

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



# **Audit Committee**

## **Agenda**

**Monday, 27th November, 2017  
at 5.00 pm**

in the

**Council Chamber  
Town Hall  
Saturday Market Place  
King's Lynn  
PE30 1EX**





**King's Court, Chapel Street, King's Lynn, Norfolk, PE30 1EX**  
**Telephone: 01553 616200**  
**Fax: 01553 691663**

17 November 2017

Dear Member

**Audit Committee**

You are invited to attend a meeting of the above-mentioned Panel which will be held on **Monday, 27th November, 2017 at 5.00 pm** in the **Council Chamber, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ** to discuss the business shown below.

Yours sincerely

Chief Executive

**AGENDA**

**1. Apologies**

**2. Minutes (Pages 6 - 29)**

To approve the minutes from the Audit Committee held on 4 September 2017.

**3. Declarations of Interest**

Please indicate if there are any interests which should be declared. A declaration of an interest should indicate the nature of the interest (if not already declared on the Register of Interests) and the agenda item to which it relates. If a disclosable pecuniary interest is declared, the Member should withdraw from the room whilst the matter is discussed.

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

**4. Urgent Business Under Standing Order 7**

To consider any business which, by reason of special circumstances, the

Chairman proposed to accept as urgent under Section 100(b)(4)(b) of the Local Government Act 1972.

**5. Members Present Pursuant to Standing Order 34**

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

**6. Chairman's Correspondence (if any)**

**7. Training Session for All Members - Budget**

**8. Annual Audit Letter for year ending 31 March 2017 (Pages 30 - 54)**

**9. Business Continuity - Annual Update (Pages 55 - 59)**

**10. Corporate Risk Register Monitoring Report (Pages 60 - 67)**

**11. Mid Year Treasury Report (Pages 68 - 82)**

**12. Internal Audit Half Year Progress Report (Pages 83 - 92)**

**13. Budget Monitoring Report (Pages 93 - 110)**

**14. Committee Work Programme 2017/2018 (Pages 111 - 114)**

To note the Committee's Work Programme for 2017/2018.

**15. Date of Next Meeting**

To note that the date of the next meeting of the Audit Committee will take place on Monday 12 February 2018.

To:

**Audit Committee:** Mrs J Collingham, J Collop, M Hopkins (Vice-Chairman), P Kunes, C Manning, G Middleton, D Pope (Chairman), T Smith and T Tilbrook

**Portfolio Holders:**

Items 7, 8, 8, 11 and 13

Councillor B Long - Leader

Items 10 & 12

Councillor P Hodson, Portfolio Holder - Performance

**Management Team Representative:**

Lorraine Gore, Executive Director

**Appropriate Officers:** The following officers are invited to attend in respect of the Agenda item shown against their name:

- Item 7: Toby Cowper, Group Accountant
- Item 8: Lorraine Gore, Assistant Director
- Item 9: Martin Chisholm, Business Manager
- Item 10: Becky Box, Policy, Performance and Personnel Manager
- Item 11: Toby Cowper, Group Accountant
- Item 12: Kathy Woodward, Audit Manager
- Item 13: Lorraine Gore, Executive Director and Toby Cowper, Group Accountant

**BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK****AUDIT COMMITTEE**

**Minutes from the Meeting of the Audit Committee held on Monday, 4th September, 2017 at 5.00 pm in the Card Room - Town Hall, Saturday Market Place, King's Lynn PE30 5DQ**

**PRESENT:** Councillor D Pope (Chairman)  
Councillors Mrs J Collingham, J Collop, P Kunes, C Manning, G Middleton,  
T Smith and T Tilbrook (Vice-Chairman)

**Portfolio Holders**

Councillor B Long, Leader

Councillor P Hodson, Portfolio Holder – Performance

Councillor Mrs K Mellish, Portfolio Holder – Facilities and ICT

**Officers:**

Toby Cowper, Group Accountant

Emma Duncan, Monitoring Officer and Legal Services Manager

Richard Godfrey, ICT Manager

Lorraine Gore, Executive Director

Kathy Woodward, Audit Manager

**A29 APPOINTMENT OF VICE-CHAIRMAN**

**RESOLVED:** That Councillor T Tilbrook be appointed Vice-Chairman for the meeting.

**A30 APOLOGIES**

None.

**A31 MINUTES**

The minutes of the Audit Committee held on 31 July 2017 were agreed as a correct record and signed by the Chairman, subject to the following amendment:

A23: Statement of Accounts and

A24: External ISA 260 Report

Councillor Tilbrook asked if new recruits to the Borough Council's subsidiary companies needed to join the local authority final salary pension scheme, and it was confirmed that this was not the case. New recruits to these organisations currently were offered the local authority final salary scheme, but this does not have to be the case in the future. The Borough Council could change the type of pension offered to a

simple money purchase scheme. This would reduce the Borough Council's long term liability.

A32 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

A33 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A34 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

A35 **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was none.

A36 **PRESENTATION ON IT BACK-UP SYSTEMS**

The Committee received a presentation from the ICT Manager, a copy of which is attached to the Minutes.

The Committee was invited to comment/ask questions, a summary of which is set out below.

The ICT Manager responded to questions relating to:

- Length of time information was retained on the IT servers.
- Council having its own dedicate line for IT services. Currently 100mg but being upgraded to provide a faster service.
- Business Continuity Exercise included previous scenario of the IT failing in King's Court when a role play exercise was undertaken.
- UPS system.
- Two separate back up systems. A new server had been acquired specifically for CCTV.
- Back up generator. A new more powerful generator would be installed in King's Court.
- Resources to maintain defences to prevent information being stolen/leaked inappropriately.
- ICT Development Group.

The ICT Manager was asked if it was felt that the Council had the correct level of resources required and the support needed to keep the Borough Council's IT system secure. In response, the ICT Manager advised that additional resource was always welcome, but that in his

opinion at the present time the Council had sufficient resource to ensure the authority was well protected.

The Chairman, Councillor Pope thanked the ICT Manager for the most interesting and informative presentation.

A37

### **MONITORING OFFICER REPORT 2016/2017**

The Monitoring Officer presented the report which summarised the more important matters arising from the Monitoring Officer's work for the Borough Council from 1 April 2016 to 31 March 2017 and commented on other issues.

The Monitoring Officer advised the Committee of an update since the publication of the Agenda. The Committee was informed that following an Ombudsman decision, a payment of £100 had been made regarding a planning issue .

The Committee noted that the key issues for 2017/2018 were as follows:

- Further work with the parishes would be beneficial in reducing the number of complaints and raising the standards of governance.
- Code of Conduct: To undertake Member training.
- Corporate Governance Framework: The Council will keep the Code of Corporate Governance under review, taking into account any revisions to associated guidance and any recommendations arising from audit reports. The Monitoring Officer will continue to provide an assurance in respect of the Code and the Annual Governance Statement.
- Constitution and Regulations: The Constitution will continue to be kept under review by the Monitoring Officer working closely with the Democratic Services Team. It will be appropriate to continue to remind Members and staff of the importance of compliance with the Council's regulations, as set out in the Constitution and other policy framework documents, and the Monitoring Officer and other staff will give advice accordingly.

In conclusion, the Monitoring Officer advised that in her opinion the systems of internal control administered by the Monitoring Officer including the Code of Conduct and the council's Constitution, were adequate and effective during the year between April 2016 and March 2017 for the purposes of the latest regulations (subject to the areas outlined in the report).

The Monitoring Officer gave an example of a trial being undertaken at North Norfolk District Council where a newsletter was produced for Parish Councils and there was a specific section for Parish Clerks on subject matters such as how to deal with Freedom of



Information requests, excluding the press and public for a meeting, etc.

The Monitoring Officer responded to questions/comments relating to:

- Process for dealing with complaints received from Parish Councils.
- Training courses available for Parish Clerks.
- Norfolk Association of Town and Parish Councils help to signpost Parish Councils.
- Complaints received 1 April 2016 to 31 March 2017, 19 complaints were received and at least 15 out of 19 relating to Parish Councils.
- Role of Independent Person.
- Training on Code of Conduct for Members – potential for a refresher to be given to all Members as a pre-Council Briefing.

**RESOLVED:** 1) That Committee noted the Monitoring Officer Annual Report 2016/2017.

2) Consideration be given to update Members on the Code of Conduct at a future pre-Council briefing.

A38

### **TREASURY OUTTURN REPORT**

The Group Accountant presented the report and advised the Committee that the Annual Treasury Outturn Report looked backwards at 2016/2017 and covered:

- The 2016/2017 Treasury Outturn.
- Compliance with Treasury Limited.
- Outturn Summary.

Additional supporting information:

- Appendix 1 – Investments as at 31 March 2017.
- Appendix 2 – Borrowing as at 31 March 2017.
- Appendix 3 – Prudential Indicators.
- Appendix 4 – Treasury Benchmarking Group.
- Appendix 5 – The Economy 2016/2017.

The Committee was invited to ask questions, a summary of which is set out below.

The Group Accountant responded to questions relating to the Council's investments and the advice received from the Treasury Advisors.

The Group Accountant provided clarification on paragraph 3.3 and explained that the Council obtained advice from the Treasury/Sector/Capita and followed their method to invest in the market and highlighted the 3 credit rating agents.

The Group Accountant and Leader, Councillor Long responded to questions and comments on AAA rating.

The Executive Director responded to questions from Councillor Collop on Gaywood Community Centre. Councillor Collop commented that he would discuss the Community Centre in more detail outside of the Panel meeting.

Following questions on the actuals figures as at 31 March 2017, the Group Accountant explained that the differences related to the housing projects and the new road off Edward Benefer Way to Lynnsport.

In response to questions relating to paragraph 2.2, the Group Accountant explained that the Council's received advice from Sector, but the Council could if it so wished take more risk with investment and management of debt. The Leader, Councillor Long advised that Cabinet took different approaches to utilise funds in order to achieve a better return and gave an example of housing development rather than traditional ways of investment..

The Executive Director explained that every year the Treasury Strategy set the parameters in which the Council operated. In March 2017, the Audit Committee received the proposed Investment Strategy which set out options on using funds which were different from traditional investments.

In response to questions as to why the Council's actual borrowing had reduced from £17m to £13m, and Capital expenditure increasing from £11m to £19m, the Group Accountant explained that the gap was funded from internal reserves and used for cash flow for housing development on a short term basis. It was explained that the Council could borrow £13m on a long term basis. The Executive Director advised that not all funding was obtained solely from borrowing, but from a combination of reserves, grants, assets and borrowing. Capital receipts received during 2016/2017 helped to fund the capital expenditure. The Leader, Councillor Long added that the Council always had liquid assets for day to day operational purposes. The property investment in King's Lynn provided a safe and sound investment, but provided no guarantee. The importance of having a balanced portfolio was highlighted. The Council had a technical limit in that it could not borrow more than what it could afford to borrow. The Executive Director provided the Committee with details relating to the Council's Investment Strategy.

The Executive Director explained that some of the Council's money was invested in banks on a short term basis.

In response to question as to why the Council borrowed at a higher rate, the Executive Director explained that the Council had previously taken out 70 year loans. The Group Accountant that the Council remained tied in to the loans for another 60 years and early repayment of those loans would incur penalties. The Executive Director added that the loan term loans were taken out during the stock transfer period and it had considered to be a competitive long term loan at a comparable interest rate. The Executive Director undertook to forward the information in a table format to the Audit Committee.

Following questions from the Chairman, Councillor Pope on investments end dates and the £8m now available to reinvest. The Group Accountant explained that the money would be held on a short term basis and invested in the money market and also be used for corporate projects, details of which were reported in the Monthly Monitoring Reports.

The Chairman, Councillor Pope thanked the Group Accountant for presenting the report.

**AGREED:** The Audit Committee noted the Actual Treasury Outturn 2016/2017.

A39

#### **UPDATE - INTERNAL AUDIT TERMS OF REFERENCE**

In presenting the report the Audit Manager explained that the Internal Audit Terms of Reference were last reviewed in 2013/14 and were therefore overdue a review as part of the three year review process. The documents had been reviewed and the results were being presented to the Committee to consider and comment on before they were adopted by the Internal Audit Team.

The Audit Manager advised that the changes mainly related to:

- Development of a Quality Assurance Improvement Programme (QAIP).
- Deletion of the Deputy Chief Executive role and transfer of responsibilities to Executive Director (S151 Officer).
- Change in title from 'Audit and Risk Committee' to 'Audit Committee'.
- Updates in relation to the Accounts and Audit Regulations 2016.
- Minor corrections to grammar and spelling.

The Committee were advised of the options considered set out below:

1. Adopt the revised the Internal Audit Terms of Reference to ensure the Council had relevant and up-to-date procedures and policies.

2. Remain with the existing Internal Audit Terms of Reference, which were no longer fully relevant or fit for purpose.

Councillor Collop made reference to the Audits being published on Insite and the Audit Committee accessing the documents and asked if there was a mechanism by alerting Members the information had been published. The Audit Manager undertook to liaise with IT to see if an alert could be sent to the Audit Committee on publication of audits.

**RESOLVED:** The Committee considered the changes made to the Internal Audit Terms of Reference and recommend approval for adoption of these revised documents.

A40 **COMMITTEE WORK PROGRAMME 2017/2018**

The Committee noted the Working Programme for 2017/2018.

The Chairman, Councillor Pope invited Members to put forward any future Agenda items for consideration.

The Chairman reminded that Committee that at the next meeting on 27 November there would be a budget training session and that all Members would be invited to attend.

A41 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will be held on Monday 27 November 2017 at 5.00 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn.

**The meeting closed at 6.12 pm**



# ICT Backups

Richard Godfrey – ICT  
Manager



## 1 Introduction

- How many people store photos/files on their computers?
- How many people actually back them up?
- How many people know how to recover them?
- Many don't, family members / friends often ask me to help as it can be complex for non IT people.
- Can you use the cloud?

Yes, the cloud is just somewhere to store files that is managed by a 3<sup>rd</sup> party.



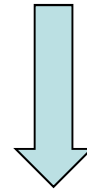
## 2 Why do we backup files and systems?

