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Thursday 8 November 2018

Notice of Meeting

Dear Member

Corporate Governance and Audit Committee

The **Corporate Governance and Audit Committee** will meet in the **Meeting Room 1 - Town Hall, Huddersfield** at **10.00 am** on **Friday 16 November 2018.**

The items which will be discussed are described in the agenda and there are reports attached which give more details.

Julie Muscroft
Service Director – Legal, Governance and Commissioning

Kirklees Council advocates openness and transparency as part of its democratic processes. Anyone wishing to record (film or audio) the public parts of the meeting should inform the Chair/Clerk of their intentions prior to the meeting.

The Corporate Governance and Audit Committee members are:-

Member
Councillor Hilary Richards (Chair)
Councillor Carole Pattison
Councillor Kath Pinnock
Councillor Ken Sims
Councillor Julie Stewart-Turner
Councillor John Taylor
Councillor Gemma Wilson

When a Corporate Governance and Audit Committee member cannot be at the meeting another member can attend in their place from the list below:-

Substitutes Panel

Conservative	**Green**	**Independent**	**Labour**	**Liberal Democrat**
B Armer	K Allison	C Greaves	S Hall	R Eastwood
D Bellamy	A Cooper	T Lyons	N Mather	C Iredale
V Lees-Hamilton			M Sokhal	A Munro
N Patrick			R Walker	A Pinnock
M Thompson				

Ex Officio Members
Councillor Eric Firth
Councillor Graham Turner – Cabinet Member (Corporate Services)

Agenda
Reports or Explanatory Notes Attached

		Pages
1:	**Membership of the Committee** This is where Councillors who are attending as substitutes will say for whom they are attending.	
2:	**Minutes of Previous Meeting** To approve the Minutes of the meeting of the Committee held on 7 September 2018.	1 - 4
3:	**Interests** The Councillors will be asked to say if there are any items on the Agenda in which they have disclosable pecuniary interests, which would prevent them from participating in any discussion of the items or participating in any vote upon the items, or any other interests.	5 - 6
4:	**Admission of the Public** Most debates take place in public. This only changes when there is a need to consider certain issues, for instance, commercially sensitive information or details concerning an individual. You will be told at this point whether there are any items on the Agenda which are to be discussed in private.	
5:	**Deputations/Petitions** The Committee will receive any petitions and hear any deputations from members of the public. A deputation is where up to five people can attend the meeting and make a presentation on some particular issue of concern. A member of the public can also hand in a petition at the meeting but that petition should relate to something on which the body has powers and responsibilities. In accordance with Council Procedure Rule 10 (2), Members of the Public should provide at least 24 hours' notice of presenting a deputation.	

6: Public Question Time

The Committee will hear any questions from the general public.

7: Corporate Customer Standards Annual Report 2017-18 — 7 - 16

To receive the report.

Contact: Chris Read, Corporate Complaints Officer

8: Information Governance Progress Report (Q1 and Q2) — 17 - 22

To receive the report.

Contact: Katy Deacon, Information Governance Manager

9: Treasury Management - Half Yearly Monitoring — 23 - 76

To receive the report.

Contact: Eamonn Croston, Strategic Director

10: External Audit Progress Report and Sector Update — 77 - 90

To receive the report.

Contact: Robin Baker, External Audit

11: Risk Management Update Report — 91 - 102

To receive the report.

Contact: Martin Dearnley, Head of Audit and Risk

12: Quarterly Report of Internal Audit 2018/2019 (Quarter 2) — 103 - 106

To receive the report.

Contact: Martin Dearnley, Head of Audit and Risk

13: Exclusion of the Public

To resolve that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.

14: Quarterly Report of Internal Audit 2018/2019 (Quarter 2)

Exempt information within Part 1 of Schedule 12A of the Local Government Act 1972 namely that the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.

To receive the report (to follow).

Contact: Martin Dearnley, Head of Audit and Risk

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Contact Officer: Andrea Woodside

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Friday 7th September 2018

Present:	Councillor Hilary Richards (Chair) Councillor Kath Pinnock Councillor Mohan Sokhal
Apologies:	Councillor Ken Sims Councillor Julie Stewart-Turner

1 Membership of the Committee

Apologies for absence were received on behalf of Councillors Sims and Stewart-Turner.

Councillor Sokhal substituted for Councillor Pattison.

2 Minutes of Previous Meeting

RESOLVED – That the Minutes of the Meeting held on 27 July 2018 be approved as a correct record.

3 Interests

No interests were declared.

4 Admission of the Public

It was noted that all Agenda Items would be considered in public session.

5 Deputations/Petitions

None received.

6 Annual Corporate Emergency Planning And Business Continuity Report

The Committee received the annual update of Emergency Planning and Business Continuity Report for the 2017/2018 financial year. The report sought to provide assurance that the Council was compliant with legislative requirements and that satisfactorily robust processes were in place in order to provide protection in the event of an emergency or business disruption.

The Committee noted the content of the report and discussion took place with regards to the need to update Councillors, by way of a training session, as to who to contact within the Council in the event of various types of emergency, and how to deal with local emergency situations. The Committee also discussed the implications for the potential of a no-deal Brexit and how this was being planned for across the region.

RESOLVED -

1) That the report be received and noted.

2) That arrangements be put in place for an Elected Member training session on Emergency Planning matters to be held.

7 Information Governance Annual Report

The Committee received the Information Governance Annual Report 2017/18, which provided an overview on matters relating to (i) information governance matters (ii) information access requests under the provisions of the Freedom of Information Act 2000 (iii) Environmental Information Regulations 2004 (iv) subject access requests made under the Data Protection Act 1998 and (v) an outline of improvements and developments planned for 2018/2019.

The Committee were informed that the learning from the past 12 months, along with planned activity for the next reporting period, would form the basis of the work programme for the Information Governance Board, with a focus upon compliance with the new General Data Protection Regulation.

The Committee welcomed the update report and discussion took place with regards to the frequency of future update reports, GDPR training for Council employees and Councillors, and external email user privacy notices. It was requested that a further report be submitted to the next meeting of the Committee to support a discussion on progress against GDPR compliance.

RESOLVED -

1) That the report be received and noted.

2) That a further report be submitted to the next meeting to provide an update on progress against GDPR compliance, and that six monthly updates be scheduled thereafter.

8 Corporate Customer Standards Annual Report 2017-2018

The Committee received a report which set out an update on complaint handling for the year 2017-2018, a review of Ombudsman and third stage complaints and details of whistleblowing complaints.

The report advised that, during 2017-2018, there had been no formal Ombudsman reports recorded against the Council and 11 upheld cases of complaint, several of which related to Adult Care Services.

The Committee noted the content of the report and discussion took place with regards to the figures of complaints received by the Ombudsman in relation to Council service areas and as a proportion across the West Yorkshire region. The Committee also noted the issues that had been highlighted by users of the Special Educational Needs service, and welcomed the proposed changes supported by additional funding, which had been put in place to enable the users of the service to have an improved experience.

The Committee also gave consideration to issues relating to dealing with inappropriate behaviour and managing complaints regarding Council staff. It was requested that a further paper be submitted to the next meeting of the Committee to support a further discussion on approaches towards dealing with persistently unreasonable behaviour.

RESOLVED -

1) That the report be received and noted.

2) That a further discussion be scheduled for the next meeting regarding dealing with complaints.

9 External Audit - Progress Report And Sector Update

The Committee received a progress report, as submitted by Grant Thornton external audit, which set out progress made in terms of delivering external audit responsibilities, along with a summary of relevant emerging national issues and developments. The Committee noted that a handover process from KPMG was in transition and the progress that had been made as at 24 August 2018, as detailed within the report, specifically with regards to financial statements audit, value for money and certification of claims and returns. The report set out a timetable for deliverables, and the proposed dates for the submission of the accounts audit plan, interim audit findings, the audit findings report, the auditor's report and the annual audit letter.

RESOLVED - That the External Audit Progress report be received and noted.

10 External Assessment Of Internal Audit (As Required By Public Sector Internal Audit Standards

The Committee received the Internal Audit external assessment report, which had been carried out in accordance with the requirements of Public Sector Internal Audit Standards. The report, which had been prepared by Julie Gill, Audit Manager at Wakefield Council, following an assessment undertaken in January and February 2018, provided an overall opinion that the Council's internal audit function 'generally conformed' to Public Sector Internal Audit Standards and Code of Ethics, which was the highest on a scale of three ratings.

The accompanying report, submitted by the Head of Audit and Risk, highlighted the recommendations that had been made, and set out a response to the recommendations at paragraph 2.2. It was noted that the recommendations and proposed actions would be incorporated into a Quality Improvement Programme to be submitted to the Committee on 25 January 2019. The Committee were also asked to approve the revised Audit Strategy and Charter, which was largely the same as the previous version (2017) but incorporating minor changes, which were attached at Appendix B of the considered report.

The Committee noted the content of report, and noted that there would be the opportunity for further discussion regarding the impact of the recommendations to take place at the meeting to be held in January 2019.

RESOLVED -

1) That the External Assessment of Internal Audit be received and noted.

2) That the recommendations as set out at paragraph 2.2 of the report, and the proposed response, as set out at paragraphs 2.3 and 2.4, be noted.

3) That the Internal Audit Strategy and Charter 2018-2020 be approved.

KIRKLEES COUNCIL

COUNCIL/CABINET/COMMITTEE MEETINGS ETC
DECLARATION OF INTERESTS

Corporate Governance and Audit Committee

Name of Councillor

Item in which you have an interest	Type of interest (eg a disclosable pecuniary interest or an "Other Interest")	Does the nature of the interest require you to withdraw from the meeting while the item in which you have an interest is under consideration? [Y/N]	Brief description of your interest

Signed: ………………………………………… **Dated:** ……………………………………..

NOTES

Disclosable Pecuniary Interests

If you have any of the following pecuniary interests, they are your disclosable pecuniary interests under the new national rules. Any reference to spouse or civil partner includes any person with whom you are living as husband or wife, or as if they were your civil partner.

Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner, undertakes.

Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses.

Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority -

- under which goods or services are to be provided or works are to be executed; and
- which has not been fully discharged.

Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.

Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.

Any tenancy where (to your knowledge) - the landlord is your council or authority; and the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.

Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -
(a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
(b) either -

the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or

if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

Name of meeting: Corporate Governance and Audit Committee
Date: 16 November 2018
Title of report: Corporate Customer Standards Annual Report 2017-18

Purpose of report:

To update Corporate Governance and Audit on three matters raised following the presentation of the Annual Report at the previous meeting.

The report discusses the number of complaints received by individual services during 2016-17, provides an update on the formal report issued by the Local Government Ombudsman, and discusses the proposed addition to the information provided to residents about complaint matters on the council's website.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**No** .
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	**No**
The Decision - Is it eligible for call in by Scrutiny?	**Yes**
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Finance IT and Transactional Services?** **Is it also signed off by the Service Director for Legal Governance and Commissioning Support?**	 Julie Muscroft 25.10.2018
Cabinet member portfolio	**Graham Turner**

Electoral wards affected: **all**

Ward councillors consulted: **none**

Public or private: **Public**

1. **Summary**

For Corporate Governance and Audit Committee to consider the content of the report and to approve the updated wording for the advice to residents on complaint matters. A further update on the Ombudsman formal report will be provided for the next meeting of CGAC.

2. **Information required to take a decision**

Contained within report

3. **Implications for the Council**

3.1 **Early Intervention and Prevention (EIP)**

3.2 **Economic Resilience (ER)**

3.3 **Improving Outcomes for Children**

3.4 **Reducing demand of services**

Advice to residents may clarify their complaints. Learning from complaints will help ensure that errors are not repeated and processes are more efficient and effective.

3.5 **Other (eg Legal/Financial or Human Resources)**

Complaint handling investigation can help reduce risk of services not adhering to legal processes.

4. **Consultees and their opinions**

None

5. **Next steps**

N/A

6. **Officer recommendations and reasons**

To accept the report.

7. **Cabinet portfolio holder's recommendations**

8. **Contact officer**

Chris Read, Corporate Customer Standards 01484 221000

9. **Background Papers and History of Decisions**

None

10. **Service Director responsible**

Eamonn Croston

Corporate Governance and Audit Committee 16.11.2018

1: Purpose of Report

CGAC asked the Corporate Customer Standards Officer to return to the next meeting discuss three areas following on from the annual report presented on 7 September 2018.

- The numbers of complaints received by some services appear to have changed
- Update on The Local Government Ombudsman formal report received by the council
- Discussion on advice for members of the public on complaint matters

2: The numbers of complaints received by some services appear to have changed

2.1 It is important to set some statistical significance to the numbers reported in the Corporate Customer Standards Report. While there is a clear value in analysing trends on the overall numbers received each year (and in comparing such numbers with those received by neighbouring similar councils) they are tiny when compared with the volumes of contacts each service receive each year.

2.2 When individual service numbers are considered, they are so low that a caution must be attached to such a low sample number.

2.3 It is also important to note the council has restructured and merged its services over the years, and the Local Government Ombudsman has also altered how it groups the complaints it receives. This makes it difficult to achieve parity both year on year, and with the Ombudsman results.

2.4 This year, we did alter the way we collated our figures to align more closely to the Ombudsman categories and this has resulted in some movement of cases.

2.5 There was a particular query over the numbers received in the category of environment and protection, where numbers increased by 13 over the year. Having viewed the actual cases it should be noted there was an increase in the number of complaints received about taxi licensing from a resident taxi driver (3 separate occasions) who used the complaints procedure in an attempt to progress his concerns rather than through licensing committee.

We also received 3 additional complaints as a result of the campaign against littering, and 3 similar but separate complaints against a particular food manufacturing business with concerns about smells wafting into a neighbouring busy work premises.

These 3 issues resulted in 9 complaints (70% of the increase) being recorded in the category, and they might be considered to be either be "one off" events, or created through increased council action not previously undertaken.

3: Update on Local Government Ombudsman formal report

3.1 The Ombudsman formal report was published on 2 October. It led to articles in the local press, BBC Look North and The Guardian. The complainant connected the issues she had experienced at Kirklees Council with wider national issues arising from the increased requirements upon services to support special educational needs introduced by government a couple of years ago.

3.2 The Ombudsman requires the council to formally consider their report. Following discussion with Julie Muscroft, Service Director Legal, Governance and Commissioning, the report is being highlighted to two council committees, Cabinet on 13 December 2018 and Corporate Governance and Audit Committee (who have complaint oversight) in January 2019. The Ombudsman is comfortable with this approach.

3.3 An improvement plan had already been considered by Executive Team in May 2018, where an additional £0.5m was provided for the service to improve performance. Parents have been involved with the design of the service improvements.

3.4 The core areas of improvement includes:

1. More timely communication between services, schools and parents to reduce delay. Rigorous supervision and training, and a new computer system to aid monitoring of progress and communication are now in place.

2. The principles of a child and family centred approached enshrined in the Children and Families Act 2014 should be embedded through a workforce development strategy to ensure that parents and their child were fully involved in the decision making process. The Council has adopted a Restorative Approach and this complements the core principles of the Act. A bespoke programme is being designed for SENDACT.

3. The Council is committed to the High Needs Strategic Review which is based on the outcome of extensive consultation with parents and carers, schools and settings, and other agencies. The SENDACT review is included in the action plan along with other developments noted by parents, e.g. closer multi-agency working, workforce development, the importance of transition.

3.5 More information will be provided to Corporate Governance and Audit Committee in January 2019.

4: Discussion on advice for members of the public on complaint matters

4.1 The council already provides a considerable level of advice for residents on the website. www.kirklees.gov.uk/complaints

This includes:

- The various complaints procedures (Adults Service, Childrens Service, Councillor Complaints, School Complaints, taxi and private hire complaints)

- Details of the Local Government Ombudsman's Service

- Detail to confirm that the complaints process is about comparing how the situation was considered with legislation, procedure and policy.

- Detail of the three stage complaints process and information about when some of these stages might be merged

- Detail about Councillor involvement in the complaints process.

4.2 In addition there is a range of policies and tools to assist with considering resident behaviours. These include the unreasonably persistent complainant policy, being recorded in public and a document about appropriate behaviours.

4.3 We have identified there are occasions where members of the public appear to personalise the complaint they have towards the individual staff member who has informed them of an unwelcome outcome. Unfortunately, the frustration about the decision can manifest itself into inappropriate behaviour against the member of staff who provided it (the saying "shoot the messenger" may be appropriate).

4.4 The proposed additional information (Appendix 1) is intended to set out that in fact on most occasions the officer is simply referring to the appropriate policy, procedure or legislation and the physical decision was not personal or individual.

4.5 While the information is available for residents to read at any time, we recognise that residents are likely to complain without having read the information. However, having it available publically as part of the suite of information provided perhaps offers a less contentious way of highlighting that the complaint is actually against the procedure and policy rather than against a particular member of staff.

4.6 As a public organisation we have to be open to enquiry and criticism, but at the same time as an employer we are required to ensure staff are protected from inappropriate behaviour. Where there is genuine complaint and we have to try to ensure the resident presents their complaint in a way where it is clear and reasonable.

4.7 There has to be a clear distinction between a genuine complaint or concern about a staff member, against a perception (rather than reality) that the staff member has some kind of personal grievance against the member of the public because of the decision they are required to make in accordance with council policy or government legislation.

4.8 The suggested addition to the staff guidance emerged as a result of a staff suggestion. The wording was formulated with complaints officers across the service.

4.9 It is not intended as the sole statement or policy on the area of inappropriate behaviour, but it is intended as guidance for the public.

Appendix 1: Additional advice wording on complaints matters

Complaints about council staff

Introduction

There can be times where you might feel you need to complain about a member of staff. We all know there are times where we might feel aggrieved about how something has been dealt with, but it is important to decide whether your complaint is against council rules rather than be personally against the person giving you an unwelcome decision.

Unfortunately the council sometimes receive angry comment against our staff. While we welcome legitimate concerns about staff behaviour so we can address and learn from it, we find sometimes staff are only doing their job, and making personal comments and assumption about our staff can go beyond what can be considered reasonable.

We want to make sure our residents receive a good service but as an employer we also have a responsibility towards our staff.

If you think you might have a staff complaint, this advice guide might be useful for you to separate out what is a staff complaint and what is a complaint against the process.

Should I complain about a staff member?

Bear in mind that in the vast majority of cases officers have not made a personal judgement about the issue you have presented to the council. Their role is to base their decision on the relevant national legislation and policy that applies to the situation. Almost every decision the council makes on a day to day situation will be based on rules and policy to make sure our decisions are correct and as consistent as possible.

