Steve Atkinson MA(Oxon) MBA FIoD FRSA
Chief Executive

Date: **30 May 2012**

Hinckley & Bosworth
Borough Council

A Borough to be proud of

To: **Members of the Finance, Audit & Performance Committee**

Mr PAS Hall (Chairman)	Mr R Mayne
Miss DM Taylor (Vice-Chairman)	Mr JS Moore
Mr JG Bannister	Mr K Morrell
Mrs R Camamile	

Copy to all other Members of the Council

(other recipients for information)

Dear Councillor,

There will be a meeting of the **FINANCE, AUDIT & PERFORMANCE COMMITTEE** in the Committee 2, Council Offices, Argents Mead on **MONDAY, 11 JUNE 2012** at **6.30 pm** and your attendance is required.

The agenda for the meeting is set out overleaf.

Yours sincerely

Denise Bonser
Democratic Services Officer

FINANCE, AUDIT & PERFORMANCE COMMITTEE - 11 JUNE 2012

A G E N D A

1. APOLOGIES AND SUBSTITUTIONS

2. DECLARATIONS OF INTEREST

   To receive verbally from members any disclosures which they are required to make in accordance with the Council's code of conduct or in pursuance of Section 106 of the Local Government Finance Act 1992. **This is in addition to the need for such disclosure to be also given when the relevant matter is reached on the Agenda.**

3. MINUTES OF PREVIOUS MEETING (Pages 1 - 2)

   To confirm the minutes of the meeting of the Finance Audit & Performance Committee held on 30 April 2012, copy attached.

4. INTERNAL AUDIT PLAN (Pages 3 - 20)

   CW Audit will give a brief introductory presentation before presenting the Internal Audit Plan.

5. PERFORMANCE MANAGEMENT FRAMEWORK (Pages 21 - 36)

   Report of Chief Executive attached.

6. COUNCIL TAX REDUCTION SCHEME (Pages 37 - 42)

   Report of the Deputy Chief Executive (Corporate Direction) attached.

7. THE PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES - SETTING OF PRUDENTIAL INDICATORS 2011/12-2014/15 AND TREASURY MANAGEMENT STRATEGY 2012/13-14/15 (Pages 43 - 64)

   Report of the Deputy Chief Executive (Corporate Direction) attached.

8. TREASURY MANAGEMENT TO 31 MARCH 2012 (Pages 65 - 72)

   Report of Deputy Chief Executive (Corporate Direction) attached.

9. BUSINESS RATE RETENTION

   The Deputy Chief Executive (Corporate Direction) will give a brief presentation on business rates retention.

10. WORK PROGRAMME 2012/13 (Pages 73 - 74)

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HINCKLEY AND BOSWORTH BOROUGH COUNCIL
FINANCE, AUDIT & PERFORMANCE COMMITTEE
30 APRIL 2012 AT 6.30 PM

PRESENT: Mr PAS Hall - Chairman
Miss DM Taylor – Vice-Chairman

Mrs R Camamile, Mr JS Moore and Mrs WA Hall

Officers in attendance: Ilyas Bham, Shaun Curtis, Julie Kenny and Sanjiv Kohli

520 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Mr Gould and Mr Hulbert with the following substitution authorised in accordance with Council Procedure Rule 4.1:

Mrs A Hall for Mr Hulbert.

521 DECLARATIONS OF INTEREST

No interests were declared at this stage.

522 MINUTES OF PREVIOUS MEETING

On the motion of Mrs Camamile, seconded by Mr Moore, it was

RESOLVED – the minutes of the meeting held on 26 March 2012 be confirmed and signed by the Chairman.

523 COMMERCIAL ESTATES REVIEW UPDATE

Following a request at the last meeting Members were updated on the level of debt within the Commercial Estate and provided with information on the different sectors that are occupying units.

RESOLVED – the report be noted and for future reports the information on the level of debt be included as part of overall performance report of the Commercial Estates.

524 TREASURY MANAGEMENT ACTIVITIES 9 MONTHS TO 31 DECEMBER 2011

Members were presented with a report outlining the Council's treasury management activity during the first nine months of the financial year 2011/12. It was reported that due to the current financial climate investments were being moved more frequently to receive the highest dividend and the advice from the Council's professional advisors was increasingly to invest short term.

RESOLVED – the report be noted.

As requested at the previous meeting the Deputy Chief Executive (Corporate Direction) presented an update on the current position regarding the MIRA Regional Growth Fund and highlighted the potential risks to the Council. After discussion it was agreed that this be referred to the Scrutiny Commission as Members required further detail and representations from expert witnesses.

(The Meeting closed at 7.25 pm)

CHAIRMAN

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cw audit services

Hinckley and Bosworth Borough Council

Strategic Internal Audit Plan 2012 - 2015

April 2012

Getting value from your service

1. Introduction

General background

This document sets out a proposed strategic plan of Internal Audit coverage for the period April 2012 to March 2015. The plan of work has been driven by the requirements of the Code of Practice for Internal Audit in Local Government in the UK (CIPFA, 2006), the Accounts & Audit Regulations (2011) and guidance relating to the Annual Governance Statement, which the work of Internal Audit supports and informs. The proposed plan supports an opinion based on an assessment of the design and operation of the internal control environment and the adequacy and effectiveness of control noted from our risk based audits carried out during the year. It follows therefore that the focus of the audit plan is critical to ensuring the right level of assurance to the Council.

The aim of the plan is to:

- **Deliver a risk focused audit programme -** through a detailed risk assessment across the organisation and at component level
- **Be proactive and forward looking -** by looking at what risks the Council faces and trying to minimise these through our work.
- **Add value** – by providing practical, value-added recommendations, in areas of significant risk, by working where relevant with other functions (e.g. risk management and anti-fraud) and trying to save resources / enhance controls where possible.
- **Provide assurance to management and the** Finance, Performance and **Audit Committee -** as key stakeholders, we will work closely with management and the Finance, Performance and Audit Committee with regard to your assurance needs.

Terms of Reference and Internal Audit Standards

CIPFA's Code of Practice for Internal Audit in Local Government in the UK requires us to explicitly detail our terms of reference with you. These have been developed in accordance with relevant guidance and are attached at Appendix Three.

In conducting our work as your Internal Auditors we are required to adhere to a set of standards for Internal Audit as set out in the CIPFA Code of Practice. We consider that compliance with these standards is a key element of our Internal Audit service in accordance with our contract with you, and maintain quality procedures to ensure compliance.

We believe that we have established suitable arrangements to enable us to comply with the standards. We will, however, report any instances of non-compliance should they arise, as soon as we become aware of them.

2. Developing the plan

Our plan of work is designed to support the annual Head of Internal Audit Opinion. The required basis for forming this opinion is as follows:

- An assessment of the design and operation of the overall internal control environment, governance and risk management arrangements; and
- An assessment of the adequacy and effectiveness of controls, based upon the results of our risk based audit assignments that are reported during the course of year.

It follows that an effective risk based audit plan, focusing the resource into areas of principal risk is essential.

Risk Assessment

The plan has been prepared in consultation with the Deputy Chief Executive (Corporate Direction). It has been informed by:

- A review of the risks contained within the Council's Risk Register and Annual Governance Statement.
- A series of meetings held with all the Chief Officers and other key members of the senior management team to identify key auditable areas based on an assessment of current and future issues and risks.
- Our understanding of the challenges to the Council to deliver its objectives within the current economic environment and changes in local government legislation..

On the basis of this process we have identified a number of priority areas (see section 3) and these have been scheduled for attention in the first year of the audit plan. We have also identified a number of more strategic issues that will require audit coverage in the second and third years of the plan. The resulting Internal Audit Plan is detailed at Appendix One. We will, however, continue to review the audit plan on an ongoing basis in response to developments and initiatives. If additional risks arise or change in priority during the year the audit plan will be reconsidered with management and, subject to Audit Committee approval, amended to ensure that audit resources remain focused on the key risk areas.

Compliance with CIPFA Code of Practice regarding Internal Audit Strategy and Planning

The CIPFA Code sets out a range of requirements covering the establishment of internal audit strategy and plans.

At Appendix Two we have assessed how the plan proposed in this document addresses these areas and also where we do not feel it is appropriate to do so. The Finance, Performance and Audit Committee is specifically asked to consider these latter items to ensure that the planned internal audit coverage is in accordance with the Council's needs.

3. Linking our plan to your strategic risks

The following table sets out the proposed areas of work for the 2012/13 financial year linked through to your business objectives/risk and showing the supporting rationale for that work and a summary outline of the work to be undertaken.

Area	Rationale - Links to Objectives/Risks	Work outline
FINANCE, REVENUES, BENEFITS, IT & PROCUREMENT		
Budgetary Control	Key financial system to be covered under Managed Audit arrangements. Financial strategy and management key in time of recession.	Review of key controls to be agreed with External Auditor, to include budget setting, approval, adjustment and monitoring.
Main Accounting	Key financial system to be covered under Managed Audit arrangements.	Review of key controls to be agreed with External Auditor, to include control account reconciliations, journal entries and interfaces with other key systems.
Capital Accounting	Key financial system to be covered under Managed Audit arrangements. Implementation of a new fixed asset register system.	Review of key controls to be agreed with External Auditor, to include assurance that new asset register is set up accurately and securely.
Council Tax	Key financial system to be covered under Managed Audit arrangements. Increased risk of non-collection in a recession. Changes to Council Tax Benefit may also affect collection rates and debt levels.	Review of key controls to be agreed with External Auditor to include maintenance of property register, liability, reconciliations to valuation list, exemptions, discounts, benefits, billing and debt recovery and to highlight potential areas for improvement.
Business Rates	Key financial system to be covered under Managed Audit arrangements. Increased risk of non-collection in a recession.	Review of key controls to be agreed with External Auditor, to include maintenance of property register, liability, reconciliation to valuation list, exemptions, discounts, benefits, billing and debt recovery and to highlight potential areas for improvement.
Benefits	Key financial system to be covered under Managed Audit arrangements. Challenges faced by ongoing amendments to the benefits system.	Review of key controls to be agreed with External Auditor, to include claims processing and payment, management checking, overpayment processes etc.
Benefit Fraud Investigation	Shared service with Oadby & Wigston Borough Council. Increased risk of fraudulent activity in a recession.	Review of shared fraud investigation arrangements to ensure effectiveness.
Creditors	Key financial system to be covered under Managed Audit arrangements	Review of key controls to be agreed with External Auditor, including masterfile control, goods/service receipt, invoice certification, payment runs.
Debtors & Debt Recovery	Key financial system to be covered under Managed Audit arrangements. Likelihood of decreasing income in discretionary areas in a recession.	Review of key controls to be agreed with External Auditor to include debtor account requisitioning, pricing and debt recovery.
Treasury Management	Key financial system to be covered under Managed Audit arrangements.	Review of key controls to be agreed with External Auditor to include bank account control, borrowing and investments.
Income Management & Cash Receipting	Key financial system to be covered under Managed Audit arrangements.	Review of key controls to be agreed with External Auditor, to include arrangements to ensure completeness, accuracy and timeliness of income collection, receipting and banking.