- Businesses rely on ICT more than ever.
- Software can be reinstalled but your data is priceless.
- To prevent loss of data.
- Causes of data loss – Corruption, accidental deletion or overwrite, virus, phishing attack, PC failure, hacking, theft, power failure/spikes.

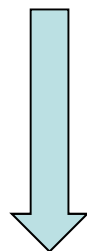


## 3 ICT backups at BCKLWN

### 3.1 Flow of data – user inputs data

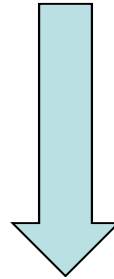








ComputerHope.com



## 3.2 What is the scale of what we backup?

- Systems wise – we backup over 60 business applications including Revenues and Benefits, Financials and Email.
- Size of backups taken: 2.0Tb and 1 million changed files per day
- Number of servers backed up? 200
- How often are backups taken? Daily
- Total amount stored in our backup system 100Tb – equivalent to over 1 billion pages of plain text
- How long do we keep backups? 30 days for systems and 365 days for files



### 3.3 How / where do we backup files?

Systems and files are initially stored in our Datacentre in King's Court.

BCKLWN has two IT backup solutions in place:

a) Spectrum Protect software backup system.

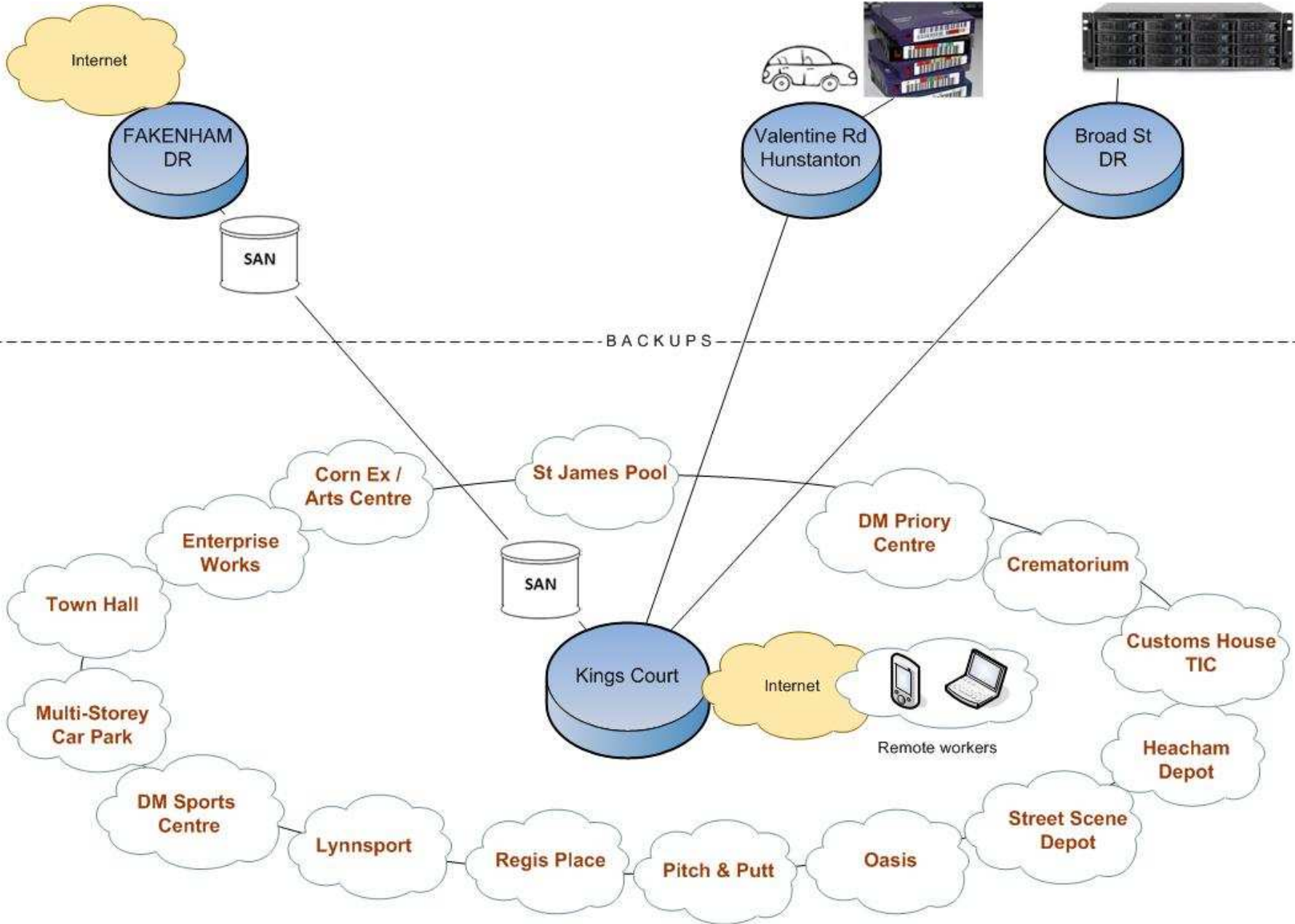
- An archive solution provided by IBM which provides for both full and incremental backup of the Council's data
- Stored at Broad Street
- Weekly transfer of backup tapes to a Council site in Hunstanton.



## b) Storage Area Network (SAN) solution

- Provided by Dell
- Effectively replicates a snapshot of Kings Court Data Centre data to a Disaster Recovery (DR) site.
- Daily electronic transfer via dedicated cable, at a facility in Fakenham which is shared with North Norfolk District Council (NNDC)
- recover recent live data in the event of a partial or total loss of data) as key deliverable and is not therefore designed as a method of archiving for extended periods of time.





425 22



## 3.4 What controls do we have in place?

### Backup Controls

- Firstly, I requested internal audit undertake an audit of our ICT Backup procedures and Disaster Recovery in 2016. The overall level of assurance was ‘Substantial Assurance’
- Where possible backups are run overnight and are completed before 7am on working days.
- Backups are stored in secure locations. A limited number of authorised personnel have access to the backup application and media copies.



## Backup Validation

- The IT Backup systems have been designed to ensure that routine backup operations require no manual intervention.
- The IT department monitor backup operations and the status for backup jobs is checked on a daily basis during the working week.
- Any failed backups are re-run where possible the next working day. If this subsequently fails, the system owner is notified and it would be their decision to either take the system down for a backup or retry the following day.





## Backup Restore

- Data is available for restore within a few minutes of a backup job completing on the daily schedule.
- Data will be available during the retention policy of each backup job.
- Requests for data recovery / restores are submitted to the IT Service desk.
- A log of restored jobs is maintained.



### 3.5 Resources Required

- The ICT Security Officer has day to day responsibility for maintaining the system and producing the necessary documentation and providing training for other members of staff.
- An ICT Technical Services Analyst has been identified to act as second line support to the ICT Security Officer.
- A member of the ICT Business Systems team checks / co-ordinates any system backup reporting or issues.



## 3.6 Future Developments

- E-services and an influx of new technologies is changing how we do business.
- There is now a notion of 'always on' systems.
- ICT are looking at ways to improve our backup systems to enable more 'hot backups'.
- E.g. No need to shut systems overnight to back them up.
- 'Veeam' is a product we have invested in, to facilitate a reduction in backup times and enable faster recovery times.



Thank you for listening - any questions?





# Borough Council of King's Lynn & West Norfolk

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP

Agenda Item 8

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Public Sector Audit Appointments Ltd (PSAA) has issued a “Statement of responsibilities of auditors and audited bodies”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment (updated 23 February 2017)” issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

**Our Complaints Procedure** - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

## Executive Summary



## Executive Summary

We are required to issue an annual audit letter to Borough Council of King's Lynn & West Norfolk (the Council) following completion of our audit procedures for the year ended 31 March 2017.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Council's:</b> ▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Statement of Accounts.
<b>Concluding on the Council's arrangements for securing economy, efficiency and effectiveness</b>	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
<b>Reports by exception:</b>	
▶ Consistency of Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
<b>Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).</b>	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 19 July 2017, and presented to the 31 July Audit Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 31 July 2017.

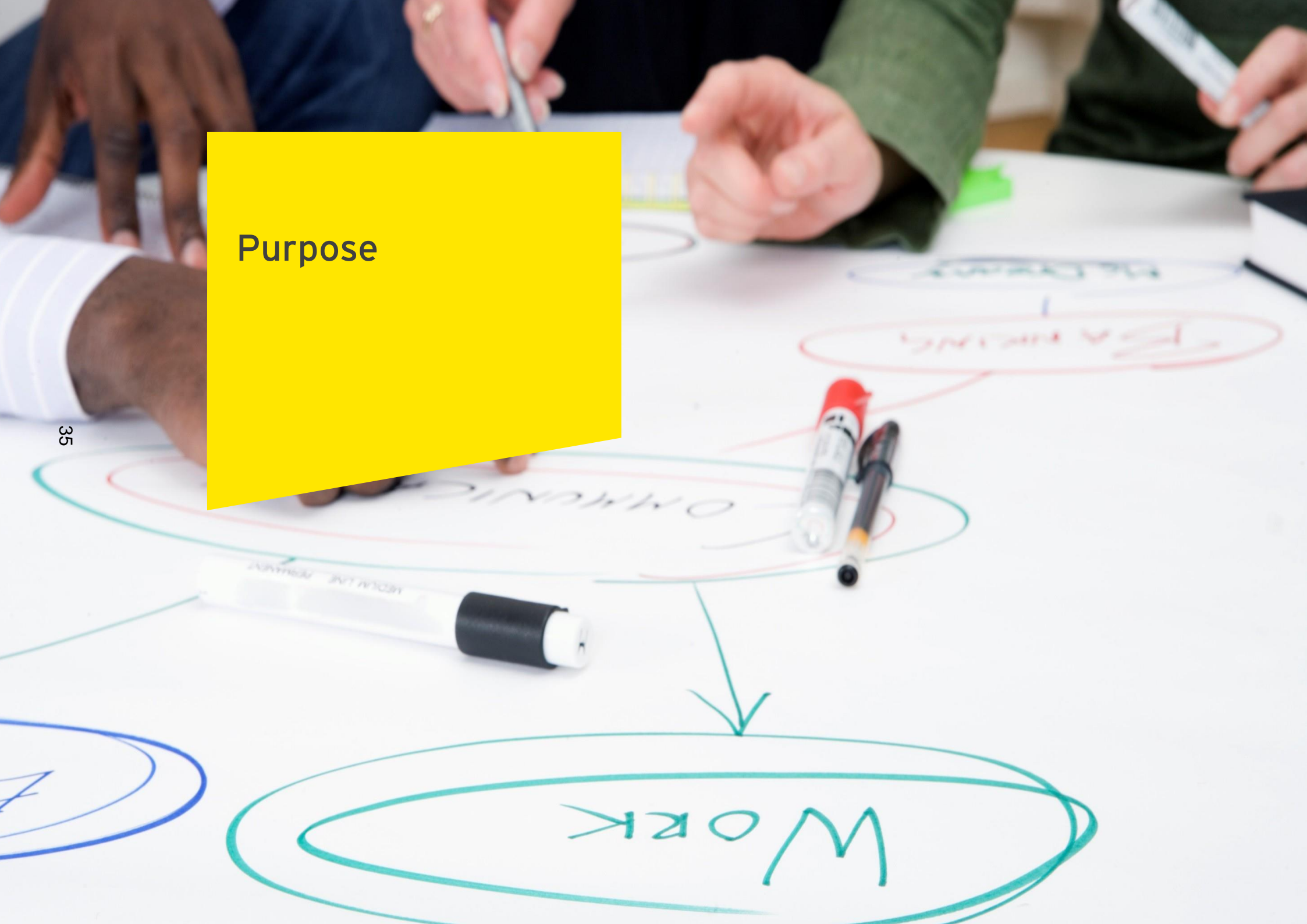
In December 2017 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Mark Hodgson

Associate Partner  
For and on behalf of Ernst & Young LLP

Purpose



## Purpose

### **The Purpose of this Letter**

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2016/17 Audit Results Report to the 31 July 2017 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.





# Responsibilities

## Responsibilities

### Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 7 March 2017 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2016/17 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

## **Responsibilities of the Council**

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



# Financial Statement Audit



## Financial Statement Audit

### Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 31 July 2017.

Our detailed findings were reported to the July 2017 Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p><b>Management override of controls</b></p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>
<p><b>Risk of fraud in revenue recognition</b></p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>One area which may be susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.</p>	<p>Our testing has not identified any material misstatements from revenue and expenditure recognition.</p> <p>Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.</p>

Other Key Findings	Conclusion
<p><b>Financial statements presentation - Expenditure and funding analysis and Comprehensive income and expenditure statement</b></p> <p>Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the code) this year changing the way the financial statements are presented.</p> <p>The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.</p> <p>This change in the code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.</p>	<p>Our testing did not identify any material misstatements in the 2016/17 statement of accounts.</p> <p>A number of adjustments were made to the EFA note in the statement of accounts. We worked with the Council to ensure that the disclosures made were in line with the Code.</p> <p>The adjustments were presentational in nature and did not impact the surplus or deficit figure in the CIES.</p> <p>No other issues were identified during our work performed in this area.</p>
<p><b>Property, plant and equipment valuations</b></p> <p>Property, Plant and Equipment (PPE) and Investment Properties represent the largest asset values on the Council's balance sheet. These assets are initially measured at cost and then revalued to fair value (determined by the amount that would be paid for the asset in its existing use) on a 5 year rolling basis. This is carried out by an internal valuer and is based on a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment.</p>	<p>Our testing did not identify any material misstatements in the property, plant and equipment figures in the 2016/17 statement of accounts.</p>
<p><b>Pensions valuations and disclosures</b></p> <p>The Council operates a defined benefits pension scheme. Accounting for this scheme involves significant estimation and judgement. The Pension liability is the largest value liability on the balance sheet. Due to the nature, volume and size of the transactions we consider this to be a risk.</p>	<p>Our testing did not identify any material misstatements in the pension valuation and disclosure in the 2016/17 statement of accounts.</p>

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £1.7 million, which is 2% of gross revenue expenditure on services reported in the group accounts of £82.3 million.</p> <p>We consider gross revenue expenditure on services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.08 million.</p>

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed. In particular we have confirmed the figures for senior officer remuneration in full.
- Related party transactions. The accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality.
- Councillors' allowances. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with the edges of several coins visible. The lighting is dramatic, highlighting the metallic texture and the embossed details on the coins. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Value for Money'.

