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INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

2008 Use of Resources Report

Royal Borough of Windsor and Maidenhead

27 November 2008

AUDIT

AUDIT ▪ TAX ▪ ADVISORY

Content

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A. Performance improvement observations

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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Executive Summary

Overall, the Council has performed well and achieved, subject to moderation, Level 3 for its Use of Resources assessment. It has scored Level 3 in all of the five modules: Financial Reporting, Financial Management, Financial Standing, Internal Control and Value for Money. Although the overall score remains the same, there has been improvement in sub-category scores to those achieved in 2007. To ensure that the Council is achieving continuous improvement, an action plan should be produced to implement the suggested Performance Improvements Observations and progress against the action plan should be monitored by the Audit and Performance Review Panel.

Introduction

The annual Use of Resources (UoR) assessment evaluates how the Council manage and use its financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services, covering five themes on Financial Reporting, Financial Management, Financial Standing, Internal Control and Value for Money.

Use of Resources judgement

This assessment has taken place for the fourth time. We provide an analysis of your performance against the five themes published by the Audit Commission, as shown below:

Summary of scores at the theme level

Themes	Score for 2008	Score for 2007
1. Financial Reporting	3	3
2. Financial Management	3	3
3. Financial Standing	3	3
4. Internal Control	3	2
5. Value for Money	3	3
Overall score	**3**	**3**

A summary of the scores for each theme and Key Line of Enquiry (KLOE) can be found in section two of this report. A comparison between the 2007 and the 2008 assessments shows that the Council has sustained its performance in each theme except for Internal Control which it has improved from level 2 to level 3. The use of resources assessment reflects the requirement for continuous improvement and the Council recognises that it needs to improve a number of areas to increase its scores further.

We have provided details of our key findings for each theme in Section Three and have raised 14 performance improvement observations, summarised in Appendix A. We suggest a consolidated action plan is produced for the implementation of our Performance Improvements Observations (Appendix A) and progress against the plan monitored by the Audit and Scrutiny Committee.

The Comprehensive Area Assessment (CAA) guidance for 2009 has just been released by the Audit Commission. There has been a number of changes to the content and the grouping of existing criteria and the addition of new criteria. Therefore for the Council to maintain its current score or to improve its score further, it must carefully develop an action plan to implement and monitor those Performance Improvement Observations outlined in Appendix A and the new requirements of CAA *(Performance Improvement Observation One in Appendix A).* KPMG will share any further information with the Council.

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Section one

Introduction

The annual Use of Resources (UoR) assessment evaluates how the Council manage and use their financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services, covering five themes:

- Financial reporting
- Financial management
- Financial standing
- Internal control
- Value for Money

These break down into eleven Key Lines of Enquiry (KLOEs) as shown in section three. Judgements are in the process of being made for each theme and each KLOE on the following scale of 1 – 4 which has been standardised and moderated by the Audit Commission across inspection and performance assessment frameworks.

Standard scale used for assessments and inspections

Score	Description
1	Below minimum requirements
2	Only at minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

The overall score for Use of Resources assessment will be reported to the Council by the Audit Commission in December 2008. The findings contribute to our conclusion under the Code of Audit Practice on the audited body's arrangements to secure value for money in relation to its use of resources.

In forming our assessment, we followed the methodology set out in the Use of Resources 2007/08 Guidance. In particular, in order to support scores of 3 and above, we needed to consider whether relevant arrangements are 'embedded' that is, they have been working effectively with clear demonstrable outcomes. This includes evidence that arrangements are working as expected, known about by most relevant staff, impacting on outcomes, contributing to desired objectives, and improving economy, efficiency or effectiveness in the area to which they relate. For scores of 4 (performing strongly) we are required to consider whether, in addition to meeting the descriptors/criteria, Authorities can demonstrate innovation or best practice that can be shared with other authorities. The descriptors/criteria at level 4 have been kept to a minimum so as to avoid them becoming unnecessarily prescriptive and limiting.

Theme summaries

The key findings and conclusions for each of the five themes are summarised in section three of this report. We set out our key findings in relation to each theme and the key areas for improvement and have raised twelve performance improvement observations, summarised in Appendix A.

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Section two
Use of resources judgements

The five theme scores, and 11 Key Lines Of Enquiry (KLOE) scores, for the Royal Borough of Windsor and Maidenhead Council for both the 2007 and the 2008 assessments are shown below.

