

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



RESOURCES AND PERFORMANCE – AUDIT AND RISK COMMITTEE

Monday 10 June 2013

**Immediately following the Resources and Performance
Panel meeting which commences at 5.30 pm**

Committee Suite
King's Court
Chapel Street
King's Lynn
Norfolk PE30 1EX



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



King's Court, Chapel Street, King's Lynn, Norfolk, PE30 1EX.
Telephone: 01553 616200
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31 May 2013

Dear Member

Resources and Performance – Audit and Risk Committee

You are invited to attend a special meeting of the above-mentioned Committee which will be held on **Monday 10 June 2013 immediately following the Resources and Performance Panel which commences at 5.30 pm** in the **Committee Suite, King's Court, Chapel Street, King's Lynn**, to discuss the business shown below.

Yours sincerely

Chief Executive

AGENDA

1. Apologies for absence

To receive any apologies for absence.

2. Minutes

To approve the minutes of the meeting held on 23 April 2013 (previously circulated).

3. Declarations of Interest

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

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

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

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. **Cabinet's Forward Decision List for 17 June 2013**

The following items are on the Cabinet Forward Decision List for consideration on the 17 June 2013 and have been identified for consideration by the Panel.

(i) **Revenue Outturn 2012/2013** (attached at pages 1 to 17)

Panel Members are invited to consider the report and to make any appropriate recommendations to Cabinet.

(ii) **Capital Programme and Resources 2012/2016**
(attached at pages 18 to 43)

Panel Members are invited to consider the report and to make any appropriate recommendations to Cabinet.

(iii) **Annual Treasury Report 2012/2013** (attached at pages 44 to 60)

Panel Members are invited to consider the report and to make any appropriate recommendations to Cabinet.

8. **Quarterly Progress Final Report 2012/2013** (attached at pages 61 to 70)

To receive a report which sets out the Internal Audit activity for the quarter January to March 2013 against the Strategic Audit Plan 2012/15.

9. **National Fraud Initiative – Update on Work** (attached at pages 71 to 74)

To note the results of the work completed so far on the matches produced by the NFI and confirm the approach to the investigations and the resources allocated to it.

10. Committee's Work Programme 2013/2014

To consider the Work Programme (pages 75 to 76).

11. Date of Next Meeting

To note that the next ordinary meeting of the Resources and Performance - Audit and Risk Committee will take place on **Tuesday 25 June 2013**

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

Portfolio Holder:

Councillor N Daubney, Leader and Portfolio Holder for Resources –
Agenda Items 7(i),(ii),(iii), 8 and 9

Chief Executive

Deputy Chief Executive and Executive Director, Finance and Resources

All Other Executive Directors

Audit Manager

Press

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

Agenda Item 7	Lorraine Gore, Chief Accountant Toby Cowper, Principal Accountant
Agenda Items 8&9	Kate Littlewood, Audit Manager

REPORT TO CABINET

Open		Would any decisions proposed :		
Any especially affected Wards	Mandatory/	(a) Be entirely within Cabinet's powers to decide	YES	
	Operational	(b) Need to be recommendations to Council	NO	
		(c) Be partly for recommendations to Council and partly within Cabinet's powers –	NO	
None				
Lead Member: Cllr N Daubney E-mail:		Other Cabinet Members consulted:		
		Other Members consulted:		
Lead Officer: Toby Cowper E-mail: toby.cowper@west-norfolk.gov.uk Direct Dial: 01553 616523		Other Officers consulted: Management Team. Service Managers.		
Financial Implications YES	Policy/Personnel Implications NO	Statutory Implications (incl S.17) YES	Equal Opportunities Implications NO	Risk Management Implications NO
If not for publication, the paragraph(s) of Schedule 12A of the 1972 Local Government Act considered to justify that is (are) paragraph(s)				

Cabinet Date: 17 June 2013

REVENUE OUTTURN 2012/2013

Summary

The report sets out in summary the revenue outturn of 2012/2013 for the General Fund (council tax accounts). The report shows details of the major differences between actual costs/income and the revised estimates for 2012/2013 reported in February 2013 monitoring.

The accounts show actual Borough spend of £16,905,124 which was £124,046 less than the February Revised Estimate for 2012/2013. This additional saving will be held within the General Fund balance that is carried forwards to 2013/2014.

Recommendation

It is recommended that Cabinet approves the revenue outturn and proposed transfers to reserves for 2012/2013.

Reason for Decision

The revenue outturn for 2012/2013 of the Council must be approved by Cabinet prior to the external audit of accounts which commences in July 2013.

1 Introduction

- 1.1 This report sets out the revenue outturn of the Council’s budget for 2012/2013, the details of which will be used to form the Statement of Accounts later in the year.
- 1.2 The Statement of Accounts for 2012/2013 will be taken to Cabinet on the 16th September, for approval by Council on the 26th September 2013. (By law, the approval and publishing of the Statement of Accounts has to be completed by the 30th September 2013).

2 Final Outturn 2012/2013

- 2.1 The revised estimate (in the tables below) has been adjusted from the one reported in the February 2013 monitoring report to allow for the central service recharges. These adjustments are only between portfolios and have no “bottom line” effect. Additionally this estimate differs from the one included in the Financial Plan 2012/2016 as reported to Cabinet in February 2013 where figures were based on information as at October 2012.

	As reported in February monitoring	Adjusted Estimate for Outturn	Movement
	£	£	£
Community and Democracy	3,847,270	4,278,120	430,850
Environmental Improvements and Protection	5,482,230	5,693,790	211,560
Environmental Improvements and Protection	5,482,230	5,693,790	211,560
Housing General Fund	1,736,010	1,907,930	171,920
Performance and Resources	7,501,380	5,412,200	(2,089,180)
Regeneration	369,370	835,970	466,600
Safer and Healthy Communities	164,380	268,340	103,960
Shared Services – Revenues and Benefits	343,530	1,047,820	704,290
	19,444,170	19,444,170	0

Charges made to services across the themes are credited to the Performance and Resources support service budgets. This recharge of support services is required by the accounting guidelines to more properly reflect the full cost of a service. The ‘net’ impact on the accounts is nil.

2.2 The following table uses the revised estimate adjusted in 2.1 to compare to the actual outturn for 2012/2013.

	Revised Estimate 2012/13	Actual 2012/13	Difference Revised to Actual
	£	£	£
Community and Democracy	4,278,120	4,110,892	(167,228)
Environmental Improvements and Protection	5,693,790	6,014,551	320,761
Housing General Fund	1,907,930	1,184,662	(723,268)
Performance and Resources	5,412,200	5,512,144	99,945
Regeneration	835,970	2,238,094	1,402,124
Safer and Healthy Communities	268,340	254,150	(14,190)
Shared Services – Revenues and Benefits	1,047,820	1,072,126	24,306
Portfolio Totals	19,444,170	20,386,620	942,449
Financing Adjustment	(3,272,930)	(4,339,426)	(1,066,496)
Special Expenses	(551,100)	(551,100)	-
Internal Drainage Boards	2,580,490	2,580,490	-
Government Grant Council			
Tax Freeze	(315,330)	(315,330)	-
New Homes Bonus	(1,052,680)	(1,052,680)	-
Contribution (from)/to Balances	196,550	320,596	124,046
	17,029,170	17,029,170	-

2.3 Service managers over the year ending 31st March 2013 have continued to look for opportunities to produce budget savings that support the Council's drive for reduction in costs. These savings have been reported as part of the monthly monitoring process. In setting the estimates for 2012/2013, in February 2012, it was anticipated that there would be a need to draw £761,280 from the general fund balance. Pre out-turn figures show that there will in fact be a contribution of £320,590 to balances which arises from savings in the year of £1 million. A number of the budget savings were 'one-offs' and will not necessarily be repeated in future years. Others were 'early wins' on cost reduction initiatives identified as part of the budget in February 2013 where savings of £466,000 have already been incorporated in the 2012/2016 budget. There are some further savings in the year that will carry forward and will reduce budgets set out in the Financial Plan for 2012/2016. Which will be reported through the monthly monitoring reports in 2013/2014.

2.4 The 2012/2013 outturn is within budget and allows the Council to set aside funds for a variety of future demands in addition to carrying forward a general fund balance that is higher than originally estimated.

3. The major differences in the revised estimates and the actual costs are as follows:

3.1 Community and Democracy – Surplus (£167,228)

	£
Unsupported Borrowing (<i>Appendix 3</i>)	28,545
Movements to be explained	(451,078)
Legal Commissioning	6,080
Additional transfers to reserves (<i>Appendix 2</i>)	157,725
Community Grants*	91,500
Surplus	<u>(167,228)</u>

* The community grants are capital expenditure that is charged to the revenue account under accounting regulation (REFCUS - *Appendix 3*). The reason for the negative variance is that no budget was set for this expenditure. The adjustments are reversed out in the Financing Adjustment and have no overall effect on the revenue account.

The major variances are as follows:

- **Councillors Allowances and Expenses**
The budget was underspent by £26,015, mainly due to savings on Member's allowances.
- **Register of Electors**
An overall saving of £8,666 was due to printing & postage savings of £15,530 which was offset by additional staff costs of £6,897.
- **Parks, Open Spaces and Sports Grounds**
A saving of £44,277 is due to underspends of £31,000 on repair works and delays in the purchased equipment for Café in the Walks £8,000.
- **Grounds Maintenance**
A saving of £5,277 has been made due to additional income generated from the Tech Team Operations.
- **Hunstanton TIC**
Additional one off costs of £24,296 due to termination of the lease with Hunstanton Town Council.
- **Sport & Recreation**
Savings of £56,142 were made due to savings on utilities of £39,219, and additional income of £18,226.
- **Corn Exchange**
Savings of £42,628 were mainly attributable to additional net income from shows of £33,000 and catering of £10,000.

- **Resort Services**
Savings of £33,760 are mainly due to £9,643 re-allocation of staffing to parking operations, £7,554 additional income, and £20,000 prior year's adjustments on utilities
- **Sports Development**
An underspend of £9,619 is due to staff savings.
- **Parking Operations**
A surplus of £239,626 is due to £67,994 of Kings Lynn car parking income that is now being accrued consistently with the rest of the parking service, £64,005 prior year income adjustment and additional income generated of £107,627.

Summary of Budget Movements

	£
Councillors Allowances and Expenses	(26,015)
Register of Electors	(8,666)
Parks, Open Spaces and Sports Grounds	(44,277)
Grounds Maintenance	(5,277)
Hunstanton TIC	24,296
Sport & Recreation	(56,142)
Corn Exchange	(42,628)
Resort Services	(33,760)
Sports Development	(9,619)
Parking Operations	(239,626)
Other	(9,364)
TOTAL	<u>(451,078)</u>

3.2 **Environmental Improvement and Protection – Deficit £320,761**

	£
Movement to explain	345,342
Additional transfer to reserves (<i>Appendix 2</i>)	64,000
Unsupported Borrowing (<i>Appendix 3</i>)	(89,829)
Legal Commissioning	1,248
Deficit	<u>320,761</u>

The major variances are as follows:

- **Refuse and Recycling**
A deficit of £442,787 due to a change in the calculation of the accounting accrual that affects the Brown Bins service (This resulted in a decrease in income accounted for in 2012/2013) of £200,000 which will now be a credit in 2013/2014, a change in Controlled Waste Regulations which has resulted in some household waste being reclassified as industrial waste and incurring an additional cost of £215,000 and a overspend of £30,000 on the purchase of new bins.

- Pollution Monitoring, Footway Lighting, R&E Miscellaneous**
 Minor budget underspends against the pollution monitoring; Footway Lighting and Environmental Improvement Miscellaneous budgets resulted in a £30,889 surplus.
- Public Cleansing**
 A saving of £39,000 due to: seasonal wages and overtime £11,000, supplies and equipment £13,000, purchase of litter bins £6,000 and increased income from dog bin emptying for Parishes £5,000.
- Public Conveniences**
 A saving of £24,000 has been made due to a refund from suppliers for overpayment in previous years.

Summary of Budget Movements

	£
Refuse and Recycling	442,787
Pollution Monitoring, Footway Lighting and R&E Miscellaneous	(30,889)
Public Cleansing	(35,000)
Public Conveniences	(24,000)
Other	(7,556)
TOTAL	<u>345,342</u>

3.3 **Housing - Surplus (£674,117)**

	£
Movements to be explained	(31,865)
Additional transfers to reserves (<i>Appendix 2</i>)	52,000
Housing Grants*	(743,403)
Surplus	<u>(723,268)</u>

* The Housing Grants are capital expenditure that is charged to the revenue account under accounting regulation (REFCUS - *Appendix 3*). The reason for the positive variance is that the expenditure is less than the budgeted amount. The adjustments are reversed out in the Financing Adjustment and have no overall effect on the revenue account.

The major variances are as follows:

- Community Centres**
 £5,000 underspent on general repairs in the year.
- Home Energy Conservation Act**
 A underspend in consultancy, promotion and advertising costs has resulted in a surplus of £5,300.
- Home Improvement Agency**
 An underspend of £27,000 by West Norfolk Care and Repair.

- **Homechoice**
Underachievement of income £15,000 due to a significant decrease in the number of properties that Housing Associations have available.
- **Housing Options**
Savings of £41,641, mostly due to an underspend on projects supported by the external grant through the Homelessness Prevention Fund.
- **Caravan Licensing**
£11,000 support services expenditure has been transferred from Safer and Healthy Communities Portfolio. There is a corresponding saving in Safer and Healthy.
- **Sewerage**
An overspend of £10,000 due to: £17,000 expenditure which was incurred in updating a Sewerage plant to ensure it was fit for transfer, offset by £7,000 additional income achieved due to the late transfer of a Sewerage Plant.