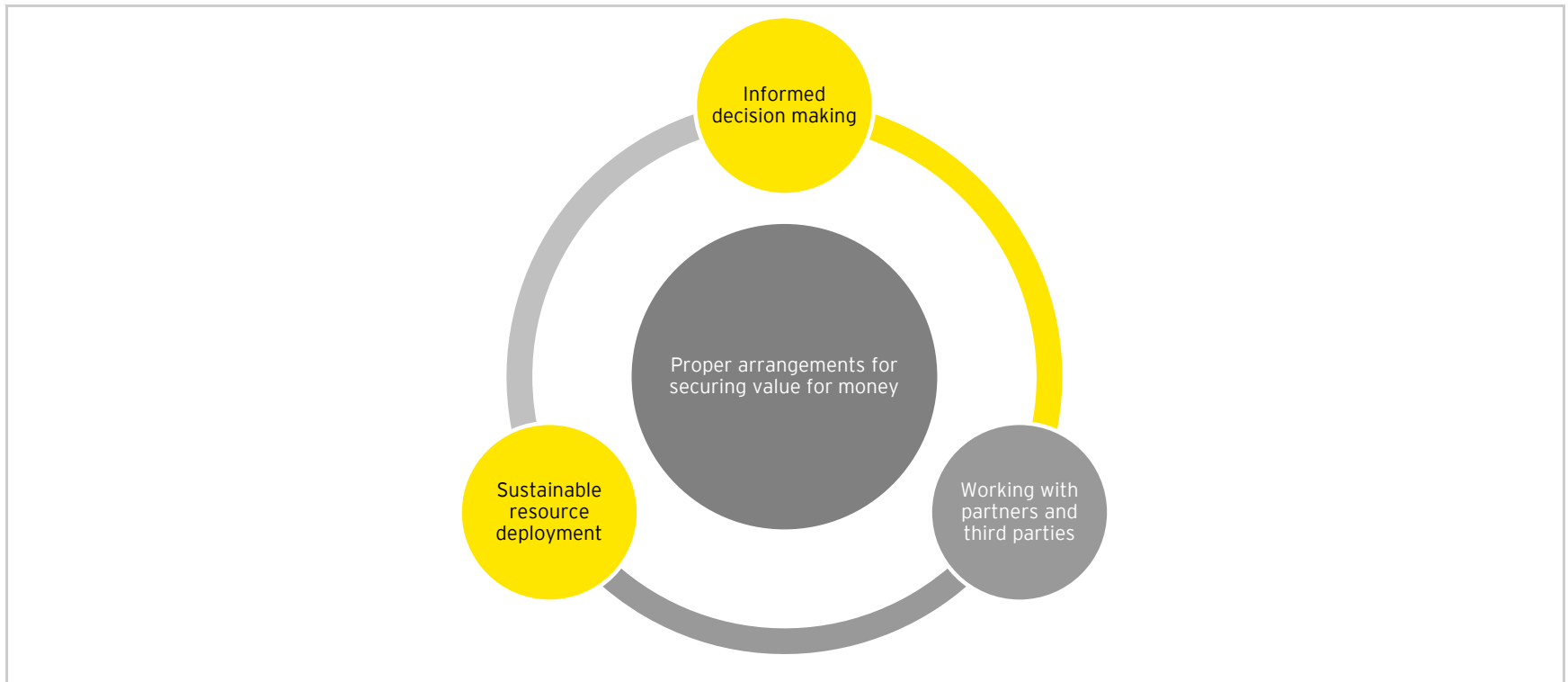
## Value for Money

## Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We identified one significant risk in relation to these arrangements. The table below presents the findings of our work in response to this risk.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 31 July 2017.

Significant Risk	Conclusion
<p><b>Sustainable resource deployment: Financial resilience - achievement of savings needed over the medium term</b></p> <p>In the Council's medium term financial strategy (MTFS), approved in February 2016 and the Budget report for December 2016, the Council identified a cumulative budget gap of £3.8 million over the next three years. The MTFS is based on a number of assumptions, including an estimate of the future levels of Government funding. Any reduction in Government funding in future years, together with an increased use of reserves represents a risk to achievement of the Council's future budgets.</p>	<p>We undertook the following procedures as set out in our audit strategy which have focused on:</p> <ul style="list-style-type: none"> <li>• The Council's historic financial performance, including its ability to deliver challenging savings targets;</li> <li>• The Council's current financial standing;</li> <li>• The Council's processes for setting its budget, and the nature of the budget assumptions;</li> <li>• The competency of the Council's finance team; and</li> <li>• The political stability of the Council.</li> </ul> <p>The Council has a level of un-earmarked general fund reserves (£8.8 million at 31 March 2017) which are above the minimum levels range set by the Council's s151 officer. These provide the Council with the flexibility to manage its financial position over the short-to-medium term, and reduce the risk that an unexpected overspend, or unexpected one-off item of expenditure, has a detrimental impact on the Council's financial standing. The Council plans to maintain this level of General Fund reserves indefinitely.</p> <p>The Council also has substantial levels of earmarked reserves (£20.5 million at 31 March 2017). These have been established for a number of purposes, including the financial consequences of matters that have not yet arisen or to fund specific service areas/projects. The existence of these reserves provides further evidence of the Council's prudent approach to financial management.</p> <p>Our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Council's history of delivery did not identify any significant matters that we wish to report to you. Therefore, based on the known information as at the end of the financial year, we assessed the Council to have adequate arrangements.</p>



## Other Reporting Issues

## Other Reporting Issues

### Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2016/17 financial statements from member of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.



## **Independence**

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 31 July 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## **Control Themes and Observations**

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

Our audit did not identify any controls issues to bring to the attention of the Audit Committee.

A close-up photograph of a person's face as they look through a pair of black binoculars. The person's eyes are focused on the lenses. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Focused on your future".

Focused on your  
future

## Focused on your future

Area	Issue	Impact
<p><i>Earlier deadline for production and audit of the financial statements from 2017/18</i></p>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>The Council has implemented a dry-run for 2016/17 and we were able to issue our audit report by the 31 July 2017.</p> <p>However, the draft accounts were submitted for audit two weeks after the planned submission date and did not meet the 31 May target date.</p> <p>There are a number of areas where the closedown processes can be further improved going forward. However, we do not expect the formal earlier deadline to pose a significant issue for the Council.</p>

Appendix A

## Audit Fees



## Appendix A     Audit Fees

Our fee for 2016/17 is in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA) and reported in our 19 July 2017 Audit Results Report.

Description	Final Fee 2016/17 £'s	Planned Fee 2016/17 £'s	Scale Fee 2016/17 £'s	Final Fee 2015/16 £'s
<b>Total Audit Fee - Code work (Note1)</b>	TBC	51,291	51,291	54,289
<b>Total Audit Fee - Certification of claims and returns (Note 2)</b>	TBC	23,460	23,460	19,602

**Note 1:** We have had to complete more audit work than was originally planned, so will seek a variation to the scale fee with PSAA. We need to review our costs before reporting formally agreeing the final fee with you. The additional work is in relation to:

- The expenditure and funding analysis, additional audit work in relation to the standard of the Council's supporting working papers;
- The Council produces consolidated financial statements which in prior years have incurred a scale fee variation to reflect the additional work required for the consolidation including instructing and relying upon the component auditor and in reviewing the disclosures required to meet the group consolidation requirements of the Code of Practice and International Accounting Standards. This will incur an additional fee of £3,000.

**Note 2:** The planned fee for the certification of housing benefit subsidy is based on the programme of work carried out in 2014/15.

We will confirm our final fees for the code work with the Audit Committee following the agreement with the Executive Director - Finance Services and PSAA. The certification of claims and returns audit fees will be reported in our Annual Certification Report in December.

We confirm we have not undertaken any other non-audit work outside of the PSAA's requirements.

EY | Assurance | Tax | Transactions | Advisory

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ED None

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**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

REPORT TO:	Audit Committee		
DATE:	27 November 2017		
TITLE:	Business Continuity – annual update		
TYPE OF REPORT:	Monitoring		
PORTFOLIO(S):	Leader		
REPORT AUTHOR:	Martin Chisholm, Business Manager		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

**REPORT SUMMARY/COVER PAGE**

PURPOSE OF REPORT/SUMMARY:
The report outlines the current position of the Council's Business Continuity arrangements, summarises progress made since the last update and describes work that is planned to be undertaken over the coming months.
KEY ISSUES:
The Council has a responsibility as a Category 1 responder under the Civil Contingencies Act 2004 to develop and maintain plans to ensure that, as far as is reasonably practicable, key services can continue to be performed in the event of a disruption or emergency.
OPTIONS CONSIDERED:
Not applicable; the Council must have plans in place under the Civil Contingencies Act 2004.
RECOMMENDATIONS:
The Audit Committee are asked to <ol style="list-style-type: none"> <li>1. review progress made and endorse the approach being taken to the Council's Business Continuity arrangements and</li> <li>2. confirm whether annual updates on the topic are required.</li> </ol>
REASONS FOR RECOMMENDATIONS:
To ensure that Members are kept informed about the Council's Business Continuity arrangements.

**REPORT DETAIL****1.0 Background**

1.1 The Civil Contingencies Act 2004 places a duty on Category 1 responders (as defined by the act and which includes all local authorities) to develop and maintain plans for the purpose of ensuring that, so far as is reasonably practicable, if an emergency occurs they are able to continue to perform their key services / critical activities. This means that, in the event of a disruption or emergency, the Council must have plans available to ensure that it can mobilise the functions it needs to:

- deal with any emergency
- ensure that the impact of the emergency on the Council's day-to-day activities is kept to a minimum, and

- ensure that, so far as possible, vital services for the community can be maintained at appropriate levels.

1.2 Business Continuity (BC) Management in the authority is based around a framework of documents as shown below.



1.3 The responsible officer for Business Continuity in this authority is the Executive Director, Environment and Planning. He is assisted by a small group of officers from across the authority – the Business Continuity Corporate Officer Group (BC COG). Implementing Business Continuity (BC) is the responsibility of the authority's Management Team. However, all members of staff have a responsibility to be aware of the plans that affect their service area and their role following invocation of any BC plan.



## **2.0 Current position**

2.1 Critical Activities are those services that protect life and safety, or are considered essential to support such activity and were considered critical to restore and deliver in the event of a disruption or emergency. Those currently agreed in the Council are:

- CIC – response to customer contacts
- Corporate Communications – including website
- CCTV responsive functions control room
- Emergency Planning – response to recovery and incidents
- Homelessness
- ICT – to support other teams
- Incident Management Team – Executive Directors and support
- Personnel – for staff contact details
- Electoral Services – if during a critical time
- Env Health – Food Safety / Health & Safety– if during an incident
- Env Health – Environmental Quality – if during an incident

2.2 A risk assessment has been undertaken to identify the potential threats to the Critical Activities. A 'Threat Card' is in place for each of the threats to guide the Incident Management Team in their consideration of response. The currently agreed threats to the Critical Activities are listed below. The Threat Cards have been updated in December 2016:

- Loss of Staff
- Loss of ICT
- Loss of King's Court
- Fuel Shortage

2.3 The Council has a policy position agreed in 2017 by the Chief Executive under delegated powers and will be reviewed in 2019.

## **3.0 Progress since last report in October 2016**

3.1 Activities undertaken by the BC COG since October 2016 are shown below:

- November 2016 – Recommendations from the Internal Audit report incorporated in to the BC work plan.
- November 2016 – Metis 16 table top exercise was undertaken
- December 2016 - Article in Internal Affairs reminding staff the importance of BC arrangements and how to access the BC Portal.
- March 2017 - MT agreed to accept the tender for a new generator for Kings Court which will be connected on 3 September 2017. The current generator will be transferred to the Depot.
- March 2017 – People and Places Task and Finish Group has been established to provide the Incident Management Team with comprehensive information to identify staff numbers, alternative sites and IT requirements in the event that Kings Court is unavailable.
- April 2017 – High level 'Business Impact Assessment' undertaken – this was a review of all business activity against a set of criteria to confirm in which order services should be recovered in the event of a disruption
- June 2017 – Out of Hours Contact Card details revised and circulated

- July 2017 – Annual review of critical activities and key threats
- July 2017 – All critical and non-critical Bronze Plans reviewed and published
- September 2017 – Peer review of critical Bronze Plans

#### **4.0 Forward work plan**

4.1 The BC COG have a work plan in place for the next 12 months. Our planning and exercise programme is based upon the agreed threats. Work to be undertaken includes:

- Reviewing live incidents after the event and ensuring the lessons learnt are implemented in future planning
- Planning for and running training exercise Metis 17
- Updating the Loss of King's Court Threat Card
- Reviewing Bronze Level Business Continuity plans

#### **5.0 Conclusion**

5.1 The Council's BC arrangements align to the principles of ISO22301 – which aims to minimise the impact of disruptive incidents. Business Continuity is not a static process; it is therefore important that, as the nature of the organisation changes, our BC arrangements reflect the changes.

#### **6.0 Recommendation**

6.1 The Audit Committee are asked to note progress made, endorse the approach being taken to the Council's BC arrangements and confirm that annual updates are required.

#### **7.0 Corporate Priorities**

Not applicable, statutory requirement

#### **8.0 Policy Implications**

None. Policy last reviewed in 2017, next update due 2019.

#### **9.0 Financial Implications**

None

#### **10.0 Personnel Implications**

None

#### **11.0 Statutory Considerations**

11.1 The Council is a Category 1 responder under the Civil Contingencies Act 2004 and therefore has a duty to develop and maintain plans of this nature.

