial year is £419,380. This is expected to reduce by £75,730, as shown above. Income and Expenditure will continue to be closely managed and any issues that arise will be reported to this Board at future meetings.

9.2 Environment and Sustainability Implications

9.2.1 The Council has to ensure that it adopts and implements robust and comprehensive budgetary monitoring and control, to ensure not only the availability of services within the current financial year, but in future years.

The Contact Officer for this report is Nigel Lane (719371).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date

North Warwickshire Borough Council RESOURCES BOARD (REMAINING) Budgetary Control Report 2011/12 as at 31 August 2011

	Original	Profiled			
	Budget	Budget to	Actual to end	Variance to	
Description	2011/2012	August 2011	August 2011	Date	Comments
Democratic Process	737,370	309,271	298,695	(10,576)	Paragraph 4.2
Election Expenses	79,530	61,832	68,579	6,747	Paragraph 4.3
Registration of Electors	46,620	13,938	12,644	(1,294)	
Non Domestic Rates	37,490	59,137	58,851	(286)	
Council Tax Collection	218,330	103,707	85,493	(18,214)	Paragraph 4.4
Investors in People	12,190	4,275	4,275	-	
Finance Miscellaneous	630	250	250	-	
Compensation and Pension Increases	112,090	34,935	35,106	171	
Assisted Car Purchases	(130)	(54)	-	54	
Minor Works	2,100	875	-	(875)	
Electricity at Work	21,970	15,408	12,222	(3,186)	
Efficiencies and Value for Money	53,490	21,312	21,313	1	
Finance Unused Land	420	175	175	-	
Corporate and Democratic Core	766,810	197,921	190,207	(7,714)	Paragraph 4.7
Unallocated Central Support Services	139,380	29,464	15,839	(13,625)	Paragraph 4.5
Coleshill Shops and Flats	(66,840)	(27,890)	(27,416)	474	
The Arcade	10,770	(1,538)	(2,470)	(932)	
The Pavilions, Holly Lane	(58,160)	(28,322)	(27,424)	898	
Carlyon Road Industrial Estate	(111,390)	(48,931)	(47,851)	1,080	
Innage Park Industrial Estate	109,080	63,795	56,999	(6,796)	Paragraph 4.6
Polesworth Workspace Units	(3,980)	(3,585)	(3,462)	123	
The Bear and Ragged Staff	(12,080)	(5,475)	(5,560)	(85)	
Football Stadium	360	150	150	-	
Homeless Persons	69,180	45,937	46,402	465	
Public Conveniences	99,840	67,637	64,516	(3,121)	
Customer Contact	140,410	41,651	44,479	2,828	
Rent Allowances	115,070	38,240	(2,161)	(40,401)	Paragraph 4.8
Rent Rebates	58,990	23,488	8,326	(15,162)	Paragraph 4.9
Concessionary Fares	34,280	13,892	7,325	(6,567)	Paragraph 4.10
Non Domestic Rates Discretionary Relief	24,830	842	842	-	
Council Tax Benefits	120,810	15,224	19,557	4,333	
Car Parks	62,680	39,300	40,307	1,007	
Business Improvement District	1,560	650	654	4	
Environmental Sustainability	8,710	3,629	3,625	(4)	
Private Sector Housing Assistance	258,350	30,733	31,173	440	
CCTV	112,330	37,198	37,229	31	
Community Support	532,560	193,590	191,199	(2,391)	
North Warwickshire LEADER (External)	45,350	18,896	18,896	-	
Branching Out Bus (External)	16,140	27,572	27,572	-	
North Arden Heritage Trail (External)	1,220	508	508	-	
TOTALS	3,798,360	1,399,637	1,287,064	(112,573)	

North Warwickshire Borough Council RESOURCES BOARD (RECHARGED) Budgetary Control Report 2011/12 as at 31 August 2011

