

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



Audit Committee

Agenda

Monday, 12th February, 2018
at 5.00 pm

in the

**Council Chamber
Town Hall
Saturday Market Place
King's Lynn
PE30 5DQ**

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



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2 February 2018

Dear Member

Audit Committee

You are invited to attend a meeting of the above-mentioned Committee which will be held on **Monday, 12th February, 2018 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 5 - 55)

To approve the minutes from the Audit Committee held on 27 November 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 - Cost Reduction

8. Update on progress with the Annual Governance Statement covering the 2017/18 Year (Pages 56 - 61)

9. Strategic Internal Audit Plan (Pages 62 - 74)

10. Budget Monitoring Report (Pages 75 - 86)

11. Committee Work Programme 2018/2019 (Pages 87 - 90)

To note the Committee's Work Programme for 2018/2019.

12. Date of Next Meeting

To note that the date of the next meeting of the Audit Committee will take place on Wednesday 30 May 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:

Councillor P Hodson, Performance
Councillor B Long, Leader

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: Lorraine Gore, Executive Director
- Item 8: Becky Box, Policy, Performance and Personnel Manager
- Item 9: Kathy Woodward, Audit Manage
- Item 10: Lorraine Gore, Executive Director

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

AUDIT COMMITTEE

Minutes from the Meeting of the Audit Committee held on Monday, 27th November, 2017 at 5.00 pm in the Council Chamber, 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

Portfolio Holders

Councillor P Hodson
Councillor B Long, Leader

Officers:

Becky Box, Policy, Performance and Personnel Manager
Toby Cowper, Group Accountant
Martin Chisholm, Business Manager
Lorraine Gore, Executive Director
Kathy Woodward, Audit Manager

Councillors attending for A49: Budget Training:

Miss L Bambridge, I Devereux, H Humphrey, C Sampson, D Tyler,
E Watson, A Wright

A42 **APPOINTMENT OF VICE-CHAIRMAN**

RESOLVED: Councillor Mrs J Collingham be appointed Vice-Chairman for the meeting.

A43 **APOLOGIES**

An apology for absence was received from Councillor M Hopkins.

A44 **MINUTES**

The minutes of the Audit Committee held on 4 September 2017 were agreed as a correct record and signed by the Chairman.

A45 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

A46 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A47 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

A48 **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was none.

A49 **TRAINING SESSION FOR ALL MEMBERS - BUDGET**

All Members were invited to attend for this item.

The Group Accountant gave a presentation on the budget process (copy attached) and responded to questions relating to:

- Cost Reduction Programme.
- Balanced Budget.
- Reserves.
- The Walks Café – Capital Expenditure: replacement of coffee machine.
- Central Service recharge.
- September/October 2017 Budget Monitoring Report.
- Zero based budget.
- The process for reviewing the Council's budget.
- Services the Borough Council deliver for other Councils.
- Services the Borough Council bought in from other Councils.
- Increase in interest rates and the potential impact on the Borough Council.
- Overnight banking.
- Importance of Regeneration to attract businesses to King's Lynn.
- Borough Council's Investment Portfolio.
- Business Rates Retention Scheme.

A50 **ANNUAL AUDIT LETTER FOR YEAR ENDING 31 MARCH 2017**

D Cooke, Ernst and Young presented the Annual Audit Letter for the year ending 31 March 2017 and reminded the Committee that the audit results had been presented to Members at the 31 July 2017 meeting.

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

In response to a question regarding additional fees, D Cooke explained that Ernst and Young were currently liaising with the Executive Director to agree the level of additional fees.

In response to questions on no material weaknesses in controls or evidence of material management being identified and the controls in place, D Cooke, Ernst and Young drew the Committee's attention to page 41 of the Agenda and explained that all audits were managed with robust controls and therefore no material weaknesses had been identified and that the Council was in a strong position.

In response to questions regarding the Council's building projects in future years, D Cooke, Ernst and Young explained that the External Auditors only audited what was presented for the current audit. However, it was noted that the Council's future building projects would form part of the plan going forward.

The Leader, Councillor Long explained that the Council would receive a capital receipt for every house that was sold. However, if in the future all houses were not sold then the Council would have the option to consider renting properties which would generate an income stream.

The Chairman, Councillor Pope thanked Dan Cooke for attending and presenting the Annual Audit Letter.

RESOLVED: The Audit Committee noted the Annual Audit Letter for year ending 31 March 2017.

A51

BUSINESS CONTINUITY - ANNUAL UPDATE

The Business Manager presented the annual update report which outlined the current position of the Council's Business Continuity arrangements, summarised progress made since the last update and described work that is planned to be undertaken over the coming months.

Members were reminded that the Council had 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 could continue to be performance in the event of a disruption or emergency.

The Business Manager responded to questions and comments relating to:

- Borough Councillor's role.
- Response and Recovery Phases.
- Business Continuity Plans for the loss of the Town Hall.
- Itinerary of items in the documents store at the Town Hall.
- ICT back up arrangements.
- Consideration of using "the Cloud" for storage offsite. It was highlighted that the "Cloud" did not fit all service requirements and was therefore considered on a case by case basis.

The Chairman, Councillor Pope thanked the Business Manager for attending and presenting the annual report.

RESOLVED: 1) The Audit Committee reviewed the progress made and endorsed the approach being taken to the Council's Business Continuity arrangements.

2) The Audit Committee confirmed it wished to receive further annual updates on the topic as required.

A52

CORPORATE RISK REGISTER MONITORING REPORT

The Policy, Performance and Personnel Manager presented the report which outlined the changes to the Corporate Risk Register since the last monitoring report in April 2017. The report gave details of the risks falling into the 'Very High' category and the associated work being progressed to mitigate the effects.

The Committee was advised that two risks had been removed from the register (section 2.3) and seven new ones had been added (section 2.4). The risk scores for four entries had been changed as part of the review undertaken.

In response to questions, relating to 1.2 – Cost Reduction Programme (staff morale and Members expectations), the Policy, Performance and Personnel Manager explained that the Council had an annual training budget/plan. Each employee received an annual appraisal at which any training needs were identified. It was highlighted that the Council had a success track of redeploying staff dependent on the nature of the role, an example was given in that administrative posts were often redeployed into alternative roles within the Council.

Following a question relating to 1.4 – Due Diligence and the score of unlikely instead of Possible, the Policy, Performance and Performance Manager explained that the Chief Executive and Executive Directors identified savings and how services could be delivered more efficiently. It was noted that regular monitoring was undertaken by both Management Team and Extended Management Team and where appropriate actions were taken. The Executive Director advised that as part of the budget monitoring exercise, the approach of identifying savings at an early stage enabled the Council to transfer any savings to the General Fund to mitigate any risk to enable the Council to balance its budget to 2021. It was highlighted that the budget position was reviewed on an ongoing basis.

In response to questions relating to 1.9 – Capacity/staff levels, the Policy, Performance and Personnel Manager explained that in some operational areas of the Council there both busy and quieter periods during the year. The Council had no rules to enforce when staff took annual leave, but the Council adopted a flexible approach but

encouraged staff to take a minimum amount of holiday during the busier periods, dependant on the needs of the service. It was noted, however, that service managers could refuse annual leave requests.

The Policy, Performance and Personnel Manager responded to questions relating to 1.15 – Pension Fund. The Executive Director explained that non-council staff were currently able to join the pension scheme and gave an example of the arrangements for Alive Manager/Alive Leisure and added that this issue could be raised with them at a future meeting. The Executive Director informed the Committee that the current arrangements had been set up with Alive Management/Alive Leisure to protect existing staff when the new arrangements were implemented.

Following questions on 1.16 Business Rates/businesses cease operation, the Policy, Performance and Personnel Manager explained that the Borough Council had a Business Development and Marketing Officer who worked closed with businesses in the Borough and would therefore liaise with a business if there were any issues regarding payment of rent and negotiate a payment plan, if appropriate.

In response to questions on the Council's strategic land and property acquisition, the Leader, Councillor Long commented that the Council considered opportunities as they arose and highlighted the importance of balancing when to purchase available land and development propels. The Leader gave examples of the Council's successful housing development at NORA, Lynnsport and Marsh Lane and explained that if the Council was not able to sell housing units, then the units could be offered for rent which would bring an income stream to the Borough Council.

Following questions on the new refuse/recycling contract, the Portfolio Holder – Environment explained that there was a process which the Council was required to adhere to. He added that a clear specification had been subject to consultation and eight expressions of interests had been received.