We expect officers to clearly explain how they have reached their decision although they sometimes have to share unwelcome news. This allows you to gain an understanding about the decision and to challenge it if you think it is wrong. Unfortunately when you are have received a decision that you think is incorrect or unfair, it can sometimes feel that an officer of the council has personally blocked what you want to see as an outcome and you may wish to complain about them personally.

However, before you complain about a member of staff, it is worth thinking about whether you actually want to complain about the council decision the officer has shared with you, or whether you want to complain about the staff member’s behaviour.

What sort of staff complaints should I make?

There are occasions where you can make valid criticisms of individual officers. This would most commonly be where they have:

- delayed responding to you or not responded to you at all (although if it is a discussion that seems to be going round in circles the officer has the right to close the discussion if they have told you how you may progress your concerns)
- not given you reasonable information you have asked for
- not explained the decision or situation clearly
- clearly been rude to you
- appeared to have made a mistake when comparing your situation against the policy and legislation AND this has caused you more than minor inconvenience/delay

In such circumstances you should in the first instance ask to speak with that person's manager or to formally raise a complaint to the service in writing.

You should not contact the officer directly as they are not in a position to respond to your concerns about themselves.

Where complaints about staff is not appropriate.

Unfortunately there are occasions where complaints about individual staff are not appropriate. The council is obliged to support the staff member if the complaint is unfair or unreasonably presented.

Likewise a complaint against a staff member is not valid where it is clear the staff member has simply interpreted the policy and legislation correctly, even when you are not satisfied with the outcome. This is a complaint against the decision that has been made, and it should be tackled by explaining why you feel the decision is incorrect (either some relevant information has not been provided or considered, or if you feel the policy or legislation has wrongly been interpreted).

Inappropriate behaviour towards staff can include:

- Emailing a number of managers and/or elected representatives to criticise or question an officer's decision – this could be considered to be an attempt to undermine, belittle or bully the individual officer. You should simply contact the individual's line manager.
- Making unsubstantiated accusations against an officer suggesting perhaps they are unable to perform their job, or that they have taken some kind of bribe.
- Contacting the officer direct to criticise them – they cannot respond to a complaint against themselves.
- Contacting the officer direct to set out the impact of their decision upon you – this could be seen as an attempt to make officers feel guilty about a decision they are required to make.

- Making vague or explicit threats towards officers
- Threatening officers direct with legal action, referral to their professional bodies, or to their managers.
- Making negative comments about named officers on social media
- Making negative comments to officers about their decision while they are in their private capacity, in person or on social media

This type of behaviour can only detract from any valid argument you might be able to present. The council like other employers will seek to protect their staff.

Behaviour of this nature may in extreme circumstances lead to a restriction on your contact with the council which could give you considerable inconvenience. In extreme and persistent circumstances legal action could be instigated against you.

Tip: It can sometimes help to write down what you want to say and feel in an email but then don't send it immediately. You can later review the information to make it more factually correct and less emotive.

If you need advice about how to present your complaint and who it should be presented to, you can contact the Corporate Customer Standards Service at customer.standards@kirklees.gov.uk or on 01484 221000 (ask for Corporate Customer Standards).

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Kirklees COUNCIL

Name of meeting: **Corporate Governance & Audit Committee**
Date: **16th November 2018**

Title of report: **Q1 & Q2 Information Governance Progress Report**

Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	No
Is it in the Council's Forward Plan?	No
Is it eligible for "call in" by Scrutiny?	No
Date signed off by Director & name Julie Muscroft, Service Director for Legal, Governance and Commissioning	Yes
Cabinet member approval	Cllr Graham Turner

Electoral wards affected: **N/A**
Ward councillors consulted: **N/A**

Public or private: Public

1. Purpose of report

When the 2017/18 Information Governance Annual Report was presented to Corporate Governance and Audit Committee, more regular 6-monthly progress reports were requested. The intention of these regular reports was to provide Councillors with a more detailed overview of the main Information Governance events and activities for the year so far including an overview of the activities taking place to embed improved data protection practices, rather than a focus on the compliance rates which are a focus.

This report is for information and comment.

2. Key points

Information Governance is seen in the context of wider corporate governance. The way in which the council services utilise, manage, retain, share and dispose of information are the core components of robust information governance. It assists the council to reach a point where information and data becomes an asset and an enabler to the council and its communities. It is the foundation of delivering our wider intelligence vision.

This report seeks to set out the breadth of activity and challenges in the context of information governance as a whole. By way of an overview, headline actions include details of the work intended to improve the information governance culture within the organisation and minimise risk from non-compliance with the General Data Protection Regulation, including:

- Reviewing policies, guidance and frameworks
- Promoting and updating awareness through learning and development
- Implementing initiatives to improve information security
- Delivering projects to update procedures for records management
- Identifying areas where Services require additional support and planning to deliver that support in the most appropriate way

3. Implications for the Council

In the context of wider corporate governance it is important that the Council continues its strategic approach to information governance that ensures legislative compliance whilst realising the opportunities and benefits of robust practice.

4. Consultees and their opinions

Members of the Information Governance Board were consulted on the contents of the attached report and endorse the information and proposals contained therein.

5. Next steps

This report updates Corporate Governance and Audit Committee with the progress currently being made with regards to the Information Governance developments within council services. These activities will continue and be monitored by the council's Information Governance Board. If this report is considered useful, a further end of year progress report will be brought to the April meeting.

6. Officer recommendations and reasons

That Corporate Governance and Audit Committee note and comment on the progress being made with Information Governance developments.

The Information Governance Board would be grateful for any comments from Members on the content of this report and ideas of what items Members would find useful to have included in future Information Governance Progress Reports.

7. Contact officer and relevant papers

Katy Deacon – Information Governance Manager and Data Protection Officer

Lindsay Foody – Information Access Officer
Carl Whistlecraft – Head of Democracy
Julie Muscroft – Service Director for Legal, Governance and Commissioning

GDPR Assurance - CGA Progress Report

Author: Katy Deacon
Date: November 2018

Summary
• General Data Protection Regulation (GDPR) came into force in May 2018. Kirklees Council had been working to bring working practices up to GDPR standards for the previous 12 months. • In May 2018, Executive Team mandated the Information Governance (IG) Board to ensure that that the council's GDPR Implementation Plan was appropriately actioned to ensure GDPR compliance standards are achieved by May 2019. • To begin this process all Services were asked to complete a GDPR Assurance self-assessment in September and all services provided their responses within deadline. • IG Board have reviewed the September self-assessment results and have approved recommendations to provide further support activities to council services. • The results of the September self-assessment show that all Services are working to GDPR requirements. Some services have requested further support to help embed these into every-day practices. This support will be provided via online videos, workshops, guidance notes and drop-in sessions. • The Council has an established online incident reporting tool for staff members to report any information security incidents, which will help the Council to meet the 72hour GDPR reporting deadline. • The Council has established a GDPR Assurance process to monitor the internal assurance at a team and service level. • The Council is developing GDPR Assurance expectations for contractors and other partners • The IG Board is developing an Information Governance & Management Strategy which will support the ongoing use and storage of information by the Council. • All Council employees are completing GDPR training, either via the electronic online portal or through a paper version of the training. The deadline for completing this training is December 31st 2018. Colleagues who have not completed the online training will have their network access revoked.

Below is a detailed overview of the findings and resulting actions from the September GDPR Self-Assessment.

Self-Assessment Results		
Deliverable	**Headlines**	**Ongoing Actions**
Governance	Procedures involving the use of personal data have been identified and mostly revised as required	Formal guidance and workshops will be delivered in the coming months to provide additional support on data flow mapping, privacy by design and Information Asset Owner responsibilities.
Assurance	Internal GDPR assurance expectations are clearer following the self-assessment	GDPR Assurance workshops will be delivered from December to help Services embed the

	process. Services are working to embed Information Protection processes within their daily procedures	GDPR processes into day-to-day procedures
Third Party Management	Guidance is required to provide clarity around the Councils GDPR assurance expectations of Council contractors. Services have requested data sharing guidance to strengthen understanding of the legal basis for sharing data	The IG Team will deliver Information Sharing workshops and Council-wide drop in sessions for services. Following consultation with regional Council colleagues, guidance will be provided to all services to ensure expectations of contractors and partners is clear.
Data Collection & Use	Services have requested workshops to strengthen understanding of the legal basis for sharing, data flow mapping, privacy notices and Data Protection Impact Assessments.	The IG Team will deliver Information Sharing, DPIA, Information Asset Register and Privacy by Design workshops. The IG Team will include data flow mapping guidance within all other workshops and provide targeted data flow mapping presentations to specific services.
Retention & Disposal	Services have requested a clear, corporate approach to retention & destruction schedules. Clear guidance on retention of emails and electronically stored documents has also been requested. Services have asked for help to identify where historic files are stored following service changes etc. Help from IT is also requested when services need support with the large database systems.	The IG Team has reviewed and published retention & destruction schedule guidelines – these will be promoted through the Council's Spotlight messaging service. The IG Team has created guidance on retention of electronic documents and this is available on the Council's Intranet The Council's GDPR Implementation task group has created a records task group to review electronic databases. The IG Board is developing an Information Governance & Management Strategy to support the ongoing use and storage of information by the Council.
Individual's Rights	Services need corporate guidance around how to manage GDPR Information requests. There is a requirement to have a corporate GDPR statement on emails.	The IG Team will publish guidance on GDPR information requests and send accompanying Spotlight message The IG Team will create a GDPR statement and work with IT to have this automatically deploying onto emails
Information Security	The electronic Information Security Incident form is working very well, with Services reporting incidents through this route very easily. Some services report that they are unsure as to how to create their service incident response plans Some Services need more information about the Council's Information Security	The IG Team will deliver an online video and guidance around how to create a service incident response plan The IG Team will publish a Spotlight training on the Information Security Policy

	Policy	
Systems & Technology	Services have asked for specific support and guidance from IT, covering: • How to manually delete large amounts of data from large databases • Ways to share data electronically without using email • How do services technically cleanse data from drives	IT are producing guidance and support mechanisms to help Services with their enquiries.
Training & Awareness	All Services are encouraging their staff to complete the GDPR training before the December 31st deadline	GDPR training for non-office based staff is being promoted to managers to ensure all staff have completed GDPR training by December 31st

Name and date of meeting: **Corporate Governance and Audit Committee 16 November 2018**

Cabinet 11 December 2018

Council 12 December 2018

Title of report: **Half Yearly Monitoring report on Treasury Management activities 2018/19**

Purpose of report

The Council has adopted the CIPFA Code of Practice on Treasury Management. It is a requirement of the Code that regular reports be submitted to Members detailing treasury management operational activity. This report is the mid-year for 2018/19 covering the period 1 April to 30 September 2018.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**No**
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	**Key Decision: Yes** **Private Report/Private Appendix: N/A**
The Decision - Is it eligible for call in by Scrutiny?	**No**
Date signed off by Strategic Director and name **Date signed off by Service Director** **Is it also signed off by the Service Director Legal Governance and Monitoring?**	**N/A** **Eamonn Croston – 8 November 2018** **Julie Muscroft – 8 November 2018**
Cabinet member portfolio	**Corporate** **Graham Turner**

Electoral wards affected: **N/A**
Ward councillors consulted: **N/A**
Public or Private: **Public**

1 Summary

1.1 The report gives assurance that the Council's treasury management function is being managed prudently and pro-actively. External investments averaged £43.1 million during the period at an average rate of 0.56%. Investments have ranged from a peak of £70.8m in August and a low of £15.8m in April.

1.2 Balances were invested in line with the approved treasury management strategy (see Appendix 1), in instant access accounts or short-term deposits.

1.3 The treasury management revenue budget is forecasted to underspend by £5.4m in 2018/19 against an annual budget provision of £22.9m due to the change in Minimum Revenue Provision (MRP) policy which generated an underspend against baseline of £9.1m. Of this underspend, it is intended that £4.1m transfers to financial resilience reserves at year end, with the balance of £5.0m released in-year to support additional investment into high needs service in-year.

1.4 In-year treasury management performance is in line with the treasury management prudential indicators set for the year (see appendix 4).

1.5 the Financial Outturn and Rollover Report 2017-18 presented to Council on 11 July 2018 included officer intentions to review current treasury management investment policy and consider options for future investment opportunities that could make additional returns for the Council. The report includes a recommendation to pursue a more diverse portfolio of investment in line with a significant amount of other Local Authorities through the Local Authorities Property Fund, subject to consideration of the potential risk and accounting treatment that is currently still being considered through a formal Government consultation.

2 Information required to take a decision

2.1 The treasury management strategy for 2018/19 was approved by Council on 14 February 2018. The over-riding policy continues to be one of ensuring the security of the Council's balances. The Council aims to invest externally balances of around £30 million, largely for the purpose of managing day-to-day cash flow requirements, with any remaining balances invested "internally", offsetting borrowing requirements.

2.2 The investment strategy is designed to minimise risk, with investments being made primarily in instant access accounts or short-term deposits, with the major British owned banks and building societies, or Money Market Funds. Diversification amongst counterparties is key.

Economic Context

2.3 The following economic update has been provided via our external advisors Arlingclose (paragraphs 2.6 to 2.9 below in italics):

2.4 *The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for* *regular pay, i.e. excluding bonuses, was 2.9% providing some evidence that a shortage of workers is providing support to wages. However real wages (i.e. adjusted for inflation) grew only by 0.2%, a marginal increase unlikely to have had much effect on households.*

2.5 *The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%. Having raised rates in March, the US Federal Reserve again increased its target range of official interest rates in each of June and September by 0.25% to the current 2%-2.25%. Markets now expect one further rise in 2018.*

2.6 *The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK nto the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.*

2.7 *The ring-fencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc – is complete, the transfer of their business lines into retail (ring-fenced) and investment banking (non-ringfenced) is progressing and will need to be completed by the end of 2018.*

Investment Performance

2.8 The Council invested an average balance of £43.1 million externally during the period (£41.3 million in the first six months of 2017/18), generating £120k in investment income over the period. Appendix 7 shows a comparative average net monthly balances invested over the last 3 years.

2.9 Balances were invested in instant access accounts or short term deposits. Appendix 1 shows where investments were held at the start of April, the end of June and September by counterparty, by sector and by country.

2.10 The Council's average investment rate for the period was 0.56%. This is higher than the average in the same period in 2017/18 of 0.20%. This is mainly due to both the base rate increase to 0.75% in August 2017.

2.11 As per Appendix 3, the Council performed well against other Local Authorities when comparing internal investments. In order to gain better rates of return, the majority of Local Authorities performing better have further external investments in specific commercial property portfolios or a more diverse portfolio such as the Local Authorities Property Fund.

Borrowing Performance

2.12 Long-term loans at the end September totalled £395.4 million (£400.4 million 31 March 2018) and short-term loans £2.0 million (£0.9 million 31 March 2018). There has been no new long term borrowing so far this year. There isn't an expectation of any new additional long term borrowing this year.

2.13 Fixed rate loans account for 81.0% of total long-term debt giving the Council stability in its interest costs. The maturity profile for fixed rate long-term loans is shown in Appendix 2 and shows that no more than 10% of fixed rate debt is due to be repaid in any one year. This is good practice as it reduces the Council's exposure to a substantial borrowing requirement in future years when interest rates might be at a relatively high level.

2.14 Appendix 5 sets out in year repayments on long term borrowing and also further re-payments for the next 6 months.

Revenue Budget Monitoring

2.15 The treasury management budget for 2018/19 currently stands at £22.9m. The latest budget monitoring shows an under-spend of £5.4m. The under-spend is mainly due to the revised Minimum Revenue Provision (MRP) policy to provide for MRP on the basis of the asset life to which external borrowing is incurred rather than the older version of a 4% reducing balance of the Capital Financing Requirement (CFR). The MRP calculation is used to determine the amount of revenue resources that need to be set aside annually by the Council to meet its debt obligations. The balance of £0.4m treasury management underspend is due to a reduction in the need for short term borrowing due to further slippage in the Capital Plan.

Prudential Indicators

2.16 The Council is able to undertake borrowing without central government approval under a code of practice called the Prudential Code. Under this Code, certain indicators have to be set at the beginning of the financial year as part of the treasury management strategy.

2.17 The purpose of the indicators is to contain the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decision impacting negatively on the Council's overall financial position. Appendix 4 provides a schedule of the indicators set for treasury management and the latest position.

Borrowing and Investment – General Strategy for 2018/19

2.18 The Capital Financing Requirement (CFR) represents the Council's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements.

2.19 An authority can choose to finance its CFR through internal or external borrowing or a combination of the two.

2.20 Forecast changes in the Capital Financing Requirement (CFR) and how these will be financed are shown in the balance sheet analysis at Table 1 below:

Table 1: Balance Sheet Forecast

	Actual 2017/18 £m	Strategy Estimate 2018/19 £m	Revised Forecast 2018/19 £m
General Fund CFR - Non PFI	420.3	458.9	429.8
PFI	52.3	49.3	49.3
HRA CFR - Non PFI	182.8	175.3	183.2
PFI	54.9	52.9	52.9
Total CFR	710.3	736.4	715.2
Less: PFI debt liabilities (1)	107.2	102.2	102.2
Borrowing CFR	603.1	634.2	613.0
Financed via;			
Deferred Liabilities (Non-PFI) (2)	4.0	3.9	3.9
Internal Borrowing	185.9	136.6	208.7
External Borrowing	413.2	493.7	400.4
Total	603.1	634.2	613.0
Investments	36.1	30.0	30.0

(1) £107.2m PFI Liability (£5.0m falling due in 2018/19)
(2) Deferred Liabilities = £1.0m Finance Lease (Civic Centre 1) & £3.0m Transferred Debt (Probation - Bradford, Waste Management - Wakefield & Magistrates Debt Charges)

2.21 The revised forecast takes into account the following factors;

a) General Fund CFR has reduced from £458.9m in the 2018/19 Strategy to £429.8m revised forecast due to further slippage and re-profiling within the Capital Plan.

b) Internal borrowing in the 2018/19 Strategy was £136.6m, this has now been revised up to £208.7m due to lower than forecast use of reserves.

2.22 The Council currently looks to maximise internal borrowing due to the relatively low rates of investment income available within the scope of the Treasury Management Strategy.

Future Treasury Management Strategy

2.23 The Financial Outturn and Rollover Report 2017-18 reported to Council on 11 July 2018 included officer intentions to review current treasury management investment policy and consider options for future investment opportunities that could make additional returns for the Council.

2.24 One such opportunity would be to invest in the Local Authority Properties Fund. Any Local Authority in England, Wales, Scotland and Northern Ireland can invest and the asset allocation is distributed across a mixture of mainly property portfolios across the UK, but is supplemented with cash investments (Appendix 8).