Summary of Budget Movements

	£
Community Centres	(5,000)
Home Energy Conservation Act	(5,300)
Home Improvement Agency	(27,000)
Homechoice	15,000
Housing Options	(41,641)
Caravan Licensing	11,000
Sewerage	10,000
Other Housing	11,076
TOTAL	<u>(31,865)</u>

3.4 **Performance and Resources – Deficit 99,945**

	£
Movements to explain	(155,578)
Grant for decommissioning of flood warning sirens*	23,993
Unsupported Borrowing (<i>Appendix 3</i>)	1,326
Legal Commissioning	16,690
Additional transfers to reserves (<i>Appendix 2</i>)	213,514
Deficit	<u>99,945</u>

* The grants for decommissioning of flood warning sirens are capital expenditure that is charged to the revenue account under accounting regulation (REFCUS - *Appendix 3*). The reason for the negative variance is that no budget was set for this expenditure. The adjustments are reversed out in the Financing Adjustment and have no overall effect on the revenue account.

The major variances are as follows:

- **Central Support Services**
£171,128 surplus due to two areas where the expenditure has been redistributed to other services but the budget has remained centrally. They are Legal Commissioning £110,000 and Graphics £61,128.
- **Civic Expenses**
£9,206 underspent due to savings of £5,115 on Civic events.
- **Citizens Panels**
£5,115 underspent on Citizens Panels.
- **Corporate Costs and Provisions**
£56,615 surplus due to timings of planned training programmes £33,400, delays with the start of the apprenticeship schemes £13,020 and an additional management recharge to the Parking Service £10,195.
- **Bad Debt Provision**
An increase in the General Fund bad debt provision of £41,470. This is made up of an additional £9,660 Bad Debt provision for aged debtors and £31,810 for the bad debt 100% provision against Housing Benefits overpayments.
- **VAT issues**
£96,802 deficit - As per the 2011/2012 Audit report (ISA260) £173,122 of historic VAT debtors have been written off to the revenue account in 2012/2013. Officers will continue to chase the VAT refunds with HMRC. An additional £76,320 VAT refund has been accrued for in 2012/2013, this relates to the historic VAT on car parks.
- **Corporate Management Team**
Minor budget underspends against the Corporate Management Team adding up to £4,415
- **Democratic Process**
An additional £178,563 was transferred from the Incinerator campaign reserve at year end. The total spent on the Incinerator campaign for 2012/2013 was £406,562. Minor budget underspends against the Democratic Process Support area resulted in an £4,230 surplus.
- **Flood Prevention**
An additional £20,000 was transferred from the reserve to cover the cost of the condition surveys on the Hunstanton promenade. Additionally there is a credit of £4,226 due to incorrect electricity billing for a warning siren.
- **Policy Partnership**
Minor budget underspends against the Policy Partnership area resulted in a £8,977 surplus.

- **Insurance**
£28,514 adjustment from the Insurance holding account

Summary of Budget Movements

	£
Central Support Services	(171,128)
Civic Expenses	(9,206)
Citizens Panels	(5,115)
Corporate Costs and Provisions	(56,615)
Bad Debt Provision	41,470
VAT issues	96,802
Corporate Management Team	(4,415)
Democratic Process	(4,230)
Flood Prevention	(4,226)
Policy Partnership	(8,977)
Insurance	(28,514)
Other	(1,426)
TOTAL	<u>(155,580)</u>

3.5 **Regeneration - Deficit £1,402,124**

	£
Movements to explain	(92,987)
Legal Commissioning	45,524
Additional Transfers to Reserves (<i>Appendix 2</i>)	54,137
College of West Anglia Grant*	1,395,450
Deficit	<u>1,402,124</u>

* The College of West Anglia Grant is capital expenditure that is charged to the revenue account under accounting regulation (REFCUS - *Appendix 3*). The reason for the negative variance is that no budget was set for this expenditure. The adjustments are reversed out in the Financing Adjustment and have no overall effect on the revenue account.

The major variances are as follows:

- **Industrial Estates**
£50,000 surplus due to the completion of an on-going rent review on Saddlebow Industrial Estate,
- **Planning**
An overall saving of £34,460 due to essential costs on major planning appeals and Section 106 being overspent by £59,490, offset by savings on conservation & heritage grants £7,180, Enforcement and compulsory purchase orders £22,500 and the Local Development Framework £64,270.

- **Rural Transport Development**
£7,560 overspent due to payment of traffic subsidies relating to previous years.
- **Vancouver Centre**
£6,845 savings in electricity costs.

Summary of Budget Movements

	£
Industrial Estates	(50,000)
Planning	(34,460)
Rural Transport Development	7,560
Vancouver Centre	(6,845)
Other	(9,242)
TOTAL	<u>(92,987)</u>

3.6 **Safer and Healthy Communities – Surplus (£14,190)**

	£
Movements to be explained	(14,190)
Surplus	<u>(14,190)</u>

The major variances are as follows:

- **Dog Warden**
£8,390 saving due to underspends on the purchase of bins and contracted services.
- **Licences**
£41,960 surplus due to a change in accounting practise, licensing will now operate as a non profit / loss making service with a zero bottom line.
- **Crematorium**
£18,370 shortfall in income due to fewer cremations than expected.
- **Open Cemeteries**
£33,910 shortfall in income received from open cemeteries due to a reduced numbers of burials.
- **Community Safety**
£9,480 underspend due to savings on the refurbishment of part of the office.

Movements to be explained

	£
Dog Warden	(8,390)
Licencing	(41,960)
Crematorium	18,370
Open Cemeteries	33,910
Community Safety	(9,480)
Other	(6,640)
TOTAL	<u>(14,190)</u>

3.7 **Shared Services – Revenues and Benefits – Deficit 24,306**

Movements to be explained	£ 24,306
Deficit	<u><u>24,306</u></u>

- **Cost of Collection**

£202,954 deficit due to a drop, against budget, in the additional costs recovered on Council Tax of £185,978 and an increase in the Council Tax bad debt provision for cost of £15,714

- **Revenues**

£26,381 surplus mainly due to a underspend on salaries of £21,100.

- **Benefits**

£152,266 surplus mostly due to salary savings of £71,000, savings on software £20,000 and £53,000 on benefit payments due to the return on the benefit subsidy.

Movements to be explained

Cost of Collection	£ 202,954
Revenues	(26,381)
Benefits	(152,266)
TOTAL	<u><u>24,306</u></u>

3.8 **Financing Adjustment – (£1,071,653)**

The major element of the deficit can be explained as follows

Net deficit in interest payments	£ 61,552
REFCUS - Revenue expenditure funded from capital under statute (<i>Appendix 3</i>)	(767,533)
MRP - A decrease in Minimum Revenue Provision due to a change in calculation methodology	(360,515)
TOTAL	<u><u>(1,066,496)</u></u>

4.0 General Fund Working Balance

The underspend on the budget for 2012/2013 results in an increase to the General Fund working balance of £124,046 which provides for a revised balance of the General Fund as at 31 March 2013 of £3,872,091.

As per the 2012 - 2016 Financial Plan, approved in February 2013, £2,605,370 of the General Fund working balance has been committed to support the revenue budget in 2014/2015 and 2015/2016.

The remaining balance (above minimum requirements) will be used over a period of years to help maintain council tax levels.

5.0 Policy Implications

None

6.0 Statutory Considerations

The revenue outturn for 2012/2013 must be approved by the Council before the external audit of the accounts starting in July 2013.

This year the external audit of the accounts will be carried out, for the first time, by Ernst and Young LLP.

7.0 Consultations

Leader of Council
Service Managers

8.0 Access to Information

Council Agenda/Minutes
Council Budget Book

Monitoring report budget adjustments 2012/2013

Detail	Monitoring Report	£
Licencing - additional income and reduced expenditure	April	(34,020)
Additional income NNDC car parking	July	(30,000)
Resort reduction of casual staff	July	(10,000)
Supplies and Services Lynnsport	July	(5,000)
Grants and subscriptions	July	(5,000)
Leisure Card	July	(6,000)
Sport and recreation venues - reduction in advertising	July	(4,000)
Public Cleansing supplies & services	July	(13,500)
Business Continuity	July	(4,000)
Cost of Collection supplies & services	July	(3,500)
Cost of Collection additional income	July	(96,000)
Corporate Costs supplies & services	July	(48,000)
Departmental budgets	July	(63,600)
Dog Warden supplies & services	July	(3,500)
Community Safety supplies & services	July	(1,910)
Health Promotions small projects	July	(3,000)
Entertainment Licences professional fees	July	(2,000)
Crematorium bungalow rent	July	(2,000)
Export Licences income	July	(2,000)
Entertainment Licences income	July	(5,000)
Gambling Licences income	July	(5,000)
Financial Assistance	July	(14,170)
Refuse and Recycling – advertising	July	40,000
Public Conveniences - water and electricity charges and income	August, September	(44,800)
Corporate - staffing budgets	September	(167,100)
Corporate Training	September	(5,000)
Turnover savings	September	(41,200)
Financial Services - service review	September	(36,000)
Property Services - professional fees	September	(30,000)
King's Court - ground floor works	September	20,000
Utility savings	October	(89,770)
Resort Services - car parking	October	165,000
Resort Services - Seasonal Staff	October	(35,000)
King's Lynn - Car Park income	October	120,000

Monitoring report budget adjustments 2012/2013 - continued

Solar Panels feed in tariff	October	(11,000)
Princess Theatre - Repairs	October	40,000
Sport and Recreation - income	October	(100,000)
Refuse and Recycling – shared management costs	October	(33,560)
Car Parking Income - VAT refund	October	(44,000)
Corporate Apprenticeship Scheme	October	13,480
Shared Services - Revs & Bens Created	November	0
Homelessness Grant removed from hsg PF	December	127,470
External Audit change of contract	January	(25,000)
NNDR	January	(17,930)
Regen Projects maintenance and electric costs	January	8,000
P&R Savings	January	(30,930)
Town center advertising income lower	January	10,000
Turnover savings	January	(120,580)
Training underspend	January	(51,000)
IDB's	January	(19,500)
Sport and rec, staff savings & increased income	February	(79,530)
Green Quay	February	25,250
Olympic torch replay	February	9,400
CCTV for Breckland addition income	February	(11,840)
Town Hall repairs and maintenance	February	25,000
Savings on P&R, (mainly public cleans & st light)	February	(75,000)
Careline savings	February	(80,000)
Incinerator additional campaign costs	February	75,000
Departmental budgets	February	(30,000)
Local land charges income shortfall	February	20,000
Town Centre shortfall in rental income	February	10,000
Borrowing and Investments	February	980
Housing Grant for homelessness	February	(127,470)
Sub Total		(957,830)
Net change as detailed in the report		(124,046)
Total		(1,081,876)

Proposed Transfers to Reserves as at 31 March 2013

As part of closing the accounts the opportunity has been taken to set up additional transfers to reserves:

Portfolio	Service	Amount to reserve £	Reserve Description	Reason to support proposed transfer
Community and Democracy	Open Spaces	£3,000	Open Spaces	To go towards costs of repainting street furniture
	Corn Exchange	£30,000	Corn Exchange	To fund heating for front of house - (reduce ITS loan)
	St James	£40,000	Swimming Pools	Replacement Boilers St James
	Café in the Walks	£8,000	Open Spaces	Delayed purchase of equipment
	Car parks	£13,000	Revenue Contributions Reserve	Integrated mapping system for lone working
	Car parks	£61,750	Revenue Contributions Reserve	Airwave integration for parking operations and resort services
	Car Parks	£1,975	Upwell Car Park	Funding future repairs as per agreement with interested parties
Environmental Improvement and Protection	Environmental Monitoring	£30,000	RCCO	Revenue contribution to capital outlay for air monitoring equipment
	Public Conveniences	£24,000	Toilet Repairs Reserve	To fund refurbishment work
	Public Cleansing	£10,000	Open Spaces	To fund pavement cleaning
Housing	Careline	£20,000	Careline Control Equipment	Mobile working equipment required to improve service delivery (currently working with ICT)
	Housing Options	£39,000	HGF - Homelessness Strategy	Debt and Welfare Officer Post 2013-2015 (agreed at Management Team Jan 2013)

Proposed Transfers to Reserves as at 31 March 2013 – continued

Performance and Resources	Central Support	£100,000	Legal Commissioning	£100,000 transferred to the Legal Commissioning reserve to cover potential legal cost arising from the capital programme and corporate projects.
	Central Support	£85,000	Office Repair reserve	£35,000 transferred to the office repair reserve to fund lobby improvements and £50,000 for water system/tank improvements
	Insurance	£2,347	Insurance General Reserve	Balance from Insurance Holding A/C
	Insurance	£25,287	Theft Reserve	Balance from Insurance Holding A/C
	Insurance	£879	RCCO	Balance from Insurance Holding A/C to maintain Insurance reserves at £125k as per Cabinet Report Oct 2006 & Jun 2008
Regeneration	Industrial Estates	£50,000	Industrial Estates Repairs Reserve	Essential work required on unit 25, Hardwick before it can be let.
	Industrial Estates	£2,049	Industrial Service Reserve	Admin charge from service statements - to use in future years
	Industrial Estates	£738	Industrial Estates Repairs Reserve	Balance on St Johns Sinking Fund
	Regeneration Projects	£305	Growth Point	Balance of grant from previous year to use in 2013/14
	Vancouver Centre	£1,045	Town/Vancouver Centre Reserve	Admin charge from service statements - to use in future years – Balance
	TOTAL	£519,376		

Glossary of accounting terms used within this report

- **Unsupported Borrowing**

A form of capital finance funded by revenue either by increased income or a reduction in costs. There is not Government grant to support this form of funding.

- **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Capital expenditure that does not result in a new or enhanced asset in the Authority's accounts. An example is improvement grants made to individuals. These are charged to the Income and Expenditure Account and reversed out as part of the Financing Adjustment.

REPORT TO CABINET

Open		WOULD ANY DECISIONS PROPOSED :		
Any especially affected Wards None	Mandatory	(a) Be entirely within Cabinet's powers to decide	YES	
		(b) Need to be recommendations to Council	NO	
		(c) Be partly for recommendations to Council and partly within Cabinet's powers	NO	
Lead Member: Councillor Nick Daubney E-mail: cllr.nick.daubney@west-norfolk.gov.uk		Other Cabinet Members consulted:		
		Other Members consulted:		
Lead Officer: Lorraine Gore E-mail: lorraine.gore@west-norfolk.gov.uk Direct Dial: 01553 616432		Other Officers consulted: Management Team		
Financial Implications YES	Policy/Personnel Implications NO	Statutory Implications (incl S.17) NO	Equal Opportunities Implications NO	Risk Management Implications YES

Date of meeting: 17 June 2013

Capital Programme and Resources 2012-2016

Summary

The report provides details of the outturn of the 2012/2013 capital programme and outlines amendments and rephrasing to the spending on schemes, revising the programme for 2013/2016. The capital programme outturn for 2012/2013 totalled £4,555,980 against an approved budget of £7,032,630. It has been necessary to rephrase a total of £2,097,350 of scheme costs to future years. Capital receipts generated in the year totalled £2,921,250 of which £2,915,794 were useable.

