

Borough Council of
**King's Lynn &
West Norfolk**



RESOURCES AND PERFORMANCE – AUDIT AND RISK COMMITTEE

Tuesday 23 October 2012

**Immediately following the Resources and Performance
Panel meeting which commences at 6.15 pm**

PLEASE NOTE CHANGE OF VENUE

Heritage Room
Town Hall
Saturday Market Place
King's Lynn
Norfolk



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Borough Council of
**King's Lynn &
West Norfolk**



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Telephone: 01553 616200
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PLEASE NOTE CHANGE OF VENUE

15 October 2012

Dear Member

Resources and Performance – Audit and Risk Committee

You are invited to attend a meeting of the above-mentioned Committee which will be held on **Tuesday 23 October 2012, immediately following the Resources and Performance Panel meeting, in the Heritage Room, Town Hall, Saturday Market Place, King's Lynn**, to discuss the business shown below.

Yours sincerely

Chief Executive

AGENDA

1. **Appointment of Vice-Chairman**

To appoint a Vice-Chairman for the meeting.

2. **Apologies for absence**

To receive any apologies for absence.

3. **Minutes**

To approve the minutes of the Resources and Performance – Special Audit and Risk Committee meeting held on Tuesday 11 September 2012 (previously circulated).

4. **Declarations of Interest**

Please indicate if there are any interests which should be declared. A declaration of an interest should indicate the nature of the interest (if not already declared on the Register of Interests) and the agenda item to which it relates. If a disclosable

pecuniary interest is declared, the Member should withdraw from the room whilst the matter is discussed.

These declarations apply to all Members present, whether the Member is part of the meeting, attending to speak as a local Member on an item or simply observing the meeting from the public seating area.

5. Urgent Business Under Standing Order 7

To consider any business which, by reason of special circumstances, the Chairman proposes to accept as urgent under Section 100(b)(4)(b) of the Local Government Act 1972.

6. Members Present Pursuant to Standing Order 34

Members wishing to speak pursuant to Standing Order 34 should inform the Chairman of their intention to do so and on what items they wish to be heard before the meeting commences. Any Member attending the meeting under Standing Order 34 will only be permitted to speak on those items which have been previously notified to the Chairman.

7. Chairman's Correspondence (if any)

8. Matters referred to the Committee from other Council Bodies and responses made to previous Committee recommendations/requests

To receive comments and recommendations from other Council bodies, and any responses subsequent to recommendations, which this Panel has previously made. (N.B. some of the relevant Council bodies may meet after dispatch of the agenda).

At the Special Cabinet meeting held on 18 September 2012 the following response was made to the recommendations from the Resources and Performance Panel – Audit and Risk Committee meeting held 11 September 2012, on the following item:-.

RESOLVED: That Cabinet be informed that the Resources and Performance – Audit and Risk Committee support the recommendations as set out in the Cabinet Report as follows:

It is recommended that the Annual Governance Statement for 2011/2012 be approved for adoption and the Leader of the Council and the Chief Executive sign accordingly.

Cabinet Response: “The Panel’s recommendations were duly taken into account when Cabinet considered the item.”

9. **Internal Audit Plan 2012/13 – Progress Report for the Quarter July to September 2012** (pages 1 to 8)

Members are asked to approve the report on the Internal Audit work plan for July to September 2012.

10. **Corporate Risk Monitoring Report September 2012** (pages 9 to 19)

Committee Members are invited to note the attached report.

11. **Cabinet Report – Mid Review Treasury Report** (pages 20 to 36)

The Committee is invited to consider the report and to make any appropriate recommendations to Cabinet.

12. **Audit and Risk Committee Work Programme** (pages 37 to 39)

Committee Members are invited to consider the attached Audit and Risk Committee's Work Programme.

13. **Date of Next Meeting**

To note that the next meeting of the Resources and Performance - Audit and Risk Committee will take place on **Tuesday 27 November 2012**.

To: Panel Members – Councillors P Beal (Chairman),
C Manning (Vice-Chairman), J Collop, Mrs S Collop, C J Crofts,
M Hopkins, H Humphrey, M Langwade, J Loveless, A Morrison,
D Tyler, A White, Mrs M Wilkinson, T de Winton and A Wright

Portfolio Holders:

Agenda Items 9, 10 and 11

Councillor N Daubney, Leader and Portfolio Holder for Resources

Chief Executive

Deputy Chief Executive and Executive Director, Finance and Resources

All other Executive Directors

Audit Manager

Press

Officers: The following Officers have invited to attend in respect of the items listed below:

Agenda Items 9 &10: Kate Littlewood, Audit Manager

Agenda Item 11: Lorraine Gore, Chief Accountant

AUDIT AND RISK COMMITTEE REPORT

TYPE OF REPORT: Audit	Portfolio: Performance
Author Name: Kate Littlewood	CONSULTATIONS:
Tel.: 01553 616252	
Email: kate.littlewood@west-norfolk.gov.uk	
OPEN	

Committee: Resources and Performance – Audit & Risk Committee
Date: 23rd October 2012
Subject: Internal Audit Plan 2012/13 – progress report for the quarter July to September 2012

Summary	This report shows the Internal Audit activity for the quarter July to September 2012 against the Strategic Audit Plan 2012/15.
Recommendation	Members are asked to approve the report on the Internal Audit workplan for July to September 2012.

1.0 INTRODUCTION AND BACKGROUND

- 1.1 The CIPFA Code of Practice for Internal Audit in Local Government requires Internal Audit to have an annual plan. Performance against the plan should be monitored by the Audit Manager and reported during the year to the Audit and Risk Committee. The Code also requires the Audit Manager to record the findings, conclusions and recommendations arising from the audits undertaken and to obtain assurances that recommendations are being implemented. This report satisfies these requirements.
- 1.2 The Strategic Audit Plan 2012/15, endorsed by the Audit and Risk Committee on 31st January 2012, set out the work Internal Audit expected to carry out during the year 2012/13.

2.0 Audit work in the quarter July to September 2012

- 2.1 On completion of each audit a formal report is issued to the relevant line managers, the Executive Director and Portfolio Holder. Copies are also sent to the Chief Executive and the Chief Accountant. The report contains an action plan, with target dates, that has been agreed with the managers to address the observations and recommendations raised by Internal Audit. This forms the basis of the follow-up audit, which is carried out

AGENDA ITEM 9

approximately six months later to assess progress in implementing the agreed actions.