#### **12.0 Equality Opportunity Considerations**

None

#### **13.0 Risk Management Implications**

13.1 Business Continuity arrangements are included on the Council's risk register.

#### **14.0 Declarations of Interest / Dispensations Granted**

None

#### **Background Papers**

Business Continuity Policy Statement and Strategy  
Civil Contingencies Act 2004  
ISO22301 Business Continuity Management Standard

**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

REPORT TO:	Audit Committee		
DATE:	27 November 2017		
TITLE:	Corporate Risk Monitoring Report October 2017		
TYPE OF REPORT:	Monitoring		
PORTFOLIO(S):	Performance		
REPORT AUTHOR:	Becky Box, Policy, Performance and Personnel Manager		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

**REPORT SUMMARY/COVER PAGE**

PURPOSE OF REPORT/SUMMARY:
This report presents the changes to the Corporate Risk Register since the last monitoring report in April 2017. It gives details of the risks falling into the 'Very High' category and the associated work being progressed to mitigate the effects.
KEY ISSUES:
Two risks have been removed from the register and seven new ones have been added. The risk scores for four entries have been changed as part of the review undertaken.
OPTIONS CONSIDERED:
Not applicable
RECOMMENDATIONS:
Members are requested to consider the contents of the Corporate Risk Register and confirm agreement with Management Team's assessment of the risks to the Corporate Objectives.
REASONS FOR RECOMMENDATIONS:
In order to ensure the Council meets its statutory obligations to ensure that it has 'effective arrangements in place for the management of risk'.

**REPORT DETAIL**

**1. Introduction**

- 1.1 The Risk Management Policy and Risk Management Strategy were presented to the Audit and Risk Committee in February 2016 and approved by Cabinet on 1st March 2016.
- 1.2 The Terms of Reference for the Audit and Risk Committee include responsibility for monitoring the management of risk by Management Team. To this end, the Committee receives reports on a half-yearly basis on the position of the Corporate Risk Register, with the last one, as at April 2017, being presented in May 2017.
- 1.3 Each risk on the register is scored in terms of Impact and Likelihood, according to criteria defined within the Corporate Risk Strategy. The definitions are attached for reference in **Appendix 2**.

- 1.4 The Risk Register is reviewed by the Executive Directors on a 6-monthly basis. Any existing entries on the register are considered for changes to the nature of the risk, progress to be reported and any adjustments to the risk scores. Risks that are no longer relevant are removed and new risks considered in the context of current circumstances are added. The risk reference numbers are not reallocated when risks are removed from the register, to enable the history to be maintained.
- 1.5 A summary of the changes to the Risk Register since the last monitoring report are detailed in section 2 below. Details of the 'Very High' risks are given in **Appendix 1** together with a list of the 'High' risks.
- 1.6 The full Risk Register, as agreed by Management Team, has been provided to the Audit Committee in hard copy, for reference.

## **2. Changes to the Register**

2.1 The Risk Management Policy states that to 'ensure it is effective, risk management needs to be aligned with corporate aims, objectives and priorities'. As such the format of the risk register is ordered to reflect the Priorities as contained in the Corporate Business Plan. This makes the link between the Priorities and the management of associated risks clearer.

2.2 Apart from small changes made from a fresh review of the content and updates on progress for various entries, the main changes since April 2017 are listed below.

### **2.3 Risks to be removed:**

Two risks have been removed from the register, from Priority 1.

#### 1.5 – Car Parking Tickets

The risk was originally added pending the judgement on an appeal in respect of wording printed on civil enforcement tickets. If the judgement had found against the Council this would have impacted on the validity of every ticket issued since 2011. However, the judgement was received in August, and the appeal found in the Council's favour. Therefore Management Team has determined that this entry may be removed.

#### 1.18 – Manor Farm (Contaminated Land)

The risk was originally added to the register in April due to the issues being dealt with in regards to this site at the time. Since then confirmation that the land is not contaminated has been received, removing the risk to this Authority. Management Team has therefore agreed that the risk should therefore be removed.

### **2.4 New risks identified:**

Seven new risks have been added to the register:

#### 1.20 King's Court

Management Team has identified that, due to the current and ongoing building works at King's Court to accommodate DWP, and the potential for impact on/disruption to services during the building period, this risk should be added to the risk register.

#### 1.21 Pay Policy

Management Team has identified that, in light of recent indications from the Government that it may relax its current policy on public sector pay, this should be included on the risk register. The Council has made provision in the financial plan for some relaxing of pay restraint, but the associated impact on staff turnover and the Council's ability to recruit and retain staff is as yet unknown and will need to be monitored.

#### 1.22 Revenues and Benefits Software Tender

Management Team has agreed with the inclusion of this risk on the register given the potential impact on service delivery associated with the procurement and implementation of this new system. Robust procedures are in place to govern the procurement of the new system, with appropriate staff resources being allocated to the project. An implementation plan will be developed to ensure effective implementation once the new provider is identified.

#### 1.23 General Data Protection Regulations

Management Team has agreed to include the implementation of these new regulations on the register given that, at present, work to assess the impact and potential need to change systems/procedures is yet to be completed. Eastlaw will be working with Service Managers to raise awareness of the new regulations and to help identify and plan for potential issues which may arise.

#### 2.6 Strategic Land and Property Acquisition

Management Team has agreed that this risk be included on the register given the financial implications that would be a consequence of the Council not continuing to be proactive in its land/property acquisition. Identified opportunities will continue to be reported to Cabinet for Member approval.

#### 3.4b Procurement of new Waste and Recycling Contract

Management Team has agreed with the inclusion of this risk on the register, the entry being closely linked to existing risk 3.4 Waste and Recycling Contract (which has now been renumbered 3.4a). The new risk specifically links to the procurement arrangements for the new contract, the details of which were reported to Cabinet in August. Robust procurement processes are in place to govern the tender process and appropriate staff resources have been allocated to the project to mitigate risks to the process.

#### 4.2 THi Application to the Heritage Lottery Fund

Management Team has agreed to include this entry on the risk register given the potential impact on the condition of important buildings in King's Lynn should the funding application be unsuccessful.

## **2.5 Risk Rating Amendments**

The risk rating scores for four entries on the register have been changed for this update:

### Increased Risk Scores

2.5 Housing Market – given concern regarding the predicted slow-down in the housing market, which will impact on the Council's ability to sell properties being built, Management Team has agreed to revise the impact rating for this entry from 'minor' to 'moderate'.

### Decreased Risk Scores

1.13 VAT Trust Arrangements – following the completion of relevant health checks Management Team has agreed that this rating for this risk should be decreased.

2.2 Empty Retain Properties/Town Centre Decline – Management Team has determined that having the BID in place reduces the likelihood of this entry from 'possible' to 'unlikely'.

2.4 Five Year Land Supply – as a result of changes in Government regulations which have reduced the uncertainty regarding requirements going forward, it has been agreed that both the impact and likelihood scores for this risk have reduced.

## **3. Conclusion**

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

## **4.0 Corporate Priorities**

The Corporate Risk Register is aligned with the Corporate Priorities and displayed under the 6 'Priority' headings.

## **5.0 Policy Implications**

None

## **6.0 Financial Implications**

6.1 The Corporate Risk Register is a document designed to assist Senior Management to identify and manage any financial implications identified through normal operations.

## **7.0 Personnel Implications**

None

## **8.0 Statutory Considerations**

8.1 Account and Audit Regulations 2015 - s3(c). The Council must ensure that it has 'effective arrangements for the management of risk'.

## **9.0 Equality Opportunity Considerations**

None

#### **10.0 Risk Management Implications**

- 10.1 The Council has in place a Risk Management Policy (last adopted in March 2016) and an associated Risk Management Strategy.
- 10.2 The Corporate Risk Register records high level risks which pose a threat or opportunity to the Council's objectives. It is a tool used by the Chief Executive and the Executive Directors (Management Team) to help manage risk within the Authority and is a key document within the governance controls applied within the Council.

#### **11.0 Recommendations**

- 11.1 Members are requested to consider the contents of the risk register and confirm agreement with Management Team's assessment of the risks to the Corporate Objectives.

#### **12.0 Declarations of Interest / Dispensations Granted**

None

#### **Background Papers**

October 2017 Corporate Risk Register

Previous Corporate Risk Registers

Risk Management Policy – approved in March 2016

Risk Management Strategy



CORPORATE RISK REGISTER MONITORING REPORT  
OCTOBER 2017

<b>Risk name: Business Rates</b>	<b>Responsible Director: Finance Services (s151 Officer)</b>
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Ref	Description	Mitigation	Progress
1.16	<p>The risk is that:</p> <p>The financial plan may be adversely affected as a result of substantial events that affect the Business Rates due to the Council. Such events may be appeals being agreed leading to substantial Rateable Value reductions; reliefs being granted; failure to grow the business rate tax base or closure of a large business; and uncertainty relating to the 100% retention of Business Rates in future.</p>	<p>Reserves created for measurable risks and membership of the Norfolk Business Rates Pool. Continue to monitor potential areas of risk and work with LGA where possible. Continue working with major businesses to reduce the possibility of closure.</p> <p>VOA has changed its appeal process - now check, challenge and appeal.</p>	<p>A contingent liability has been noted in the Statement of Accounts in respect of the possible backdating of business rates to the QE hospital following advice they have received regarding their possible charitable status - this is a situation raised across the country and we await further information. Membership of the Business Rates Pool provides some provision to offset some of the impact, should it occur. Reserves have been created to provide some funding protection from the impact on business rates income in the event of the closure of major businesses. the movement in the overall business rates position is monitored on a monthly basis</p> <p>The Council has responded to consultation on 100% retention arrangements and the s151 Officer has attended workshops. the DCLG has invited applications for 100% business rates retention for pilots for 2018/2019, and are particularly interested in receiving applications from two tier and rural areas. A report will be presented to Cabinet in October outlining proposals for a Norfolk pilot. The closing date for submission of an application is 27 October 2017.</p>

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<b>Risk Score:</b>		
Impact	Extreme	5
Likelihood	Possible	3
Total score		15

**Risks categorized as 'High Risk' (Score 10-12)**

- 1.10 – Fraud and Corruption
- 1.12 – Financial Plan
- 1.22 - Revenues and Benefits Software Tender
- 2.3 – Major housing developments
- 2.4 – 5 Year Land Supply
- 2.5 – Housing Market
- 2.6 – Strategic Land and Property Acquisition
- 3.1 – Emergency Response (External)
- 3.4a – Waste and Recycling Contract
- 3.5 – Health and Safety
- 4.2 - THi 2 Application to the Heritage Lottery Fund

CORPORATE RISK REGISTER MONITORING REPORT  
OCTOBER 2017

<b>LIKELIHOOD</b>	5 Almost Certain	(5) (Green)	(10) (Orange)	(15) (Red)	(20) (Red)	(25) (Red)
	4 Likely		(8) (Green)	(12) (Orange) 2.4, 2.5	(16) (Red)	(20) (Red)
	3 Possible		(6) (Green)	(9) (Green) 1.2, 1.3, 1.9, 1.17, 1.19, 3.3, 4.1, 6.1	(12) (Orange) 1.10, 1.12, 1.22, 2.3, 2.6, 3.1, 3.5, 4.2	(15) (Red) 1.16.
	2 Unlikely			(6) (Green) 1.7, 1.11, 1.13, 1.20, 1.21, 1.23, 3.2	(8) (Green) 1.1, 1.4, 1.8, 1.15, 2.1, 2.2, 3.4b	(10) (Orange) 3.4a
	1 Rare					(5) (Green)
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
		<b>IMPACT</b>				

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

## Agenda Item 11

REPORT TO:	<b>AUDIT COMMITTEE</b>		
DATE:	27 November 2017		
TITLE:	<b>MID YEAR REVIEW TREASURY REPORT 2017/2018</b>		
TYPE OF REPORT:	Review		
PORTFOLIO(S):	Cllr Brian Long		
REPORT AUTHOR:	Toby Cowper		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

### **REPORT SUMMARY/COVER PAGE**

<b>PURPOSE OF REPORT/SUMMARY:</b>
<p>Summary</p> <p>The Council has formally adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2011) and remains fully compliant with its requirements.</p> <p>One of the primary requirements of the Code is receipt by Council of a midyear review report.</p> <p>The Mid -Year Review Report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:</p> <ul style="list-style-type: none"> <li>• A review of the Treasury Management Strategy</li> <li>• The Council's capital expenditure (prudential indicators)</li> <li>• An economic update for the first six months of 2017/2018 – Appendix 5</li> </ul>
<b>RECOMMENDATIONS:</b>
<p>Audit Committee is asked to review the report and the treasury activity.</p>
<b>REASONS FOR RECOMMENDATIONS:</b>
<p>The Council has formally adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2011) and remains fully compliant with its requirements.</p> <p>One of the primary requirements of the Code is:</p> <p>Receipt by Audit Committee of a mid year review report.</p>

## 1. The 2017/2018 Mid-Year Review

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Council's Code of Practice on Treasury Management require that the Audit Committee consider a Mid-Year Review Report.
- 1.2 During the first 6 months of the year the Council maintained a cautious approach to investment and management of debt.
- 1.3 The Council's portfolio position as at 30 September 2017 was:

	31 March 2017 Actual £million	30 September 2017 Actual £million
Borrowing	13.00	12.90
Investments	(27.26)	(23.10)
<b>Net Position</b>	<b>(14.26)</b>	<b>(10.20)</b>

- 1.4 The Council held **£23.10m** of investments (including temporary cashflow) as at 30 September 2017 and the investment portfolio yield for the first six months of the year is 0.68%.
- 1.5 Details of the 'Treasury Benchmarking Group' can be found in *Appendix 1*,

Budgeted Interest Receivable	Actual Interest Received
(£158,925)	(£194,127)

- 1.6 During the first 6 months of 2016/2017 interest on external debt was paid at an average rate of 3.39%.

Budgeted Interest Payable	Actual Interest Paid
£280,000	£198,844

Details of the investment portfolio as at the 30 September 2017 can be found in *Appendix 2*

Details of the borrowing portfolio as at the 30 September 2017 can be found in *Appendix 3*

## 2. Local Property Investments Fund

2.1 On the 31 January 2017 Cabinet approved the 'Capital and Local Property Investment Fund Strategy 2017-2021'

2.2 Investments to date:

Property	Capital Expenditure to date	Return achieved
Burnham Market bungalow	£314,000	(TBC. when sold)

## 3. Compliance with Treasury Limits

3.1 During the financial year to September 2017, the Council operated within the treasury limits and prudential indicators set out in the Council's Treasury Policy Statement 2017/2018 and annual Treasury Strategy Statement 2017/2018. The mid-term review of the prudential indicators is shown in *Appendix 4*.