2.25 The Local Authorities Property Fund currently generates a gross yield of 4.47% (based on most recent quarter estimate) which is a far greater return than the current Council short-term investments due to the nature of the latter being more liquid and having greater security. However due to the diversification of the Local Authorities Property Fund portfolio, this still offers relatively more security than if the Council were to invest within individual commercial properties.

2.26 Officers consider that an investment of between £5m and £10m could be considered, given current average monthly balances available for investment of £43.1m, as noted earlier in the report at para 2.8, and also noting recent year available average monthly balances for investment, as shown in Appendix 7. This highlights the increased investment level in 2018-19 compared with 2017-18 and the potential for consideration of a £5m to £10m investment, with the majority of available balances still directed at short-term (liquid) investments, and some balances used for longer term investment.

2.27 Based on current yields, the anticipated annual investment income from £5m – £10m investment could be in the range £225k - £450k onging,

2.28 The Fund has previously offered both stable yields and capital gains over the last 10 years. However, it must be noted that this is heavily dependent on property prices and if there were to be a property crash the Council would incur a capital loss on any investment.

2.29 The introduction of a new code of accounting practice for local government, from April 2018 relating to Financial Instruments, would ordinarily mean that any movement in the fair value of the overall capital asset portfolio from year to year (positive or negative) , would now have a real impact on the Council’s annual Comprehensive Income and Expenditure Statement and therefore would impact on the Council Tax payer.

2.30 However, Government is currently consulting on a statutory override to this requirement specifically in relation to the Local Authorities Pooled Investment Funds, albeit the override would be for 3 years only (to 1 April 2021). Councils are lobbying for the override to be made permanent. Therefore the potential for this change and the impact this could potentially have on the Council needs to be considered as part of an investment within such a fund. The outcome of this consultation is expected to be announced by Government later in the year.

2.31 The recently updated Prudential Code and Treasury Management Guidance which the Council will be formally adopting from 2019-20 onwards, notes that any investment in such funds (or individual commercial activity) should be proportionate to the requirements of the Council and should not be considered as a means to generate income without considering the potential impact if those investments were to generate a lower than expected return. It can be seen that some public sector bodies have pushed the boundaries in this area which may lead to a further revision in the updated CIPFA Code/Government Guidance in the future.

2.32 An investment with the Local Authority Property Fund, which has a diversified commercial portfolio throughout the UK would be seen as “non-treasury management activity" in that the purpose of holding such an investment is to generate a return rather than directly to service outcomes.

2.33 A further new requirement of the updated Treasury Management Code of Practice (2017) is to ensure management practice is in place for non-treasury management activity in addition to the existing 12 Treasury Management Practices (TMPs). This is outlined at the end of this report (Appendix 6).

2.34 The updated CIPFA Prudential and Treasury Management Codes also call for more robust management of commercial activity and capital borrowing, acknowledging the increasing trend over more recent years for Councils to investments in commercial properties, funded by borrowing, with the key driver of this activity appearing to be the generation of revenue. The prudential code takes the same position as the statutory guidance, and it is clear that authorities must not borrow more than or in advance of their needs purely to profit from the investment of the extra sums borrowed. An investment in the CCLA Property Fund would not fall in to this category as it will not be funded by new borrowing, it would be utilising current day to day cash balances.

Risk and Compliance issues

2.35 In line with the investment strategy, the Council has not placed any direct investments with companies as defined by the Carbon Underground 200.

3 Implications for the Council

3.1 The treasury management underspend has been incorporated into the overall Quarter 2 financial monitoring report presented to Cabinet on 13 November 2018.

3.2 The outcome of the statutory override consultation on the Local Authority Property Fund will be reported back to members in due course.

4 Consultees and their opinions

Arlingclose, the treasury management advisors to the Council, have provided the economic context commentary contained in this report.

5 Next steps

Following consideration at Corporate Governance & Audit Committee, this report will be presented to Cabinet on 11 December 2018 and then full Council on 12 December 2018.

6 Officer recommendations and reasons

Having read this report and the accompanying Appendices, Corporate Governance & Audit Committee are asked to:

6.1 note the half-year treasury management performance in 2018-19 as set out in the report;

6.2 Approve officer proposals for an amendment in the Council's current investment strategy to include the Local Authority Property Fund as a potential investment source;

6.3 To consider proposals for officers to further explore an investment opportunity of between £5m and £10m in the Fund, and subject to further Government clarification on the statutory override, and other risk considerations, to formalise any such proposals into the forthcoming 2019/20 annual treasury management strategy and annual budget for further member consideration

7 Contact officer

James Anderson Senior Finance Manager 01484 221000

8 Background Papers and History of Decisions

CIPFA's Prudential Code for Capital Finance in Local Authorities.
CIPFA's Code of Practice on Treasury Management in the Public Services.
The treasury management strategy report for 2017/18 - Council 15 February 2017
CIPFA 2017 consultation - Prudential and Treasury Management Codes
Council Budget Strategy Update Report 2019-22 – Council 11 October 2018
Annual Report on Treasury Management 2017-18 - Annual Financial Outturn and Rollover Report 2018-19; Council 11 July 2018.

9 Service Director responsible

Eamon Croston 01484 221000

Appendix 1

Kirklees Council Investments 2018-19

Counterparty		Approved Strategy Limit £m	Approved Strategy Credit Rating	Credit Rating Sept 2018*	1 April 2018 (opening) £m	Interest Rate	Type of Investment	30 June 2018 £m	Interest Rate	Type of Investment	30 September 2018 £m	Interest Rate	Type of Investment
Specified Investments													
London Borough of Newham		10.0	-	-				8.0	0.55%	1 month			
Bank of Scotland	Bank	10.0	F1	F1/A+									
Lloyds	Bank	10.0									6.0	0.75%	32 Day Notice
Santander	Bank	10.0						5.0	0.55%	35 Day Notice	7.0	0.85%	35 Day Notice
Handelsbanken	Bank	10.0	F1	F1+/AA							6.7	0.77%	35 Day Notice
Std Life (Ignis)	MMF**	10.0	AAA-A	AAA	9.9	0.46%	MMF	10.0	0.53%	MMF	9.9	0.67%	MMF
Aviva	MMF**	10.0	Aaa-A2	Aaa	10.0	0.42%	MMF	9.8	0.51%	MMF	9.9	0.67%	MMF
Deutsche	MMF**	10.0	AAA-A	AAA	9.0	0.37%	MMF	6.5	0.45%	MMF	1.7	0.64%	MMF
Goldman Sachs	MMF**	10.0	AAA-A	AAA	7.2	0.37%	MMF	10.0	0.47%	MMF	9.9	0.64%	MMF
					36.1			**49.3**			**51.1**		
Sector analysis													
Bank		10.0 each						5.0	10%		19.7	39%	
Building Society		10.0 each											
MMF**		40.0			36.1	100%		36.3	74%		31.4	61%	
Local Authorities/Cent Govt		Unlimited						8.0	16%				
					36.1	100%		**49.3**	100%		**51.1**	100%	
Country analysis													
UK								13.0	26%		13.0	25%	
Sweden											6.7	13%	
MMF**					36.1	100%		36.3	74%		31.4	62%	
					36.1	100%		**49.3**	100%		**51.1**	100%	

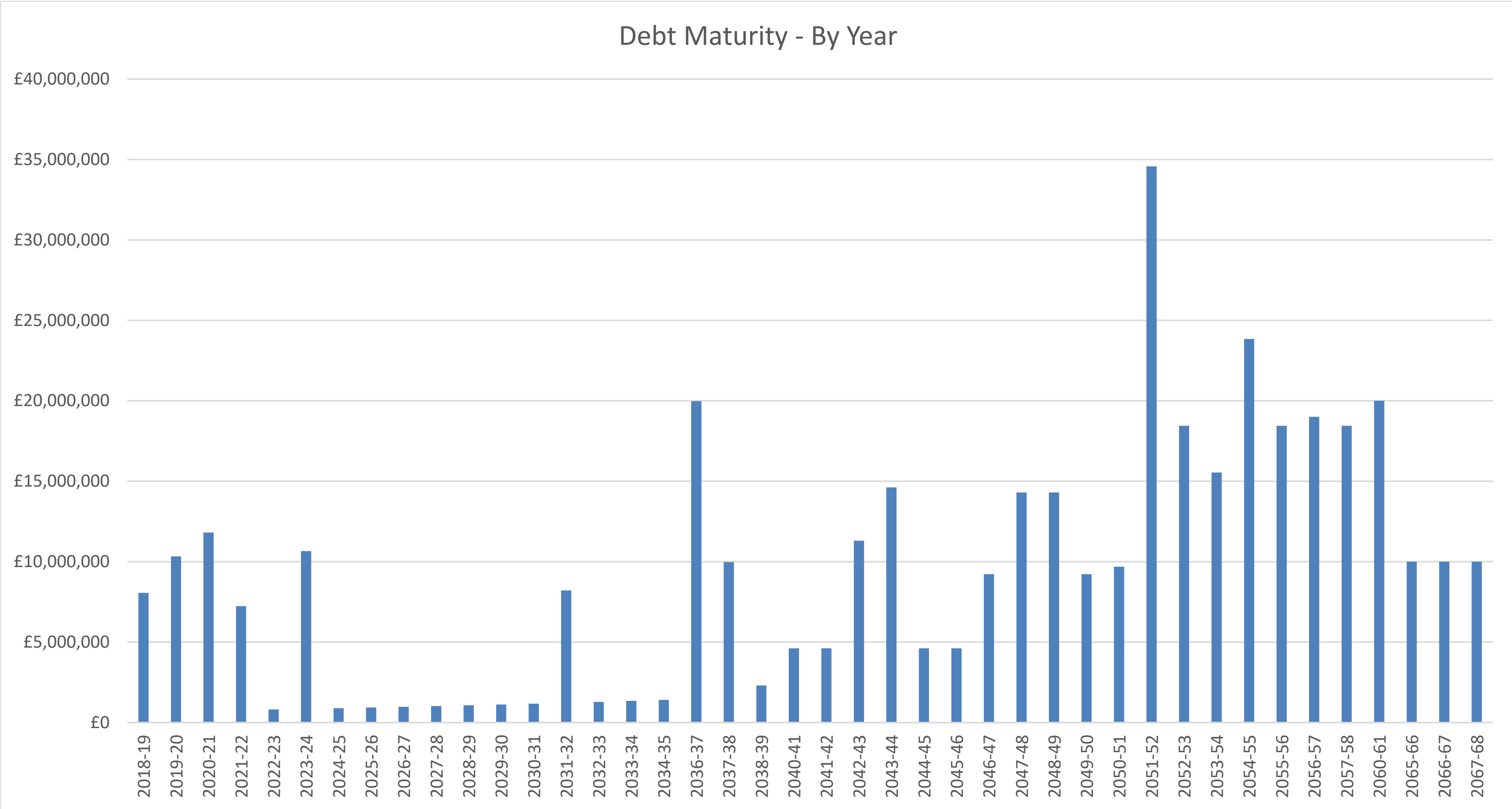
*Fitch short/long term ratings, except Aviva MMF (Moody rating). See next page for key. The use of Fitch ratings is illustrative – the Council assesses counterparty suitability using all 3 credit rating agencies, where applicable, and other information on credit quality.

**MMF – Money Market Fund. These funds are domiciled in Ireland for tax reasons, but the funds are made up of numerous diverse investments with highly rated banks and other institutions. The credit risk is therefore spread over numerous countries, including the UK. The exception to this is the Aviva Government Liquidity Fund which invests directly in UK government securities and in short-term deposits secured on those securities.

Key – Fitch's credit ratings: **Appendix 1 Continued**

		Long	**Short**
Investment Grade	Extremely Strong	AAA	
	Very Strong	AA+	
		AA	F1+
		AA-	
	Strong	A+	
		A	F1
		A-	
	Adequate	BBB+	F2
		BBB	
		BBB-	F3
Speculative Grade	Speculative	BB+	
		BB	
		BB-	
	Very Speculative	B+	B
		B	
		B-	
	Vulnerable	CCC+	
		CCC	
		CCC-	C
		CC	
		C	
	Defaulting	D	D

Appendix 2


Debt Maturity - By Year
£40,000,000
£35,000,000
£30,000,000
£25,000,000
£20,000,000
£15,000,000
£10,000,000
£5,000,000
£0
2018-19
2019-20
2020-21
2021-22
2022-23
2023-24
2024-25
2025-26
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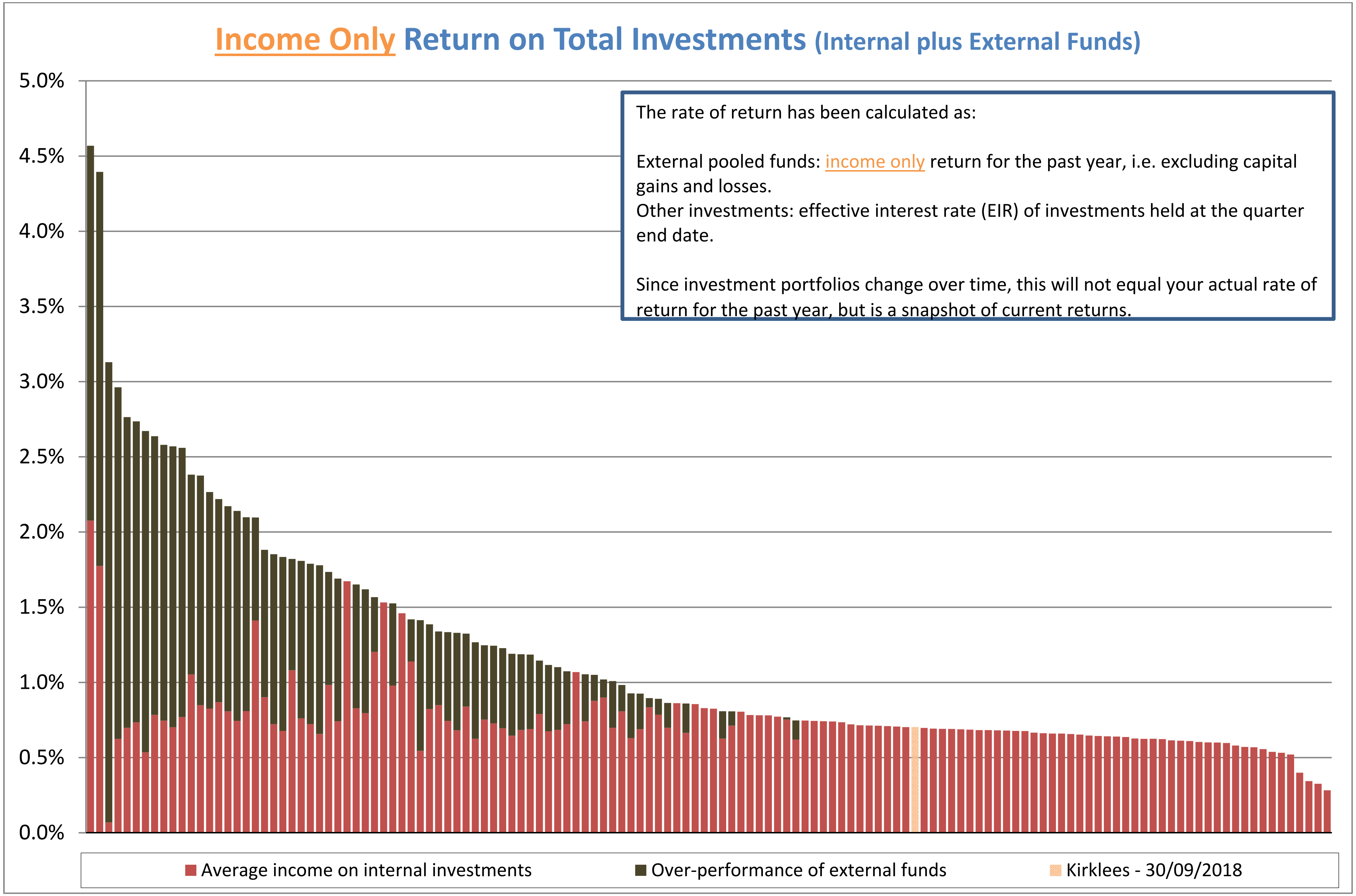
2066-67
2067-68


Income Only Return on Total Investments (Internal plus External Funds)
5.0%
4.5%
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
The rate of return has been calculated as:
External pooled funds: income only return for the past year, i.e. excluding capital gains and losses.
Other investments: effective interest rate (EIR) of investments held at the quarter end date.
Since investment portfolios change over time, this will not equal your actual rate of return for the past year, but is a snapshot of current returns.
Average income on internal investments
Over-performance of external funds
Kirklees - 30/09/2018

Treasury Management Prudential Indicators

Interest Rate Exposures

While fixed rate borrowing can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance justifies retaining a degree of flexibility through the use of variable interest rates on at least part of the treasury management portfolio. The Prudential Code requires the setting of upper limits for both variable rate and fixed interest rate exposure:

	Limit Set 2018 - 19	Estimated Actual* 2018 - 19
Interest at fixed rates as a percentage of net interest payments	60% - 100%	81%
Interest at variable rates as a percentage of net interest payments	0% - 40%	19%

*The estimated actual is within the limits set.

Maturity Structure of Borrowing

This indicator is designed to prevent the Council having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate	Limit Set 2018 - 19	Est'd Actual 2018 - 19
Under 12 months	0% - 20%	2%
12 months to 2 years	0% - 20%	2%
2 years to 5 years	0% - 60%	6%
5 years to 10 years	0% - 80%	4%
More than 10 years	20% - 100%	86%

The limits on the proportion of fixed rate debt were adhered to.

Total principal sums invested for periods longer than 364 days

The Council will not invest sums for periods longer than 364 days.

APPENDIX 5

Long-term loans repaid during the period 01/04/18 to 30/09/18

	Amount £000s	Rate %	Date repaid
PWLB (498438) - Maturity	4,613	4.10	17 Sept 18
PWLB (496956) - Annuity	337	4.58	29 Sept 18
Total	4,950		

Long-term loans to be repaid during the period 01/10/18 to 31/03/2019

	Amount £000s	Rate %	Date to be repaid
PWLB (476734) – Maturity	2,768	4.24	23 Dec 18
PWLB (496956) - Annuity	344	4.58	29 Mar 19
Total	3,112		

Appendix 6

TREASURY MANAGEMENT PRACTICES

The following Treasury Management Practices (TMPs) set out the manner in which the Council aims to achieve its treasury management policies and objectives, and how it will manage and control those activities.