Area	Rationale - Links to Objectives/Risks	Work outline
CORPORATE		
Corporate Governance	Importance of sound corporate governance arrangements, eg Standing Orders, Scheme of Delegation, Standards and codes of member and officer conduct etc, to the proper operation of Council functions, powers, duties, compliance with the law etc.	Review of establishment and effective operation of robust arrangements for Member Standards of Conduct following the changes under the recent Localism Act.
Risk Management	Management of risk of underpinning importance in ensuring delivery of Council objectives, complying with the law etc.	Review of evidence to ensure that the Council has a fully embedded risk management system in place that identifies and treats risks to key strategic and operational objectives.
Customer Services and Reception	Level of service delivery to members of the public may be disrupted by move to Hinckley Hub.	Review level and quality of services provider by the Customer Services/Reception team prior to move and post-move to ensure that standards remain high.
Anti Fraud & Corruption	Increased risk of Fraudulent activity in period of economic downturn. Government has recently released ' The Local Government Fraud Strategy'.	Review of Council's compliance against the Local Government Fraud Strategy.
Legal Services	Council is moving to an electronic case management system and needs assurance that transfer of existing files is accurate and complete and that new system is controlled and used effectively.	IT audit focussing on complete and timely transfer of files, appropriate levels of control in new system and effective use of new system.
Payroll & Expenses	Key financial system to be covered under Managed Audit arrangements	Review of key controls to be agreed with External Auditor.
HOUSING, COMMUNITY SAFETY & PARTNERSHIPS		
Allocations – Choice Based Lettings	County wide system for choice based lettings went live in April 2011. Council needs assurance that system is well controlled and effective.	Review of compliance with criteria for registering on the scheme, bidding procedure, allocations process and information management and security.
Rents	Key revenue source that needs to be covered under Managed Audit arrangements with external audit. Increased risk of rent arrears in economic downturn and impact of national changes in benefits system	Review of key controls to ensure that rent is collected intact, to be agreed with External Auditor, with specific reference to how rent arrears cases are managed and the Council's approach to dealing with forthcoming changes in the benefits system.
Tenant Scrutiny	New regulations to increase the level of tenant involvement and scrutiny.	Review the delivery of the Council's project plan to increase tenant involvement and scrutiny
Sheltered Housing	Some of the Council's sheltered housing is becoming difficult to let, or may no longer meet the needs of the Council.	Review of the viability of Council's sheltered housing schemes and options to improve condition of stock.
Warden Services	Significant changes planned to the way in which warden services are to be delivered and the funding arrangements for these services.	Review of the Council's bid process for warden schemes and effectiveness of any changes made to current control centre arrangements
PLANNING		
Town Centre Regeneration	Important function supporting Council objectives regarding economic regeneration and the town centre. The Council also provides the service to Oadby & Wigston Borough Council in partnership.	Review of the effectiveness and value for money of the service for this Council and the partnership arrangement with Oadby & Wigston.
BUSINESS, CONTRACT & STREETSCENE		
Housing Repairs	Housing repairs service has recently been brought back in-house and new processes and procedures are currently being embedded.	Review of the systems and controls being developed for the in-house housing repairs function.

Area	Rationale - Links to Objectives/Risks	Work outline
Fuel Controls	Potential for fuel to be misappropriated, or other unexplained poor consumption rates.	Review of the security and monitoring controls over fuel usage.
Contract Management (Grounds Maintenance)	Previous incidence of non-compliance to the Council's contract tendering and letting policies and procedures.	Review of the controls in place to ensure that contracts are let in accordance with approved Council policy.

4. Reporting and relationships

4.1 Reporting Lines

The Terms of Reference attached at Appendix 3 outline the reporting lines and relationships for this engagement, essentially setting out the accountability of the Chief Internal Auditor to the Chief Executive, but noting that operationally in practice this accountability is delegated to the Deputy Chief Executive (Corporate Direction). The Chief Internal Auditor also has direct right of access to the Finance, Performance and Audit Committee and the Chairman where required. This is also embodied in the Council's Financial Regulations.

Audit Reporting

Periodic and Assignment Reporting

Final reports relating to individual audit assignments will be reported to the relevant operational manager and associated executive director prior to submission to the Finance, Performance and Audit Committee. The Finance, Performance and Audit Committee will also receive a progress update at each meeting detailing progress against the plan, a summary of assignment opinions issued to date and an update in relation to the implementation of audit recommendations.

Annual Head of Internal Audit Opinion

In line with the Code of Practice requirements for Internal Audit and expected professional practice, we will issue a formal audit opinion taking account of:

- An assessment of the design and operation of the overall internal control environment, governance and risk management arrangements; and
- An assessment of the adequacy and effectiveness of controls, based upon the results of our risk based audit assignments that are reported during the course of year.

This opinion will be formally recorded in the Internal Audit Year End Report and presented to the Finance, Performance and Audit Committee. In addition to this formal opinion we will also bring to the attention of the Chief Executive and the Finance, Performance and Audit Committee any Significant Internal Control Issues that we feel should be declared in your Annual Governance Statement.

4.2 Third Party Audit Arrangements

As your Internal Auditors we are required to agree with you the arrangements for forming an appropriate opinion where either you operate key systems on behalf of other organisations, or key systems are being operated by other organisations on your behalf. We recognise that the Council operates within a number of different partnership arrangements and procures and contracts various services, however it is our current understanding that the Benefits function remains the only key system for which an appropriate audit opinion must be given to third parties (North West Leicestershire District Council and Harborough District Council) and that there are no other key systems provided by third parties for which the Council must obtain appropriate audit assurance.

4.3 Relationships with external bodies

External Audit

We will agree a protocol of joint working arrangements supported by a regular programme of update meetings with External Audit. We will use these meetings to report on progress against our plan and as an opportunity to discuss any significant issues arising from our work.

Other Review Bodies

Where we intend to place formal reliance on the work of any other review body e.g. Audit Commission, we will undertake an appropriate audit or quality assurance exercise to ascertain the level of assurance that we can derive from that work.

Counter Fraud

You are required to carry out counter fraud activities, to ensure sound stewardship of public funds. We will liaise as necessary with your counter fraud officers, sharing relevant audit findings and identifying joint programmes of work where appropriate.

4.4 Additional Services/Ad-hoc Work

The CIPFA Code of Practice require us to define the potential role that we may have in providing ad hoc consultancy work. In providing such a service we would seek to apply the professional skills of Internal Audit through a systematic and disciplined evaluation of the policies, procedures and operations that you have put in place to ensure the achievement of your objectives. We believe that our status as Internal Auditors ensures that we can deliver such work in an independent and objective manner. We also have access to consultancy services via our strategic relationships (e.g. PwC and Deloitte).

5. Delivery and Fees

5.1 The Core Audit Team

The Audit Plan will be delivered by the following team:

Team Role	Team Member	Qual	Role
Contract Lead	Paul Dudfield	CCAB	Paul will monitor overall performance and quality of the service.
Chief Internal Auditor	Mark Watkins	CCAB	Mark will oversee delivery of the audit plan and quality assurance.
Audit Manager	Tim Ridout	CCAB	Tim will manage the audit team on an operational basis.
Principal Auditors	Anand Persaud Lynn Gouldthorp	CCAB CCAB	Principal Auditors will deliver complex reviews and supervise a team of experienced auditors in delivering the core plan.
IT Audit Manager	Shaun Grayson	QiCA	Shaun will lead on IT audit and Information Governance work.

5.2 Profiling Delivery

We will agree a programme of delivery for the audit plan with Chief Officers and report on delivery against this profile through our regular progress reports to each Finance, Performance and Audit Committee.