## 4. Mid-Year Review Summary

- The Treasury Management Strategy Statement is still fit for purpose.
- The Council held £23.10m of investments as at 30 September 2017.
- The Council held £12.90m of external debt as at 30 September 2017.
- During the first six months of the year, no debt rescheduling was undertaken.
- The Executive Director confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2017/2018.
- During the financial year to date the Council has operated within the treasury limits and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

## 5. Economic update

Interest rates are predicted to rise to 0.5% in November 2017. Additional information can be found in *Appendix 5*

## **6. Financial Implications**

- 6.1 The financial implications of the borrowing and investment strategy are reflected in the financing adjustment figure included in the Financial Plan 2016/2021 approved at Council on 23 February 2017 and updated as reported in the Budget Monitoring reports.

## **7. Risk Management Implications**

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

## **8. Policy Implications**

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

## **9. Statutory Considerations**

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

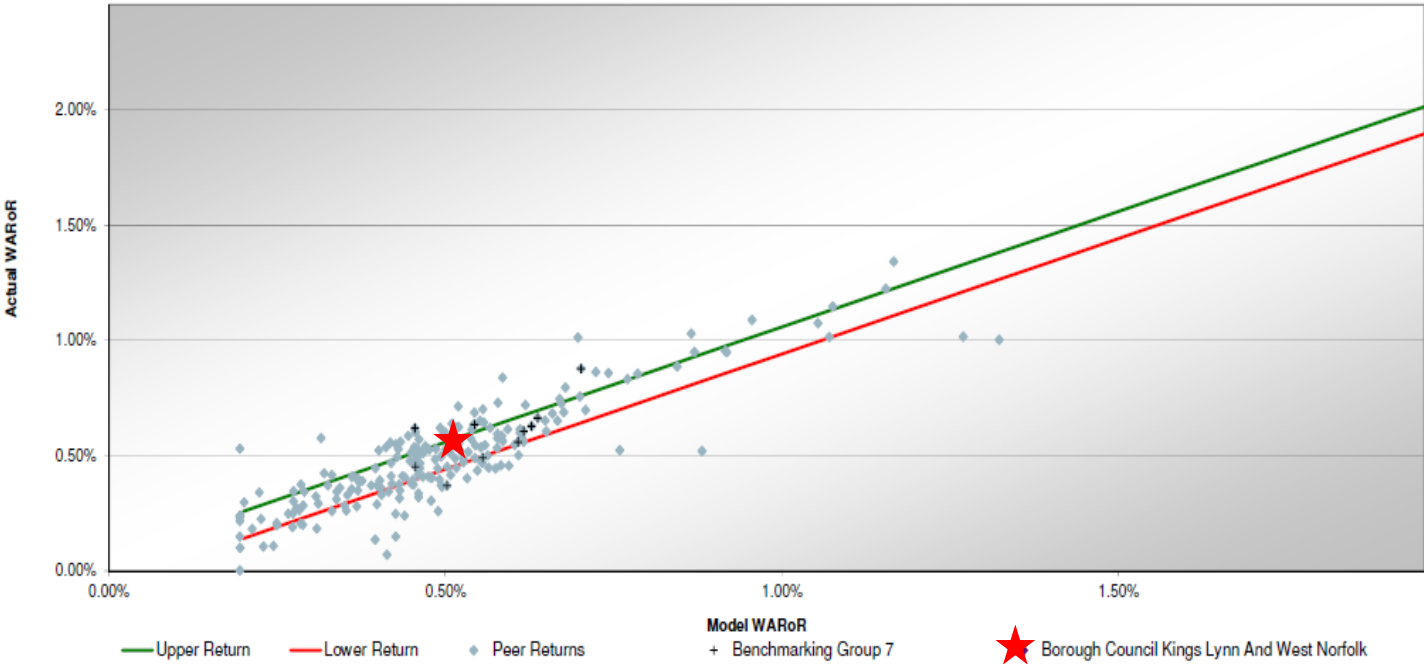
## **10. Access to Information**

The Budget 2016/2021 – The Financial Plan  
Capital Programme 2016/2021  
Treasury Management Strategy and Annual Investment Strategy 2017/2018  
Budget Monitoring reports 2017/2018  
Capita Asset Services Monthly Investment Analysis Review  
Investment Portfolio Benchmarking Analysis September 2017  
Capital Strategy 2016/2021  
Capital and Local Property Investment Fund Strategy 2017-2021

The Council is a member of a Treasury Benchmarking Group, where Capita Treasury clients from neighbouring authorities (including those in Norfolk, Suffolk and Cambridgeshire) meet to discuss treasury instruments relevant to their authority and discuss ideas for borrowing and investments.

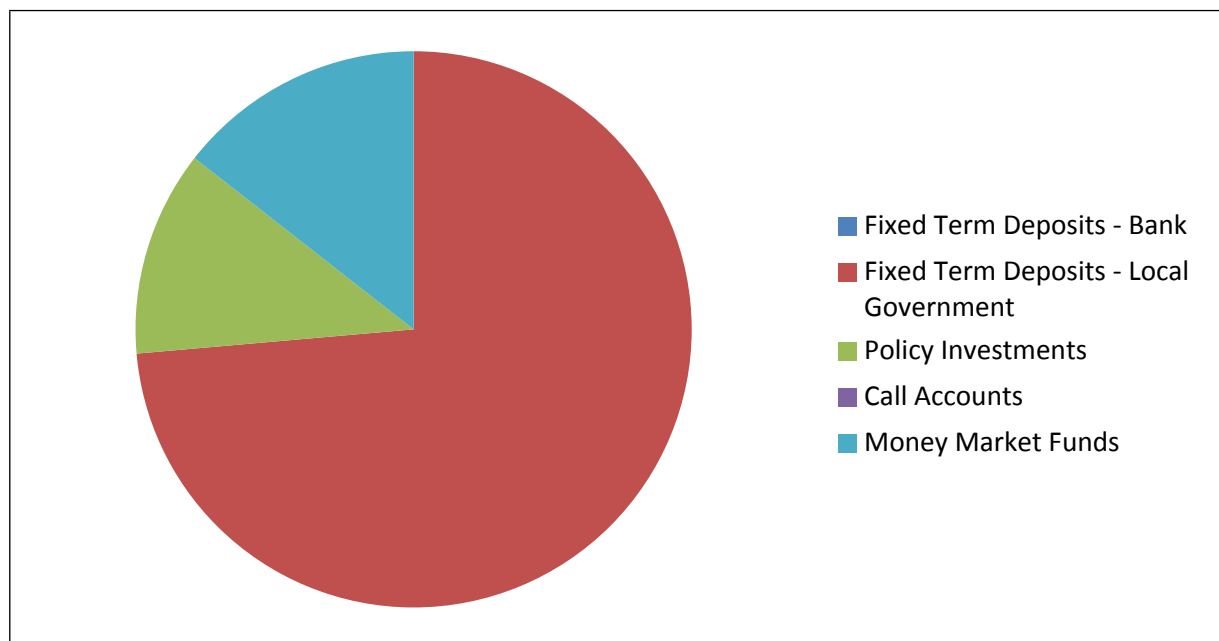
All authorities want to try to maximise their returns, whilst maintaining good credit quality and security during the difficult financial climate. In addition to this, percentage rate returns are disclosed at each quarterly meeting.

Population Returns against Model Returns



	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Borough Council Kings Lynn And West Norfolk	0.56%	0.51%	0.05%	0.45%	0.57%	Inline





Institution	Principal £	Start Date	End Date	Rate %	Ratings
BNP (Banque Nationale de Paris) – Money Market Fund	3,335,000	N/A	N/A	0.22	AAA
Fife Council	3,000,000	12/11/2015	13/11/2017	0.95	AA
Cheshire West & Chester Council	2,000,000	20/01/2016	19/01/2018	0.99	AA
Moray Council	2,000,000	23/08/2017	23/02/2018	0.30	AA
Great Yarmouth Borough Council	5,000,000	28/03/2017	27/03/2018	0.55	AA
Bury Metro Borough Council	3,000,000	21/04/2016	23/04/2018	1.00	AA
Barnsley metro Borough Council	2,000,000	21/09/2017	21/09/2020	0.92	AA
<b>Total Investments</b>	<b>20,335,000</b>			<b>0.68</b>	
Norfolk & Waveney Enterprise Services (LEP)*	2,750,000	Various	30/11/2018	1.80	
Gaywood Community Centre	10,200	20/07/2016	01/08/2021	1.00	
<b>Total Investments other</b>	<b>2,760,200</b>				
<b>Total Overall Investments</b>	<b>23,095,200</b>				

\*MMF – denotes Money Market Fund used for daily cashflow purposes

Institution	Principal £	Start Date	End Date	Rate
Suffolk County Council Local Enterprise Partnership (LEP)	2,500,000	27/03/2014	30/11/2018	1.80%
Barclays	5,000,000	22/03/2007	21/03/2077	3.81%
Barclays	5,000,000	12/04/2007	14/04/2077	3.81%
Public Works Loan Board	400,000	15/09/2009	14/09/2019	2.92%
<b>Total</b>	<b>12,900,000</b>			<b>3.39%</b>

<b>Net borrowing and the CFR</b>	<b>31 March 2017 Actual £million</b>	<b>30 September 2017 Actual £million</b>
Borrowing	13.00	12.90
Investments	(27.26)	(23.10)
<b>Net Position</b>	<b>(14.26)</b>	<b>(10.20)</b>
<b>Capital Financing Requirement</b>	<b>27.53</b>	<b>44.3</b> (estimate for 2017/2018 year end)

In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2017/2018. This essentially means that the Council is not borrowing to support revenue expenditure. The Council has complied with this prudential indicator.

## The Council's Capital Position and Associated Prudential Indicators

The capital programme 2017/2018 was updated for rephrasing and amendments as part of the closedown of the accounts 2016/2017. The updated estimates were approved by Council on 27 June 2017 and are shown in the table below. The capital programme 2016/2017 has been revised as reported in the Monthly Monitoring reports.

<b>Capital Expenditure</b>			
<b>Service Head</b>	<b>Capital Programme 2017/2018 (Cabinet 31 January 2017) £'000</b>	<b>Revised Capital Programme 2017/2018 (Cabinet 27 June 2017) £'000</b>	<b>Expenditure as at 30 September 2017 £'000</b>
Major Projects	20,238	23,535	6,178
Central and Community Services	1,891	2,515	731
Chief Executive	50	21	0
Commercial Services	1,198	2,805	322
Environment and Planning	0	16	0
Finance Services	0	107	50
<b>Total Capital Programme</b>	<b>23,377</b>	<b>28,999</b>	<b>7,281</b>

## Budget Related Prudential Indicators – Revised

	2017/2018 revised estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
<b>Capital Expenditure</b> Approved at Cabinet 27 June 2017	28,999	29,266	19,573	4,714
<b>Ratio of financing costs to net revenue stream</b> (Equals net treasury cost ie cost of borrowing less the income from investments divided by the total of Government grant and total council tax).	4.1%	3.9%	3.9%	3.9%
<b>Capital Financing Requirement (CFR) as at 31 March</b> this reflects the Council's underlying need to borrow for capital purposes	44,300	33,117	11,488	7,758

<b>Authorised / Operational Limit for external debt</b>				
	<b>2017/2018 estimate £'000</b>	<b>2018/19 estimate £'000</b>	<b>2019/20 estimate £'000</b>	<b>2020/21 estimate £'000</b>
<b>Authorised Limit for external debt</b>	52,000	42,000	19,000	15,000
<b>Operational Boundary for external debt</b>	50,000	40,000	17,000	13,000

- The Authorised Limit represents the maximum limit beyond which borrowing is prohibited, and needs to be set and revised by Members.
- The Operational Boundary for External Debt is a working practice limit that is set lower than the Authorised Limit. In effect the authorised limit includes a degree of contingency in case of circumstances arising that take the limit above the operational limit.

<b>Interest Rate Exposures (Limit on fixed and variable rate borrowing)</b>				
	<b>2017/2018 Upper %</b>	<b>2018/2019 Upper %</b>	<b>2019/2020 Upper %</b>	<b>2020/2021 Upper %</b>
<b>Limits on fixed interest rates based on net debt</b>	100%	100%	100%	100%
<b>Limits on variable interest rates based on net debt</b>	40%	40%	40%	40%

<b>Maturity Structure of fixed interest rate borrowing</b>			
	<b>Lower</b>	<b>Upper</b>	<b>Portfolio Position as at 30 September 2017</b>
<b>Under 12 months</b>	0%	100%	0%
<b>12 months to 2 years</b>	0%	100%	0%
<b>2 years to 5 years</b>	0%	100%	22.4%
<b>5 years to 10 years</b>	0%	100%	0%
<b>10 years and above</b>	0%	100%	77.6%

**Economic and interest rate update – Provided by Capita Asset Services as at October 2017**

UK. After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y) which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. . The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole. The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years time. Inflation actually came in at 2.9% in August, (this data was released on 12 September), and so the Bank revised its forecast for the peak to over 3% at the 14 September meeting MPC. This marginal revision can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

It therefore looks very likely that the MPC will increase Bank Rate to 0.5% in November or, if not, in February 2018. The big question after that will be whether this will be a one off increase or the start of a slow, but regular, increase in Bank Rate. As at the start of October, short sterling rates are indicating that financial markets do not expect a second increase until May 2018 with a third increase in November 2019. However, some forecasters are flagging up that they expect growth to improve significantly in 2017 and into 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weak services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on a series of slow but gradual increases in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

EU. Economic growth in the EU, (the UK's biggest trading partner), has been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. GDP growth was 0.5% in quarter 1 (2.0% y/y) and 0.6% in quarter 2 (2.3% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in August inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019.

