Borough Council of
King's Lynn &
West Norfolk

CABINET

Agenda

TUESDAY, 3 APRIL 2012
at 5.30pm

in

Committee Suite
King's Court
Chapel Street
King's Lynn

IN
TRAN
communication for all

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Borough Council of
King's Lynn &
West Norfolk

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CABINET AGENDA

DATE: CABINET – TUESDAY, 3 APRIL 2012

VENUE: COMMITTEE SUITE, KING'S COURT, CHAPEL STREET, KING'S LYNN

TIME: 5.30 pm

1. MINUTES

To approve the Minutes of the Meeting held on 6 March 2012.

2. APOLOGIES

To receive apologies for absence.

3. URGENT BUSINESS

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

4. DECLARATION OF INTEREST

Please indicate whether the interest is a personal one only or one which is also prejudicial. A declaration of an interest should indicate the nature of the interest and the agenda item to which it relates. In the case of a personal interest, the member may speak and vote on the matter. If a prejudicial interest is declared, the member should withdraw from the room whilst the matter is discussed.

These declarations apply to all those 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. **CHAIRMAN'S CORRESPONDENCE**

To receive any Chairman's correspondence.

6. **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

To note the names of any Councillors who wish to address the meeting under Standing Order 34.

7. **CALLED IN MATTERS**

To report on any Cabinet decisions called in.

8. **FORWARD DECISIONS LIST**

A copy of the Forward Decisions List is attached (Page 6)

9. **MATTERS REFERRED TO CABINET FROM OTHER COUNCIL BODIES**

To receive any comments and recommendations from other Council bodies some of which meet after the dispatch of this agenda. Copies of any comments made will be circulated as soon as they are available.

- Resources and Performance Panel and Audit Committee – 27 March 2012
- Regeneration, Environment & Community Panel – 28 March 2012

10. **REPORTS**

1) Treasury Management Strategy (page 8)
The Council is required to receive and approve a Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy which covers –

- Capital plans, including prudential indicators
- A Minimum Revenue Provision (MRP) Policy
- The Treasury Management Strategy
- An Investment Strategy

2) Business Rates: Small Business Rate Relief and Mandatory Rural Rate Relief (page 39)

This report outlines the anomaly between the business rates reductions for Small Business Rate Relief and Mandatory Rural Rate Relief affecting small rural businesses.

3) Data Quality Strategy (page 44)

This report presents to Cabinet a Policy Statement and refreshed Strategy for Data Quality, for use across the authority by officers and Councillors. Data of good quality ensures a solid foundation for decision making processes and it is a requirement for the Council to have in place such a policy.

4) Update on the NORA Housing Joint Venture and the role of Norfolk County Council in the Project (page 56)

This report informs Members of the current position of Norfolk County Council (NCC) funding for the project and seeks permission to re-engage with Norfolk County Council, with the intention to enter into the Joint Venture agreement.

EXCLUSION OF THE PRESS AND PUBLIC

To consider passing the following resolution:

"That under Section 100(A)(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act."

5) Contract for Careline Alarm Monitoring (Page 61)

The current alarm monitoring contract with Invicta Telecare Ltd expires on 30 April 2012. A tender exercise has been completed under EU Procurement Regulations for a replacement contract that will run until 2016.

To: Members of the Cabinet
Councillors N J Daubney (Chairman), A Beales, Lord Howard, B Long, Mrs E A Nockolds, D Pope and Mrs V Spikings.
Cabinet Scrutiny Committee

For further information, please contact:
Samantha Winter
Democratic Services Manager,
Borough Council of King's Lynn & West Norfolk
King's Court, Chapel Street,
King's Lynn PE30 1EX
Telephone: (01553) 616327 Email: sam.winter@west-norfolk.gov.uk

FORWARD DECISIONS LIST

	Officer	**Portfolio Responsible**

3 April 2012

Treasury Management Strategy	Dep Chief Exec	Leader
Careline Alarm Monitoring Contract	Exec Dir Environmental Health & Housing	Deputy Leader
Data Quality Strategy	Exec Dir Central Services	Leader
Update on the NORA Housing Joint Venture and the role of Norfolk County Council in the Project	Exec Dir Development & Regeneration	Regeneration and Commercial Services
Business Rates: Small Business Rate Relief and Mandatory Rural Rate Relief'	Deputy Chief Executive	Leader

1 May 2012

Local Authority Leisure Trust – Project Plan and Follow Up report	Chief Executive	Leader/Leisure and Operational Assets
Major Housing Development – King's Lynn	Exec Dir Regen and Planning	Regeneration and Commercial Services
Local Authority Mortgage Scheme and Nora	Exec Dir Environmental Health & Housing	Deputy Leader/ Regeneration and Commercial Services
Charging Street Naming and Numbering	Exec Dir Regen and Planning	Development
Townscape Heritage Initiative	Exec Dir Regen and Planning	Regeneration and Commercial Services/ Development

6 June 2012

Lynnsport and COWA	Exec Dir Leisure and	Leisure and Operational Assets
Grounds Maintenance Nursery facilities and Planting Policy	Exec Dir Leisure and Public Space	Shared Services & External Relations
Setting up of and Appointment of Rep for County Police and Crime Panel	Chief Executive	Leader

19 June 2012

Accounts 2011/2012	Deputy Chief Executive	Leader
Capital Programme 2011/2012	Deputy Chief Executive	Leader

3 July 2012

18 September 2012 (Accounts)

Annual Governance Statement	Exec Dir Central Services	Leader

Forthcoming Items, as yet unprogrammed

Local Council Tax Support Scheme	Deputy Chief Executive	Leader
Hunstanton – Proposed Land Disposal	Dep Chief Executive	Regeneration and Commercial Services
Planning Fees	Exec Dir Regeneration & Development	Development
Community Governance Review	Chief Executive	Leader
Revised KLATS & KL Car Parking Strategy	Exec Dir Regeneration & Development	Regeneration / Shared Services
Community Cohesion Strategy	Chief Executive	Community
Town Centre Plan	Exec Dir Regeneration & Development	Regeneration
Lynnsport Skate Park	Exec Dir Leisure and Public Space	Leader/Leisure and Operational Assets
Care and Repair Framework Agreement	Exec Dir Environmental Health & Housing	Deputy Leader
Licensing of Caravan Sites	Exec Dir Environmental Health & Housing	Deputy Leader

REPORT TO CABINET

<table>
<tr><td colspan="2">Open</td><td colspan="3" rowspan="2">Would any decisions proposed :

(a) Be entirely within Cabinet's powers to decide NO

(b) Need to be recommendations to Council YES

(c) Be partly for recommendations to Council NO
and partly within Cabinets powers –</td></tr>
<tr><td>Any especially affected Wards
None</td><td>Mandatory</td></tr>
<tr><td colspan="2" rowspan="2">Lead Member: Councillor Nick Daubney
E-mail:cllr.nick.daubney@west-norfolk.gov.uk</td><td colspan="3">Other Cabinet Members consulted: None</td></tr>
<tr><td colspan="3">Other Members consulted: None</td></tr>
<tr><td colspan="2">Lead Officer:
E-mail: lorraine.gore@west-norfolk.gov.uk
Direct Dial: 01553 616432</td><td colspan="3">Other Officers consulted: Management Team</td></tr>
<tr><td>Financial Implications
YES</td><td>Policy/Personnel Implications
YES</td><td>Statutory Implications (incl S.17)
YES</td><td>Equal Opportunities Implications NO</td><td>Risk Management Implications
YES</td></tr>
</table>

Date of meeting: 3 April 2012

1 TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2012/2013

Summary

The Council is required to receive and approve a Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy which covers –

- Capital plans, including prudential indicators
- A Minimum Revenue Provision (MRP) Policy
- The Treasury Management Strategy
- An Investment Strategy

This report covers the requirements of the Local Government Act 2003, the Chartered Institute of Public Finance Accountants (CIPFA) Prudential Code, the Department of Communities and Local Government (DCLG) MRP Guidance, the CIPFA Treasury Management Code and the DCLG Investment Guidance.

This report looks at the period 2012/2015 which fits with the Council's Financial Plan and capital programme. The report is based upon the Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor, Sector Treasury Services Ltd.

Recommendations

Cabinet is asked to recommend to Council:

1 The Treasury Management Strategy Statement 2012/2013, including treasury indicators for 2012/2015.

2 The Investment Strategy 2012/2013.

3 The Minimum Revenue Provision Policy 2012/2013.

4 Adopt the revised Treasury Management Practices (TMPs).

Reason for the Decision

The Council must produce a Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2012/2013 by 31 March 2012.