Mark Watkins
Chief Internal Auditor

Strategic Internal Audit Plan – 2012/2015

Area	Audit Assignment	2012/13	2013/14	2014/15
Finance, Revenues, Benefits, IT & Procurement	Budgetary Control	8	8	8
	Main Accounting	8	8	8
	Capital Accounting	7	7	7
	Council Tax	8	8	8
	Business Rates	8	8	8
	Benefits	18	18	18
	Benefit Fraud Investigation (joint review with OWBC)	8	-	-
	Creditors	8	8	8
	Debtors	8	8	8
	Treasury Management	6	6	6
	Income Management & Cash Receipting	7	7	7
	IT Audit	-	10	10
	Procurement	-	-	10
	Sub-total	**94**	**96**	**106**
Corporate	Corporate Governance (standards of conduct in yr 1)	7	7	7
	Risk Management	8	8	8
	Customer Services (reception)	8	-	-
	Anti-Fraud & Corruption	7	-	-
	Payroll & Expenses	8	8	8
	Legal Services (IT audit - case management system)	8	-	-
	Communications (mobile communication)	-	8	-
	Electoral Register	-	-	8
	Human Resources	-	-	10
	Sub-total	**46**	**31**	**41**

Area	Audit Assignment	2012/13	2013/14	2014/15
Housing, Community Safety & Partnerships	Anti-Social Behaviour Management System	-	10	-
	Allocations – Choice Based Lettings	8	-	-
	Housing Rents	8	8	8
	Homelessness	-	-	8
	Tenant Scrutiny	8	-	-
	Sheltered Housing	8	-	-
	Warden Services	8	-	-
	Community Safety	-	8	-
	Partnerships	-	-	10
	Sub-total	**40**	**26**	**26**
Environmental Health	Licencing			10
	Carbon Management Plan		8	
	Sub-total	**-**	**8**	**10**
Planning	Town Centre Regeneration (joint review with Oadby & Wigston)	5		
	Development Control (Process Review)		10	
	Community Infrastructure Levy		9	
	Planning Control			9
	Sub-total	**5**	**19**	**9**
Cultural Services	Hinckley Club for Young People	-	8	-
	Leisure Centre	-	10	-
	Markets	-	-	8
	Town Centre Management	-	-	8
	Sub-total	**0**	**18**	**16**
Business, Contract & Streetscene	Housing Repairs	11	-	-
	Fuel Controls	7	-	-
	Car Parks	-	9	-
	Parking Enforcement	-	-	9
	Grounds Maintenance	-	9	-

Area	Audit Assignment	2012/13	2013/14	2014/15
	Street Cleansing	-	9	-
	Recycling	-	-	8
	Contract Management (Grounds Maintenance)	7		
	Sub-total	**25**	**27**	**17**
Follow Up	Recommendation Tracking	5	5	5
	Follow Up Reviews	10	10	10
	Sub-total	**15**	**15**	**15**
Management & Advice	Audit Needs Assessment, Planning & Annual Report	10	5	5
	Audit Committee/External Audit/Senior Team meetings	10	10	10
	Contract Management & ad hoc advice	10	10	10
	Sub-total	**30**	**25**	**25**
Totals		**255**	**265**	**265**

Compliance with CIPFA Code of Practice regarding Internal Audit Strategy and Planning

Ref	Adherence to the Standard	Compliant?			Comments / Evidence
7.1	**Audit Strategy**	**Yes**	**Partial**	**No**	**Comment**
7.1.1	**(a)** is there an *internal audit* strategy for delivering the service? **(b)** Is it kept up to date with the organisation and its changing priorities?	X			Yes, the Strategy is included within the Strategic Audit Plan which is updated on an annual basis and received by the Finance, Performance and Audit Committee.
7.1.2	Does the strategy include: **(a)** Internal Audit objectives and outcomes? **(b)** how the head of internal audit will form and evidence his or her opinion on the control environment? **(c)** How Internal Audit's work will identify and address local and national issues and risks? **(d)** How the service will be provided, ie internally, externally or a mix of the two? **(e)** The resources and skills required to deliver the strategy?	X			Yes, the Strategy is a high level statement outlining objectives, how an opinion on the control environment is reached, the role of risk assessment in identifying local and national issues, current service delivery and resourcing.
7.1.3	Has the strategy been approved by the audit committee?	X			Strategy is included within the Strategic Audit Plan which is updated on an annual basis and received by the Finance, Performance and Audit Committee.

7.2	**Audit Planning**				
7.2.1	Is there a risk based plan that is informed by the organisation's risk management, performance management and other assurance processes?	X			The Strategic Audit Plan is based on Internal Audit's assessment of risk, and the Council's Strategic Risk Register.
7.2.1	Where the risk management process is not fully developed or reliable, does the Head of Internal Audit undertake his or her own risk assessment process?	X			The Council's corporate risk management evaluation is supplemented with a detailed Internal Audit risk assessment as part of the planning process.
7.2.1	Are stakeholders consulted on the Audit Plan?	X			Yes, the management team was consulted in preparation of the Audit Plan. The views of the Finance, Performance and Audit Committee will be taken into account in Plan review where necessary.
7.2.2	Does the Plan demonstrate a clear understanding of the organisation's functions?	X			Yes, the Strategic Audit Plan is mapped to the Council Plan objectives to demonstrate Internal Audit's contribution to assurance around achievement of these objectives.

Ref	Adherence to the Standard	Compliant?			Comments / Evidence
		Yes	Partial	No	
7.2.3	Does the plan: **(a)** cover a fixed period of no longer than one year? **(b)** outline the assignments to be carried out? **(c)** Prioritise assignments? **(d)** Estimate the resources required? **(e)** Differentiate between assurance and other work? **(f)** Allow a degree of flexibility?	X			The Strategic Audit Plan details the audits to be performed in the coming financial year, with a forecast of audit coverage in the remaining two years (this forecast is revisited and updated annually). The Strategic Audit Plan outlines the assignments to be performed, and prioritises these audits for delivery. Resourcing is also covered in the Strategic Audit Plan. At present the Strategic Audit Plan provides for Assurance work. Flexibility is built into the Plan by provision of contingency resources and a recognition that the Plan is risk-based. This enables the plan of work to adapt to emerging issues as these arise.
7.2.4	If there is an imbalance between the resources available and resources needed to deliver the Plan, is the audit committee informed of proposed solutions?	X			The Plan is currently based on the premise that all key financial systems (as defined by the External Auditor) and audits classified as high priority in Internal Audit's risk assessment should be able to be achieved within the period covered by the Strategic Audit Plan. If resources were not sufficient to enable this, the **Finance, Performance and** Audit Committee would be informed.

Ref	Adherence to the Standard	Compliant?			Comments / Evidence
		Yes	Partial	No	
7.2.4	Has the plan been approved by the audit committee?	X			The Strategic Audit Plan is accepted by the **Finance, Performance and** Audit Committee on an annual basis.
7.2.5	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	X			Yes, Internal Audit will provide periodic and annual reports to the **Finance, Performance and** Audit Committee on outturn against the Strategic Audit Plan. These reports detail any major pieces of work which have arisen and which necessitate a restating of the original Plan. The approach to audit planning (described in section 7.2.3 above) helps to facilitate flexibility in the Plan.

Appendix 3

INTERNAL AUDIT TERMS OF REFERENCE

1. DEFINITION

Internal Audit is an independent and objective appraisal service within an organisation:

- Internal Audit primarily provides an independent and objective opinion to the Council, through the Audit Committee*, on the degree to which risk management, control and governance support the achievement of the organisation's agreed objectives. In addition, Internal Audit's findings and recommendations are beneficial to line management in the audited areas. Risk management, control and governance comprise the policies, procedures and operations established to ensure the achievement of objectives, the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioural and ethical standards set for the organisation.

- Internal Audit also provides an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance. The service applies the professional skills of Internal Audit through a systematic and disciplined evaluation of the policies, procedures and operations that management put in place to ensure the achievement of the organisation's objectives, and through recommendations for improvement. Such consultancy work contributes to the opinion, which Internal Audit provides on risk management, control and governance.

At Hinckley & Bosworth Borough Council this function is performed by the Finance, Performance and Audit Committee.

2. INTERNAL AUDIT TEAM

Within the parameters of the Service Level Agreement, the Head of Internal Audit is responsible for ensuring the team is adequately staffed and that there is access to the full range of knowledge, skills, qualifications and experience to deliver the Internal Audit Plan in line with CIPFA Code of Practice and other professional standards. The team will undertake regular assessments of professional competence through an on-going appraisal and development programme (i.e. Personal Development Plans and Continuing Professional Development) with training provided where necessary. Auditors also have responsibilities for applying due professional care when performing their duties.

Appointment at all levels of the team will endeavour to fulfil the four main principles of the Code of Ethics for Internal Auditors i.e. Integrity, Objectivity, Competency (i.e. professional qualifications, skills and experience) and Confidentiality.

If the Head of Internal Audit, Chief Executive, Deputy Chief Executive (Corporate Direction) or the Audit Committee consider that the level of Internal Audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the definition of internal auditing, they should advise the Council accordingly.

3. RESPONSIBILITIES AND OBJECTIVES OF INTERNAL AUDIT

The Head of Internal Audit is responsible for developing and maintaining an Internal Audit Strategy for providing the Council, economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the organisation's risk management, control and governance arrangements. The Head of Internal Audit's opinion is a key element of the framework of assurance the Chief Executive needs to inform the completion of the Annual Governance Statement.

This strategy will be realised through the delivery of considered and approved annual plans. These will systematically review and evaluate risk management, control and governance which comprises the policies, procedures and operations in place to:

- Establish, and monitor the achievement of, the organisations objectives.
- Identify, assess and manage the risks to achieving the organisations objectives.
- Ensure the economical, effective and efficient use of resources.
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations.
- Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

4. RELATIONSHIPS – CHIEF EXECUTIVE, HEAD OF FINANCE, AUDIT COMMITTEE AND COUNCIL

The Head of Internal Audit is accountable to the Chief Executive via the Deputy Chief Executive (Corporate Direction) (as s151 Officer). The Head of Internal Audit is invited to the Audit Committee and prepares reports for it in an agreed format. A summary of issues arising from Internal Audit work is reported to the Council via the Audit Committee. The Head of Internal Audit has the right of access to the Chief Executive, Deputy Chief Executive (Corporate Direction) and the Chair of the Audit Committee. Should any issue arise that cannot be resolved through negotiation, the escalation process will be that issues will firstly be raised by the Head of Internal Audit with the Deputy Chief Executive (Corporate Direction), and should a satisfactory resolution not be secured, further escalated to the Chair of the Audit Committee.

5. INDEPENDENCE

Internal Audit must be sufficiently independent of the activities, which it audits to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations. Internal Auditors will have no executive responsibilities.

Individual auditors will have an impartial, unbiased attitude, characterised by integrity and an objective approach to work, and should avoid conflicts of interest. Individual auditors must declare any conflict of interest to the Director of Internal Audit. Any conflicts of interest encountered by the Director of Internal Audit must be declared to the Deputy Chief Executive (Corporate Direction).

6. REMIT

Internal Audit's planning will embrace risk management, control and governance processes of the organisation including all its operations, resources, services and responsibilities for other bodies.