RECOMMENDATION

- 1) that Cabinet note the outturn of the capital programme for 2012/2013 of £4,555,980.
- 2) that the financing arrangements for the 2012/2013 capital programme be approved.
- 3) that Cabinet approve the revised 2013/2016 capital programme as detailed in the report.

Reason for Decision

To report the outturn 2012/2013 for the Capital Programme and update members on capital spending and resources for 2013-2016.

1 Introduction

- 1.1 This report presents the outturn of the 2012/2013 capital programme and provides details of amendments and rephasing resulting from under and overspends and their impact on the 2013/2014 programme. The report also outlines the financing of the 2012/2013 programme.

2 Capital Programme 2012/2013

- 2.1 The full capital programme for 2012/2013 is shown at Appendix 1 and provides details of the outturn for individual schemes, together with amendments and rephasing to/from 2013-2014.
- 2.2 A full updated Capital Programme 2012/2013 of £8,032,630 as was reported at the Cabinet meeting on 5 February 2013 and approved by Council on 21 February 2013. Since that date a further amendment to the programme has been reported as part of the monthly monitoring.

Capital Programme 2012/2013 (Council 21 February 2013)	£ 8,032,630
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Amendment Approved

Purchase of replacement black bins for the new refuse and recycling contract – budget rephrased to 2013/2014 (1,000,000)
(Budget monitoring report February 2013)

Revised Capital Programme 2012/2013	<u>7,032,630</u>
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- 2.3 The final figures for the outturn on the capital programme show that it will be necessary to carry forward a further £2,097,350 as schemes carry over to future years. In a number of cases there were over or under spends which net to an £379,300 overspend across the overall capital programme. A net reduction of £750,497 is reported on those schemes which require funding within the overall capital programme and this underspend will not be carried forward. The main schemes where underspends are reported include:

	£
Grounds Maintenance Equipment - following a review of the replacement schedule.	23,881
ICT Programme	32,460
Derelict land and buildings - future purchases funded through back to back sales	28,613
Smaller Regeneration Projects	23,990
NORA Project	146,040
Housing Joint Venture - due to the recovery of prior year costs from Norfolk County Council	470,066

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In addition there are a number of schemes which come with resources ie reserves where the capital programme was not updated and amended to fully reflect the actual costs. These total £371,197 as detailed in the table below. The apparent overspend was to be met from earmarked reserves/S106 funds and there is no impact on the bottom line funding of the capital programme.

Scheme	Funding	£
Affordable housing scheme	Fully financed from developer contributions/ second homes funding held in reserves	204,312
CCTV-Communications upgrade	Financed from repairs and renewals reserve	10,805
New Revenues and Benefits IT system	Financed from project implementation funding in reserves	114,489
Town Centre Signage	Financed from Section 106 funding held in reserves	9,083
Energy Efficiency Projects (Salix)	Funded from reserves	32,508
		371,197

- 2.4 The table below shows the summary of the programme and actual spend to 31 March 2013. The detailed outturn for the Capital Programme 2012/2013 is presented at Appendix 1.

Table 1

	2012/2013 Budget	2012/2013 Outturn	Rephase To/(From) 2013/2014	2012/2013 Variance and Amend- ments
	£'000	£'000	£'000	£'000
Community and Democracy	1,608	1,155	394	(59)
Environment Improvement and Protection	203	186	10	(7)
Housing	2,203	1,257	1,139	193
Performance & Resources	682	625	190	134
Regeneration	2,274	1,305	338	(631)
Safer and Healthy Communities	63	28	26	(9)
Capital Programme Outturn	7,033	4,556	2,097	(379)

2.5 The main areas for the proposed rephasing are detailed below. The detailed outturn is presented at Appendix 1.

Community and Democracy

Car Parks – Replacement of pay and display machines

The pay and display machines were delivered in March 2013 and installation was completed during April/May 2013. The remaining budget of £89,600 is to be carried forward to meet the cost of the works.

Car Parks – Resurfacing

The budget provision of £54,000 will be carried forward to 2013/2014 for resurfacing works to be undertaken during this year.

CCTV – Control room upgrade

The expansion of the CCTV service to undertake CCTV monitoring for Breckland is still being finalised and the works will now be undertaken in 2013/2014. The budget provision of £70,000 is to be carried forward to meet the cost of the works.

Downham Market Leisure Centre – Flooring replacement

These works will now be carried out during 2013/2014 and budget provision of £20,000 is to be carried forward to meet the cost of the works.

Leisure Card – Gladstone upgrade and replacement card printers

The budget provision of £39,100 is to be carried forward to 2013/2014 to meet the cost of the project which will complete during 2013/2014.

Lynnsport – Car park and path repairs

Work to repair the footpath between the athletics track and shed is to be completed by the summer 2013 and the budget provision of £41,000 is to be carried forward to meet the cost of the works.

Lynnsport – Replacement PA system

The equipment will be replaced during 2013/2014 and the budget provision of £29,600 is to be carried forward to 2013/2014.

Housing

Private Sector Renewal Assistance

These budgets are committed for grant applications that are either approved but the works are not yet complete, applications are being assessed or cases on the waiting list. The remaining budget provision of £910,100 is to be carried forward to 2013/2014.

Sewerage Treatment Works – Refurb / connect to public sewer

Works to treatment plant in Wretton and Marshland St James are due to complete in the first quarter of 2013/2014 and the remaining budget provision of £174,000 is required to be carried forward.

Sewerage Treatment Works – Decommission redundant sites

The tender for these works is due to be issued in June 2013 with works planned to be undertaken by November 2013. The budget provision of £25,000 is to be carried forward to 2013/2014 to meet anticipated costs.

Sewerage Infrastructure and surface water drains / ditches

This is a contingency budget and it is proposed to move the provision of £20,000 forward to 2013/2014 and 2014/2015 to meet any urgent repair costs.

Performance and Resources

DDA – Stage 2 works

The budget provision of £20,000 is to be carried forward to 2013/2014 as a contingency provision to meet the cost of any urgent works that may arise.

ICT Development Programme

A number of ICT projects have not progressed during 2012/2013 as originally planned. It is proposed to rephase budget provision of £150,500 to 2013/2014, mainly for the continued work on the members refresh, desktop refresh, business continuity and storage data disks.

Regeneration

Hunstanton Regeneration

It is proposed to carry forward the balance of the budget provision of £98,500 to 2013/2014 for the remaining funding agreed for Hunstanton sailing club and to meet the costs of the Hunstanton Town Centre Spinney Project as detailed in the report to Cabinet on 7 May 2013.

Tuesday Market Place Refurbishment

The budget provision of £32,000 is to be carried forward to 2013/2014 to meet the cost of this major project which will be undertaken during the summer of 2013.

Pontoons

The remaining budget provision of £25,700 will be carried forward to meet the costs of this scheme which is planned to complete in 2013.

NORA

It is proposed to carry forward budget provision of £169,000 to 2013/2014 to meet on-going costs of remediation/landscaping, the final payment due on the community centre and other project costs for the overall NORA scheme.

Safer and Healthy Communities

Mintlyn Crematorium – Replace existing cremators

The budget provision of £50,000 is to be carried forward to 2013/2014 to meet the cost of the on-going project.

- 2.6 Total capital receipts generated in 2012/2013 from preserved right to buy sales of former council houses, land sales, sale of vehicles, repayment of grants and mortgage principal repayments were £2,125,652. Mortgage principal payments and repayments of discount on former council house sales are subject to pooling and 75% is repaid to the Government (£5,456 in 2012/2013). The useable element of the capital receipts was £2,120,196. The table below shows the summary of useable capital receipts generated in 2012/2013.

Table 2

	2012/2013 Budget £'000	2012/2013 Outturn £'000
Council Houses Preserved Right to Buy	195	449
General Fund - Land	2,356	1,635
Repayment of Grants	0	34
Mortgage Principal Repayments	5	2
Total	2,556	2,120

- 2.7 The general fund sales originally anticipated to complete in 2012/2013 are now expected to be achieved during 2013/2014.
- 2.8 As part of the housing stock transfer agreement the Council receives a share of the VAT recovered by Freebridge Community Housing on its development programme works. The income received under the VAT sharing agreement is classified as capital receipts, and £795,598 was received during 2012/2013.

3 Financing of the Capital Programme 2013/2014

- 3.1 The following table details the sources of finance used to fund capital spending during the year. The strategy adopted in financing is designed to make full use of all specific grants and thereby protect future allocations. Funding is taken from capital and revenue reserves for those specific schemes identified with resources. The strategy is then to make full use of useable capital receipts and the balance of funding to be taken from capital and revenue reserves.

Table 3

	£
Total Capital Programme Outturn to be Funded 2012/2013	5,359,886
Less Third Party Contributions	(803,906)
Capital Programme Expenditure to be Funded	4,555,980
Sources of Finance:	
Specific Capital Grant	754,071
Unsupported Borrowing	589,885
Capital Reserves	803,667
Grant from Reserves	204,312
Capital Receipts	1,275,901
Capital Receipts balance	57,676
Capital Creditors	706,109
Capital Debtors	(26,141)
Capital Advance Receipts	190,500
Total	4,555,980

- Specific capital grants are those for Disabled Facilities Grants (DFGs) – paid directly from Government as a contribution to the costs of the DFGs.
- Unsupported Borrowing is that level of loans taken on by the Council and paid from within the budgets of services. During 2012/2013 unsupported borrowing was used to purchase vehicles and equipment where previously lease payments were made. In effect the lease payments now pay the debt charge. No help is available from Government to pay the costs – therefore they are classed as unsupported.

- Capital Reserves have been previously set aside for particular schemes, in some cases regular annual contributions are made to the reserves (e.g. sports and arts facilities, offices).
- Capital grants and contributions are amounts held in reserves for affordable housing schemes and S106 funds.
- Capital Receipts come from the sale of assets and the preserved rights from the sale of former council houses. Following the housing stock transfer the Council receives a share of the VAT recovered by Freebridge Community Housing from the housing improvement works which is classified as a capital receipt.

3.2 The capital debtors and creditors represent payments that will be made or received during 2013/2014. The net sum is actually funded from capital reserves when payments are made/income received in 2013/2014.

4 Minimum Revenue Provision

4.1 A requirement of capital controls is that details of the minimum revenue provision (MRP) calculation are reported to Cabinet. The MRP is the minimum amount that must be charged to the Council's revenue accounts each year as a provision to repay debt. Changes to the basis of calculating MRP were made by the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008. A local authority is required to calculate an amount of MRP which they consider to be prudent, prepare a statement of its policy on making MRP and submit it to full Council. The Treasury Management Strategy 2012-2013 approved at Council on 26 April 2012 set out the policy proposals for the Borough for 2012/2013.

4.2 The amount of MRP charged to the accounts in 2012/2013 is £229,489 against a budget of £590,000. The actual MRP charge 2012/2013 has been calculated in accordance with the Council's policy based on the capital financing requirement as at 1 April 2012. The reduction in MRP charged in 2012/2013 is due to a correction in capital financing requirement balance brought forward as at 1 April 2012.

5 Capital Programme 2013/2016

5.1 The Capital Programme 2013/2016 was approved by Council on 21 February 2013. As detailed at section 2 above, it is proposed to carry forward budget provision of £2,097,350 from 2012/2013 to 2013/2014 (£2,047,350), 2014/2015 (£40,000) and 2015/2016 (£10,000).

5.2 In addition it is proposed to rephase the following to/from 2013/2014 –

Car Parks Resurfacing – Budget provision of £170,500 is committed for resurfacing works for Common Staithe Quay and these works will now be undertaken after the Tuesday Market Place scheme has been completed.

St James' Swimming Pool – The programme includes budget provision for the replacement of the combined heat and power unit at St James' swimming pool. These works will be deferred until the replacement boiler works have been completed and the budget will be carried forward.

Private Sector Housing Assistance – It is proposed to bring forward £238,000 to 2013/2014 (£119,000 each from 2014/2015 and 2015/2016) for private sector housing assistance. The £2.4m budget provision for 2013/2014 will meet the cost of applications in progress and new cases estimated to be received with the introduction of new Integrated Housing Adaptations Teams, subject to staffing resources being allocated by social services to progress cases on the waiting list. (Cabinet report 4 September 2012 detailed changes to private sector housing investment policy).

Enterprise Centre – budget provision is included in 2013/2014 for the new Enterprise Centre and it is anticipated that the project will not complete until 2014/2015. It is proposed to rephase £500,000 to 2014/2015.

Town Centre Public Realm - This project is anticipated to be completed over the two years 2013/2014 and 2014/2015. The scheme is funded from S106 monies and budget provision of £100,000 has been rephased.

5.3 The following amendments have been included in the capital programme 2013/2014 and detailed at Appendix 2:

Kingsway Sports Pavilion - The project to refurbish the Kingsway sports pavilion which had previously been rephased to 2016/2017 of the capital programme has been brought back into 2013/2014. Sports England lottery funding of £148,500 has been secured to part fund the total scheme cost of £298,500.

St James' Swimming Pool - The boilers at St James' swimming pool are in urgent need of replacement as there is a risk of breakdowns and disruption to the operation of the facility. The total cost of the replacement works is £70,000. The scheme will be funded in part from the Salix energy efficiency reserve (£30,000) and £40,000 from an additional transfer to reserves included in the closedown of the revenue accounts for 2012/2013 (see separate report on the agenda).