1. Background

1.1 The Council is required to operate a balanced budget, which broadly means cash raised during the year 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 or instruments commensurate with the Council's low risk appetite, 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. Reporting Requirements

2.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by this Council in March 2010.

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 (TMPs) which set out the manner in which the Council will seek to achieve those policies and objectives.

3. Receipt by the full Council of:

   a. **An annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead. This report covers**

      - **the capital plans (including prudential indicators);**
      - **a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);**
      - **the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators;**
      - **an investment strategy (the parameters on how investments are to be managed).**

   b. A Mid-year Review Report - This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.

   c. An Annual Report - This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

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. For this Council the delegated officer is the Deputy Chief Executive/Executive Director of Finance and Resources.

5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Resources and Performance Panel.

2.2 The Treasury Management Strategy Statement for 2012/2013 covers two main areas:

Capital Issues

- the capital plans and the prudential indicators;
- the MRP strategy.

Treasury management Issues

- the current treasury position;
- treasury indicators which will limit the treasury risk and activities of Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the DCLG MRP Guidance, the CIPFA Treasury Management Code and the DCLG Investment Guidance.

3. The Capital Prudential Indicators 2012/13 – 2014/15

3.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members overview and confirm capital expenditure plans.

Capital Expenditure. This prudential Indicator is a summary of the Council's capital expenditure plans approved at Council on 23 February 2012:

	Revised Budget 2011/2012 £000s	Revised Budget 2012/2013 £000s	Revised Budget 2013/2014 £000s	Revised Budget 2014/2015 £000s
Community & Democracy	1,403	1,277	1,464	675
Environmental Improvement & Protection	515	477	148	101
Housing General Fund	1,200	1,869	1,521	1,545
Performance & Resources	1,040	1,857	385	200
Regeneration	2,004	4,779	1,920	150

Safer & Healthy Communities	50	5	0	250
Total	**6,212**	**10,264**	**5,438**	**2,921**

Other long term liabilities. The above financing need excludes other long term liabilities, such as leasing arrangements which already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing).

	Revised Budget 2011/2012 £000s	**Revised Budget 2012/2013 £000s**	**Revised Budget 2013/2014 £000s**	**Revised Budget 2014/2015 £000s**
Capital Expenditure	**6,212**	**10,264**	**5,438**	**2,921**
Financed by:				
Capital receipts	1,360	4,940	3,714	1,850
Capital grants	577	577	577	577
Capital reserves	3,515	2,543	1,625	745
Revenue	760	600	545	330
Net financing need for the year	0	1,604	(1,023)	(581)

3.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

Following accounting changes the CFR includes any other long term liabilities (e.g. PFI -private finance Initiatives schemes, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £166,000 of finance leases within the CFR.

The Council is asked to approve the CFR projections below:

	2011/12 Estimate £000s	2012/13 Estimate £000s	2013/14 Estimate £000s	2014/15 Estimate £000s
Total CFR	15,023	13,670	12,829	12,239
Movement in CFR	**343**	**(1,353)**	**(841)**	**(590)**
Net financing need for the year (above)	0	1,604	(1,023)	(581)
Less MRP and other financing movements	417	591	591	591
Movement in CFR	**760**	**842**	**(1,273)**	**(580)**

Note the MRP includes finance lease annual principal payments

3.3 MRP Policy Statement – (Minimum Revenue Provision)

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG Regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former CLG regulations (option 1); which provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3) which provides for a reduction in the borrowing need over approximately the asset's life.

Local Authority Mortgage Scheme (LAMS) – Officers are currently considering options to support lending to first time buyers and add a stimulus to the local housing market. One option is LAMS and a report is to be presented to a future meeting of Cabinet. If the Council decide to participate in LAMS using the cash backed option, the mortgage lenders will require a 5 year deposit from the local authority to match the 5 year life of the indemnity. The deposit placed with the mortgage lender provides an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) will increase by the amount of the total indemnity.

The deposit is due to be returned in full at maturity, with interest paid either annually or on maturity. Once the deposit matures and funds are returned to the local authority, the returned funds are classed as a capital receipt, and the CFR will reduce accordingly. As this is a temporary (5 year) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application.

3.4 The Use of the Council's Resources and the Investment Position

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources	**2011/12 Estimate £000s**	**2012/13 Estimate £000s**	**2013/14 Estimate £000s**	**2014/15 Estimate £000s**
Fund balances / reserves	13,934	11,803	10,268	10,217
Capital receipts	184	184	184	184
Unapplied Grants	1,216	1,216	1,216	1,216
Other	339	339	339	339
Total core funds	**15,673**	**13,542**	**12,007**	**11,956**
Working capital*	5,800	5,800	5,800	5,800
Expected investments	**21,473**	**19,342**	**17,807**	**17,756**

*Working capital consists of debtors/creditors/stock and capital grants received in advance. Working capital balances shown are as at the latest balance sheet date 31st March 2011; these may be higher mid year and change at subsequent balance sheet dates.

3.5 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Actual and estimates of the ratio of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
General Fund	3.40	4.13	4.44	3.76

The estimates of financing costs include current commitments and the proposals in this budget report.

Estimates of the incremental impact of capital investment decisions on council tax. This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

Incremental impact of capital investment decisions on the band D council tax

£	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Council tax - band D	0.21	2.51	(0.58)	(0.44)

4. **Treasury Management Strategy**

The capital expenditure plans set out in Section 3 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

4.1 Current Portfolio Position

The Council's treasury portfolio position at 31 March 2011, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2011/12 Estimate £000s	2012/13 Estimate £000s	2013/14 Estimate £000s	2014/15 Estimate £000s
External Debt				
Debt at 1 April	15,420	15,220	16,624	15,401
Expected change in Debt	(200)	1,404	(1,223)	(781)
Actual debt at 31 March	**15,220**	**16,624**	**15,401**	**14,620**
The Capital Financing Requirement	15,023	13,670	12,829	12,239
Under / (over) borrowing	**(197)**	**(2,954)**	**(2,572)**	**(2,381)**
Total Investments 31 March	**27,000**	**25,000**	**23,500**	**23,500**
Net Debt (Actual Debt 31st March minus investments	**(11,780)**	**(8,376)**	**(8,099)**	**(8,880)**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its total debt, net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2012/13 and the following two financial years (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. The Deputy Chief Executive that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

4.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary £m	**2011/12 Estimate**	**2012/13 Estimate**	**2013/14 Estimate**	**2014/15 Estimate**
Debt	20,000	20,000	20,000	20,000

The Authorised Limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The Authorised Limit allows for any potential overdraft position.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
- The Council is asked to approve the following Authorised Limit:

Authorised limit £m	**2011/12 Estimate**	**2012/13 Estimate**	**2013/14 Estimate**	**2014/15 Estimate**
Debt	25,000	25,000	25,000	25,000

4.3 Current Treasury Position – February 2012

Before looking at future borrowing and investment strategies it is worth noting the Council's current treasury portfolio (29 February 2012):

		Principal	**Average Rate**
		£'000	**%**
Fixed Rate Funding	- PWLB	1,600	2.92
	- Market Loans	10,000	3.81
Variable Rate Funding	- Market Loans	270	0.40
Total Debt		**11,870**	**3.67**
Total Investments		**25,700**	**1.60**

The current low level of debt follows from the effect of the current spending on the capital programme.

4.4 Prospects for Interest Rates

The Council has appointed Sector as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Appendix 1 draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following table gives the Sector central view.

Annual Average %	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
March 2012	0.50	0.70	1.50	2.30	4.20	4.30
June 2012	0.50	0.70	1.50	2.30	4.20	4.30
Sept 2012	0.50	0.70	1.50	2.30	4.30	4.40
Dec2012	0.50	0.70	1.60	2.40	4.30	4.40
March 2013	0.50	0.75	1.70	2.50	4.40	4.50
June 2013	0.50	0.80	1.80	2.60	4.50	4.60
Sept 2013	0.75	0.90	1.90	2.70	4.60	4.70
Dec 2013	1.00	1.20	2.20	2.80	4.70	4.80
March 2014	1.25	1.40	2.40	2.90	4.80	4.90
June 2014	1.50	1.60	2.60	3.10	4.90	5.00

4.5 Growth in the UK economy is expected to be weak in the next two years and there is a risk of a technical recession (i.e. two quarters of negative growth). Bank Rate, currently 0.5%, underpins investment returns and is not expected to start increasing until quarter 3 of 2013 despite hign inflation. Full economic commentary from Sector can be found in Appendix 2.