7. ACCESS

Internal Audit have the right to access all records, assets, personnel and premises of the Council and, where relevant its partner organisations, in the pursuit of information necessary to fulfil it's responsibilities. In any instances of conflict this will be referred for resolution to the Deputy Chief Executive (Corporate Direction), Chief Executive or Chair of Audit Committee as appropriate.

8. AUDIT OPINION

The Head of Internal Audit will present a formal annual report based on the work of Internal Audit to the Chief Executive. Interim Reports will also be presented in year. The Audit Committee will present the opinion of the overall adequacy and effectiveness of the organisations risk management, control and governance processes.

Audit Opinions in reports on specific reviews will be in a format agreed by the Head of Internal Audit.

9. QUALITY ASSURANCE

The Head of Internal Audit is responsible for developing a quality assurance programme designed to gain assurance by both internal and external review that work of Internal Audit is compliant with the professional standards and achieves its objectives. Results of this quality assurance programme will be reported to the Audit Committee in the Annual Report.

10. RELATIONSHIPS – MANAGEMENT, AND OTHER AUDITORS/REVIEW BODIES

The Head of Internal Audit will co-ordinate Internal Audit Plans and activities with line managers, external audit and other review agencies to ensure effective audit coverage is achieved and duplication of effort is minimised.

11. APPROVAL AND INTERPRETATION OF TERMS OF REFERENCE

Those Terms of Reference will be approved by the Audit Committee. In any questions of interpretation of those Terms of Reference these should be reported to the Head of Internal Audit whom using the CIPFA Code and other relevant (eg IIA) Internal Audit Standards and if necessary the Deputy Chief Executive (Corporate Direction) will feedback. Those Terms of Reference will be subject to periodic review as necessary.

FINANCE AUDIT & PERFORMANCE COMMITTEE – 08 JUNE 2012

REPORT OF CHIEF EXECUTIVE

RE: PERFORMANCE MANAGEMENT FRAMEWORK

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1. PURPOSE OF REPORT

1.1 To provide the Council's end of year position on:

- Performance Indicators
- Service Improvement Plans
- Corporate Risks

2. RECOMMENDATION

That the Finance Audit and Performance Committee:

(i) Note the Council's end of year performance information for:
-Indicators that did not meet target
-Indicators that are below average performance against current benchmarking data

(ii) Note Service Improvement Plans that have not met target date (March 2012)

(iii) Note Net Corporate Risks

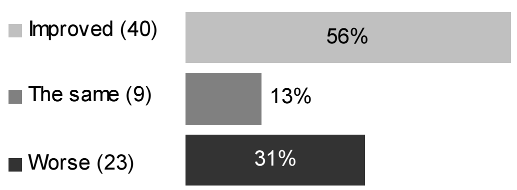
3. BACKGROUND TO THE REPORT

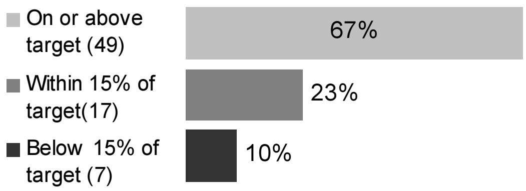
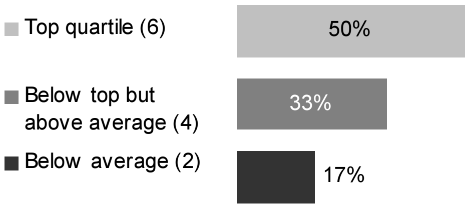
3.1 The Council reports quarterly on progress against its Performance Management Framework and Strategic Risk Management.

3.2 This report considers current performance with regard to the Corporate Plan Strategic aims.

4. OVERALL SUMMARY – April 2011 to March 2012

4.1 Performance Indicators: The end of year position is:

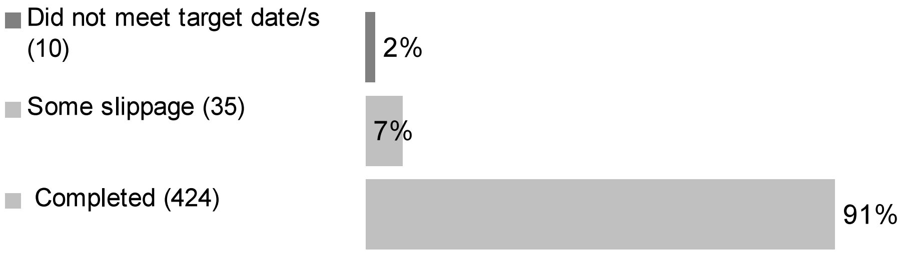
Performance compared to last year – 74 indicators *(2 cannot be measured as they were new for 2011/12)*	

<table>
<tr>
<td>Year end actual v's target – 74 indicators (Co2 reduction PI cannot be measured as no target was set for 2011/12)</td>
<td>
</td>
</tr>
<tr>
<td>Comparable (12) indicators v's 10/11 actuals (All English District councils)</td>
<td>
</td>
</tr>
<tr>
<td colspan="2">Note on Quartile benchmarking:
LGEM (local Gov & East Midlands) are currently conducting a project to capture year end 2011/12 returns throughout the region which should enable the council to benchmark 21 indicators against approx 30 district councils. The councils performance management system will be updated as soon as data is available</td>
</tr>
</table>

Details of Performance Indicator exceptions are provided at appendix 1

- Indicators that have either not met target or are within 15% of target
- Indicators that are below average against quartile benchmark

4.2 Service Improvement action plans: The end of year position is:

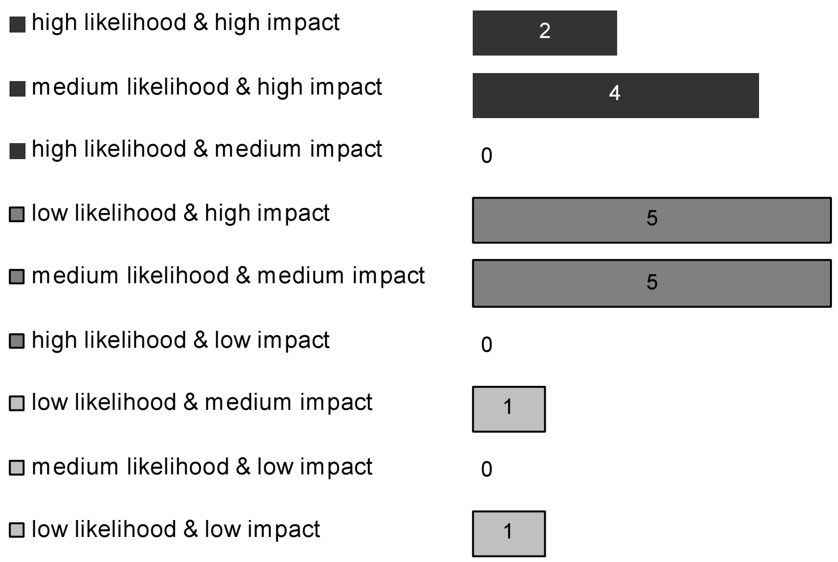


Details of Service Improvement Plan actions that did not meet target are provided at appendix 2

4.3 Corporate Risks: The end of year position is:

No of risks on register by:

Net Risk Level



One risk opportunity - Use of Rolling Revenue Budget Reports for movement of resources

` Details of all corporate risks are provided at appendix 3

5. Significant achievements during 2011/12

5.1 Performance indicators achieving high levels of performance:

Number	Narrative	Result
LHE20a	Percentage of reported Fly Tips Collected within 5 Days	99.60%
R&R1	Total Number of justified missed bins	992 (694 less than last year)
BV008	Percentage of Invoices Paid on Time	99.33%
LCD61	B.C.Full Plans determined and returned within 5 weeks or 2 months (extension of Time	99.69%
LHE32a	% Licenses issued in 30 days (excluding hackney carriage driver licenses)	99.50%

5.2 Service Improvement Plan successes:

- 606 cases of homelessness prevented, exceeding target by 114.
- Local offers for council tenants agreed after consultation with tenants.
- Introduction of Sentinel, joint ASB case management system with the police.
- Introduction of Housing Options rural surgeries.
- Establishment of the Barwell Youth Cafe
- Inspection and licensing of all HMO's
- Meeting the "Achieving" standard in the Equality Framework for Local Government
- Carried out a comprehensive review of all Polling Stations

- Delivered a full Induction programme for new Councillors
- Successful roll out of new waste containers
- Internal provision of Housing repairs
- Roll out of nationally recognised food hygiene rating system
- Increased footfall at Hinckley leisure centre by 6.37% from 2010/11
- Delivery of the Compulsory Purchase Order for the Crescent Development
- Increased success in defending appeals on refused planning applications, 14 out of 19 dismissed by Inspector
- Upper quartile performance for decisions for all planning applications
- Undertook 1112 pest control treatments in total including 706 rat infestations and 320 wasp nests
- Investigated 1400 complaints including 700 noise complaints resulting in the serving of 63 legal notices controlling noise, pollution and drainage and prosecuted two persons including obtaining a CRASBO for the first time
- Expanded the Food Hygiene Rating System to a total of 537 food premises.
- Develop 2,200 sqft of high quality lettable office space within the Atkins Business Environment.
- Development of the Revenues and Benefits Partnership with the partners now working to one core revenues and benefits system and to a single document management system
- Improved payment performance so that 99.33 of invoices were paid within normal terms

6. DATA QUALITY MANAGEMENT

6.1 The performance information provided is in compliance with the council's data quality management strategy:
"ensure that data is managed to the highest quality"

When providing performance information data owners agree that they are managing data quality in accordance with the Data Quality Management Policy. In addition, the Corporate Performance service provides a 'help desk' facility and scrutinise Performance Indicator outturn returns for compliance.

