

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in **THE COUNCIL CHAMBER, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON** on **WEDNESDAY, 27TH JULY 2005** at **6:00 PM** and you are requested to attend for the transaction of the following business:-

**Contact
(01480)**

APOLOGIES

1. MINUTES (Pages 1 - 2)

To approve as a correct record the Minutes of the meeting of the Panel held on.

**A Roberts
388009**

2. STATEMENT OF ASSURANCE, 2004: ISSUES PAPERS

(a) Performance Management (Pages 3 - 6)

To receive a report by the Head of Policy on progress with the implementation of the Comprehensive Performance Management Framework.

**I Leatherbarrow
388005**

(b) Corporate Governance Training (Pages 7 - 8)

To receive a report by the Head of Administration on training to be provided for Members of the Panel on Corporate Governance.

**R Reeves
388003**

(c) Risk Management Review (Pages 9 - 14)

To consider a report by the Head of Financial Services containing an update on risk management and proposals for the implementation of the Risk Management Plan.

**E Smith
388157**

(d) Project Management of Capital Projects (Pages 15 - 16)

To receive a report by the Head of Environment and Transport on action taken relating to project management of capital projects.

**R Preston
388340**

(e) Corporate Governance Improvement Planning - Financial Services (Pages 17 - 24)

To receive a report by the Head of Financial Services setting out progress with improvement planning within Financial Services.

**S Couper
388103**

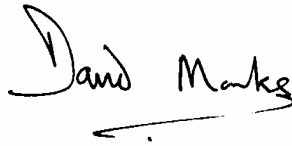
3. INTERNAL AUDIT SERVICE: ANNUAL REPORT (Pages 25 - 34)

To receive a report by the Internal Audit Manager to which is attached the Internal Audit Annual Report.

**D Harwood
388115**

4. **REPORT AND ACCOUNTS 2004/05** (Pages 35 - 36)
- To consider a report by the Head of Financial Services to which are attached for approval the draft Report and Accounts 2004/05.
- G Dolan
388106**
5. **MONEY LAUNDERING AVOIDANCE POLICY AND PROCEDURE**
(Pages 37 - 40)
- To consider a report by the Audit Manager outlining the implications for the Council of recent legislation relating to money laundering and recommending the adoption of a Money Laundering Avoidance Policy.
- D Harwood
388115**
6. **MEMBERS' ALLOWANCES** (Pages 41 - 42)
- To consider a report by the Head of Administration recommending an increase in Members' allowances for 2005/06.
- R Reeves
388003**
7. **MEMBERS' LICENSING CODE OF GOOD PRACTICE** (Pages 43 - 52)
- To consider a report by the Head of Administration containing proposals for the introduction by the Council of a Members' Licensing Code of Good Practice.
- R Reeves
388003**
8. **SPECIAL MEETING**
- To set a date for a **Special** Meeting of the Panel to consider, inter alia, the Annual Statement of Assurance.
9. **COMPLAINTS** (Pages 53 - 56)
- To receive a report by the Director of Central services containing an analysis on internal complaints and a summary of complaints determined by the Local Government Ombudsman.
- L Jablonska
388004**
10. **EXCLUSION OF THE PRESS AND PUBLIC**
- To resolve:-
- that the public be excluded from the meeting because the business to be transacted contains exempt information relating to an applicant for a service provided by the Council and the financial affairs of a particular person other than the authority.
11. **LOCAL GOVERNMENT OMBUDSMAN - LOCAL SETTLEMENT OF COMPLAINT** (Pages 57 - 58)
- To consider a report by the Director of Central Services on the local settlement of a complaint referred to the Local Government Ombudsman.
- L Jablonska
388004**

Dated this 19th day of July 2005



Chief Executive

Notes

1. *A personal interest exists where a decision on a matter would affect to a greater extent than other people in the District –*
 - (a) *the well-being, financial position, employment or business of the Councillor, a partner, relatives or close friends;*
 - (b) *a body employing those persons, any firm in which they are a partner and any company of which they are directors;*
 - (c) *any corporate body in which those persons have a beneficial interest in a class of securities exceeding the nominal value of £5,000; or*
 - (d) *the Councillor's registerable financial and other interests.*

2. *A personal interest becomes a prejudicial interest where a member of the public (who has knowledge of the circumstances) would reasonably regard the Member's personal interest as being so significant that it is likely to prejudice the Councillor's judgement of the public interest.*

Please contact A Roberts, Democratic Services Officer, Tel No 01480 388009/e-mail: Anthony.Roberts@huntsdc.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Panel.

Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.

Members of the public are welcome to attend this meeting as observers except during consideration of confidential or exempt items of business.

[Agenda and enclosures can be viewed on the District Council's website – www.huntingdonshire.gov.uk](http://www.huntingdonshire.gov.uk) (under Councils and Democracy).

If you would like a translation of Agenda/Minutes/Reports or would like a large text version or an audio version please contact the Democratic Services Manager and we will try to accommodate your needs.

Emergency Procedure

In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit and to make their way to the base of the flagpole in the car park at the front of Pathfinder House.

Agenda Item 1

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in the COUNCIL CHAMBER, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON on Wednesday, 18th May 2005

PRESENT: Councillors I C Bates, P J Downes,
L M Simpson, C J Stephens, I P Taylor and
R G Tuplin

APOLOGY: An apology for absence from the meeting
was submitted on behalf of Councillor T V
Rogers

1. ELECTION OF CHAIRMAN

RESOLVED

that Councillor C J Stephens be elected Chairman of the Panel for the ensuing Municipal Year.

Councillor C J Stephens in the Chair.

2. MINUTES

The Minutes of the meetings of the Panel held on 23rd and 30th March 2005 were approved as a correct record and signed by the Chairman.

3. MEMBERS' INTERESTS

No declarations were received.

4. APPOINTMENT OF VICE-CHAIRMAN

RESOLVED

that Councillor T V Rogers be appointed Vice-Chairman of the Panel for the ensuing Municipal Year.

Chairman

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PERFORMANCE MANAGEMENT (Report by Head of Policy)

1. INTRODUCTION

- 1.1 In publishing the Annual Statement of Assurance on Corporate Governance, the Council identified a number of emerging developments and, specifically, the challenge inherent in implementing the new Comprehensive Performance Management Framework (CPMF) and its effectiveness as a measure of our progress in meeting objectives and in applying the principles of good governance.
- 1.2 The importance of the contribution made by performance management to good governance is recognised in the District Council's Local Code of Corporate Governance (Dimension 2).
- 1.3 The purpose of this report is to provide the Panel with an update on the progress to date and future planned actions in the implementation of the CPMF.

2. BACKGROUND

- 2.1 It was acknowledged during the CPA process and other reviews, that the Council has had elements of performance management systems in place for some time. However, the Council also recognised the need to bring these systems together into a comprehensive framework. Some two years ago a decision was taken to develop a CPMF based on the "balanced scorecard" approach. It was felt that this approach had a number of advantages, including —
 - its focus on achievement rather than activity;
 - its ability to assess performance from a number of perspectives, not just financial;
 - its linkage to the contribution made by employees and Members in achieving priorities; and
 - the facility provided for continuous monitoring of performance, with the opportunity for remedial action at an early stage where this is necessary.
- 2.2 In 2004 the Council adopted a new Corporate Plan – "Growing Success". This Plan provided the context within which the CPMF would operate. In particular, it identified the Council's key priorities and the other outcomes that we are seeking to achieve to bring about our vision for the future of Huntingdonshire.

3. PROGRESS

- 3.1 During the last year work has continued to develop the framework, particularly in the area of prioritisation. The Council's six key priorities have been assessed and categorised as high, medium and low in

accordance with perceived current needs. It is envisaged that the categorisation will change in the light of achievements made against the priorities and in relation to the changing needs of the District over time. The impact of Council services on these priorities has also been assessed and ranked similarly as high, medium or low. When combined, these two exercises provide an important aid to service planning, service review and the allocation of resources.

- 3.2 A considerable body of work has also been undertaken to develop outcomes, measures and targets at service levels. This establishes a clear link or thread between our day-to-day or operational activities and the achievements of the Council's overall priorities and outcomes. The exercise has involved the design and data capture required to commission the computerised system which is to be used to manage, analyse, monitor and report.
- 3.3 The Council has recently considered and updated "Growing Success". For the first time, it has been possible to include within the Plan a "scorecard" which will provide information on performance in terms of the Council's priorities and other outcomes against the targets set last year.
- 3.4 Many of the performance measures have been collected from an annual survey. When the framework was introduced there was a need to identify targets and set measures: this proved to be a significant and innovatory piece of work for the Council. In some cases, baseline information was incomplete or simply unavailable and, accordingly, revised targets have been set where performance data or additional information has become available subsequently. In some areas data is still not available, either because it is in the course of collection – eg via a staff survey, (since completed) – or because work was still underway to develop the systems and criteria against which performance would be measured.
- 3.5 It is critical to the value and success of the framework, for the information provided from it to be used to improve performance in the future. In that respect, both Overview & Scrutiny Panels and the Cabinet have considered the performance data contained in "Growing Success" and have —
 - sought clarification on aspects of performance for the past year;
 - suggested that the priorities referred to in the Plan should be used to support future decision-making, particularly when allocating resources; and
 - commented on the ranking of services in terms of their perceived impact on the achievement of the Council's priorities.
- 3.6 In future the Panels and the Cabinet will receive quarterly reports on performance against targets in the Plan and other indicators on performance. Monitoring will focus on interim or "leading" measures which are intended to provide assurance that performance at the end of the year will meet the targets set or highlight the need for remedial action in the meantime.

4. FUTURE ACTIVITIES

- 4.1 It will take time to ensure that a culture of performance management is in place across all Council services and activities. One of the primary activities which will help to embed that culture and the new framework will be to ensure that performance data is extracted and used regularly. The frequent and regular reporting to Managers and Members will help to achieve that objective.
- 4.2 Work will continue to improve the quality and scope of the measures, targets and data available via the CPMF. Performance in achieving the Council's overall Improvement Plan and in monitoring planning obligations – benefits which arise from growth in the area – will be incorporated into the framework during the forthcoming year. Work will also continue to develop the criteria against which aspects of our performance can better be assessed.
- 4.3 Training for users of the system has been commissioned and specific training for members of the Overview & Scrutiny Panels is scheduled to take place in the autumn. The computerised system also will be developed over time to make information available online as well as in hard copy and to publish performance data via the Council's website.