Description	Original Budget 2011/2012	Profiled Budget to Aug 2011	Actual to end Aug 2011	Variance to Date	Comments
Building Maintenance Fund	-	-	-	-	
Council Offices	(80)	46,382	35,513	(10,869)	Paragraph 5.2
Central Telephones	-	(814)	(815)	(1)	
Recruitment	-	(1)	-	1	
Printing and Copying	(60)	(262)	(855)	(593)	
Training	-	1,332	2,229	897	
Depot and Stores	(20)	9,218	9,810	592	
Postal Services	-	(13)	24	37	
Chief Executive Directorate	(560)	(790)	(2,845)	(2,055)	
Assistant Chief Executive	(3,340)	2,955	(16,465)	(19,420)	Paragraph 5.2
Directorate of Community Services	(2,300)	(5,087)	(12,553)	(7,466)	Paragraph 5.2
Directorate of Resources	(7,930)	18,535	(34,967)	(53,502)	Paragraph 5.2
Corporate Services	520	112,132	94,678	(17,454)	Paragraph 5.2
Transport	560	(24,286)	(17,699)	6,587	Paragraph 5.2
TOTALS	(13,210)	159,301	56,055	(103,246)	
Central Vacancy Factor	(80,000)	(33,333)	-	33,333	Paragraph 5.2
TOTALS	(93,210)	125,968	56,055	(69,913)	

Key performance Indicators (KPIs) for budgets reporting to the Resources Board

	Budgeted performance	Profiled Budgeted performance	Actual performance to Date
Registration of Electors Cost per elector for the Electoral Register	£0.93	£0.28	£0.25
Non Domestic Rates % of NDR Collection Rate Cost per NDR Property	98.90%	49.45%	50.88%
	£17.28	£27.25	£26.79
Council Tax Collection % of Council Tax Collection Tax	98.50%	49.25%	49.23%
Cost per Household	£8.12	£3.86	£3.18
Coleshill Shops and Flats Occupancy Rate Annual Income per Shop	100.00%	100.00%	100.00%
	(£8,954)	(£4,156)	(£4,074)
The Arcade Occupancy Rate Annual Income per Unit	42.86%	42.86%	35.71%
	(£1,166)	(£1,007)	(£1,074)
The Pavilions Occupancy Rate Annual Income per Unit	87.50%	87.50%	87.50%
	(£9,069)	(£4,582)	(£4,571)
Carlyon Road Industrial Estate Occupancy Rate	87.50%	87.50%	87.50%
Annual Income per Unit	(£7,566)	(£3,426)	(£3,121)
Innage Park Industrial Estate Occupancy Rate	44.19%	44.19%	44.19%
Annual Income per Unit	(£2,280)	(£1,181)	(£1,322)
Polesworth Workspaces Occupancy Rate Annual Income per Unit	100.00%	100.00%	100.00%
	(£1,518)	(£854)	(£837)
Rent Allowances Rent Allowances per Claimant Cost of Administration per Claimant	£4,352	£1,813.51	£1,879.61
	£65.75	£21.85	-£1.26
Rent Rebates Rent Rebates per Claimant Cost of Administration per Claimant	£3,405	£1,418.80	£1,520.09
	£31.89	£12.70	£4.97
Council Tax Benefits Council Tax Benefits per Claimant Cost of Administration per Claimant	£906.24	£885.93	£866.85
	£22.79	£2.87	£3.70

Agenda Item No 14

Resources Board

10 October 2011

Report of the Assistant Director (Finance and Human Resources)

Consolidated Budgetary Control Report 2011/12 - Period Ended 31 August 2011

- 1 Summary
- 1.1 The report covers total Council General Fund revenue expenditure and income for the period from 1 April 2011 to 31 August 2011.

Recommendation to the Board

That the report be noted.

- 2 Consultation
- 2.1 Portfolio Holder, Shadow Portfolio Holder and Ward Members
- 2.1.1 Both Councillor Forwood and Councillor Lea have been consulted regarding this report. Any comments received will be reported verbally to the Board.
- 3 **Board Report**
- 3.1 Overall Position
- 3.1.1 The actual level of Board expenditure for the period to 31 August 2011 is £3,986,375 compared with a profiled budgetary position of £4,176,659; an under-spend of £190,284 for the period. Appendix A provides an analysis of Board expenditure and the overall position for the Council for this period.
- 3.1.2 As well as expenditure directly attributable to services, and included in the Board totals, there are a number of other amounts that need to be taken into account that provide the total net expenditure for the Council. This includes investment income, external interest payments and adjustments to reverse capital charges included within Board expenditure, from out of Council expenditure. Taking these amounts into account, net expenditure for the Council to the end of August totals £3,618,950, compared with a profiled position of £3,826,546, resulting in an under-spend for the period of £207,596.
- 3.1.3 Where possible, the budget profile figures have been calculated with some allowance for seasonal variations, in order to give a better comparison with

actual figures. Reasons for the variations are given, where appropriate, in more detail below:

4 Board Expenditure

- 4.1 **Licensing Committee** Income from Premises Renewals is currently ahead of the profiled budget due to the increased frequency of turnover in ownership of pubs and clubs.
- 4.2 **Planning and Development Board** Income on Planning Control is behind target by £35,920 as a result in a decline in the number of planning applications being submitted. Additionally, the projected cost to the Council of the Building Control Partnership with Nuneaton & Bedworth Borough Council are projected to be £41,000 higher than budgeted due to a fall in income as a result of a downturn in the building industry, combined with the loss of business to the private sector.
- 4.3 **Community and Environment Board** There has been a continued downturn in Leisure Centre income as a result of falling Direct Debit members, partially offset by reductions within employee costs. There has been a net increase in the Kerbside recycling costs. These have been offset by under spends to date on Cesspool disposal costs, supplies and service within the Refuse and Horticulture DSO's, Tree Management costs and transport costs within the DSO's.
- 4.4 **Executive Board** Within this board there are currently savings on Printing of £2,562 due to a cheaper supplier being procured to design and print the North Talk publication. There is also an additional underspend within the Emergency Planning budget of £5,460 and £14,580 on the Outreach and Access to Service budget.

5 Resources Board

- 5.1 **Recharged to Services** There are a number of posts that have become vacant since the budget was set and are now unfilled. There is also an underspend as the provision for a £250 pay award for lower paid staff has not been needed. Other significant variances include under-spends on Non Domestic Rates and building maintenance expenditure, staff cars, vehicle fuel, postage and professional fees. There are no significant over-spends at the moment.
- Remaining Within Democratic Services there are underspends on Member training, allowances and other expenses. Additional income has been received within Council Tax Collection to assist in carrying out additional work. Training and Recruitment are both under-spent at the moment, in part due to vacant posts and the policy of freezing posts where possible. There are additional underspends as a result of the reduction in Audit Fees for the 2009/10 Grant Certification Process and a credit from Warwickshire County Council for a reduction in the payment for the 2007/08 Concessionary Fares service. There is an improvement in the level of recovery of benefit overpayments.

- 5.3 Set against these underspends, Elections Expenses has an overspend arising from the purchase of new polling equipment, although these costs will be recovered through income from future elections. Finally, income from the County Council towards Customer Contact has reduced.
- 5.4 **Investment Income** There has been a higher return of investment interest than expected to date due to higher levels of investments held.

6 Risks to the Budget

- 6.1 In setting the budget in February 2011, a number of key risks to the overall budgetary position of the Council are highlighted below: -
 - Changes in the financial markets and the expected cash flow of the Authority, which affect the investment income the Council can obtain.
 - Further deterioration in the economic position, which could lead to additional demand for Council services in areas such as benefits and homelessness, whilst reducing demand in income generating areas, such as planning and leisure service. There have been some reductions in income from leisure facilities, trade refuse and planning already.
 - A large proportion of revenue costs relate to the Councils workforce. Pay awards are negotiated nationally, and any variance from the increase assumed would impact on the financial position. In addition, a vacancy factor for staff turnover is included within the overall estimates. Should vacancies be less than expected then additional costs will be borne by the Authority. The current level of vacancies is in excess of that budgeted.
 - Any significant loss of the Council's workforce will impact on the services provided by the Council. Additional costs may be incurred where these are statutory functions.
 - Recent analysis has highlighted the above inflationary increases in a number of cost areas faced by the Council, which are not matched by the increases in revenue the Council can generate. There is a risk that this mismatch will continue. RPI has increased since the budgets were set, and currently stands at 5.0%.
 - Transport fuel and utilities prices have seen significant fluctuations over recent times, and this is still a possibility. However, the Authority has renegotiated many of the electricity and gas contracts and this has helped in eliminating some of the uncertainty. The increases built into budgets to cover expected rises in vehicle fuel are currently sufficient.
 - Until the likely grant settlements for 2013/14 and 2014/15 are known there
 is a risk that the assumptions made on external funding could prove
 incorrect.