The Chairman, Councillor Pope thanked the Policy, Performance and Personnel Manager for the report.

RESOLVED: The Committee considered the contents of the Corporate Risk Register and confirmed agreement with Management Team's assessment of the risks to the Corporate Objectives.

A53

MID YEAR TREASURY REPORT

The Group Accountant reminded the Committee that the Council had formally adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2011) and remained fully compliant with its requirements.

The Mid-Year Review Report had been prepared in compliance with CIPFA's code of Practice, and covered the following:

- A review of the Treasury Management Strategy.
- The Council's capital expenditure (prudential indicators).
- An economic update for the first six months of 2017/2018.

In response to a question on the Local Property Investments Fund, the Leader, Councillor Long explained that the Council had purchased a bungalow in Burnham Market to use part of the garden as an access to land for future development. Once the land had been developed, the bungalow would be sold and would therefore generate a capital receipt.

The Group Accountant responded to questions relating to the Investment Portfolio and the rationale for lending Moray Council at an interest rate of 0.3%. The Group Accountant explained that where possible, the Council tried to invest on a long term basis in order to guarantee a higher interest rate.

In response to a question on the capital receipts target, the Executive Director explained that the target was made up of a combination of capital receipts. The Capital Programme had been set in 2017 and now required refreshing.

RESOLVED: The Committee reviewed and noted the report and the treasury activity.

A54

INTERNAL AUDIT HALF YEAR PROGRESS REPORT

The Audit Manager presented the report which showed the Internal Audit activity against the Strategic Audit Plan 2017/2018 and fraud work for April to October 2017.

The Committee's attention was drawn to the following sections of the report:

- Audit work for April to October 2017.
- Work planned for November 2017 to March 2018.
- Investigations work April to October 2017.
- Issues for the Panel to consider.
- Corporate Priorities.
- Any other Implications/Risks.
- Paragraph 4.7 – Total additional fraud and errors identified £69,149.48. Work was underway to cover the errors identified.

The Chairman, Councillor Pope invited the Committee to ask questions on the progress report.

There were no questions from the Committee.

RESOLVED: The Committee considered the work completed and indicated they were satisfied with the progress against the agreed plan.

A55 **BUDGET MONITORING REPORTS - OCTOBER AND NOVEMBER 2017**

The Committee received the Budget Monitoring Reports for October and November 2017.

In response to question of the reimbursement of the lump sum payment to the Council's Pension Scheme, the Executive Director explained that the Council was required to contribute an annual stabilisation payment which was reviewed every three years. When the interest rates were low, the Council had made a three year payment in previous years.

A56 **COMMITTEE WORK PROGRAMME 2017/2018**

The Committee noted the Work Programme for 2017/2018.

The Chairman, Councillor Pope invited the Committee to put forward any items for consideration for inclusion on the Work Programme.

Councillor Mrs Collingham suggested that consideration be given to a small group of Members look at one item e.g. the Corporate Risk Register and report back to the Full Committee. Councillor Mrs Collingham added that in adopting this approach time would be saved at the Full Committee meetings.

A57 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on Monday 12 February 2018 at 5 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn.

The meeting closed at 7.02 pm



Council Budgets and Estimates Audit Committee 27 November 2017

Toby Cowper



Aims for the session

To develop an understanding of the Budget:

- **what is a budget**
- **capital / revenue**
- **setting process,**
- **council funding**
- **financial constraints and challenges,**
- **monitoring**
- **closedown**



Budgets

What is a budget?

669 14



Budgets

- **An estimate of income and expenditure for a set period of time.**
- **An itemised summary of estimated or intended expenditures for a given period along with proposals for financing them**
- **A budget is a set of interlinked plans that quantitatively describe an entity's projected future operations. A budget is used as a yardstick against which to measure actual operating results, for the allocation of funding, and as a plan for future operations.**



Budgets

What are revenue and capital budgets?

671 16



Budgets

Revenue

- **Day to day expenses**
- **Examples repairs and maintenance, salaries, utilities**

Capital

- **Items of substantial value (above £10,000)**
- **Useful life exceeds one year**
- **Enhances value of asset**
- **Examples: vehicles, fitness equipment, IT systems, acquisition/extension/new buildings, refurbishment but not repairs.**



Budgets

How much is the Borough estimated to spend on revenue services during 2017/2018?

How much is the Borough planning to spend on capital projects in 2017/2018?



Budgets

As per the Financial Plan 2016 - 2021

Revenue £79,734,640

Capital £31,073,550

The Financial Plan 2016 – 2021 can be found here:

https://www.west-norfolk.gov.uk/info/20160/budgets_and_spending/474/council_budgets



Budgets

How does the Borough fund this expenditure?

675 20



Budgets

Major Income Sources 2017/2018

• Car parking (net)	£ 2,777,780
• Planning Fees	£ 1,121,020
• Revenue Support Grant	£ 1,857,870
• New Homes Bonus	£ 2,410,950
• Rural Services Delivery Grant	£ 371,410
• Business Rates Retention	£ 7,164,280
• Housing benefits	£39,193,400
• Council Tax	£ 5,700,220



Budgets

General Fund Balance

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	£	£	£	£	£
Balance b/f	5,735,034	8,519,614	5,518,724	5,711,364	5,143,884
Reimbursement of lump sum Pension Payment	1,266,000	(2,932,000)	1,415,000	1,517,000	0
Estimated Contribution to/(Draw from) Balances	1,518,580	(68,890)	(1,222,360)	(2,084,480)	(2,620,490)
Balance c/f	8,519,614	5,518,724	5,711,364	5,143,884	2,523,394



Budgets

Capital funding

Receipts from sale of assets

External contributions – Developer contributions, lottery grants

Reserves

Borrowing

Leasing/unsupported borrowing



Budgets

Why prepare budgets?

679 24



Budgets

- **Assists planning and policy making**
- **Measures achievements**
- **Links to corporate priorities**
- **Provides authority to spend**
- **Help to determine priorities**



Budgets

- **Forecast changes in demand**
- **Show implications of changes**
- **Match demand with resources**
- **Determine levels of rents and charges**
- **Management control**



Budget Process

June

Outturn of previous year

Oct/Dec

Prepare estimates

Jan/Feb

Cabinet approves figures

End Feb

Council sets Council tax

Monitor of budgets and making revisions throughout the year



Budget Process

Bottom Up

- **Responsibility at service level**
- **Promotes ownership**
- **Work within guidelines**

Top Down

- **Consider overall budget position**
- **Match demand with resources**



Budget Process

Incremental

- **Most common form of preparing budgets**
- **Next year based on this years spend – rolling budget**
- **Relatively quick and easy**
- **Assumes current budget is correct (monitoring)**
- **Can focus on changes**
- **May stifle initiative**



Financial constraints and challenges

Since 2008 there have been significant changes in the global economy.

The Borough's budget has been impacted by these changes. (Austerity Agenda)



Financial constraints and challenges

- **Government grant – levels and shift of focus/risk from central to local government**
- **Council tax income – Local Council Tax Scheme – Freezing Council Tax**
- **Return on investments/borrowing costs**
- **Benefits increased demand – uncertainty around impact of universal credits**
- **Ability to increase general fees and charges**
- **Budget cuts – austerity measures – availability of third party funding for major projects, business stability**



Financial constraints and challenges

How has the Borough acted to address the impact on the budget?

687 32



Financial constraints and challenges

- **Cost reduction programme**
- **Shared working**
- **New refuse contract**
- **Shared office space – CCG - DWP**
- **Leisure Trust/Local Authority Company**
- **Selling services – car parking, CCTV**
- **Buying In services - legal**
- **Discontinue services – cash office, pest control**



Financial constraints and challenges

The Borough needs to find ways to address the estimated £2.6m difference between expenditure in income from 2020/2021.

What challenges in the wider economy will influence the Borough financial planning in the next 5 years?