1. TMP 1 Risk management

The Chief Finance Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

(i) Credit and counterparty risk management

The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, methods and techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

(ii) Liquidity risk management

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

(iii) Interest rate risk management

The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements.

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

(iv) Exchange rate risk management

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

(v) Refinancing risk management

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

(vi) Legal and regulatory risk management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(i) Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

(vii) Fraud, error and corruption, and contingency management

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

(viii) Market risk management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

2. TMP2 Performance measurement

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery and of other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

3. **<u>TMP3</u> Decision-making and analysis**

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

4. **<u>TMP4</u> Approved instruments, methods and techniques**

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 Risk management.

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice when entering into arrangements to use such products.

5. **<u>TMP5</u> Organisation, clarity and segregation of responsibilities, and dealing arrangements**

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Chief Finance Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Chief Finance Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The present arrangements are detailed in the schedule to this document.

The Chief Finance Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegation to the Chief Finance Officer in respect of treasury management is set out in the schedule to this document. The Chief Finance Officer will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, as a CIPFA member, the Standard of Professional Practice on Treasury Management.

6. **<u>TMP6</u> Reporting requirements and management information arrangements**

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Council will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's Treasury Management Policy Statement and TMPs.

The present arrangements and the form of these reports are detailed in the schedule to this document.

7. **<u>TMP7</u> Budgeting, accounting and audit arrangements**

The Chief Finance Officer will prepare, and the Council will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with the TMPs. Budgeting procedures are set out in the schedule to this document. The Chief Finance Officer will exercise effective controls over this budget, and will report any major variations.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of this function's accounts is set out in the schedule to this document.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule to this document.

8. **<u>TMP8</u> Cash and cash flow management**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Chief Finance Officer and, with the exception of Secondary Schools' bank accounts, will be aggregated for cash flow purposes. Cash flow projections will be prepared on a regular and timely basis, and the Chief Finance Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1(i) Liquidity risk management. The present arrangements for preparing cash flow projections are set out in the schedule to this document.

9. **<u>TMP9</u> Money laundering**

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will ensure that staff involved in treasury management activities are fully aware of their responsibilities with regards this. The present safeguards, including the name of the officer to whom any suspicions should be reported, are detailed in the schedule to this document.

10. **<u>TMP10</u> Training and qualifications**

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The present arrangements are detailed in the schedule to this document.

The Chief Finance Officer will ensure that Members of the committee providing a scrutiny function have access to regular training relevant to their responsibilities.

11. **<u>TMP11</u> Use of external service providers**

The Council recognises that responsibility for treasury management decisions remains with the organization at all times. However, it also recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources.

When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies.

Where services are subject to formal tender or re-tender arrangements, legislative requirements and the Council's Contract Procedure Rules will always be observed. The monitoring of such arrangements rests with the Chief Finance Officer, and details of the current arrangements are set out in the schedule to this document.

12. **<u>TMP12</u> Corporate governance**

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

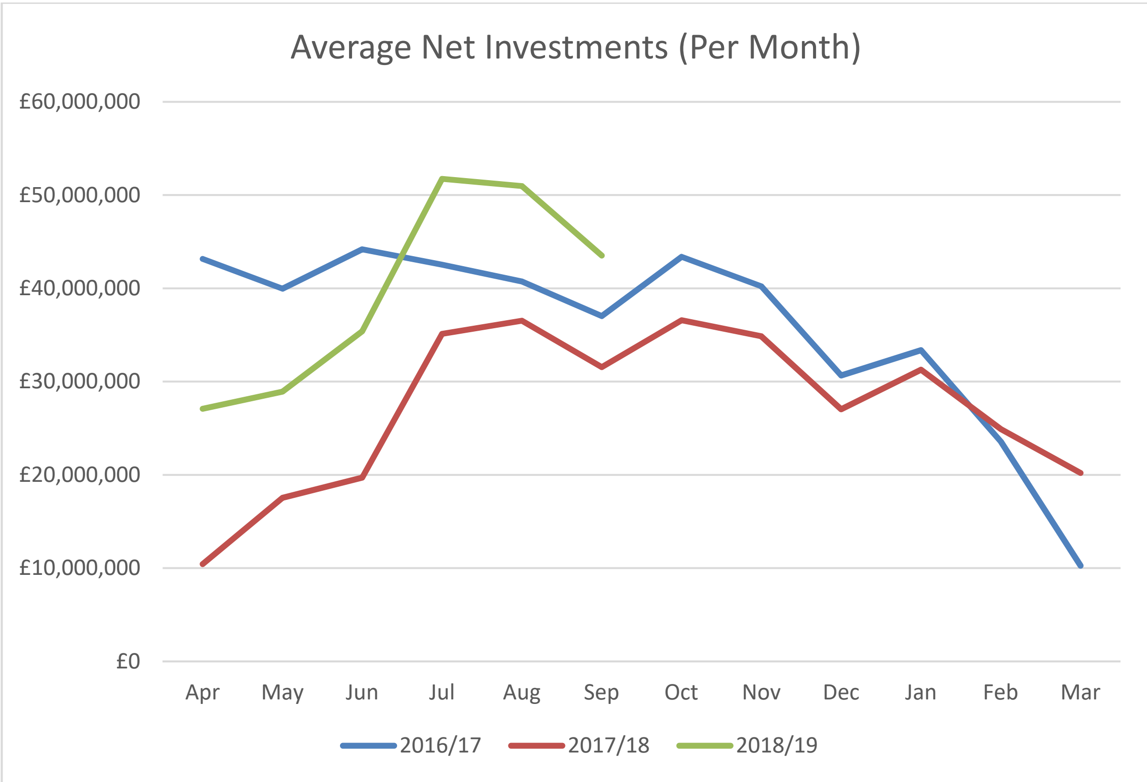
The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Chief Finance Officer will monitor and, if necessary, report upon the effectiveness of these arrangements.

Management Practices for Non-Treasury Investments

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all investments are covered in the Capital and Investment Strategies, and will set out where appropriate, the Councils risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that of treasury management.

The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisations risk exposure.


Average Net Investments (Per Month)
£60,000,000
£50,000,000
£40,000,000
£30,000,000
£20,000,000
£10,000,000
£0
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
2016/17
2017/18
2018/19

SEE ATTACHED

CCLA

The Local Authorities' Property Fund

Fund Fact Sheet – 30 June 2018

Investment objective

The Fund aims to provide investors with a high level of income and long-term capital appreciation.

Investment policy

The Fund is an actively managed, diversified portfolio of UK commercial property. It will principally invest in UK commercial properties, but may invest in other assets.

Suitability

The Fund is suitable for the long-term funds of any local authority seeking exposure to UK commercial property.

Independent Governance

The trustee is the Local Authorities' Mutual Investment Trust (LAMIT) a body controlled by members and officers appointed by the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and investors in the Fund.

Who can invest?

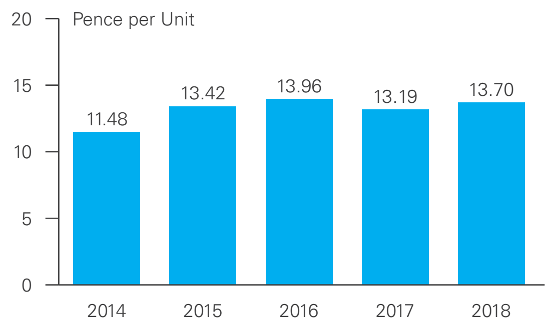
Any local authority in England, Wales, Scotland and Northern Ireland.

Income

Gross dividend yield	4.47%*
AREF/IPD™ Other Balanced Property Fund Index yield	3.59%
Official Bank Rate	0.50%

* Based upon the net asset value and historic gross annual dividend of 13.5691p. Distribution for the most recent quarter has been estimated.

Rolling 12 month distributions to 31st March:



Unique accounting advantages

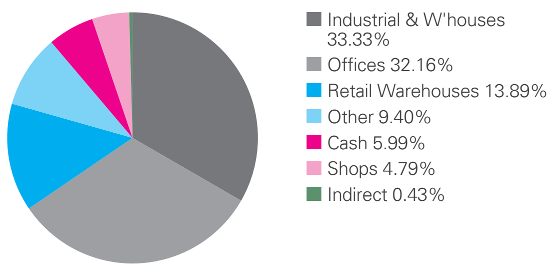
Unlike other property fund investments or even direct property purchases, investment in the Fund does not count as capital expenditure for English or Scottish local authorities. Dividends are treated as revenue but the General Fund is protected from fluctuations in the unit price. The investment is treated as an available for sale financial asset.

Fund update

The prime focus of our investment strategy is on asset selection and management. We try to identify assets which, through active management, can make a significant contribution to total returns and to the income payment to investors. We also bias the sub-sector weightings to reflect our view of their relative attractiveness. At present, this means a relatively high weighting to industrial and office assets and a relatively low weighting to retail, with no shopping centre or supermarket holdings.

Cash flows into the Fund remained at a high level, with subscriptions of £49m over the quarter. Two assets were added to the portfolio. An industrial warehouse on the M6 at Warrington, on a 4.9% yield and multi-occupied offices in Leeds on an initial yield of 4.5%, but with reversionary potential. Total expenditure was £47m. In addition, six further investments are under offer, and when these are completed the Fund will be fully invested. There have been no sales. Lease management activity, including the important Kingsway/Covent Garden asset in central London, saw the void rate decline to 8.5% from 9.1%. We expect further progress on this in the near future. A rent review on the Enfield industrial warehouse achieved a 40% improvement in income. This, together with lease extensions and new acquisitions have supported income.

Asset allocation at 30 June 2018



The Fund has credit facilities which, at quarter end, were not utilised.

Discrete year total return performance (net)

12 months to 30 June	2018	2017	2016	2015	2014
The Local Authorities' Property Fund†	+9.33%	+7.24%	+5.85%	+16.43%	+17.78%
Benchmark	+10.23%	+5.67%	+8.85%	+15.89%	+15.19%

Annualised total return performance (net)

Performance to 30 June 2018	1 year	3 years	5 years
The Local Authorities' Property Fund†	+9.33%	+7.46%	+11.22%
Benchmark	+10.23%	+8.24%	+11.10%

Benchmark – AREF/IPD™ Other Balanced Property Fund Index *(estimated for the last quarter). Net performance shown after management fees and other expenses. Past performance is no guarantee of future returns.†Distribution for the most recent quarter has been estimated. Source: CCLA

Top ten property holdings – total 38.23%

London, Kingsway
London, Goodman's Yard
London, Stockley Park, Longwalk
Elstree, Centennial Park
Leeds, Park Row
London, Beckton Retail Park
Bristol, Gallagher Retail Park
Bracknell, The Arena
Coventry, Torrington Avenue
Brighton, West Street

Key facts

Total fund size	£1028m
Current borrowing	£0m
Number of holdings	65
	Income units
Offer (buying) price	324.10p (xd)
Net asset value	303.61p (xd)
Bid (selling) price	298.90p (xd)
Launch date	18 April 1972
Unit types	Income
Minimum initial investment	£25,000
Minimum subsequent investment	£10,000
Dealing day	Month end valuation day*
Sedol & ISIN numbers	0521664, GB0005216642
Dividend payment dates	End January, April, July & October
Annual management charge (taken 100% from income)	0.65%

* Instructions for the issue or redemption of units must be received by CCLA no later than 5pm on the business day prior to the Valuation Date. If the valuation day is a bank holiday, the dealing day will be the previous working day. Units are only realisable on each monthly dealing date and redemptions may not be readily realisable; a period of notice not exceeding six months may be imposed for the redemption of units.

Tax reclaims should be addressed to: Glynis Free, Specialist Repayment Team 7 South, Ty - Glas, Cardiff, CF14 8HR.
Telephone 03000 580618, 9.30am - 1pm.

Risk Warning

This document is a financial promotion and is issued for information purposes only. It does not constitute the provision of financial, investment or other professional advice. CCLA have not considered the suitability of this investment against your individual needs and risk tolerance. To ensure you understand whether our product is suitable, please read the Fund Factsheet document and the Scheme Particulars. We strongly recommend you seek independent professional advice prior to investing. Investors should consider the following risk factors identified as specific to the Fund before investing: Counterparty/Tenant/Credit Risk (financial institution/tenants may not pay), Market Risk (investment value affected by market conditions), Operational Risk (general operational risks), Expiry/Maturity Profile (timing of maturity of tenancies), Liquidity Risk (investment in non-readily realisable assets), Interest Rate risk (changes to interest rate affecting income), Concentration Risk (need for diversification and suitability of investment), Business Risk (possibility of lower than anticipated profits). Please see the Fund Scheme Particulars for further details.

Disclosure

Investment in the Fund is for Eligible Local Authorities only. Past performance is not an indicator of future performance. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Any forward-looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated. Investments in the Fund and the Fund itself are not covered by the Financial Services Compensation Scheme (FSCS). However, the Manager may pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund. The Fund is an Alternative Investment Fund and an Unregulated Collective Investment Scheme established under a Scheme approved by H M Treasury under Section 11 of the Trustee Investments Act 1961 and is subject to provisions of a Trust Deed dated 6 April 1972 and a supplemental Trust Deed dated 13 September 1978. The Fund operates as an open-ended Fund under Part IV of the schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001. CCLA Fund Managers Limited (registered in England No. 8735639 at the office below) is authorised and regulated by the Financial Conduct Authority and is the manager of the Local Authorities Property Fund.

Senator House | 85 Queen Victoria Street | London | EC4V 4ET | Freephone: 0800 022 3505 | www.ccla.co.uk

CCLA

The Local Authorities' Property Fund

Scheme Information

Scheme Information
The Local Authorities' Property Fund

Effective from May 2018
Issued by CCLA Fund Managers Limited

This Scheme Information summarises the terms and conditions on which the Fund operates. For full information as to the terms, reference should be made to the Fund's Scheme. Copies are available on request from the Manager.

Contents

Definitions

Administrator means CCLA Investment Management Limited or such other successor entity appointed as administrator by the Manager from time to time.

AIF means an alternative investment fund.

AIFM means an alternative investment fund manager and has the same meaning as in the glossary to the FCA Regulations.

AIFMD Legislation means the Alternative Investment Fund Managers Directive 2011/61 EU AIFMD, the Alternative Investment Fund Managers Regulations 2013 and the Commission Delegated Regulation (EU) 231/2013.

Annual Report means the annual report of the Fund prepared by the Trustee.

Council means the members of the Trustee that direct the activities of the Trustee.

Data Protection Legislation means Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, or any successor legislations thereto, and any associated codes, regulation or guidance (as may be amended or replaced from time to time) and any related regulations and guidance and all other laws concerning the processing of data relating to living persons.

Depositary means HSBC Bank plc, or such other entity as may be appointed by the Trustee and the Manager from time to time.

Depositary Services Agreement means the agreement dated 22 July 2014, between the Depositary, the Trustee and the Manager appointing the Depositary and as amended, supplemented or replaced from time to time.

Deposited Property means any Fund Property in respect of which the Trustee has delegated custody to the Depositary in order to comply with the AIFMD Legislation, those assets being financial instruments under the AIFMD Legislation, which are required to be held in custody pursuant to the AIFMD Legislation.

Exemption Order means Part IV of the Schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001.

External Property Valuer means such valuer or valuers as the Manager shall select from time to time.

FCA means the Financial Conduct Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS or any successor regulatory body.

FCA Regulations means the Handbook of Rules and Guidance issued by the FCA, as amended or replaced from time to time.

FSMA 2000 means the Financial Services and Markets Act 2000.

Fund means the Local Authorities' Property Fund, established under the Scheme and consisting of the Fund Property held on trust by the Trustee.

Fund Property means the assets, investments and property of the Fund from time to time.

Investment Management Agreement means the agreement dated 22 July 2014 between the Manager and the Investment Manager delegating the administration and portfolio management of the Fund Property to the Investment Manager and the Administrator and as amended, supplemented or replaced from time to time.

Investment Manager means CCLA Investment Management Limited.

Local Authority means Local authority, as defined in chapter 3 of the Local Government Act 2003.

Manager means CCLA Fund Managers Limited or such successor body corporate appointed Manager pursuant to the Scheme.

MiFID II means Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and includes where applicable reference to any implementing or supporting Regulations, Directives, or other legislative measures.

Money Laundering Regulations means The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 as may be amended, updated or replaced from time to time.

PRA means the Prudential Regulation Authority of Threadneedle Street, London EC2R 8AH or any successor regulatory body.

Register means the register of Unitholders in the Fund maintained by the Registrar on behalf of the Trustee.

Registrar means CCLA Investment Management Limited appointed by the Trustee pursuant to a registrar agreement dated 1 October 1998 for the purpose of maintaining the Register.

Regulatory Rules means the AIFMD Legislation, FCA Regulations and MiFID II as may be applicable.

Scheme means the scheme approved by HM Treasury under Section 11 Trustee Investments Act 1961 together with the trust deed dated 6 April 1972 establishing the Fund, as amended by a supplemental trust deed dated 13 September 1978.

Scheme Information means these terms and conditions of the Fund as amended or replaced from time to time.

Trustee means the Local Authorities' Mutual Investment Trust.

Unitholder means a Local Authority to which Units in the Fund have been, and continue to be, allocated.

Units means Units in the Fund, or where the context indicates, an investment which represents the rights or interests (howsoever decided) of the participants in a collective investment scheme.

Valuation Date means the end of each calendar month.

References to legislation, statutes or FCA Regulations in this Scheme Information are references to such legislation, statutes or FCA Regulations as amended, updated or replaced from time to time.

The Fund

The Fund is an open-ended, unregulated collective investment scheme established under a Scheme. The Fund is an AIF and is managed by the Manager as an AIFM in accordance with the FCA Regulations and the AIFMD Legislation.

Investment Objectives

The Fund aims to provide investors with a high level of income and long-term capital appreciation.

Investment Policy

The Fund is an actively managed, diversified portfolio of UK commercial property. It will principally invest in UK commercial properties, but may invest in other assets.

Benchmark

IPD™ Other Balanced Property Fund Index.

Target Investors

The Fund is suitable for the long-term funds of any local authority seeking exposure to UK commercial property. The Fund is targeted at investors with an understanding or previous history of investing in similar types of fund, with appropriate levels of risk tolerance and ability to bear loss. Please note that the Manager is not required to assess the suitability of the Fund against each investor.

Our investors must be able to be categorised as professional clients.

Investment Powers

The Fund's powers of investment are not restricted either to particular types of property, or subject to the consent of H M Treasury, to specific parts of the world, but it is the present policy to confine investment to freehold and leasehold commercial and industrial property in the United Kingdom.