Energy Efficiency Schemes - The approved capital programme 2013/2014 included provisional sums for energy efficiency schemes for works to the entrance lobby areas at both King's Court and Lynnsport. Detailed schemes have now been worked up and the costs have been estimated at £42,000 for King's Court and £40,000 for Lynnsport. The original programme included for these schemes to be fully funded from the Salix energy efficiency reserve, however under this scheme only a proportion of scheme costs can be funded. The additional financing will be met through an additional transfer to the offices repairs and renewals reserve of £35,000 included in the closedown of the revenue accounts for 2012/2013 (see separate report on the agenda), a reduction of £10,000 on the Lynnsport replacement PA project and use of existing Lynnsport repairs and renewals reserve.

Tuesday Market Place – An additional £50,000 was agreed at Cabinet on 7 May 2013 to allow the extension of tegula blocks to the junction with St Nicholas Street. A further £12,000 has now been included in the budget to meet the costs which have recently been identified to reinforce areas under the Tuesday Market Place where underground air raid shelters were located.

Joint Venture – NORA Housing – The capital programme has been updated to include the costs associated with infrastructure works for phases 1 to 3 and construction costs for phase 1 of the Joint Venture which was approved at Cabinet on 6 June 2012. The details are included in Appendix 2.

- 5.4 Table 4 shows in summary form the proposed programme 2013/2016 after allowing for rephrasing and amendments. Details of the individual schemes for 2013/2016 are given at Appendix 2.

Table 4

	2013/2014	2014/2015	2015/2016
	£'000	£'000	£'000
Community and Democracy	1,443	1,359	1,043
Environmental Improvement and Protection	1,223	98	97
Housing General Fund	2,758	1,192	1,222
Performance and Resources	707	230	220
Regeneration	2,674	1,320	185
Safer and Healthy Communities	1,166	1,300	0
Joint Venture - Housing	7,294	2,441	0
Total	17,265	7,940	2,767

6 Capital Resources 2013-2016

- 6.1 Table 5 below provides details of the revised estimated capital resources for 2013/2016 updated after funding the 2012/2013 capital programme, and including amendments and rephasing as detailed above.

Table 5

	2013/2014	2014/2015	2015/2016	Total
	£'000	£'000	£'000	£'000
Sources of Finance:				
Specific Capital Grants	577	577	577	1,731
Capital Receipts Housing	150	150	150	450
Capital Receipts General	4,061	1,095	2,200	7,356
External Borrowing	2,000	1,000	0	3,000
Special Expenses	0	30	30	60
Resources for Specific Schemes:				
Reserves	714	498	253	1,465
Unsupported Borrowing	794	306	775	1,875
Salix	19	20	0	39
Reserves:				
Capital Reserves	0	317	0	317
Useable Capital Receipts	0	0	(1,218)	(1,218)
VAT Shelter	1,656	1,505	0	3,161
Joint Venture – NORA Housing				
Sale Receipts	0	6,365	1,500	7,865
External Borrowing	7,294	(3,923)	(1,500)	1,871
Total Resources Available	17,265	7,940	2,767	27,972
Revised Capital Programme	17,265	7,940	2,767	27,972
(Available)/Shortfall in Funding	0	0	0	0

- 6.2 The funding for the period 2013/2016 was agreed by Council in 21 February 2013. The above table does contain some changes. Where schemes within the programme have been rephased the funding has followed and the figures changed accordingly. The capital receipts have been reviewed and include those sales anticipated to complete during 2013/2014.

7. Equality Impact Assessment

- 7.1 The Council has a statutory requirement to carry out Equality Impact Assessments (EIAs) as part of the service planning and policy proposal processes. This includes significant policy or significant changes to a service and includes potential capital bids, revenue growth bids and proposed reductions in service.
- 7.2 The Council may be required to carry out an impact assessment if the proposal impacts on any of the following:
- Equalities (including impact on issues of race, gender, disability, religion, sexual orientation, age)
 - Community cohesion (whether there is a potential positive or negative impact on relations between different communities)

8 Financial Implications

- 8.1 The financing arrangements for the capital programme are within budget. Where rephasing to/from 2013/2014 is to be made then the funding will follow. As previously noted the MRP charge for 2012/2013 can be met from within the overall revenue outturn for the year.
- 8.2 The revenue implications of all capital schemes will be met from within existing budgets.

9. Risk Implications and Sensitivity Analysis

- 9.1 Risk is inherent in any projection of future funding. The estimated resources available to fund the capital programme 2013-2014 and the risk implications and sensitivity/consequences are detailed in the table below. The level of risk is based on the impact on the funding of the capital programme if the resources are not achieved at the estimated level or at the time expected.

Source of Funding	Risk Implications and Sensitivity	Level of Risk
Capital Grant	<p>Risk The capital grant and specific grant included in the resources is a contribution towards housing capital expenditure and Disabled Facilities Grants (DFG). The level of grant included for 2013/2014 is based on the confirmed level of grant. The level of grant is confirmed by Central Government annually and can vary from year to year.</p> <p>Sensitivity/Consequences This funding represents 9% of total general fund resources in 2013/2014.</p>	Low
Capital Receipts	<p>Risk Capital receipts represent over 41% of the general fund resources available. The actual amount and timing of capital receipts can vary significantly. The achievement of capital receipts is monitored and reported in the monthly monitoring reports to ensure no over commitment. In the case of the VAT Shelter, the Council receives a share of the VAT recovered by Freebridge Community Housing from housing improvement works. The monies are held in reserve and will be used to fund capital expenditure. The amounts included in the resources for the period 2013-2014 are based on the continuing programme of improvement works being carried out towards the decent homes standard.</p> <p>Sensitivity/Consequences Capital receipts represent a high proportion of the total general fund resources available to fund the capital programme. The actual level of capital receipts that are achieved is sensitive to market conditions including demand for land and buildings, values and interest rates. The sum total of capital receipts included in the funding table of £7.4m is a challenging target in the current economic climate. In the event that capital receipts are not achieved at the level or within the year estimated it may be necessary to take on additional temporary borrowing at the prevailing interest rates. In the case of the VAT Shelter there is a contractual agreement between the Borough and Freebridge Community Housing for the sharing of VAT reclaimed.</p>	High

Source of Funding	Risk Implications and Sensitivity	Level of Risk
Unsupported Borrowing	<p>Risk The proposed capital programme 2013-2014 includes unsupported borrowing for the purchase of equipment and vehicles.</p> <p>Sensitivity/Consequences The Council will enter into unsupported borrowing where it can demonstrate that financial savings can be achieved by outright purchase of equipment, as opposed to the use of an operating lease and the payment of an annual lease.</p>	Low
Reserves	<p>Risk Contributions from reserves are based on actual balances as at 1 April 2013.</p> <p>Sensitivity/Consequences The reserves are available and as such the sensitivity is low.</p>	Low

9.2 Experience shows that the costs of schemes can also vary. Expenditure on the capital programme is included as part of the monthly monitoring report. Any significant variations on individual schemes will be reported and appropriate action taken

10 Policy Implications

The establishment and management of the capital programme are in accordance with the Council's Capital Strategy 2009.

11 Statutory Consideration

None

12 Consultations

Management Team

13 Access to Information

Cabinet Reports
Background Papers (Government Circulars etc)
Financial Plan 2012-2016
Monthly Monitoring Reports 2012/2013

AGENDA ITEM 7(ii) Appendix 1

AGENDA ITEM 7(ii)					Appendix 1
Capital Programme Outturn 2012-2013					
Scheme Title	Amended Programme 2012/2013	Outturn	Amendments	Rephasing to (from) future years	Variance (under)/over spend
	£	£	£	£	£
Community and Democracy					
Arts Centre - Upgrade Fire Alarm system	13,600	14,027			427
Car Parks - Pay & Display Machine Replacement	250,000	160,378		89,600	(22)
Car Parks - Counting Machine - Hunstanton	10,000			10,000	
Car Parks - Counting Machine - Kings Lynn	10,000			10,000	
Car Parks - Resurfacing	54,000			54,000	
Car Parks - Decrim vehicles		11,866			(11,866)
<i>Third Party Contribution</i>		(11,866)			11,866
Net Expenditure		-			-
CCTV Communications Upgrade	29,000		(29,000)		
CCTV Control Room Upgrade	70,000			70,000	
Community and Culture Community Grants in Rural Areas (including MUGA)	76,000	76,500			500
Corn Exchange - Emergency Lights	19,500	12,435		7,100	35
Corn Exchange - Repair loading bay paving	9,850	9,551			(299)
Corn Exchange - Replace refrigerant and software	6,000	1,072	(4,900)		(28)
Corn Exchange - Replace/Refub auditorium seating	32,500	32,199			(301)
Corn Exchange - Replace rooftop chiller unit		21,869	4,900	(17,000)	(32)
Crowd Control Barriers	12,000	11,880			(120)
D/ham Market Leisure Ctr - Refurbishment	4,800	4,798			(2)
D/ham Market Leisure Ctr -Floor/Surface Resealing - Main Hall/Dance Studio	10,000	8,622			(1,378)
Downham Market Leisure Centre - Flooring Replacement	20,000			20,000	
Grounds Maintenance Equipment	40,200	16,319			(23,881)
Grounds Maintenance Vehicles	56,800	56,793			(8)
Leisure Card - Gladstone server Platform Upgrade and replament card printers	40,000	851		39,100	(49)
Lynnsport - Athletics Equipment	4,600	2,764			(1,836)
Lynnsport - Bowls Hall lighting	23,000		(23,000)		
Lynnsport - Car Park & Path Repairs	44,350	3,395		41,000	45
Lynnsport - Folding chairs refurb/replacement	2,400	2,490			90
Lynnsport - G3 pitch	28,600	28,600			
Lynnsport - New Fitness Suite/Bowls Hall Changes	325,000	349,418	23,000		1,418
Lynnsport - Replacement PA system	30,000	400		29,600	
Lynnsport - Fire Alarm System Upgrade	10,000	1,400		8,600	
Lynnsport - Floor/Surface Replacement - Entrance/Bowls Hall/Squash Courts/Tumble track	26,000	24,282			(1,718)
Lynnsport - Replacement of Grounds Maintenance Vehicle	7,000	7,158			158
Lynnsport - Sports Hall - Retractable Dividing Wall Play Activities	10,000			10,000	
	43,700	32,879		11,000	179

AGENDA ITEM 7(ii) Appendix 1

Capital Programme Outturn 2012-2013					
Scheme Title	Amended Programme 2012/2013	Outturn	Amendments	Rephasing to (from) future years	Variance (under)/over spend
	£	£	£	£	£
<u>Community and Democracy contd</u>					
Play Areas - Replacement Equipment	140,000	139,419			(581)
WREN grant	(40,000)	(44,400)			(4,400)
Net Expenditure	100,000	95,019			(4,981)
Public Art - Maritime Trail	10,000			10,000	
Sports Pavilion - Kingsway - Replacement		5,615			5,615
St James - Pool Plant - UV Water Treatment	24,000	23,589			(411)
St James Pool - Removal of Asbestos	110,400	107,769			(2,631)
St James Pool - Replacement automatic entrance doors and windows	11,800	6,078		500	(5,222)
St James' Pool - Replacement Spin Bikes	20,000	17,939			(2,061)
Town Hall / Archive	12,700	17,964			5,264
West Lynn Boardwalk Refurb		485			485
Total Community and Democracy	1,607,800	1,154,537	(29,000)	393,500	(30,763)
<u>Environmental Improvement and Protection</u>					
Refuse and Recycling - Vehicles	11,730	11,728			(2)
Recycling Bins	31,540	33,470			1,930
Refuse Communal Food Waste Containers	10,000				(10,000)
Street lighting - Saturday market places KL	10,000			10,000	
Public Cleansing Equipment		58,554			314
Neighbourhood Teams vehicles and equipment	81,920	81,907			(13)
Total Environmental Improvement and Protection	203,430	185,660		10,000	(7,770)

AGENDA ITEM 7(ii) Appendix 1

Capital Programme Outturn 2012-2013					
Scheme Title	Amended Programme 2012/2013	Outturn	Amendments	Rephasing to (from) future years	Variance (under)/over spend
	£	£	£	£	£
<u>Housing General Fund</u>					
Disabled Facilities grants	986,000	639,832		346,200	32
Adapt Grant	630,000	262,220		367,800	20
Home Repair Assistance Loan	90,000	9,583		80,400	(17)
Emergency Repair Grant	31,000	830		30,200	30
Additional Adaptation Assistance Loan	40,000	8,135		31,900	35
Careline Grant	92,000	87,215		4,600	(185)
Safe and Secure Grant	49,000			49,000	
Total Private Sector Housing Assistance	1,918,000	1,007,815		910,100	(85)
Affordable Housing Schemes		204,312			204,312
Equity Release Scheme		29,151			29,151
<i>Third Party Contribution</i>		(29,150)			(29,150)
<i>Net Total</i>		1			1
Estate Roads - Resurfacing (former HRA)	10,500			10,000	(500)
STW Refurb/connect to public sewer	224,200	50,149		174,000	(51)
<i>Third Party Contribution</i>		(5,446)			(5,446)
<i>Net Total</i>	224,200	44,703		174,000	(5,497)
STW decommission redundant sites/Refurb pumping stations	25,000			25,000	
Sewerage Infrastructure & surface water drains/ditches	25,000			20,000	(5,000)
Total Housing General Fund	2,202,700	1,256,831		1,139,100	193,231

AGENDA ITEM 7(ii) Appendix 1

Capital Programme Outturn 2012-2013					
Scheme Title	Amended Programme 2012/2013	Outturn	Amendments	Rephasing to (from) future years	Variance (under)/over spend
	£	£	£	£	£
Performance and Resources					
DDA stage 2 works	20,000	(1,419)		20,000	(1,419)
Health and Safety - Council Facilities	10,900	7,955		3,000	55
Energy Efficiency Projects		32,508			32,508
Stock Condition Priority Works	190,000	180,888		9,000	(112)
WNP - Play Areas		4,840			4,840
WNP - Centre Point		2,464			2,464
ICT Development Programme	295,950	267,718	29,000	150,500	93,268
<i>Third Party Contribution</i>		(433)			(433)
Net Expenditure	295,950	267,284	29,000	150,500	92,834
ICT Microsoft Enterprise Agreement	50,000	59,646			9,646
Derelict Land and Buildings - Compulsory Purchase	40,000	11,387			(28,613)
Investment in General Properties	20,000	28,242			8,242
Solar Panels - King's Court and Lynnsport		250			250
Decommission flood warning sirens	30,000	23,993		6,000	(7)
Replacement Franking Machine	10,500				(10,500)
King's Lynn Depot - Fencing	19,200	12,036		2,000	(5,164)
<i>Third Party Contribution</i>	(5,000)	(5,000)			
Net Expenditure	14,200	7,036		2,000	(5,164)
Total Performance and Resources	681,550	625,075	29,000	190,500	105,025