Financial constraints and challenges

Future levels of Government grant – general election ? anticipate further period of austerity

Political priorities - Borough election in 2019

Inflation levels

Growth in economy – international, national and local

Investment returns

100 % Business Rates Retention



Funding

Two of the major areas of funding available to the council are

- **Council Tax**
- **Retained Business Rates**



Funding

Council Tax

The Borough council tax for 2017/2018 is:

BAND	2017/2018	BAND	2017/2018
	£		£
A*	77.91	E	142.84
B	90.90	F	168.81
C	103.88	G	194.78
D	116.87	H	233.74

The tax base was 48,774 as at April 2017



Funding

**In 2017/2018 this has generated Council Tax
income for the Council of**

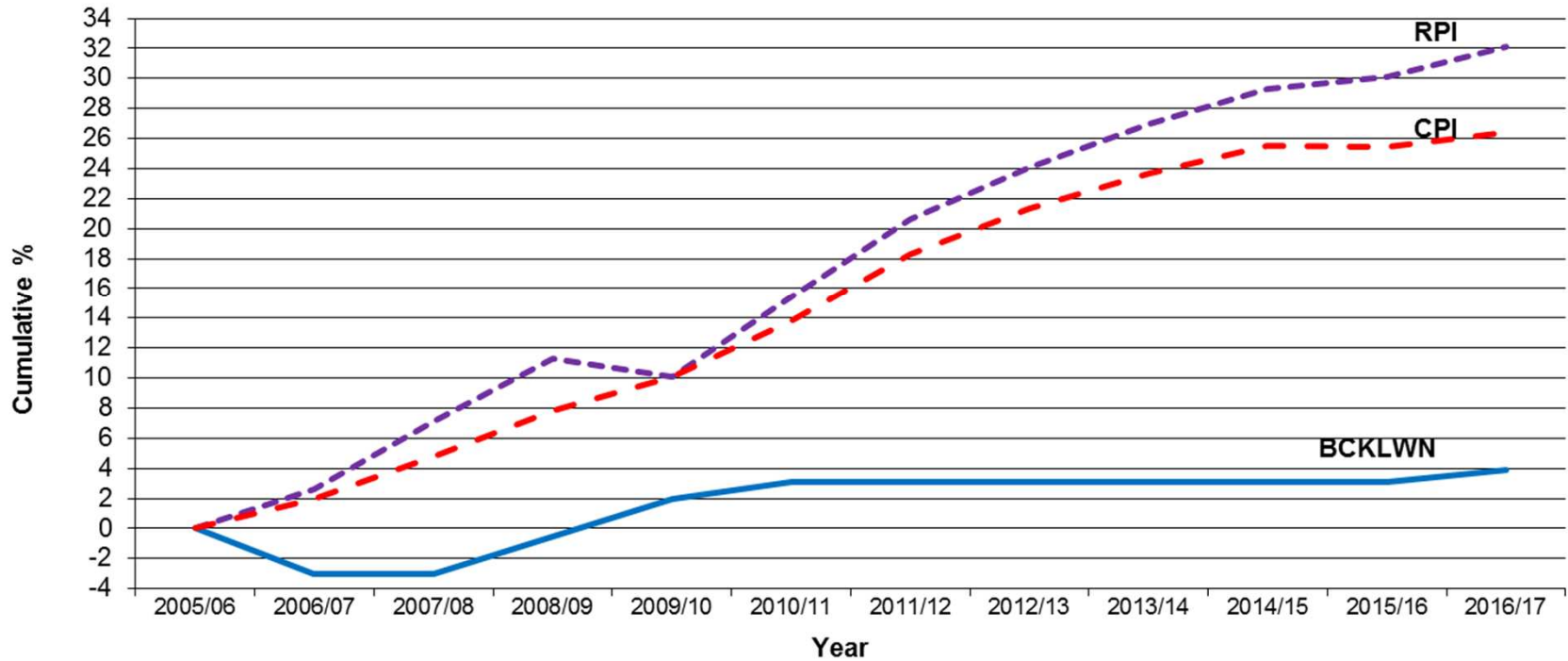
(Band D X Tax Base)