4.6 This challenging and uncertain economic outlook has several key treasury management implications:

- The Eurozone sovereign debt difficulties, most evident in Greece, provide a clear indication of much higher counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2012/13;
- Borrowing interest rates are currently attractive, but may remain low for some time. The timing of any borrowing will need to be monitored carefully;
- There will remain a cost of capital – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

5. Borrowing Strategy 2012/2015

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high.

Against this background and the risks within the economic forecast, caution will be adopted with the 2012/13 treasury operations. The

Council officers will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

The Council will only borrow if it is financially advantageous to do so.

The Council's borrowing strategy will give consideration to new borrowing in the following order of priority: -

- The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking loans at long term rates which will be higher in future years
- Temporary borrowing from the money markets or other local authorities
- PWLB (Public Works Loan Board) variable rate loans for up to 10 years
- Short dated borrowing from non PWLB below sources
- Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.
- PWLB borrowing for periods under 10 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

5.1 Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;

- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

£000s	**2012/13**	**2013/14**	**2014/15**
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	30,000	30,000	30,000
Limits on variable interest rates based on net debt	20,000	20,000	20,000

Maturity Structure of fixed interest rate borrowing 2012/13		
	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%

5.2 Policy on Borrowing in Advance of Need

The Council will not borrow more, than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

5.3 Debt Rescheduling

The Deputy Chief Executive/Executive Director, Finance and Resources will continue to monitor the situation and take advantage of market conditions if they exist to produce revenue savings.

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the

  balance of volatility).

All rescheduling will be reported to the Cabinet at the earliest meeting following its action.

6. Annual Investment Strategy

Investment Policy

The Council's investment policy has regard to the CLG's (Communities and Local Government) Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.
In accordance with guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agengy. Using the Sector ratings service banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "Credit Default Swaps" and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Sector in producing its colour codings which show the varying degreees of creditworthiness.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable divesification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use in the financial year are listed in appendix 3 under the ‘Specified’ and ‘Non-Specified’ Investments categories. Counterparty limits will be as set through the Council’s Treasury Management Practices – Schedules.

6.1 Creditworthiness policy

This Council applies the creditworthiness service provided by Sector. This service employs a sophisticated modelling approach utlilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS (credit default swaps) spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

The Sector creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency’s ratings.

Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of Short Term rating F1, Long Term rating A-, Viability ratings of BB+, and a Support rating of 3.

There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

6.2 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 4.

This list will be added to or deducted from by officers should ratings change in accordance with this policy.

6.3 Investment Strategy

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

6.4 **Investment returns expectations.** Bank Rate is forecast to remain unchanged at 0.5% before strating to rise from quarter 3 of 2013. Bank Rate forecasts for financial year ends (March) are:

- 2011/ 2012 0.50%
- 2012/ 2013 0.50%
- 2013/ 2014 1.25%
- 2014/ 2015 2.50%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Bank of England's 2% target rate.

6.5 The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year for the next five years are as follows:

2012/13	0.70%
2013/14	1.00%
2014/15	1.60%
2015/16	3.30%
2016/17	4.10%

6.6 **Investment treasury indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 364 days			
£m	**2012/13**	**2013/14**	**2014/15**
Principal sums invested > 364 days	£m 0	£m 0	£m 0

Sector, the Council's treasury advisors, recommend that due to current market conditions, all investments should be made for periods less than 364 days, due to risk as detailed in 6.1. The Council will continue to monitor creditworthiness on a daily basis.

For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, 15 and 30 day notice accounts, money market funds and short-dated deposits in order to benefit from the compounding of interest.
In-house managed Investments held as at 29 February 2012 are as follows:

Institution	Long Term Rating	Expires:	Principal	Rate of interest
			£'000	%
Doncaster Metropolitan Borough Council	AAA	16 March 2012	3,300	1.53
Nottingham County Council**	AAA	12 March 2012	2,000	1.52
Newcastle City Council	AAA	8 May 2012	1,500	1.70
Natwest Fixed Term Deposit	AA-	12 May 2012	3,000	1.52
Newcastle City Council	AAA	20 December 2012	3,900	1.55
Natwest Fixed Term Deposit	AA-	26 July 2012	2,000	1.49
Santander UK	AA-	10 May 2012	2,400	1.40
Bank of Scotland	AA-	26 November 2012	3,000	1.95
Bank of Scotland	AA-	22 November 2012	2,000	1.95
Santander UK**	AA-	9 March 2012	2,600	1.40
Total Investments			**25,700**	**1.60**

**As these investments have now expired, these have been placed with the Nationwide for a period of 3 months at a new rate of 1%.

6.7 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 the table above. A saving of £11,200 in management fees has been made in 2011/2012 (£22,400 per annum). Sector the Council's treasury advisors have advised that the average performance of Investec funds for the third quarter for 2011/2012 is 1.25%, compared to the Council's average rate of return for the same period of 1.94%.

7. End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

8. Policy on the use of external service providers

The Council uses Sector as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

9 Treasury Management Practises (TMPs)

9.1 Good practise requires TMPs to be reviewed on an annual basis and any changes made to be reported to members. Changes that have been made include:

- revised country counterparties listing
- updated External Service Providers contract
- deletion of fund managers
- money market funds (including computerised platform to aid dealing)
- revised investment vehicles, i.e Multilateral Development Funds
- diversification of at least 5 counterparties
- greater amounts to be invested with higher credit rated counterparties, on scaled basis
- group limits to reduce the maximum exposure to one individual group, to minimise risk.
- greater use of borrowing due to current low rates compared to bank overdraft usage

9.2 TMPs are reviewed as risks and market conditions change. In particular credit risk is monitored using our Treasury advisors on a daily basis. A copy of the TMPs are available on the Councils website.

10. Financial Implications

The financial implications of the borrowing and investment strategy and MRP are reflected in the financing adjustment figure included in the Financial Plan 2011/2015 approved at Cabinet on 7 February 2012.

11. Risk Management Implications

There are elements of risk in dealing with the treasury management function although the production and monitoring of such controls as Prudential Indicators and Treasury Management Strategies 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. The action and controls outlined in the report will provide for sound financial and performance management procedures.

12. Policy Implications

There are no other changes in the Treasury Management policy at present, other than those outlined in this report.

13. Statutory Considerations

The Council must set Prudential Indicators and adopt a Treasury Management Strategy and Annual investment Strategy before 31 March 2012.

Access to information

Monthly Monitoring reports 2011/2012
Treasury Management Strategy and Annual investment Strategy 2012
The Budget 2011/2015 – A Financial Plan
Capital Programme 2011/2015
Insite – Treasury Management Practices

APPENDICES

1. Interest rate forecasts
2. Economic background
3. Treasury Management practice - Specified and non specified investments and limits
4. Approved countries for investments
5. Treasury management scheme of delegation
6. The treasury management role of the section 151 officer

APPENDIX 1 - Interest Rate Forecast 2011/2015

Sector's Interest Rate View	Now	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Sector's Bank Rate View	**0.50%**	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%
3 Month LIBID	**0.87%**	0.70%	0.70%	0.70%	0.70%	0.70%	0.75%	0.80%	0.90%	1.20%	1.40%	1.60%	2.10%	2.40%	2.60%
6 Month LIBID	**1.16%**	1.00%	1.00%	1.00%	1.00%	1.00%	1.10%	1.20%	1.40%	1.60%	1.80%	2.00%	2.50%	2.70%	2.90%
12 Month LIBID	**1.65%**	1.50%	1.50%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.20%	2.40%	2.60%	3.10%	3.20%	3.30%
5yr PWLB Rate	**2.25%**	2.30%	2.30%	2.30%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.10%	3.30%	3.50%	3.70%
10yr PWLB Rate	**3.33%**	3.30%	3.30%	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.80%	4.00%	4.20%	4.40%	4.60%	4.80%
25yr PWLB Rate	**4.24%**	4.20%	4.20%	4.20%	4.30%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%
50yr PWLB Rate	**4.26%**	4.30%	4.30%	4.30%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%
Bank Rate															
Sector's View	**0.50%**	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%
UBS	**0.50%**	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-	-	-	-	-
Capital Economics	**0.50%**	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-
5yr PWLB Rate															
Sector's View	**2.25%**	2.30%	2.30%	2.30%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.10%	3.30%	3.50%	3.70%
UBS	**2.25%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	**2.25%**	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	-	-	-	-	-
10yr PWLB Rate															
Sector's View	**3.33%**	3.30%	3.30%	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.80%	4.00%	4.20%	4.40%	4.60%	4.80%
UBS	**3.33%**	3.45%	3.45%	3.50%	3.60%	3.65%	-	-	-	-	-	-	-	-	-
Capital Economics	**3.33%**	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	-	-	-	-	-
25yr PWLB Rate															
Sector's View	**4.24%**	4.20%	4.20%	4.20%	4.30%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%
UBS	**4.24%**	4.80%	4.90%	4.90%	4.90%	4.90%	-	-	-	-	-	-	-	-	-
Capital Economics	**4.24%**	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	-	-	-	-	-
50yr PWLB Rate															
Sector's View	**4.26%**	4.30%	4.30%	4.30%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%
UBS	**4.26%**	4.80%	4.95%	4.95%	5.00%	5.00%	-	-	-	-	-	-	-	-	-
Capital Economics	**4.26%**	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	-	-	-	-	-

APPENDIX 2 - Economic Background

4.1. Global economy

The outlook for the global economy remains clouded with uncertainty with the UK economy struggling to generate sustained recovery that offers solid optimistim for the outlook for 2012, or possibly even into 2013. Consumer and business confidence levels are low and with little to boost sentiment, it is not easy to see potential for a significant increase in the growth rate in the short term.