5. RECOMMENDATION

- 5.1 The Panel is invited to note the progress to date in the implementation of the Council's Comprehensive Performance Management Framework and the areas for future development over the next 12 months or so.

BACKGROUND INFORMATION

Corporate Plan – "Growing Success"

Contact Officer: Ian Leatherbarrow, Head of Policy
☎ (01480) 388005

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CORPORATE GOVERNANCE TRAINING

(Report by Head of Administration)

1. Introduction

- 1.1 The Statement of Assurance on Corporate Governance which was approved by the Panel for 2004 identified a need for training on the subject of corporate governance in view of its emergence as an area of key importance.
- 1.2 Arrangements have now been made for training to be provided for both Members and Officers as detailed in this report.

2. Training

- 2.1 It has now been possible to engage an experienced trainer who will cover the following topics as part of a two hour session in the early evening of 29th September 2005 –
 - The governance agenda
 - Scope and role of the Corporate Governance Panel
 - Planning the Panel's work programme
 - The implications of external and internal audit reports
 - Appraising the performance of the internal audit service
 - Dealing with issues of internal control, fraud and misconduct
 - Assessing and appraising the Panel's effectiveness.

A similar session will be provided for senior managers earlier in the day.

3. Conclusion

- 3.1 The training provided will enable the requirement identified in the Statement of Assurance to be met and will also enable the Panel to identify what additional training (if any) they consider necessary.

It is therefore

RECOMMENDED

that the Panel note this report.

Background Papers:

Statement of Assurance on Corporate Governance
Outline training programme supplied by The Wayside Network Ltd.

Contact Officer:

Roy Reeves
Head of Administration
(01480) 388003

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**RISK MANAGEMENT REVIEW
(Report by Head of Financial Services)**

1. INTRODUCTION

- 1.1 Risk management is something that managers have always intuitively carried out, to varying degrees, as part of their normal work. However, in recent years, its significance has been widely recognised as critical to the sound management of any organisation that wishes to maximise its chances of achieving the goals and targets which it considers are important. The Council's Code of Corporate Governance, approved by the Panel last year, recognised this by identifying the need for the Council to develop its approach in this area.
- 1.2 This report explains what progress has been made already and what is intended in the future so that risk management becomes a more robust discipline and is embedded in the everyday work of the Council.

2. ACTIONS TAKEN TO DATE

- 2.1 In August 2004 the Panel approved a *Code of Corporate Governance*, which identified objectives for risk management. An extract of the code is attached at Annex A with a summary of what actions have been taken. The more significant developments are also outlined below.
- 2.2 In 2003 the Authority appointed a consultant to facilitate workshops for key Cabinet Members, Directors and Heads of Service. This was both a training exercise and an opportunity for Members and Officers to begin to identify and record the risks affecting the Council.
- 2.3 The workshops resulted in the first draft of the risk register, which has been subsequently developed by service managers with support and advice from the Risk Management Advisor. Each Head of Service now has responsibility for the accuracy and review of the portion that affects their services. The register is based on lists of the risks that could stop a service being effectively delivered. Each risk is assessed for likelihood and severity to identify its inherent position in a risk grid (Annex B). The existing controls, or mitigation, to reduce the scale of the risk are also recorded and a second assessment of the scale of the mitigated risk is made on the assumption that the controls are operating effectively. There is also provision to record the intention to introduce further controls if the scale of the mitigated risk is still considered to be too high.
- 2.4 In formalising its performance management into a Corporate Scorecard the Council has created a set of key targets on which its performance should be judged. It is therefore important to re-focus the individual service-based risks into how they impact on the achievement of the Council's targets. At the same time, by starting from the targets, rather

than the services, it is possible that other risks, not previously identified, will emerge. The Audit Manager and Financial Resources Manager have had discussions with Heads of Service and Activity Managers to start this process. It has also emerged strongly in recent drafts of the standards for the next CPA assessment that best practice is creating this focus on the Council's priorities. There will be a need to redefine the definitions of the impact of risk to take account of the effect on achieving the Council's priority targets.

- 2.5 The Panel approved a paper on risk appetite at its meeting on 23 March 2005. This provided a framework whereby certain levels of mitigated risk would require formal acceptance by Directors, COMT or the Panel depending on the magnitude.
- 2.6 The Service Recovery Group has met under the chairmanship of the Head of Administration to produce a corporate service recovery plan. This document identifies the processes that should be followed in order to deal with any significant interruption to the normal delivery of services. It also provides the key data and contacts to assist their task. The plan was first tested in a "desk-top" exercise and subsequently was used for real on 30th June 2005 when there was a loss of power to Pathfinder House. Feedback is being collated and will be used to refine the plan.
- 2.7 A Risk Management Group, chaired by the Director of Commerce and Technology, has met regularly since January 2004. It has taken responsibility for the development of the risk register and has addressed other issues including:
 - Services where the Authority's insurers can assist by investigating and giving recommendations to reduce risk, for example a survey of car parks
 - Areas of risk where improved management and controls can contribute to reducing risk, such as work-related driving
 - Services where there are incidents and insurance claims, but the cost of increased mitigation is not considered cost-effective, for example subsidence claims relating to trees
 - Review of insurance claims to consider if the Authority should take higher excesses on the insurance policy and introduce new controls to reduce the number of claims

3. RISK MANAGEMENT DEVELOPMENT PLAN

- 3.1 The Risk Management Development Plan is attached at Annex C and the items are explained below.
- 3.2 The risk register is in place but needs to be a dynamic document that managers can, and will, refer to and update as part of their everyday work. To achieve this it needs to be more manager friendly and so a procurement process is taking place to obtain some software that will achieve this.
- 3.3 Some progress has been made on linking risks to the Corporate targets but further work is necessary. The new software will have the facility to link risks to both services and corporate targets.

- 3.4 Most of the work to date has been related to the processes but the most critical element now is to effect the necessary culture changes so that risk management becomes second nature. It is however not an end in itself but a means to delivering the Council's priorities. It is therefore intended that:
- All reports and proposals at officer or member level should, where relevant, refer to the impact of whatever is being considered on the Council's targets.
 - In doing this there must be explicit consideration of the risks of achieving this impact and, if the level of mitigated risk requires it, approval by the appropriate person/body.
- 3.5 To support this change relevant officers will need further training in:
- Basic risk management
 - Its integration with the Council's performance management system
 - The new software.
- 3.6 It is both logical and best practice for there to be an influential member to "champion" corporate themes such as Risk Management. The Panel has a key role in overseeing it but it is also proposed that the Panel recommend to Cabinet that they identify a member of the Cabinet for this role.
- 3.7 There are some risks that are of particular interest to members, such as the reputation of the authority. It would be appropriate for the Member "champion" to take an interest in such areas on behalf of all members.
- 3.8 The corporate service recovery plan provides a good starting point for service recovery but extra work needs to be carried out on individual service recovery plans. These particularly need to concentrate on how loss of computing facilities or key personnel could be partially or completely overcome at acceptable cost.

4. RECOMMENDATION

It is recommended that the Panel:

- Note progress to date
- Recommend to Cabinet that a Cabinet member be designated as the Risk Management "Champion"
- Endorse the proposals for future development of Risk Management.

BACKGROUND INFORMATION

Audit Commission's Key lines of enquiry for use of resources

Audit Commission's CPA indicators – auditor's assessment of financial controls

Cipfa's guidance on the Statement on Internal Control

Local Code of Corporate Governance August 2004

Contact Officer: Mrs Eleanor Smith
 **01480 388157**

Local Code of Corporate Governance

Risk management and internal control	Key indicator of compliance	Current position
Develop and maintain robust systems for identifying and evaluating all significant risks that involves the participation of all those associated with planning and delivering services	Assurance framework including: <ul style="list-style-type: none"> • Corporate Plan • Service plans • Risk registers • Self assessment 	In place In place In place Under development
	Risk management strategy	Approved by Cabinet in January 2004
	Risk register	In place but in need of updating and linking to service delivery targets
	Risk Management Group	In place from January 2004 and meets regularly
	Control framework	External audit provide an annual statement in their annual report on the systems of control. The Audit Manager also provides an annual opinion
	Internal Audit	Audits are based on an assessment of risks
	Risk Management Advisor	Appointed September 2003
	Project Management	On every significant project the activity charter or the PRINCE 2 process will be used. Both require risks to be considered
MTP project appraisals	Bids are required to provide a risk assessment. Methodology for improved appraisal and evaluation is nearly complete	

Risk matrix

Likelihood / Frequency	Almost Certain	5					
	Likely	4					
	Occasional	3					
	Unlikely	2					
	Improbable	1					
			1	2	3	4	5
			Trivial	Minor	Significant	Major	Critical
			Impact				

RISK APPETITE LEVELS

Very High	<p><i>The consequences of a risk materialising would have a disastrous impact on the Council, its reputation or business continuity.</i></p> <p>Inherent: Risk requires to be mitigated.</p> <p>Residual: Unacceptable level of risk exposure which requires immediate corrective action OR acceptance of the risk by the Corporate Governance Panel.</p>
High	<p><i>The consequences of a risk materialising would be severe although not disastrous.</i></p> <p>Inherent: Risk requires to be mitigated.</p> <p>Residual: Unacceptable level of risk exposure which requires measures to be put in place to reduce exposure OR acceptance of risk by COMT.</p>
Medium	<p><i>The consequences of a risk materialising would be detrimental although not severe. There would be an impact on the day-to-day delivery of services.</i></p> <p>Inherent: Mitigation should be considered.</p> <p>Residual: Acceptable level of risk exposure subject to endorsement of the appropriate Director</p>
Low	<p><i>There would be consequences if the risk materialised but they would not be detrimental. There would be some minor impact on the day-to-day delivery of services.</i></p> <p>Inherent: Risk accepted. No additional mitigation required.</p> <p>Residual: Acceptable level of risk exposure.</p>

Risk Management Development Plan 2005/6

		Officer responsible	Date
1.	Procure software to link risks to service delivery targets and to enable Managers to regularly review and update their risks	Eleanor Smith, Financial Resources Manager	August 2005
2.	Where relevant, all reports to Cabinet to include a comment on: <ul style="list-style-type: none"> • The impact of the proposal on achieving the Council's targets • An explicit consideration of the risks of achieving this impact and, if the level of mitigated risk requires it, approval by the appropriate person/body. 	Steve Couper, Head of Financial Services	Corporate Governance Panel 27 July 2005
3.	Arrange training for staff through formal or informal means to include: <ul style="list-style-type: none"> • Basic risk management • Its integration with the Council's performance management system • The new software for managing risks and linking them to service targets 	Chris East, Risk Management Advisor	October 2005
4.	The Cabinet appoints a Cabinet member to be a Risk Management 'Champion'	Steve Couper, Head of Financial Services	Cabinet September 2005
5.	Identify the risks that are of particular interest to members and for the Risk Management 'Champion' to take an interest on behalf of all members	Chris East, Risk Management Advisor	Cabinet September 2005
6.	Develop detailed service recovery plans for individual services	Heads of Service	October 2004
7.	Develop the definitions of the impact of a risk to include the effect on the delivery of services and achieving the Council's priority targets	Steve Couper, Head of Financial Services	Corporate Governance Panel December 2005

PROJECT MANAGEMENT OF CAPITAL PROJECTS (Report by Head of Environment & Transport)

1. INTRODUCTION

- 1.1 Internal Audit issued their report on the project management of capital projects in June 2004. The audit identified nine risk areas and concluded that the residual risks in the system were unacceptably higher than the Council should be willing to accept.
- 1.2 This report updates the Panel on progress in respect of actions on the audit findings and the wider development of project management within the Council.