2.2 *Reports issued during the quarter*

The following audits have been completed during the last quarter and reports issued as described above:

- Town Hall (2011/12)
- Rental Income (Incl. Industrial rents, Beach Huts and Allotments).
- Section 106 funds
- Environmental Quality – Water Management
- General IT Controls incl. Networks
- Revenues System – Shared services
- Printing
- Food Safety/ Health & Safety
- Insurance & Risk Management
- Sports Development follow-up

A summary of the reports is attached as **Appendix 1** and the full versions are available to members of the Audit & Risk Committee on InSite.

2.3 *Work ongoing*

The following audits were ongoing at the end of the quarter and will be reported to the Committee in the next quarterly report.

- Economic Development
- Energy Conservation and Management
- Business Continuity incl. ICT Disaster Recovery
- Housing Standards - HMO's and Empty Properties

2.4 *Other work carried out in the quarter*

Apart from the standard audits, Internal Audit also undertook other work during the last quarter including the following:

- Ongoing review of Risk Register.
- Job Evaluation Panel
- Summary of National Fraud Initiative work
- Response to consultation on the Draft Local Audit Bill.

3.0 Performance Indicators

3.1 Delivery of the Audit Plan – a target of 95% has been set to take in to account any work that may overlap at year end and also to allow for any additional work that may arise during the year. The table below summarises the position against the approved Audit Plan 2012/13.

2012/13 Status of Audits	Audit days used	Percentage of Plan (in days)
Completed and reported	119	30%
In Progress	45	12%
Planned for future quarters	226	58%
Total Planned Audits	390	100%

AGENDA ITEM 9

- 3.2 Audit Questionnaires returned with satisfactory scores – Satisfaction questionnaires are issued with the final report to the Executive Director for completion and return to the Audit Manager. Of the 19 questionnaires issued this year, 12 have been returned, all which had satisfactory scores.
- 3.3 Planned audit time – a target of 68% has been set for the full year and for this quarter it has been 69%. This refers to the proportion of the total available time that is spent on planned audit work rather than management, training, general administration and holidays.

4.0 Work planned for the next quarter July to September 2012

- 4.1 As well as completing the ongoing work listed in paragraph 2.3, the following audits are planned for the next quarter:

Audit Title	Days	Date
Data Protection & Freedom of Information	5	Oct
Treasury & Cashflow Management (Incl Bank Recs)	24	Oct
Creditors & Payments	18	Oct
Council Tax & NNDR	24	Nov
Housing & Council Tax Benefits	24	Nov
Payroll	15	Nov
Refuse & Recycling	5	Nov

- 4.2 Audits shown in bold are Core Audits. These are audits that are carried out every year due to the significant nature of the systems concerned. They are also ones that the external auditors would be looking at as part of the annual financial audit they perform.
- 4.3 There are some follow-up audits due within this quarter. An allocation of time is not given to individual follow-up audits. Instead a total amount of 10 days is allowed in the audit plan for this work.

5.0 Conclusion

- 5.1 Progress to date has been satisfactory and at this point nothing has arisen to suggest that the plan will not be completed within the year. If anything does arise that will impact on the completion of the plan, the Committee will be informed at the next available meeting.
- 5.2 This report provides Members with an overview of the audit activity and outcomes over the period, and provides an opportunity for Members to seek further information if required.

Notes to support the summary in Appendix 1

The following tables provide an explanation of the terms used to grade the recommendations contained in the final audit reports, and the overall opinion attributed as the result of each audit.

Recommendations

The observations and recommendations are allocated a grading High, Medium or Low as defined below:

High	Major risk requiring action by the time the final report is issued.
Medium	Medium risk requiring action within six months of the issue of the draft report.
Low	Matters of limited risk. Action should be taken as resources permit.

Please note - 'Low' recommendations are not summarised in this report due to the insignificant nature of the issue.

Audit Opinion

At the conclusion of the audit an overall audit opinion is formed for the audit area. The definition for each level of assurance is given below.

Full Assurance	A sound system of internal control that is likely to achieve the system objectives, and which is operating effectively in practice.
Substantial Assurance	A sound system of internal control, but there are a few weaknesses that could put achievement of system objectives at risk.
Limited Assurance	A system of internal control with a number of weaknesses likely to undermine achievement of system objectives, and which is vulnerable to abuse or error.
No Assurance	A fundamentally flawed system of internal control that is unlikely to achieve system objectives and is vulnerable to serious abuse or error.

Audits completed in Q2 2012-13	Overall Opinion
<p><u>Town Hall</u> Report published in July 2012 There were 4 Medium recommendations referring to the need to consider an alternative strategy for future use of the Town Hall if the HLF bid is rejected and for realistic useage targets to be set. The pricing of individual bookings needs to be clearly recorded on the booking form and any discounts fully recorded.</p>	Substantial Assurance
<p><u>Rental Income</u> Report published in July 2012 There was 1 Medium recommendation referring to the need to complete a retrospective Record of Decisions taken under Delegated Powers.</p>	Full Assurance
<p><u>Section 106 Funds</u> Report published in July 2012 There was 1 Medium recommendation referring to the need to ensure the Senior Leisure Manager receives a copy of the completed s106 agreements.</p>	Substantial Assurance
<p><u>Environmental Quality – Water Management</u> Report published in August 2012. There were 3 recommendations referring to the need to establish a policy on the role the Council will play in water management matters. The Council needs to establish a working group to co-ordinate activity throughout the Council. The responsibilities placed on the Council by the Lead Authority (County Council) need to be established.</p>	Limited Assurance
<p><u>General IT Controls, incl Networks</u> Report published in August 2012. There were 5 Medium recommendations referring to:</p> <ul style="list-style-type: none"> • the need for an ICT Strategy to be completed • finalise the Service Level Agreement with North Norfolk District Council for the IT support of the Revenues Shared Service 	Substantial Assurance