£5,700,220



Funding

Band D Council Tax and RPI percentage increases 2005 to 2016

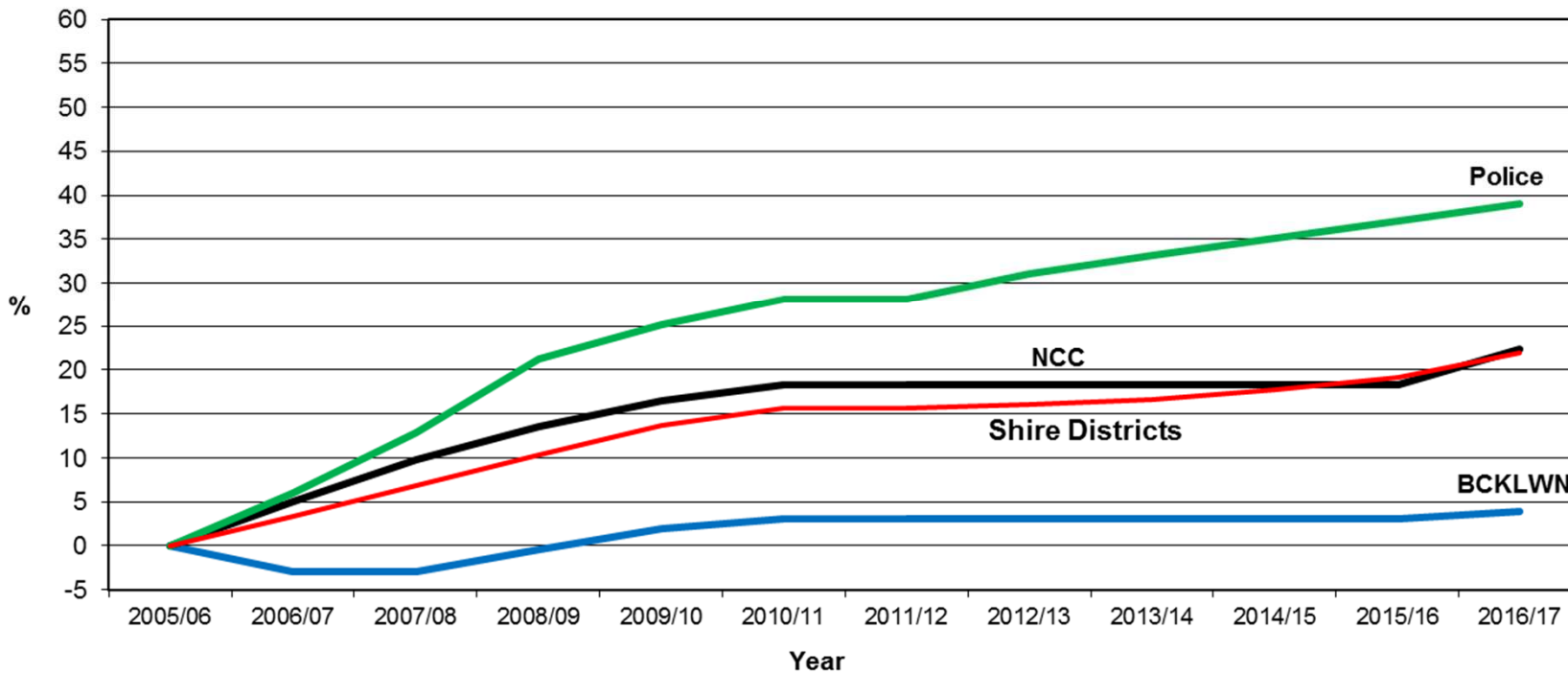


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Funding

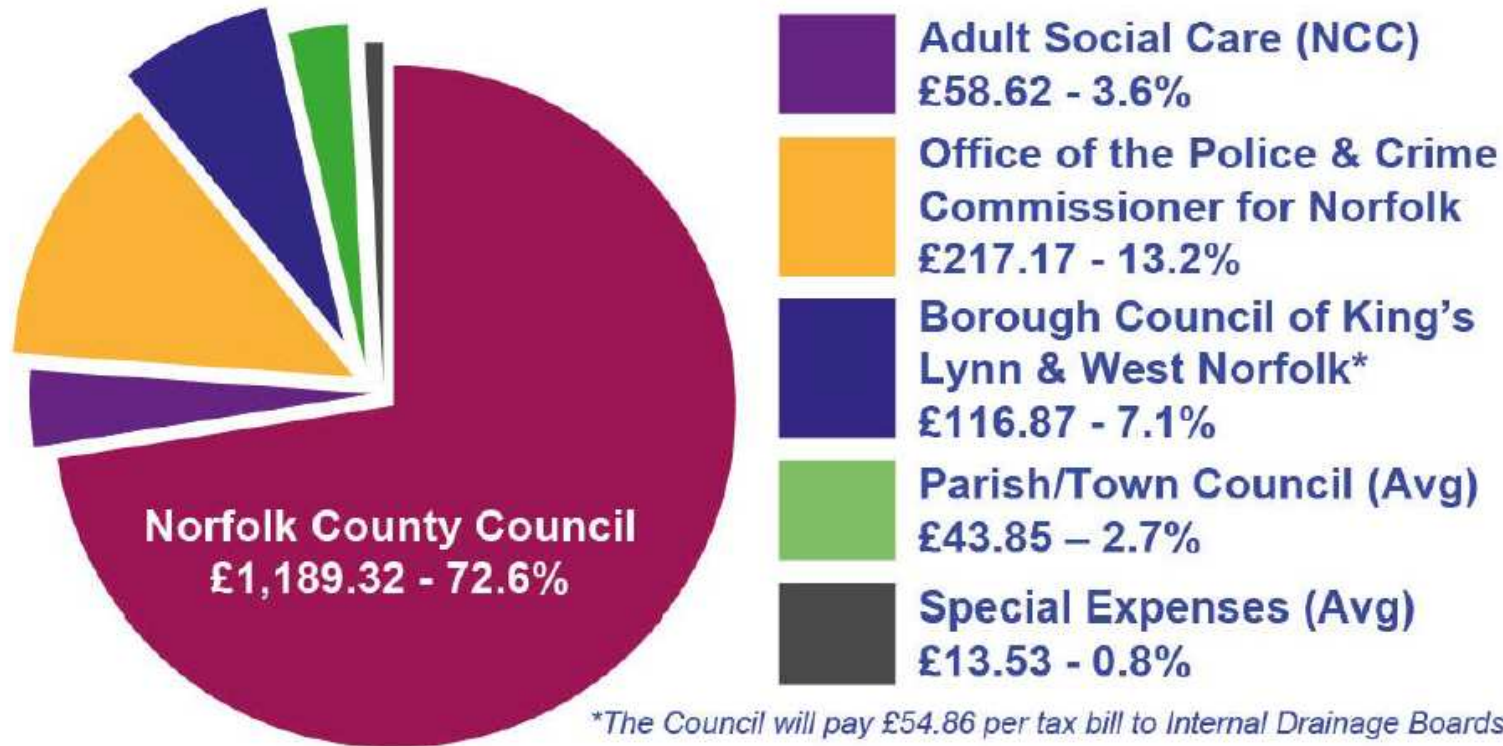
Band D Council Tax percentage increase 2005 to 2016



695
40



Funding



41 696



Funding

Business Rates Retention

DCLG – ‘The Government reformed the local government finance system to introduce local business rates retention from April 2013 – a fundamental change putting a strong financial incentive for economic growth at the heart of local government funding’



Funding

Business Rates Retention

Borough charges £46m in business rates

50% to Central Government used to fund local government through Revenue Support Grant or other specific grants

50% to local precept authorities - split BCKLWN 80% and NCC 20%



Funding

Business Rates Retention

For each authority DCLG will then calculate the baseline funding level – applying the formula grant process to the local share of the estimated business rates aggregate

For 2017/2018 BCKLWN has retained £7.2m



Funding

Business Rates Retention

Risks – if actual business rates decrease (large business in area closes) then first 7.5% of retained business rates reduction falls to BCKLWN ie £380k

Incentive – authorities retain 50% of any increase compared to baseline



Capital Budgets

Why engage in capital investment?

- **Corporate priorities – economic growth– Enterprise Zone, Major Housing Project**
- **Maintain assets – new roofing to building**
- **Exploit technology – ICT**
- **Improve performance/reduce costs – energy efficiency schemes, vehicles**



Capital Budgets

Capital bids compete for limited resources how do we choose?

What criteria do you think should be considered?

47 702



Capital Budgets

- **Corporate priorities**
- **Asset essential to service delivery and at end of useful life – service continuing?**
- **Legislation**
- **Invest to save scheme – income generation, efficiency savings**
- **Opportunity for sale of existing site v cost of new build**
- **Purchase cost v lease cost – equipment, vehicles**
- **Availability of capital resources**



Budgetary Control

Budget done – what next?

- **Cross fingers ? – yes!**
- **Pray all goes well? – sometimes!**
- **Look for other work? – possibly**

- **Monitor continuously? - YES**



Budgetary Control

Why monitor?

- **Assumptions may be wrong**
- **May be visited by the unexpected**
- **May need to take action**
- **May wish and be able to change things**
- **If all is well its nice to know**
- **There should be no surprises at year end!**



Budgetary Control

What are we looking for?

- Over and under budget – variances**
- Opportunity to ask**
 - Do I need to act?**
 - Will it correct itself?**
 - Is corrective action possible?**
 - Should I tell someone?**

Elected Members receive a monthly monitoring report on the overall Borough budget



Budgetary Control

Effective budgetary control relies on -

- **Proper authorisation of expenditure**
- **Regular and timely monitoring**
- **Allowing for commitments**
- **Identifying reasons for variances**
- **Taking corrective action**
- **Informing the proper authority**



Developments

Move towards a rolling budget setting process.

Rather than the estimates setting process in October – December each year.



Closing The Year

When

- **31 March - Year end**
- **End May - draft Statement of Accounts published**
- **June - Outturn report to Cabinet**
- **June - July – External Audit**
- **End July - Publish Statement of Accounts to Public**

The Statement of Accounts can be found here;

https://www.west-norfolk.gov.uk/info/20160/budgets_and_spending/364/annual_accounts



Any Questions?

55 710



POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	12 February 2018		
TITLE:	Update on progress with the Annual Governance Statement covering the 2017/18 year		
TYPE OF REPORT:	Monitoring		
PORTFOLIO(S):	Leader		
REPORT AUTHOR:	Becky Box		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

REPORT SUMMARY/COVER PAGE

<p>PURPOSE OF REPORT/SUMMARY:</p> <p>At its meeting in May 2017, the Audit Committee approved the Council’s Annual Governance Statement covering and reflecting back on the 2016/17 year.</p> <p>During 2015/16 it had been agreed that the Committee should receive an update halfway through the year on the progress being made with the Action Plan arising from the Annual Governance Statement report. This report provides that update in relation to the action plan for the 17/18 year. Unfortunately, due to the deadlines involved with compiling the update and meeting panel agenda timescales it has not been possible to produce the mid-year update for the 17/18 year until this point.</p>
<p>KEY ISSUES:</p> <p>The Council is required to produce an Annual Governance Statement (AGS) each year¹ and the Audit Committee is the body now designated to approve the statement, alongside the Statement of Accounts.</p> <p>The report summarises progress made since April 2017 and also describes work that is planned to be undertaken over the coming months to achieve the identified actions.</p>
<p>OPTIONS CONSIDERED:</p> <p>Not applicable.</p>
<p>RECOMMENDATIONS:</p> <p>The Committee is recommended to review the progress made and endorse the approach being taken to achieve the actions arising from the 2016/17 Annual Governance Statement, as detailed on the on the 2017/18 AGS Action Plan.</p>
<p>REASONS FOR RECOMMENDATIONS:</p> <p>To ensure that Members are kept informed about progress with the Council’s Annual Governance arrangements.</p>

¹ Under the Accounts and Audit Regulations 2015, regulation 6(1)

REPORT DETAIL

1.0 Background

- 1.1 The preparation and publication of an Annual Governance Statement (AGS) is a statutory requirement. The AGS is a public statement that describes and evaluates the Council's overall governance arrangements during a particular financial year. It includes a self-assessment of the effectiveness of the governance arrangements, across all areas of activity, together with a statement of the actions being taken or required to address any areas of concern.
- 1.2 Each year, during the process of putting together the AGS, an Action Plan is devised to make sure that any gaps or weaknesses identified in the authority's governance arrangements are plugged or strengthened. The AGS covering the 2016/17 year was approved by the Audit Committee on 30th May 2017 and included an Action Plan to be completed during the current 2017/18 year.

2.0 Progress on the action plan

- 2.1 The Action Plan being progressed this year is shown at Appendix A. It consists of 10 actions. Of those, 1 entry has been completed, the remaining 9 are on track to be completed by the target date of March 2018.

3.0 Corporate Priorities

Not applicable, statutory requirement

4.0 Policy Implications

None

5.0 Financial Implications

None

6.0 Personnel Implications

None

7.0 Statutory Considerations

- 7.1 The monitoring of the Annual Governance Statement Action Plan is needed to ensure compliance within the set deadlines.