At the centre of much of the uncertainty is the ongoing **Eurozone sovereign debt crisis** which has intensified, rather than dissipated throughout 2011. The main problem has been **Greece**, where, even with an Eurozone/IMF/ECB bailout package and the imposition of austerity measures aimed at deficit reduction, the lack of progress and the ongoing deficiency in addressing the underlying lack of competitiveness of the Greek economy, has seen an escalation of their problems. These look certain to result in a default of some kind but it currently remains unresolved if this will be either "orderly" or "disorderly". Most commentators currently view that it is now inevitable that Greece will have to exit the Eurozone in 2012.

There is also growing concern about the situation in **Italy** and the risk that contagion has not been contained. Italy is the third biggest debtor country in the world but its prospects are limited given the poor rate of economic growth over the last decade and likely difficulties in implementing the required level of fundamental reforms in the economy. The Eurozone now has a well established track record of always doing too little too late to deal with this crisis; this augurs poorly for future prospects, especially given the rising level of electoral opposition in northern EU countries to bailing out profligate southern countries.

The US economy has encouraged with some positive news around the start of 2012 but any improvement in the weak rate of growth is likely to only generate slow progress in reducing the high level of unemployment which is acting as such a dampener on the economy. With Presidential elections due in November 2012, the current administration has been hamstrung by political gridlock with the two houses split between the main parties. In quarter 3 the Federal Reserve started "Operation Twist" in an effort to re-ignite the rate of growth in the economy. However, high levels of consumer indebtedness, a moribund housing market together with stubbornly high unemployment, will continue to weigh heavily on consumer confidence and so on the abiltity to generate a healthy and consistent rate of economic growth.

Hopes for broad based recovery have, therefore, focussed on the **emerging markets** but these areas have been struggling with inflationary pressures in their previously fast growth economies. China, though, has maintained its growth pattern, despite a major thrust to tighten monetary policy during 2011 to cool inflationary pressures which are now subsiding. However, some forward looking indicators are causing concern that there may not be a soft landing ahead, which would then be a further dampener on world economic growth.

4.2 UK economy

The Government's austerity measures, aimed at getting the public sector deficit into order over the next four years, have yet to fully impact on the economy. However, coming at a time when economic growth has been weak and concerns at the risk of a technical recession (two quarters of negative growth) in 2012, it looks likely that the private sector will not make up for the negative impact of these austerity measures given the lack of an export led recovery due to the downturn in our major trading partner – the EU. The housing market, a gauge of consumer confidence, remains weak and the outlook is for house prices to be little changed for a prolonged period.

Economic Growth. GDP growth has, basically, flatlined since the election of 2010 and, worryingly, the economic forcecasts for 2012 and beyond have been revised lower on a near quarterly basis. With concerns of a potential return to recession, the Bank of England embarked on a second round of Quantitive Easing to stimulate economic activity. It appears very likely that there will be another expansion of quantitative easing in quarter 1 2012 in order to stimulate economic growth.

Unemployment. With the impact of the Government's austerity strategy resulting in steadily increasing unemployment during 2011, there are limited prospects for any improvement in 2012 given the prospects for weak growth.

Inflation and Bank Rate. For the last two years, the MPC's contention has been that high inflation was the outcome of temporary external factors and other one offs (e.g. changes in VAT); that view remains in place with CPI inflation starting quarter 1 of 2012 at 4.8%, having peaked at 5.2% in September 2011. They remain of the view that the rate will fall back to, or below, the 2% target level within the two year horizon.

AAA rating. The ratings agencies have recently reaffirmed the UK's AAA sovereign rating and have expressed satisfaction with Government policy for deficit reduction. They have, though, warned that this could be reviewed if the policy were to change, or was seen to be failing to achieve its desired outcome. This credit position has ensured that the UK government is able to fund itself at historically low levels and, with the safe haven status from Eurozone debt also drawing in external investment, the pressure on rates has been down, and looks set to remain so for some time.

4.3 Sector's forward view

Economic forecasting remains troublesome with so many extermal influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains weak and whilst there is still a broad range of views as to potential performance, they have all been downgraded throughout 2011. Key areas of uncertainty include:

- a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;

- the impact of the Eurozone crisis on financial markets and the banking sector;
- the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to exporting manufactured goods;
- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that inceasingly seem likely to be undershot;
- a continuation of high levels of inflation ;
- the economic performance of the UK's trading partners, in particular the EU and US, with some analysts suggesting that recession could return to both;
- stimulus packages failing to stimulate growth;
- elections due in the US, Germany and France in 2012 or 2013;
- potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.

The overall balance of risks remains weighted to the downside. Lack of economic growth, both domestically and overseas, will impact on confidence putting upward pressure on unemployment. It will also further knock levels of demand which will bring the threat of recession back into focus.

Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries.

Given the weak outlook for economic growth, Sector sees the prospects for any interest rate changes before mid-2013 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

APPENDIX 3 - Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management Specified and Non-Specified Investments and Limits

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the Specified Investment criteria. A maximum of 50% will be held in aggregate in non-specified investment.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

Specified Investments (for maximum of 1 year only)	* Minimum credit criteria / colour band	** Max % of total investments per institution	Max. maturity period
DMADF – UK Government	N/A	100%	1 year
UK Government gilts	UK sovereign rating	50%	1 year
UK Government Treasury blls	UK sovereign rating	50%	1 year
Bonds issued by multilateral development banks	UK sovereign rating	50%	1 year
Money market funds	AAA	100%	Liquid
Local authorities	N/A	Set out in TMP1	1 year
Term deposits with banks and building societies	Yellow Purple Blue Orange Red Green No Colour		Up to 5 years Up to 2 years Up to I year Up to 6 Months Up to 3 months Not for use

CDs or corporate bonds with banks and building societies	Yellow Purple Blue Orange Red Green No Colour		Up to 5 years Up to 2 years Up to I year Up to 6 Months Up to 3 months Not for use
Enhanced cash funds	AAA	50%	1 year
Corporate bond funds	AAA	50%	1 year
Gilt funds	UK sovereign rating	50%	1 year
Property funds unit trusts	Considered on an individual basis	50%	
Local Authority Mortgage Scheme. Under LAMS the Council is required to place funds with the lender for a period of 5 years. This is classified as being a service investment, rather than a treasury management investment, and is therefore outside of the Specified / Non specified categories.			

Non Specified Investments (can be longer than 1 year)	**Minimum Credit Criteria**	**Use**	**Max % of total investmen ts**	**Max. maturity period**
Term deposits – UK government (with maturities in excess of 1 year)	Credit rating in TMP's	In-house	100%	5 yrs
Term deposits – other LA's (with maturities in excess of 1 year)	Credit rating in TMP's	In-house	100%	5 yrs
Term deposits – banks and building societies (with maturities in excess of 1 year)	Credit rating in TMP's	In-house	As set out in TMP 1	5yrs
Term deposits with unrated counterparties : any maturity	Credit rating in TMP's	In-house	As set out in TMP 1	5yrs
Certificates of deposits issued by banks and building societies with maturities in excess of 1 year	Credit rating in TMP's	In house on a 'buy and hold basis' and Fund managers	As set out in TMP 1	2 yrs
UK Government Gilts with maturities in excess of 1 year	AAA	In house on a 'buy and hold basis' and Fund	As set out in TMP 1	Overall duration of 3 years

		Managers		
Bonds issued by multilateral development banks with maturities in excess of 1 year	AAA	In-house on a 'buy-and-hold' basis. Also for use by fund managers	50% of the total fund	Overall duration of 3 years
Bonds issued by a financial institution which is guaranteed by the UK government with maturities in excess of 1 year	AAA	In-house on a 'buy-and-hold' basis. Also for use by fund managers	50% of the total fund	Overall duration of 3 years
Sovereign bond issues (i.e. other than the UK govt) with maturities in excess of 1 year	AAA	In house on a 'buy and hold basis' and Fund Managers	50% of the total fund	Overall duration of 3 years
Corporate Bonds : ***the use of these investments would constitute capital expenditure***		In house on a 'buy and hold basis' and Fund Managers	50% of the total fund	Overall duration of 3 years
Floating Rate Notes : ***the use of these investments would constitute capital expenditure unless they are issued by a multi lateral development bank***		Fund managers	50% of the total fund	Overall duration of 3 years

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

APPENDIX 4 - Approved countries for investments

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.K.