AGENDA ITEM 7(ii) Appendix 1

Capital Programme Outturn 2012-2013					
Scheme Title	Amended Programme 2012/2013	Outturn	Amendments	Rephasing to (from) future years	Variance (under)/over spend
	£	£	£	£	£
Regeneration					
Hunstanton Regeneration	155,700	57,161		98,500	(39)
Smaller Regeneration Projects	24,000	10			(23,990)
COWA	1,395,450	1,395,450			
Town Centre Signage	10,000	9,083			(917)
<i>S106 Contribution - Tesco Gaywood</i>	(10,000)				10,000
Net Expenditure		9,083			9,083
Tuesday Market Place Refurb	71,600	39,597		32,000	(3)
<i>NCC Contribution to St Lighting</i>					
Net Expenditure	71,600	39,597		32,000	(3)
King's Lynn Waterfront/Regeneration Projects	20,000	6,710		13,000	(290)
Pontoons	32,500	6,776		25,700	(24)
Nar Ouse Regeneration Area					
Remediation	39,000	76,644	60,000	50,000	27,644
MUGA (Includes Land)	77,000	75,352			(1,648)
Millienium Community Construction	20,000	14,674			(5,326)
Utilities	23,200	122,573			99,373
Landscaping	142,500	86,021	(50,000)	19,000	12,521
Nar Ouse Way Widening	10,000				(10,000)
Other Project Costs	90,000	43,026	50,000	100,000	3,026
Third Party Contributions		(271,629)			(271,629)
Total Nar Ouse Regeneration Area	401,700	146,660	60,000	169,000	(146,040)
Joint Venture/Housing Developments	173,000	78,915	(60,000)		(34,086)
<i>Third Party Contribution</i>		(435,981)			(435,981)
Net Expenditure	173,000	(357,066)	(60,000)		(470,066)
Townscape Heritage Initiative - Derelict Land and Property		1,082			1,082
Total Regeneration	2,273,950	1,305,463		338,200	(630,287)

AGENDA ITEM 7(ii) Appendix 1

Capital Programme Outturn 2012-2013					
Scheme Title	Amended Programme 2012/2013	Outturn	Amendments	Rephasing to (from) future years	Variance (under)/over spend
	£	£	£	£	£
<u>Safer and Healthy Communities</u>					
Hardwick Rd Cemetery - Replacement Bridge		23,952		(23,950)	2
Mintlyn Crematorium - Front of House Improvements		(800)			(800)
Mintlyn Crematorium - Replace existing 3 Cremator	50,000			50,000	
Mintlyn Crematorium - Book of Remembrance Room - Refurb	13,200	5,262			(7,938)
Total Safer and Healthy Communities	63,200	28,414		26,050	(8,736)
Total Capital Programme	7,032,630	4,555,980		2,097,350	(379,300)

AGENDA ITEM 7(ii) APPENDIX 2

AGENDA ITEM 7(ii)			Appendix 2
Capital Programme 2013-2016			
Scheme Title	Amended Programme 2013/2014	Amended Programme 2014/2015	Amended Programme 2015/2016
		£	£
Community and Democracy			
Arts Centre Roof Repairs	32,500		
Car Parks - Pay & Display Machine Replacement	89,600		
Car Parks - Counting Machine - Hunstanton	10,000		
Car Parks - Counting Machine - Kings Lynn	10,000		
Car Parks - Resurfacing	54,000	170,500	130,300
CCTV Control Room Upgrade	70,000		
CCTV Wireless Transmission and Camera Replacement	260,000		
Community and Culture Community Grants in Rural Areas (including MUGA)	74,000	74,000	74,000
KL off street car parks - vehicles			10,700
Corn Exchange - Emergency Lights	7,100		
Corn Exchange - Refurb/replace café/bar furniture including outside furniture and extend bars	70,000		
Corn Exchange - Replace flying trusses			10,000
Corn Exchange - Replace Followspots			10,000
Corn Exchange - Replace rooftop chiller unit	48,000		
D/ham Market Leisure Ctr - Refurb Toilets	15,000		
Downham Market Leisure Centre - Flooring Replacement	20,000		
Equipment		100,000	
D/ham Market Leisure Centre - Replacement Spin Bikes		20,000	
D/ham Market Leisure Centre - New Fitness Suite (Building and Equipment)		60,000	500,000
Grounds Maintenance Equipment	40,220	43,370	71,690
Grounds Maintenance Vehicles	124,490		63,700
Leisure Card - Gladstone server Platform Upgrade and replament card printers	39,100		
Lynnsport - Car Park & Path Repairs	41,000		
Lynnsport - Floor/Surface Replacement - General areas/Athletic track/Gymnastics			84,000
Lynnsport - Replacement PA system	19,600		
Lynnsport - Barn/track area asphalt/slabs replacement		10,000	
Lynnsport - Equipment	10,000		8,880
Lynnsport - extension/layout car park	10,000	190,000	
Lynnsport - female changing room refurbishment	15,000		
Lynnsport - Fire Alarm System Upgrade	8,600		
Lynnsport - Fitness Area - replacement air conditioning		10,000	
Lynnsport - Replacement of Track Sweeper		10,000	
Lynnsport - Retractable seating	25,000		
Lynnsport - Sports Hall - Heating Replacement		15,000	
Lynnsport - Sports Hall - Retractable Dividing Wall	10,000		
Lynnsport - Front Entrance	40,000		
Oasis - Cafeteria & Poolside Furniture			20,000
Oasis - Funcastle Vinyl products replacement			15,000
Oasis - Pool Covers / Jacuzzi Refurb		20,000	

AGENDA ITEM 7(ii) APPENDIX 2

Capital Programme 2013-2016			
Scheme Title	Amended Programme 2013/2014	Amended Programme 2014/2015	Amended Programme 2015/2016
		£	£
Community and Democracy contd			
Play Activities	11,000		
Play Areas - Replacement Equipment	30,000	30,000	30,000
Public Art - Maritime Trail	10,000		
Resort - Beach Safety Signage			15,000
Resort - Refurb Crazy Golf Course	18,500		
Resort - Vinyl & Banner printer		12,000	
Sports Pavilion - Kingsway - Replacement	298,500		
<i>Third Party Contribution - Sport England</i>	<i>(148,500)</i>		
Net Expenditure Sports Pavilion - Kingsway	150,000		
St James' Pool - Floor/surface replacements		14,000	
St James Pool - Replacement automatic entrance doors and windows	500		
St James Pool - Combined Heat and Power replacement		80,000	
St James' Pool - Boiler Replacement	70,000		
Town Hall / Archive	10,000	500,000	
Total Community and Democracy	1,443,210	1,358,870	1,043,270

AGENDA ITEM 7(ii) APPENDIX 2

Capital Programme 2013-2016			
Scheme Title	Amended Programme 2013/2014	Amended Programme 2014/2015	Amended Programme 2015/2016
		£	£
<u>Environmental Improvement and Protection</u>			
Environmental Monitoring	42,800		
Public Conveniences - Improvements		27,500	
Refuse - Black 240 litre bins for new contract	1,000,000		
Street lighting - Saturday market places KL		10,000	
Public Cleansing Sweepers/vehicles	105,970	60,300	84,400
Public Cleansing Equipment			12,530
Neighbourhood Teams vehicles and equipment	74,280		
Total Environmental Improvement and Protection	1,223,050	97,800	96,930
<u>Housing General Fund</u>			
Disabled Facilities grants	746,200	400,000	400,000
Adapt Grant	967,800	600,000	600,000
Home Repair Assistance Loan	170,400	60,000	60,000
Emergency Repair Grant	63,200	6,000	6,000
Additional Adaptation Assistance Loan	161,900	10,000	10,000
Careline Grant	160,600	30,000	30,000
Safe and Secure Grant	133,000	30,000	30,000
Total Private Sector Housing Assistance	2,403,100	1,136,000	1,136,000
Estate Roads - Resurfacing (former HRA)	10,500	10,500	10,000
STW connection to public sewer	100,000		
STW Refurb/connect to public sewer	174,000		
STW decommission redundant sites/Refurb pumping stations	50,000	25,000	25,000
Sewerage Infrastructure & surface water drains/ditches	20,000	20,000	10,000
Care and Repair - vehicles			41,000
Total Housing General Fund	2,757,600	1,191,500	1,222,000

AGENDA ITEM 7(ii) APPENDIX 2

Capital Programme 2013-2016			
Scheme Title	Amended Programme 2013/2014	Amended Programme 2014/2015	Amended Programme 2015/2016
		£	£
<u>Performance and Resources</u>			
DDA stage 2 works	40,000		20,000
Health and Safety - Council Facilities	15,000		
Stock Condition Priority Works	174,000		
ICT Development Programme	313,500	150,000	150,000
ICT Microsoft Enterprise Agreement	50,000	50,000	50,000
Decommission flood warning sirens	6,000		
King's Court - Relocate Post Room to Ground Floor	15,000		
King's Court - Front Doors/Lobby	42,000		
King's Court - Externalisation of Downpipes	30,000	30,000	
Derelict Land and Buildings - Compulsory Purchase	20,000		
King's Lynn Depot - Fencing	2,000		
Total Performance and Resources	707,500	230,000	220,000
<u>Regeneration</u>			
Historic Town Wall	10,000		
Hunstanton Regeneration	348,500	60,000	60,000
Works to Oldsunway Bridge	20,000		
Smaller Regeneration Projects	30,000		
Bus Station Improvements		500,000	
<i>S106 Contribution - Sainsburys</i>		(500,000)	
Net Expenditure		-	
Car Park Signage	190,000		
<i>S106 Contribution - Sainsburys</i>	(190,000)		
Net Expenditure	-		
Environmental Enhancements	50,000	50,000	
<i>S106 Contribution - Sainsburys</i>	(50,000)	(50,000)	
Net Expenditure	-	-	
Town Centre Signage	40,000		
<i>S106 Contribution - Tesco Gaywood</i>	(40,000)		
Net Expenditure	-		
Tourist Signs A47		25,000	

AGENDA ITEM 7(ii) APPENDIX 2

Capital Programme 2013-2016			
Scheme Title	Amended Programme 2013/2014	Amended Programme 2014/2015	Amended Programme 2015/2016
		£	£
Regeneration continued			
Town Centre public realm/signage/shop frontage improvements	100,000	100,000	
<i>S106 Contribution - Tesco</i>	(100,000)	(100,000)	
Net Expenditure	-	-	
Bus Station Improvementa		500,000	
<i>S106 Contribution - Tesco</i>		(500,000)	
Net Expenditure		-	
Market Contributions		90,000	
<i>S106 Contribution - Tesco</i>		(90,000)	
Net Expenditure		-	
Town Centre Promotion		50,000	
<i>S106 Contribution - Tesco</i>		(50,000)	
Net Expenditure		-	
Tuesday Market Place Refurb	915,400		
<i>NCC Contribution to St Lighting</i>	(10,000)		
Net Expenditure Tuesday market Place	905,400		
King's Lynn Waterfront/Regeneration Projects	45,000		
Pontoons	155,700		
Nar Ouse Regeneration Area			
Remediation	100,000	25,000	25,000
Millienium Community Construction	60,000		
Landscaping	69,000	50,000	
Marketing	10,000	10,000	
Other Project Costs	100,000	40,000	
Total Nar Ouse Regeneration Area	339,000	125,000	25,000
Joint Venture/Housing Developments	70,000		
Lynnsport - Improvements (To allow Use of Land)		200,000	
Lynnsport - Resite hockey pitch	210,000	210,000	
Enterprise Centre	500,000	500,000	
Townscape Heritage Initiative		200,000	400,000
Heritage Lottery Funding		(150,000)	(300,000)
Net Expenditure Townscape Heritage Initiative		50,000	100,000
North Lynn Industrial Estate - 1-8 Brygen Rd reroof		150,000	
Harwick Industrial Estate unit 55/56 - externalise drainage downpipes	40,000		
Total Regeneration	2,673,600	1,320,000	185,000

AGENDA ITEM 7(ii) APPENDIX 2

Capital Programme 2013-2016			
Scheme Title	Amended Programme 2013/2014	Amended Programme 2014/2015	Amended Programme 2015/2016
		£	£
Safer and Healthy Communities			
St Edmunds Church DMkt - relocating grave stones	30,000		
Hardwick Rd Cemetery - Replacement Bridge	36,050		
Mintlyn Crematorium - Replace existing 3 Cremators	1,100,000	1,300,000	
Total Safer and Healthy Communities	1,166,050	1,300,000	
Joint Venture - NORA Housing			
Phase 1 - Ground and Infrastructure Works	1,293,580		
Phase 1 - Construction	3,100,000	2,300,000	
Phase 1 - Project Fees	190,590	141,410	
Phase 1 - Land	926,000		
Phase 1 - NCC Contributions	(100,000)		
Phase 2 and 3 - Ground and Infrastructure Works	1,883,330		
Total Joint Venture - NORA Housing	7,293,500	2,441,410	
Total Capital Programme	17,264,511	7,939,580	2,767,200

REPORT TO CABINET

Open	Would any decisions proposed :			
Any especially affected Wards	(a) Be entirely within Cabinet's powers to decide YES			
None	(b) Need to be recommendations to Council NO			
	(c) Be partly for recommendations to Council NO and partly within Cabinets powers –			
Lead Member: Nick Daubney E-mail:		Other Cabinet Members consulted: None		
		Other Members consulted: None		
Lead Officer: Lorraine Gore E-mail: lorraine.gore@west-norfolk.gov.uk Direct Dial: 01553 616432		Other Officers consulted: David Thomason, Management Team		
Financial Implications NO	Policy/Personnel Implications NO	Statutory Implications (incl S.17) YES	Equal Opportunities Implications NO	Risk Management Implications NO

Date of meeting: 17 June 2013

ANNUAL TREASURY REPORT 2012/2013

<p>Summary</p> <p>The Council has formally adopted the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (2009) and remains fully compliant with its requirements.</p> <p>The primary requirements of the Code include:</p> <ul style="list-style-type: none"> • Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities. • Receipt by Council of an annual strategy report (including the annual investment strategy report) for the year ahead, a mid year review report and an annual review report of the previous year.