8.0 Equality Opportunity Considerations

None

9.0 Risk Management Implications

- 9.1 The Annual Governance Statement itself forms part of the Council's risk management process and provides reasonable assurance (as defined in section 8 of the AGS itself) that the Council is complying with the adopted Code of Corporate Governance.
- 9.2 Progressing the actions identified within the Statement show the Council's willingness to strengthen any weaker areas that were identified.

10.0 Recommendations

10.1 The Committee is recommended to

Review the progress made and endorse the approach being taken to the Council's 2017/18 AGS Action Plan.

11.0 Declarations of Interest / Dispensations Granted

None

Background Papers

CIPFA/SOLACE Framework including Guidance Notes and Addendum

Audit Committee agenda 30 May 2017

ANNUAL GOVERNANCE STATEMENT – ACTION PLAN FOR THE 2017/18 YEAR

	Issue	Action	Responsible Officer	Target Date	Status and Progress as at October 2017	
1	Financial Sustainability (Underpinned by Financial Plan 2016-2021)	Ensure robust processes are in place for identifying, delivering and monitoring cost reduction efficiencies and income generation	Executive Director, Finance Services	March 2018	On track	Progress is reported in the monthly monitoring report, reviewed bi-monthly by Management Team and was reviewed with EMT on 10 October 2017. Monitoring arrangements for corporate projects being developed now that the Performance and Information Officer in Property Services is now in post. Monthly updates to Management Team on corporate projects.
2	Internal Audit	Embed and monitor new Internal Audit arrangements	Executive Director, Finance Services	March 2018	Completed	A shared internal audit manager took over from 1 April 2017. Progress meetings are held weekly with Exec Director Finance Services. Section 113 agreement in place, signed copy held by HR
3	External Audit	Ensure a robust tender process takes place to put in place new external audit arrangements	Executive Director, Finance Services	March 2018	On track	PSAA undertook tender process. Ernst and Young are the proposed external auditor for the Council the appointment to be confirmed at the meeting of the PSAA on 14 December 2017.
4	Accounts Payable Audit	An audit of the Accounts Payable for the past 6 financial years by an external organisation to take place	Executive Director, Finance Services	March 2018	On track	Liaison have undertaken the audit review and have identified less than £10k of payments over the 6 year period which are potential duplicate payments. This is against creditor payments of around £200m over the period. Liaison are now contacting suppliers to obtain refunds and will take their fee from monies returned.
5	Business Rates Audit	Further review of transitional relief processes / arrangements	Executive Director, Finance Services	March 2018	On track	Audit will be undertaken before 31 March 2017.

	Issue	Action	Responsible Officer	Target Date	Status and Progress as at October 2017	
6	Public Services Network (PSN) compliance	Ensure PSN compliance during 2017/18 including progressing any actions identified as a result of the 2016 audit	Executive Director, Central and Community Services	March 2018	On track	ICT are rectifying health check recommendations as outlined in August 2017 by NTA monitoring our external penetration testers and will submit a compliance document to the Cabinet Office during November.
7	Payment Card Industry (PCI) compliance	Respond to issues identified during the 2015 PCI audit	Executive Director, Central and Community Services	March 2018	On track	Issues outlined in the 2015 audit have been resolved. ICT are in the process of preparing for the 2017/18 audit, which is to take place at the end of October / early November 2017.
8	Risk Management	Embed revised arrangements for production of the Corporate Risk Register	Executive Director, Central and Community Services	March 2018	On track	Responsibility for supporting production of the Corporate Risk Register transferred to the Policy, Performance and Personnel team from 1 st April 2017. Prior to this work was undertaken with the officer who formerly held this responsibility to ensure a smooth transition and clear understanding of the work that needed to be undertaken was obtained. The first update to the register under the new arrangements was successfully reported to Audit Committee in May. Work on the second update, scheduled to be reported to Audit Committee in November, is well underway.
9	Review of Ward Boundaries (Review by Local Government Boundary Commission for England)	Ensure active participation in the review in order to ensure the best possible evidence based outcome for West Norfolk	Executive Director, Central and Community Services	March 2018	On track	The review was completed by Members and officers and agreed by Council at a special meeting on 31 August and submitted to the LGBC within their deadline of 4 September. We will now await the considerations of the LGBC.

	Issue	Action	Responsible Officer	Target Date	Status and Progress as at October 2017	
10	Corporate policies	Introduce arrangements to co-ordinate and monitor the publication and updating of agreed policies	Executive Director, Central and Community Services	March 2018	On track	Work to compile a register of all current policies and a template, with associated guidance, to support policy development going forward is well underway. The new Safeguarding Policy, and forthcoming new Equality Policy, have been developed using this guidance as a trial run of our recommendations. A report will be brought back to Management Team with our proposals by the end of the year.

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	12 th February 2018		
TITLE:	Internal Audit Strategic Plan 2018-23		
TYPE OF REPORT:	Scrutiny		
PORTFOLIO(S):	Cllr Peter Hodson, Performance		
REPORT AUTHOR:	Kathy Woodward, Audit Manager		
OPEN		WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

REPORT SUMMARY/COVER PAGE

PURPOSE OF REPORT/SUMMARY:
To provide Committee Members with the opportunity to review the proposed Strategic Internal Audit Plan for 2018-23.
KEY ISSUES:
The Public Sector Internal Audit Standards (PSIAS) require that the Audit Manager must <i>'establish risk-based plans to determine the priorities for the internal audit activity, consistent with the organisation's goals'</i> .
The Audit Manager has to provide an annual Internal Audit opinion on the system of internal control to support the Annual Governance Statement. The work performed in accordance with the plan enables the Audit Manager to form her opinion.
In order to satisfy the requirements of the PSIAS and to provide the required audit opinion, the attached plan defines the work of the Internal Audit team for the year 2018/19 and indicates proposed work for the following four years.
OPTIONS CONSIDERED:
There are no options
RECOMMENDATIONS:
The Committee is asked to acknowledge the Internal Audit resources and to consider and agree the work planned for 2018-23.
REASONS FOR RECOMMENDATIONS:
To enable the Internal Audit team to perform the audit work necessary to provide assurance on the systems of internal control and to enable the Audit Manager to provide an Annual Audit Opinion for the Annual Governance Statement in 2019.

REPORT DETAIL

1. Introduction

1.1 According to the Terms of Reference of the Audit Committee, one of the Core Functions is to review the Internal Audit's Strategic Audit Plan.

2. Proposal

2.1 The Strategic Internal Audit Plan 2018-23 is attached to this report and indicates the work proposed by the Audit Manager for Internal Audit function for the next five years. The plan is presented in two parts.

2.2 The first part is the Annual Plan (**Appendix 1**), which deals with 2018-19 only. Although the work can be adjusted if necessary to accommodate any major occurrences during the year, it is usual for the plan to be completed as shown.

2.3 The second part (**Appendix 2**) provides an indication of allocations for audits in 2019-20 to 2022-23 so that coverage of all areas of the Council can be seen. However the allocations for the later years are indicative only and may change as circumstances arise. It simply provides an indication of the work that is anticipated and demonstrates that all areas of the Council's business are considered

2.4 The overall strategy of the Internal Audit is reviewed on annual basis and is attached as **Appendix 3**.

2.5 The Strategic Audit Plan is intended to:

- Ensure all identified areas are audited over the life of the plan, taking in to account clients' audit requirements and the major risks facing the council.
- Ensure there are adequate resources to undertake the required audits.
- Provide a basis for monitoring actual performance of the Internal Audit function.

2.6 The audit work performed to fulfil the plan informs the Audit Manager's opinion that is required in the Annual Governance Statement.

2.7 The Public Sector Internal Audit Standards (PSIAS) require that the Audit Manager must '*establish risk-based plans to determine the priorities for the internal audit activity, consistent with the organisation's goals*'. In response to this requirement, an Assurance Framework has been developed.

2.8 The Assurance Framework provides a structured analysis of the Council based on five high level domains that support the Council's business and one domain covering the operational aspects:

- Governance and Reputation
- People
- Financial
- Infrastructure
- Information

- Operational and Service Delivery

Within these domains, audit areas have been identified and risk assessed based on the following factors:

- Materiality (Value and Volume);
- Significance/ Profile;
- Complexity of the system;
- Change;
- Regulatory/ Contractual matters;
- External Monitoring;
- Prior Audit results;
- Susceptibility to fraud and corruption;
- Staff turnover.