Audits completed in Q2 2012-13	Overall Opinion
<ul style="list-style-type: none"> • ensure provision of resources to achieve and maintain full PCI-DSS compliance including periodic Penetration Testing • ICT Development Group to advise management on arrangements for the secure cleansing of hard drives, before the offsite disposal of equipment replaced during the Desktop Refresh. • ICT to report the results of the annual stock take and any follow-up action. 	
<p><u>Revenues System – Shared Services</u> Report published in September 2012. There were 2 High and 8 Medium recommendations. The 2 High recommendations referred to:</p> <ul style="list-style-type: none"> • The Data Conversion Reconciliations to be signed off. • Reconcile payee bank details between the previous Northgate system and the new OPENRevenues system. <p>The Medium recommendations refer to:</p> <ul style="list-style-type: none"> • Further reconciliations to be carried out at the time of the database merger • Additional resources may be required for the first month after merger to monitor performance and resolve issues • Consider fine tuning the access rights once the system is fully operational • Civica User Group to request that the report format be improved • Consider using the OpenQuery tool for reporting • Civica User Group to request improvements to the training course descriptions • Request a complete checklist of system parameter tables • Request enhancement of the OpenAccess and eSecure (billing) module. 	Substantial Assurance
<p><u>Printing</u> Report published in September 2012. There were 3 Medium and 1 Low recommendations. The 3 Medium recommendations refer to the need to review and update procedure notes; confirm with Accountancy if leased machines need to be recorded on the Inventory; and to use the HMRC guidance material to ensure the correct VAT treatment of printed</p>	Substantial Assurance

Audits completed in Q2 2012-13	Overall Opinion
material.	
<p><u>Food Safety/ Health & Safety</u> Report published in September 2012. There were 3 Medium recommendations referring to the need to review and update procedure notes; continue to monitor inspections from last year's inspection schedule to ensure all are carried out and update the register of skin piercing premises on the Council's website.</p>	Full Assurance
<p><u>Insurance & Risk Management</u> Report published in September 2012. There were 2 Medium and 1 Low recommendations. The Medium recommendations refer to the need to review the insurance cover for Gross Revenue to consider if some elements need to included or removed; and remove Kellard House from the list of properties insured and continue to monitor the sewage treatment plants.</p>	Full Assurance

Follow-up audits completed in Q2 2012-13	Original report	Follow-up progress
<u>Sports Development</u> The report issued in December 2011 included 1 Medium and 1 Low recommendations, both of which have been implemented satisfactorily.	December 2011 Substantial Assurance	August 2012 Good

AUDIT AND RISK COMMITTEE REPORT

TYPE OF REPORT: Audit	Portfolio: Performance
Author Name: Kate Littlewood	CONSULTATIONS: Senior Management Team
Tel.: 01553 616252	
Email: kate.littlewood@west-norfolk.gov.uk	
OPEN	

Committee: Resources and Performance – Audit & Risk Committee
Date: 23rd October 2012
Subject: Corporate Risk Monitoring Report September 2012

Summary	This report presents the changes to the Risk Register since the last monitoring report in May 2012 and gives details of the risks falling into the ‘Very High’ category and the associated work to mitigate the effects.
Recommendation	To note the report.

1.0 Introduction and Background

- 1.1 The Committee receives reports on a half-yearly basis on the position of the Corporate Risk Register, with the last one being presented in May 2012.
- 1.2 Each risk on the register is scored in terms of Impact and Likelihood, according to criteria defined within the Corporate Risk Strategy. The definitions are attached for reference in Appendix 2.
- 1.3 The Risk Register is reviewed by the Executive Directors on a quarterly basis. Any existing entries on the register are considered for changes to the nature of the risk, progress to be reported and any adjustments to the risk scores. Risks that are no longer relevant are removed and new risks considered in the context of current circumstances are added.
- 1.4 A summary of the changes to the Risk Register since the last monitoring report in May 2012 are detailed in section 2 below. Details of the ‘Very High’ risks are given in Appendix 1 together with a list of the ‘High’ risks.
- 1.5 The full Risk Register, as agreed by Management Team, is placed on InSite, within the Risk Management section on the Corporate Documents tab.

2.0 Changes to the Register

2.1 Apart from updates on progress for various entries, the main changes are listed below.

2.2 There have been two new entries:

1) 5.9 – Local Council Tax Scheme Model. Score 12 (High Risk).

The risk is that the model devised results in the funding for the local scheme exceeding the grant provided by Government.

2) 5.10 – Local Council Tax Scheme Equality Challenge. Score 12 (High Risk).

The risk is that a successful challenge may be made, which results in the scheme being amended and resulting in the funding exceeding the grant from Government.

2.3 The Impact score for 5.8 “Revenues & Benefits Shared Services working Practices” has been reduced from Major to Moderate to reflect that agreement of practices is progressing. This reduces the overall risk score from ‘Very High’ to ‘High’.

3.0 Conclusion

The Risk Register continues to be actively monitored by Senior Management on a regular basis.

CORPORATE RISK MONITORING REPORT
 SEPTEMBER 2012

Risk name: Financial Plan	Responsible Director: Finance & Resources
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Ref	Description	Mitigation	Progress
5.4	<p>Balancing income and expenditure for both the Revenue and Capital as set out in the estimates. In addition to the current economic climate, there is currently a significant pressure to reduce the level of public spending. The funding settlement figures for 2011/12 and 2012/13 are known but there remains some concerns of further cuts in 2013/14.</p> <p>The current Budget Plan assumes challenging levels of savings in service delivery costs. There is a possibility that assumptions will not be fully met.</p>	<p>A review of the costs and provision of all services will continue with the aim of reducing costs and if necessary reduce services to match income.</p> <p>Budgets will be monitored against estimates on a regular basis.</p>	<p>Reviews are underway with revised projected target savings of £1.5m in 2014/15.</p> <p>The Budget Plan is monitored on a monthly basis. A full review of the budget will take place in February 2013 when the cost of services will be updated and grant/ council tax income raised. New savings targets, if necessary, will be set then.</p>

Risk Score:		
Impact	Major	4
Likelihood	Likely	4
Total score		16
Risk Category		Very High Risk

CORPORATE RISK MONITORING REPORT
 SEPTEMBER 2012

Risk name: Revenues and Benefits Shared Services – resource issue	Responsible Director: Finance & Resources
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Ref	Description	Mitigation	Progress
5.5	During the implementation phase of the project, there are 2 factors which may result in an increase in the level of Local Authority errors. If the Council records errors above £250,000 then the full level of subsidy is lost. The lack of access to the required data could affect the calculation of claims, and the diversion of skilled staff to the project could result in the daily workload being understaffed.	ICT testing team to be set up to manage the systems conversion and data migration to minimise the disruption to claims processing. Additional temporary staff to be appointed to backfill the posts of the team members.	Additional temporary staff appointed and the length of temporary contracts on offer are being extended from 6 months to 18-24 months. Backlog of work identified and now being redressed, but threat to the threshold of £250,000 still exists.