 Sustained economic downturn leading to reduced membership and usage at leisure facilities and reduced demand for cesspool emptying and trade refuse services, which has been apparent in this financial year, as illustrated by the downturn in leisure income

7 Estimated Out-turn

7.1 Members have requested that Budgetary Control Reports provide details on the likely out-turn position for each of the services reporting to this Board. The anticipated out-turn for this Board for 2011/12 is £10,086,760 as detailed in the table below: -

	£
Approved budget 2011/2012	10,127,570
Increased cost to NWBC of Building Control	41,000
Potential reduction in Planning Fee income	25,000
Loss of Leisure Income	30,000
Refuse / Recycling Increased Costs	30,000
Projected salary underspends in excess of vacancy factor	(40,000)
Non payment of £250 pay award	(30,000)
Reduction in Recruitment	(15,000)
Reduction in WCC Contribution towards Customer Contact	9,270
Expected Out-turn 2011/12	10,177,840

7.2 The figures provided above are based on information available at this time of the year and are the best available estimates for this Board, and may change as the financial year progresses. Members will be updated in future reports of any changes to the forecast out turn.

8 Report Implications

8.1 Finance and Value for Money Implications

- 8.1.1 The Council's budgeted contribution from General Fund balances for the 2011/2012 financial year is £419,380. As can be seen above, an increase in net expenditure of around £50,270 is expected to date. The position will continue to be monitored closely and reported to Members at a future meeting of this Board.
- 8.1.2 Income and Expenditure will continue to be closely managed and any issues that arise will be reported to this Board for comment.

8.2 Environment and Sustainability Implications

8.2.1 The Council has to ensure that it adopts and implements robust and comprehensive budgetary monitoring and control to ensure not only the availability of services within the current financial year, but in future years.

The Contact Officer for this report is Nigel Lane (719371).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date

North Warwickshire Borough Council

Consolidated Budgetary Position for the Period 31 August 2011

Board	2011/12 Original Budget	Expected Spending	Actual Spending	Variance
Board	Buuget	August	August	
Executive Planning and Development Licensing Committee Community and Environment Resources (including staff vacancies)	558,510 564,800 28,010 5,399,250 3,457,110	220,184 221,437 19,682 2,189,751 1,525,605	195,588 248,550 15,098 2,184,020 1,343,119	(24,596) 27,113 (4,584) (5,731) (182,486)
Net Board Expenditure Contingencies	10,007,680 119,890	4,176,659	3,986,375	(190,284)
Net Board Expenditure	10,127,570	4,176,659	3,986,375	(190,284)
Investment Income RCCO Use of Balances Financing Adjustment	(100,000) 130,000 (419,380) (913,530)	(42,466) 54,167 - (361,813)	(59,778) 54,167 - (361,813)	(17,312) - - -
Net Expenditure	8,824,660	3,826,546	3,618,950	(207,596)

Agenda Item No 15

Resources Board

10 October 2011

Report of the Deputy Chief Executive

Treasury Management Update Quarter 1 2011/12

1 Summary

1.1 This report shows the Treasury Management activity during the first guarter of 2011/12.

Recommendation to the Board

That the Treasury Management Update Report for Quarter 1 be noted.

2 Report

2.1 CIPFA issued the revised Code of Practice for Treasury Management in November 2009. The revised Code suggests that Members should be informed of Treasury Management activities at least twice a year, but preferably quarterly. This report therefore ensures that the Council is following Best Practice in accordance with the Code.

3 **Economic Forecast**

- 3.1 The Council's Treasury Advisers, Sector, provides the forecast: shown below.
- 3.2 The forecast is based on a slower and more protracted economic recovery than normal business cycle recoveries as this is a financial crisis recovery where lack of credit is stifling growth.
- 3.3 The first Bank Rate increase is expected to be in November 2011 but with reservations that it could well slip back in time, unless there is good news on the UK economic recovery before then. It is expected to reach 3% by March 2014.
- 3.4 Long term PWLB rates are expected to remain stable until September 2012, rising to 5.65% by March 2014.