2.9 Other sources of assurance are considered within the External Monitoring section and where they are deemed to be satisfactory by the Audit Manager, the score is adjusted accordingly. Examples of this are the use of external specialists to review the Council's Health and Safety systems, and the work carried out to achieve Payment Card Industry (PCI) and Public Services Network (PSN) approval for the security of the ICT network systems. This reduces the need for internal audit to review the systems and duplicate work.

2.10 A risk rating of High, Medium or Low is allocated according to the result of the assessment. Based on the rating, a time scale between audits is applied. The audit plan is based on this risk assessment process covering all six domains to ensure all aspects of the Council are covered to some degree.

2.11 Both the Audit Manager and the Executive Director Finance Services (s151 Officer) are satisfied that the resources are sufficient, after the level of contingencies have been adjusted, and that the proposed plan will provide the level of assurance required.

3. Issues for the Panel to Consider

3.1 The Committee should consider if they are satisfied that the proposed audit areas represent a sufficient coverage of the services provided by the Council.

4. Corporate Priorities

4.1 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.

5. Financial Implications

5.1 None.

6. Any other Implications/Risks

6.1 The plan enables the Audit Manager to manage the work of the Internal Audit team and to provide an annual opinion as required by the Annual Governance

Statement. It also enables the Audit Committee to monitor the work of the team and to receive assurance on the state of the internal control system of the Council.

7. Equal Opportunity Considerations

7.1 None.

8. Consultation

8.1 Executive Directors have been consulted on services within their respective directorships and the whole plan presented to Management Team for final comments.

9. Conclusion

9.1 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 and to enable the Audit Manager to provide an Annual Audit Opinion for the Annual Governance Statement in 2019.

10. Background Papers

10.1 Public Sector Internal Audit Standards (PSIAS)

<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

10.2 The Assurance Framework and the Risk Assessment template are available on InSite within the reports section of Internal Audit.

Audit Title	Risk Rating	Last Audit	Last Audit results	2018/19
2017/18 brought forward				50
Subtotal brought forward from 2017/18				50
Governance and Reputation				
Risk management	Medium			15
Legal Services & Compliance	Medium	2011/12	Substantial	15
Child Protection	Medium			15
Subtotal Governance and Reputation				45
People				
Training (Incl Apprenticeship Levy)	Low	2011/12	Full	15
Subtotal People				15
Financial				
Creditors (CORE)	High	2016/17	Substantial	20
Treasury Management (CORE)	High	2016/17	Substantial	20
Payroll (CORE)	High	2016/17	Full	20
Grants / Funding to third parties	Medium			15
S106 / CIL / Habitat Levy	Medium	2015/16	Substantial	15
Subtotal Financial				90
Infrastructure				
Vehicle Fleet	Medium			15
Subtotal Infrastructure				15
Information				
Data Quality and Interpretation	Medium			15
External Communication incl Social Media	Medium	2015/16	Substantial	15
Subtotal Information				30
Operational and Service Delivery				
Alive Leisure/ Management	High			20
Careline Community Services	Medium	2015/16	Substantial	15
Electoral Services	Medium	2010/11	Full	15
Major Projects – Housing Delivery Needs	High			15
Refuse Collection and Recycling	High	2016/17	Limited	20
Subtotal Operational and Service Delivery				85
Total Risk Based Audits				330
External Audits and Other Work				
Water Management Alliance / Alive Leisure External Audits				20
Audit Committee				20
Review of Statement of Accounts				5
Review of Annual Governance Statement				3
Check of calculations for COL and PRP				5
Follow ups				10
Contingency				60
Subtotal External and Other Work				123
Grand Total				453

Strategic Internal Audit Plan 2019/23

APPENDIX 2

Audit Title	Risk Rating	Last Audit	2019/20	2020/21	2021/22	2022/23
Governance and Reputation						
Policies	Medium	2015/16	15			
Risk management	Medium					
Democratic Services	Medium	2014/15		15		
Performance management and reporting	Low	2012/13				
Health & safety including Crisys & home working	Low	2013/14				
Legal services and compliance	Medium	2011/12				
Partnership working	Medium	2017/18				15
Business Continuity	Medium	2016/17			15	
Child Protection	Medium					
Subtotal Governance and Reputation			15	15	15	15
People						
Recruitment	Medium	2015/16		15		
Training (incl CPD requirements)	Low	2011/12				
Performance and appraisal	Medium	2015/16	15			
Conduct and discipline	Low	None				
Attendance management [Including flexitime, sick leave and Special leave]	Medium	2016/17			15	
Prevention of fraud and corruption	Medium		15			
Leavers	Medium					15
Gifts and hospitality (staff and Members)	Medium	2017/18				10
Staff car leasing	Low	2012/13				
Subtotal People			30	15	15	25
Financial						
Accounts receivable (CORE)	High	2017/18	20		20	
Creditors (CORE)	High	2016/17		20		20
Treasury management (CORE)	High	2016/17		20		20

Strategic Internal Audit Plan 2019/23

APPENDIX 2

General Ledger incl Budgetary control (CORE)	High	2017/18	20		20	
Council tax and Business Rates (CORE)	High	2017/18	20		20	
Benefits (CORE)	High	2017/18	20		20	
Asset Register and Inventories [Including management and disposal of assets] (CORE)	High	2016/17		20		20
Payroll, expenses and allowances [Staff and Members] (CORE)	High	2016/17		20		20
External funding/ grants received	Medium					15
Procurement [Including use of corporate credit cards]	Medium	2012/13				15
Contracts [Letting, management, and use of Framework Contracts]	Medium	2016/17			15	
Grants / funding to third parties	Medium					
Taxation / VAT	Medium	2015/16	External Tax specialists used			
Insurance	Medium	2016/17				15
Capital programme	Medium	2016/17		15		
S106 funds / CIL / Habitat Levy	High	2015/16			15	
Cost Efficiency Savings	High			20		
Subtotal Financial			80	115	110	125
Infrastructure						
<u>Buildings and land</u>						
Council Offices and sites, including Tourist Information Centre	Medium	2014/15	15			
Industrial estates and commercial property	Medium	2014/15				20
Amenity property and land	Medium	2016/17			15	
<u>Other Infrastructure</u>						
ICT network security, including mobile working	Medium	2013/14	PCI/PCN compliance audit			
ICT disaster recovery	Medium	2016/17		15		
ICT change management	Medium	2016/17			15	
Internal Communications [Including Intranet and Ciphernet]	Low	2011/12				
Vehicle fleet	Medium					
Subtotal Infrastructure			15	15	30	20
Information						
Information legislation [DPA, FOI & EIR]	Medium	2015/16		15		
Information management and security	Medium					15

Strategic Internal Audit Plan 2019/23

APPENDIX 2

Document management [Electronic and physical, retention and destruction]	Medium	2012/13	15			
Data quality and interpretation [incl spreadsheets and databases]	Medium					
External Communications [Including Internet and social networking]	Medium	2015/16				
Transparency Agenda	Low	2015/16				
Subtotal Information			15	15	0	15
Operational and Service Delivery						
Alive Leisure/ Management - oversight and accountability	High		20	20	20	20
Allotments	Medium	2016/17			15	
Building Control	Medium		Audited by Eastern Internal Audit Services.			
Care and Repair	High	2016/17		20		
Careline Community Services	Medium	2015/16				
CCTV	Medium	2015/16		15		
Cemeteries and Crematorium	Medium	2017/18				15
Civics	Low	2015/16				
Civil enforcement and car parking	High	2015/16		20		
Community safety and neighbourhood nuisance	Medium	2011/12	15			
Electoral services	Medium	2010/11				
Emergency planning and management	Medium	2017/18			15	
Environmental quality	Medium	2011/12	15			
Food safety, health & safety and licensing	Medium	2016/17			15	
Graphics and Print room	Low	2012/13				
Housing standards	Medium	2016/17			15	
Housing strategy	Medium	2013/14				15
Housing options and allocations	Medium	2016/17	15			
Local Land and Property Gazetteer	Low	2011/12				
Major Projects	High		15	15	15	15
Planning Control	Medium					15
Planning enforcement	Medium	2016/17		15		

Strategic Internal Audit Plan 2019/23

APPENDIX 2

Planning Support	Medium	2014/15	15			
Refuse collection and recycling incl Recycling Credits funding	High	2016/17			20	
Regeneration and economic development	Medium	2012/13	15			
Resort Services	Low	2014/15				
Street cleansing	Medium	2014/15	15			
Tourism and tourist information	Low	2011/12				
Town Centre and Market management	Low	None				
Flood and water management	Medium	2017/18				15
Subtotal Operational and Service Delivery			125	105	115	95
			280	280	285	295
External Audits and Other Work						
Water Management Alliance			5	5	5	5
Alive Leisure			15	15	15	15
Audit Committee			20	20	20	20
Review of Statement of Accounts			5	5	5	5
Review of Annual Governance Statement			3	3	3	3
Check of calculations for COL and PRP			5	5	5	5
Follow ups			10	10	10	10
Contingency			100	100	100	100
Subtotal External Audits and Other Work						
Grand Total			443	443	448	458



Internal Audit Strategy 2018-19

Introduction

Regulation 5 of the Accounts and Audit Regulations 2015 states that local authorities '*...must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*'.