The Fund is permitted to finance developments of, or improvements to, both freehold and leasehold property or purchase a right or interest in, or over, freehold or leasehold land, or borrow for the purpose of gearing against the Fund Property, provided that the aggregate borrowing does not exceed 25% of the value of the Fund Property on any quarterly valuation date. With the prior written approval of the Trustee, the Manager may borrow for any purpose set out above up to the limit of 50% of the net asset value of the Fund.

The total amount of borrowing and any change to the level of the maximum borrowing permitted by the Manager will be disclosed to the Unitholders in the Annual Report.

Investment Restrictions

The Fund will maintain a suitable spread between different types of property and geographical location. Importance will be attached to location, standard of construction and quality of covenant with lease terms preferably embodying upwards only rent reviews at intervals of not more than five years.

An amendment to the investment objective or policy of the Fund must be approved by HM Treasury and sanctioned by a special resolution of the Trustee.

Performance Benchmark

The performance benchmark for the Fund is the Balanced Property Unit Trust Index compiled and calculated by Investment Property Databank (IPD) and published by HSBC and the Association of Real Estate Funds (AREF), calculated on a net asset value basis; or such other performance benchmark as the Manager may agree.

Leverage (as defined by the AIFMD Legislation)

This section explains in what circumstances and how the Manager may use leverage as defined by AIFMD Legislation in respect of the Fund and the maximum level of leverage permitted.

Leverage means any method by which the Fund increases its exposure whether through borrowing cash or securities or any other means. The sources of leverage which can be used when managing the Fund include:

- cash borrowing.

Leverage will be used to purchase direct property and may also be used to meet redemption requests when appropriate.

The Manager is required to calculate and monitor the level of leverage of the Fund. Leverage is expressed as a ratio between the exposure of the Fund and the Fund's net asset value (Exposure/NAV). The exposure of the Fund shall be calculated in accordance with the commitment method (Commitment Method) and the gross method (Gross Method), as set out below.

Under the Gross Method, the exposure of Fund is calculated as follows:

1 include the sum of all assets purchased, plus the absolute value of all liabilities;

2 exclude the value of cash and cash equivalents which are highly liquid investments held in the base currency of the Fund, that are:

- readily convertible to a known amount of cash;
- are subject to an insignificant risk of change in value; and
- provide a return no greater than the rate of a three month high quality government bond;

3 derivative instruments are converted into the equivalent position in their underlying assets;

4 exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;

5 include exposure resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of the cash borrowed;

6 include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements.

Under the Commitment Method, the exposure of a Fund is calculated in the same way as under the Gross Method; however, the exposure of derivative or security positions employed in hedging and netting arrangements are not included in this calculation, provided certain conditions are met.

The maximum level of leverage permitted in respect of the Fund is the same regardless of which calculation method is used as no derivative instruments are used in the fund;
Gross Method: 2.00.

Commitment Method: 2.00.

Further information regarding these different Leverage calculation methods can be found in AIFMD Legislation and the Risk Management Process Document, which is available upon request from the Manager. The total amount of Leverage employed by the Fund will be disclosed in the Fund's Annual Report.

It is not intended that the Depositary or any sub-custodian shall be entitled to re-use for its own benefit and of the Fund's Property it has been entrusted with.

Risks associated with Leverage
The risks associated with Leverage are that a failure by the Fund to perform its obligations under the terms of any loan would permit the lenders to demand early repayment of the finance and to realise any security they have over the Fund's assets.

The Trustee

The Trustee is the trustee of the Fund under the Scheme. The Trustee is a company incorporated under the Companies Act 1948, limited by guarantee and not having a share capital. The Trustee is managed through a Council, the current members of which are detailed in Appendix 1.

The Exemption Order provides that the Trustee of the Fund is exempt from the general prohibition in respect of operating a collective investment scheme. In consequence, the Trustee and its members are not required to be authorised by the FCA or the PRA.

The Trustee is controlled by members and officers appointed by the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and by the Trustee to represent Unitholders.

The Trustee is responsible, for among other things, the custody and control of the Fund Property.

The Manager

CCLA Fund Managers Limited is the appointed AIFM of the Fund. The Manager is a limited liability company incorporated in England and Wales, whose address and details are shown in Appendix 1 of this document.

The Manager is authorised and regulated by the Financial Conduct Authority in the conduct of investment business in the United Kingdom and is entered on the FCA's register under number 611707. The Manager has permission from the FCA to act as a full scope AIFM. The only business activity of the Manager is the management of alternative investment funds as an AIFM. The ultimate holding company of the Manager is CCLA Investment Management Limited, a company incorporated in England and Wales.

The Manager is appointed by the Trustee as the AIFM of the Fund and is responsible for the investment management of the Fund, which includes portfolio management and risk management, and the administration and marketing of the Fund. The Manager's appointment may be terminated by the Trustees serving written notice on the Manager.

Subject to the FCA Regulations and AIFMD Legislation the Manager may delegate (and authorise its delegate to sub-delegate) its duties as AIFM. Under such authority the Manager has delegated the portfolio management of the Fund Property and the administration of the Fund to the Investment Manager and the Administrator under the Investment Management Agreement.

Duties of the Manager

The Manager is responsible for all the investment management and administration services in relation to the Fund. These are:

- the day-to-day management of the Fund including power to buy and sell investments and to operate bank accounts and to borrow;
- the preparation of any valuations or other calculations set out in this Scheme Information;
- the receipt of contributions and the satisfaction of withdrawals;
- the decision as to whether any particular asset is to be accepted as a contribution;
- the keeping of such accounts as the Trustee may require;
- company secretarial services to the Trustee; and
- any matters incidental to the above matters.

The Manager is also responsible for the risk management of the Fund.

No warranty is given by the Manager as to the performance or profitability of the Fund (or any part of it) or that the investment objectives of the Fund will be successfully accomplished.

Investment Manager

The Investment Manager is CCLA Investment Management Limited, a limited liability company registered in England, company No. 2183088. The Investment Manager is authorised and regulated by the Financial Conduct Authority in the conduct of its investment business and has permission that covers the provision of investment advice to a local authority about Units in the Fund. The management of the properties held by the Fund itself is outside the scope of FSMA.

The Investment Manager has been appointed by the Manager under the Investment Management Agreement to manage the Fund Property.

The Administrator

The Manager has appointed the Administrator to carry out certain administrative tasks including the preparation of valuation and other reports together with marketing activities on behalf of the Fund. The Administrator has been appointed under the Investment Management Agreement with the Manager and the Manager meets the fees of the Administrator from the Annual Management Charge.

The Administrator provides the Manager with all administrative services necessary for the management of the Fund. These include:

- the valuation of the Fund Property in conjunction with an appointed External Property Valuer;
- the issue and redemption of Units in the Funds; and
- the payment of dividends and the maintenance of the accounts of the Fund.

The Fund operates on a financial year to 31 March.

The Depositary

The Trustee and the Manager have appointed HSBC Bank plc as the depositary of the Fund under the Depositary Services Agreement.

The Depositary is a public limited company incorporated in England and Wales with company registration number 00014259 with its registered office at 8 Canada Square, London E14 5HQ.

The Depositary is authorised by the Prudential Regulation Authority and is regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the conduct of its investment business in the United Kingdom.

Terms of appointment of the Depositary

The Depositary has certain duties under the AIFMD Legislation which are to provide safekeeping, oversight, cash monitoring and asset verification services in respect of the Fund Property in accordance with the provisions of the applicable FCA Regulations, the AIFMD Legislation and the Scheme.

In accordance with the FCA Regulations and the AIFMD Legislation, the Depositary may, pursuant to the Depositary Services Agreement, delegate the provision of custody services in relation to the Fund. Safekeeping functions may be delegated to one or more sub-custodians on the terms set out in the Depositary Services Agreement and the Depositary will act with reasonable skill, care and diligence in the discharge of its duties. The liability of the Depositary as depositary under the Depositary Services Agreement shall not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping.

The Depositary has not currently delegated the provision of custody services and therefore the Depositary acts as custodian of any Deposited Property.

The fees to which the Depositary is entitled are set out in this Scheme Information.

Under the Depositary Services Agreement, the Depositary's appointment may be terminated on 90 days written notice, subject to a replacement Depositary being appointed.

Liability of the Depositary under the Depositary Services Agreement

Subject to the paragraph below, pursuant to the Depositary Services Agreement, the Depositary will be liable for loss of Deposited Property or Deposited Property in the custody of any sub-custodian (should such sub-custodian be appointed) unless that loss has arisen as a result of an external event beyond its control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary, or where the asset which is lost was held by a sub-custodian appointed in accordance with the Depositary Services Agreement and the transfer of liability from the Depositary to the sub-custodian has been expressly agreed.

The Manager will disclose to potential Unitholders before they invest in the Fund any arrangement made by the Depositary to contractually discharge itself of liability in accordance with the AIFMD Legislation. Currently, it is not envisaged that the Depositary will seek to contractually discharge itself of liability under any circumstances, and so it is not expected that this requirement under the AIFMD Legislation will be applicable to the Fund. In the event that there are any changes to the Depositary's liability under the AIFMD Legislation, the Manager will inform Unitholders of such changes without delay.

However, the Depositary shall not be liable for any indirect, special or consequential losses.

Depositary Conflicts of Interest

Potential conflicts of interest may arise from time to time from the provision by the Trustee and/or its affiliates of other services to the Fund, the Manager, the Investment Manager and/or other parties. Where a conflict or potential conflict of interest arises, the Depositary will have regard to its obligations to the Fund and/or the Manager and will treat fairly the Fund, the Manager and the other funds for which it acts, so far as is practicable. Such potential conflicts of interest are identified, managed and monitored in various other ways including, the hierarchical and functional separation of HSBC’s depositary functions from its other potentially conflicting roles and by the Depositary adhering to its “Conflicts of Interest Policy” (a copy of which can be obtained on request from the Head of Compliance for the Depositary).

Title Documents to Fund Property

The Trustee has appointed Hogan Lovells International LLP and DLA Piper (for Scottish Properties) to hold in safe custody the deeds, leases and other documents relating to the Fund Property. The Trustee may review these arrangements form time to time.

Registrar

The Registrar has been appointed to provide registrar services for the Fund and to operate the Fund's Register.

Unitholders' Rights against Service Providers

It should be noted that Unitholders will only be able to exercise their rights directly against the Fund and the Manager and that Unitholders will not have any direct contractual rights against the service providers of the Fund appointed from time to time.

This is without prejudice to any right a Unitholder may have to bring a claim against an FCA authorised service provider, the Manager, the Investment Manager or the Depositary under Section 138D of the Financial Services and Markets Act 2000 (as a result of a breach of the FCA Regulations by such service provider, the Manager, the Investment manager or the Depositary), or any tortious or contractual cause of action.

Units of the Fund

The Fund issues Units which pay dividends quarterly.

Eligible Contributors

Units of the Fund can only be issued to and owned by Local Authorities in England, Wales, Scotland and Northern Ireland which are entitled to receive distributions from the Fund gross of tax.

Any Local Authority applying to participate in the Fund is required to give a declaration of eligibility to participate in the Fund and an indemnity to the Fund for any liabilities arising from such Local Authority's ineligibility to participate in the Fund. The Trustee will require evidence of the Local Authority's eligibility to invest in the Fund and may defer the issue of Units in the Fund until such time as the eligibility of the Local Authority has been confirmed.

Under the Scheme the Trustee has the discretion to refuse to accept any contribution or to refuse to accept any particular asset by way of contribution.

Inducements

It is the Manager's policy not to enter into any soft commission arrangements with its brokers for the supply of goods and services, in return for an agreed volume of business.

In accordance with the Regulatory Rules, the Manager when executing orders or placing orders with other entities in relation to financial instruments for execution on behalf of the Fund must not accept and retain any fees, commission or monetary benefits from a third party (**Third Party Payments**). If the Manager receives any Third Party Payments, the Manager will return the Third Party Payments to the Fund as soon as reasonably possible and will inform Unitholders of the amount received which will be set out in the annual reports.

The Manager must not accept any non-monetary benefits when executing orders or placing orders with other entities for execution in relation to financial instruments on behalf of the Fund, except those which are capable of enhancing the quality of the service provided to the Fund, and which are of a scale and nature such that they could not be judged to impair the Manager's compliance with its duty to act honestly, fairly and professionally in the best interests of the Fund.

Research

Certain brokers provide research services to the Investment Manager, which the Investment Manager pays for out of its own resources. This research is used by the Investment Manager in its fund management process.

Anti-Money Laundering

The Manager is required by law to maintain procedures to combat money laundering. In order to implement these procedures, proof of identity may sometimes be required either when buying or when selling Units from time to time, even of existing Unitholders. We may freeze or return your investments and/or subscription amounts unless or until the necessary evidence of identity can be obtained. In the case where Units are being sold, the remittance of proceeds may be delayed until proof of identity has been obtained. Electronic identity checks may be undertaken on the persons named within the application form.

Telephone and electronic communications

The Manager, in accordance with the Regulatory Rules, must take all reasonable steps to record telephone conversations and keep a copy of electronic communications where such conversations and communications relate to activities in financial instruments as required by the FCA Regulations.

Ceasing to Satisfy Unitholder Eligibility Requirements

If, at any time, a Unitholder ceases to qualify as eligible to be an investor in the Fund:

- the Unitholder must inform the Manager of this fact promptly;
- at the time the Manager becomes aware that the Unitholder has ceased to qualify as eligible to invest in the Fund, the Unitholder will be deemed to have submitted an application for the redemption of all of the Units held by the Unitholder;
- the Unitholder undertakes to indemnify the Fund (on the written demand of the Manager) against all losses suffered by the Fund (including, without limitation, any assessment for tax on capital gains tax or income tax or any other tax to which the Fund would not have been assessed had the Unitholder remained eligible, and all costs and expenses including professional fees incurred in connection with such assessment) as a consequence of the ineligibility of the Unitholder;
- the Unitholder agrees that any redemption monies in relation to the redemption of Units set out above may be retained by the Manager in order to satisfy any losses suffered by the Fund (including, without limitation, any assessment for tax on capital gains tax or income tax or any other tax to which the Fund would not have been assessed had the Unitholder remained eligible, and all costs and expenses including professional fees

incurred in connection with such assessment) as a result of the Unitholder ceasing to qualify as eligible to invest in the Fund; and

- the Unitholder irrevocably appoints one or more of the directors of the Manager as its true and lawful attorney to execute all instruments and other documentation required to effect redemption of the Units of the Unitholder. The Unitholder agrees to ratify all and any acts of the attorney.

Issue and Redemption of Units

Instructions for the issue or redemption of Units must be made in writing to the Manager at Senator House, 85 Queen Victoria Street, London EC4V 4ET.

Purchases or sales of the Fund's Units can be made on any Valuation Date, subject to a period of notice or delay (or successive periods of notice or delay) of such period (or periods) as the Trustee or Manager may impose to permit properties to be sold to meet withdrawals or to protect the interest of Unitholders in the Fund.

In the event of the suspension of redemption requests in full or part (i) those applications for the redemption of Units first made in respect of an earlier month end Valuation Date will be dealt with in priority to those first made in respect of a later month end Valuation Date (ii) without prejudice to (i) all applications for the redemption of Units made in respect of particular month end Valuation Date shall be treated pari passu, irrespective of the time such applications for the redemption of Units were actually received in respect of that month end Valuation Date and (iii) the Manager can accept in part an application for the redemption of Units and, in the event that it does so, such application for redemption of Units (and any other applications for redemption of Units which are to be treated pari passu with it) shall be redeemed in part pro rata.

Application monies paid by cheque should be drawn on an EEA (European Economic Area) banking institution and made payable to The Local Authorities' Property Fund. They must be received by the Manager not later than 5.00pm on the business day prior to the Valuation Date. Application monies so received will not earn interest and will be paid into a Fund bank account. Cheques made payable to CCLA Investment Management Limited or CCLA Fund Managers Limited will be returned.

Contract notes will normally be dispatched by close of business on the next business day after the issue of the Units. The contract note will show inter alia, the number of Units and the issue or redemption price. Units will be issued to the nearest round number.

Redemption instructions must be received by 5.00pm on the business day preceding a Valuation Date and may be subject to a period of notice. Cheques in respect of redemption of Units are issued within four business days after the Valuation Date on which the Units are redeemed.

If a delay is imposed, proceeds of Units redeemed (or the cost of Units issued) will be calculated on the Valuation Date when the Units can be redeemed (or issued) by the Fund and not on the Valuation Date when notice is received.

Minimum Investment

The minimum sum that can be invested initially is £25,000. Thereafter additions to unitholdings can be made of £10,000 or above.

Registration of Units

Units are registered in the name of the Local Authority or in recognised bank nominee names under a designated account. No certificates are issued and the Register is the definitive evidence of title. The Units have no par value and entitle the Unitholder to a proportionate interest in the Fund. Units cannot be assigned or transferred except from one Local Authority to another subject to the payment of Stamp Duty Reserve Tax payable by the Trustee and recharged to the purchaser. The number of Units held will be certified on written request for audit or other purposes.

Secondary Market Units

From time to time the Manager may become aware of opportunities for Unitholders to trade Units other than via the Manager (the Secondary Market). In which case and at its discretion the Manager may, but is not obliged to, inform other Unitholders and or other Local Authorities.

This can enable investors to transfer holdings on terms set between themselves. The investors should instruct the Registrar to amend the Register to record the transfer of the Units to the new Unitholder.

Local Authorities should note that the Manager does not make a market and, therefore, may not be aware of every opportunity that exists to trade on the secondary market.

Exchanging Existing Property

The Fund may consider accepting existing properties in exchange for Units of the Fund. However, the Trustee may do so but only if it is judged to be in the best interests of existing Unitholders of the Fund and on the basis of an independent professional valuation. If accepted, the exchange would be made at the open market value of the property at the net asset value of the Units issued. The Trustee has absolute discretion as to which properties it will accept.

Risk Factors

General risks

Past performance is not necessarily a guide to the future. The price of Units and income from them may fall as well as rise and a Unitholder may not recover the full amount invested. There can be no assurance that the Fund will achieve its investment objective or that a Unitholder will recover the full amount invested in the Fund. The capital return and income of the Fund is based on the capital appreciation and income on the Fund Property it holds, less expenses incurred. Therefore, the Fund's return may be expected to fluctuate in response to changes in such capital appreciation or income.

The Fund is permitted to borrow up to 50% of the value of the Fund in order to purchase direct properties. A failure by the Fund to perform its obligations under the terms of any such loan would permit the lenders to demand early repayment of the finance and to realise any security they have over the Fund's Property. Borrowing also increases risk by magnifying capital and income performance, gains and losses.