This Annual Treasury Report looks backwards at 2012/2013 and covers:

- the Council's overall borrowing need
- the Council's treasury position/performance;
- the strategy for 2012/2013;
- the economy in 2012/2013;
- borrowing rates in 2012/2013;
- the borrowing outturn for 2012/2013;
- compliance with treasury limits and Prudential Indicators;
- investment rates for 2012/2013;
- investment outturn for 2012/2013;
- debt rescheduling;

During the year the Council maintained a cautious approach to investment and management of debt. Investments returned a percentage of 1.38% exceeding the 7 day LIBID benchmark rate of 0.39%. Interest on debt averaged 2.48% in 2012/2013.

Recommendations

Cabinet is asked to approve the actual 2012/2013 prudential and treasury indicators in this report and to note the report.

Reason for the Decision

The Council must make an annual review of its Treasury operation for the previous year, as part of the CIPFA code of Practice.

1. Introduction and Background

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Council's Code of Practice on Treasury Management requires that Council consider an Annual Treasury Report looking back at the previous years performance.
- 1.2 This Annual Treasury Report covers:
 - a. the Council's overall borrowing need
 - b. the Council's treasury position/performance;
 - c. the strategy for 2012/2013;
 - d. the economy in 2012/2013;
 - e. borrowing rates in 2012/2013;
 - f. the borrowing outturn for 2012/2013;
 - g. compliance with treasury limits and Prudential Indicators;
 - h. investment rates 2012/2013;
 - i. investment outturn for 2012/2013;
 - j. debt rescheduling;

2. The Council's Overall Borrowing Need

- 2.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2012/2013 unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 2.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.
- 2.3 **Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
 - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).
- 2.4 The Council's 2012/2013 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2012/2013 on 3rd April 2012.
- 2.5 The Council's CFR for the year is shown below, and represents a key prudential indicator. This includes leasing schemes on the balance sheet, which increase the Council's borrowing need.

AGENDA ITEM 7(iii)

CFR	31 March 2012 Actual £000's	31 March 2013 Actual £000's
Opening Balance	14,679	11,732
Add unfinanced capital expenditure	(222)	707
Less MRP	416	230
Less Unsupported Borrowing**	0	590
Less finance lease repayments	2	2
Closing CFR	14,039	11,617
Less correction for unsupported borrowing (see note**)	2,307	
Adjusted Closing CFR	11,732	

*Following a balance sheet review undertaken by Sector, the Council's treasury advisor, it was identified that the closing CFR, 31 March 2012, as reported in the Statement of Accounts for 2011/2012 was incorrect. The CFR will be amended as part of the closedown of the 2012/2013 accounts. The adjustment required is due to repayments of principal for capital schemes funded by unsupported borrowing which were not reported as an adjustment against the CFR.

- 2.6 **Net borrowing and the CFR** - 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 2012/2013 plus the expected changes to the CFR over 2012/13 and 2013/14. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2012/2013. The table below highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator.

CFR	31 March 2012 Actual £million	31 March 2013 Actual £million
Borrowing	17.62	17.72
Investments	25.73	27.17
Net Position	(8.11)	(9.45)
Closing CFR	11.73	11.62

AGENDA ITEM 7(iii)

- 2.7 **The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2012/2013 the Council has maintained gross borrowing within its authorised limit.
- 2.8 **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.
- 2.9 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream (Council Tax and Government Grant).

	2012/2013
Authorised limit	£25m
Maximum gross borrowing position	£18m
Operational boundary	£20m
Average gross borrowing position	£13m
Financing costs as a proportion of net revenue stream	4.13%

3. Treasury Position/Performance as at 31 March 2013

- 3.1 The Council’s debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council’s Treasury Management Practices. At the beginning and the end of 2012/2013 the Council’s treasury position was as detailed in the table below:

AGENDA ITEM 7(iii)

	31st March 2012 Principal £ million	Total £ million	Rate/ Return %	31st March 2013 Principal £ million	Total £ million	Rate/ Return %
Borrowing:						
Fixed Rate Funding:						
- PWLB	1.50		2.92	1.30		2.92
- Market	<u>10.00</u>	11.50	3.81	<u>10.00</u>	11.30	3.81
Variable Rate Funding:						
- PWLB	0.00			0.00		
- Market	<u>6.12</u>	<u>6.12</u>	<u>0.37</u>	<u>6.42</u>	<u>6.42</u>	<u>0.31</u>
Total Debt		17.62	2.54		17.72	2.48
*Investments:						
- In-House	25.73		1.57	27.17		1.38
Total Investments		25.73	1.43		27.17	1.38
Net Position		(8.11)			(9.45)	

*see section 10.13 for explanation of movement, of investment balances

3.2 The maturity structure of the debt portfolio was as follows:

	31 March 2012 Actual £million	31 March 2013 Actual £million
Under 12 months (cash flow)	6.12	6.42
12 months and within 24 months	0.00	0.00
24 months and within 5 years	0.00	0.00
5 years and within 10 years	1.50	1.30
10 years and above	10.00	10.00
Total:	17.62	17.72

3.3 The maturity structure of the investment portfolio was as follows:

	31 March 2012 Actual £million	31 March 2013 Actual £million
Longer than 1 year	0.00	2.00
Under 1 year	25.73	25.17
Total:	25.73	27.17

3.4 As part of the Council strategy in 2012/2013, the Council would avoid locking into longer term deals while investment rates were down at historically low levels unless exceptionally attractive rates were available which would make longer term deals worthwhile.

3.5 The Council invested £2 million with Wyre Forest District Council in January 2013 as 0.75% was offered for 18 months. This investment was prudent as rates at the end of March 2013 for 12 months were being offered at 0.40%, and rates were not expected to rise until quarter 4 of 2014.

4. The Strategy for 2012/2013

4.1 Sector, the Council's treasury advisors, recommended a treasury strategy for 2012/2013, based on their view that the expectation for interest rates anticipated low but rising Bank Rate (starting in quarter 4 of 2014) with similar gradual rises in medium and longer term fixed borrowing rates over 2012/2013. Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

The actual movement in gilt yields meant that PWLB rates fell sharply during the year and to historically very low levels. This was caused by a flight to quality into UK gilts from EU sovereign debt and from shares as investors became concerned about the potential for a Lehmans type crisis of financial markets if the Greek debt crisis were to develop into a default and exit from the Euro.

During the second and third quarters, rates rose gradually and agreement of a second bail out for Greece in December saw the flight to quality into gilts reverse somewhat, as confidence rose that the Eurozone crisis was finally subsiding. However, gilt yields then fell back again during February and March as Eurozone concerns returned, with the focus now shifting to Cyprus, and flight to quality flows into gilts resumed. This was a volatile year for PWLB rates, driven by events in the Eurozone which oscillated between crises and remedies.

4.2 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and reduce counterparty risk.

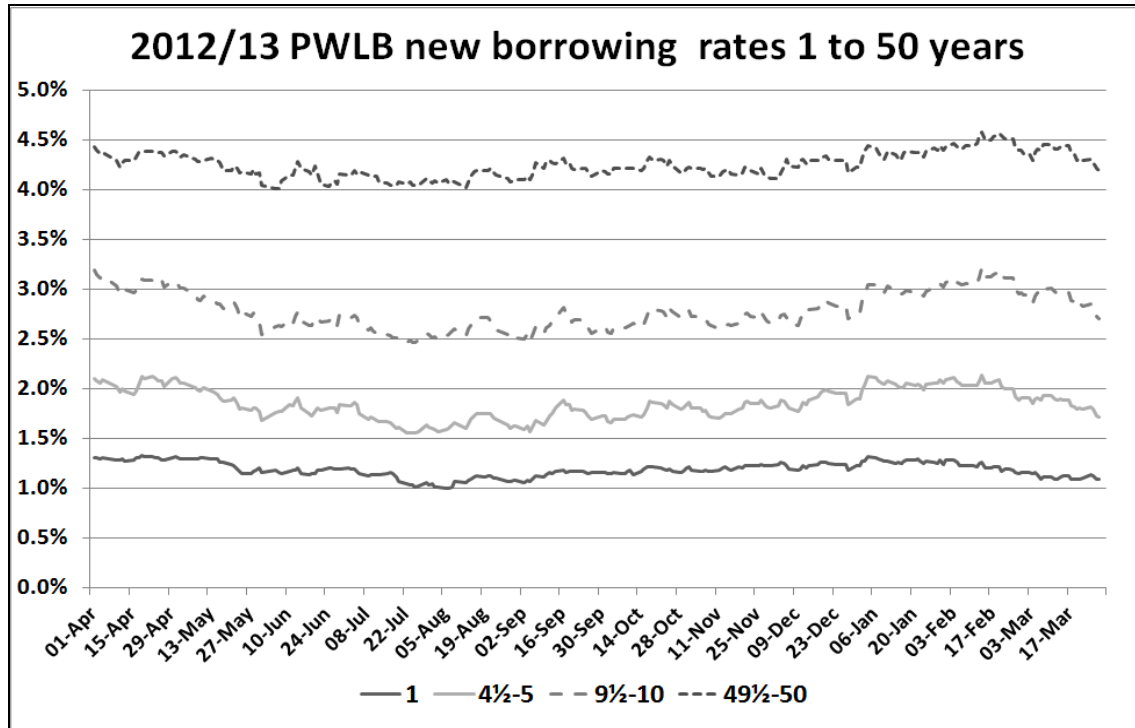
4.3 The actual movement in interest rates broadly followed the expectations.

5. The Economy 2012/2013

- 5.1 The original expectation for 2012/2013 was that Bank Rate would not rise in 2012/2013 or 2013/2014 and for it to start gently rising from quarter 4 2014. This forecast rise has now been pushed back to a start in quarter 1 2015 at the earliest. Economic growth (GDP) in the UK was virtually flat during 2012/2013, due to the UK austerity programme, subdued domestic consumer expenditure, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market - the European Union (EU). This weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing (QE) by £50billion in July to a total of £375billion. Bank Rate, therefore, ended the year unchanged at 0.5%, while Consumer Price Index (CPI) inflation has remained stubbornly high and above the 2% target, starting the year at 3.0% and still being at 2.8% in March; however, it is forecast to fall to 2% in three years' time. The EU sovereign debt crisis was an ongoing saga during the year, with an eventual very protracted agreement of a second bailout for Greece in December followed by a second major crisis, this time over Cyprus, towards the end of the year.
- 5.2 Gilt yields oscillated during the year as events in the ongoing Eurozone debt crisis ebbed and flowed, causing corresponding fluctuations in safe haven flows into / out of UK gilts. This, together with a further £50billion of QE in July and widely expected further QE still to come, combined to keep PWLB rates depressed for much of the year at historically low levels.
- 5.3 The Funding for Lending Scheme, announced in July, has resulted in a flood of cheap credit being made available to banks and this has resulted in money market investment rates falling drastically in the second half of the year. However, perceptions of counterparty risk have improved after the European Central Bank (ECB) in July that it would do "whatever it takes" to support struggling Eurozone countries. This has resulted in some return of confidence to move away from only very short term investing.
- 5.4 The UK coalition Government maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Moody's followed up this warning by actually downgrading the rating to AA+ in February 2013 and Fitch then placed their rating on negative watch, after the Budget in March.

6 Borrowing Rates in 2012/2013 – (Rates based on PWLB maturity profiles)

6.1 **PWLB borrowing rates** - the graph and table for PWLB maturity rates below show, for a selection of maturity periods, the range (high and low points) in rates, the average rates and individual rates at the start and the end of the financial year.