7. FINANCIAL IMPLICATIONS [DB]

None arising directly from this report

8. LEGAL IMPLICATIONS [AB]

None arising directly from this report

9. CORPORATE PLAN IMPLICATIONS

The report provides an update on the achievement of the Council's vision and revised Corporate Plan 2010 – 2015. The issues covered in this report relate to, and support the achievement of all the Council's Strategic Aims:

- Cleaner and greener neighbourhoods
- Thriving economy

- Safer and healthier borough
- Strong and distinctive communities
- Decent, well managed and affordable housing.

and values:

- Life quality and the environment within our community is further improved
- Improved effectiveness working in partnership at a competitive price
- Vulnerable people are safeguarded
- Equality and fair treatment for all

10. **CONSULTATION**

Each Service Manager has contributed information to the report and the performance outturn information is available on the Intranet via the TEN system

11. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

The Strategic Risk Register identifying the significant risks for the council is considered alongside the reporting of performance and financial management.

12. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

Equality and Rural implications are considered as part of the implementation of the Corporate Plan. The Corporate Plan 2010-15 priorities are informed by a borough wide consultation exercise completed in summer 2009.

13. **CORPORATE IMPLICATIONS**

- None

14. **APPENDICIES**

Appendix 1 - Indicators below average performance or did not meet target
Appendix 2 – Service Improvement Plans that did not meet end target date
Appendix 3 – Corporate Risks

Background papers:-
Contact Officer: Cal Bellavia ☎5795
Executive Member: Councillor Ms BM Witherford

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Appendix 1: Indicators that have not met target at year end or are below average performance

Green Amber Red

Reference	Name	Year end actual 2010/11	Year end actual 2011/12	2011/12 target	All English District quartile -	Good Performance ?	Mar 11/12 (Row Comment)	Baseline
03 Thriving Economy - Corporate Direction								
BV009	Percentage of Council Tax Collected	98.61%	98.55%	98.60%	NA	High	Harborough District Council: 97.73% North West Leic District Council: 97.53%	48.4m GBP (Increased from 48.3m)
BV010	Percentage of Non-domestic Rates Collected	98.47%	98.25%	98.50%	98.92%	High	Harborough District Council: 98.05% North West Leic District Council: 99.18%	27.8m GBP
BV078a	Speed of Processing: New HB/CTB Claims	15	15.3	15	15	Low	Harborough District Council: 27.24 days North West Leic District Council: 26.66 days	4059 New Claims (Cum) 337New Claims Processed In Month
04 Thriving Economy - Community Direction								
BV204	Planning Appeals	40.00%	26.70%	25.00%	NA	Low	Performance improved from last year due to more considered and robust decisions being taken however this is reflected in performance indicator NI157	4 allowed/11 dismissed
BV066a	Rent Collection and Arrears Recovery	98.16%	98.32%	98.80%	NA	High	Although slightly below target there are a number of tenants who we are still waiting for housing benefits payments for	10.4m GBP
LIB070bii	% of enforcement complaints responded to within 15 working days	90.24%	93.60%	95.00%	NA	High	fall in performance when focus is on preparing for bank holiday enforcement cover	234/250 - April - March
LCD62	B.C. Receipts sent out within 4 working days from deposit	97.59%	89.16%	95.00%	NA	High	drop in performance due to resource issues in building control admin. Now fully staffed.	436/489 - April - March
NI157a	Processing of planning applications as measured against targets for major application types - District spatial level	100.00%	80.76%	90.00%	78.00%	High	There have been a series of applications delayed by Planning Committee and also by virtue of complicated S106 negotiations. The service is now actively pursuing the use of Planning Performance Agreements to improve performance and quality.	21/26 April - March
NI157b	Processing of planning applications as measured against targets for minor application types - District spatial level	94.39%	93.07%	95.00%	86.00%	High		215/231 April - March
NI151	Overall employment rate - KPI	81.60%	67.80%	80.00%	71.00%	High	Difficult economic times but the rate is similar to the regional and national trend	67,200 working age population (snapshot is from nomis - official labour market stats June 2010 - Jul 2011

Appendix 1: Indicators that have not met target at year end or are below average performance

Green Amber Red

Reference	Name	Year end actual 2010/11	Year end actual 2011/12	2011/12 target	All English District quartile -	Good Performance ?	Mar 11/12 (Row Comment)	Baseline
05 Safer & Healthier Borough - Community Direction								
LHE32b	% Hackney Carrage Driver Licences issued within 60 days	96.00%	95.00%	96.00%	NA	High		175 licences issued, 5 licences outside PI due to external 3rd Party background checks, hearings & DSA driving test certificate.
LI15	Total number of Active Together physical activity sessions provided	24,836	9,178	10,060	NA	High	Only slightly below target. One project could not be delivered. This year we have had to manage workload attributed to these targets as a member of staff has been on maternity leave. However, across Leicestershire Active Together has hit its overall target of achieving 89,458 opportunities	n/a
LI16	Total number of attendances at Active Together physical activity sessions	16,400	5,850	6,539	NA	High	We are only 1% below our target of 65% on attendance take up. However, across Leicestershire the overall target for Active Together was hit in achieving 75% take up (target was 65%)	n/a
NI8	Adult participation in sport & Active recreation - KPI & LAA	21.40%	22.30%	22.50%	NA	High	Comparisons to when the survey was conducted in 2005/06, Hinckley and Bosworth has shown no change in its recent results. Figures show a drop of 1.7% since 2005/06 however, this is classed as statistically insignificant. Across Leicestershire there has been no change in the results	% of adult (16+) population who participate in sport and active recreation, at moderate intensity , for at least 30 minutes and at least 12 days out of the last 4 weeks. Figure is derived by interviewing 1,000 residents.
06 Strong & Distinctive Communities - Community Direction								
LHS212a	Average Time to Re-let Local Authority Housing (Sheltered Housing)	81	83	80	NA	Low	Performance improved upon last month but we did not meet the expected estimate for year end. Sheltered housing is low in demand and with a number of bedsit type properties they are very difficult to let and void times are increased	Number of voids 1 Number of days 70
LHS212b	Average Time to Re-let Local Authority Housing (General Needs Housing)	16	18	16	NA	Low	As performance improved last month to 17 days, the 16 day estimate was achievable. However, due to issues around void repair works our performance has been effected	Number of voids 15 Total number of days 248
NI142	Percentage of vulnerable people who are supported to maintain independent living LAA	98.50%	98.50%	99.20%	NA	High	Levels of independence maintained within sheltered schemes have remained stable	% of the 362 households in sheltered housing who have maintained independent living

Appendix 1: Indicators that have not met target at year end or are below average performance

Green Amber Red

Reference	Name	Year end actual 2010/11	Year end actual 2011/12	2011/12 target	All English District quartile -	Good Performance ?	Mar 11/12 (Row Comment)	Baseline
07 Decent, Well Managed & Affordable Homes - Community Direction								
NI154	Net additional homes provided - KPI & LAA	227	373	450	NA	High	It is expected that there will be an improvement in performance at a local level when the Barwell and Earl Shilton Sustainable Urban Extensions (SUEs) come forward for development with the Core Strategy targets met by the end of Regional Plan period (2006-2026).	Total number of households in the Borough is 42,105 (2001 census as per guidance)
NI159	Supply of ready to develop housing sites	94.10%	74.31%	100.00%	NA	High	Performance below target can be attributed to a reduction of sites with planning permission considered deliverable when judged against national planning policy and the Sustainable Urban Extensions with Barwell and Earl Shilton not considered ready to develop until planning application is submitted. Performance will improve when the general housing market improves. and also once the planning applications for the Sustainable Urban Extensions are submitted	The five year supply is based on the Housing Trajectory in the 2010 Annual Monitoring Report (AMR) submitted to GOEM in December 2010
09 Continuous Organisational Improvement & Support - Corporate Direction								
BV016a	Percentage of Employees with a Disability	4.46%	4.34%	5.97%	NA	High	18 out of 415 employees with a disability	total employees = 415
BV017a	Ethnic minority representation in the workforce - employees	6.00%	2.90%	6.00%	NA	High	12. out of 415 employees	total employees = 415
LCUS1a	85% of calls answered to be answered within 45 seconds'.	71.81%	62.23%	85.00%	NA	High	There are many factors affecting the performance of Customer Services including staff changes and training required. The face to face team are now able to support the contact centre which helps the teams targets. We continue to try and reduce our lost calls which are currently 14.28% against a target of 15%	YTD calls received: 156,875
LCUS3	Ensure an appropriate person will see the customer within 10 minutes	75.10%	79.10%	85.00%	NA	High	During 2011 the customer services team have lost several experienced team members and their replacements have needed full training. Although this has impacted on our ability to meet our performance targets, customer satisfaction continues to indicate that our customers are happy with the service we provide both face to face and on the telephone	estimated 19,200 customers per year. Actual 21,465 customers seen (No figures available for June, July or August 2011 and one team members figures in November 2011)
LCUS6c	Provide a courteous response to enquiries and sustain 85% customer satisfaction - Web services	43.72%	36.80%	50.00%	NA	High	On going work with web editors to improve service	1576 customers chosen to give feedback via govmetric

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Appendix 2: Service Improvement Plans that did not meet target

Action	Lead Officer	Progress
08a - Implement Apprenticeship scheme 16-18 year olds by April 2012	Julie Stay	Housing Repairs - progress has been made in this area, had meetings with Leicester College, the Construction Industries Training Board. We have also contacted Loughborough College and the National Apprentice Service. Studio - Partnershsip with HBBC and North Warks Met with Martin Rennison (Business Development manager,North Warks and Hinckley College). Currnetly awaiting proposal from Martin around course content in order to detemine where HBBC could offer placements. 16-18 yrs fully funded, 18+ up to 50% funded, dependant upon course type. Nect meeting scheduled middle March 2012 We will be evaluating the courses on offer, how they are delivered the method of release, the relevance of the available courses to our present and future requirements and the costs both in terms of financial commitment, facilities and management support. This exercise will provide recruiting managers with a range of options some of which may be the apprenticeship approach to filling vacancies. We will also be using exploring these training establishments ability to up skill single trade employees to multi-trade operative. Hallam Construction are offering apprenticeship schemes and we are supporting that process.
Complete pilot for Goods Receipting by July 2011	Abhilash Gupta / Julie Kenny	This has not been achieved on time due to capacity issues in the team (down by 50%) Resource now identified and new timescale for pilot to be completed is end February 2012 Pilot now being carried out in ICT for three month period Roll out for Goods Receipting will be in 2012/13 SIP Now complete (May 2012)
Complete procurement of Internal Audit services by end January 2012	Julie Kenny	Tenders issued - contract will be awarded early March. Slippage is due to change in procurement strategy, i.e. OJEU vs Framework. Evaluation complete and contract to commence early April Contract commenced 08th May 2012 Now complete (May 2012)
Develop and populate CIPFA Asset Management Property Database (03/11 go live target date)	Robert Vaughan	Delayed due to Capital Accounting procedures requiring CIPFA update. Feasability for additional support/training from CIPFA being investigated. Database released to Assets September 2011. Core Data input completed in readiness for Audit in October. Internal Audit now complete and awaiting feedback. Further programme of work to be produced to enable full roleout and embedded use of the system (November 2011) Audit complete with the database now functional. Working group implimented to progress development of the system and usability for other service areas. (April 2012) Project completed February 2012
E-Citiizen Update to Release 10 (October 2011)	S A Coop	Moving to release 7 & 8 this Wednesday (12 October 2011), however it is not until we are on release 10 that I believe the web-site meets the required standard, which we now anticipate won't be into the test system until mid November 2011. I am advised that the releases are extremely complex and the functionality will require vigorous testing before it can be signed off.