Summary of scores at the KLOE level

Key line of enquiry (KLOEs)	Score for 2007/08	Score for 2006/07
1. Financial Reporting	**3**	**3**
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	3
1.2 The Council promotes external accountability.	3	2
2. Financial management	**3**	**3**
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3	3
2.2 The Council manages performance against budgets.	3	3
2.3 The Council manages its asset base.	3	2
3. Financial Standing	**3**	**3**
3.1 The Council manages its spending within the available resources.	3	3
4. Internal Financial Control	**3**	**2**
4.1 The Council manages its significant business risks.	3	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	3
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3	2
5. Value for Money	**3**	**3**
5.1 The Council currently achieves good value for money.	3	3
5.2 The Council manages and improves value for money.	3	3
Overall score	**3**	**3**

The Council is performing well in all areas. A comparison of the scores between years shows that specific improvements have been made in relation to Financial Reporting, Financial Management, and Internal Financial Control, with the overall score for Internal Control improving from a level 2 to a level 3.

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Theme summaries

Financial reporting (Theme score 3)

Key findings and conclusions

KLOE 1.1: The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers *(Score of 3).*

- ✓ Your accounts for audit were presented fairly and contained only a small number of non-trivial errors. An unqualified opinion was issued on 29 September 2008.
- ✓ The report to the Audit & Performance Review Panel accompanying the 2007/08 Annual Accounts in June 2008 contained an explanatory forward which detailed the financial activities of the Council in a user friendly format.
- ✓ The closedown timetable was adhered to and enabled the accounts to be produced for audit in a timely manner.

We have not raised any performance improvement observation on how the Authority will achieve Level 4 as the only area for improvement is to further reduce the non-trivial errors in the accounts.

KLOE 1.2: The Council promotes external accountability *(Score of 3).*

- ✓ The Council produces its publications in accessible formats. Summary Financial Data is included in the Statement of Accounts. The Council Tax Leaflet, issued to all residents, includes key financial data and there is reporting of finance and performance in the 'Around the Royal Borough' magazine issued to all households three times a year.
- ✓ The agenda, reports and minutes for meetings of full council, Cabinet, Audit & Performance Review Panel, other committees and the four service overview & scrutiny panels are available on the website on a timely basis.
- The Council provides details of its environmental targets within its Annual Report. However, the Council should consider inclusion of more detailed information on the Council's current environmental impact, its progress towards achieving its objectives and the identification of planned improvements *(Performance improvement observation two in Appendix A).*

Financial management (Theme score 3)

Key findings and conclusions

KLOE 2.1: The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities *(Score of 3).*

- ✓ The Borough Strategic Plan and the Corporate Improvement plan have been drawn together into one document. The Borough Strategic Plan drives the medium-term financial plan and internal resource allocation, with changes in allocations determined in accordance with policies and priorities.
- ✓ The Council undertake project appraisals, business plans and affordability tests for new policy and capital developments. Option appraisals are presented in Cabinet Reports. The Council also has a Cabinet Prioritisation Committee and Prioritisation Model in place.
- ✓ The Medium Term Financial Plan has been devised for four years (2006/07 - 2010/11). The MTFP takes account of each Directorate budget which is revised annually and includes service pressures.
- The MTFS models income and expenditure in detail over four years. However, it has yet to model different scenarios and therefore the Council should consider conducting sensitivity analysis to enhance its financial planning *(Performance improvement observation three in Appendix A).*
- The medium-term financial strategy records the financial terms of the Council's plans. However the Council should consider detailing the financial terms of joint plans held with partners and stakeholders into its MTFP *(Performance improvement observation four in Appendix A).*

KLOE 2.2: The Council manages performance against budgets *(Score of 3).*

- ✓ The budget is monitored as part of service monitoring reports presented to cabinet on a monthly basis, which highlight specific areas for attention for each service area with an overall progress report against the budget.
- ✓ The Executive receives accrued financial monitoring reports. A quarterly balance sheet statement and monthly monitoring reports are presented to and reviewed by the Executive.
- The restructuring of the finance function in 2007 included a review of all the financial services. Scrutiny of the finance services and the quality of information provided to members and officers has been more effective as a result. However, in line with best practice, the Council should consider reviewing the Executives' financial management skills to assure themselves that they are appropriate *(Performance Improvement Observation five Appendix A).*

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KLOE 2.3: The Council manages its asset base *(Score of 3).*