2. OUTLINE OF THE CURRENT PROJECT MANAGEMENT PROCESS

- 2.1 Heads of Service are responsible for the delivery of capital projects within their areas of responsibility. Typically they will nominate a project manager to be responsible for the day-to-day delivery of the project.
- 2.2 Depending on the size of the project a Project Board may be established, comprising a Director and/or the relevant Executive Councillor, with overall responsibility for delivering the project and realising the benefits proposed in the approved project appraisal. Where there are multi-disciplinary interests in the project a Project Team may also be established to assist in the management of the project.
- 2.3 All capital projects are subject to a monthly review by the Capital Programme Monitoring Group (CPMG), chaired by the Head of Environment and Transport. This considers progress against key project dates and financial outturn/forecasts against the approved project appraisal.
- 2.4 The CPMG routinely report to Executive Councillors and their reports form the detailed content of the quarterly capital programme monitoring reports to Cabinet.
- 2.5 Employees who are likely to be nominated as project managers have been trained in the use of 'activity charters'. This is an easy to use project management tool, which is adaptable to most of the projects promoted by the Council. The nationally recognised PRINCE2 project management system is used for information technology projects.

3. SUMMARY OF SPECIFIC ACTIONS

- 3.1 The following specific actions (using the notation of the audit report) have been taken in response to the audit's findings –
 1. all projects are now managed by use of either activity charters or PRINCE2;
 2. a draft project management protocol has been prepared, but remains to be finalised;

3. training has been given to relevant staff in the use of activity charters and project managers are recorded in the CPMG records;
4. project managers are required to prepare project plans identifying key project stages/dates;
5. key project dates are recorded in a database maintained by the CPMG with initially approved dates locked so that subsequent variations are properly recorded and accounted for;
6. budget forecast and variations are monitored and recorded by the CPMG in addition to the monitoring undertaken by the relevant budget holder;
7. project managers are charged with preparing and maintaining risk logs;
8. MTP project appraisals are to be revised such that more detail is required as the year in which the implementation of the scheme approaches compared with that in the initial appraisal – this will provide the basis for the detailed project brief; and
9. completed projects are to be subject to post-implementation reviews.

3.2 'Managing Projects – A Corporate Guide', the draft project management protocol (referred to in 2 above), is being developed to provide comprehensive guidance covering the whole life of a project from initial identification to post-implementation review. In addition to ensuring that projects are delivered on time and to budget there will be an emphasis on measures to ensure benefits realisation i.e. that projects deliver the service improvements promised in the initial bid for MTP funds.

4. RECOMMENDATIONS

4.1 The Panel are recommended to note

- (a) that arrangements are now in place which provide assurance that system risks relating to project management of capital projects are being properly managed; and
- (b) that the publication at a future date of 'Managing Projects – A Corporate Guide' will extend the project management process from scheme inception to post-implementation review.

Background papers

Internal Audit Report: Project Management of Capital Projects (June 2004)
'Managing Projects – A Corporate Guide' (working draft available from the Head of Environment & Transport)

Contact Officer: Richard Preston, Head of Environment & Transport
☎ 01480 388340

**CORPORATE GOVERNANCE IMPROVEMENT PLANNING
FINANCIAL SERVICES
(Report by the Head of Financial Services)**

1 BACKGROUND

- 1.1 The Panel received a report at their March meeting which summarised the proposed actions resulting from the Council's CPA assessment.
- 1.2 This report updates the Panel on the latest position in relation to those items that are the responsibility of the Head of Financial Services.

2 RISK MANAGEMENT

- 2.1 A separate report elsewhere on the agenda deals with progress on Risk Management.

3 CAPACITY

- 3.1 A report on the Council's financial strategy, including the potential impacts of capping, will be prepared for September Council. It will review the Council's financial position in the longer term and allow Members to consider the appropriate balance between spending on services and Council Tax increases.

4 PROCUREMENT

- 4.1 The review of the Procurement Strategy to take account of the Gershon report, the National Procurement Strategy and principles of sustainability is approaching completion. It will be included on the Agenda of the Panel's next meeting.

5 FINANCIAL MANAGEMENT

- 5.1 The CPA score for this area was based on the District Auditor's assessment of the Council against a matrix entitled Use of Resources. Annex A shows the results in summary form. Only three areas out of the 18 assessed were considered to be ***"Adequate overall, but some weaknesses that need to be addressed"***.
- 5.2 Annex B provides an extract of the matrix for the three areas which received this assessment. The following paragraphs comment on these areas.

Meeting financial targets

- 5.3 The Council has a history of underspending, mainly due to cautious assumptions on interest rates and ambitious development programmes. Two exercises have been undertaken in recent years to ensure that any spare budgets are identified and deleted.

- 5.4 With our significant, though falling, levels of investments (over £60M) a variation of just a ¼% in interest rates will exceed £150k and there have been some years when our fund managers have performed very well for us. The Council allows its fund managers to use a broader range of investments than many Councils do, which has provided us with higher but more volatile returns. As the level of reserves falls in the future the range of investments will be narrowed and returns become slightly more certain.
- 5.5 Over £5¾M of last year's capital programme will now take place this year and £6¾M of this year's programme has already been identified as needing to be deferred to 2006/07. This will have a revenue impact of approaching £300k.
- 5.6 The Cabinet receives quarterly reports on capital and revenue budget monitoring providing the latest forecast position and these forecasts are taken account of when the MTP is reviewed.
- 5.7 Clearly underspending is preferred to overspending, but there is no easy solution to the main problems which are caused by the volatility of investment returns and the natural reaction of service managers to ensure that funds are always available based on every project making best progress. Apart from stressing the need for realism in the MTP review there is a limit to what can be achieved.

Risk Management

- 5.8 The position on this is covered by a separate report on your Agenda.

Financial Statements - Quality

- 5.9 Given the size and complexity of the Council's services and turnover it is only to be expected that there will be a few errors most years. The changing deadline (a month earlier each year) also puts added pressure on staff. Our external auditors will pick most of these errors up during the course of the audit allowing us to adjust the accounts so that an accurate set are published.
- 5.10 Material errors are those that are significant enough to allow the accounts to give a false impression. There are basically two types of these – totally wrong figures and putting the right figure in the wrong place. The Council has occasionally made a material error of the second type. These have usually been related to identifying which category of assets or liabilities a new type of item (new to the Council) should be included in or where a change to the Accounting Code of Practice, since the previous year, has been overlooked.
- 5.11 Accountancy staff are all aware of the need to avoid errors and each time an error is found the close down procedure is adjusted to avoid the same mistake again. Changes to the Code of Practice are not usually highlighted and so technical updates and advice are relied on to identify the changes. District Audit also produced a helpful summary for us this year based on the 2003/04 accounts which should be of assistance.

6. NEW CRITERIA

- 6.1 In June The Audit Commission published a new matrix for use in the next round of CPA assessments. It is much more demanding than the current version and there is national concern, led by the LGA, that it will lead to Authorities improving their performance but getting a lower assessment than last time which will be difficult to explain to the public.

- 6.2 Whilst it is difficult, in professional terms, to fault the items included in the matrix it would be difficult for any District Council to have the funding or the critical mass to achieve all the elements.

7. CONCLUSION

- 7.1 Risk Management and Procurement are key areas for improvement and work is progressing on these. The volatility of interest rates and the large and optimistic capital programme make avoiding underspending difficult, though the position is regularly reassessed and reported to Cabinet. Every attempt is made to avoid errors in the final accounts but it is difficult to achieve perfection in such a large and complex process.
- 7.2 The Use of Resources matrix will be more demanding in the future and officers need to consider the resource implications of achieving its higher expectations before reporting back to the Panel.

8. RECOMMENDATIONS

- 8.1 The Panel are recommended to:
- Note the action already taken and planned
 - Receive a report on the new Use of Resources matrix at a future meeting

BACKGROUND INFORMATION

CPA Assessment
New Use of Resources matrix

Contact Officer: Steve Couper, Head of Financial Services ☎ 01480 388103

ANNEX A

	1	2	3	4
	Inadequate	Adequate overall, but some weaknesses that need to be addressed	Adequate	Good
Financial standing				
Setting a balanced budget				
Setting a capital programme				
Financial monitoring and reporting				
Meeting financial targets				
Financial reserves:				
Systems of internal financial control				
Monitoring of financial systems				
An adequate internal audit function is maintained				
Risk identification and management				
Standards of financial conduct, and the prevention and detection of fraud and corruption				
Ethical framework				
Governance arrangements				
Treasury management				
Prevention and detection of fraud and corruption				
Financial statements				
Timeliness				
Quality				
Supporting records				
Legality of significant financial transactions				
Roles and responsibilities				
Consideration of the legality of significant financial transactions				
New legislation				