Appendix 2: Service Improvement Plans that did not meet target

Action	Lead Officer	Progress
Implementation of IPF Asset Register	Ilyas Bham	Live system now available and substantially complete and up to date, training for Asset Management w/c 16 Jan 2012 Whilst system has been implemented and is now live, there remains some technical issues which are to be resolved by Nov 2012 Now complete (May 2012)
Improve standard of grounds maintenance at Waterside Park (once adopted) to an acceptable standard - due 6 months after adoption (March 2012)	Ian Pinfold	Discussion with the Developer are still on-going to conclude adoption therefore it will be impossible to improve this site by March 2012. Target date will be adjusted once adoption confirmed. Planning enforcement to consider action to improve standards
Promote use of Electronic Documents - E Billing & E-citizen reduce the use of paper and printing [April 2012]	Laura Smith	Now that HBBC have moved onto the same server as HDC and NWLDC Leigh Butler will be responsible for reviewing the 3 councils current stationery requirements witha view to employing an external company to pack and dispatch the majority of our external documents (virtual mailroom). The anticipated completion date of this project it August 2012 (It is in the 2012 onwards SIP) The e-Citizen upgrade is yet be installed due to other I.T priorites, it is anticipated that this will be looked at again within the 2012 SIP
The Hardship and Discretionary Rate Relief Policy are updated for the partnership and available on line. [March 2012]	Laura Smith	It was originally planned that the BPR work for this would be done within the 2011/12 3rd/ 4th quarter, however due to other priorities such as increased workloads and changes in legisaltion (Deferral Scheme being re-introduced and SBRR being extended again) and time taken to support NWLDC and HDC it has been delayed. Work will hopefully begin dureing the 2012/13 2nd quarter. It is still the case that Discretionary Policies can only be aligned with members agreement from all 3 councils, which could prove difficult to reach a general consensus due to budgeting and individual councils priorities. It may be less difficult to align the qualifying criteria for the mandatory reliefs. Individual current policies are available on all 3 websites.
Undertake procurement of Virtual Mail Room Services for Shared Revs and Bens Service by November 2011	Julie Kenny	Now been led by ARP

Appendix 3 Corporate Risks

High Likelihood and High Impact (9)

Risk	Responsible officer	Last reviewed	Summary
S.11 - Failure to successfully deliver the Medium Term Financial Strategy	Sanjiv Kohli	Apr 12/13	The MTFS was approved by full Council in February 2012. The key message is that a standstill position in Formula Grant for 2013/14 and 2014/15 or at worst a 5% reduction for each year will be manageable with the support of the Council's Balances and Reserves and allocation of NHB. Any reduction between 5% and 10% will mean that additional savings of £500K to £750K will be needed to balance the budget for 2013/14 and 2014/15. Work has already commenced in identifying these areas of savings for 3 categories. The position will become clearer in October/November of 2012 with the announcement of the Comprehensive Spending Review. It is also critical that the New Housing Trejectory is met in order to secure the forecast NHB. Finance will monitor this with the Planning Service.
S.33 - MIRA RGF Fund	Bill Cullen	Apr 12/13	A draft RGF funding letter was received from BiS in March 2012. An Internal Project Board and Joint Partnership Board with MIRA, the HA, LCC and WCC has been established to progress agreement over contract with BiS and Due Diligence work is currently underway to mitigate risks for HBBC. A key meeting is programme for 19 April with BiS to discuss amendments to offer letter with the target for agreement to a final offer letter by June 2012. Key components of the Due Diligence include a Development Agreement and Delivery Framework between HBBC, MIRA and the HA, a delivery programme and cost profile to ensure effective monitoring and management over the delivery of the infrastructure works. Legal advice is being sought for State Aid Compliance to mitigate risks for HBBC. Auditors will be appointed to conduct regular Due Diligence checks on behalf of HBBC.

Medium Likelihood and High Impact (8)

Risk	Responsible officer	Last reviewed	Summary
S.04 - Damage to Reputation/adverse publicity	Steve Atkinson - Chief Executive	May 12/13	EHRC collaborative work with the Council via a Section 23 Agreement (as a formal assessment) completed and final report awaited. Joint publicity on this will be in terms of outcomes only. Secured 'Achieving' level for Equalities Framework. Net positive media coverage has been maintained. Delivery of Barwell PArish Poll and responses to its outcome, though political not administrative, will be critical to reputation
S.29 - Loss of contract for Supporting People funded services	Sharon Stacey	May 12/13	Representation made to county regarding procurement process which has put a hold on retendering. Considering alternative method of service delivery as an option to tendering for future contracts. Carrying out scheme viability studies to understand future need/demands. Continue to work with NWLDC to share resource and capacity.
S.30 - Review by the Equalities Commission for Human Rights of disability issues	Steve Atkinson - Chief Executive	May 12/13	Section 23 Agreement work almost completed, within a much more positive and collaborative approach than originally proposed by EHRC now adopted by EHRC. Final report and publicity awaited. Opportunity to comment on the EHRC Inquiry into Disability Harassment was taken and acknowledged. Opportunity available for further work/comment on this initiative.
S.34 - Safeguarding Children and Young People	Simon D. Jones	Apr 12/13	Safeguarding action plan developed and is being implemented by DSO's Section 11 Audit is being refreshed. Ongoing training and employee awareness sessions scheduled for 2012. Multi agency training sessions planned for 2012. Member training ongoing

Appendix 3 Corporate Risks

Low Likelihood and High Impact (6)

Risk	Responsible officer	Last reviewed	Summary
S.01 - Failure to focus on priorities and initiatives	Steve Atkinson - Chief Executive	May 12/13	With the return of the same political Administration in May 2011, the priorities and initiatives have remained largely the same, but with an increased emphasis on delivery: Hinckley Hub (2012/13), Bus Station development (2014), Argents Mead Enhancements (2012) and Residents' Car Parking. In addition, the Administration has supported the relocation of the Council's Streetscene/Housing Services depot from Middlefiled Lane to Harrowbrook Industrial Estate; currently awaiting Planning permission. The MTFS remains on course, awaiting announcements from Government - not an issue for the Administration.
S.12 - Insufficient Business Continuity Management (incl Disaster recovery) arrangements	Steve Atkinson - Chief Executive	May 12/13	The review process is ongoing and no major issues have been identified.
S.16 - Failure to adhere to Health and Safety Legislation/ Regulations	Rob Parkinson	Jan 11/12	The H&S Officer continues support to the depot to a minimum of 2 days per week and is progressing a review of corporate Health and Safety for the Council. Transfer of In House building services supported by consultant to develop new policies and procedures within corporate policy. H&S audits of other work areas are continuing along with BCM preparedness. Lone Worker poliy refreshed and new system to be rolled out Q4
S.17 - A reduction in Benefit Subsidy as a result of error and/or poor performance impacting on Medium Term Financial Strategy	Storme Coop	Mar 11/12	The housing benefit subsidy for 2010/2011 was paid in full. Subsidy audit for 2011/2012 commences June 2012.
S.27 - Failure to deliver / ensure sustainability to My Place Project	Bill Cullen	Apr 12/13	A successful outcome has been secured with the Bondsmen and snagging works and improvements are progressing on the Centre. Membership is now up to 3500 which is underpinning the Business Case. HBBC have representation on the HC4YP Board and a Joint Project Board is in place with HBBC Officers, the Leader and HC4YP representatives to oversee successful delivery of the Business Plan on a quarterly basis.

Appendix 3 Corporate Risks

Medium Likelihood and Medium Impact (5)

Risk	Responsible officer	Last reviewed	Summary
S.14 - Dealing with numerous Public Enquiries	Bill Cullen	Apr 12/13	2011/12 saw a significant improvement in the success of Planning Appeals. A slight reduction in targets for determining Planning Applications will continue to allow for effective neogotiation on proposals potentially reducing the number of appeals going forward.
S.15 - Failure to successfully adopt and deliver the LDF leads to:	Bill Cullen	Apr 12/13	Following a Capacity Review of the Planning Policy Team, SLB and Executive have agreed to provide additional capacity resource to support delivery of new Local Plan documents. A review of the programme following the publication of the NPPF is underway. Progress on the Area Action Plan for the SUE's is being impacted on delays by LCC on transport modelling. To mitigate delivery impacts for the new development, a planning application has now been submitted with the Developers Transport Assessment for Barwell SUE. Work is underway on assessing Gypsy and Traveller Needs Assessment and outcomes from consultancy work is expected by June 2012.
S.19 - Failure to improve sickness absence	Steve Atkinson - Chief Executive	May 12/13	At end of 2011/12, absence rate had shown improvement on previous year, for the fourth year running! Annual level of sickness absence now 6.2 days, less than half that of 2006/07. Issues continue to be addressed by the Chief Executive with relevant managers.
S.22 - Failure of County Council Support/ engagement for the Local Strategic Partnership	Bill Cullen	Apr 12/13	At the Annual Review meeting of the LSP in March 2012, membership of the LSP was confirmed with the Deputy Leader of HBBC as Chair and LCC being a key Partner.
S.25 - Failure to provide a fit for purpose Leisure Centre	Bill Cullen	Apr 12/13	Work is progressing on an Options Study for a new or refurbished Leisure Centre. A presentation on progress was provided to Executive in March 2012. The outcomes of the Study and consultant's recommendations will be reported to the Project Team in June 2012. A report on the preferred option will be targeted for Council is September 2012.