Diversification risk

The Fund is invested in direct property and assumes the property related risks outlined under 'Direct Property Risks'. The Fund invests in UK properties only and as such is not as diversified as if it were invested across several asset classes and/or several geographical locations. Any change in legal, tax or regulatory requirements affecting the Fund or its investments may be amplified by this lack of diversification.

Liquidity risk

Direct property is an illiquid investment relative to other asset classes. The Units are intended only for long-term investment and are not suitable for money to be spent in the near future. Investments are realisable on each monthly Valuation Date but, due to the illiquid nature of the underlying assets, a period of notice may be imposed for the redemption of Units.

Risk associated with investment in other collective investment schemes

The Fund may invest in one or more collective investment schemes including schemes that are managed by the manager or affiliated companies. In some cases these collective investment schemes may be unregulated. Other collective investment schemes may be illiquid and will likely be exposed to the same risks as the Fund and as described elsewhere in this document.

Direct Property Risks

Property and property related assets are inherently difficult to value because of the individual nature of each property. As a result, valuations are open to substantial subjectivity. There is no assurance that the valuations of the properties will reflect the sale price achieved even where such sale occurs shortly after a valuation point.

The value of property could adversely be affected by a downturn in the property market in terms of capital value or a weakening of rental yields. The income received is dependent to a large extent upon the occupancy levels of any property and the rents paid by the tenants.

Rental revenues and property values are affected by changes in the general economic climate and local conditions. Property values are dependent in particular on current rental values, prospective rental growth, lease lengths, tenant creditworthiness and the valuation yield (which is itself related to interest rates, the market appetite for property investments in general and with reference to the specific property in question) together with the nature, location and physical condition of the property concerned.

The value of properties can also be negatively impacted by changes in planning laws.

Additional risks may arise in the event that there is a failure by a counterparty to perform its obligations under a contract or other agreement (including failure arising from the insolvency of a tenant of a property).

Property ownership assumes associated risks including, without limitation, environmental and third party liability risk the value of which may exceed the value of the property itself.

Risk Management Process and Liquidity Management

The Manager employs a risk management process, including the use of appropriate stress-testing procedures, which enables it to identify measure, manage and monitor at any time the relevant risks of the positions to which the Fund is or may be exposed and their contribution to the overall risk profile of the Fund.

The Manager maintains a liquidity management process to monitor the liquidity risk of the Fund, which includes, among other tools and methods of measurement, the use of stress tests under both normal and exceptional liquidity conditions.

The liquidity management systems and procedures allow the Manager to apply various tools and arrangements necessary to ensure that the Fund is sufficiently liquid to respond appropriately to redemption requests. In normal circumstances, redemption requests will be processed as set out in this Scheme Information.

Other arrangements may also be used in response to redemption requests, including, in extreme cases, temporary suspension which, if activated, will restrict the redemption rights investors benefit from in normal circumstances as set out in this Scheme Information.

Responsible Property Investment

The Fund is managed in line with the Manager's Responsible Property Investment Policy. This integrates material environmental, social and governance issues into the investment process including pre-purchase due diligence and the ongoing management of properties in the Fund. Copies of the policy are available on request.

The manager is a signatory to the United Nations backed Principles of Responsible Investment (PRI). The annual PRI assessment is available on the Manager's website.

Valuations

The Fund is valued monthly on the Valuation Date for the issue and redemption of Units and the value of the Fund shall be the value of its assets, including capital cash, less the value of its liabilities. The valuation of Fund property is determined as follows;

- Units in a collective investment scheme – if the scheme is singled priced then that price will be used. If the scheme is dual priced the mid-market price will be used.
- Direct Property – an External Property Valuer is responsible for providing property values for the Fund. All properties are valued at every month end at Open Market Valuation in accordance with the Red Book of the Royal Institute of Chartered Surveyors. Additions to the portfolio are valued externally after acquisition.

To calculate the issue and redemption price (offer and bid prices) of the Units the net capital asset value of the Fund shall be divided by the number of Units in issue. The Trustee may increase the issue price by such a surcharge and reduce the redemption price by such a deduction as in either case it may think fit with a view to protecting the Unitholders of subsisting Units from being adversely affected in respect of the values of the Units by the effects of contributions and/or withdrawals. The Trustee may vary the amount of the surcharge or deduction at any time.

Publication of Prices

The Fund's Unit price is published on the CCLA website.

Management Charges

Fees

The Manager is entitled to its pro rata fees and expenses as detailed in this Scheme Information to the date of termination of its appointment as Manager of the Fund and any additional expenses necessarily incurred in settling or realising any outstanding obligations. The Manager shall be responsible for paying the fees of the Investment Manager and the Administrator. These fees will be met from the Annual Management Charge.

Annual Management Charge

The Manager makes an annual charge on the assets of the Fund at a fixed rate of 0.65% per annum (plus VAT if applicable and if any). The Annual Management Charge is based on the valuation of the Fund on the last day of the preceding month. The charge accrues daily and is deducted from the income of the Fund on the last business day of each month. The Manager makes no charge in respect of transactions carried out by the Fund.

Preliminary Charge

The Manager makes no preliminary charge on the issue of Units.

Depositary Fees, Charges and Expenses

The Depositary is entitled to a periodic fee which is agreed between the Manager, the Depositary and the Trustee. The Depositary is paid an annual fee of £15,000. This is charged to the Fund and paid on a monthly basis.

Costs and Expenses

The following expenses incurred for the Fund shall be paid either directly by the Fund or by the Trustees and recharged to the Fund:

- legal and other costs associated with obtaining and maintaining any authorisation or registration of the Fund;
- any governmental duties payable in respect of the issue of the Fund's Units;
- cost of property transactions including, but not limited to, stamp duty, agents and survey fees
- External Property Valuer's fees;
- legal fees;
- professional and agency fees;
- audit fees;
- bank charges;

- any rates, taxes, insurance premiums, costs of security, maintenance and repairs and other costs and service charges related to specific properties which cannot be recovered;
- the fee of any external property adviser;
- cost of liability insurance for the Trustee;
- costs incurred in respect of Unitholder meetings or in modifying the constitution of the Fund; and
- such other fees or expenses as may from time to time be agreed with the Trustee.

Taxation

The Fund is not subject to capital gains tax or income tax. Dividends are paid gross.

This is our understanding of the tax position as at the date of this Scheme Information. The tax position may change in the future. Investors should obtain their own tax advice in respect of their own position.

FATCA

The UK International Tax Compliance (United States of America) Regulations 2014 (the UK Regulations) came into force on 30 June 2014 and implement the "Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United States of America to improve International Tax Compliance and to implement FATCA" (commonly known as FATCA). Under UK Regulations, Financial Institutions must identify all reportable accounts and establish the tax residency of all account holders not just in respect of US persons. More background on how FATCA has been implemented in the UK can be found in HMRC's Guidance Notes at https://www.gov.uk/government/publications/uk-us-automatic-exchange-of-information-agreement/uk-us-automatic-exchange-of-information-agreement.

In order to comply with the UK Regulations, the Manager may be required to collect certain information about each Unitholder's tax residence(s), and determine whether it is obliged to submit certain account information to UK tax authorities, who may pass it on to other tax authorities.

Unitholders may also be asked to provide additional information to the Manager to enable the Fund to satisfy its obligations. Institutional Unitholders may be required to provide a Global Intermediary Identifications Number (GIIN). Failure to provide requested information may subject a Unitholder to liability for any resulting US withholding taxes, US tax information reporting and/or mandatory redemption, transfer or other termination of the Unitholder's interest in its Units. The GIIN for the Fund is available on request.

By signing the application form to subscribe for Units, each Unitholder agrees and acknowledges that, in certain circumstances, the Manager will be obliged to share this information with UK tax authorities, who may pass it on to other tax authorities. Unitholders are encouraged to consult with their own tax advisors regarding the possible implications of FATCA on their interest in the Fund.

Dividends

Dividends are paid quarterly to a nominated bank account in respect of the three months to the end of June, September, December and March. They are paid one month after each quarter end. Income is calculated as income receivable by the Fund whether already received or not, less any costs and expenses accrued to date. Income is allocated to Unitholders monthly but is not included in the Unit price.

Regular Statements

Statements of Units, management expenses and dividends paid are provided as at 30 September and 31 March.

The Manager reserves the right to charge reasonable expenses in relation to printing and postage of any additional documentation required by a Unitholder.

Accounts of the Fund

The report and accounts of the Fund are prepared at 30 September and 31 March, being the half year and year ends respectively.

The Annual Report, in addition to the regular statements detailed above includes, amongst other things, information on the Fund's;

- assets and liabilities (including the percentage of the Fund Property that is subject to special arrangements arising from its illiquid nature);
- income and expenditure;
- total amount of leverage employed;
- activities of the financial year; and
- risk profile.

The Annual Report will also include details of:

- the Manager's risk management systems;
- details of any changes to the Fund's liquidity management;
- the remuneration paid by the Manager to its staff;
- any material changes to the information in the Scheme Information;
- any change to the Fund's use of leverage, including the maximum level of Leverage the Fund may employ; and
- any further disclosures required by AIFMD.

All accounts are audited. The Manager will make available, free of charge on its website (www.ccla.co.uk) the Fund's Annual Report and Accounts for the period to 31 March (the accounting reference date) and half year report and accounts for the period to 30 September (the interim accounting date).

Fair Treatment of Unitholders

The Manager has established policies and procedures and made arrangements to ensure the fair treatment of Unitholders. Such arrangements include, but are not limited to, ensuring that no one or more Unitholders are given preferential treatment over any rights and obligations in relation to their investment in the Fund. All rights and obligations to

Unitholders, including those related to subscription and redemption requests, are set out in this Scheme Information.

The Manager has established fair and transparent pricing models and valuation systems and procedures for the Fund Property and endeavours to ensure that there are no undue costs being charged to the Fund and the Unitholders.

The Manager has also established procedures to identify, manage and monitor conflicts of interest and, where applicable, disclose those conflicts of interest to prevent them from adversely affecting the interests of the Unitholders. The Manager has established a process for recognising and dealing with complaints fairly.

Material Interests

The Investment Manager operates a client relationship management service.

The Trustee owns approximately 14% of the share capital of the Investment Manager.

The Manager is a wholly-owned subsidiary of the Investment Manager.

Conflicts of Interest

The Manager, the Depositary, the Investment Manager and the Administrator are or may be involved in other financial, investment and professional activities which may, on occasion, cause conflicts of interest in the management of the Fund. In addition, the Fund may enter into transactions at arm's length with companies in the same group as the Manager.

The Depositary may, from time to time, act as depositary of other funds.

Each of the parties will, to the extent of their ability and in compliance with the FCA Regulations and AIFMD Legislation, ensure that the performance of their respective duties will not be impaired by any such involvement.

The Manager and the Investment Manager operate a Conflicts of Interest Policy (Policy) to ensure that their clients are fairly treated. The Policy seeks to avoid circumstances which they consider may give rise to potential conflicts of interest and materially disadvantage their clients. The Policy describes the controls and arrangements for preventing the Manager, the Investment Manager and their staff from:

- favouring one client over another;
- making a financial gain, or avoiding a financial loss, at the expense of the client;
- a member of staff being favoured over a client;
- providing to (or receiving from) a person other than the client, an inducement in relation to a service provided to the client, in the form of a financial interest; and
- favouring the Manager's or the Investment Manager's shareholders over a client.

Full details of the Policy are available on request.

Authority to Open and Operate an Account

The Manager is entitled to assume that the person(s) signing an Application Form to purchase the Fund's Units in a Local Authority's name are duly authorised. In the case of sales, money is only remitted to the Local Authority or its bank but not to third parties. Where instructions are received in respect of Units held in a nominee name, the written confirmation from the Local Authority may be required by the Manager.

Trustee Meetings

The Trustee and the Manager meet at least half yearly and the Trustee receives quarterly written reports from the Manager. The Trustee's property sub-committee meets each quarter with the Manager and Investment Manager.

Winding Up

The Trustee has the power to wind up the Fund in accordance with the Scheme.

Data Protection

The Manager is a data controller in accordance with the Data Protection Legislation and will hold personal data about each Unitholder's representatives (referred to below as "representatives") that has been supplied to the Manager (whether by the representative, a Unitholder or otherwise) as set out in CCLA's Privacy Notice. Each Unitholder agrees to ensure that the contact details and other personal data provided for it and its representatives to the Manager remains up to date at all times.

The Unitholder acknowledges that the Fund may invest in investment schemes operated and managed by the Manager and/or by third parties (referred to below as "investment schemes") and that the Manager may need to pass data, including personal data regarding the representatives, to those investment schemes. The Manager will not pass on any personal data to any other third party or permit the investment schemes to pass the personal data to third parties except: (i) where, in relation to the performance of its services to the Unitholder, the Manager (or the investment scheme) sub-contracts part of the services or any support services; (ii) as agreed by the Unitholder; or (iii) where required to do so for legal or regulatory purposes as set out in CCLA's Privacy Notice.

The Manager (and the investment schemes) may keep records of all business transactions for at least five years. Unitholders have a right to inspect copies of contract notes and entries in the Manager's books or computerised records relating to their transactions. Their representatives also have certain rights under applicable data protection legislation, including the right to access copies of their personal data and change the permissions given in respect of the processing of it. The Manager will treat all Unitholders' records as confidential and so reserves the right to provide copies of the Unitholder/representative's particular record, rather than allow access to files which may contain information about other Unitholders. Requests to access the above records/personal data or to exercise any other rights under applicable data protection legislation should be directed to The Data Protection Adviser at the Manager's office, Senator House, 85 Queen Victoria Street, London, EC4V 4ET.

Complaints

Complaints concerning the operation or marketing of the Fund should be referred in writing to:

- the Manager at; The Head of Client Services, CCLA Fund Managers Limited, 85 Queen Victoria Street, London, EC4V 4ET; or
- the Investment Manager at; The Head of Client Services, CCLA Investment Management Limited, 85 Queen Victoria Street, London, EC4V 4ET; or
- the Trustee at; The Secretary, Local Authorities' Mutual Investment Trust, Senator House, 85 Queen Victoria Street, London, EC4V 4ET.

Compensation

As the Fund is not an Authorised Unit Trust within the meaning of the FSMA 2000, investments in the Fund are not covered by the Financial Services Compensation Scheme. The Manager will pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund.

Further information is available from the Manager on request or via www.fscs.org.uk or at their address below;

Financial Services Compensation Scheme,
10th Floor,
Beaufort House,
15 St Botolph Street,
London, EC3A 7QU.

The Manager covers its potential liability risks arising from professional liability by holding appropriate professional indemnity insurance.

Acceptance of Terms and Conditions

By completing the Application Form, the Unitholder acknowledges and accepts the terms and conditions and agrees to be bound by the provisions of this Scheme Information and of the Scheme.

Amendments

The Trustee and the Manager reserve the right to amend the Scheme Information at any time. Subject, where applicable, to the approval of the Treasury where necessary as set out in the Scheme and this Scheme Information, and in relation to any changes to the investment objective and policy only in accordance with the provisions dealing with such changes as set out in this Scheme Information. Unitholders will be notified of any amendment material to them.

The Manager will endeavour to give Unitholders 90 days' notice of significant changes to the Scheme Information. When changes are required for regulatory or other reasons it may not always be possible to give 90 days' notice.

In certain limited circumstances the Trustee and/or the Manager (as appropriate) may decide that very minor changes to the investment policy and/or objective of the Fund (for example, those aimed at clarification of the investment objective and/or policy) would be considered a "notifiable change" within the meaning in the FCA Regulations. Such alterations may be made by providing Unitholders with access to an updated copy of these Scheme Particulars. All current schemes are available on www.ccla.co.uk or by request please contact our Client Services department on 0800 022 3505.

Applicable Law

Any agreement to invest in the Fund is governed by English law and subject to all applicable laws, regulations and rules. In the event of a conflict between such agreement and any such laws, regulations and rules, the latter shall prevail.

Scheme Information

Any person relying on the information contained in this document which was current at the date shown, should check with the Manager that the document is the most current version and that no revisions or corrections have been made to the information contained herein. Copies of this document are available free of charge.

APPENDIX 1 - Directory

The Council of the Trustee

The Trustee, The Local Authorities' Mutual Investment Trust, is a company limited by guarantee and not having a share capital. The Trustee operates through a Council.

The members of the Council are:
T. Salmon OBE (Chairman)
T. Beattie
P. Clokie OBE
E. Eyre
P. Findlow
R. Kemp CBE
A. Naylor
S. Pickup OBE
S. Timoney

The Manager

The Manager, CCLA Fund Managers Limited, a wholly-owned subsidiary of the Investment Manager, is a limited liability company, registered in England and Wales with Company Number 08735369 and with its registered office at Senator House, 85 Queen Victoria Street, London EC4V 4ET.

Incorporated on 16 October 2013. The directors of the Manager are:
R. Horlick (Chairman)*
J. Bevan
A. McMillan
R. Norris*
M. Quicke
A. Robinson
T. Salmon*
J. Tattersall*
R. Williams*
(* indicates a Non-Executive Director)

CCLA Fund Managers Limited is authorised and regulated by the Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS.

The Investment Manager

The Investment Manager, CCLA Investment Management Limited, is a limited liability company registered in England and Wales with Company Number 2183088 and with its registered office at Senator House, 85 Queen Victoria Street, London, EC4V 4ET.

Incorporated on 26 October 1987. The directors of the Investment Manager are:
R. Horlick (Chairman)*
J. Bevan
A. McMillan
R. Norris*
M. Quicke
A. Robinson
T. Salmon*
J. Tattersall*
R. Williams*
*Non-Executive Director

CCLA Investment Management Limited is authorised and regulated by the Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS.

The Customer Telephone Helpline Number is 0800 022 3505. Please note telephone calls may be recorded.

The Depositary

The Depositary of the Fund is HSBC Bank plc, a public limited company registered in England and Wales with its registered address at 8 Canada Square, London E14 5HQ. The Depositary is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The Custodian

The Custodian of the Fund is HSBC Bank plc, a public limited company registered in England and Wales with its registered address at 8 Canada Square, London E14 5HQ. The Custodian is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The Registrar

The Registrar of the Fund is CCLA Investment Management Limited. The Register of Unitholders may be inspected at the registered office of CCLA Investment Management Limited, at Senator House, 85 Queen Victoria Street, London, EC4V 4ET.