<p>Indicator</p> <p>1.4 Meeting financial targets</p>	<p>1</p> <p>In at least two of the last three years the authority exceeded any of its original gross budgets by more than 5% and/or there is evidence of reductions in the range of services, such as unplanned redundancies or closure of facilities, or planned contribution to reserves were not achieved.</p> <p>OR: In at least two of the last three years the authority underspent its original budget by more than 5% where there is evidence that the underspends were not planned or expected.</p>	<p>2</p> <p>In at least two of the last three years the authority exceeded any of its original gross budgets by more than 1% but less than 5% but with no evidence of reductions in the range of services, or planned contribution to reserves were not achieved.</p> <p>OR: In at least two of the last three years the authority underspent its original budget by more than 2.5% where there is evidence that the underspends were not planned or expected.</p>	<p>3</p> <p>In at least two of the last three years the authority performed to all of its original gross budgets (within a 1% tolerance), with no evidence of reductions in the range of services. Planned contribution to reserves achieved.</p>	<p>4</p> <p>In at least two of the last three years the authority performed to or under all of its original gross budgets, with no evidence of reductions in range of services and/or evidence of improvements in the range of services. Planned contribution to reserves achieved. There is no history of underspending which could imply too generous budgets being set.</p>
	<p>There are no targets set for income collection and arrears. Or targets are set but are either missed and/or not monitored.</p>	<p>There are targets set for income collection and arrears which are monitored. Follow up action occurs but is unstructured.</p>	<p>There are targets set for income collection and arrears which are monitored and managers take action when needed.</p>	<p>There are targets set for income collection and arrears, which are monitored, reported to managers and members and action taken when needed.</p>
	<p>There is a history of overspending.</p>	<p>The consequences of under/over spending are not taken into account when setting subsequent budgets.</p>	<p>The reasons for, and consequences of, over/under spending are taken into accounts when setting subsequent budgets.</p>	<p>The reasons for, and consequences of, over/under spending are taken into account when setting subsequent budgets.</p>
<p>Auditor Assessment</p>	<p>✓</p>			

Indicator	1	2	3	4
2.3 Risk identification and management	There are no arrangements for the identification, assessment and management of key financial and operational risks.	There are arrangements for risk identification and assessment, but not for the subsequent management of all the key financial and operational risks identified.	There are arrangements for risk identification, assessment and management in place for all key financial and operational risks which include: <ul style="list-style-type: none"> • Formal identification and assessment of risks. • Mapping of risks to internal controls. • Changing behaviour and resources allocation in response to clarifying risks. 	There are arrangements for risk identification, assessment and management in place for all key financial and operational risks which include: <ul style="list-style-type: none"> • Formal identification and assessment of risks. • Mapping of risks to internal controls and to budgets and resource allocations. • Changing behaviour and resources allocation in response to clarifying risks. • Monitoring the effectiveness of the internal controls through key indicators. • Comparison with other authorities and/or organisations.
	No involvement of members in determining key risks and response.	No involvement of members in determining key risks and response.	<ul style="list-style-type: none"> • Involvement of members in determining key risks and response. 	<ul style="list-style-type: none"> • Involvement of members in determining key risks and response.
	Only insurance risks are assessed.	Risk register in place, but needs updating for some areas.	<ul style="list-style-type: none"> • Risk register in place which is reviewed and updated. 	<ul style="list-style-type: none"> • Risk register in place which is reviewed and updated.
Auditor Assessment	√			

Indicator	1	2	3	4
4.2 Quality	<p>Accounts presented for audit contained fundamental errors, such as:</p> <ul style="list-style-type: none"> ● primary statement(s) missing ● extant accounting standards not implemented; ● professional guidance not followed 	<p>Accounts presented for audit contained at least one material error*, or contained individual errors* that, in aggregate were material.</p> <p>Extant accounting guidance and professional guidance not always followed</p> <p>*Errors are defined as: Errors in the statement of accounts, or notes, other than those relating to 'grey areas', where an alternative treatment was adopted after discussions with the auditor (where, however, the original treatment was based on the authority's misunderstanding of the relevant accounting principles this <u>would</u> count as an error).</p>	<p>Accounts presented for audit contained only immaterial errors* (individually, or in aggregate).</p> <p>Extant accounting guidance and professional guidance followed.</p>	<p>Accounts presented for audit contained only trifling errors (SAS 610 revised).</p> <p>Extant accounting guidance and professional guidance followed.</p>
Auditor Assessment	√			

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INTERNAL AUDIT SERVICE ANNUAL REPORT

(Report by the Internal Audit Manager)

1. Purpose

- 1.1 To receive the annual report of the internal audit service.

2. Introduction

- 2.1 This report provides an audit opinion for the 12 month period July 2004 to June 2005. It also details the details the work undertaken against the 2004/05 annual audit plan and the performance standards achieved.

3. Audit Opinion

- 3.1 Internal Audit's terms of reference require an opinion to be given on the overall adequacy and effectiveness of the Council's internal control environment.

- 3.2 The internal control environment comprises the Council's policies, procedures and operations in place that:

- establish and monitor the achievement of its objectives
- identify, assess and manage the risks to it achieving its objectives
- facilitate policy and decision making
- ensure the economical, effective and efficient use of resources
- ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations
- safeguard its assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption
- ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes

- 3.3 An opinion on the level of assurance is prepared at the conclusion of all audit reviews. Appendix A details the work undertaken during the reporting period and the opinions given. In addition to audit reviews, work is also undertaken on a sample of agreed actions introduced. The findings from this work also assist in the formation of the opinion. All audit reports can be accessed by Members via the Internal Audit intranet site.

- 3.4 The statement below is based upon individual audit report opinions and the action taken by managers to address the risks identified.

It is my opinion, based upon the audit work completed in the period 1 July 2004 to 30 June 2005, that Huntingdonshire District Council's internal control environment and systems of internal control provide limited assurance over the effective exercise of its functions.

In preparing this opinion I have been particularly conscious of giving appropriate weighting to issues relating to the lack of compliance with the Code of Procurement. Whilst there is no evidence that the Council has been disadvantaged by Officers not complying with the Code, the breaches have been serious enough for the Monitoring Officer to issue

instructions to all Senior Officers reminding them of their responsibilities under the Code.

In addition, the lack of progress in dealing with the agreed actions arising from the document retention and records management audit is a significant corporate control issue.

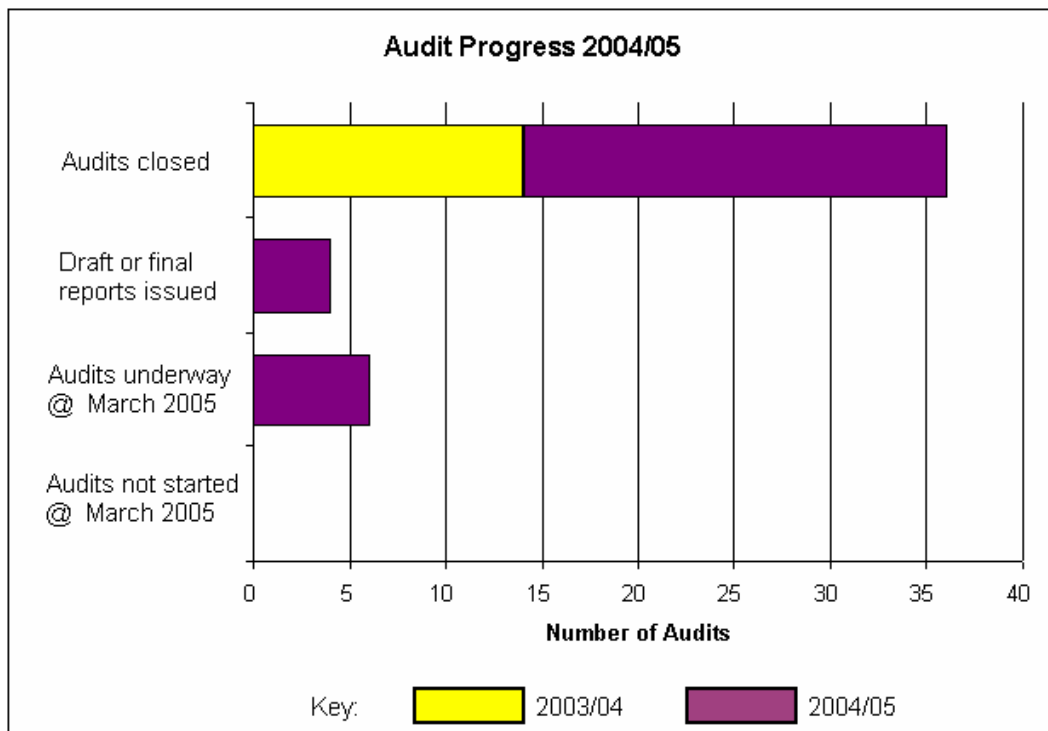
In respect of those systems that refer to, or are substantially related to, internal financial control, it is my opinion that the controls operated by management are currently adequate. However, the system of internal financial control can only provide reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded and material errors or irregularities are either prevented or would be detected within a reasonable period.

David Harwood
Internal Audit Manager
July 2005

4. Delivery of 2004/05 Audit Plan

4.1 The internal audit plan for the 2004/05 financial year, approved by the Director of Commerce & Technology, contained 33 audit reviews. The audit plan is not a static document but needs to be amended to reflect changing circumstances. The changes in 2004/05 resulted in the three audits being deleted and two added giving a revised total of 32.

4.2 36 audit reports were issued during 2004/05. Of these, 14 related to the 2003/04 audit plan. Summary details of the total work completed are shown below.



4.3 As at the 30 June 2005, of the ten audits underway at March 2005, seven had been closed and reports issued for the remaining three.

5. Internal Audit's Performance

5.1 Information in respect of the performance of the internal audit service is attached at Appendix B.

6. Service Improvements

6.1 Like all Council services, Internal Audit is continually striving to improve its performance. Improvements planned include:

- improved linking of the audit planning process to the risk registers;
- reviewing how individual audit opinions will effect mitigating controls recorded in the risk register; and
- examining the options for management self-assessment to assist with the preparation of the corporate governance statement.

7. Recommendation

7.1 It is recommended that the Panel note the report.

ACCESS TO INFORMATION ACT 1985

Internal Audit Reports

Internal Audit Performance Management Information

Contact Officer: David Harwood, Audit Manager 📞 **01480 388115**

Summary of Internal Audit work undertaken during the period 1 July 2004 to 30 June 2005

The internal audit opinion for the period 1 July 2004 to 30 June 2005 is based on work undertaken across the following three areas:

- audit reviews completed in the 12 month period ended 30 June 2005;
- a review of those audits that contained significant weaknesses in previous years; and
- the action taken by managers to implement previously agreed actions.

Audit Reporting and Management Action

The audit reporting process has the following five stages.

- 1 Audit completed & draft report prepared.
- 2 The draft report may contain suggested actions to mitigate risks. Actions are placed into a 'red' or 'amber' category.