AA+

-
- France
- Hong Kong
- U.S.A.

APPENDIX 5 - Treasury management scheme of delegation

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Cabinet (responsible body)

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Resources and Performance Panel with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

APPENDIX 6 - The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

REPORT TO CABINET

Open		Would any decisions proposed :
Any especially affected Wards	Discretionary Operational	(a) Be entirely within Cabinet's powers to decide YES (b) Need to be recommendations to Council NO (c) Be partly for recommendations to Council NO and partly within Cabinets powers –

Lead Member: Cllr Nick Daubney E-mail: cllr.nick.daubney@west-norfolk.gov.uk	Other Cabinet Members consulted: Other Members consulted:
Lead Officer: Jo Stanton E-mail: joanne.stanton@west-norfolk.gov.uk Direct Dial: 01553 616349	Other Officers consulted: Management Team

Financial Implications YES	Policy/Personnel Implications NO	Statutory Implications (incl S.17) NO	Equal Opportunities Implications NO	Risk Management Implications NO

Date of meeting: 3 April 2012

2 SMALL BUSINESS RATE RELIEF / MANDATORY RURAL RATE RELIEF

Summary

This report outlines the anomaly between the business rates reductions for Small Business Rate Relief and Mandatory Rural Rate Relief affecting small rural businesses.

The ratepayers for these businesses would pay less business rates if they could receive the increased level of Small Business Rate Relief rather than Mandatory Rural Rate Relief however legislation prevents this. The Council can award Discretionary Rate Relief to compensate for the difference however it must meet 25 per cent of the cost.

Recommendations

Members agree to award Discretionary Rural Rate Relief from October 2010 to March 2013 to rural businesses adversely affected by the anomaly in the legislation.

Reason for Decision

36 rural businesses are adversely affected by the temporary increase to Small Business Rate Relief between October 2010 and March 2013 as they are only entitled to the lower Mandatory Rural Rate Relief reduction. Awarding Discretionary Relief supports these rural businesses and the rural communities and economies they are located in.

1. Small Business Rate Relief

1.1 A ratepayer is entitled to Small Business Rate Relief (SBRR) if they only occupy one premises with a Rateable Value (RV) under £18,000 (or more than one premises if the others have a Rateable Value under £2,600).

1.2 Premises with an RV under £12,000 will have their business rates bill calculated using the lower SBRR multiplier and also receive a discount as shown in the table at 1.5. Premises with an RV between £12,000 and £17,999 will have their bills calculated using the SBRR multiplier but do not receive a discount. From April 2012 the requirement to only occupy one property is removed for the purpose of using the SBRR multiplier and any property with an RV under £18,000 will have its business rates bill calculated using the lower multiplier.

1.3 The multipliers are:

	Small Business Multiplier	Standard Multiplier
2012/2013	45.0p	45.8p
2011/2012	42.6p	43.3p
2010/2011	40.7p	41.4p

1.4 In the June 2010 Budget statement the Chancellor announced the Government were making the SBRR Scheme more generous for one year from 1.10.2010 to 30.9.2011 by doubling the percentage of the discount awarded. Subsequent announcements have now seen the higher discount extended to 31.3.2013.

1.5 The more generous scheme doubles the SBRR discount properties with a Rateable Value (RV) under £12,000 are entitled to as shown below:

RV	Pre 1.10.2010	1.10.2010 – 31.3.2013
< = £6,000	50%	100%
£7,000	42%	83%
£8,000	33%	67%
£9,000	25%	50%
£10,000	17%	33%
£11,000	8%	17%
> £12,000	0%	0%

1.6 Since its introduction in 2005 the Council has actively encouraged small businesses to claim the small business rate relief. Proactive steps have included targeted mailshots and follow up letters, press releases and publicity in Your Council.

1.7 Full information on small business rate relief, including an online application form, is available on the Council's website. The annual booklet sent with all new business rate bills also contains information on small business rate relief and rural rate relief.

1.8 The Council estimates that there are around 300 businesses that may qualify for small business rate relief that have not yet claimed. (some may be owners of more than one business and therefore ineligible at present). As one of the conditions of receiving relief is to complete an application form the Council will continue to encourage these businesses to apply. However from 1 April 2012 these businesses will automatically have their liability calculated using the small business multiplier.

2 Rural Rate Relief

1.1 Certain ratepayers in rural settlements are entitled to Mandatory Rural Rate Relief if their RV is below a set limit. The reliefs available are:

	RV limit	Mandatory Relief	Discretionary Relief
Sole Village Post Office	£8,500	50%	50%
Sole Village General Store	£8,500	50%	30%
Sole Village Pub	£12,500	50%	0%
Sole Village Petrol Station	£12,500	50%	0%
Village Food Shops	£8,500	50%	0%

3 Interaction Between Reliefs

3.1 The Non Domestic Rates legislation states that if a ratepayer is entitled to Mandatory Rural Rate Relief this must be awarded before any other reliefs. The legislation then goes on to state that SBRR may not be awarded where the ratepayer is entitled to any other Mandatory Relief, including Rural Rate Relief. This creates an anomaly in the legislation where a ratepayer cannot be awarded the more generous SBRR relief.

3.2 For example: a sole village pub with an RV of £5,575 qualifies for 50% Mandatory Rural Rate Relief giving a reduction of £1,206.99. If it was not the sole pub, or if it was not located in a rural settlement, and it was the only business the ratepayer was liable for, it would qualify for 100% SBRR:

	RV	Mandatory Relief – must be awarded	SBRR – can't be awarded	Impact
Sole Village Pub	£5,575	£1,206.99 (50%)	£2,375.95 (100%)	Worse off by £1,168.96
Sole Village Petrol Station	£7,000	£1,515.50 50%	£2,475.06 (83%)	Worse off by £959.56

3.3 Advice has been sought from Communities and Local Government (CLG) who have acknowledged the issue but are not proposing to amend any of the legislation. The advice given by CLG is:

"Local authorities have the power to top up the Mandatory Rural Rate Relief to anywhere up to 100 per cent. Any amount the authority tops up is funded 75 per cent by central government and 25 per cent by the authority. The government would expect local authorities to take full account of the central government funding support for discretionary rate relief when making their decisions".

3.4 Mandatory Rural Rate Relief and SBRR are fully funded by central government. Central government suggest local authorities award Discretionary Rate Relief to compensate for the difference with SBRR to remove the financial impact on ratepayers. The Council would have to meet 25 per cent of the cost.

4 Financial Implications

4.1 An analysis has been completed looking at the potential impact on businesses in rural areas adversely affected by the anomaly. There are 36 rural businesses which would pay less in business rates if they could receive SBRR rather than Mandatory Rural Rate Relief. These include rural pubs, shops and filling stations but not Post Offices as they already receive a top up of 50 per cent Discretionary Relief under the council's existing policy in addition to the 50 per cent Mandatory Rural Rate Relief. These rural businesses are worse off by between £32 and £1,277 a year.

4.2 The total cost per year to award Discretionary Rate Relief in these circumstances is approximately £22,000. Of this central government would meet 75 per cent of the cost totaling £16,500 and the Council would have to fund the remaining £5,500. The extended scheme runs now for 2 and a half years from I October 2010 to 31 March 2013. If the Council grants discretionary relief and backdates the claims then the additional cost over the period would be £13,750.

4.3 On 4 November 2008 Cabinet approved funding of £100,000 to support Discretionary Reliefs including Hardship Relief due to the financial crisis and more recently to support the Council's aim of supporting town centre businesses. A further £25,000 was approved by Cabinet on 6 May 2009. As at 1 April 2011 the balance of the fund was £58,000. In 2011/2012 the cost to the Council for Discretionary Relief is likely to be £24,000 excluding the addition of any costs associated with the 36 small businesses. However, as part of the February 2012 Monitoring Report £7,000 of the current year costs are shown as being able to be met from in year savings. This will reduce the call on the reserve to £17,000 leaving a balance of £41,000 as at 31 March 2012. Assuming the current level of spending continues through to 31 March 2013 then the balance on the fund will be reduced further by £24,000 leaving a balance of £17,000 which is sufficient to meet the costs of funding the additional relief to be given to the 36 businesses.