The Administrator

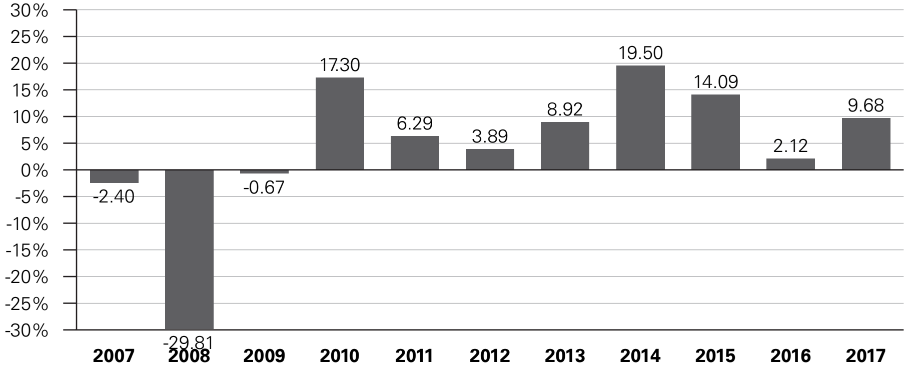
The Administrator of the Fund is CCLA Investment Management Limited, Senator House, 85 Queen Victoria Street, London, EC4V 4ET.

The Auditor

The Auditor of the Fund is PricewaterhouseCoopers LLP, a limited liability partnership with an office at 7 More London Riverside, London SE1 2RT.

APPENDIX 2 - Past Net Performance

Net performance shown after management fees and other expenses.



The Fund started on April 1972. Past performance is no guarantee of future returns.

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Grant Thornton
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Audit Progress Report and Sector Update

Kirklees Council
Corporate Governance and Audit Committee

Year ending 31 March 2019

16 November 2018

Contents

Introduction

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This paper provides the Corporate Governance and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Corporate Governance and Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk .

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

Progress at 26 October 2018

Financial Statements Audit

Our audit planning process is underway and we are developing a detailed Audit Plan setting out our proposed approach to the audit of the Council's 2018/19 financial statements

We will discuss and agree the Audit Plan with officers before presenting it to the Corporate Governance and Audit Committee at its January 2019 meeting.

We will complete our audit wok in two phases

- Interim audit work
- Financial statements audit work

Our interim audit work will include:

- gaining an understanding of financial systems
- reviewing Internal Audit work and reports on core financial systems
- early work on emerging accounting issues
- controls testing and early substantive testing where possible

Our interim work will be reported to the March 2019 meeting of the Committee.

We will work with your finance team to ensure we can make a prompt start to the financial statements audit from 1 June 2019 and deliver an audit opinion in advance of the deadline of 31 July 2019.

Value for Money

The scope of our work is set out in guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The overall criterion is: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

•Informed decision making

•Sustainable resource deployment

•Working with partners and other third parties

We will shortly be finalising our initial risk assessment to determine our approach and will report this to you in our Audit Plan in January 2019. As part of that process we have met with senior officers and considered the matters arising from your predecessor auditor's Value for money assessments.

We will report the results of our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

Other areas

Meetings

The Engagement Lead has had introductory meetings with a number of senior officers, and we are continuing with regular meetings with your Chief Financial Officer to ensure our work recognises your strategic priorities, plans and risks.

We have met with your predecessor auditors to discuss key issues arising from the 2017/18 audit. We have also reviewed their files to gain assurance on the Council's opening balances and assist us in gaining an understanding of the Council's strategic and operational level issues.

We are meeting with your Internal Audit Managers and Senior Finance Managers in early November as part of our audit planning

We aim to provide you with a thorough and seamless transition of external audit service and will discuss any emerging issues promptly to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, including 'update events' on financial reporting issues and invite the Council's finance staff to attend. The next event will be held early in the new year.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Corporate Governance & Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	January 2019	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Corporate Governance and Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract	December 2019	Not yet due

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

CIPFA consultation – Financial Resilience Index

The Chartered Institute of Public Finance and Accountancy (CIPFA) has consulted on its plans to provide an authoritative measure of local authority financial resilience via a new index. The index, based on publically available information, will provide an assessment of the relative financial health of each English council.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector's views, CIPFA invited all interested parties to respond to questions it has put forward in the consultation by the 24 August.

The decision to develop an index is driven by CIPFA's desire to support the local government sector as it faces a continued financial challenge. The index will not be a predictive model but a diagnostic tool – designed to identify those councils displaying consistent and comparable features that will highlight good practice, but crucially, also point to areas which are associated with financial failure. The information for each council will show their relative position to other councils of the same type. Use of the index will support councils in identifying areas of weakness and enable them to take action to reduce the risk of financial failure. The index will also provide a transparent and independent analysis based on a sound evidence base.

The proposed approach draws on CIPFA's evidence of the factors associated with financial stress, including:

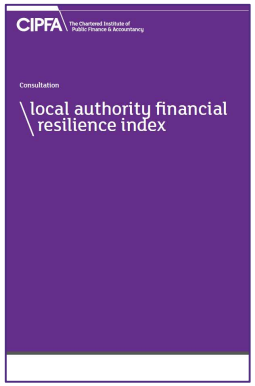
- running down reserves
- failure to plan and deliver savings in service provision
- shortening medium-term financial planning horizons.
- gaps in saving plans
- departments having unplanned overspends and/or undelivered savings.

Conversations with senior practitioners and sector experts have elicited a number of additional potential factors, including:

- the dependency on external central financing
- the proportion of non-discretionary spending – e.g. social care and capital financing - as a proportion of total expenditure
- an adverse (inadequate) judgement by Ofsted on Children's services
- changes in accounting policies (including a change by the council of their minimum revenue provision)
- poor returns on investments
- low level of confidence in financial management.

The consultation document proposes scoring six key indicators:

1. The level of total reserves excluding schools and public health as a proportion of net revenue expenditure.
2. The percentage change in reserves, excluding schools and public health, over the past three years.
3. The ratio of government grants to net revenue expenditure.
4. Proportion of net revenue expenditure accounted for by children's social care, adult social care and debt interest payments.
5. Ofsted overall rating for children's social care.
6. Auditor's VFM judgement.



CIPFA Consultation

Challenge question:

Are members aware of the Council's response to the Financial Resilience Index consultation?

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MHCLG – Social Housing Green Paper

The Ministry of Housing, Communities and Local Government (MHCLG) published the Social Housing Green Paper, which seeks views on government's new vision for social housing providing safe, secure homes that help people get on with their lives.

With 4 million households living in social housing and projections for this to rise annually, it is crucial that MHCLG tackle the issues facing both residents and landlords in social housing.

The Green Paper aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and also support social mobility. The paper proposes fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it.

To shape this Green Paper, residents across the country were asked for their views on social housing. Almost 1,000 tenants shared their views with ministers at 14 events across the country, and over 7,000 people contributed their opinions, issues and concerns online; sharing their thoughts and ideas about social housing,

The Green Paper outlines five principles which will underpin a new, fairer deal for social housing residents:

- Tackling stigma and celebrating thriving communities
- Expanding supply and supporting home ownership
- Effective resolution of complaints
- Empowering residents and strengthening the regulator
- Ensuring homes are safe and decent

Consultation on the Green Paper is now underway, which seeks to provide everyone with an opportunity to submit views on proposals for the future of social housing and will run until 6 November 2018.

The Green Paper presents the opportunity to look afresh at the regulatory framework (which was last reviewed nearly eight years ago). Alongside this, MHCLG have published a Call for Evidence which seeks views on how the current regulatory framework is operating and will inform what regulatory changes are required to deliver regulation that is fit for purpose.

The Green Paper acknowledges that to deliver the social homes required, local authorities will need support to build by:

- allowing them to borrow
- exploring new flexibilities over how to spend Right to Buy receipts
- not requiring them to make a payment in respect of their vacant higher value council homes

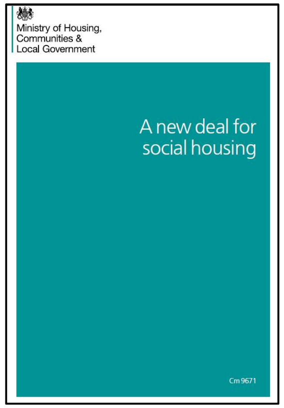
As a result of concerns raised by residents, MHCLG has decided not to implement at this time the provisions in the Housing and Planning Act to make fixed term tenancies mandatory for local authority tenants.

The Green Paper is available on the MHCLG's website at:
https://www.gov.uk/government/consultations/a-new-deal-for-social-housing

Social Housing Green Paper Consultation

Challenge question:

What does the Social Housing Green Paper mean for your local authority?



Institute of Fiscal Studies: Impact of ‘Fair Funding Review’

The IFS has published a paper that focuses on the issues arising in assessing the spending needs of different councils. The government’s ‘Fair Funding Review’ is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils’ differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based.

Accounting for councils’ spending needs

The IFS note that the Review is seeking a less subjective and more transparent approach which is focused on the relationship between spending and needs indicators. However, like any funding system, there will be limitations, for example, any attempt to assess needs will be affected by the MHCLG’s funding policies adopted in the year of data used to estimate the spending needs formula. A key consideration will be the inherently subjective nature of ‘spending needs’ and ‘needs indicators’, and how this will be dealt with under any new funding approach. Whilst no assessment of spending needs can be truly objective, the IFS state it can and should be evidence based.

The IFS also note that transparency will be critical, particularly in relation to the impact that different choices will have for different councils, such as the year of data used and the needs indicators selected. These differentiating factors and their consequences will need to be understood and debated.

Accounting for councils’ revenues

The biggest source of locally-raised revenue for councils is and will continue to be council tax. However, there is significant variation between councils in the amount of council tax raised per person. The IFS identify that a key decision for the Fair Funding Review is the extent wo which tax bases or actual revenues should be used for determining funding levels going forward.

Councils also raise significant sums of money from levying fees and charges, although this varies dramatically across the country. The IFS note that it is difficult to take account of these differences in a new funding system as there is no well-defined measure of revenue raising capacity from sales, fees and charges, unlike council tax where the tax base can be used.

The overall system: redistribution, incentives and transparency

The IFS also identify that an important policy decision for the new system is the extent to which it prioritises redistribution between councils, compared to financial incentives for councils to improve their own socio-economic lot. A system that fully and immediately equalises for differences in assessed spending needs and revenue-raising capacity will help ensure different councils can provide similar standards of public services, However, it would provide little financial incentive for councils to tackle the drivers of spending needs and boost local economics and tax bases.

Further detail on the impact of the fair funding review can be found in the full report https://www.ifs.org.uk/uploads/publications/comms/R148.pdf.

National Audit Office – The health and social care interface

The NAO has published its latest ‘think piece on the barriers that prevent health and social care services working together effectively, examples of joint working in a ‘whole system’ sense and the move towards services centred on the needs of the individual. The report aims to inform the ongoing debate about the future of health and social care in England. It anticipates the upcoming green paper on the future funding of adult social care, and the planned 2019 Spending Review, which will set out the funding needs of both local government and the NHS.

The report discusses 16 challenges to improved joint working. It also highlights some of the work being carried out nationally and locally to overcome these challenges and the progress that has been made. The NAO draw out the risks presented by inherent differences between the health and social care systems and how national and local bodies are managing these.

Financial challenges – include financial pressures, future funding uncertainties, focus on short-term funding issues in the acute sector, the accountability of individual organisations to balance the books, and differing eligibility criteria for access to health and social care services.

Culture and structure – include organisational boundaries impacting on service management and regulation, poor understanding between the NHS and local government of their respective decision-making frameworks, complex governance arrangements hindering decision-making, problems with local leadership holding back improvements or de-stabilising joint working, a lack of co-terminus geographic areas over which health and local government services are planned and delivered, problems with sharing data across health and social care, and difficulties developing. person-centred care.

Strategic issues – include differences in national influence and status contributing to social care not being as well represented as the NHS, strategic misalignment of organisations across local systems inhibiting joint local planning, and central government’s unrealistic expectations of the pace at which the required change in working practices can progress..

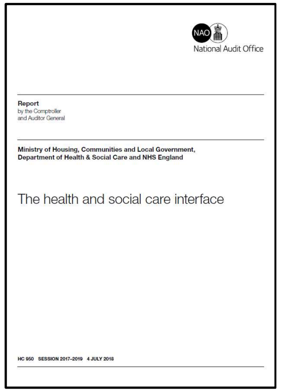
This ‘think piece’ draws on the NAO’s past work and draws on recent research and reviews by other organisations, most notably the Care Quality Commission’s review of health and social care systems in 20 local authority areas, which it carried out between August 2017 and May 2018. The NAO note that there is a lot of good work being done nationally and locally to overcome the barriers to joint working, but often this is not happening at the scale and pace needed.

The report is available to download from the NAO’s website at:
https://www.nao.org.uk/report/the-health-and-social-care-interface/

The health and social care interface

Challenge question:

Has the Committee considered the 16 challenges to joint working and what can be done to mitigate these?


National Audit Office

Report
by the Comptroller
and Auditor General

Ministry of Housing, Communities and Local Government, Department of Health & Social Care and NHS England

The health and social care interface

HC 950 SESSION 2017–2019 4 JULY 2018

Care Homes for the Elderly – Where are we now?

It is a pivotal moment for the UK care homes market. In the next few months the government is to reveal the contents of its much-vaunted plans for the long-term funding of care for older people.

Our latest Grant Thornton report draws together the most recent and relevant research, including our own sizeable market knowledge and expertise, to determine where the sector is now and understand where it is heading in the future. We have spoken to investors, providers and market consultants to showcase the diversity and innovation that care homes can offer.

Flourishing communities are not a ‘nice to have’ but an essential part of our purpose of shaping a vibrant economy. Growth simply cannot happen sustainably if business is disconnected from society. That is why social care needs a positive growth framing. Far from being a burden, the sector employs more people than the NHS, is a crucible for technological innovation, and is a vital connector in community life. We need to think about social care as an asset and invest and nurture it accordingly.

There are opportunities to further invest to create innovative solutions that deliver improved tailored care packages to meet the needs of our ageing population.

The report considers a number of aspects in the social care agenda

- market structure, sustainability, quality and evolution
- future funding changes and the political agenda
- the investment, capital and financing landscape
- new funds and methods of finance
- future outlook.

The decline in the number of public-sector focused care home beds is a trend that looks set to continue in the medium-term. However, it cannot continue indefinitely as Grant Thornton's research points to a significant rise in demand for elderly care beds over the coming decade and beyond.

A strategic approach will also be needed to recruit and retain the large number of workers needed to care for the ageing population in the future. Efforts have already begun through education programmes such as Skills for Care’s 'Care Ambassadors' to promote social care as an attractive profession. But with the number of nurses falling across the NHS as well, the Government will need to address the current crisis.

But the most important conversation that needs to be had is with the public around what kind of care services they would like to have and, crucially, how much they would be prepared to pay for them. Most solutions for sustainable funding for social care point towards increased taxation, which will generate significant political and public debate. With Brexit dominating the political agenda, and the government holding a precarious position in Parliament, shorter-term funding interventions by government over the medium-term look more likely than a root-and-branch reform of the current system. The sector, however, needs to know what choices politicians, and society as a whole, are prepared to make in order to plan for the future.

Copies of our report can be requested on our website

Grant Thornton

Challenge question:

How effective is the Council’s engagement with the social care sector?

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Links

Grant Thornton website links

https://www.grantthornton.co.uk/

http://www.grantthornton.co.uk/industries/publicsector

https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/

National Audit Office link

https://www.nao.org.uk/report/the-health-and-social-care-interface/

Ministry of Housing, Communities and Local Government links

https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

https://www.ifs.org.uk/uploads/publications/comms/R148.pdf

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Kirklees COUNCIL

Name of meeting: Corporate Governance & Audit Committee
Date: 16th November 2018

Title of report: Risk Management Update

Purpose of report; To provide information on the Councils Risk Management Statement and its arrangements for Corporate Risk Management.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**Not applicable**
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	**Not applicable**
The Decision - Is it eligible for "call in" by Scrutiny?	**Not applicable**
Date signed off by Director & name **Is it also signed off by the Service Director for Finance, IT & Transactional Services** **Is it also signed off by the Service Director - Legal Governance and Commissioning?**	**J. Muscroft 31/10/18** **Yes**
Cabinet member portfolio	**Not applicable**

Electoral wards affected: All
Ward councillors consulted: Not applicable

Public

1. Summary

1.1 Although the Council has had a Risk Management Strategy for many years this was substantially rewritten and re-codified earlier this year as a Risk Management Statement.

1.2 This report sums up the current position, and indicates the actions that are currently being taken and still need to be taken to improve the organisations approach to risk management.

1.3 This Committee has a role in monitoring the effectiveness of the councils arrangements for risk management.

2. Information required to take a decision

2.1 The new approach to Risk Management was formally adopted by Cabinet in March 2018.It includes the following features;
(1) A Corporate Risk Matrix that sets out the key corporate threats.
(2) A requirement that each Directorate or service area produces and updates (quarterly) its own Service Risk Matrix.
(3) A process of reporting and discussing emerging risks with senior management.

(4) Improved governance and oversight by the use of a Risk Panel which assesses the adequacy of arrangements and the appropriateness and significance of threat.
(5) Opportunity to consider through these processes the level of the organisations risk appetite.
(6) The approach still considers Probability/Likelihood (1-5) and Impact (1-5) giving scores up to 25. Risk are then allocated green (acceptable), yellow (requires awareness) and red (requires action or attention). There is a coloured risk index table that identifies the risk as these are based on the combination of probability and impact. (see Appendix 1).
(7) There is a stronger codification of what types of risk should be given particular scores.

All these features are set out in the full statement.

2.2 The most recent Corporate Risk Matrix, which sets out the key corporate threats that exist against the Council features as a part of the Cabinet decisions on initial budget planning for 2019/20 - attached at Appendix 2 .Many of these risks are perpetual or long standing, and are common to large organisations, and other local authorities, although some are Kirklees specific. This is very similar to previous years, but structured more logically, and it now includes risks associated with Brexit. Although there are controls in place, all these risks create high threat levels to the achievement of outcomes and or are not in the sole control of the council.

2.3 Directorates/services were asked to produce and regularly update a service or directorate risk matrix. Most but not all areas produced a Matrix, although these were of variable quality. It does not seem that regular discussion at directorate management teams is always taking place.

2.4 Separate arrangements continue to collect information about emerging risks to the organisation. These are being reported to and debated by senior management. This at least ensures that there is an understanding and an opportunity for their involvement and influence.

2.5 The lack of integration of the processes at 2.3 and 2.4 is not ideal, as risk should emerge from the operational levels through services and directorates. This is intended to be a reasoned and rationalised consideration of risks that particular circumstances create as threats to the entity and any appropriate treatments, with escalation where appropriate.