Red these are actions that must be implemented as the current exposure to risk is unacceptably high, indicating a major control weakness

Amber these are actions that managers have agreed to introduce, as the current risk exposure is high. Controls weaknesses have been identified that have the potential to compromise internal control, operational effectiveness or service delivery.

- 3 Assurance opinion reached based on action categories and the number of suggested actions proposed.

Substantial Assurance



There are no weaknesses in the level of internal control for managing the material inherent risks within the system. Testing shows that controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically apart from any excessive controls which are identified in the report.

Adequate Assurance



There are minor weaknesses in the level of control for managing the material inherent risks within the system. Some control failings have been identified from the systems evaluation and testing which need to be corrected. The control failings do not put at risk achievement of the system's objectives.

Limited Assurance



There are weaknesses in the level of internal control for managing the material inherent risks within the system. Too many control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.

Little
Assurance



There are major, fundamental weaknesses in the level of control for managing the material inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives.

- 4 Final report prepared. Suggested actions changed to agreed actions. Some current risks may be accepted with the agreement of the relevant Director. Report issued.
- 5 Head of Service accepts report. Audit closed. Report issued to Director & S151 Officer.

The table below summarises the assurance opinions given to individual audits reported upon in the period July 2004 to June 2005 and the category of individual actions. Prior to the overall opinion being prepared reviews were completed to see the progress made in introducing agreed actions. This ensured that the opinion could be as relevant as possible and be based upon the current situation within each system.

Audit Area	Level of Assurance				Agreed Action Status		
	Substantial	Adequate	Limited	Little	Red	Amber	Action not agreed & the risk identified accepted
Key Financial Systems							
NNDR		✓				1	
Council Tax		✓				3	
Housing Benefits		✓				3	
Creditors		✓				8	
Payroll			✓		1	7	
Other systems reviews							
Housing Benefit Fraud	✓				----	----	
Miscellaneous Income	✓					1	
Arts Services		✓				5	1
Bailiffs		✓				6	
Management of Raising Debt		✓			----	----	
Historic Building Grants		✓				5	
S151 & Monitoring Officer		✓				5	
Parks & Open Spaces		✓				5	
VAT		✓				8	
Members' Allowances		✓				3	
Flexitime		✓				8	
Corporate Cards <i>* currently final, not closed</i>		✓			----	----	
Budgetary Control and Management Information		✓				4	
Provision of Legal Advice		✓			----	----	
Leisure Centres			✓		2	5	
Staff Allowances			✓		1	21	
Complaints Procedure			✓		4	6	
Health and Safety and Contractors Compliance			✓		1	3	
Equipment Servicing			✓		3	6	
Appointment of Temporary and Casual Staff			✓		3	4	

Audit Area	Level of Assurance				Agreed Action Status		
	Substantial	Adequate	Limited	Little	Red	Amber	Action not agreed & the risk identified accepted
Tender Documentation and Conditions of Contract			✓		1	9	
Approved List Maintenance				✓	1	4	
Condition Survey Management				✓	1		
Computer Audit							
E-financials application review - General Ledger		✓				6	
- Debtors		✓				3	
- Creditors			✓		1	2	
Payroll application review		✓				6	
Electronic payments		✓				8	
Payroll Operating System <i>* currently draft, not final</i>		✓				9	
Network Review				✓	4	3	1

In addition to the audits listed above, audit reviews have also been completed in the areas of corporate governance, whistleblowing and the provision of gas and electricity.

Issuing outstanding from previous years reports

Audits that received a low opinion in the 2003/04 annual audit report are listed below together with a summary of the progress made towards implementing the agreed actions.

Project Management	All the actions have not yet been fully introduced. Sufficient progress has been made however that the low opinion no longer applies and it has been raised to limited.
Document Retention & Records Management	This audit, which was closed in February 2004, was given a little assurance opinion. The actions in the report all had an agreed implementation date of March 2005. Introduction of the agreed actions was delayed whilst responsibility for the appointment and subsequent line management of the Information Manager post was transferred from Central Services to IMD. The Information Manager, who will be responsible for dealing with the audit report, commenced in June 2005.

Internal Audit Performance

1. Introduction

1.1 Internal audit have prepared a set of performance measures that link into the Council's corporate performance management system. The measures which relate to the service's performance are listed below:

- External audit view of internal audit
- % of customers rating service quality as good or better.
- % of agreed actions implemented on time
- % of service delivery targets achieved.

2. External audit view of internal audit

Target: Adequate or better
Achieved: Good

2.1 In February 2004 the external auditor (District Audit) as part of the CPA review, assessed Internal Audit as being 'good' - the highest mark available.

The external auditor's 2003/04 annual audit and inspection letter published in December 2004 contained the following remarks;

"We continue to work closely...(in the area of systems of financial control) with internal audit so that there is no duplication of audit coverage. We annually assess the quality of the work of internal audit to determine whether we can rely on it and thus reduce our own audit testing.

This year our assessment also fed into the auditors scored judgement for CPA purposes. As in the past we found that the internal audit work is of a high standard and we used it as assurance in those areas relevant to our audit".

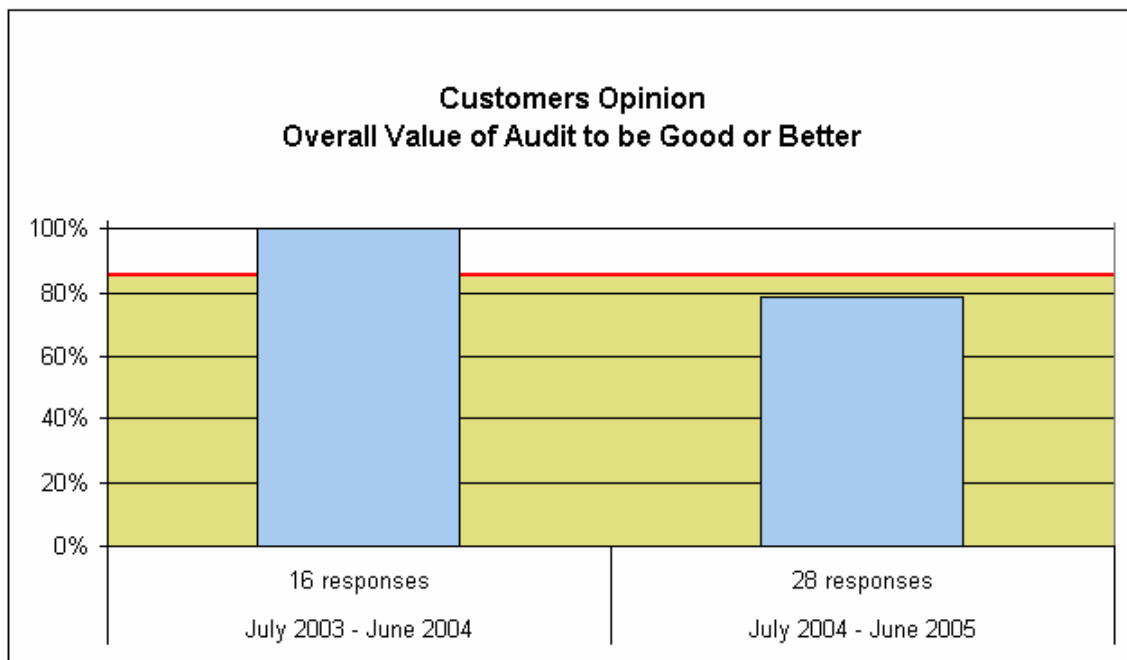
2.2 With effect from April 2005 RSM Robson Rhodes have been appointed external auditor. Discussions have already taken place with them regarding the level of reliance they expect to be able to place upon internal audit's work in future years. Robson Rhodes also intend to undertake a review of internal audit. This review will consider the work performed on key financial systems, compliance with the minimum standards set out in the CIPFA Code of Audit Practice and a review of a sample of working paper files and audit reports. The results of this review will be reported to the Panel in due course.

3. Customer Satisfaction

Target: 85% or more of customers rating service quality as good or better.
 Achieved: 12 months to June 2005 - 79%

- 3.1 At the conclusion of all audits, managers are requested to complete an end of audit survey form and give an opinion on the value of the audit. The options available are - very good, good, fair and poor. Target information is calculated on a rolling twelve month basis rather than by financial year.

In 2004 the Head of Financial Services undertook a customer satisfaction survey with senior managers. A similar exercise was completed in April 2005. This showed that the percentage of senior managers who considered the internal audit service to be good or better had risen from 81% in 2004 to 89%.



- 3.2 The 79% figure to June 2005 is a result of 6 out of the 28 responses being in the 'fair' category. The Audit Manager has spoken to all of the managers who have placed an audit in this category and discussed with them the issues relating to the audit and the reasoning behind the mark.

4. Introduction of agreed actions

Target: 60% or more of agreed actions to be implemented on time.
 Achieved: 12 months to June 2005 – 66%

- 4.1 This target measures the percentage of agreed actions implemented within agreed timescales, calculated on a 12 month rolling basis. A database has been established to record this information. Managers responsible for introducing the actions are required to update the database with the action they have taken and the date that the action was introduced.

4.2 Whilst internal audit are unable to directly influence the speed by which agreed actions are introduced, regular reports are issued to the Directors showing the current state of individual audit actions. Whilst managers have improved their performance, further improvement is desirable and reports are to be developed in the next few months that detail performance by manager.

5. **Service delivery targets**

Target: 75% or more of service delivery targets achieved.

Achieved: 12 months to June 2005 – 50%

5.1 Service delivery targets all relate to the progress of individual audits and the reporting process:

- Complete audit fieldwork by the date stated on the audit brief
- Issue draft audit reports within 15 working days of completing fieldwork
- Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report
- Issue final audit report within 5 working days of receiving full response

5.2 Performance indicators are prepared monthly in respect of each target and circulated to internal audit staff. Achievement of the targets requires internal audit staff to develop and maintain good working partnerships and the customer's co-operation throughout the period of the audit. Action is being taken to review the reporting process, including explaining to managers the importance of responding within the time limits set.