This strategy is a high level statement of how the Internal Audit service will deliver the required assurance on the Council's internal control systems.

The Council's Internal Auditors will conduct all audit work in accordance with the Public Sector Internal Audit Standards (PSIAS), which define internal audit as:

'Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.'

Internal Audit Objectives

Internal Audit's objectives are to:

- Provide an independent and objective internal audit service that helps the Council to meet its stated objectives
- Support the Executive Director Finance Services in the discharge of her duties as Section 151 Officer (the officer responsible for the proper administration of the financial affairs of the authority).
- support and assist in embedding corporate governance, effective internal controls and risk management throughout the Council
 - help to identify areas for improvement and make recommendations to address these
 - offer advice and assurance on achieving effective internal controls
 - comply with the Public Sector Internal Audit Standards (PSIAS).

Under the PSIAS the Audit Manager must produce a risk-based audit plan which takes into account the requirement to express an annual internal audit opinion on the adequacy and effectiveness of governance, risk management and internal controls.

To this end, an Assurance Framework has been developed to enable a structured analysis of the internal controls to take place and in turn the framework is supported by a risk analysis of each identified sphere of audit. The whole process enables a risk based plan to be produced.

Outcomes

The Internal Audit team will work with a risk based audit plan that is designed to provide the required assurance on the system of internal controls.

On completion of each audit a report, which will describe the scope of the work undertaken and the results of that work, will be provided to the relevant manager, Executive Director, the Executive Director Finance Services (s151 Officer) and Portfolio Holder. Where necessary recommendations will be made and actions agreed with the manager to rectify any control weaknesses or improve service delivery. Any such recommendations will be followed up at an agreed interval, but usually six months after the report is finalised, to assess progress in implementation.

Progress against the plan will be reported to the Audit Committee at regular intervals. All reports will be made available in full to the members of the Committee via a secure area on InSite.

Managers will also be able to seek advice from the team on possible control issues if necessary.

At the end of the financial year, the Audit Manager produces an Annual Report which includes Annual Audit Opinion as described below.

Annual Audit Opinion

Internal Audit's role is to understand the key risks to the Council and to examine and evaluate the adequacy and effectiveness of its systems of risk management, governance and internal control. Each year the Audit Manager will provide her opinion on the effectiveness of the internal control environment to the Audit Committee. It will be influenced by the individual opinions provided for each piece of audit work undertaken and the progress made by managers in implementing previously agreed actions. The opinion will be supported by sufficient, reliable and relevant evidence

Resources

The internal audit service will be provided by an in-house team consisting of a part-time Audit Manager, one full time Auditor, one part time Auditor and a fulltime Investigation Officer/ Internal Auditor.

The frequency of audits over the 5-year strategic audit plan is as follows:

Low risk audits	If time permits in the audit year
Medium risk audits	Full systems audit one year in five
High risk audits	Full systems audit one year in three,
Core audits	Full systems audit one year in two

Core audits comprise:

- Accounts receivable
- Creditors
- Treasury management
- General ledger including budgetary control
- Council tax and business rates
- Benefits
- Asset register and inventories
- Payroll

The available resources are calculated as shown in the table below:

	Days
Total working days available	703
Less:	
Annual Leave	63
Bank Holidays (Including extended Christmas closure)	28
Training (non-qualification)	28
Section administration	76
Management	55
Total audit time available	453
Core Systems	60
Risk based and external audits	290
Follow-ups, reviews and Audit Committee support	43
Contingency	60
Total allocated	453

In addition to the in-house team the Council has access to IT auditors via the contract the Eastern Internal Audit Services (based at South Norfolk District Council) has in place with TIAA Ltd for the provision of their internal audit services.

To maintain the skills and knowledge levels required, training assessments of the team will be carried out on an annual basis as part of the Council's appraisal process. The Audit Manager will be responsible for prioritising the identified needs and ensure that the most effective use is made of the available training resources.

Key Performance Indicators

PI Ref	Indicator	Target
AUD 1	Delivery of the Audit Plan	95%
AUD 2	Productive time	60%

Audit Committee

The Terms of Reference relating to the Audit Committee include a requirement to review and approve, but not direct the Internal Audit Strategy. It is intended that this Strategy will be reviewed on an annual basis and the results presented to the Committee for approval along with the Audit Strategic Plan.

The next date for review will be – March 2019.



The Budget 2017/2018

Monitoring Report

December 2017

Lorraine Gore
Executive Director – Finance Services

The Budget 2017/2018

Monitoring Report – December 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 31 December 2017, from the revised budgets for revenue, as contained in the Financial Plan 2016-2021 agreed by Council on 23 February 2017.

As at 31 December 2017 and detailed on section 2, there is no variance to report.

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 8 includes details of the Capital Programme 2017/2018 for major projects and for each service area.

Appendix 1 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 31 December 2017.

2. Revenue Budget 2017/2018

A summary of the budget position as at 31 December 2017 is shown below.

	Financial Plan 2017/2018 Council 23 February 2017	November Budgetary Control Monitoring Report 2017/2018	December Budgetary Control Monitoring Report 2017/2018	Report Variance
	£	£	£	£
Corporate	6,357,980	2,396,580	2,396,580	0
Democracy	1,287,890	1,432,800	1,432,800	0
Services Areas:				
Central and Community Services	3,091,660	1,529,260	1,529,260	0
Chief Executive	1,165,390	1,515,230	1,515,230	0
Commercial Services	5,764,530	4,272,570	4,272,570	0
Environment and Planning	2,051,990	2,361,500	2,361,500	0
Finance Services	2,195,690	2,520,440	2,520,440	0
Financing Adjustment	(3,959,180)	1,764,990	1,764,990	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
Borough Spend	20,696,070	20,531,690	20,531,690	0
Reimbursement of lump sum Pension Payment	(2,932,000)	(2,932,000)	(2,932,000)	0
Contribution to/(from) Balances	(9,340)	200,880	200,880	0
In year adjustments to retained business rates	0	(45,840)	(45,840)	0
Adjusted Borough Requirement	17,754,730	17,800,570	17,800,570	0

3. 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 Accounts 2016/2017)	8,745,316
Reimbursement of lump sum Pension Payment	(2,932,000)
Contribution to balances to November monitoring	200,880
Additional contribution December monitoring	0
	<hr/>
Projected General Fund Balance 31 March 2017	6,014,196
	<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.

4. Turnover Savings Targets 2017/2018

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

5. Cost Reduction Target

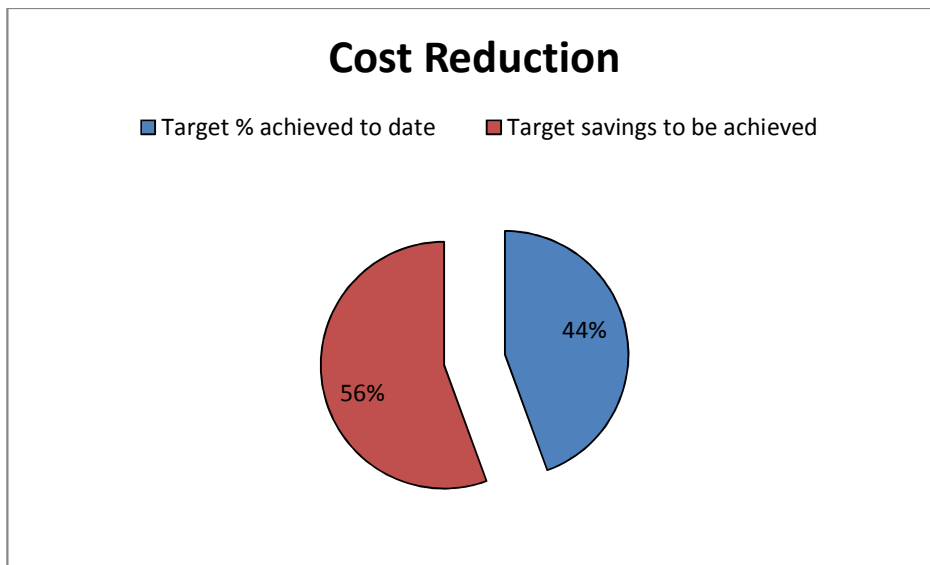
A balanced budget is presented in The Financial Plan 2016/2021, supported by transfers from the general fund balance. The continuing reductions in central government funding will require the Council to further reduce costs/increase income. The next phase of the cost reduction programme includes proposals 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.