- ✓ The council has a corporate capital strategy linked to its corporate objectives and medium-term financial strategy incorporated into the Asset Management Plan (AMP).
- ✓ All asset records are up to date and a new system to replace the individual asset databases is being introduced in 2008/09 to support this. The AMP includes a strategic action plan and performance indicators to measure progress against the Plan. The three types of performance measures are Condition & required maintenance, Environmental Property Issues and Sufficiency (Capacity and utilisation) of the Office Portfolio. Additional indicators in place include the office accommodation occupancy reduction targets and the percentage of arrears to overall rental income. Information of vacant properties is also produced to inform income potential. The Organisational Efficiency Programme Board monitors use of the asset base and how this links to improvement priorities.
- The Council should consider the role of its property portfolio as an enabler of change. To further this the Council must have a clear understanding of its current portfolio, its condition, maintenance backlog and the opportunity cost of its property and state, in the AMP, how this will be improved in line with its corporate objectives so that it can demonstrate that it is delivering better value for money and benefits for the local community (*Performance Improvement Observation six in Appendix A).*

Financial standing (Theme score 3)

Key findings and conclusions

KLOE 3.1: The Council manages its spending within the available resources (Score of 3).

- ✓ You consistently maintain spending within the overall budget, and without significant unexpected over or underspends.
- ✓ You have updated your Medium Term Financial Plan for 2007/08 to 2010/11 and this was reported to the Cabinet in February 2007. Regular reporting on income collection is embedded in reports to Cabinet each month. Balance Sheet financial health indicators were presented to the Audit and Performance Review Panel in September 2007.
- The Council has devised financial health indicators for reporting and monitoring by members. It was proposed that the Balance Sheet Statement will be presented to the Audit & Performance Review Panel each quarter. The process started in July 2008 the Council should continue with this process to ensure the reporting of financial health becomes embedded within the organisation.

Internal Control (Theme score 3)

Key findings and conclusions

KLOE 4.1 The Council manages its significant business risks *(Score of 3).*

- ✓ The Council has made significant progress in implementing and embedding its Risk Management Strategy and processes. Relevant staff and Members have been provided with Risk Management Awareness training. A member committee has been assigned responsibility for RM and has performed in this role, including monitoring arrangements through the Annual Review
- ✓ Risk Owners and a designated Risk Champions have been put in place to promote and provide assistance on Risk Management processes.
- The Cabinet reports already contain a risk assessment undertaken with reference to the Council's "Risk Managed" methodology. This Risk reporting methodology is currently being revised to account for views of the Council's Risk Champions Group.

KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control *(Score of 3).*

- ✓ The Council has mapped its control assurance framework and linked its strategic objectives to directorate risks, controls and assurances. This has been formally documented at directorate level and signed off by each of the three directors as part of the preparation of the Council's Annual Governance Statement.
- ✓ Your scheme of delegations and financial regulations were updated in August 2006. Your standing orders were updated in November 2006. The Audit and Performance Review Panel provide an effective challenge and scrutiny of the Council's performance.
- The Council has made significant steps in its governance arrangements with respect to partnerships and this includes the Council's revised contract rules which pay specific reference to partnerships. The Council should consider embedding this process further through the regular review and updating of governance arrangements (*Performance Improvement Observation seven in Appendix A).*
- The Council has stated that the questions on business continuity in the standard Berkshire Pre-Qualification Questionnaire should be used for major projects. The Council should formalise these processes and verify that these are being used to enhance the Council's business continuity planning (*Performance Improvement Observation eight in Appendix A).*

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KLOE 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in business *(Score of 3).*

- ✓ There has been member training on the new code of conduct for all members of the administration. An e-induction program exists which takes members through two hours of training on the Council's policies and processes.
- ✓ Guidance and forms relating to disclosure of gifts, hospitality and pecuniary interests are available to staff and members on the intranet. Declarations of interest are asked for at the start of each member meeting. Investigations into allegations of fraud and corruption are conducted in accordance with statutory requirements.
- ✓ The council has demonstrated that its staff, have confidence in the whistleblowing arrangements and feel safe to make a disclosure. There are a number of whistleblowing disclosures which indicate confidence in using these arrangements.
- The incidence of reported fraud and corruption is low and minor in value and cases are detected early and dealt with promptly and effectively. However, in line with best practice, the Council should consider implementing a formal assessment of members' and officers' compliance with the Standards of Conduct of Members and Officers *(Performance Improvement Observation nine in Appendix A)*.

Value for Money (Theme score 3)

Key findings and conclusions

KLOE 5.1 The Council currently achieves good value for money *(Score of 3).*

- ✓ The Council has low service costs for most services and are able to demonstrate top quartile service performance in over a third of its services.
- ✓ The capital programme is set out within the MTFP, schemes are included and approved as part of the annual budget and there is monitoring reporting on the progress to ensure that stated objectives are achieved.
- ✓ The Council has a robust process for quantifying the impact of investment proposals both financially and in respect of it delivering against the aims of Council strategies.