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**REPORT AND ACCOUNTS 2004/05
(Report by the Head of Financial Services)**

1 BACKGROUND

- 1.1 The 2004/05 accounts have now been closed and the booklet is enclosed with this report.
- 1.2 The majority of the content is prescribed by the Accounting Code of Practice which is statutory guidance. Unfortunately, but probably inevitably, it is not very user friendly for the lay reader. **Because of its complexity it would be helpful if Members could give notice of any questions in advance of the meeting.**
- 1.3 The prime purpose of the Report and Accounts is to be the official record of what has happened in the last year. When it has been audited, it will effectively substantiate that an adequate and proper level of financial stewardship has been achieved on behalf of local residents.
- 1.4 The Panel, on behalf of the Council, needs to formally approve the booklet before the audit can take place. If the Council's auditors, the District Audit Service, identify any significant concerns during the course of the audit then these must be reported back to the Panel.
- 1.5 In previous years the accounts had to be completed by the end of September but the Government has decided that the date must be brought forward. Last year the required date was the end of August and the progression continues, so that this year it is July and then June in subsequent years.
- 1.6 Because the date has been brought forward it has not yet been possible to complete The Annual Statement of Assurance on Corporate Governance which will form part of the audited booklet. The District Auditor has agreed that this can be separately presented to the panel in September.

2. RECOMMENDATION

- 2.1 The Panel is recommended to:
- approve the draft Report and Accounts so that the audit can commence.
 - note that the Annual Statement of Assurance on Corporate Governance will be presented to the panel in September

BACKGROUND INFORMATION

2004/05 Closedown File

**Contact Officer: Graham Dolan, Accountancy Manager,
☎ (01480) 388106**

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MONEY LAUNDERING AVOIDANCE POLICY & PROCEDURE (Report by the Audit Manager)

1 INTRODUCTION

1.1 Recent legislation concerning money laundering (the Proceeds of Crime Act 2002 (POCA) and the Money Laundering Regulations 2003 (the Regulations)) has significantly broadened the definition of money laundering and increased the range of activities caught by the statutory framework. This report outlines the Council's response to that legislation.

1.2 The principal money laundering offences as defined by the POCA are:

- the concealing, disguising, converting, transferring or the removal of criminal property from the UK;
- entering into or becoming concerned in an arrangement which is known or suspected to be concerned with the acquisition, retention, use or control of criminal property;
- to acquire, use or have possession of criminal property.

Other offences are:

- the failure to disclose knowledge or suspicions of money laundering
- tipping off an alleged offender

The money laundering definition is such that it can be applied to virtually all criminal assets, not just the narrow definition of 'money'. The POCA also clearly states the offences apply to all UK residents, whether acting in a private or professional capacity.

1.3 The Regulations are concerned with measures to restrict the opportunities for money laundering by ensuring that businesses introduce money laundering reporting systems, staff training, customer identification, record keeping and internal reporting procedures.

2 LEGISLATION

2.1 The legislation is primarily aimed at providers of financial and legal services in the 'regulated sector' where 'by way of business' they undertake 'regulated activities'.

2.2 The Council undertakes business in the regulated sector since it engages in two areas of activities – deposit-taking and dealing, arranging, managing and advising etc on investments – which are defined as regulated activities by the POCA.

2.3 All local authorities have previously been provided an exemption by the Financial Services and Markets Act 2000 (FSMA), that effectively removes deposit-taking as a regulated activity. With regard to investments, it is considered that these activities are not carried out 'by way of business' as they are pursued solely for the purposes of improved investment performance. The provisions of the POCA are therefore thought not to apply to the Council.

3 ISSUES TO CONSIDER

- 3.1 Whilst the Council is outside the scope of the legislation it should be acknowledged that this does not make it immune from the risks associated with money laundering. A review of activities that may be susceptible to money laundering has been undertaken and it is considered that we have a relatively low risk exposure.
- 3.2 It is proposed that a money laundering avoidance policy be adopted, together with supporting guidance notes. The policy and guidance will introduce proportionate safeguards and reporting arrangements that allow the Council to comply with the spirit of the legislation.
- 3.3 The policy and the guidance note will be incorporated into the Council's Anti-Fraud and Corruption Strategy.

4 RECOMMENDATIONS

- 4.1 It is recommended that the anti-money laundering policy attached at Appendix A be adopted.

BACKGROUND INFORMATION

CIPFA Publication - Proceeds of Crime (Anti-Money Laundering) Practical Guidance for Public Sector Organisations
Proceeds of Crime Act 2002
Money Laundering Regulations 2003

Contact Officer: David Harwood, Audit Manager ☎ 01480 388115

Huntingdonshire District Council

Money Laundering Avoidance Policy

Money Laundering

Money laundering is the process by which criminally obtained money or other assets (criminal property) are exchanged for "clean" money or other assets with no obvious link to their criminal origins. It also covers money, however come by, which is used to fund terrorism.

The primary money laundering offences are:

- concealing, disguising, converting, transferring criminal property or removing it from the UK
- doing anything to assist the above
- not reporting suspicions that money laundering is taking place
- acquiring, using or the possession of criminal property

Policy Statement

The Council is committed to maintaining high standards of probity and conduct. It will introduce procedures, proportional to the risks that it faces, that endeavour to identify and prevent criminal activity through money laundering.

It will do this by:

- Setting a maximum limit for the receipt of cash payments (notes, coins and travellers' cheques).
- Introducing guidance that applies to all employees of the Council, explaining their responsibilities in identifying and reporting potential money laundering activity.
- Introducing client identification procedures for 'regulated activities'.
- Designating an officer to be responsible for receiving, examining and investigating all concerns.
- Ensuring that the money laundering avoidance policy and guidance is complimentary to other anti-fraud and corruption policies and associated guidance that has been, or may be, introduced.

Maximum Limit for the Receipt of Cash Payments

The maximum limit for the receipt of cash payments shall be set annually to the nearest £100 above the level of Council Tax for a Band H property.

The limit shall be clearly displayed at all Council Offices.

Guidance and Training

General guidance to staff shall be published via the intranet outlining their responsibilities with regard to money laundering, reporting arrangements and compliance with this policy. Officers employed in services that are considered to be especially vulnerable to money laundering shall also receive training.

Client Identification Procedures

Guidance to staff detailing the procedures to be followed and evidence to be maintained that verifies the identity of clients involved in certain transaction types of £10,000 or more shall be introduced.

Internal Reporting Procedures

The Internal Audit Manager, who has already been designated the 'Money Laundering Reporting Officer' under the Council's treasury management practices, shall be appointed the designated officer in respect of this policy and for that purpose shall report to the Director of Central Services and Monitoring Officer.

He will be responsible for receiving and reviewing all concerns reported, deciding upon the action to take, leading and directing investigations, preparing any subsequent reports and liaising with the person raising the concern and statutory authorities.

Co-ordination of Policies

All Council strategies, policies, procedures and guidance shall be reviewed at least annually to ensure that they are complimentary to one another with regards to raising and investigating anti-money laundering concerns.

Monitoring and Review

The Director of Central Services, as Monitoring Officer, will be responsible for monitoring the implementation and effectiveness of the Policy and the guidance note.

MEMBERS ALLOWANCES

(Report by Head of Administration)

1. INTRODUCTION

- 1.1 The Members Allowances scheme was reviewed last in the autumn of 2004 and the changes came into effect on 1st January 2005. It makes provision for an annual adjustment of both the Basic Allowance and Special Responsibility Allowances using as an automatic index mechanism the average Cambridgeshire salary contained in the New Earnings Survey published annually by the Office of National Statistics. The adjustment is made each year with effect from the Annual Meeting of the Council.
- 1.2 Reference to the New Earnings Survey information for 2005 would result in a higher increase than the provision made in the budget for the current year which has prompted the need for this to be brought to the attention of the Panel.

2. NEW EARNINGS SURVEY

- 2.1 In recommending the Members Allowances scheme for the period until the end of 2007, the Independent Remuneration Panel sought to identify an index mechanism that was both independent of the Council and in which there could be confidence. The Office of National Statistics survey has been adopted by other authorities as an index for their Members Allowances schemes but was changed last year by the ONS to an annual survey of hours and earnings which is based upon a one per cent sample of employees. It no longer shows an average Cambridgeshire salary but analyses the sample data into the median for all employee jobs both by place of work by local authority and by place of residence by authority. The increases for Cambridgeshire for the two criteria for 2004 are 13.4% and 7% respectively
- 2.2 Provision has been made in the current year's budget for an increase of 2.5% in Members' Allowances which is clearly insufficient to fund a level of increase in line with the ONS data. Moreover Members may consider it inappropriate for a percentage increase of this size to be applied to the existing allowances.
- 2.3 The Chairman of the Independent Remuneration Panel has advised that the Council has discretion to adopt an alternative index without the need for the Panel to be reconvened to review the Scheme but has made no recommendation as to what that index could be.

3. ALTERNATIVES

- 3.1 There are few automatic indices that provide a viable alternative, hence the use of the ONS data. Some authorities are understood to use the nationally negotiated increase for local government employees but as the Council has opted out of the national scheme for its own employees, this might be considered inappropriate. Use of the locally determined salary increase would offer a way forward inasmuch as Members would receive the same percentage increase that was considered appropriate for employees earlier in the year. However as this is set by the Council itself, it cannot be regarded as

an independent index mechanism and it would be difficult to justify its use in subsequent years.

- 3.2 The application of a 3.2% increase to Members Allowances with effect from the Annual Meeting would result in additional expenditure of £2,500 in 2005/06 which can be met by transferring resources from the Members travelling and subsistence budget.

4. CONCLUSION

- 4.1 The statistics provided by the ONS would result in an increase in Members Allowances which would be substantially in excess of the current rate of inflation and for which insufficient budgetary provision has been made. Having regard to the few viable alternatives that are available, it is

RECOMMENDED

that the Basic Allowance and Special Responsibility Allowances for Members be increased with effect from the Annual Meeting on 18th May 2005 by the same percentage increase as applied to the salaries of Council employees for 2005/06.

BACKGROUND PAPERS

Members Allowances Scheme
Annual Survey of Hours and Earnings published by the Office of National Statistics

CONTACT OFFICER

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MEMBERS' LICENSING CODE OF GOOD PRACTICE

(Report by Head of Administration)

1. INTRODUCTION

- 1.1 The Council's constitution contains the Members Code of Conduct that the Council is obliged to adopt to comply with the Local Government Act 2000. A Members' Planning Code of Good Practice has also been adopted and is included in the constitution as part of the aim of improving and maintaining high ethical standards in local government.
- 1.2 The transfer of substantial additional licensing responsibilities to the Council has highlighted the desirability of adopting a similar code of good practice for licensing.