PWLB borrowing rates 2012/13 for 1 to 50 years									
	1	1-15	2.5-3	3.5-4	4.5-5	9.5-10	24.5-25	49.5-50	1 month variable
2/4/12	1.290%	1.350%	1.600%	1.820%	2.070%	3.250%	4.370%	4.410%	1.490%
28/3/13	1.130%	1.160%	1.350%	1.540%	1.750%	2.840%	4.070%	4.220%	1.470%
High	1.330%	1.400%	1.690%	1.910%	2.150%	3.290%	4.440%	4.590%	1.500%
Low	1.000%	1.030%	1.170%	1.320%	1.520%	2.520%	3.810%	3.960%	1.440%
Average	1.185%	1.229%	1.440%	1.631%	1.847%	2.871%	4.094%	4.250%	1.467%
Spread	0.330%	0.370%	0.520%	0.590%	0.630%	0.770%	0.630%	0.630%	0.060%
High date	20/4/12	20/4/12	20/4/12	20/4/12	20/4/12	20/2/13	20/2/13	20/2/13	18/4/12
Low date	2/8/12	2/8/12	23/7/12	23/7/12	23/7/12	23/7/12	18/7/12	1/6/12	24/10/12

7 Borrowing Outturn for 2012/2013

7.1 The Council Strategy was based on the following views:

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

7.2 *In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:*

- *if it were felt that there was a significant risk of a sharp FALL in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
- *if it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.*

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7.3 Borrowing as at 31st March 2013:

Start Date	End Date	Loan No	Value £	Institution	Rate	Term
11.06.07		3645	20,000	Kings Lynn Festival	0.00%	7 day notice
18.03.13	16.04.13	3780	4,000,000	Middlesbrough Council	0.30%	Short Term
19.03.13	05.04.13	3781	1,400,000	City & County of Swansea	0.35%	Short Term
25.03.13	25.04.13	3782	1,000,000	Shropshire & Wrekin Fire Authority	0.30%	Short Term
Total Short Term			6,420,000			
22.03.07	21.03.77	5888	5,000,000	Barclays – fixed rate LOBO (lenders option, borrowers option)	3.81%	Long Term – fixed for initial 10 year period, and option to change every 5 years thereafter
12.04.07	11.04.77	5887	5,000,000	Barclays – fixed rate LOBO (lenders option, borrowers option)	3.81%	Long Term - fixed for initial 10 year period, and option to change every 5 years thereafter
15.09.09	14.09.19	495951	1,300,000	PWLB	2.92%	Long Term – fixed for 10 years
Total Long Term			11,300,000			
Total Borrowing			17,720,000			

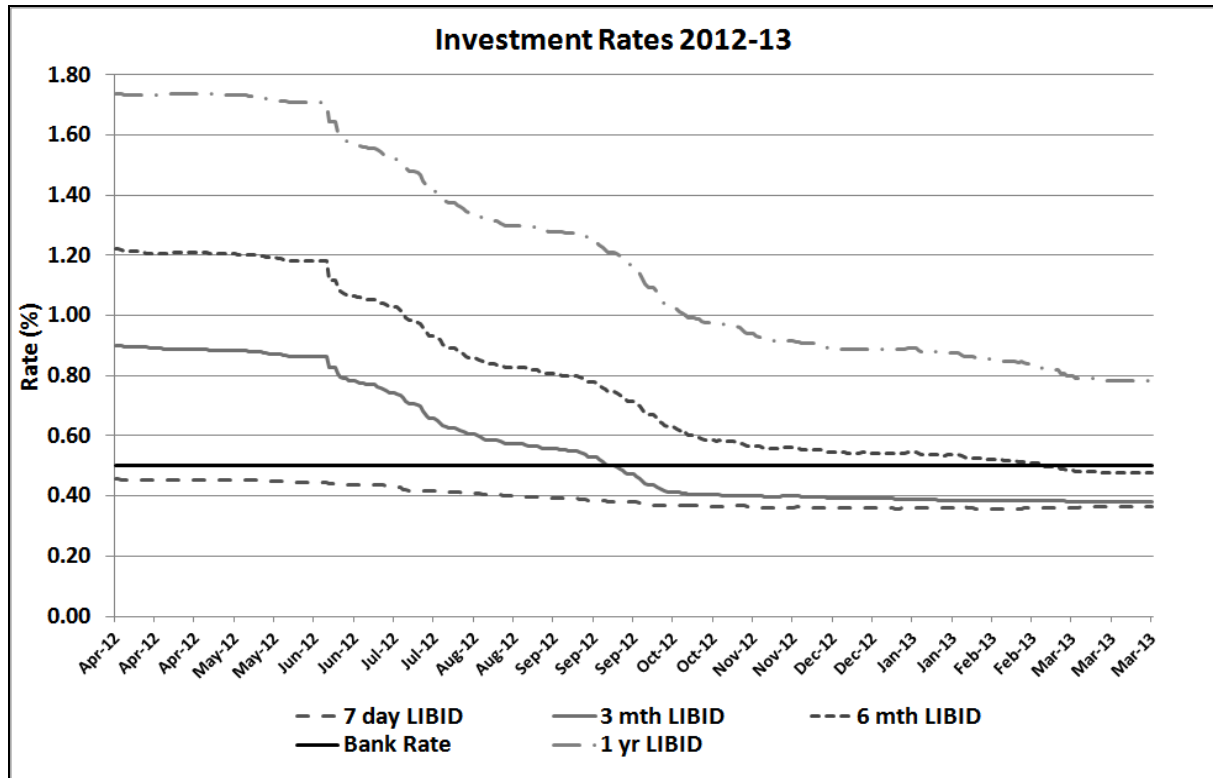
The table at 3.1 shows average rate of debt as being 2.48%.

8. Compliance with Treasury Limits

- 8.1 During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in appendix 1.

9. Investment Rates in 2012/2013

9.1 Bank Rate remained at its historic low of 0.50% throughout the year; it has now remained unchanged for four years. Market expectations of the start of monetary tightening were pushed back during the year to early 2015 at the earliest. The Funding for Lending Scheme resulted in a sharp fall in deposit rates in the second half of the year.



10. Investment Outturn for 2012/2013

10.1 **Internally Managed Investments** - The Council manages its investments in-house and invests with the institutions listed in the Council's approved lending list. The Council invests for a range of periods, dependent on the Council's cash flows, its interest rate view and the interest rates on offer. During the year, all investments were made in full compliance with this Council's treasury management policies and practices.

10.2 **Investment Strategy** - The expected short-term investment strategy for in-house managed funds was:

10.3 *In-house funds: The Council's in-house managed funds are currently made up of both cash-flow derived and longer term investments. Investments will accordingly be made with reference to the core balance, cash flow requirements and the need to finance the capital programme. This means that both the outlook for short-term interest rates (i.e. rates for investments up to 12 months) and longer term interest rates (over one year) will be considered when making investments.*

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- 10.4 *Bank Rate has been unchanged at 0.50% since March 2009. Bank rate is forecast to commence rising in quarter 3 of 2013 and then to rise steadily from thereon. There are downside risks to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Bank of England's 2% target rate.*
- 10.5 *The Council will avoid locking into longer term deals while investment rates are down at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this council.*
- 10.6 *For 2012/2013, it is suggested by the Council's advisors, that due to current market conditions, all investments should be made for periods less than 364 days, due to risk as detailed in the creditworthiness policy. The Council will continue to monitor creditworthiness on a daily basis.*
- 10.7 *For its cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (over night to three months) in order to benefit from the compounding of interest.*
- 10.8 **Investments for 2012/2013** - Detailed below is the result of the investment strategy undertaken by the Council.

	Investments as at 1 April 2012 (£millions)	Investments as at 31 March 2013 (£millions)	Rate of Return (net of fees) %	Benchmark Return %
Internally Managed	25.70	27.17	1.38	0.39

AGENDA ITEM 7(iii)

Investments as at 31st March 2013:

Institution	Principal	Start Date	End Date	Rate %	Ratings
Natwest (Fixed)	1,300,000	05/04/2012	08/04/2013	2.25	A
Bank of Scotland	2,000,000	12/04/2012	11/04/2013	3.00	A
Natwest (Fixed)	3,000,000	23/05/2012	22/05/2013	2.25	A
Natwest (Fixed)	2,000,000	22/08/2012	21/08/2013	2.25	A
Natwest (Fixed)	500,000	22/08/2012	21/08/2013	2.25	A
Natwest call account	200,000	22/03/2013		0.50	A
Barclays FIBCA**	2,400,000	12/11/2012		0.30	A
Bank of Scotland	2,000,000	22/11/2012	22/11/2013	1.90	A
Bank of Scotland	3,000,000	26/11/2012	26/11/2013	1.90	A
Nationwide	2,000,000	20/12/2012	20/06/2013	0.59	A+
Birmingham City Council	1,900,000	28/01/2013	27/01/2014	0.52	AAA
Barclays FIBCA**	2,600,000	20/12/2012		0.30	A
Wyre Forest District Council	2,000,000	14/01/2013	14/07/2014	0.75	AAA
Roydon Parish Council	4,000	19/02/2013	01/04/2016	1.50	AAA
Standard Chartered Certificate of Deposit	2,000,000	21/01/2013	20/01/2014	0.62	AA-
Primerate Money Market Fund	270,000	25/03/2013		0.40	AAA
Total	27,174,000				

** Barclays FIBCA (Flexible Interest Bearing Current Account) deposits are in a current account which attracts an additional 0.40% bonus when the investments are held in the account for a year

10.9 The benchmark rate is derived from the 7 day LIBID (London Interbank Bid Rate) rate. The Council exceeded this rate, as investments were tied in for longer periods to take advantage of higher interest returns while the bank rate remained at 0.50%.

10.10 In addition, the Council utilised business reserve accounts which were providing higher returns from those available on the markets, due to problems with the worlds' financial markets. The Council targeted investments with banks which met their minimum criteria counterparty limits. If changes in ratings occurred to banks where funds were deposited, this was noted on Monthly Monitoring reports and reviewed.

10.11 In addition the Council also ensured priority was given to security and liquidity in order to reduce counterparty risk. This was achieved by adopting Sector's methodology of using ratings from three agencies to provide the core element of the credit watch service with outlooks and credit default swaps spreads to give early warning signs of changes, and sovereign ratings to select counterparties.

10.12 No institutions in which investments were made had any difficulty in repaying investments and interest in full during the year.

11.0 Debt Rescheduling

11.1 The Authority did not reschedule any debt during the year.

12.0 Summary

12.1 In summary the Council:

- Did not pursue any debt rescheduling as long term loans were reviewed against future long term rates and early repayment penalties, which were proven to be disadvantageous.
- Undertook a lending list review to ensure security and liquidity were maintained.
- Took advantage of higher business reserve account rates on short term investments, and tied in rates for fixed term investments to take advantage of higher interest rate returns (while bank rate remained at 0.50%).
- Ensured counterparty listings on our lending lists were maintained and updated regularly, and reported on monthly monitoring reports if changes occurred to any banks where funds were deposited.
- Ensured priority was given to security and liquidity in order to reduce counterparty risk. This was achieved by adopting Sector's methodology of using ratings from three agencies to provide the core element of the credit watch service with outlooks and credit default swaps spreads to give early warning signs of changes, and sovereign ratings to select counterparties.

APPENDIX 1: PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2011/12	2012/2013
(1). EXTRACT FROM BUDGET AND RENT SETTING REPORT	£'000	£'000
	Actual	Actual
Capital Expenditure	5,544	4,435
Ratio of financing costs to net revenue stream	2.50%	1.34%
Net borrowing requirement		
brought forward 1 April	15,420	17,620
carried forward 31 March	17,620	17,720
in year borrowing requirement	2,200	100
Net Investment		
brought forward 1 April	26,567	25,731
carried forward 31 March	25,731	27,205
in year investment	(836)	1,474

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PRUDENTIAL INDICATOR	2011/12	2012/2013
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'000	£'000
	Actual	Final
Authorised limit for external debt -		
Borrowing	35,000	25,000
Operational boundary for external debt -		
Borrowing	32,000	20,000
Actual External Debt	17,620	17,720
Upper limit for fixed interest rate exposure		
Net principal re fixed rate borrowing /investments	32,000	20,000
Upper limit for variable rate exposure		
Net principal re variable rate borrowing / investments	22,000	20,000
Upper limit for total principal sums invested for over 364 days		
(per maturity date)	No limit	No limit

Maturity structure of fixed rate borrowing during 2012/2013	upper limit	lower limit
under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

AUDIT AND RISK COMMITTEE REPORT

TYPE OF REPORT: Audit	Portfolio: Performance
Author Name: Kate Littlewood	CONSULTATIONS:
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OPEN	

Committee: Resources and Performance – Audit & Risk Committee
Date: 10 June 2013
Subject: Internal Audit Plan 2012/13 –progress report for the quarter January to March 2013

Summary	This report shows the Internal Audit activity for the quarter January to March 2013 against the Strategic Audit Plan 2012/15.
Recommendation	Members are asked to approve the report on the Internal Audit workplan for January to March 2013.

1.0 INTRODUCTION AND BACKGROUND

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

2.0 Audit work in the quarter January to March 2013

- 2.1 On completion of each audit a formal report is issued to the relevant line managers, the Executive Director and Portfolio Holder. Copies are also sent to the Chief Executive and the Financial Services Manager. 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 quarter*

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

- **General Ledger**
- **Sundry Debtors**
- **Inventories and Asset Management**
- **Car Parks**
- Data Protection and Freedom of Information
- Environmental Information Regulations
- Environmental Health - Administration and Systems
- Information Management
- Markets Follow-up
- Environmental Quality Follow-up
- General IT Controls Follow-up
- Revenues System – Shared Services Follow-up
- Geographic Information Systems (GIS) Follow-up

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

2.3 *Work ongoing*

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

- Document Management
- Performance Management

2.4 *Other work carried out in the quarter*

Apart from the standard audits, Internal Audit also undertook other work during the last quarter including starting work on analysing the data matches returned from the 2012/13 National Fraud Initiative exercise.

3.0 **Changes to the audit plan**

- 3.1 Two of the planned audits for 2012/13 have been deferred to the 2013/14 plan, namely Major Development Schemes and the Local Authority Company/ Trust. This is due to the projects not reaching an auditable stage during the last year.

4.0 **Performance Indicators**

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

AGENDA ITEM 8

2012/13 Status of Audits	Audit days used	Percentage of Plan (in days)
Completed and reported	307	79%
In progress	15	4%
On hold	48	12%
Deferred to 2013/14	20	5%
Total Planned Audits	390	100%

- 4.2 Taking the 79% of 'Completed' audits together with 4% for those 'In Progress' and 12% for 'On Hold', the target figure is accounted for.
- 4.3 The 'On Hold' audits refer to the Council Tax and NNDR, and the Housing and Council Tax Benefits audits. These were reported to the Committee in February 2013.
- 4.4 The audits deferred to 2013/14 refers to the Major Development Schemes and Local Authority Company/ Trust as noted in paragraph 3.1 above.
- 4.5 The time previously allocated to the audits above has been utilised by other unplanned work. The team have undertaken additional work at the Corn Exchange and in respect of the Environmental Information Regulations. The monitoring of the conversion to the OpenRevenues System as part of the Shared Services Agreement also required more time than originally anticipated.
- 4.6 Audit Questionnaires returned with satisfactory scores – Satisfaction questionnaires are issued with the final report to the Executive Director for completion and return to the Audit Manager. Of the 36 questionnaires issued this year 19 have been returned, all which had satisfactory scores.
- 4.7 Planned audit time – a target of 68% has been set for the full year and for this quarter it has been 58%, resulting in an overall year figure of 64%. This refers to the proportion of the total available time that is spent on planned audit work rather than management, training, general administration and holidays. The lower percentage at the end of the year reflects the additional time taken to reassess the approach to setting the annual audit plan for 2013/14 and the subsequent changes required as reported to the Committee in March 2013.