USA. Growth in the American economy has been volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1%, resulting in an overall annualised figure of 2.1% for the first half year. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.4%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with three increases since December 2016; and there could be one more rate rise in 2017 which would then lift the central rate to 1.25 – 1.50%. There could then be another four more increases in 2018. At its June meeting, the Fed strongly hinted that it would soon begin to unwind its \$4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

Chinese economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.



Japan is struggling to stimulate consistent significant growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

**Interest rate forecasts**

The Council’s treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
<b>Bank rate</b>	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
<b>5yr PWLB rate</b>	1.50%	1.60%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
<b>10yr PWLB rate</b>	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
<b>25yr PWLB rate</b>	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%
<b>50yr PWLB rate</b>	2.70%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%

Capita Asset Services undertook its last review of interest rate forecasts on 9 August after the quarterly Bank of England Inflation Report. There was no change in MPC policy at that meeting. However, the MPC meeting of 14 September revealed a sharp change in sentiment whereby a majority of MPC members said they would be voting for an increase in Bank Rate “over the coming months”. It is therefore possible that there will be an increase to 0.5% at the November MPC meeting. If that happens, the question will then be as to whether the MPC will stop at just withdrawing the emergency Bank Rate cut of 0.25% in August 2016, after the result of the EU withdrawal referendum, or whether they will embark on a series of further increases in Bank Rate during 2018.

The overall balance of risks to economic recovery in the UK is currently to the downside but huge variables over the coming few years include just what final form Brexit will take, when finally agreed with the EU, and when.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK’s main trading partners - the EU and US.
- Geopolitical risks in Europe, the Middle East and Asia, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis.
- Weak capitalisation of some European banks.
- Monetary policy action failing to stimulate sustainable growth and to get inflation up consistently to around monetary policy target levels.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The pace and timing of increases in the Fed. Funds Rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

**AUDIT AND RISK COMMITTEE REPORT**

<b>TYPE OF REPORT:</b> Audit	<b>Portfolio:</b> Performance
<b>Author Name:</b> Kathy Woodward	<b>CONSULTATIONS:</b> James Hay, Fraud Investigations Officer
<b>Tel.:</b> 01553 616252	
<b>Email:</b> Kathy.Woodward@west-norfolk.gov.uk	
<b>OPEN</b>	

**Committee:** Resources and Performance – Audit Committee  
**Date:** 27<sup>th</sup> November 2017  
**Subject:** Internal Audit Plan 2017/18 and Fraud work –Half Year progress report April to October 2017.

<b>Summary</b>	This report shows the Internal Audit activity against the Strategic Audit Plan 2017/18 and fraud work for April to October 2017
<b>Recommendation</b>	Members are asked to consider the work completed and indicate if they are satisfied with the progress against the agreed plan.

**1.0 Introduction and Background**

1.1 The Strategic Audit Plan 2017/18, endorsed by the Audit Committee on 13<sup>th</sup> February 2017, sets out the work Internal Audit expect to carry out during the year. This work complies with the requirement under section 3 of the Accounts and Audit Regulations 2015<sup>1</sup> for the Council to

*‘ensure that it has a sound system of internal control which:*

- a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- b) Ensures that the financial and operational management of the authority is effective.’*

1.2 Performance Standard 2060 of the Public Sector Internal Audit Standards (PSIAS) requires the Audit Manager to report to the Audit and Risk Committee on the internal audit activity and performance relative to this plan.

1.3 Audit Committee Terms of Reference require the Committee to *‘Monitor delivery of the internal audit activity, fraud investigation work and Risk Management in the Council’.*

## 2.0 Audit work for April to October 2017.

2.1 On completion of each audit a formal report is initially issued to the relevant line managers and the Executive Director for the service concerned. After two weeks copies are also sent to the Chief Executive, Portfolio Holder, Executive Director - Finance Services (s151 Officer), the external auditors, Ernst and Young and a copy placed on InSite for Audit Committee to access. The report contains an action plan, with target dates, that has been agreed with the managers to address the observations and recommendations raised by Internal Audit. This forms the basis of the follow-up audit, which is carried out approximately six months later to assess progress in implementing the agreed actions.

### 2.2 Reports issued during the period

The following audits have been completed and reports issued as described above:

- Creditors
- Informing the Customer
- Housing Standards
- S106 / CIL and Habitat Mitigation Levy
- Information Management
- Emergency planning and management
- Transparency and Open Data follow up
- Food Hygiene, Health & Safety and Public Health follow-up
- Alive Leisure and Management follow-up
- Housing Options and Allocations follow-up
- Careline follow-up

A summary of the reports is attached as **Appendix 1** and the full versions are available under the relevant year to members of the Audit Committee on InSite. Some of these reports are the result of completion of work started in 2016/17.

### 2.3 Work ongoing

The following audits were ongoing at the time of writing the report and will be reported to the Committee in the next progress report:

- Asset Register and Inventories
- Insurance
- Care & Repair
- Council Tax and Business Rates
- Benefits
- Industrial Estates and Commercial Property
- Alive Leisure and Management
- Cemeteries and Crematorium
- Planning Control

### 2.4 Other work carried out

In addition to the standard audits, Internal Audit also undertook other work including the following:

- Water Management Alliance audit

- Checks on the Cost of Living and Performance Related Pay calculation spreadsheets
- Review of Statement of Accounts working papers
- Review and update of the Internal Audit Terms of Reference.
- Review of the Annual Governance Statement

#### 2.5 Changes to the Audit Plan

Only a small change to the Audit Plan is required. This is to slightly change the Gifts and Hospitality audit to cover a wider range. We wish to rename the audit to Ethical Culture which will expand the aforementioned audit to also include declarations of interest for both officers and members.

### **3.0 Work planned for November 2017 to March 2018.**

3.1 As well as completing the ongoing work listed in paragraph 2.3, the following audits are planned for the second half of 2016/17:

- Treasury Management
- Partnership Working
- Gifts and Hospitality (Ethical Culture)
- Accounts Receivable
- General Ledger incl Budgetary Control
- External Funding / Grants Recieved
- ICT Change Management
- Procurement
- Cost Efficiency Savings
- Housing Strategy
- Flood and Water Management

### **4. Investigations work April to October 2017**

4.1 There are currently 2 themes of National Fraud Initiative (NFI) reporting being completed:

- The Flexible Matching Service – This is an annual occurrence, focusing primarily on Council Tax data matches in need of investigation.
- The NFI 2016/17 – This is a council wide data matching exercise, focusing on all possible areas of the council including Creditors, Payroll, Council Tax and Housing Benefits. This exercise is undertaken every two years.

4.2 The “NFI 2016/17 report” has 3,263 matches (which the majority of which were received in January 2017), 1,496 have been processed to date. A further 1,471 matches relating to Creditors have been passed onto Liaison who are conducting an Audit of Accounts Payable on behalf of the Authority. This leaves 296 matches still to be processed.

4.3 The Flexible Matching Service deals with matches mainly consisting of:

- Council Tax Single Person Discount (SPD) - the outstanding matches are for Council Tax accounts that do not match Electoral Register information that require further investigation.
- Additionally some matches refer to details where the second adult is due to turn 18 between now and the end of the financial year.
- A new report was received on 13/04/17 containing 2,445 matches. Due to the volume of matches received the Investigations Officer has been liaising with the Revenues Team who are also currently conducting a DataTank exercise to review over 4,700 Single Person Discount (SPD) awards.
- January 2016 datasets – All 1,742 have been processed.
- January & April 2017 datasets – 3,124 matches received, 654 have been processed to date.

4.4 In total there are 2,766 matches still to be processed.

4.5 Work will soon be commencing on the extraction of Council Tax and Electoral Registration data for the 2018 Flexible Matching Service upload which must be carried out before 28/02/18.

4.6 The following fraud and error has been identified during April to October 2017:

	<b>No. of cases</b>	<b>£</b>
Council Tax Reduction Scheme error	12	5,279.74
Council Tax Reduction Scheme fraud	0	0.00
Administrative Penalty	0	0.00
Housing Benefit and Council Tax Benefit	12	6,069.78
Council Tax error	82	24,981.56
Council Tax Penalty Applied	1	70.00
National Non-Domestic Rates error	1	1,429.19
Undeclared land lease transfer charges	2	2,062.44
<b>Total additional fraud and error</b>	<b>110</b>	<b>39,892.71</b>

4.7 Investigation work has continued on an adhoc basis to attempt to trace debtors/absconders who have not advised of their address/contact information but have outstanding arrears with the Authority. Where a successful trace has been made any new address/contact information is being passed on to the relevant Department's for recovery purposes. The following value of Debtors/Absconders have been identified during April to October 2017:

	<b>No. of cases</b>	<b>£</b>
Council Tax	37	31,678.36
National Non-Domestic Rates	0	0.00
Sundry Debts	6	10,021.29
Financial Services	16	20,522.93
Careline	15	6,926.90
<b>Total additional fraud and error</b>	<b>74</b>	<b>69,149.48</b>

4.8 Other investigation work has resulted in 38 individual's being removed from the Housing Register as they no longer met the qualifying criteria. The Audit Commission report that the potential benefit of each cancellation is between £4,000 and £18,000 per application. Furthermore 44 Council Tax Accounts have been amended from SPD to a Student Disregard.

## **5. Issues for the Panel to Consider**

5.1 The Committee needs to consider if the work completed by the Internal Audit team during 2017-18 is sufficient to support an opinion on the systems of internal control within the Council.

## **6. Corporate Priorities**

6.1 The internal audit activity supports the achievement of the Corporate Business Plan by adding value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

## **7. Any other Implications/Risks**

7.1 Monitoring the work of the Internal Audit Team enables the Audit Committee to receive assurance on the state of the internal control system of the Council.

## **8. Conclusion**

8.1 The Strategic Internal Audit plan provides the basis for the Internal Audit team to carry out the work necessary to provide assurance on the systems of internal control. Monitoring progress against the plan ensures sufficient work is completed to provide an Annual Audit Opinion for the Annual Governance Statement and to fulfil the requirements of the Accounts and Audit Regulations 2015.

8.2 Progress to date has been satisfactory and at this point nothing has arisen to suggest that the plan will not be completed within the year. If anything does arise that will impact on the completion of the plan, the Committee will be informed at the next available meeting.

- 8.3 This report provides Members with an overview of the audit activity and outcomes over the period, and provides an opportunity for Members to seek further information if required.

## 9. Background Papers

Strategic Internal Audit Plan 2017-18.  
Accounts and Audit Regulations 2015

### Notes to support the summary in Appendix 1

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

#### Recommendations

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

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

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

#### Audit Opinion

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

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



Audits completed in the first half of 2017/18	Overall Opinion
<p><u>Informing the Customer</u> Report published April 2017. 1 Medium recommendation. The recommendation relates to developing guidance for Line Managers with responsibility for web pages to regularly review the content.</p>	Substantial assurance
<p><u>S106 Agreements, CIL and Habitat Mitigation Levy</u> Report published April 2017 3 High and 1 Medium recommendations. The High recommendations relate to implementing controls around referencing and monitoring procedures. These have both been implemented. The Outstanding recommendation relates to identifying ownership of monitoring S106 agreements.  The medium recommendation relates to creating an electronic version of the register.</p>	Substantial Assurance
<p><u>Information Management</u> Report published September 2017. 5 Low recommendations. All f the recommendations were Low and represent a desire to achieve best practice. No controls were at risk.</p>	Full assurance
<p><u>Creditors</u> Report published August 2017 6 Medium and 2 Low recommendations. The Medium recommendations are concerned with updating security protection and general improvements on template documentation and enforcing prompt and accurate procedures with staff.</p>	Substantial assurance
<p><u>Housing Standards</u> Report published October 2017 5 High and 1 Medium recommendation. The High recommendations relate to Fees and Charges calculations and the development of a robust Enforcement policy. Medium recommendation refers to reconciling the cost</p>	Limited assurance

<b>Audits completed in the first half of 2017/18</b>	<b>Overall Opinion</b>
recovery calculation for residential caravan sites.	
<u>Emergency Planning and Management</u> Report published October 2017. No recommendations were made. Controls were reviewed in respect of the Council's ability to deliver its role as a Category 1 responder in the event of a civil emergency.	Full Assurance

Follow-up audits completed in the first half of 2017/18	Original report	Follow-up progress
<u>Transparency and Open Data</u> The report published in November 2016 contained 2 High and 2 Medium recommendations. All recommendations have been implemented satisfactorily	November 2016 Substantial Assurance	May 2017 Very Good
<u>Food Hygiene, Health &amp; Safety and Public Health</u> The report published in August 2016 contained 6 Medium recommendations and 2 Low recommendations. 6 of these have been implemented, one has been partially implemented and the last one has a new deadline of September 2017 and will be included in the new structure	August 2016 Substantial Assurance	August 2017 Good
<u>Alive Leisure &amp; Management</u> The report published in January 2016 contained 2 High and 2 Medium recommendations, which have been completed satisfactorily.	January 2016 Limited	September 2017 Good
<u>Housing Options &amp; Allocations</u> The report published in February 2017 contained 1 High, 4 Medium and 2 Low recommendations. Of these 2 Medium and 1 High recommendation remained outstanding and a new deadline of April 2018 was agreed.	February 2017 Substantial Assurance	September 2017 Adequate
<u>Careline</u> The report published in August 2016 contained 2 High and 1 Low recommendation. 1 High recommendation is outstanding and will be picked up in the Care & Repair Audit to be completed during 2017/18	August 2016 Substantial Assurance	September 2017 Good





# **The Budget 2017/2018**

Monitoring Report

September 2017

Lorraine Gore  
Executive Director

## **The Budget 2017/2018**

### **Monitoring Report – September 2017**

#### **Executive Summary**

The monthly budgetary control report has been developed over the past few years to address the need for strong financial control. Whilst the budget monitoring report will continue to be provided on a monthly basis some sections are only included quarterly.

This budgetary control report highlights variances, as at 30 September 2017, from the revised budgets for revenue, as contained in the Financial Plan 2016-2021 agreed by Council on 23 February 2017.

As at 30 September 2017 and detailed on section 2, an adverse variance of £4,000 is reported.