Low Likelihood and Medium Impact (3)

Risk	Responsible officer	Last reviewed	Summary
S.20 - Non-compliance with Financial Regulations - Caused by: misunderstanding or non-application by officers	Sanjiv Kohli	Apr 12/13	This risk was reduced to Net Amber in February 08 following a favorable Internal Audit report in respect of compliance with Financial Regulations. At the year end review Mar 09 it was considered the net likelihood of this risk occurring should be reduced to low facilitating 6-monthly review. This position remains unchanged as at Sept 09. The position at the end of March 2010 remains unchanged. No significant issues arose during the year. The position at 31 March 2011 remains unchanged. Risk reviewed in April 2012 - added progress to additional mitigation plan

Appendix 3 Corporate Risks

Low Likelihood and Low Impact (1)

Risk	Responsible officer	Last reviewed	Summary
S.06 - Failure to implement the Town Centre Plan	Bill Cullen	Apr 12/13	Bus Station CPO outcome now confirmed from the SoS given the green light for delivering the Bus Station scheme. Work is being programmed with Tin Hat Partnership to progresss implementation of scheme. The Atkins Project continues to perform successfully. A report is being presented to Council on 17 April 2012 to secure additional funding for sub dividing the top floor to accomodate tenant demand. Awaiting confirmation from LCC over implementation of residents parking in the Druid Quarter linked to Atkins and new College development.

Risk opportunity

Risk	Responsible officer	Last reviewed	Summary
S.21 - Use of Rolling Revenue Budget Reports for movement of resources	Steve Atkinson - Chief Executive	May 12/13	Despite uncertainties arising from economy (local and national) and from pending announcements from Government during the remainder of 2012, the opportunities are being taken to identify further efficiencies and plan beyond 2013, using reserves which have been expanded due to around £1m underspend/increased income from 2011/12. This has changed the remit of this opportunity, but in a more positive direction.

FINANCE AUDIT & PERFORMANCE SELECT COMMITTEE

REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

RE: COUNCIL TAX REDUCTION SCHEME

Hinckley & Bosworth Borough Council
A Borough to be proud of

1. PURPOSE OF REPORT

To update members of the current position in regard to the Council Tax Reduction Scheme.

2. RECOMMENDATION

The Finance Audit and Performance Select Committee note the current position and progress to date.

3. BACKGROUND TO THE REPORT

3.1 Earlier this year the Government consulted on proposals for the localisation of support for council tax in England. This followed the announcement at Spending Review 2010 that support for council tax would be localised from 2013-2014 and expenditure would be reduced by 10% from the same date.

3.2 Over 400 responses were received by the Government. The majority of responses were from local authorities but also included responses from professional bodies, charities, lobby groups and members of the public. The governments' response to the consultation is summarised below.

3.3 Background to the scheme

3.4 Instead of the Government setting the rules about how much support people can get, as in the case of council tax benefit, the Government is suggesting that councils should be free to decide who should pay less council tax and how much less they should pay – as long as low income pensioners are no worse off and people are generally better off working than claiming benefits.

3.5 Local authorities should be able to make adjustments to schemes each year, following a local consultation process at least where significant adjustments are planned.

3.6 The main proposals of the scheme are:

- Local authorities have a duty to run a scheme to provide support for council tax in their area.
- For pensioners there should be no change in the current level of awards, as a result of this reform.
- Local authorities should also consider ensuring support for other vulnerable groups.
- Local schemes should support work incentives, and in particular avoid disincentives to move into work.

This means that for people of working age who receive council tax benefit there will be changes from April 2013 which affect how they will claim support and how much support they can claim.

4 FUNDING OF THE NEW SCHEME

4.1 The Government is proposing to give local authorities an amount of money in advance and the local authorities will have to share that among those who need it most in their area. Currently funding is paid by the Department for Work and Pensions out of their Annually Managed Expenditure to local authorities as a reimbursement of their expenditure according to nationally-set criteria.

4.2 In future the funding to be distributed to local authorities will be cash limited and will be paid from the Departmental Expenditure Limit budget of the Department for Communities and Local Government.

4.3 Moreover, the amount to be made available will be reduced by 10 per cent, saving in the region of £500m. Schemes will need to be designed based on a fixed grant allocation. Local authorities will need to consider what additional contingency arrangements should be put in place within their local schemes to take account of unplanned increases in demand or take-up.

5 TIMETABLE

5.1 It is intended that local authorities will establish their own local schemes by April 2013. The proposed timetable for implementation is:

Autumn/Winter 2011-12

- Government publishes a response to this consultation.
- Introduction of Local Government Finance Bill (included provisions for localisation of council tax support).
- Central and local government begin working on model schemes.

Spring 2012

- Primary legislation in passage through Parliament.
- Government preparing and publishing draft secondary legislation.
- Technical consultation on grant distribution

Summer 2012

- Primary legislation passed.
- Secondary legislation prepared.
- Local authorities designing and consulting on local schemes.

Autumn/Winter 2012-13

- Local authorities establishing local schemes consultation with major precepting authorities and the public – putting place systems, notifying claimants of changes.
- Secondary legislation passed
- Grant allocations published
- Local authorities setting budgets.
- Local authorities adopt schemes

Spring 2013

- Local schemes in operation.

6 GOVERNMENT'S RESPONSE TO THE OUTCOME OF CONSULTATION

- Despite the very tight timetable in which to prepare for and develop a local scheme the new proposals will be implemented in April 2013.
- The local scheme must be designed, consulted upon and adopted by the council before the 31 January in the previous financial year.
- Local schemes cannot be changed in year
- Low income pensioners will be entitled to full council tax support.
- It is for the local authority to determine those groups of people who will fall under the definition of 'vulnerable' and thus entitled to council tax support. However Increased protection = less payers =bigger bills
- Local schemes should ensure that they support the work incentives delivered through Universal credit.
- Billing authorities will be the lead in developing a local scheme but they will need to consult with precepting authorities who as a 'risk sharer' will have an opportunity to influence the design of the scheme.
- LA's will be required to hold a public consultation on the proposed scheme.
- LA's are encouraged to collaborate to develop schemes together.
- A national (default) scheme will be set out in regulations if a LA fails to develop a local scheme.
- From April 2013 CTB will be treated as a discount and will reduce the tax base accordingly.
- Grant will be paid to the billing and precepting authorities in proportion to their share of council tax. This will have the effect of reducing each authority's council tax requirement and so helping to off-set the reduction in the taxbase.
- The Government is carrying out further work on how Parishes will be paid their grant.
- Whilst there may be funding available for IT costs, no other funding streams have been identified for administration costs etc
- LA's will be able to subsidise the scheme as they see fit.
- Surpluses or deficits on collection will be shared between the billing and major precepting authorities
- Currently the amount paid to major precepting authorities cannot be adjusted in year, the Government is considering ways that would allow a LA to vary the amount paid to take account of fluctuating collection rates.
- The Government is looking at ways to improve the sharing of data between LA's and the Department for Work and Pensions.

7 PROGRESS

7.1 Awareness

Most Authorities have carried out some work to engage members, leaders and staff and to begin to explore issues around the proposed changes.

7.2 Data

The need to obtain data around client profile and the amount of money going to each group and the benefits of sharing this knowledge was recognised. All authorities have provided details of the make up of their caseload and the intention is to appoint a consultant funded from contributions from participating authorities to bring the data together in an attempt to better understand the effect of any proposed scheme.

7.3 Budget

All authorities supported the view that they would be seeking to pass the budget reduction on to claimants rather than "top up" the fund and retain the present levels of benefit.

The risk of a reduction in collection rates is very significant – a couple of authorities have already considered this and are of the opinion that a reduction in collection rates of between 2.5% – 3% should be regarded as realistic. Future bad debt provision should be made to reflect this figure. This will have to be made know to the other major preceptors.

8 CURRENT POSITION

8.1 All Leicestershire Districts, Leicestershire County Council, Rutland County Council, Leicester City Council, and the Police and Fire Authorities will work together in devising a scheme.

- Sharing costs of a Programme Manager whose role would be to pull the various 'work streams' together.
- we all work together with a view to creating a single scheme local Council Tax benefit scheme.
- however, it is accepted at this stage that in practice we may end up with some variation between schemes due to demographics and member / political dimension

Various work groups will be set up to progress including.

Benefits Practitioners Group

This group would be responsible for providing expert input into

- Data analysis – Scheme options
- Scheme design to include administration of appeals process
- Consideration is being given for a discretionary 'Hardship' fund to assist vulnerable groups and those experiencing severe financial hardship
- ICT issues / scheme implementation
- Equalities impact assessment / public consultation design (supporting communications group)

This group also includes someone who represents the 'Major' precepting bodies

Chief Accountants

This group would be responsible for providing expert input into

- Accounting entries / calculation of the tax base
- Affordability
- Bad debt provisioning / contingency fund
- Monthly monitoring

Communication group

This group would:

- Advise / lead on the communication / consultation approach

  Provision of web-based information to customers

9. FINANCIAL IMPLICATIONS (CB)

There are none arising directly from this report at is for noting only.

5. LEGAL IMPLICATIONS (EP)

There are none other than those set out in the body of the report.