Risk Score:		
Impact	Major	4
Likelihood	Likely	4
Total score		16
Risk Category		Very High Risk

CORPORATE RISK MONITORING REPORT
 SEPTEMBER 2012

Risk name: Local Council Tax Scheme IT system	Responsible Director: Finance & Resources
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Ref	Description	Mitigation	Progress
5.6	An IT system may not be available in sufficient time to allow for successful implementation to meet the needs of the service, which will result in this council potentially having to meet any shortfall.	Work with other councils. Discussions with IT software suppliers.	Work at Norfolk level is underway. Progress is hindered by absence of IT systems. Capacity is also an issue as staff are occupied with the introduction of the Shared Services system.

Risk Score:		
Impact	Major	4
Likelihood	Likely	4
Total score		16
Risk Category		Very High Risk

CORPORATE RISK MONITORING REPORT
 SEPTEMBER 2012

Risk name: Localisation of Business Rates	Responsible Director: Finance & Resources
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Ref	Description	Mitigation	Progress
5.7	Legislation may not adequately safeguard against the impact on the business rates baseline of the closure or change in status of a major business, or a loss of appeal resulting in substantial repayments.	Lobbying CLG through various professional and pressure groups. Liaise with other councils who recognise the same issues.	Contact established at CIPFA who is taking the issues forward to the CLG discussion groups. Liaising with South Norfolk who are also lobbying. CEO taking the issue to LGA and the District Councils Network.

Risk Score:		
Impact	Major	4
Likelihood	Likely	4
Total score		16
Risk Category		Very High Risk

Risks categorized as 'High Risk'

- 1.1 – Business Continuity
- 1.2 – Cost Reduction Programme
- 1.4 - Emergency Response
- 1.7 – Community Relations
- 1.9 – Incinerator
- 1.10 – Refuse and Recycling
- 2.1 – Local Employment
- 2.5 – Empty retail properties/ Town centre decline
- 2.7 – Land Sales
- 2.8 – Major Housing Developments
- 3.1 – Loss of ICT server
- 3.2 – ICT failure of backup.
- 4.1 – Health and Safety
- 5.1 – Benefits Reimbursement
- 5.2 – Fraud and Corruption

5.3 – VAT

5.8 – Revenues & Benefits Shared Services – working practices

5.9 – Local Council Tax Scheme model

5.10 – Local Council Tax Scheme equality challenge

CORPORATE RISK MONITORING REPORT
SEPTEMBER 2012

LIKELIHOOD	5 Almost Certain	(5) (Green)	(10) (Orange)	(15) (Red)	(20) (Red)	(25) (Red)
	4 Likely		(8) (Green)	(12) (Orange) 5.8	(16) (Red) 5.4, 5.5, 5.6, 5.7	(20) (Red)
	3 Possible		(6) (Green)	(9) (Green) 1.6, 2.6	(12) (Orange) 1.1, 1.2, 1.7, 1.9, 1.10 2.1, 2.5, 2.7, 2.8 4.1, 5.1, 5.2, 5.3, 5.9, 5.10	(15) (Red)
	2 Unlikely			(6) (Green)	(8) (Green) 1.5, 1.8	(10) (Orange) 1.4, 3.1, 3.2
	1 Rare					(5) (Green)
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
		IMPACT				

Risk Category	How the Risk should be managed
Very High Risk (15 – 25) (Red)	Immediate action required. Senior Management must be involved.
High Risk (10 – 12) (Orange)	Senior Management attention needed and management responsibility specified.
Medium Risk (5 – 9) (Green)	Manage by specific monitoring or response procedures
Low Risk (1 – 4) (White)	Manage by routine procedures, unlikely to need specific or significant application of resources.

Likelihood

Score	Definition
1 – Rare	The event may occur only in exceptional circumstances
2 – Unlikely	The event is not expected to occur
3 – Possible	The event might occur at some time
4 – Likely	The event will probably occur in most circumstances
5 – Almost Certain	The event is expected to occur in most circumstances

Impact

Score	Definition
1 – Insignificant	<ul style="list-style-type: none"> • Little disruption to services • No injury • Loss of <£25,000 • Unplanned change in service delivery due to budget overspend <£100,000 • No effect on delivering partnership objective fully • No damage to BCKLWN reputation • No or insignificant environmental damage
2 – Minor	<ul style="list-style-type: none"> • Some disruption to services • Minor injury • Loss of £25,000 - £175,000 • Unplanned change in service delivery due to budget overspend of £100,000 - £500,000 • Little effect on achieving partnership objective • Minimal damage to BCKLWN reputation (minimal coverage in local press) • Minor damage to local environment
3 - Moderate	<ul style="list-style-type: none"> • Significant disruption to services • Violence or threat of serious injury • Loss of £175,000 - £500,000 • Unplanned change in service delivery due to budget overspend of £500,000 - £1m • Partial failure to achieve partnership objective • Significant coverage in local press • Moderate damage to local environment

4 – Major	<ul style="list-style-type: none"> • Loss of services for more than 48 hours but less than 7 days • Extensive or multiple injuries • Loss of £500,000 - £1m • Unplanned change in service delivery due to budget overspend of £1m - £3m • Significant impact on achieving partnership objective and significantly affects BCKLWN corporate objective • Coverage in national press • Major damage to local environment
5 - Extreme	<ul style="list-style-type: none"> • Loss of service for >7 days • Fatality • Loss of >£1m • Unplanned change in service delivery due to budget overspend >£3m • Non delivery of partnership objectives and BCKLWN corporate objective • Extensive coverage in national press and TV • Significant damage to local or national environment • Requires resignation of Chief Executive, Executive Director or Leader of the Council

Open	Would any decisions proposed :			
Any especially affected Wards	(a) Be entirely within Cabinet’s powers to decide YES			
None	(b) Need to be recommendations to Council NO			
	(c) Be partly for recommendations to Council NO and partly within Cabinets powers –			
Lead Member: Nick Daubney E-mail: cldr.nick.daubney@west-norfolk.gov.uk		Other Cabinet Members consulted: None		
		Other Members consulted: None		
Lead Officer: Lorraine Gore E-mail: lorraine.gore@west-norfolk.gov.uk Direct Dial: 01553 616249		Other Officers consulted: David Thomason, Management Team		
Financial Implications YES	Policy/Personnel Implications NO	Statutory Implications (incl S.17) YES	Equal Opportunities Implications NO	Risk Management Implications YES

Date of meeting: 30 October 2012

MID YEAR REVIEW TREASURY REPORT 2012/2013

Summary

The Council has formally adopted the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (2011) and remains fully compliant with its requirements.

One of the primary requirements of the Code is:

Receipt by Council of an annual strategy report (including the annual investment strategy report) for the year ahead, a mid year review report and an annual review report of the previous year.