A target for Turnover Saving of £175,000 has been set for 2017/2018. Details of Turnover Savings are included in section 4 of this report.

The 2017/2018 Capital programme was updated as part of the closedown of the accounts reported to Cabinet on 27 June 2017. Section 9 includes details of the Capital Programme 2017/2018 for major projects and for each service area.

Appendix 2 notes the cash limit rules which apply to all budgets.

**If further information relating to any budget highlighted within this report is required please do not hesitate to contact Lorraine Gore on Ext. 6432**

## 1. Introduction

This report covers the period to 30 September 2017.

## 2. Revenue Budget 2017/2018

A summary of the budget position as at 30 September 2017 is shown below.

	<b>Financial Plan 2017/2018 Council 23 February 2017</b>	<b>August Budgetary Control Monitoring Report 2017/2018</b>	<b>September Budgetary Control Monitoring Report 2017/2018</b>	<b>Report Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Corporate	6,357,980	6,609,650	6,621,580	11,930
Democracy	1,287,890	1,277,230	1,272,880	(4,350)
<b>Services Areas:</b>				
Central and Community Services	3,091,660	751,540	755,540	4,000
Chief Executive	1,165,390	1,155,020	1,155,020	0
Commercial Services	5,764,530	2,308,300	2,308,300	0
Environment and Planning	2,051,990	1,952,870	1,945,290	(7,580)
Finance Services	2,195,690	2,125,750	2,125,750	0
Financing Adjustment	(3,959,180)	1,752,650	1,752,650	0
Internal Drainage Boards	2,675,890	2,674,090	2,674,090	0
Council Tax Support to Parishes	64,230	64,230	64,230	0
<b>Borough Spend</b>	<b>20,696,070</b>	<b>20,671,330</b>	<b>20,675,330</b>	<b>4,000</b>
Reimbursement of lump sum Pension Payment	(2,932,000)	(2,932,000)	(2,932,000)	0
Contribution to/(from) Balances	(9,340)	15,400	11,400	(4,000)
<b>Borough Requirement</b>	<b>17,754,730</b>	<b>17,754,730</b>	<b>17,754,730</b>	<b>0</b>

### ICT Services

£4,000 additional expenditure is reported due to upgrading the IT connection at the Town Hall. Subsequent running costs of £2,500 for future years are also reported.

#### **Action to be taken**

The cash limited budgets for 2017/2018 and projections have been amended

## **Cost Reduction Programme**

As reported in section 5 cost reductions have resulted in movements between service heads as per the table below;

<b>Service Area</b>	<b>Variance £</b>
Corporate	11,930
Democracy	(4,350)
Environment and Planning	(7,580)
<b>Total</b>	<b>0</b>

All cost reduction savings achieved in advance of 2020/2021 will be transferred to reserves to fund investment in major capital projects which will provide future revenue income. On-going annual savings will be included in the estimates from 2020/2021 and reduce the Borough spend.

### **Action to be taken**

The cash limited budgets for 2017/2018 and projections have been amended

## **Summary of Movements**

<b>Corporate</b>		
Cost Reduction Programme	11,930	
<b>Corporate Total</b>		<b>11,930</b>
<b>Democracy</b>		
Cost Reduction Programme	(4,350)	
<b>Democracy Total</b>		<b>(4,350)</b>
<b>Central and Community Services</b>		
ICT Services	4,000	
<b>Central and Community Services Total</b>		<b>4,000</b>
<b>Environment and Planning</b>		
Cost Reduction Programme	(7,580)	
<b>Environment and Planning Total</b>		<b>(7,580)</b>
<b>Overall Total</b>		<b>4,000</b>



### 3. High Risk, Volatile or Large Budgets

In this section of the report, and at Appendix 1, we focus on what are considered to be the high risk, volatile or large budgets for the Council.

	Original Budget 2017/2018	Variance July to September	Projected Outturn 2017/2018
	£	£	£
<b>Financing Adjustment</b>	(3,959,180)	5,711,830	1,752,650
<b>Commercial Services</b>			
Car Park Income	(4,280,120)	0	(4,280,120)
Recycling Income	(2,980,690)	0	(2,980,690)
Refuse Income	(640,700)	0	(640,700)
Industrial Estates Income	(1,498,400)	6,000	(1,492,400)
Town Centre Rents Income	(313,370)	0	(313,370)
<b>Finance Services</b>			
Benefit - Payments (reported quarterly)	39,616,250	0	39,616,250
Benefit - Subsidy *excluding administration grant (reported quarterly)	(39,193,400)	0	(39,193,400)
<b>Environment and Planning</b>			
Local Land Charges Income	(167,330)	0	(167,330)
Planning Income	(1,049,060)	0	(1,049,060)
Major Planning Appeal costs	24,460	0	24,460

**Financing Adjustment;** as reported in the July monitoring report the capital charges have been removed from the service budgets. These charges are only included for technical accounting purposes and cannot be influenced by budget managers.

These amendments have had no bottom line impact; they are movements between service budgets and the financing adjustment.

Service Area	Variance £
Corporate	(6,200)
Central and Community Services	(2,285,660)
Chief Executive	(6,390)
Commercial Services	(3,356,770)
Environment and Planning	(7,240)
Finance Services	(50,000)
Finance Adjustment	5,712,260
<b>Total</b>	<b>(0)</b>

**Industrial Estates Income;** as reported in July monitoring report, there was a reduction in rental income of £6,000.

#### 4. Movement on Balances

The impact on balances of the variances are detailed in the table below.

	£
Balance brought forward 1 April 2017 (balance published in the Statement of Account 2016/2017)	8,745,316
Reimbursement of lump sum Pension Payment	(2,932,000)
Contribution to balances to August monitoring	15,400
Draw from balances September monitoring	(4,000)
	<hr/>
Projected General Fund Balance 31 March 2017	5,832,716
	<hr/>

The projected balance for 2017/2018 remains above the minimum level of £887,737 required of the Council.

The General Fund Balance is held at a higher level than usual to provide for a planned and measured response to the reduction in grant funding. Significant draws from the general funding balance will be necessary in the later years of the medium term financial plan 2016-2021

#### 5. Turnover Savings Targets 2017/2018

Turnover savings of £175,000 were set for 2017/2018. Savings of £61,050 have been achieved to the end of July. No additional savings are reported in September.

## 6. Cost Reduction Target

A balanced budget is presented in The Financial Plan 2016/2021, supported by transfers from the general fund balance. The continuing reductions in central government funding will require the Council to further reduce costs/increase income. The next phase of the cost reduction programme includes proposals for delivering the target savings and as these are achieved the savings will be reported as part of the monthly monitoring report.

Where savings are achieved in advance of 2020/2021 these will be transferred to reserves to fund investment in major capital projects which will provide future revenue income.

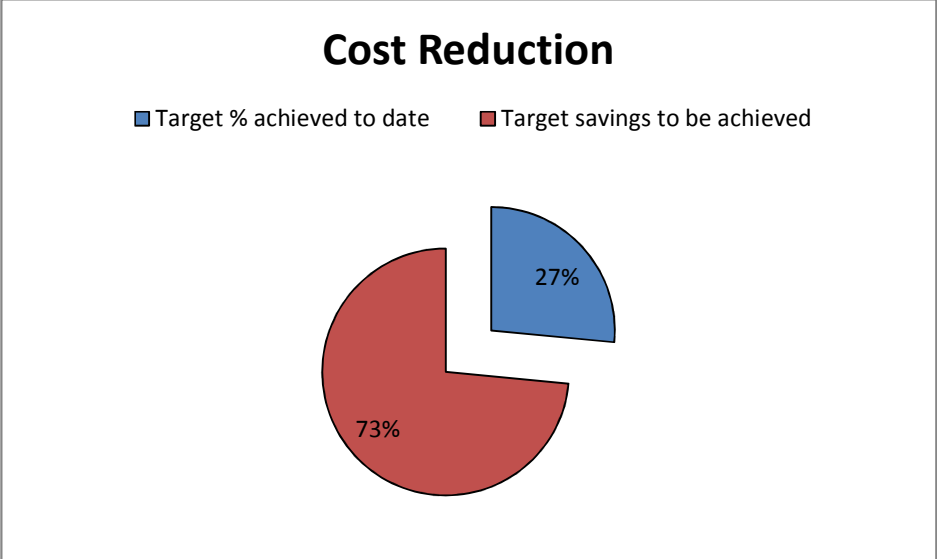
Additional cost reduction savings to report to the end of September 2017 are;

Service Area	2017/2018 Saving £	2018/2019 Saving £	2019/2020 Saving £	2020/2021 Saving £
<b>Revenue</b>				
<b>September:</b>				
Civic Functions	4,350	4,350	4,350	4,350
Licensing Salaries	7,580	7,870	8,170	8,480
<b>Total September</b>	<b>11,930</b>	<b>12,220</b>	<b>12,520</b>	<b>12,830</b>
<b>August:</b>				
In Bloom – Grounds	5,000	5,000	5,000	5,000
Heacham Depot	5,800	5,930	6,070	6,230
<b>Total August</b>	<b>10,800</b>	<b>10,930</b>	<b>11,070</b>	<b>11,230</b>
<b>July:</b>				
Countryside Grants	4,000	4,000	4,000	4,000
Management Fee – Leisure Services	21,420	-	-	-
Open Spaces	20,000	20,000	20,000	20,000
<b>Total July</b>	<b>45,420</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>
<b>June:</b>				
Stop Issuing Cheques	3,550	3,550	3,550	3,550
<b>Total June</b>	<b>3,550</b>	<b>3,550</b>	<b>3,550</b>	<b>3,550</b>
<b>Savings to Date</b>	<b>71,700</b>	<b>50,700</b>	<b>51,140</b>	<b>51,610</b>
Adjusted target savings to be achieved (as per Management Team )	270,362	836,652	1,114,631	1,120,176
<b>Variance (under) to Date</b>	<b>(198,662)</b>	<b>(785,952)</b>	<b>(1,063,491)</b>	<b>(1,068,566)</b>

The chart below shows the savings to date of £67,350, as a comparative to the target savings to be achieved of £270,362;

**Civic Functions;** a cost saving of £4,350 is to be made from civic functions

**Licensing Salaries;** following the reduction of hours for a post within licensing, a saving of £7,580 has been achieved, additional years are shown above.



**7. Fees and Charges**

The Council has delegated authority to the Executive Director of the appropriate services (in consultation with the relevant portfolio holder and the Leader) to vary charges having regard to market conditions and the Council's policy framework. The 2017/2018 fees and charges were originally detailed in the Financial Plan 2016/2021 and agreed by Council on the 23 February 2017.

There are no changes to the fees and charges to September 2017.

## 8. Treasury Management 2017/2018

The updated “Treasury Management Strategy Statement and Annual Investment Strategy 2017/2018” was approved by Cabinet on the 13 February 2017. The Council’s Treasury Management Strategy will be updated as appropriate for any future changes made to the code of practice by CIPFA.

The monthly monitoring report includes prudential indicators, updates on movements in borrowing and investments during the period, together with the credit rating changes of counter parties and average rate of return on investments. This information is detailed in the tables below:

### Prudential Indicators

Indicator	Original Limit 2017/2018	Actual 30 September 2017
Operational Boundary (Limit of borrowing)	£50m	£12.9m
Short-term and variable rates borrowing limits	60%	0%

### Loans

Opening Balances £	Additional Borrowing £	Repayments £	Balances 30 September 2017 £	Counter Party
<b>Long Term</b>				
10,000,000	-	-	10,000,000	Barclays Capital
500,000	-	100,000	400,000	Public Works Loan Board (PWLB)
2,500,000	-	-	2,500,000	Suffolk County Council
<b>Under 12 Months</b>				
13,000,000	-	100,000	12,900,000	<b>Total</b>

## Investments

Opening Balances £	Additional Investment £	Repayments £	Balances 30 September 2017 £	Counter Party
<b>Fixed Rate Term Deposits</b>				
-	2,000,000	-	2,000,000	Barnsley Metro Borough Council
3,000,000	-	-	3,000,000	Bury Metro Borough Council
2,000,000	-	-	2,000,000	Cheshire West and Chester Council
3,000,000	-	-	3,000,000	Fife Council
5,000,000	-	-	5,000,000	Great Yarmouth Borough Council
2,750,000	-	-	2,750,000	Norfolk and Waverney Enterprise
2,000,000	-	-	2,000,000	Moray Council
<b>Cash Flow</b>				
4,000,000	1,285,000	1,950,000	3,335,000	BNP Paribas
-	4,140,000	4,140,000	-	HSBC Liquidity
-	4,000,000	4,000,000	-	Ignis
1,240,000	2,640,000	3,880,000	-	Legal and General
-	-	-	-	Primerate
<b>22,990,000</b>	<b>14,065,000</b>	<b>13,970,000</b>	<b>23,085,000</b>	<b>Total</b>

## Credit Ratings

The Council uses independent ratings (Fitch) to derive part of its counterparty criteria, in accordance with the currently adopted Treasury Management Practices.

The BCKLWN minimum ratings for banks are:

Short term Rating <b>F1</b>	Viability Rating <b>BB+</b>	Support Rating <b>3</b>	Long Term Rating <b>A</b>
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**F1** = Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments.

Have an added "+" to denote any exceptionally strong credit feature.

**B** = A strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects.

**3** = A bank, for which support from a state or from an institutional owner is likely but not certain.

**A** = A low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. There may be some vulnerability to changes in circumstances or in economic conditions than is the case for higher ratings.