KLOE 5.2 The Council manages and improves value for money *(Score of 3).*

- ✓ The Council carried out Cost and Comparative Performance Reviews in each directorate to inform the budget setting process.
- ✓ A new framework for service reviews, with the intention of combining the CCPR with Best Value Reviews was presented to the Council's Audit and Performance Review Panel on 25 September 2007.
- ✓ The success of your updated Procurement Strategy has resulted in significant savings and improvements in service delivery in key areas. It has been noted that annual efficiency targets have already been achieved.
- ✓ The Council's innovative use of methods of cost comparison such as the Comprehensive Gap Analysis allow the Council to identify, quantify and address areas which have before been outside the scope of conventional benchmarking.
- The Authority should be able to demonstrate effective monitoring of planned improvement outcomes from partnership activities. We therefore recommend that the Authority should consider how it can systematically assess, document and monitor both the community benefits and the financial impact of partnerships *(Performance improvement observation 11 in Appendix A).*
- In line with best practice, the Authority should include the investment required in partnerships in the capital programme where appropriate *(Performance improvement observation 12 in Appendix A).*
- Also in line with best practice, the Authority should consider how it could further use IT-enabled business process to improve both its own VFM and access to services for users and at the same time driving efficiency *(Performance improvement observation 13 in Appendix A).*

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Appendix A: Performance improvement observations

This appendix summarises the performance improvements that we have identified relating to our audit of the council's use of resources. We have given each of our observations a risk rating (as explained below) and agreed with management what action you will need to take. We will follow up progress on the following 13 performance improvement observations as part of our 2008 Use of Resources audit in May 2009.

Priority rating for performance improvement observations raised		
Priority one: issues that are fundamental and material to your use of resources. We believe that these issues might mean that you do not meet an objective or reduce (mitigate) a risk.	***Priority two***: issues that have an important effect on your use of resources but do not need immediate action. You may still meet an objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains.	***Priority three***: issues that would, if corrected, improve the use of resources in general but are not vital. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Sub KLOE ref	Issue and performance improvement observation	Management response	Officer and due date
1	(two)	-	**Production and regular monitoring of a Use of Resources Action Plan** We suggest that a consolidated Use of Resources (UoR) action plan is produced, which records our suggested Performance Improvements Observations and the actions to meet the requirements of the CAA in May 2009. Progress against the UoR action plan should be reported to and monitored regularly by the Corporate Use of Resources Group and reports on progress taken to the Audit and Performance Review Panel in order that the Council may be assured that improvements are being implemented prior to CAA.	Agreed	Andrew Brooker Catherine Hickman 31st December 2008
2	(three)	1.2	**Reporting on the Council's Environmental Footprint** The Council provides details of its environmental targets within its Annual Report. However, the Council should consider inclusion of more detailed information on the Council's current environmental impact, its progress towards achieving its objectives and the identification of planned improvements. This will be a key requirement of the Comprehensive Area Assessment going forward.	Agreed NI 186 and 188 included in LAA and reported on monthly	Terry Gould – coordinator September 2009
Financial Management					
3	(three)	2.1	**Use of sensitivity analysis in the MTFP** The Medium Term Financial Plan (MTFP) models income and expenditure in detail over four years. However, it has yet to model different scenarios in the MTFP and therefore the Council should consider conducting sensitivity analysis to enhance its financial planning.	Sensitivity/Risk Analysis is carried out but reporting clearly could be improved Will be included in budget report to Council in February	Andrew Brooker February 2008
4	(three)	2.1	**Disclosure of partnership and stakeholder plans in the MTFP.** The Council should consider detailing the financial terms of joint plans held with partners and stakeholders in its MTFP.	Agreed	Andrew Brooker November 2009

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Appendix A: Performance improvement observations