5 Policy Implications

5.1 If agreed the change would be an extension of the current Discretionary Relief Policy.

6 Background Papers

Small Business and Rural Rate Relief Legislation
Council Agendas and Minutes
Council Tax Bill Booklet

REPORT TO CABINET

<table>
<tr><td colspan="2">Open</td><td colspan="3" rowspan="2">Would any decisions proposed :

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N/A</td><td>Mandatory</td></tr>
<tr><td colspan="2" rowspan="2">Lead Member: Cllr Nick Daubney
E-mail: Cllr.nick.daubney@west-norfolk.gov.uk</td><td colspan="3">Other Cabinet Members consulted:</td></tr>
<tr><td colspan="3">Other Members consulted:</td></tr>
<tr><td colspan="2">Lead Officer: Debbie Gates
E-mail: Debbie.gates@west-norfolk.gov.uk
Direct Dial: 01553 616605</td><td colspan="3">Other Officers consulted: Management Team, Policy & Partnerships</td></tr>
<tr><td>Financial Implications
NO</td><td>Policy/Personnel Implications
YES</td><td>Statutory Implications
YES</td><td>Equal Impact Assessment
NO</td><td>Risk Management Implications
YES</td></tr>
</table>

Date of meeting: 3 April 2012

3 DATA QUALITY POLICY STATEMENT AND STRATEGY

Summary
This report presents to Cabinet a Policy Statement and refreshed Strategy for Data Quality, for use across the authority by officers and Councillors. Data of good quality ensures a solid foundation for decision making processes and it is a requirement for the Council to have in place such a policy.

Recommendation
It is recommended that the attached Data Quality Policy Statement and Strategy be recommended to Council for adoption.

Reason for Decision
To ensure the Council has in place a policy statement and strategy which outlines its approach, confirms its understanding of the importance of data quality and demonstrates its commitment to being consistent in its management of data quality within the organisation and in partnership with others.

1.0 Background

1.1 The Council has had a Data Quality Strategy in place since 2006 when the Audit Commission produced guidance and announced an inspection regime for local authorities.

1.2 Since the Coalition government came to power in May 2010, changes have been made to the audit regime that is in place for local authorities, and in data that local government is obliged to provide to external agencies. There has also been a move towards ensuring that local authorities are transparent in their operations. In light of these changes, and following the adoption of the Corporate Business Plan in

November 2011, the Data Quality Strategy has been reviewed and refreshed.

2.0 Scope

2.1 The Data Quality Policy Statement and Strategy covers all data and information within the Council, not just specifically performance data. The Strategy highlights that whilst ultimate responsibility for data quality lies with the Executive Director, Central Services and the Portfolio Holder for Corporate / Strategic Issues & Resources, data quality is in fact the responsibility of every member of staff entering, extracting or analysing data from any of the Council's systems.

3.0 The Strategy

3.1 The Strategy covers aspects of data quality which are already in place, but reaffirms the requirements and highlights the standards which underpin good quality data. It also outlines how the Council will ensure these are in place.

3.2 Reporting accurate information is important for informed decision making and performance reporting. Good quality data and presentation is essential since it provides information on the Council's performance to Councillors, staff and external stakeholders.

3.3 The document will be available to all Councillors and staff on Insite (the Council's intranet) and reviewed on a regular basis.

4.0 Policy Implications

4.1 The attached Data Quality Policy Statement and Strategy document refreshes the Council's approach to the cross cutting issue of data quality. A Policy Statement has been drawn up and added to the document, which states the Council's policy position on the issue.

4.2 The document will underpin the Corporate Business Plan and Performance and Corporate Monitoring reports.

5.0 Financial Implications

5.1 There are no financial implications, the attached refreshed document is building on existing good practice in place across the authority.

6.0 Staffing Implications

6.1 Where applicable, responsibilities around the quality of data is contained within Job Descriptions.

7.0 Statutory Considerations

7.1 The Data Quality Policy Statement and Strategy provides assurance that we are meeting our statutory duty to continuously improve our services.

8.0 Equality Impact Assessments (EIA)

8.1 An EIA pre-screening form has been completed; this has shown that this policy would not affect some groups of people differently according to their equality communities. A full equality impact assessment is therefore not required.

9.0 Risk Management

9.1 The Data Quality Policy Statement and Strategy assists the Council to manage the risks associated with poor quality data. Having robust arrangements in place to ensure data is accurate, timely and readily available, will allow managers and Councillors to make informed decisions.

10.0 Background Papers

2006 Data Quality Strategy (Cabinet in September 2006)
EIA pre-screen form (attached)

Borough Council of
King's Lynn &
West Norfolk

Data Quality Policy Statement and Strategy

April 2012

Introduction

As Leader of the Council, I have overall portfolio responsibility for the Council's performance management and data quality arrangements. Data of good quality ensures a solid foundation for decision making processes and as an authority, we place great emphasis on our data quality arrangements. Information produced by the authority is used extensively, both for decision making internally and by Central Government, for example, by DEFRA, the Food Standards Agency and the Department for Communities and Local Government.

Good quality decision making will help us achieve the actions and work towards the outcomes outlined in the Corporate Business Plan adopted by Council in November 2011.

Cllr Nick Daubney
Leader of the Council

Background

The Council has had a Data Quality Strategy in place since 2006 when the Audit Commission produced guidance and introduced a local authority inspection regime.

Since the coalition government came to power in May 2010, changes have been made to the audit regime that is in place for local authorities, and in the data that local government is obliged to provide to external agencies. Local Government is now required to provide data and information to various agencies through the 'Single Data List'[1] following the abolition of the statutorily determined National Indicator set.

This Data Quality Policy Statement and Strategy document outlines the refreshed approach adopted by the Borough Council of King's Lynn & West Norfolk to maintain and improve data quality arrangements, taking into account the changes in the national framework.

We aim to ensure that all the data the Council provides and uses is 'right first time'. All staff involved in the collection, collation and reporting of any data, including data relating to performance, have a responsibility to ensure that it can be relied upon and Service Managers should ensure they have sound procedures in place and adequate training and guidance is provided for staff.

Data Quality is a cross cutting issue across the organisation. The strategy within this document sets out the corporate framework for the management and accountability of data quality and aims to ensure a consistently high standard of data production and use across the Council's Directorates.

Debbie Gates
Executive Director
Central Services

For further information, support or guidance, please contact the Performance & Efficiency Team: Vanessa Dunmall ext 6804; Debbie Ess ext 6282

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[1] A catalogue of all the datasets that local government must submit to central government in a given year: http://www.communities.gov.uk/localgovernment/decentralisation/tacklingburdens/singledatalist/

Contents

1. Data Quality Policy Statement

1.1 The Borough Council of King's Lynn & West Norfolk understands the importance of data quality and is committed to being consistent in its management of data quality within the organisation and in partnership with others.

1.2 The Borough Council of King’s Lynn & West Norfolk is committed to ensuring that the data it produces adheres to the 7 principles of data quality:

Accurate: All data should be accurate for its intended purpose, represented clearly and in enough detail to enable informed decision making

Valid: All data should be recorded and used in accordance with relevant requirements, rules and definitions to ensure consistency across the board

Reliable: All data should reflect stable and consistent collection methods

Timely: All data must be available for its intended use within a reasonable time period, it must be available quickly and frequently enough to support information needs

Relevant: All data should be relevant to the purpose for which it is used

Complete: All relevant data should be recorded in its entirety, avoiding gaps in data and duplication of data

Secure: All data should be stored securely and confidentially where appropriate

1.3 It is the responsibility of all staff that input, store, retrieve or otherwise manage data to ensure that it is of the highest quality and to comply with the above principles.

1.4 The Borough Council of King's Lynn & West Norfolk will comply with all legislation affecting the creation and processing of data. This includes but is not limited to:

- The Data Protection Act 1998
- The Freedom of Information Act 2000
- The Human Rights Act 1998
- The Computer Misuse Act 1990

Cllr Nick Daubney	Ray Harding
Leader of the Council	Chief Executive
DATE	DATE

2. Data Quality Strategy

2.1 This strategy sets out standards for ensuring that we improve the accuracy, validity, reliability, timeliness, relevance, completeness and security of information we use to manage our services. It outlines the refreshed approach adopted by the Council in order to maintain and improve its data quality arrangements.