The Mid Year Review Report has been prepared in compliance with CIPFA’s Code of Practice, and covers the following:

- An economic update for the first six months of 2012/2013
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy 2012/2013
- The Council’s capital expenditure (prudential indicators)
- A review of the Council’s investment portfolio for 2012/2013
- A review of the Council’s borrowing strategy for 2012/2013
- A review of any debt rescheduling undertaken during 2012/2013
- A review of compliance with Treasury and Prudential Limits for 2012/2013

Recommendations

Cabinet is asked to note the report and the treasury activity.

Reason for the Decision

The Council must make a Mid Year Review of its Treasury operation, as part of the CIPFA code of Practice.

1. Background

- 1.1 The Council operates a balanced budget, which broadly means cash raised during the year and the use of reserves and balances will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3 As a consequence treasury management is defined as:

“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. ”

2. Introduction

- 2.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011 as adopted by this Council in April 2012.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of Treasury Management strategy and policies to a specific named body. For the Council the delegated body is the Audit Committee.

2.2 This mid-year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for the first six months of 2012/13;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2012/13;
- A review of the Council's borrowing strategy for 2012/13;
- A review of any debt rescheduling undertaken during 2012/13;
- A review of compliance with Treasury and Prudential Limits for 2012/13.

3 Economic update

3.1 Global economy

Economic sentiment, in respect of the prospects for the UK economy to recover swiftly from recession, suffered a major blow in August when the Bank of England substantially lowered its expectations for the speed of recovery and rate of growth over the coming months and materially amended its forecasts for 2012 and 2013. It was noted that the UK economy is heavily influenced by worldwide economic developments, particularly in the Eurozone, and that on-going negative sentiment in that area would inevitably affect the UK's economic performance.

With regard to the Eurozone, investor confidence remains weak because successive "rescue packages" have first raised, and then disappointed, market expectations. However, the uncertainty created by the continuing Eurozone debt crisis is having a major effect in undermining business and consumer confidence not only in Europe and the UK, but also in America and the Far East/China.

3.2 UK economy

In the UK, consumer confidence remains very depressed with unemployment concerns, indebtedness and a squeeze on real incomes from high inflation and low pay rises, all taking a toll. Whilst inflation has fallen considerably (Consumer Price Index (CPI) @ 2.5% in August), UK Gross Domestic Product (GDP) fell by 0.5% in the quarter to 30 June, the third quarterly fall in succession. This means that the UK's recovery from the initial 2008 recession has been the worst and slowest of any G7 country apart from Italy (G7 = US, Japan, Germany, France, Canada, Italy and UK). It is also the slowest recovery from a recession of any of the five UK recessions since 1930 and total GDP is still 4.5% below its peak in 2008.

This weak recovery has caused social security payments to remain elevated and tax receipts to be depressed. Consequently, the Chancellor's plan to eliminate the annual public sector borrowing deficit has been pushed back further into the future. The Monetary Policy Committee has kept Bank Rate at 0.5% throughout the period while quantitative easing was increased by £50bn to £375bn in July. In addition, in June, the Bank of England and the Government announced schemes to free up banking funds for business and consumers.

On a positive note, despite all the bad news on the economic front, the UK's sovereign debt remains one of the first ports of call for surplus cash to be invested in and gilt yields, prior to the European Central Bank (ECB) bond buying announcement in early September, were close to zero for periods out to five years and not that much higher out to ten years.

3.3 Sector's Outlook for the next six months of 2012/13

The risks in economic forecasts continue unabated from the previous treasury strategy. Concern has been escalating that the Chinese economy is heading for a hard landing, rather than a gentle slowdown, while America is hamstrung by political deadlock which prevents a positive approach to countering weak growth. Whether the presidential election in November will remedy this deadlock is debatable but urgent action will be required early in 2013 to address the US debt position. However, on 13th September 2012, the Federal Reserve System (Fed) announced an aggressive stimulus programme for the economy with a third round of quantitative easing focused on boosting the stubbornly weak growth in job creation, and this time with no time limit. They also announced that it was unlikely that there would be any increase in interest rates until at least mid 2015.

Eurozone growth will remain weak as austerity programmes in various countries curtail economic recovery. A crunch situation is rapidly developing in Greece as it has failed yet again to achieve deficit reduction targets and so may require yet another (third) bail out. There is the distinct possibility that some of the northern European countries could push for the ejection of Greece from the Eurozone unless its financial prospects improve, which does not seem likely at this juncture. A financial crisis was also rapidly escalating over the situation in Spain. However, in early September the ECB announced that it would purchase unlimited amounts of shorter term bonds of Eurozone countries which have formally agreed the terms for a bailout. Importantly, this support would be subject to conditions (which have yet to be set) and include supervision from the International Monetary Fund. This resulted in a surge in confidence that the Eurozone has at last put in place the framework for adequate defences to protect the Euro. However, it remains to be seen whether the politicians in charge of Spain and Italy will accept such loss of sovereignty in the light of the verdicts that voters have delivered to the politicians in other peripheral countries which have accepted such supervision and austerity programmes. The Eurozone crisis is therefore far from being resolved as yet. The immediate aftermath of this announcement was a rise in bond yields in safe haven countries, including the UK. Nevertheless, this could prove to be as short lived as previous "solutions" to the Eurozone crisis.

The Bank of England Quarterly Inflation Report in August pushed back the timing of the return to trend growth and also lowered its inflation expectations. Nevertheless, concern remains that the Bank's forecasts of a weaker and delayed robust recovery may still prove to be over optimistic given the world headwinds the UK economy faces. Weak export markets will remain a drag on the economy and consumer expenditure will continue to be depressed due to a focus on paying down debt, negative economic sentiment and job fears. The Coalition Government, meanwhile, is likely to be hampered in promoting growth by the requirement of maintaining austerity measures to tackle the budget deficit.

The overall balance of risks is, therefore, weighted to the downside:

- We expect low growth in the UK to continue, with Bank Rate unlikely to rise in the next 24 months, coupled with a possible further extension of quantitative easing. This will keep investment returns depressed.
- The expected longer run trend for Public Works Loans Board (PWLB) borrowing rates is for them to eventually rise, primarily due to the need for a high volume of gilt issuance in the UK and the high volume of debt issuance in other major western countries. However, the current safe haven status of the UK may continue for some time, tempering any increases in yield.
- This interest rate forecast is based on an assumption that growth starts to recover in the next three years to a near trend rate (2.5%). However, if the Eurozone debt crisis worsens as a result of one or more countries having to leave the Euro, or low growth in the UK continues longer, then Bank Rate is likely to be depressed for even longer than in this forecast.