No.	Risk	Sub KLOE ref	Issue and performance improvement observation	Management response	Officer and due date
5	(three)	2.2	**Review of the Executive's financial management skills** In line with best practice, the Council should consider reviewing the Executives' financial management skills to assure themselves that they are appropriate.	Agreed, training programme in development. New Council (May 2007) has already received Finance Training. Training Programme (monthly sessions) under regular review	Ian Hunt Andrew Brooker ongoing
6	(three)	2.3	**Reporting on asset use as an enabler of change** The Council should consider the role of its property portfolio as an enabler of change. To further this the Council must have a clear understanding of its current portfolio, its condition, maintenance backlog and the opportunity cost of its property and state, in the AMP, how this will be improved in line with its corporate objectives so that it can demonstrate that it is delivering better value for money and benefits for the local community.	Agreed Asset Management Group established and reporting to Lead Member and then cabinet	David Oram Peter Green March 2009
Internal control					
7	(three)	4.2	**Review of partnership governance arrangements** The Council has made significant steps in its governance arrangements with respect to partnerships and this includes the Council's revised contract rules which pay specific reference to partnerships. The Council should consider embedding this process further through the regular review and updating of governance arrangements.	Audit of arrangements currently in progress, due January 2009	Catherine Hickman – Audit Harjit Hunjan - Partnerships
8	(three)	4.2	**Enhancing business continuity planning** The Council has stated that the questions on business continuity in the standard Berkshire Pre-Qualification Questionnaire should be used for major projects. The Council should formalise these processes and verify that these are being used to enhance the Council's business continuity planning	All "client" officers for major contracts are responsible for ensuring contractors can provide service continuity. Business Continuity and Emergency Planning Group already established. High Risk services identified	David Perkins Ongoing
9	(three)	4.3	**Assessing compliance with the Standards of Conduct** The incidence of reported fraud and corruption is low and minor in value and cases are detected early and dealt with promptly and effectively. However, in line with best practice, the Council should consider implementing a formal assessment of members' and officers' compliance with the Standards of Conduct of Members and Officers	Agreed Standards Committee already meets on a regular cycle	Tracey Allen Ian Hunt

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Appendix A: Performance improvement observations

No.	Risk	Sub KLOE ref	Issue and performance improvement observation	Management response	Officer and due date
Value for Money					
10	(three)	5.2	**Reporting on the benefits and financial impact of partnerships** The Council should be able to demonstrate the effective monitoring of planned improvement outcomes from partnership activities. We therefore recommend that the Council should consider how it can systematically assess, document and monitor both the community benefit and the financial impact of partnerships.	Agreed. This will be addressed in conjunction with the LSP partners in upcoming meetings	Ian Trenholm Harjit Hunjan
11	(three)	5.2	**Inclusion of investment in partnerships in the Capital Programme** In line with best practice, the Authority should include the investment required in partnerships in the capital programme where appropriate.	Agreed	Andrew Brooker 2010/11 Budget
12	(three)	5.2	**Further use of IT enables business processes** In line with best practice, the Authority should consider how it could use IT-enabled business process to improve both its own VFM and access to services for users and at the same time driving efficiency.	Agreed Council can demonstrate regular and extensive investment in IT infrastructure and consequential savings	Keith Clark Ongoing

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Appendix B: Prior year performance improvement observations

This appendix summarises the progress made to implement the Performance Improvement Observations raised in the 2007 Use of Resources work in October 2007. In summary:

Year	Number of performance improvement observations that were:		
	Included in original report	Implemented in year or superseded	Remain outstanding (re-iterated below)
2007	16	13	3

No	Risk	Sub KLOE ref	Issue and performance improvement observation	Management response	Progress at October 2008
4	(two)	2.1.15 2.1.19 2.1.24	**Links between corporate plans and strategies.** It has been noted that the links between and within the Council's Strategic Plan and its underlying strategies and frameworks for performance management, HR, Risk Management, IT, asset management and the Medium Term Financial Plan are not always clear. This raises the risk that plans are not appropriately co-ordinated and may not be updated in a timely manner. As such, we would recommend that these plans are updated so that the Council may clearly link service, workforce and financial performance, financial and risk management throughout the Council	. The various plans and strategies will be revisited and brought together, so that links are more explicit. Plans will be reported regularly to APRP, Scrutiny and Cabinet and monitored by APRP.	Ian Trenholm Head of Policy & Performance September 2009
8	(two)	2.3.11	**Monitoring arrangements for the Asset Management Plan.** KPIs for the Asset Management Plan will be closely monitored by senior management and the lead member for property. We recommend that the Audit and Performance Review Panel request an annual report so that they have the assurance that good progress is being made against the KPI targets and in implementing the backlog maintenance plan.	The Audit and Performance Review panel will receive reports on all performance targets including Asset Management	David Oram Peter Green Ongoing
15	(three)	4.3.1	**Assessment of standards of conduct by the Standards Committee** We recognise that it is of the utmost importance that members do, and are seen to uphold the code of conduct. As such, we would recommend that the Standards Committee carry out an assessment of the standards of conduct, including how effectively members are complying with the Code of Conduct, the number and types of complaints received in general, and the actions taken as appropriate.	The Council will review the effectiveness of members compliance with the Code of Conduct Standards Committee meets on regular cycle	Tracey Allen Ian Hunt

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