2. LICENSING CODE OF GOOD PRACTICE

- 2.1 LACORS has recently issued guidance on the role of elected members in relation to hearings under the Licensing Act 2003. However the role of an elected member in the context of licensing is much wider than simply as a member of a Licensing Sub Committee. A multiplicity of scenarios can apply, each of which can affect a member's approach to a licensing application or premises that are providing licensable activities.
- 2.2 With the advent of hearings under the Act, the time is opportune to consider the adoption of a code of good practice for licensing. The attached draft draws from the LACORS guidance and also from the planning code of good practice, the format of which it follows. If adopted subsequently by the Council, it will apply to all members but clearly will have more relevance to those who sit on the Licensing Committee/Licensing and Protection Panel.

3. CONCLUSION

- 3.1 Following consideration of the attached draft code, the Panel is

RECOMMENDED

to adopt a Licensing Code of Good Practice and to recommend its approval by the Council for inclusion in the constitution.

BACKGROUND PAPERS

Members Planning Code of Good Practice adopted by the Council
Members Code of Conduct adopted by the Council
LACORS' Guidance: The Role of Elected Members in Relation to Licensing Committee Hearings under the Licensing Act 2003.

CONTACT OFFICER

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MEMBERS' LICENSING CODE OF GOOD PRACTICE

BACKGROUND

Recent changes in legislation with the enactment of the Licensing Act 2003 and Gambling Act 2005 have transferred substantial additional responsibilities for licensing to local government and established the Council as the licensing authority for the regulation of various forms of licensable activities. The new responsibilities will be undertaken by the Licensing Committee and its sub-committees. However the Council has other licensing responsibilities that are undertaken by the Licensing and Protection Panel and associated application sub-groups. Whichever the forum, Members are acting in a quasi-judicial capacity in carrying out the Council's licensing functions.

This Code of Good Practice is designed to apply the principles contained in the Members Code of Conduct to Members' licensing responsibilities and to support and maintain high ethical standards in local government. It applies to the actions of the Council both in its statutory capacity as the licensing authority via the Licensing Committee and its non-executive functions that are the responsibility of the Licensing and Protection Panel. For the purposes of this Code, the Council is collectively described as the licensing authority.

This Code has regard to both the Members Planning Code of Good Practice previously adopted by the Council and LACORS' guidance on the role of elected members in relation to Licensing Committee hearings under the Licensing Act 2003.

INTRODUCTION

The aim of the Code is to ensure that in the operation of the licensing process there are no grounds for suggesting that a decision has been biased, partial or not well founded in any way.

The key purpose of licensing is to regulate certain activities in the public interest and to promote the licensing objectives defined in the legislation. In addition, the authority must have regard to statutory guidance issued by the Secretary of State and the Gambling Commission.

Your role as a member of the licensing authority is to make decisions openly, impartially, with sound judgement and for justifiable reasons.

This Code of Good Practice also applies to Members at all times when involving themselves in the licensing process. It applies equally to licensing enforcement and licensing policy issues as it does to licensing applications. This includes taking part in decision-making meetings of the licensing authority and when involved in less formal occasions, such as meetings with officers or the public and consultative meetings.

References to officers in this Code of Good Practice relate to employees of the Council.

If you have any doubts about the application of this Code to your own circumstances you should seek advice early, from the Monitoring Officer or one of his staff, preferably well before any meeting takes place.

1. Relationship to the Members' Code of Conduct

- ◆ **Do** apply the rules in the Members' Code of Conduct first: these must always be complied with.
- ◆ **Do** then apply the rules in this Licensing Code of Good Practice, which seek to explain and supplement the Members' Code of Conduct for the purposes of dealing with all licensing matters. If you do not abide by this Code of Good Practice, you may put:
 - the licensing authority at risk of proceedings as to the legality or maladministration of the related decision; and
 - yourself at risk of either being named in an Ombudsman's report made to the Corporate Governance Panel or Council or, if the failure is also likely to be a breach of the Code of Conduct, a complaint to the Standards Board for England.

2. Licensing Proposals and Interests under the Members' Code

Your interest in a licensing matter may take a variety of forms. As a member of the Cabinet or the relevant executive councillor, you may have either collective or individual responsibility for premises in the Council's ownership or a licensable activity which the Council is promoting for which a licence is required or has already been granted. You may be a member of another organisation or body that is applying for a licence or is carrying out a licensable activity. You may be an employee of a responsible authority defined in the legislation or you may be an interested party because you live or have business premises in the vicinity of an application site or licensed premises. You may be a member of a lobby group or campaign. You may be the applicant for a licence or the provider of a licensable activity yourself or a member of a registered club that is doing so. You may be a supplier of goods to an applicant or an existing licensee or club or you may act in some capacity on their behalf. You may also be an existing licensee or a member of a club whose business may be affected if a licence or club premises certificate is granted for a similar activity elsewhere.

Whatever your interest,

- ◆ **Do** disclose the existence and nature of your interest at any relevant meeting, including informal meetings or discussions with employees and other members.
- ◆ **Do** then act accordingly.
- ◆ **Where your interest is personal and prejudicial:-**
 - **Do** disclose the interest and withdraw immediately from the room or chamber where a meeting is being held for the duration of any discussion and/or voting in the matter.
 - **Don't** participate, or give the appearance of trying to participate, in the making of any decision on the matter by the licensing authority.
 - **Don't** represent an applicant or responsible authority at a licensing sub-committee hearing or applications sub-group meeting.

- **Don't** try to represent an interested party if you have played an active role in supporting or opposing an application for a licence. Ask another member to do so in your place.
Don't get involved in the processing of the application or the review of a licence or certificate that has already been issued.
- **Don't** seek or accept any preferential treatment, or place yourself in a position that could lead the public to think you are receiving preferential treatment, because of your position as a councillor. This would include, where you have a personal and prejudicial interest in a proposal, using your position to discuss that proposal with officers or members when other members of the public would not have the same opportunity to do so.
- **Do** be aware that, whilst you are not prevented from seeking to explain and justify a proposal in which you have a personal and prejudicial interest to an appropriate officer, in person or in writing, the Code places greater limitations on you in representing that proposal than would apply to a normal member of the public. (For example, where you have a personal and prejudicial interest in a proposal to be put before a hearing or meeting, you will have to withdraw from the room or chamber whilst the hearing or meeting considers it, whereas an ordinary member of the public would be able to observe the meeting's consideration of it from the public gallery.)
- **Do** notify the Monitoring Officer in writing of your own interest and note that:
 - notification to the Monitoring Officer should be made no later than submission of the application; and
 - it is advisable that you employ an agent to act on your behalf on the proposal in dealing with officers.

3. Fettering Discretion in the Licensing Process

- ◆ **Don't** fetter your discretion and therefore your ability to participate in licensing decision-making by making up your mind, or clearly appearing to have made up your mind (particularly in relation to an external interest or lobby group), as to how you will vote on any licensing matter prior to its formal consideration at a hearing or meeting of the licensing authority and hearing the representations and evidence on both sides. Fettering your discretion in this way and then taking part in the decision will put the licensing authority at risk of a finding of maladministration and of legal proceedings on the grounds of there being a danger of bias or pre-determination or a failure to take into account all of the factors enabling the proposal to be considered on its merits.
- ◆ **Do** be aware that you are likely to have fettered your discretion where the Council is the landowner, developer or applicant and you have acted as, or could be perceived as being, a chief advocate for a proposal. (This is more than a matter of membership of both the proposing and licensing determination bodies, but because through your significant personal involvement in preparing or advocating the proposal you will be, or could be perceived by the public as being, no longer able to act impartially or to determine the proposal purely on its licensing merits.)

- ◆ **Do** also be aware that, whilst the Members' Code of Conduct provides for a presumption that you may regard yourself as not having a prejudicial interest in matters which relate to the organisations mentioned below -
 - another local or public authority of which you are a member; or
 - a body to which you have been appointed or nominated by the Council as its representative
- you must exercise your discretion in deciding whether or not to participate in each case and where:
 - you have been **significantly** involved in the preparation, submission or advocacy of a licensing proposal or in an activity that has been licensed on behalf of such a body; or
 - you are a trustee or company director of the body submitting the proposal and were appointed by the Council
- you should always disclose a prejudicial as well as personal interest and withdraw.
- ◆ **Don't** sit as a member of a licensing sub-committee or applications sub-group if the applicant lives or the premises are situated in the Ward that you represent or if an application is being made to review a licence or certificate held by a resident or premises in your Ward.
- ◆ **Don't** sit as a member of a licensing sub-committee or applications sub group where you have fettered your discretion. Because of the limited size of licensing sub-committees and applications sub-groups, you should advise officers as soon as it becomes apparent to you that you have fettered your discretion and certainly before the meeting commences to enable an alternative sub committee to be convened. You do not have to withdraw from the room where the meeting is taking place, but it would be preferable for you to do so.
- ◆ **Do** take the opportunity (if you not sitting on the licensing sub-committee or applications sub group or you do not have a personal and prejudicial interest) to exercise your rights as a member to speak on behalf of an applicant or interested person even if you have represented your views or those of others before the meeting and fettered your discretion.

4. **Contact with Applicants, Developers and Objectors**

- ◆ **Do** refer those who approach you for licensing, procedural or technical advice to officers.
- ◆ **Don't** attend any meeting with applicants or interested parties if you are a member of a sub-committee or sub-group. Pre-application discussions, if held for clarification purpose will involve officers only who will ensure that those present are advised from the start that the discussions will not bind the authority to any particular course of action, that the meeting is properly recorded on the application file and the record of the meeting is disclosed when the application is considered by the sub-committee or application sub-group.

- ◆ **Do** otherwise meet with an applicant or interested party if you are considering representing their interests or speaking on their behalf at a hearing of a sub-committee or meeting of an applications sub-group of which you are not a member.