There are no additional revenue cost reduction savings to report for December 2017.

Service Area	2017/2018 Saving £	2018/2019 Saving £	2019/2020 Saving £	2020/2021 Saving £
Revenue				
October:				
Countryside Grants	1,800	1,800	1,800	1,800
Enterprise Works	6,250	6,490	6,740	7,000
Legal Services	6,950	14,770	15,670	16,610
Revenues and Benefits – Staffing	15,190	0	0	0
Revenues and Benefits – Professional Fees	3,600	3,600	3,600	3,600
Training	-	20,000	20,000	20,000
Total October	33,790	46,660	47,810	49,010
September:				
Civic Functions	4,350	4,350	4,350	4,350
Licensing Salaries	7,580	7,870	8,170	8,480
Total September	11,930	12,220	12,520	12,830
August:				
In Bloom – Grounds	5,000	5,000	5,000	5,000
Heacham Depot	5,800	5,930	6,070	6,230
Total August	10,800	10,930	11,070	11,230
July:				
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
Total July	45,420	24,000	24,000	24,000
June:				
Stop Issuing Cheques	3,550	3,550	3,550	3,550
Total June	3,550	3,550	3,550	3,550
Savings to Date	105,490	97,360	98,950	100,620
Adjusted target savings to be achieved (as per Management Team)	237,476	759,252	1,042,231	1,077,776
Variance (under) to Date	(131,986)	(661,892)	(943,281)	(977,156)

The chart below shows the savings to date of £105,490, as a comparative to the target savings to be achieved of £237,476.



Corporate Capital projects have savings achieved to date as detailed in the November report.

Corporate Project	2017/2018 Saving £	2018/2019 Saving £	2019/2020 Saving £	2020/2021 Saving £
Kings Court Redevelopment	-	230,000	230,000	230,000
Town Centre shops and Office	-	-	76,000	76,000
Total	-	230,000	306,000	306,000

6. 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 for December 2017.

7. 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 31 December 2017
Operational Boundary (Limit of borrowing)	£50m	£12.9m
Short-term and variable rates borrowing limits	40%	0%

Loans

Opening Balances £	Additional Borrowing £	Repayments £	Balances 31 December 2017 £	Counter Party
Long Term				
10,000,000	-	-	10,000,000	Barclays Capital
400,000	-	-	400,000	Public Works Loan Board (PWLB)
2,500,000	-	-	2,500,000	Suffolk County Council
12,900,000	-	-	12,900,000	Total

Investments

Opening Balances £	Additional Investment £	Repayments £	Balances 31 December 2017 £	Counter Party
Fixed Rate Term Deposits				
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
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
1,000,000	-	-	1,000,000	Surrey Heath Borough Council
Cash Flow				
3,400,000	600,000	4,000,000	-	Barclays FIBCA
1,900,000	2,440,000	2,390,000	1,950,000	BNP Paribas
-	1,950,000	1,950,000	-	HSBC Liquidity
-	4,000,000	4,000,000	-	Legal and General
Other Investments				
150,000	-	-	150,000	Marshland St James Parish Council
12,500	-	-	12,500	North Lynn Discovery Centre
23,212,500	8,990,000	12,340,000	19,862,500	Total

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	Viability Rating	Support Rating	Long Term Rating
F1	BB+	3	A

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 to report for this period.

8. Capital Programme 2017/2018

The Capital Programme 2017/2018 was updated at Council on 27 June 2017 and is detailed in the table below. There are no additional amendments to report to 31 December 2017. The Capital Programme will be updated for rephrasing and new bids, a report will be presented to Cabinet on 6 February 2018.

	Capital Programme 2017/2018	November Amendment Capital Programme 2017/2018	Spend to Date	Percentage
	£	£	£	%
Major Projects	23,535,110	22,665,260	11,071,079	48.85
Central and Community Services	2,514,940	2,532,940	1,300,494	51.34
Commercial Services	2,826,130	2,924,130	700,112	23.94
Environment and Planning	16,000	16,000	5,869	36.68
Finance Services	106,980	106,980	50,000	46.74
Total	28,999,160	28,245,310	13,127,553	46.48

Appendix 1

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 - Finance Services

AUDIT COMMITTEE WORK PROGRAMME 2018/2019

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
30 May 2018	Training/Briefing – <u>Subject to be identified</u>			
30 May 2018	Corporate Risk Register	Monitoring	G Greaves	To note the report which presents the changes to the Risk Register since the last report.
30 May 2018	Draft Annual Governance Statement	Monitoring	G Greaves	To receive and note the draft Annual Governance Statement 2018.
30 May 2018	Internal Audit Annual Report and Opinion 2017/2018	Annual	K Woodward	To receive the Audit Manager's Annual Report.
30 May 2018	Internal Audit Full Year Progress Report 2017/2018	Progress Report	K Woodward	To receive the Audit Manager's Annual report.
30 May 2018	Audit Committee Effectiveness Report	Cabinet	K Woodward	To review the work of the Audit Committee during 2017/2018 and consider if the Committee has effectively fulfilled its role.
30 May 2018	Latest Budget Monitoring Report	Each Meeting	L Gore	The Committee will receive the latest Monitoring Report and be invited to ask any questions.

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
30 July 2018	Training/Briefing – Contracts (Nora, Major Housing, Revenues and Benefits software, Refuse and Recycling)			
30 July 2018	Statement of Accounts		L Gore/ T Cowper	
30 July 2018	External ISA 260 Report		L Gore/ T Cowper	
30 July 2018	Annual Government Statement	Annual	G Greaves	To approve the Annual Governance Statement 2018.
30 July 2018	Monitoring Officer Report 2017/2018	Annual	E Duncan	To receive the Annual Monitoring Officer's Report.
30 July 2018	Latest Budget Monitoring Report	Each Meeting	L Gore	The Committee will receive the latest Monitoring Report and be invited to ask any questions.
17 September 2018	Training/Briefing – Tender/Procurement Process	Training	T Hague M Gibbs	
17 September 2018	Treasury Outturn Report		T Cowper	
17 September 2018	Latest Budget Monitoring Report	Each Meeting	L Gore	The Committee will receive the latest Monitoring Report and be invited to ask any questions.

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
12 November 2018	Training/Briefing - Review of Funding			
12 November 2018	Business Continuity Update	Annual Update	M Chisholm	
12 November 2018	Annual Audit Letter for year ending 31 March 2018	Annual Audit Letter		Ernst & Young will attend for this item
12 November 2018	Corporate Risk Register Monitoring Report	Monitoring	G Greaves	To note the report which presents the changes to the Risk Register since the last report.
12 November 2018	Internal Audit Half Year Progress Report	Monitoring	K Woodward	To receive the half year progress report.
12 November 2018	Mid-Year Treasury Report	Mid-Year	T Cowper	To receive the mid-year report.
12 November 2018	Latest Budget Monitoring Report	Each Meeting	L Gore	The Committee will receive the latest Monitoring Report and be invited to ask any questions.
28 January 2019	Training – Treasury Strategy			
28 January 2019	Strategic Internal Audit Plan		K Woodward	To provide the Committee with the opportunity to review the proposed Strategic Audit Plan 2017 – 2022.
28 January 2019	Update on progress with the Annual Governance Statement covering the 2018/2019 year	Update	G Greaves	To provide the Committee with an update on the progress with the Annual Governance Statement covering the 2018/2019 year.

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
28 January 2019	Latest Budget Monitoring Report	Each Meeting	L Gore	The Committee will receive the latest Monitoring Report and be invited to ask any questions.
11 March 2019	Training – ?Principles of Public Life/Training/Briefing - Business Rates Retention			
11 March 2019	Latest Budget Monitoring Report	Each Meeting	L Gore	The Committee will receive the latest Monitoring Report and be invited to ask any questions.