5.0 Work planned for the next quarter April to June 2013.

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

Audit Title	Days	Date
Capital Programme – Tuesday Market Place	8	April
Health & Safety	5	June
Annual Governance Statement	2	June
Major Development Schemes	8	April

AGENDA ITEM 8

Audit Title	Days	Date
Housing Needs – review of Affordable Housing schemes	8	May
Black Bin recycling	5	June
Joint Venture with NCC	10	May
General IT Controls	20	April
Revenues Shared Services – Business Process Mapping	60	April
Water Management Alliance	5	April
Shared Services Partnership – Project accounts	10	May
Shared Services Partnership – Ongoing accounts	10	June
PRP calculations	2	May
Statement of Accounts checking	5	June

- 5.2 The nature of the work this year means that some audits will not have a distinct period of time to be started and finished. Rather they will involve audit on an ongoing basis as the project develops, such as the Major Development Schemes, Housing Needs and the Joint Venture. The work on building the Business Process Maps for the Revenues Shared Services may take most of the year and will be fitted around regular audit work.
- 5.3 There are some follow-up audits due within this quarter. An allocation of time is not given to individual follow-up audits. Instead a total amount of 10 days is allowed in the audit plan for this work.

6.0 Conclusion

- 6.1 Progress through the year has been satisfactory and will enable the Audit Manager to complete the Annual Report to support the Annual Governance Statement as usual.
- 6.2 This report provides Members with an overview of the audit activity and outcomes over the period, and provides an opportunity for Members to seek further information if required.

Notes to support the summary in Appendix 1

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

Recommendations

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

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

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

Audit Opinion

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

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

Audits completed in Q4 2012-13	Overall Opinion
<p><u>General Ledger</u> Report published in March 2013. There were no recommendations.</p>	Full Assurance
<p><u>Sundry Debtors</u> Report published in March 2013. There were 5 Medium recommendations relating to:</p> <ol style="list-style-type: none"> 1. Preventing a direct debit being collected within 15 days of the instruction to start a direct debit payment. 2. Security should be amended for the Revenue and Benefits users to ensure they no longer have the ability to edit amend records or transactions. 3. Ensure reconciliation is undertaken between the Write-off spreadsheet and General Ledger. 4. New account numbers should be allocated to customers with duplicate account numbers. 5. A long standing imbalance between the Debtors Control Account and the General Ledger of £295, which was caused by a system error, should be followed up with the system provider and resolved. 	Substantial Assurance
<p><u>Inventories and Asset Management</u> Report published in March 2013. There were 1 High, 1 Medium and 1 Low recommendations. The High recommendation referred to the need to ensure Authorisations to Exercise Delegated Powers are completed and placed on file. This was addressed during the audit. The Medium recommendation related to clarifying the status of an asset.</p>	Substantial Assurance
<p><u>Car Parks</u> Report published in February 2013. There were 1 High and 2 Medium recommendations. The High recommendation was concerned with establishing the level of insurance cover provided by the current policy for the holding the collected cash at Hunstanton and ensure the correct information is provided to update the policy as necessary.</p>	Substantial Assurance

Audits completed in Q4 2012-13	Overall Opinion
<p>The Medium recommendations related to improving some calculations in the summary sheet showing ticket sales and ensuring the monthly reconciliations were up-to-date before the end of the financial year.</p>	
<p><u>Data Protection and Freedom of Information</u> Report published in December 2012. There were 3 High, 7 Medium and 1 Low recommendations. The High recommendations were:</p> <ol style="list-style-type: none"> 1. Review and update the Data Protection Policy. 2. Review and update the Freedom of Information Policy. 3. Review and update the Publication Scheme. <p>The Medium recommendations were:</p> <ol style="list-style-type: none"> 1. Introduce a system to review the Data Protection Policy on a regular basis. 2. Develop a Corporate Data Sharing Policy. 3. Review and update the Data Protection guidance notes. 4. Improve induction training for Members and include an article in Member Bulletin informing them of their responsibilities under DPA and FOI. 5. Introduce a system to review the Publication Scheme on a regular basis. 6. Include a reference to the 'Managing Records Retention and Disposal Policy' in the staff guidance notes. 7. Include a note in the guidance notes on draft documents and emails. <p>In spite of the number of recommendations, this was given an overall rating of 'Substantial'. The operational aspect is working well and meets the needs of the legislation, but the background documentation and support needs to be refreshed quite urgently.</p>	<p>Substantial Assurance</p>
<p><u>Environmental Information Regulations (EIR)</u> Report published in March 2013. There were 3 High and 1 Medium recommendations. The High recommendations were:</p> <ol style="list-style-type: none"> 1. Ensure that clear dates are set internally to respond to the Information Officer when information is 	<p>Limited Assurance</p>

Audits completed in Q4 2012-13	Overall Opinion
<p>requested and develop a policy on when a time extension needs to be sought.</p> <ol style="list-style-type: none"> 2. Robust procedures should be in place to evaluate any exceptions and the Public Interest Test and should be deployed, if required, as soon as possible after the receipt of the request. 3. Ensure procedures are in place to deal appropriately with a request under the Regulations, taking into account the differences from Freedom of Information. Ensure staff are aware of what constitutes an EIR request to ensure that such requests will be identified immediately and treated appropriately, and ensure any future training highlights the distinctions. <p>The Medium recommendation referred to the need to include EIR in the updated Freedom of Information Policy and have a specific entry for it under the A-Z listing on the Council's website.</p>	
<p><u>Environmental Health – Administration and Systems</u> Report published in December 2012.</p> <p>There were no recommendations, but changes to the line management, and potentially the role of the section, have meant that it has been included again in the audit plan for 2013-14.</p>	Full Assurance
<p><u>Information Management</u> Report published in January 2013.</p> <p>There was 1 Medium recommendation relating to developing and agreeing a strategy to improve the efficiency, effectiveness and economy of data query and information reporting for the Council's systems.</p>	Substantial Assurance

Follow-up audits completed in Q4 2012-13	Original report	Follow-up progress
<p><u>Markets</u> The report issued in June 2012 included 2 Medium recommendations both of which have been implemented.</p>	June 2012 Substantial Assurance.	January 2013 Very Good
<p><u>Environmental Quality – Water Management</u> The report issued in July 2012 included 3 Medium recommendations. One of these is the subject of ongoing meetings. Work on the remaining 2 has been delayed due to commitments on the part of the lead officer with the Incinerator enquiry. A new target date of September 2013 has been set and progress at this point has not been graded.</p>	July 2012 Limited Assurance	February 2013 Not graded.
<p><u>General IT Controls</u> The report issued in August 2012 included 5 Medium recommendations, 4 of which are completed or progressing satisfactorily. The remaining recommendation to refresh the ICT Strategy is ongoing but will take longer than originally anticipated in order to ensure it accurately reflects changes in the internal and external environment.</p>	August 2012 Substantial Assurance	January 2013 Good
<p><u>Revenues System – Shared Services</u> The report issued in September 2012 included 2 High and 6 Medium recommendations. Of these 1 High recommendation has been partially implemented due to decision to postpone the merger date, and the other has been superseded by the decision to reconcile bank details manually. A further 3 recommendations have either been fully or partially implemented and the risks have been addressed by alternative actions. The final 3 recommendations are dependent upon action by Civica, which is not currently expected until after the annual end of year exercise. This will be followed up further by the audit in 2013-14.</p>	September 2012 Substantial Assurance	January 2013 Good

Follow-up audits completed in Q4 2012-13	Original report	Follow-up progress
<u>Geographic Information Systems (GIS)</u> The report issued in July 2012 included 5 Medium recommendations. Progress has been slower than anticipated due to the GIS Constraints Project Manager being involved in the data conversion for the OpenRevenues Shared Services. However work was close to completion and progressing.	July 2012 Substantial Assurance	January 2013 Good

AUDIT AND RISK COMMITTEE REPORT

TYPE OF REPORT: Audit	Portfolio: Performance
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If not for publication, the paragraph of Schedule 12A of the 1972 Local Government Act considered to justify that is paragraph 3.	

Committee: Resources and Performance – Audit & Risk Committee
Date: 10 June 2013
Subject: National Fraud Initiative – update on work

Summary	The Council participates in the National Fraud Initiative (NFI) run by the Audit Commission. The 2010/12 data matching exercise has now closed, except for Council Tax matches, and work has commenced on the 2012/13 matches. This report presents the Committee with a summary of the results.
Recommendation	To note the results of the work completed so far on the matches produced by the NFI and confirm the approach to the investigations and the resources allocated to it.

1.0 INTRODUCTION AND BACKGROUND

- 1.1 Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), a data matching exercise which matches electronic data within and between participating bodies to prevent and detect fraud.
- 1.2 Specified datasets are submitted to the NFI at particular times via a secure web link. These are then cross matched to the same datasets, in the same format, submitted by other public bodies. Any matches are then returned to the relevant bodies for investigation. The last data submission took place in 2012 and the results were released on 29th January 2013.
- 1.3 This report updates the Committee on the work carried out since the last report presented on 28th August 2012. It does not cover the results from the work on the Benefit matches as this is covered by a separate, quite

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detailed, report presented on a 6-monthly basis by the Fraud Investigations Manager.

2.0 Work Performed

2.1 Data was submitted in October 2012 to the NFI on the following areas:

- Payroll (submitted from Bedford Borough Council)
- Trade Creditor payments history
- Trade Creditors standing data
- Insurance claims (submitted from Zurich Municipal)
- Licences (Alcohol and taxis)
- Licences (Markets)

Council Tax and the Electoral Register are due to be submitted in October 2013. These datasets will be used to identify matches relating to Single Person Discount (SPD).

2.2 The resulting matches were returned to the Council and distributed by the Audit Manager to the relevant officers to investigate. The reports received from the NFI have been summarised in the table shown in **Appendix 1**, together with the progress made against each report.

2.3 There were three categories that did not produce any matches – Market Traders, Personal Alcohol Licences and Taxi Drivers.

2.4 Outside the Benefits matches, only one case has warranted any action. An overpayment of £2,520 has been identified and is in the process of being recovered. All other overpayments had already been picked up by budget holders checking their budgets and taking action at the time.

2.5 So far the work on preparing the data for submission, in October 2012, and investigating the matches, since January 2013, has taken approximately 12 days.

2.6 As noted above the datasets for Council Tax and the Electoral Register are due to be submitted in October 2013. These matches are run separate to the other data matches and the results will not be received until January 2014. However work is continuing on matches received from the 2010-11 exercise. From a total of 1,111 matches returned, 546 have been closed as no longer in receipt of SPD. The remaining 565 are still being checked.

3.0 Conclusion

3.1 The results from the work so far has been consistent with previous NFI exercises. The majority of the matches have either proved to be 'No Issue' or have already been identified and dealt with through the Council's own procedures.

3.2 Work will continue to complete checking on all the matches and the Committee will be kept informed of progress and any significant results.

NFI 2012/13 Date Matches
Summary of Progress

Dataset	NFI Matches report	No. matches	Comment
Payroll	66.0 : Payroll to Payroll, high quality, between bodies	9	Closed - No issue.
Payroll	78.0 : Payroll to Pensions	1	Closed - No issue.
Payroll	80 - Payroll to Creditors same bank account	8	Closed - No issue.
Payroll	81 - Payroll to Creditors address quality	9	Currently working on. 4 cleared - No Issue. 5 still being checked.
Creditors History	707.0 : Duplicate records by invoice reference, invoice amount and creditor reference	112	Closed. 109 - No issue, 2 - Already known and dealt with. 1 payment being recovered - value £2,520.
Creditors History	708.0 : Duplicate records by invoice amount and creditor reference	249	Currently working on. 135 cleared: 130 - No issue, 5 - Already known and deal with.
Creditors History	709.0 : VAT overpaid	3	Closed - No issue.
Creditors History	710.0 : Duplicate records by creditor name, supplier invoice number and invoice amount but different creditor reference	5	Closed. 4 - No Issue. 1 Already known and dealt with.
Creditors History	711.0 : Duplicate records by supplier invoice number and invoice amount but different creditor reference and name	16	Closed - No issue.
Creditors History	713.0 : Duplicate records by postcode, invoice amount but different creditor reference and supplier invoice number and invoice date	3	Closed - No issue.
Creditors Standing	701.0 : Duplicate creditors by creditor name	236)
Creditors Standing	702.0 : Duplicate creditors by address detail	204) Not started
Creditors Standing	703.0 : Duplicate creditors by bank account number	32)

Dataset	NFI Matches report	No. matches	Comment
Insurance	180.6 : Insurance Claimants to Insurance Claimants	6	Closed - No issue.
Market Traders	NO MATCHES RETURNED		
Taxi Drivers	NO MATCHES RETURNED		
Alcohol Licences	NO MATCHES RETURNED		
Benefits	ALL MATCHES DEALT WITH BY BEU		

Shaded grey = Closed

AUDIT AND RISK COMMITTEE WORK PROGRAMME 2013/2014**10 June 2013**

- Final Accounts and Statement of Accounts for year ended 31 March 2013
- Quarterly Progress Final Report 2012/2013
- National Fraud Initiative – Update on Work

25 June 2013

- Internal Audit Annual Report 2012/2013
- Review of the Effectiveness of Internal Audit Service
- Risk Management

23 July 2013

- Internal Audit Terms of Reference Update
- Quarterly Progress Update Quarter 1 2013-2014
- Audit and Risk Effectiveness Review
- Benefit Investigations Unit Annual Report

27 August 2013

- National Fraud Initiative 2011/13 Summary of Work
- Business Continuity – Annual Update

9 September 2013

Special Meeting – to consider the Statement of Accounts 2012/2013
Annual Governance Statement

24 September 2013**29 October 2013**

- Internal Audit Plan 2013/2014 – Progress report for the quarter July to September 2013
- Risk Management
- NFI Update
- Treasury Mid Year Report

26 November 2013

- Benefit Investigations Unit Half-Year Report – S Munson
- Annual Audit Letter – to be presented by the Council's External Auditor

7 January 2014**27 January 2014****25 February 2014**

- Quarterly Progress Report Quarter 3 2013-2014
- Strategic Internal Audit Plan 2014-2015

25 March 2014

- Business Continuity – Annual Update
- BCKL&WN Audit Plan 2014/2015 (external)
- Internal Audit – Strategic Audit Plan 2014/15

29 April 2014

- Corporate Risk Monitoring Report (October 2013 to March 2014)