5. Lobbying of Councillors

- ◆ **Do** explain, if you are a member of a sub-committee or sub-group, to those who may be attempting to lobby you that you cannot listen to what is said as this will prejudice your impartiality and therefore your ability to participate in the decision making process.
- ◆ **Do** remember that, as a member of the Licensing Committee or Licensing and Protection Panel, you will probably be unaware whether an application will be determined by a sub-committee or sub-group or whether you will be a member of that determining body until you have been notified by officers. If you have been lobbied by an applicant or interested party, you should notify officers as soon as it comes to your attention that you have been invited to sit on a relevant sub-committee or sub-group. In such circumstances, you should not take part in that hearing or meeting and officers will make arrangements for the application to be dealt with by another sub-committee or for another member to take your place on a sub-group.
- ◆ **Don't** feel constrained, if you are not a member of a sub-committee or sub-group, to receive an approach from an applicant or interested party and, having considered the information that they have supplied, to agree to speak or make representations on their behalf at a meeting of a sub-committee or sub-group.
- ◆ **Do** remember, if you are a member of a sub-committee or sub group, that your overriding duty is to the whole community and, taking account of the need to make decisions impartially, that you should not improperly favour, or appear to improperly favour, any person, company, group or locality.
- ◆ **Don't** accept gifts or hospitality from any person involved in or affected by a licensing application or who may be providing a licensable activity. If a degree of hospitality is entirely unavoidable, ensure it is of a minimum; its acceptance is declared as soon as possible and remember to register the gift or hospitality with the Monitoring Officer where its value is over £25 in accordance with the Members' Code of Conduct.
- ◆ **Do** copy or pass on any lobbying correspondence you receive if you are a member of a sub-committee or sub-group to the Head of Administration or Central Services Manager at the earliest opportunity in order that it can be placed on the appropriate licensing file and is open for inspection before a decision is made.
- ◆ **Do** inform the Monitoring Officer where you feel you have been exposed to undue or excessive lobbying or approaches (including inappropriate offers of gifts or hospitality), who will in turn advise the appropriate officers to follow the matter up.
- ◆ **Do** note that, unless you are a member of a sub-committee or sub-group or you have a personal and prejudicial interest, you will not have fettered your discretion or breached this Licensing Code of Good Practice through:

- listening or receiving viewpoints from residents or other interested parties as long as you make yourself equally available to those of differing viewpoints if requested to do so;
- making comments to residents, interested parties, other members or appropriate officers, provided they do not consist of or amount to pre-judging the issue and you make clear you are keeping an open mind;
- seeking information through appropriate channels; or
- being a vehicle for the expression of opinion or speaking at the meeting in support of an application or in expressing representations on behalf of an interested party

6. Lobbying by Councillors

- ◆ **Don't** become a member of, lead or represent an organisation whose primary purpose is to lobby to promote or oppose licensing proposals. If you do, you will have fettered your discretion and are likely to have a personal and prejudicial interest and have to withdraw.
- ◆ **Do** join general interest groups which reflect your areas of interest and which concentrate on issues beyond particular licensing proposals, such as a local civic society, but disclose a personal interest where that organisation has made representations on a particular proposal and make it clear to that organisation and the licensing authority that you have reserved judgement and the independence to make up your own mind on each separate proposal.
- ◆ **Don't** excessively lobby fellow members regarding your concerns or views nor attempt to persuade them how they should vote in advance of the meeting at which any licensing decision is to be taken.
- ◆ **Don't** decide or discuss how to vote on any licensing application or policy matter at any sort of political group meeting, or lobby any other member to do so. Political group meetings should never dictate how members should vote on any licensing issue.

7. Site Visits

- ◆ **Do** try to attend site visits organised by the licensing authority if you are a member of the licensing sub-committee or applications sub-group. If you are unable to take part in a site visit, you will be unable to take part in the sub-committee hearing or sub-group meeting. You should therefore notify officers of the Democratic Services Section as soon as it comes to your attention that you are unable to attend a site visit that has been organised. Where a site visit takes place, Members will be accompanied by officers of the authority.
- ◆ **Do** ensure that you treat the site visit only as an opportunity to observe the site.
- ◆ **Do** ask the officers at the site visit questions or seek clarification from them on matters which are relevant to the site inspection.
- ◆ **Don't** hear representations from the applicant or an interested party at the site visit. Where you are approached by the applicant or an interested party, direct them to or inform the officer present.
- ◆ **Don't** express opinions or views to anyone.
- ◆ **Do** exercise your discretion, if you are not a member of the sub-committee or sub-group, as to whether to accept an invitation to visit a site which is the subject of an application or provides a licensable

activity. Where you do accept an invitation, do exercise caution and ensure you comply with these good practice rules.

8. Public Speaking at Meetings

- ◆ **Don't** allow members of the public to communicate with you in isolation if you are a member of a sub committee or sub-group during the hearing or meeting proceedings (orally or in writing) as this may give the appearance of bias.

9. Officers

- ◆ **Don't** put pressure on officers to put forward a particular recommendation. (This does not prevent you from asking questions or submitting views to the Head of Administration or Central Services Manager but hearing or meeting reports will contain only representations that have been submitted in the manner prescribed by the legislation. Your attention is drawn to the danger of fettering your discretion on a matter which is covered in Section 3 of this Code.)
- ◆ **Do** recognise that officers are part of a management structure and discuss a proposal, outside of any arranged meeting, only with the Head of Administration or Central Services Manager or those officers who are authorised by them to deal with the proposal at a member level.
- ◆ **Do** recognise and respect that officers involved in the processing and determination of licensing matters must act in accordance with the Council's Code of Conduct for Employees and the requirements of the licensing legislation. As a result, licensing officers' views, opinions and recommendations will be presented on the basis of their overriding obligation of professional independence and the promotion of licensing objectives, which may on occasion be at odds with the views or opinions of members.

10. Decision-Making

- ◆ **Do** come to meetings with an open mind and demonstrate that you are open-minded.
- ◆ **Do** comply with the licensing legislation and make decisions in accordance with statutory licensing objectives, having regard to guidance that has been issued under the relevant legislation and the authority's statement of licensing policy.
- ◆ **Do** come to your decision only after due consideration of all of the information reasonably required upon which to base a decision. If you feel there is insufficient time to digest new information or that there is simply insufficient information before you, request that further information and, if necessary, adjourn the hearing or meeting until the information has been provided and you have had an opportunity to consider it.
- ◆ **Don't** vote or take part in the hearing or meeting on a proposal unless you have been present to hear the entire debate, including the officers' introduction to the matter.
- ◆ **Do** make sure that if you are proposing, seconding or supporting a decision contrary to the licensing objectives or the statutory guidance issued by the Secretary of State or Gambling Committee or the authority's statement of licensing objectives, that you clearly identify

and understand the reasons leading to this conclusion/decision. These reasons must be given prior to the vote being taken and be recorded. Be aware that you may have to justify the resulting decision by giving evidence in the event of any challenge.

11. Training

- ◆ **Don't** participate in decision making at hearings and meetings dealing with licensing matters unless you have attended suitable licensing training provided by the Head of Administration.
- ◆ **Do** endeavour to attend any other specialised training sessions provided, since these will be designed to extend your knowledge of licensing law, regulations, procedures statutory guidance and licensing policy beyond the minimum referred to above and thus assist you in carrying out your role properly and effectively.

**COMPLAINTS
(Report by the Director of Central Services)**

1. INTRODUCTION

1.1 The purpose of this report is to provide Members with an analysis of internal complaints and a summary of complaints determined by the Local Government Ombudsman.

2 SUMMARY OF COMPLAINTS

2.1 The Council's internal complaints system summarises complaints into six categories as follows:-

- action of employee;
- council policy;
- council procedures;
- equality of service;
- failure to respond; and
- service delivery.

2.2 The table attached at Annex A provides an analysis of complaints by complaint reason, the Division involved and results compared with the previous year.

3 SUMMARY OF OMBUDSMAN COMPLAINTS

3.1 The Local Government Ombudsman Service has published the following statistics for complaints determined against the District Council in the year 1st April 2004 to 31st March 2005 compared with previous years.

	2002/03	2003/04	2004/05
Complaints settled locally	4	0	0
No or insufficient evidence of maladministration	5	3	10
Ombudsman's discretion	3	1	1
Outside LGO's jurisdiction	3	1	3
Maladministration	0	0	0
Total	15	5	14

3.2 A comparison of complaints received by category provides the following picture in relation to District Council services including premature complaints. The Ombudsman does not normally consider a complaint unless a Council has had an opportunity to deal with the complaint itself. So if someone complains to the Ombudsman without having taken the matter up with a Council the Ombudsman will usually refer it back to the Council as a 'premature complaint' to see if the Council can itself resolve the matter.

	2002/03	2003/04	2004/05
Highways	3	5	4
Housing (not including HB)	2	0	4
Housing Benefit	1	3	1
Local Taxation	2	0	4
Other	1	0	3
Planning	4	4	8
Total	13	12	24

- 3.3 Although there has been double the number of complaints received by the Ombudsman compared with the previous year, the Ombudsman has indicated that there is no special significance in the rise and they expect to see a variation in complaint numbers year on year.
- 3.4 Throughout the year 18 complaints were determined against the District Council, with no complaint being upheld and the majority of complaints were determined as no maladministration.
- 3.5 The number of premature complaints remained the same as the previous year and four premature complaints were referred back to the Council to deal with under the internal complaints procedure. This figure is well below the national average of 25% for all authorities last year. The Ombudsman has suggested that this is an indication that the complaints procedure is well published to residents and all employees.

4 CONCLUSION AND RECOMMENDATIONS

- 4.1 The Panel are invited to note the contents of the report.

BACKGROUND PAPERS

**Local Government Ombudsman Annual Reports 2001/02 – 2003/04
Annual Letter 2004/05**

**Contact Officer: Lisa Jablonska, Central Services Manager
☎ (01480) 388004**

ANNEX A

Complaint Reason	Division Involved 2004/05 + action	Decision Involved 1/4/05 to date + action
Action of Employee	1 Committee / Member Services (NAT) 4 Council Tax (2 NAT, 1 SI & 1 RTC) 3 Housing (2 NAT & 1 SI) 4 Benefits (NAT) 1 Business Rates (RTC)	1 Development Control (SI)
Council Policy	1 Council Tax (NAT)	1 Development Control
Council Procedures	8 Council Tax (7 NAT & 1 SI) 3 Development Control (1 NAT & 2 SI) 1 Business Rates (NAT)	3 Benefits (1 SI, 1 NAT & 1 CIP) 1 Council Tax (NAT) 1 Business Rates
Equality of Service		2 Development Control (1 NAT)
Failure to Respond	1 Benefits (NAT)	1 Housing (NAT) 1 Benefits
Service Delivery	2 Council Tax (1 NAT & 1CIP) 4 Development Control (3 NAT & 1 SI) 3 Housing (1 NAT & 2 RTC) 3 Benefits (NAT) 1 Business Rates (NAT) 1 Cashiers (NAT)	2 Benefits (1 SI & NAT) 3 Development Control (1 NAT) 1 Council Tax (NAT) 1 Highways
Total	41	18

Key:

NAT No Action Taken
 CIP Change in Procedures
 SI Staff Instruction
 RTC Referral to Contractor
 CIS Change in Service

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By virtue of paragraph(s) 4, 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

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