## Rating Changes

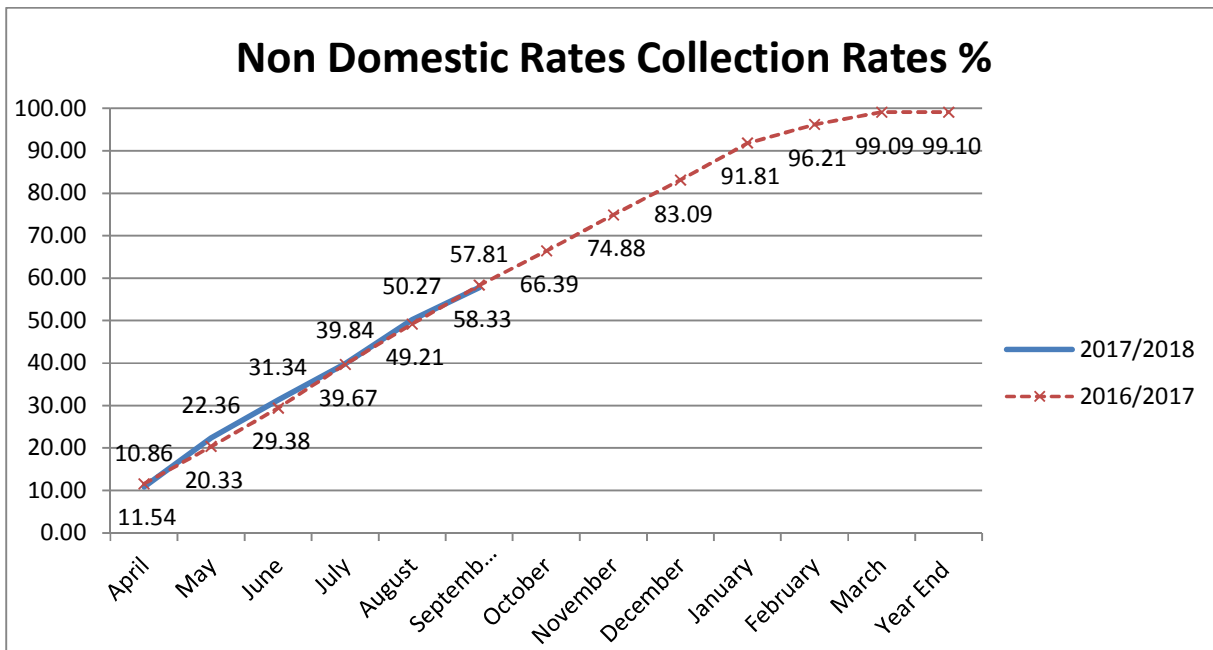
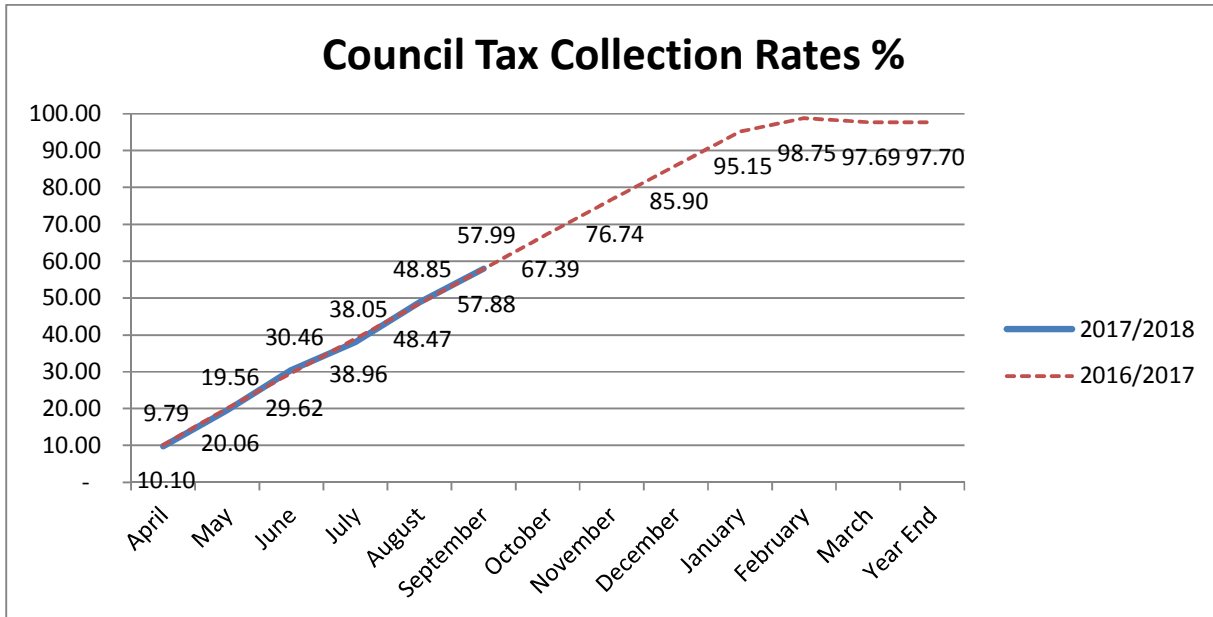
There are no rating changes for the counterparties currently used by the Council.

## 9. Payments to Creditors

As at 30 September 2017 the Council was paying 95% (target 94%) of all creditors within 30 days. The Council has a target to pay 'local' creditors within 10 days; in September 2017 the performance is 96%.

## 10. Collection Rates

The percentage of annual charge collected to 30 September 2017, and for comparison purposes for the same period in 2016, is stated below.



	<b>30 September 2016</b>	<b>30 September 2017</b>
<b>Council Tax</b>	57.88%	57.99%
<b>Business Rates</b>	58.33%	57.81%



## 11. Capital Programme 2017/2018

The Capital Programme 2017/2018 was updated at Cabinet on 27 June 2017 and is detailed in the table below.

	<b>Capital Programme 2017/2018</b>	<b>August Amendment Capital Programme 2017/2018</b>	<b>September Amendment Capital Programme 2017/2018</b>	<b>Spend to Date</b>	<b>Percentage</b>
	£	£	£	£	%
Major Projects	23,535,110	23,302,440	22,605,260	6,177,551	27.33
Central and Community Services	2,514,940	2,532,940	2,532,940	730,904	28.86
Commercial Services	2,826,130	2,924,130	2,924,130	322,292	11.02
Environment and Planning	16,000	16,000	16,000	0	0
Finance Services	106,980	106,980	106,980	50,000	46.74
<b>Total</b>	<b>28,999,160</b>	<b>28,882,490</b>	<b>28,185,310</b>	<b>7,280,747</b>	<b>25.83</b>

### Major Projects

**Joint Venture - NORA Phase 3;** Following the recent tender for works on NORA Phase 3, the total contract sum for this project has now been confirmed as £6,523,460. £2,740,030 is planned expenditure for 2016/2017 with the remaining £3,783,430 to be spent in 2018/2019.

Therefore, £697,180 has been rephased from 2017/2018 to 2018/2019 and an additional £794,250 has been included in 2018/2019. This will be funded from capital receipts expected from this project.

## 12. Capital Receipts

To the end of September 2017, the Borough Council received Capital Receipts to the value of £4,253,740 against a target of £10,338,000.

	<b>Target £</b>	<b>Actual to September £</b>
Capital Receipts Preserved Rights to Buy	150,000	158,390
General Capital Receipts	2,120,000	58,280
*NORA Housing Receipts Phase 2	2,768,000	2,161,770
**Major Housing - Marsh Lane	5,300,000	0
<b>Total</b>	<b>10,338,000</b>	<b>2,378,440</b>

\*NORA Housing is a joint venture with Norfolk County Council. All costs and receipts are shared 50/50. On phase 2 of the development there is only one unsold property and two show homes remaining.

\*\*Sales on the major housing development are not expected until the final quarter of 2017/2018, to date 10 properties have been reserved from of the 130 to be developed.

Appendix 1

High Risk, Volatile or Large budgets

Service Head	Original Budget 2017/2018 £	Projected Outturn 2017/2018 £	Total Variance £	Action Plan	Operational Activity Indicators
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Finance Adjustment					
Finance Adjustment	(3,959,180)	1,752,650	5,711,830	No	

Commercial services							
Car Park Income	(4,280,120)	(4,280,120)	0	No			
Refuse Income	(640,700)	(640,700)	0	No	Composting – Number of Brown Bins issued	Current Figure	Target
Recycling Income	(2,980,690)	(2,980,690)	0	No		26,112	20,000+
Industrial Estates Income	(1,498,400)	(1,492,400)	6,000	No			
Town Centre Rents	(313,370)	(313,370)	0	No			

<b>Finance Services</b>								
Benefit - Payments (reported quarterly)	39,616,250	39,616,250	0	No		Lower Threshold (to receive 100% subsidy)	Upper Threshold (to receive 40% subsidy)	Projected Local Authority error overpayments 2017/2018
Benefit - Subsidy *excluding administration grant (reported quarterly)	(39,193,400)	(39,193,400)	0	No		£173,328	£194,994	£54,540
Time to process new claims using IEG4						17.90 days		
Time to process change of circumstance						15.44 days		

<b>Environment and Planning</b>								
Local Land Charges Income	(164,050)	(164,050)	0	No				
Planning Income	(1,115,990)	(1,285,990)	(70,000)	Yes				

## Appendix 2

### Cash Limits

In all cases the Budget Cash Limit will be seen to be the 'bottom line' of a service cost centre as presented in the Financial Plan 2016/2021 and the financial ledger.

It will be the responsibility of the Executive Director to make sure that any anticipated overspending in a cost centre, as a first option, is compensated by a reduction in the same service area. In the event that this is not possible the Executive Director must as a second option look for compensating reductions within another service area under their responsibility. (It is accepted that this may mean changes across Portfolios).

If this is not possible then the Executive Director must report the circumstances to the Management Team requesting the forecast overspend to be met from corporate resources.

The decision on how to meet the shortfall will be made by Management Team in consultation with the portfolio holder for Resources, before the overspending is authorised.

These cash limits rules will not apply to elements of the budget that are 'outside' of the control of the service manager. These will include;

- rent and rates
- insurances
- benefit payments
- support service charges
- capital financing
- asset rentals
- interest on capital receipts

Where there are increase/reductions in the above, it will be necessary for the Executive Director to report to Management Team and complete the appropriate Exercise of Delegated Authority (EDA) form or Cabinet report.

In all other cases the cash limits rules will apply although Management Team, in consultation with the portfolio holder for Resources, will consider exceptions in particular cases. (As an example, this may be the case where the pressure comes from reduced levels of income from 'demand led' services).

In all cases Financial Regulations require the Executive Director to gain Portfolio Holder(s) approval for them to complete the EDA form. A copy of the form must be sent to the Assistant Director for adjustments to be made to the budget records in the financial ledger.

Any budget transfer with a value of £250,000 or above is a 'key decision' and must be subject of a report to Cabinet.

In dealing with the overspending it will be the responsibility of the Executive Director to identify compensating reductions within one month of the issue being identified. This will form part of the Monthly Monitoring Report.

As a reminder, the Financial Regulations state;

- transfers must not be made into permanent staffing budgets;
- savings in non-recurring expenditure or income should not be used to finance additional recurring expenditure

**Lorraine Gore**  
**Executive Director**

## AUDIT COMMITTEE WORK PROGRAMME 2017/2018

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
30 May 2017	Training – How to undertake an Audit		G Adam	
30 May 2017	Draft Annual Governance Statement		V Dunmall	To receive and note the draft Annual Governance Statement 2017.
30 May 2017	Corporate Risk Register Monitoring Report	Monitoring	V Dunmall	To note the report which presents the changes to the Risk Register since the last report.
30 May 2017	Internal Audit Annual Report and Opinion 2016/2017	Annual	K Woodward	To receive the Audit Manager's Annual Report.
30 May 2017	Internal Audit Full Year Progress Report 2016/2017		K Woodward	To note the report.
30 May 2017	Audit Committee Effectiveness Report	Cabinet	K Woodward	To review the work of the Audit Committee during 2016/2017 and consider if the Committee has effectively fulfilled its role.
19 June 2017	<b>MEETING CANCELLED</b> Training - Statement of Accounts		L Gore/ T Cowper	All Members have been invited to attend.

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DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
31 July 2017	Statement of Accounts		L Gore	To approve the Statement of Accounts 2016/2017
31 July 2017	External ISA 260 Report		L Gore	To note the comments of the External Auditor.
31 July 2017	Annual Governance Statement		V Dunmall	To approve the Annual Governance Statement 2017.
31 July 2017	External Auditor appointment for Grant Certification work.		K Woodward	
4 September 2017	Presentation on IT back-up systems		R Godfrey	At their meeting on 30 May 2017, the Committee resolved that the ICT Manager be invited to attend a meeting to give a presentation on the back-up systems operated by the Council.
4 September 2017	Monitoring Officer Report 2016/2017	Annual	E Duncan	To receive the Annual Monitoring Officer Report.
4 September 2017	Update – Internal Audit Terms of Reference		K Woodward	To receive an update report
4 September 2017	Treasury Outturn Report		T Cowper	



<b>DATE OF MEETING</b>	<b>TITLE</b>	<b>TYPE OF REPORT</b>	<b>LEAD OFFICER</b>	<b>OBJECTIVES AND DESIRED OUTCOMES</b>
27 November 2017	Training – Budget	Training Session for Audit Committee	L Gore/ T Cowper	All Members have been invited to attend for this item
27 November 2017	Annual Audit Letter for year ending 31 March 2017	Annual Audit Letter		Ernst & Young will attend for this item
27 November 2017	Business Continuity	Annual Update	D Robson	To receive an annual update report.
27 November 2017	Corporate Risk Register Monitoring Report	Monitoring	B Box	To note the report which presents the changes to the Risk Register since the last report.
27 November 2017	Internal Audit Half Year Progress Report	Monitoring	K Woodward	To receive the half year progress report.
27 November 2017	Mid Year Treasury Report	Mid Year	T Cowper	To receive the mid year report
27 November 2017	Latest Budget Monitoring Report	Each Meeting	L Gore	The Committee will receive the latest monitoring report and be invited to ask any questions.

<b>DATE OF MEETING</b>	<b>TITLE</b>	<b>TYPE OF REPORT</b>	<b>LEAD OFFICER</b>	<b>OBJECTIVES AND DESIRED OUTCOMES</b>
12 February 2018	Update/Training: Cost Reduction	Update/ Training		
12 February 2018	Strategic Internal Audit Plan		K Woodward	To provide the Committee with the opportunity to review the proposed Strategic Audit Plan 2017 – 2022
12 February 2018	Latest Monitoring Report	Each Meeting	L Gore	The Committee will receive the latest monitoring report and be invited to ask any questions.