3.4 Sector's interest rate forecast

	17.09.12 actual	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
BANK RATE	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.75	1.0
3m LIBID	0.55	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.9	1.1	1.4
6m LIBID	0.85	0.85	0.85	0.85	0.85	0.85	1.0	1.1	1.3	1.5	1.8
12m LIBID	1.3	1.3	1.3	1.3	1.4	1.5	1.7	1.9	2.1	2.3	2.6
5yr PWLB	1.89	1.5	1.5	1.5	1.6	1.7	1.8	1.9	2.0	2.1	2.3
10yr PWLB	2.91	2.5	2.5	2.5	2.6	2.7	2.8	2.9	3.0	3.2	3.3
25yr PWLB	4.15	3.7	3.7	3.7	3.8	3.8	3.9	4.0	4.1	4.2	4.3
50yr PWLB	4.32	3.9	3.9	3.9	4.0	4.0	4.1	4.2	4.3	4.4	4.5

The above Sector forecasts for PWLB rates incorporate the introduction of the PWLB certainty rate in November 2012 which will reduce PWLB borrowing rates by 0.20% for most local authorities. The actual PWLB rates on 17th September 2012 ought therefore to be reduced by 20 base points to provide a true comparison to the forecasts.

4 Treasury Management Strategy Statement and Annual Investment Strategy update

4.1 *The Treasury Management Strategy Statement (TMSS) for 2012/2013 was approved by this Council on 3 April 2012. The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:*

- *Security of capital*
- *Liquidity*

- 4.2 *The Council will also aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term (maximum loan period of 12 months), and only invest with highly credit rated financial institutions, using Sector's suggested creditworthiness approach, including sovereign credit rating and credit default swap (CDS) overlay information provided by Sector.*
- 4.3 A breakdown of the Council's investment portfolio is shown in Section 6 and Appendix 1 of this report.
- 4.4 Borrowing rates have been at historically low rates during the first six months of the 2012/13 financial year. Borrowing during the first six months of the year has been in line with the strategy, and there have been no deviations from the strategy.
- 4.5 As outlined in Section 3 above, there is still considerable uncertainty in the financial and banking market, both globally and in the UK. In this context, it is considered that the strategy approved on 3 April 2012 is still fit for purpose in the current economic climate.

5 The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

5.1 Prudential Indicator for Capital Expenditure

The capital programme approved by Council on 7 February 2012 was updated for rephrasing and amendments as part of the closedown of the accounts 2011/2012. The updated estimates were approved by Council on 19 June 2012 and are shown in Table 1 below. The capital programme 2012/2013 has been revised as reported in the Monthly Monitoring reports.

Table 1

Portfolio	Capital Programme 2012/2013 (Council 19 June 2012)	Expenditure as at 31 September 2012	Revised Capital Programme 2012/2013 (September Monitoring)
	£'000	£'000	£'000
Community & Democracy	1,469	669	1,814
Environmental Imp & Protection	526	55	526
Housing	2,111	407	2,111
Performance & Resources	899	183	899
Regeneration	3,095	1,214	3,095
Safer & Healthy Communities	19	1	19
Total Capital Programme	8,119	2,529	8,464

5.2 Changes to the Financing of the Capital Programme

Table 2 below shows the expected financing arrangements of the capital expenditure detailed above. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need will also be supplemented by maturing temporary debt and other treasury cash flow requirements.

Table 2

Capital Expenditure	Capital Programme 2012/2013 (Council 19 June 2012)	Revised Capital Programme 2012/2013 (August Monitoring)
	£'000	£'000
Total spend	8,119	8,464
Financed by:		
Capital receipts	2,465	2,465
Capital grants	577	577
Capital reserves	3,155	3,175
Total resource	6,197	6,217
Borrowing need	1,922	2,247
Total Financing	8,119	8,464

5.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

Table 3 shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

The original estimated CFR for 2012/2013 included in the Treasury Management Strategy Statement 2012/2013 was based on an estimated outturn CFR for 2011/2012 of £13.7m, the actual outturn was £14m. The revised CFR for 2012/2013 after rephrasing from 2011/2012 and revised capital resources, in particular reprofiling capital receipts to later years, is £15.7m.

Prudential Indicator – External Debt / the Operational Boundary

Section 3 of the Local Government Act 2003 requires the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. The Limit is in fact two sets of figures:

- the Authorised Limit for External Debt is the maximum borrowing that the Council can incur in a set period further prudential indicator controls the overall level of borrowing. The Authorised Limit represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements.
- the Operational Boundary for External Debt is a working practice limit that is set slightly lower than the Authorised Limit. In effect the authorised limit includes a degree of contingency in case of circumstances arising that take the limit above the operational limit. It allows business to continue giving time for Council to be advised in case of the need for more permanent changes to the limits.

Table 3

	2012/13 Original Estimate £m	Current Position £m	2012/13 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement			
CFR	13.7	14.0	15.7
Prudential Indicator – External Debt / the Operational Boundary			
Authorised Limit for external debt	25.0	25.0	25.0
Operational Boundary for external debt	20.0	20.0	20.0
Borrowing	16.6	11.5	17.5

5.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2012/13 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent. The Deputy Chief Executive reports that no difficulties are envisaged for the current year in complying with this prudential indicator as detailed in Table 4 below.

Table 4

	2012/13 Original Estimate £m	Current Position 30 September 2012 £m	2012/13 Revised Estimate £m
Gross borrowing	16,600	11,420	16,500
Less investments	25,000	28,025	26,000
Net borrowing	(8,400)	(16,605)	(9,500)
CFR (year end position)	13,670	14,039	15,700

6 Investment Portfolio 2012/2013

- 6.1 In accordance with the Code, it is the Council’s priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council’s risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. The continuing Euro zone sovereign debt crisis, and its potential impact on banks, prompts a low risk and short term strategy. Given this risk adverse environment, investment returns are likely to remain low.
- 6.2 The Council held £28.0m of investments as at 30 September 2012 (£25.7m at 31 March 2012) and the investment portfolio yield for the first six months of the year is 1.67% against a benchmark 0.39% (7 day LIBID – London Interbank Bid Rate).
- 6.3 As agreed by Cabinet in March 2011 the Council’s Discretionary Fund Management Agreement with Investec has been terminated and all funds (£13.6m) are now managed internally and are included in Table 5 below. A saving of £22,400 in management fees has been made in 2012/2013.
- 6.4 A full list of investments held by the Council as at 30th September 2012, is shown in Appendix 1, and summarised in Table 5 below:

Table 5

Investments	30th September 2012 £	Average Rate of Return %
Bank of Scotland	5,000,000	2.37
Bank of Scotland	2,000,000	3.00
Newcastle City Council	3,900,000	1.55
Natwest	6,800,000	2.25
Barclays	2,400,000	0.66
Barclays	2,600,000	0.63
Natwest call account	200,000	0.90
Ignis Money Market Fund	4,265,000	0.62
Prime Rate	860,000	0.57
Total	28,025,000	1.63

- 6.5 As illustrated in the economic background section above, investment rates available in the market are at a historical low point. The average level of funds available for investment purposes in the first six months of 2012/13 was £2million (per week). These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The Council holds £25.7million core cash balances for investment purposes.
- 6.6 To maximise investment income, it was necessary to breach counterparty limits to £8.3m from £7m for a period of 1 week in late July 2012, to ensure we could obtain a return of 2.25%. This was available from a semi nationalised counterparty (partly owned by the UK Government), Natwest, for a limited period of time. Before deciding on this course of action, the Council Treasury advisors, Sector, were consulted and approved the decision, who felt it was prudent taking into account the possible return and the counterparty having a semi nationalised status. The Deputy Chief Executive and the Leader were consulted and aware of this breach, and approved the decision. If the forward deal had not been made, returns would likely have been around 1.49% for £2m which would have obtained £15,200 less income than the £45,000 which the Council will obtain on maturity after 1 year.
- 6.7 Apart from the reported investment above, the Deputy Chief Executive confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2012/13.
- 6.8 The Council's budgeted investment return for 2012/13 is £439,000 and the projected performance for the year is £300,000 which is below budget. The Council's budgeted borrowing costs for 2012/2013 are £603,100 and projected outturn for the year is £480,000. Overall it is anticipated there is net impact of £15,900 on the Council's budget, the capital programme is currently being reviewed and any rephasing will reduce the cost of borrowing in the current year. The cost of borrowing and investment returns are included in the financing adjustment element of the Council's budget, which is monitored and variances reported in the overall Budget Monitoring Report.
- 6.9 Investment Counterparty criteria
- The current investment counterparty criteria selection approved in the Treasury Management Strategy Statement 2012/2013 is meeting the requirement of the treasury management function.

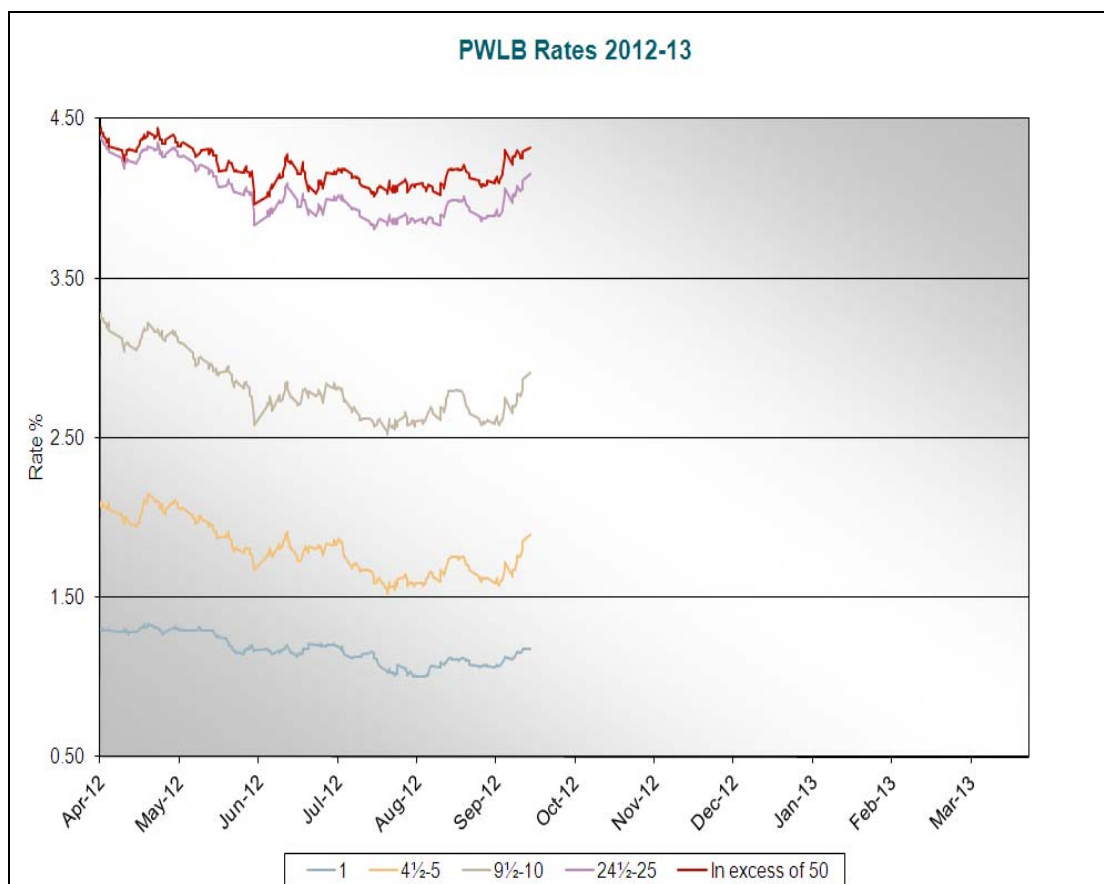
7 External Borrowing 2012/2013

- 7.1 The Council's capital financing requirement (CFR) for 2012/13 is £13.7m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The use of cash flow funds in lieu of borrowing is a prudent and cost effective approach in the current economic climate. A full list

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of borrowings made by the Council as at 30th September 2012 is shown in Appendix 2.

- 7.2 As outlined below, the general trend has been a reduction in interest rates during the six months, across all maturity bands.
- 7.3 During the first six months of this financial year, less borrowing has been required due to rephasing of the capital programme. It is still anticipated that the Council will have an underlying need to borrow for capital purposes (the capital financing requirement - CFR), if new external borrowing is required this will be undertaken during the second half of this financial year.
- 7.4 The graph and table below show the movement in PWLB rates for the first six months of the year and provide benchmarking data showing high and low points etc:



8 Debt Rescheduling

- 8.1 During the first six months of the year, no debt rescheduling was undertaken.