2.2 Good quality data is essential to support decision making and improved service outcomes. Data that is accurate, timely and readily available allows managers and Councillors to make informed decisions. Our data must be fit for purpose and accurate; however we must strike a balance between the value of good quality, timely information and the cost of collection.

2.3 Arrangements for data quality form part of corporate performance management and governance arrangements which focus upon achieving the Council's aims and objectives.

2.4 This strategy sets out the importance of the quality of the data that we use and our approach to improving it across the Council, in order to help with working towards the outcomes detailed in the Corporate Business Plan[2] and across all our services. It also provides guidance on management arrangements for ensuring we collect quality data.

3. Scope

3.1 This strategy is intended to cover all data that is entered onto computerised systems within the Council as well as any paper-based records. It covers data relating to service users, the delivery of services, financial management, service management, performance management, corporate governance and communications. In this regard, it should be noted that this policy is not restricted to just performance indicators.

3.2 Service user data is held on a number of information systems owned by the Council or accessed under Service Level Agreements with partner organisations. The Council also operates a range of information systems that support its business processes. This strategy applies to all staff who use, or supply data that is input to, those systems. It outlines good practice and identifies the roles and responsibilities of both the Authority and its staff in terms of data quality.

3.3 As a local authority, we aim to provide services at appropriate levels of quality for residents and service users, whilst reducing costs. The outcomes we want to work towards during the period 2011/12 to 2014/15, detailed in our Corporate Business Plan, are that 'People in West Norfolk:

- benefit from a growing economy
- live in a quality environment
- maximise their potential
- lead safe and healthy lives
- live in thriving communities'

[2] See the Corporate Business Plan at http://www.west-norfolk.gov.uk/Default.aspx?page=22798

We also have a sixth aim set out in the Corporate Business Plan, which outlines how we want to use the Council's resources. The Data Quality Strategy supports achievement of the Corporate Business Plan and is a cross cutting issue across the authority.

4. Responsibilities

4.1 The **Portfolio Holder for Corporate/Strategic Issues & Resources** (the Leader of the Council) has overall responsibility for the strategic management of data quality in the organisation.

4.2 The **Executive Director, Central Services** has overall responsibility for the operational management of data quality.

4.3 The **Chief Executive and Executive Directors** (individually and/or collectively) have responsibility for ensuring that their Directorate has effective data processes in place for dealing with service user data, monitoring information on performance and for ensuring that operational responsibilities for data quality have been delegated to individuals.

4.4 **Service Managers** are responsible for contributing to the integration of performance management into their area and for ensuring the quality of all data collected and reported within their areas of responsibility.

4.5 The **Performance & Efficiency Team** supports performance management and data quality overall within the Council. Support is also provided to Directorates in the creation of data processes that support monitoring, including advice and guidance regarding the collection and calculation of data for performance indicators.

4.6 **Internal Audit** provides an independent review of the corporate approach to data quality arrangements. If data quality issues are identified through the course of an audit, whether linked to performance indicator data or not, this will be raised in reports produced.

4.7 **Managers / Supervisors / Team Leaders** ensure that their staff have access to and are familiar with corporate requirements and departmental procedures on data quality. General responsibilities relating to data quality, where appropriate to the role, are outlined in individual Job Descriptions.

4.8 The **Corporate Induction** process, which covers new staff at the commencement of their employment, will be developed to cover the importance of data quality when it is next revised. In the meantime, new staff are made aware in the induction of data protection and freedom of information requirements, both of which underpin the quality, use and accuracy of data.

4.9 **All staff** have a responsibility to ensure that all data collection and input processes should have an audit trail. Any training and development issues identified in the course of data entry, reporting or during an audit (whether internal or external) should be addressed promptly.

4.10 All staff will be made aware of the authority's Whistleblowing policy[3]. This will allow individuals who may have concerns about the quality of data and experience difficulties in resolving them in the normal way, the opportunity to relay them to an appropriate senior member of staff.

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[3] http://insite.west-norfolk.gov.uk/corporate_documents/Council%20Policies/Whistleblowing%20Policy.pdf

5. Standards

5.1 There are a number of standards that underpin good data quality. Failure to work to these standards introduces the possibility of inaccuracies and therefore poor data quality. These standards are outlined below.

5.2 **Awareness and responsibilities:** Ultimate responsibility for data quality lies with the Executive Director, Central Services and the Portfolio Holder for Corporate/Strategic Issues and Resources. However, data quality is the responsibility of every member of staff entering, extracting or analysing data from any of the Council's information systems. Every relevant officer should be aware of their responsibilities with regard to data quality. The commitment to data quality will be communicated clearly throughout the Council to reinforce this message.

Some officers will have overall responsibility for the quality of data on a particular system but this does not exempt others from the responsibility to ensure that data is accurate and up to date.

Responsibility for data quality should be reflected in job descriptions and the Performance Management appraisal process. Managers are encouraged to ensure that suitable appraisal targets and paragraphs in job descriptions are included.

5.3 **Validity:** Data validity is the correctness and reasonableness of data. All data held on the Council's data systems must be valid. Wherever possible, computer systems will be programmed to only accept valid entries. Examples of this may include data where the number must fall within a specific range of numbers, or a date format, and controls can be put in place where only the correct format of information is accepted.

Data should be relevant and appropriate to the purpose for which it is required. It should be capable of answering the right question.

5.4 **Completeness:** All mandatory data should be completed and up to date. Use of default data and codes will only be used where appropriate and not as a substitute for real data. Missing data should be reported back to the relevant Manager for immediate follow up.

5.5 **Consistency:** Data use should be consistent and there must be adequate controls over the input of data. This should include formats (such as names) as well as the data itself. Systems-produced figures or information is only as good as the data input into that system in the first place. It is important that clear guidelines and procedures for using systems exist and that staff are adequately trained to ensure that information is being entered consistently and correctly. Where appropriate, and to maintain consistency, data is reused where it is known to be accurate rather than duplicating processes which increases the chances of inconsistency.

5.6 **Coverage:** Data exists which covers all Council operations. Managers are responsible for ensuring that internal checks are undertaken regularly to identify missing or incomplete data. These data quality standards will apply to all data and systems within the Council.

5.7 **Accuracy:** Data requirements should be designed along the principle of 'getting it right first time', or 100% accuracy 100% of the time, in order to avoid waste in the form of time and money spent on cleansing data, interfacing between different information systems, matching and consolidating data from multiple databases, and maintaining outdated systems.

Even where there are controls over input of data, to minimise errors a verification procedure should exist close to the point of data input. The frequency of checks should be consistent with the complexity of the data and frequency of data reporting.

The simplest verification system might be a review of recent data against expectations, or a reconciliation of systems-produced data with manual input records. Depending on the complexity of the system, it might be necessary to undertake more thorough verification tasks, such as:

- data cleansing, for example, to remove duplicate records, to fill in missing information or to ensure a consistent format;
- sample checks to eliminate reoccurrence of a specific error, for example, checking one field of data that is pivotal to a Performance Indicator against documentation, for a sample of cases;
- a test run of a report output, to check the integrity of the query being used to extract data; and
- spot checks.

5.8 **Timeliness:** A key requirement is that data should be entered on an ongoing basis and not stored up to be entered in a block at the end of a period. This reduces the error rate and the need for complex verification procedures.

All data should be recorded and input to a timetable, which will enable that data to be collected and reported in line with internal and external deadlines.

5.9 **Reliability:** Data should reflect stable and consistent collection processes across collection points, whether using manual or computer-based systems, or a combination.

Managers should be confident that progress against performance targets reflects real variations rather than changes in data collection approaches or methods.

6. Performance data

6.1 At a corporate level, the Council monitors a suite of performance indicators, as well as achievement across the organisation against the actions outlined in the authority's Corporate Business Plan. The information is reported to Councillors and staff through the Council's Intranet, Insite and also to the Resources & Performance panel on a regular basis. The data for these performance reports are provided by departments to the central Performance & Efficiency team.

6.2 Data for the Performance Indicator report is keyed by data collectors in individual departments into a database internally devised during 2011, which is held on the Insite system. The Performance & Efficiency team provide guidance for the data collectors and controls are in place between data collectors and the Performance & Efficiency team to ensure the data is robust.