2.6 The Risk Panel has been established and has met on a number of occasions. It has contributed to the evaluation of the corporate risk matrix and its’ restructuring, and has commented on the inadequacy of the current service/directorate arrangements and matrices as a way of informing about emerging risk and corporate threat.

2.7 In respect of the latter, the Risk Panel has asked the Head of Risk to work with services and directorates to bring about improvements in the standard of the matrices and the operation of the hierarchical reporting structure. It is intended that this work will take place during the autumn, although resources available to do this are limited.

2.8 This is not to suggest that the Council does not have broadly sound arrangements for managing many risks, but it is important to recognise that a culture of openness and discussion is an important feature of any risk management arrangements.

2.9 The Council does not have any full arrangements to understand the status and levels of assurance that its business systems and processes bring. This creates a further potential exposure to risk.

2.10 This report is intended to help fulfil the Committees monitoring of the effectiveness of the Councils arrangements for risk management.

3. Implications for the Council

3.1 Early Intervention and Prevention (EIP) –risks threaten achievement of objectives

3.2 Economic Resilience (ER) – risks threaten achievement of objectives

3.3 Improving Outcomes for Children - risks threaten achievement of objectives

3.4 Reducing demand of services -risks threaten achievement of objectives

3.5 As each of the sub categorisations above suggest, risks threatens the achievement of corporate objectives. Failure to address the risks adequately may consume more resource than is necessary, leading to unexpected real or opportunity cost, and reputational damage.

3.6 For this reason having effective arrangements – identification, awareness, consideration, action and monitoring of effectiveness are important features of any risk management system

4. Consultees and their opinions

4.1 Strategic directors, service directors and head of service are all involved in the risk management process

5. Next steps

5.1 To consider if any additional activity is sought, beyond that noted in 2.7.

6. Officer recommendations and reasons

6.1 Members are asked to note the update on risk management.

6.2 Members are asked to comment on their views on the adequacy and completeness of the current Corporate Risk Matrix.

7. Cabinet portfolio holder recommendation

7.1 Not applicable.

8. Contact officer

Martin Dearnley, Head of Risk (01484 221000; x 73672)

9. Background Papers and History of Decisions

The Risk Management Statement (March 2018)

10. Director responsible

Julie Muscroft, Service Director Legal Governance & Commissioning

Appendix 1;

RISK INDEX

			Probability				
			Rare	**Unlikely**	**Possible**	**Probable**	**Almost certain**
	Impact		**1**	**2**	**3**	**4**	**5**
	Very Significant	**5**	**5**	**10**	**15**	**20**	**25**
	Major	**4**	**4**	**8**	**12**	**16**	**20**
	Moderate	**3**	**3**	**6**	**9**	**12**	**15**
	Minor	**2**	**2**	**4**	**6**	**8**	**10**
	Insignificant	**1**	**1**	**2**	**3**	**4**	**5**

From Risk Management Statement.

Appendix 2

CORPORATE RISK REGISTER & RISK MANAGEMENT ACTION PLAN SEPTEMBER 2018

Risk No	Risk – Description of the risk	Management actions already in place to mitigate the risk
	The finances of the Council	
1	A failure to achieve the Councils savings plan impacts more generally on the councils finances with the necessity for unintended savings (from elsewhere) to ensure financial stability	• Established governance arrangements are in place to achieve planned outcomes at Cabinet and officer level • Escalation processes are in place and working effectively. • Alignment of service, transformation and financial monitoring. • Tracker developed which allows all change plans to be in view and monitored on a monthly basis • Programme management office established and resourced • Monthly (and quarterly) financial reporting
2	Failure to control expenditure and income within the overall annual council approved budget leads to the necessity for unintended savings (from elsewhere)). The most significant of these risks are related to volumes (in excess of budget) of; • Complex Adult Care services • Childrens Care Services • Educational high needs & * Rent Collection impact of Universal Credit rollout (H R A) And in the longer term, the costs of waste disposal.	• Significant service pressures recognised as part of resource allocation in 2018/19 and 2019/20 • Responsibility for budgetary control aligned to Strategic and Service Directors. • Examine alternative strategies or amend policies where possible to mitigate growth in demand or reduce costs • Utilise supplementary resources to cushion impact of cuts and invest to save. • Continue to lobby, through appropriate mechanisms, for additional resources • Proactive monitoring as Universal Credit is introduced
3	Above inflation cost increases, particularly in the care sector, impact on the ability of providers to deliver activities of the specified quality, and or impacting on the prices charged and impacting on the budgets of the council.	• Monitor quality and performance of contracts. • Be aware of underlying issues through effective communication with service providers and suppliers about likely impact on prices • Renegotiate or retender contracts as appropriate. • Ensure that budgets anticipate likely cost impacts • Seek additional funding as a consequence of government imposed costs

4	Making inappropriate choices in relation to lending or and borrowing decisions, leads to financial losses.	• Effective due diligence prior to granting loans and careful monitoring of investment decisions. • Effective challenge to treasury management proposals by both officers and members (Corporate Governance & Audit Committee) taking account of external advice
5	Exposure to uninsured losses or significant unforeseen costs, leads to the necessity for unintended savings to balance the councils finances	• Ensure adequacy of financial revenue reserves to protect the council financial exposure and managed effectively not to impact on the council essential services. • Consider risks and most cost effective appropriate approach to responding to these (internal or external insurance provision)
6	A future financial regime set by government causes a further loss of resources or increased and under-funded obligations (e.g. in relation to social care), with impact on the strategic plans.	• Monitor government proposals and legislation, and their impact on council and partner services. • Continue to lobby, through appropriate mechanisms, for additional resources e.g. Local Government Association (LGA) • Be aware of underlying issues through effective communication with citizens, partners, service providers and suppliers about likely impact on resources • Ensure that budgets anticipate likely impacts • Ensure adequacy of financial revenue reserves to protect the council financial exposure and managed effectively not to impact on the council essential services.
	Community Impacts & Risks	
7	The council does not adequately safeguard children and vulnerable adults, as a result of increased complexity, referral volumes and a lack of service capacity to respond to the assessed need.	• Disclosure & Barring Service (DBS) checking, staff training, supervision, protection policies kept up to date and communicated. • Effective management of social work (and related services); rapid response to any issues identified and from any serious case review work. • Active management of cases reaching serious case review stage, and any media interest • Review of current practices following the child sexual exploitation in Rotherham and the emerging requirements. • Ensure that workloads are balanced to resources. • Staff and skill development to minimise dependence on key individuals. • Use of agency staff and or contractors when necessary • Ideal manager training • Development of market sufficiency strategy; consider approaches to support the development of the available service offer both locally and regionally.

		• Ensure competence of the Safeguarding Boards and that they are adequately resourced to challenge and improve outcomes • Ensure routine internal quality assessment • Take effective action after Serious Case Reviews • Effective listening to messages about threats from other parts of the council and partner agencies • Proactive recognition of Members role as "corporate parent" • Childrens Improvement Board to assist governance and quality improvement
8	Legacy issues of historical childcare management practices, and particularly, the heightened national attention to Child Sexual Exploitation and historical abuse cases causes reputational issues, and resource demands to address consequential matters.	• Additional resources and expertise allocated to new and historical Child Sex Exploitation (CSE) and other legacy work, as required. • Risk matrix and risk management approach implemented with the police and partners. • Oversight of Council risks through the CSE Member Panel. • Understand relationship with the Prevent strategy, and issues linked to counter terrorism • Take steps per risk 7 to seek to avoid ongoing issues
9	Failure to address matters of violent extremism and related safer stronger community factors create significant community tension, (and with the potential of safeguarding consequences for vulnerable individuals.	• Prevent partnership action plan. • Community cohesion work programme • Local intelligence sharing and networks. • New status as a Prevent Priority Area provides funding for a Prevent Coordinator Post and enables the development of bids for additional funding. • Counter terrorism local profile. • Home Office funded Counter Extremism Community Co-ordinator role
10	Significant environmental events such as severe weather impact on the Council's ability to continue to deliver services.	• Effective business continuity and emergency planning (including mutual aid) investment in flood management, gritting deployment plans. • Winter maintenance budgets are supported by a bad weather contingency. • Operational plans and response plans designed to minimise impacts (e.g. gully cleansing for those areas which are prone to flooding.)
11	The policy presumption of communities taking more responsibility for service provision does not deliver the hoped for outcomes, with the consequence that some community services will no longer be sustainable from the	• Reduced demand for statutory services • If the reduction is not realised at the pace set out, (in change plans) then those services that are directly impacted will need to identify this early, and to help in doing so, ensure that appropriate demand management and monitoring is put in place to record the levels of service take up. Remedial action should also be identified by those services. • Successful implementation of new service models

	resources available, with reputational and policy risks.	• Impact assessments for those services directly affected should be carried out to reflect the impact on citizens of losing a service as a consequence of the pace and scale of new service models not meeting demand. •
	The UK exiting the EU	
12	The process of the UK exiting the EU lead to the following consequences and impact: • Economic uncertainty impact on business rates and housing growth, with knock-ons to council tax, new homes bonus and business rate income. • The potential for increased cuts in core government funding (as a result of economic pressures) in the context of ongoing increases in demand for council services. • Rising inflation could lead to increased costs. And Interest rate volatility impacting on the cost of financing the council's debt. • The general uncertainty affecting the financial markets could lead to another recession. • An uncertain economic outlook potentially impacting on levels of trade and investment. • Uncertainty about migration impacting on labour markets, particularly in key sectors like health and social care • Potential impact on community cohesion, with increased community tensions and reported hate crimes.	These risks are largely addressed elsewhere in the Matrix • Monitor government proposals and legislation, and their impact on council and partner services. • Working with the WY Combined Authority, and other WY local authorities and partners • Continue to lobby, through appropriate mechanisms, for additional resources e.g. Local Government Association (LGA) • Be aware of underlying issues through effective communication with partners, service providers and suppliers about likely impact on prices and resources • Ensure that budgets anticipate likely cost impacts • Utilise supplementary resources to cushion impact of any cuts and invest to save. • Ensure adequacy of financial revenue reserves to protect the council financial exposure and that they are managed effectively not to impact on the council essential services • Local intelligence sharing and networks. • Prevent partnership action plan. • Community cohesion work programme • Service and financial strategies kept under review to keep track of developments related to the UK exiting the EU.

	Other Resource & Partnership Risks	
13	Council supplier and market relationships, including contractor failure leads to; • loss of service, • poor quality service • an inability to attract new suppliers (affecting competition, and to replace any incumbent contractors who have failed) • complexities and difficulties in making arrangements in respect of significant and long running major outsource contracts, and their extension and renewal.	• Avoid, where possible, over dependence on single suppliers; • More thorough financial assessment when a potential supplier failure could have a wide impact on the council's operations but take a more open approach where risks are few or have only limited impact. • Recognise that supplier failure is always a potential risk; those firms that derive large proportions of their business from the public sector are a particular risk. • Need to balance between only using suppliers who are financially sound but may be expensive and enabling lower cost or new entrants to the supplier market. • Consideration of social value, local markets and funds recirculating within the borough • Be realistic about expectation about what the market can deliver, taking into account matter such as national living wage, recruitment and retention issues etc. • Develop and publish in place market position statement and undertake regular dialogue with market. • Effective consultation with suppliers about proposals to deal with significant major external changes • Early consultation with existing suppliers about arrangements to be followed at the end of existing contractual arrangements • Realign budgets to reflect real costs • Commission effectively • Ensuring adequate cash flow for smaller contractors
14	Management of information from loss or inappropriate destruction or retention and the risk of failure to comply with the Council's obligations in relation to Data Protection, Freedom of Information legislation and the General Data Protection Regulations (GDPR) leading to reputational damage, rectification costs and fines	• Thorough, understandable information security policies and practices that are clearly communicated to workforce. • Effective management of data, retention and recording. • Raised awareness and staff training • Compliance with IT security policy. • Compliance with retention schedules. • Compliance with information governance policy. • Business continuity procedures. • Comply with new legislation around staff access to sensitive data.

		• Council has a Senior Information Risk Owner (“SIRO”) officer and a Data Protection Officer (DPO) who are supported by an Information Governance Board • Development of action plan to respond to GDPR requirements and resourcing requirements as appropriate • Increased awareness of officers and members as to their obligations
15	Health and safety measures are inadequate leading to harm to employees or customers and possible litigious action from them personally and/or the Health and Safety Executive.(and the potential of prosecution and corporate /personal liability)(and in particular issues of fire safety,)	• New Fire Safety Policy approved and being implemented Improved monitoring of fire risk • Prioritised programme of remedial works to buildings to tackle issues • Review work practices to address H&S risks • Monitor safety equipment • Improved employee training as to their responsibilities, as employees and (where appropriate) as supervisors
16	Exposure to increased liabilities arising from property ownership and management, including dangerous structures and asbestos, with reputational and financial implications.	• Routine servicing and cleansing regimes • Work practices to address risks from noxious substances • Property disposal strategy linked to service and budget strategy • Review of fire risks Develop management actions, categorised over the short to medium term and resource accordingly. • Prioritisation of funding to support reduction of backlog maintenance • Clarity on roles and responsibilities particularly where property management is outsourced.
17	A funding shortfall in partner agencies) leads to increased pressure on community services with unforeseen costs.	• Engagement in winter resilience discussions with NHS partners • Secure funding as appropriate • Consider extension of pooled funds • Accept that this may lead to an increase in waiting times • Strengthen partnership arrangements to ascertain whether other funding or cost reduction solutions can be introduced.
18	The risk of retaining a sustainable, diverse, workforce, including - aging and age profile - encouraging people to enter hard to recruit roles (which often have low pay, or challenging hours or tasks)	• Effective Workforce Planning (inc recruitment , retention issues) • Modernise Human Resources policies and processes • Increased accessibility to online training managers/ employees. • Selective use of interim managers and others to ensure continuity of progress regarding complex issues

	- encouraging entrants to professional roles where pay is often below market levels. and ensuring that the workforce are broadly content, without whom the council is unable to deliver its service obligations.	• Ensure robust change processes including Equality Impact Assessments (EIA's) and consultation.. • Understand market pay challenges • Promote the advantages of LG employment • Emphasise the satisfaction factors from service employment • Engage and encourage younger people through targeted apprenticeships, training, and career development
19	National legislative or policy changes have unforeseen consequences with the consequence of affecting resource utilisation or budgets.	• Reprioritise activities • Deploy additional resources • Use of agency staff or contractors where necessary • Development of horizon scanning service

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Kirklees COUNCIL

Name of meeting: Corporate Governance & Audit Committee
Date: 16th November 2018

Title of report: Quarterly Report of Internal Audit 2018/19
Quarter 2: July 2018 - September 2018

Purpose of report; To provide information on Internal Audit activity in the second quarter of 2018/19, to update information on monitoring of progress regarding the implementation of the Annual Governance Statement 2017/18 Action Plan, and other assurance information.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**Not applicable**
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	**Not applicable**
The Decision - Is it eligible for "call in" by Scrutiny?	**Not applicable**
Date signed off by Director & name **Is it also signed off by the Service Director for Finance, IT & Transactional Services** **Is it also signed off by the Service Director - Legal Governance and Commissioning?**	**Not applicable**
Cabinet member portfolio	**Not applicable**

Electoral wards affected: All
Ward councillors consulted: Not applicable

Public but with a private appendix

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1. Summary

1.1 This report sets out the activities of Internal Audit in the second quarter of 2018/19.
This report contains information about 13 formal opinion based pieces of work, 7 other projects or tasks and 6 completed audits related to the Housing Revenue Account (HRA) and Kirklees Neighbourhood Housing, two of the latter being investigations .

1.2 There are 13 reports that include assurance levels. All of the 6 schools offered substantial or adequate assurance. Emergency Planning arrangements offer substantial assurance. All other areas had limited assurance, being; Associated Framework (Learning), Mail Centre Data (IT), Childrens & Families Safeguarding, Mandatory Staff Training (HR/Corporate)

1.3 There were 2 follow up, Clients Property (Adults/Exchequer), and Car Parks Income (Commercial) neither of which gained adequate assurance categorisations.

1.4 Overall, only 54% of council work in the period attracted a positive outcome- which is substantially below average, but based on quite a small sample. The cumulative positive outcome for the year is 71%- slightly better, but below the target of 80%.(last year outturn 78%).

1.5 Internal Audit time was also spent on assessing highways and disabled grant authorisations, the National Fraud Initiative and various matters linked to improving information governance.

1.6 The report notes that Internal Audit resourcing continues to be challenged. Whilst there is adequate budget, there is some labour turnover. A number of investigations, and the need to prioritise some high risk areas (which have taken longer than planned) have reduced the ability to complete operational assurance audits on financial and business systems.

1.7 It was agreed at March 2018 Council that this committee consider any surveillance activities under the Regulation of Investigatory Powers Act 2000. (Annex 1). There are none this quarter.

1.8 This report includes a summary of progress against the actions contained as a consequence of the 2017/18 Annual Governance Statement.

2. Information required to take a decision

2.1 The detail is contained within the private Appendix.

3. Implications for the Council

3.1 Early Intervention and Prevention (EIP) -None directly

3.2 Economic Resilience (ER) -None directly

3.3 Improving Outcomes for Children -None directly

3.4 Reducing demand of services -None directly

3.5 Although each of the sub categorisations above suggest no direct implications, the work of internal audit covers all aspects of the councils operations, including elements of the above, either specifically, indirectly or on a commissioned basis.

3.6 The main issues relate to those areas highlighted above- where there are risks associated with basic processing arrangements, and delivering sound governance and control.

4. Consultees and their opinions

4.1 Directors/Head of Service have been involved in the outcomes from each audit project.

5. Next steps

5.1 To consider if any additional activity is sought.(Limited assurance audit outcomes are routinely followed up)

6. Officer recommendations and reasons

6.1 Members are asked to note the Internal Audit Quarterly Report and determine if any further action is sought on any matter identified.

6.2 Members are also asked to note that there has been no Regulation of Investigatory Powers Act activity during the period quarter 2 2018/19.

7. Cabinet portfolio holder recommendation

7.1 Not applicable.

8. Contact officer

Martin Dearnley, Head of Risk (01484 221000; x 73672)

9. Background Papers and History of Decisions

The detailed Quarter 2- 2018/19 Internal Audit Report is attached as an appendix for consideration in private session.

10. Director responsible

Not applicable.

Annex 1;
Additional disclosure of information

Reporting of surveillance activity under the Regulation of Investigatory Powers Act 2000.

None this period

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