9 Compliance with Treasury and Prudential Limits

- 9.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". Council's approved Treasury and Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy Statement.

9.2 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix 3.

10. Financial Implications

10.1 The financial implications of the borrowing and investment strategy are reflected in the financing adjustment figure included in the Financial Plan 2011/2015 approved at Cabinet on 7 February 2012 and updated as reported in the Budget Monitoring report.

11. Risk Management Implications

11.1 There are elements of risk in dealing with the treasury management function although the production and monitoring of such controls as prudential indicators and the treasury management strategy help to reduce the exposure of the Council to the market. The costs and returns on borrowing and investment are in themselves a reflection of risk that is seen by the market forces.

12 Policy Implications

12.1 There are no changes in the Treasury Management policy at present.

13 Statutory Considerations

13.1 The Council must set prudential indicators and adopt a Treasury Management Strategy and Annual Investment Strategy.

Access to Information

The Budget 2011/2015 – A Financial Plan
Capital Programme 2011/2015
Treasury Management Strategy and Annual Investment Strategy 2012
Budget Monitoring reports 2012/2013
Sector Monthly Investment Analysis Review
Treasury Monthly Monitoring reports

Appendix 1

Investment Portfolio as at 30 September 2012

Institution	Principal	Start Date	End Date	Rate %	Ratings
Bank of Scotland	2,000,000	24/11/2011	22/11/2012	2.37	A
Bank of Scotland	3,000,000	28/11/2011	26/11/2012	2.37	A
Bank of Scotland	2,000,000	12/04/2012	11/04/2013	3.00	A
Barclays	2,400,000	10/08/2012	12/11/2012	0.66	A
Barclays	2,600,000	11/09/2012	20/12/2012	0.63	A
Newcastle City Council	3,900,000	20/06/2011	20/12/2012	1.55	AAA
Natwest (Fixed)	1,300,000	05/04/2012	04/04/2013	2.25	A
Natwest (Fixed)	3,000,000	23/05/2012	22/05/2013	2.25	A
Natwest (Fixed)	2,500,000	22/08/2012	21/08/2013	2.25	A
Natwest (Call)	200,000	31/08/2012		0.90	A
Prime Rate Money Market Fund	860,000	28/09/2012		0.57	AAA
Ignis Money Market Fund	1,300,000	27/07/12		0.63	AAA
Ignis Money Market Fund	1,500,000	08/08/12		0.67	AAA
Ignis Money Market Fund	165,000	17/09/12		0.62	AAA
Ignis Money Market Fund	1,300,000	20/09/12		0.62	AAA
Total	28,025,000				

Appendix 2

Borrowing Portfolio as at 30 September 2012

Institution	Principal	Start Date	End Date	Rate
Kings Lynn Festival	20,000	11/06/2007	-	0.00%
Barclays	5,000,000	22/03/2007	21/03/2077	3.81%
Barclays	5,000,000	12/04/2007	14/04/2077	3.81%
Public Works Loan Board	1,500,000	15/09/2009	14/09/2019	2.92%
Total	11,520,000			

Appendix 3

Revised Prudential and Treasury Indicators

PRUDENTIAL INDICATOR	2012/13 estimate	2013/14 estimate	2014/15 estimate
BUDGET RELATED PRUDENTIAL INDICATORS	£'000	£'000	£'000
Capital Expenditure Approved at Cabinet 19 June 2012	£8,464	£6,027	£5,451
Ratio of financing costs to net revenue stream (Equals net treasury cost ie cost of borrowing less the income from investments divided by the total of Government grant and total council tax). The ratios take into account the announced reduction in grant of 7.25% per year from 2011/2012 as part of the Comprehensive Spending Review.	4.13%	4.44%	3.76%
Increase/(decrease) in Borrowing required each year	£1,700	(£590)	£1,700
Capital Financing Requirement (CFR) as at 31 March this reflects the Council's underlying need to borrow for capital purposes	£15,715	£15,100	£16,800

PRUDENTIAL INDICATOR	2012/13 estimate	2013/14 estimate	2014/15 estimate
TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'000	£'000	£'000
Authorised Limit for external debt	25,000	25,000	25,000
Operational Boundary for external debt	20,000	20,000	20,000

	2012/13	2013/14	2014/15
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	20,000	20,000	20,000
Limits on variable interest rates based on net debt	20,000	20,000	20,000

Maturity Structure of fixed interest rate borrowing		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years and above	0%	100%

AUDIT AND RISK COMMITTEE WORK PROGRAMME 2012/2013

29 May 2012

- Internal Audit Plan 2011/2012 – Progress report for the quarter January to March 2012
- Benefit Investigations Unit Annual Report
- Corporate Risk Monitoring Report (October 2011 to March 2012)

14 June 2012

- Final Accounts and Statement of Accounts for year ended 31 March 2012: (Revenue Outturn 2010/2011, Capital Programme and Resources 2011/2015)

26 June 2012

- Internal Audit Annual Report 2011/2012
- Review of the Effectiveness of the Audit and Risk Committee
- Review of the Effectiveness of Internal Audit Service

Cabinet Report: Annual Treasury Report 2011/2012

24 July 2012

- Internal Audit Plan 2012/2013 – Progress report for the quarter April to June 2012

28 August 2012

- National Fraud Initiative 2010/12 Summary of Work
- Consultation for the draft Local Audit Bill

11 September 2012

Special Meeting – to consider the Statement of Accounts 2011/2012
Annual Governance Statement

25 September 2012

No meeting

23 October 2012

- Internal Audit Plan 2012/2013 – Progress report for the quarter July to September 2012
- Corporate Risk Register

Cabinet Report: Mid Year Treasury Report

27 November 2012

- Benefit Investigations Unit Half-Year Report – S Chapman
- Business Continuity – annual update

2 January 2013

- Annual Audit Letter – to be presented by the Council's External Auditor
- Internal Audit – Strategic Audit Plan 2013/14

29 January 2013

Please note that Treasury Management Training will take place from 5 pm until 6.15 pm prior to the formal meeting to commence at 6.30 pm

26 February 2013

- Internal Audit Plan 2011/2012 – Quarterly Progress Report from October to December 2012

26 March 2013 (Meeting to be held in Hunstanton)

- Business Continuity – Annual Update
- BCKL&WN Audit Plan 2013/2014 (external)
- Update on progress with Data Matching Exercise (see minutes from August 2012 for more information) – K Littlewood

23 April 2013

- Corporate Risk Monitoring Report (October 2012 to March 2013)