3.5 There is considerable uncertainty in all forecasts depending on how quickly and strongly the UK economy responds to the positive stimulus from low Bank rate, quantitative easing and the devaluation of sterling.

		5 year	10 year		50 year
	Forecast	PWLB rate	PWLB	PWLB	PWLB
June 11	0.50%	3.12%	4.45%	5.24%	5.20%
Sept 11	0.50%	3.55%	4.75%	5.40%	5.40%
Dec 11	0.75%	3.65%	4.75%	5.40%	5.40%
March 12	1.00%	3.75%	4.80%	5.40%	5.40%
June 12	1.25%	3.90%	4.95%	5.40%	5.40%
Sept 12	1.50%	4.00%	4.95%	5.40%	5.40%
Dec 12	1.75%	4.15%	5.00%	5.45%	5.45%
March 13	2.00%	4.25%	5.05%	5.50%	5.50%
June 13	2.25%	4.45%	5.15%	5.50%	5.50%
Sept 13	2.50%	4.60%	5.20%	5.50%	5.50%
Dec 13	2.75%	4.65%	5.25%	5.60%	5.60%
March 14	3.00%	4.75%	5.25%	5.65%	5.65%

4 Treasury Management Strategy Statement

4.1 Annual Investment Strategy

- 4.1.1 The Treasury Management Strategy Statement (TMSS) for 2011/12 was approved by Resources Board on 1 February 2011 and by Council on 24 February 2011. The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:
 - Security of Capital
 - Liquidity
 - Yield
- 4.1.2 The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Sector.
- 4.1.3 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the first quarter of 2011/12. Investment

rates are currently at an historical low point, illustrated by the amount of interest earned in quarter 1, £36,670 (budgeted interest £29,918) compared to the same period last year, £27,350. The average interest rate on investments for this period was 2.03% compared to the benchmark of the 7 day LIBID rate of 0.46%. The average investment made in the first quarter was £350,500 and the average total level of investments held was £7,666,697.

4.1.4 Appendix A shows the investments held at 30 June 2011.

5 **Borrowing**

5.1 **Prudential Indicators**

- 5.1.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The Council's approved Prudential Indicators (affordability limits) are outlined in the approved TMSS. Officers can confirm that the Prudential Indicators were not breached during the first quarter of 2011/12.
- 5.1.2 The Council has borrowed funds short term on three occasions to fund a shortfall in cash flow.

Number of days	Amount £000	Rate %
10	1,000	0.55
4	2,000	0.60
18	1,300	0.40

6 Report Implications

6.1 Finance and Value for Money Implications

6.1.1 During Quarter 1, interest earned on investments was £36,670 and interest paid on borrowings was £539.

6.2 Environment and Sustainability Implications

6.2.1 By having effective and prudent treasury management, this contributes towards sustainability and providing services that improve the quality of life for the communities of North Warwickshire.

6.3 Risk Management Implications

6.3.1 Credit ratings are used in assessing the institutions on the authorised lending list and the maximum investment level permitted.

The Contact Officer for this report is Jackie Marshall (719379).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date

Treasury Management Update, Quarter 1, 2011/12

APPENDIX A

Name of Institution	Call, Fixed, 7 day, MMF etc	Rate %		Amount £	Date of Investment	Maturity Date
LLoydsTSB	Fixed		2	2,000,000	16/07/2010	18/07/201
Santander UK plc	Fixed		0.93	1,000,000	20/06/2011	20/07/201
Barclays Bank	Fixed		5.82	1,000,000	01/08/2010	01/08/201
Santander UK plc	Fixed		1.64	1,000,000	07/02/2011	07/11/201
Barclays Bank	Fixed		1.05	1,000,000	16/05/2011	16/11/201
RBS Deposit	Call			1,575,980		
Total Investments at 30 June	e 2011		-	7,575,980		

Agenda Item No 16

Resources Board

10 October 2011

Report of the Chief Executive

Exclusion of the Public and Press

Recommendation to the Board

That under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business, on the grounds that it involves the likely disclosure of exempt information as defined by Schedule 12A to the Act.

Agenda Item No 17

Extension of Banking Contract – Report of the Assistant Director (Finance and Human Resources)

Paragraph 3 – by reason of the report containing financial details of an organisation.

The Contact Officer for this report is David Harris (719222).