7. Monitoring, assurance and review

7.1 Data quality will be subject to internal control, monitoring and review in the following ways:

- Data will be checked within departments prior to being reported.
- Internal audits will be conducted where areas of high risk to internal controls have been identified. Recommendations will be produced, implemented and reported in line with agreed audit arrangements.
- The Corporate Risk Register details major corporate risks which include items related to data, for example, risks such as loss of data, access to data during large scale change, etc. The register is reviewed by Management Team on a quarterly basis and changes reported to the Audit & Risk Committee on a half-yearly basis.
- The Council will act on enquiries made by service users in relation to the quality of data reported and will undertake remedial action suggested by external inspectors where appropriate.
- In addition to regular 'reasonableness' checks made each quarter on receipt of performance data, the Performance & Efficiency team will undertake
    - spot checks (made through a risk based approach) on data provided for the purposes of performance reporting; the volume of these spot checks per annum will be agreed by the Executive Director, Central Services;
    - an annual verification check on the base data used, where Service Managers will be asked to confirm that the data submitted is accurate.
- Any issues identified relating to data quality will be integrated with reports on performance and considered by the relevant Executive Director, who will put in place actions regarding the improvement of data quality.

This policy statement and strategy will be reviewed every four years in conjunction with the new Corporate Strategy / Business Plan or sooner if deemed appropriate.

REPORT TO CABINET

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<tr><td colspan="3">Other Members consulted:</td></tr>
<tr><td colspan="2">Lead Officer: Dale Gagen
E-mail: dale.gagen@west-norfolk.gov.uk
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If YES: Pre-screening/ Full Assessment</td><td>Risk Management Implications
YES</td></tr>
</table>

Date of meeting: 3 April 2012

4 UPDATE ON THE NORA HOUSING JOINT VENTURE AND THE ROLE OF NORFOLK COUNTY COUNCIL IN THE PROJECT

Summary
This report informs Members of the current position of Norfolk County Council (NCC) funding for the project and seeks permission to re-engage with Norfolk County Council, with the intention to enter into the Joint Venture agreement.

Recommendation
1. That the Chief Executive in consultation with the Portfolio Holder for Regeneration and Commercial Services be authorised to finalise the legal agreement with Norfolk County Council for the joint venture.
2. That a further report be brought to update the project plan for phase 1a, before a contract is let to build the first 19 housing units.

Reason for Decision
To progress the development of the NORA housing land.

1. Background

1.1 The Borough Council of King's Lynn and West Norfolk has led the redevelopment of the Nar Ouse Regeneration Area (NORA) since its inception in 1998. NORA aims to deliver the comprehensive regeneration of an area of around 53 hectares of underused and derelict land extending from Boal Street to the A47 adjacent to South Lynn. The Council has worked in partnership with the East of England Development Agency (EEDA), English

Partnerships (now the Homes and Communities Agency), Norfolk County Council and developers Morston Assets to deliver the NORA Millennium Community on the southern site since 2002. Throughout the programme, community stakeholders have been actively engaged in the development of detailed plans through the NORA Consultative Group.

1.2 The scale, complexity and scope of the Council's regeneration programme for a district level authority is exceptional. The Economic Regeneration Service Inspection by the Audit Commission (AC) in 2009 drew particular attention to the Council's capacity to deliver its ambitions, particularly during the recent recession. The AC recommended that the Council should take stock of future economic regeneration plans in light of the findings of their report, using it to develop more robust alternative delivery plans...'

1.3 Officers investigated options to address the limitation faced by the Council in terms of its capacity and available capital resources to deliver the regeneration programme. This resulted in an agreement with Norfolk County Council (NCC) to create a contractual Joint Venture to deliver the first phase of residential units on the Council's land at the NORA, which was approved by Cabinet on 3rd April 2010. This approach also gave access to NCC capital funding and housing related specialist expertise and staffing capacity that are currently restricting the Council's ability to deliver the housing for NORA.

1.4 Under the Joint Venture NPS (one of the NCC's framework contractors) staff took responsibility for delivering the project which includes all services relating to the design of the scheme supported by officers from the Borough Council.

1.5 An initial design review was undertaken in 2009 and draft issue of the master plan developed. In June 2010 NPS was commissioned to develop the master plan further to develop the design to a stage where a contractor could be brought on board.

1.6 The scheme was given planning permission on 10th October 2011

2 The current Position of the NCC

2.1 On the 10th November 2011 the NCC informed the Council that they intended to suspend their commitment to the NORA Joint Venture until they had reviewed all their capital commitments. We have now been informed that this review is complete and that they wish to rejoin the project and sign the Joint Venture agreement.

3 Development Position of the Site

3.1 The site now has planning permission, but before it can be developed one condition relating to human health and controlled water issue needs to be discharged. Following the report to Cabinet on the 6th December 2011, these works were started and the results of the work should be available in April 2012.

3.2 Tenders to build the first phase based on the cost of one of the units have been received. Based on the tendered figure and other associated costs the first phase (1A 19 units) would make a small profit of £168,150. These figures are currently being developed into a fixed price for the whole of phase 1A to try and reduce the risk of developing in these difficult times. Negotiations with the proposed main contractor are also ongoing and officers expect to be able to produce a final report on the viability of building the infrastructure for the site and the first 19 units. If works continues to plan this report should be available in April 2012 which should allow for a start on site during May with the housing element starting in August 2012.

4 Policy Implications

4.1 The contents of this report are in line with the Councils policy to develop the NORA site.

5 Financial Implications

5.1 The terms of reference for cost sharing to date have been that each participating organisation contributes equal shares towards the approved costs of the Joint Venture. Prior to the recent Government budget cuts this arrangement also included the Homes and Communities Agency (HCA). Once the Joint Venture is live / signed (originally planned for December 2012), each member is due to put in their agreed contribution. For us 2.5 acres of land, for the NCC £1,000,000 cash.

5.2 The following is a summary of costs incurred to date on the project and how it has been funded. The Borough Councils contribution is currently charged against the £1,000,000 provision for the Joint Venture.

Contractor	**Description of Work**	**£**
Harvey & Co	Market Appraisals	2,625
Eversheds	Legal Work on Joint Venture	20,304
NPS	Work to Bring the Site Forward	651,141
Borough Council	Planning Fees	27,065
Total Cost to Date		**701,135**

Funding	
Borough Council	338,016.84
Homes and Communities Agency	25,101.33
NCC	338,016.83
Total Funding To Date	**701,135.00**

5.3 The following is a summary of works currently underway to make the site ‘fully developable’.

Description of Work	£
Geotechnical Work	39,000
Project Management Etc	19,950
Environmental Works	49,710
Total	**108,660**

5.4 Once the Joint Venture is signed all our contributions to date and future expenditure (up to a total of £1 million), will be met from NCC’s £1 million contribution. After the £1 million sum had been exhausted, costs will be charged to the Joint Venture account and funded by prudential borrowing, until the housing units have been built and sold.

5.5 The current appraisal assumes that the £1 million land value is used in the development and apportions the remaining land value over the whole development in equal amounts. This equates to £331,000 per acre. As such if the development merely broke even the Borough Council should have a surplus of £3,650,000 (equates to £331,000 per acre after the £1 million subsidy) for land value.

6 Staffing Implications

6.1 There are no direct staffing implications associated with this report.

7 Statutory Considerations

7.1 There are no statutory considerations associated with this report.

8 Equality Impact Assessments (EIA’s)

8.1 There are no detrimental impacts from equality impact assessment scoping undertaken in relation to this proposal.

9 Risk Management

9.1 The initial reason the Council was progressing the Joint Venture with NCC was to reduce the risks to this Council by sharing them with NCC. The main risk appears negated by the use of the Joint Venture related to the capacity and expertise in bringing forward a housing development. NCC will also contribute a further £661,983.17 representing the remaining contribution due under the Joint Venture contract. On this basis they would also share in 50% of any profits made in developing the site. By utilising NCC contracts and staff the ‘expertise’ risk has been reduced and is demonstrated by the site being almost ready for the final stage of development.

9.2 The other main development risks outstanding on this site relate to issues such as :-

(i) The market drops further as a result of the continuing economic problems and as a consequence the Council decides not to progress the development at this time. However the works to date will have added value to the site and the site could be sold or developed once market conditions allowed.

(ii) Some of the works identified in this report may find additional cost associated to the site (roads and utilities might need piling). These investigations are in themselves risk mitigation methods in that it will ensure we understand the full cost of developing this site.

(iii) There is also a risk that if the work does not start that planning permission in the future could lapse.

9.3 There are also other financial risks associated with the development these relate to the building costs and the sales income associated with the project. The cost side is being mitigated by negotiating fixed price contracts for all the works and reducing development risk as far as possible. The sale income area is being managed by obtaining up to date market intelligence and by developing the site in phases of 19 to 30 units at a time.