6. CORPORATE PLAN IMPLICATIONS

The scheme will contribute to delivery of all of the Corporate Plan.

7. CONSULTATION

None.

8. RISK IMPLICATIONS

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
The risk of a reduction in collection rates is very significant – a couple of authorities have already considered this and are of the opinion that a reduction in collection rates of between 2.5% – 3% should be regarded as realistic. Future bad debt provision should be made to reflect this figure. This will have to be made known to the other major preceptors.	Joint approach and bad debt provision	Partnership

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

The new local scheme will be impact assessed.

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- ICT implications
- Human Resources implications
- Voluntary Sector
- Environmental implications
- Asset Management implications
- Planning Implications

Background papers:

Contact Officer: Leigh Butler, Ext 8104
Executive Member: Councillor Keith Lynch

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FINANCE AND PERFORMANCE – 11 JUNE 2012

THE PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES – SETTING OF PRUDENTIAL INDICATORS 2011/12 – 2014/15 AND TREASURY MANAGEMENT STRATEGY 2012/13-14/15

REPORT OF THE DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

WARDS AFFECTED: ALL WARDS

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1. Purpose of Report

This report outlines the Council's prudential indicators for 2011/12 - 2013/14 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements:

- The reporting of the **prudential indicators,** setting out the expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities - Section A). The treasury management prudential indicators are now included as treasury indicators in the CIPFA Treasury Management Code of Practice;

- The Council's **Minimum Revenue Provision (MRP) Policy**, which sets out how the Council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007 – Also Section A);

- The **treasury management strategy statement** which sets out how the Council's treasury service will support the capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the **Authorised Limit**, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by s3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Section B;

- The **investment strategy** which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the CLG Investment Guidance. And also shown in Section B.

The above policies and parameters provide an approved framework within which the officers undertake the day to day capital and treasury activities.

This report has already been approved by Council on February 23rd 2012

2. Recommendations

Members note the key elements of these reports:

1. The Prudential Indicators and Limits for 2011/12 to 2014/15 contained within Section 3 Part A of the report, including the Authorised Limit Prudential Indicator.

2. The Minimum Revenue Provision (MRP) Statement contained within Section 3 Part A which sets out the Council's policy on MRP.

3. The Treasury Management Strategy 2011/12 to 2014/15, and the treasury Prudential Indicators contained within Section 3 Part B.

4. The Investment Strategy contained in the treasury management strategy Part 3 Section B and the detailed strategy in Appendix 1.

3. Background

A) The Capital Prudential Indicators 2011/12 - 2014/15

Introduction

1. The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity, reflecting the outcome of the Council's underlying capital appraisal systems.

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

2. Within this overall prudential framework there is an impact on the Council's treasury management activity – as it will directly impact on borrowing or investment activity. As a consequence the treasury management strategy for 2012/13 to 2014/15 is included as Appendix B to complement these indicators. Some of the prudential indicators are shown in the treasury management strategy to aid understanding.

   A key issue facing the Council is the impact of planned HRA reform. This would essentially end the impact of the housing subsidy system and will see the HRA as a stand alone business. The Council will need to approve revised limits in advance of the reform being put into operation.

   The Council currently pays into the HRA housing subsidy system, and in order to stop future payments from 1 April 2012 the Council is required to pay the CLG £67.652m. This payment is effectively HRA debt, so the prudential indicators have been adjusted to reflect this change. The actual payment will be made on the 26 March 2012 and so the indicators will take immediate effect from the approval of these limits by Council. The change is expected to be beneficial to the Council.

The Capital Expenditure Plans

3. The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. A certain level of capital expenditure is grant supported by the Government; any decisions by the Council to spend above this level will be considered unsupported capital expenditure. This unsupported capital expenditure needs to have regard to:

   - Service objectives (e.g. strategic planning);
   - Stewardship of assets (e.g. asset management planning);
   - Value for money (e.g. option appraisal);
   - Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
   - Affordability (e.g. implications for the council tax and rents);
   - Practicality (e.g. the achievability of the forward plan).

4. The revenue consequences of capital expenditure, particularly the unsupported capital expenditure, will need to be paid for from the Council's own resources.

5. This capital expenditure can be paid for immediately (by applying capital resources such as capital receipts, capital grants etc., or revenue resources), but if these resources are insufficient any residual capital expenditure will add to the Council's borrowing need.

6. The key risks to the plans are that the level of Government support has been estimated and is therefore maybe subject to change. Similarly some estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale. For instance anticipated asset sales may be postponed due to the poor condition of the property market.

7. The Council is asked to approve the summary capital expenditure projections below. This forms the first prudential indicator:

Table 1

Capital Expenditure £'000	Actual 2010/11	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Non-HRA	9,786	3,497	3,477	886	876
HRA	2,711	3,014	2,123	2,123	2,123
HRA Settlement		67,652			
Total	12,497	74,163	5,600	3,009	2,999
Financed by:					
Capital receipts	2,733	1,517	1,569	404	0
Capital grants	3,005	930	265	165	165
Capital reserves	243	95	0	0	0
Revenue	2,052	2,052	2,052	2,052	2,052
Net financing need for the year	**4,464**	**69,569**	**1,714**	**388**	**782**

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

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

9. The Council is asked to approve the CFR projections below:

Table 2

£'000	Actual 2010/11	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Capital Financing Requirement					
CFR - Non Housing	14,547	14,934	15,882	15,497	15,574
CFR - Housing	2,004	70,500	68,331	66,162	63,993
Total CFR	**16,551**	**85,434**	**84,213**	**81,659**	**79,567**
Movement in CFR	**3,787**	**68,883**	**-1,221**	**-2,554**	**-2,092**

Movement in CFR represented by					
Net financing need for the year (above)	4,464	69,568	1,714	388	882
Less MRP/ VRP and other financing movements	677	685	-2,935	-2,942	-2,974
Movement in CFR	**3,787**	**68,883**	**-1,221**	**-2,554**	**-2,092**

10. The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision - VRP). No revenue charge is required for the HRA.

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

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

    - **Existing practice** - MRP will follow the existing practice outlined in former CLG Regulations (Option 1);

    These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

13. From 1 April 2008 for all unsupported borrowing (including PFI and Finance Leases) the MRP policy will be

    - **Asset Life Method –** MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction)

    These options provide for a reduction in the borrowing need over approximately the asset's life.

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

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

Table 3

£'000	Actual 2010/11	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Fund balances	3,968	4,004	3,961	3,781	3,510
Capital receipts	1,260	1,227	178	49	193
Earmarked reserves	3,382	4,296	4,371	3,695	3,125
Provisions	505	440	376	312	248
Contributions unapplied	867	200	0	0	0
Total Core Funds	**9,982**	**10,167**	**8,886**	**7,837**	**7,076**
Working Capital*	1,000	1,000	1,000	1,000	1,000
Under borrowing	6,751	11,164	10,443	7,289	4,297
Expected Investments	**0**	**0**	**0**	**0**	**0**

*Working capital balances shown are estimated year end; these may be higher mid year

Affordability Prudential Indicators

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

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

Table 4

%	Actual 2010/11	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Non-HRA	6.9	7.4	7.9	7.6	7.0
HRA	40.3	40.5	40.3	40.1	40.0

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

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

19. **Incremental impact of capital investment decisions on the Band D Council Tax**

Table 5

£	Actual 2010/11	Proposed Budget 2011/12	Forward Projection 2012/13	Forward Projection 2013/14	Forward Projection 2014/15
Council Tax - Band D	1.83	0.94	-1.53	0.72	1.71

20. **Estimates of the incremental impact of capital investment decisions on Housing Rent levels –** Similar to the Council tax calculation this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

21. **Incremental impact of capital investment decisions Housing Rent levels.**

Table 6

£	Actual 2010/11	Proposed Budget 2011/12	Forward Projection 2012/13	Forward Projection 2013/14	Forward Projection 2014/15
Weekly Housing Rent levels	0.00	0.00	0.00	0.00	0.00

22. This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls.

B) Treasury Management Strategy 2011/12 - 2012/13

1. The treasury management service is an important part of the overall financial management of the Council's affairs. The prudential indicators in Appendix A consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992.

2. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management on 30 June 2003.

3. As a result of adopting the Code the Council also adopted a Treasury Management Policy Statement (30 June 2003). This adoption is the requirements of one of the prudential indicators.

4. The Constitution require an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report is produced after the year-end to report on actual activity for the year, and a new requirement of the revision of the Code of Practice is that there is a mid-year monitoring report.

5. This strategy covers:

- The Council's debt and investment projections;

- The Council's estimates and limits on future debt levels;
- The expected movement in interest rates;
- The Council's borrowing and investment strategies;
- Treasury performance indicators;
- Specific limits on treasury activities;

Debt and Investment Projections 2011/12 - 2014/15

6. The borrowing requirement comprises the expected movement in the CFR and any maturing debt which will need to be re-financed. The table below shows this effect on the treasury position over the next three years. The expected maximum debt position during each year represents the Operational Boundary prudential indicator, and so may be different from the year end position. The table also highlights the expected change in investment balances.

Table 7

£'000	2011/12 Revised	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
External Debt				
Debt at 1 April	16,551	85,5434	84,213	81,659
Expected change in debt	68,883	-1,221	-2,554	-2,092
Debt at 31 March	85,434	84,213	81,659	79,567
Operational Boundary	85,434	84,213	81,569	79,567
Investments				
Total Investments at 31 March	**0**	**0**	**0**	**0**
Investment change	**0**	**0**	**0**	**0**

7. The related impact of the above movements on the revenue budget are:

Table 8

£'000	2011/12 Revised	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Revenue Budgets				
Interest on Borrowing	**2,207**	**-31**	**-85**	**-66**
Related HRA Charge	2,192	-69	-69	-69
Net General Fund Borrowing Cost	15	38	-15	3
Investment income	**0**	**0**	**0**	**0**

Limits to Borrowing Activity

8. Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits.

9. For the first of these the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2011/12 and the following two financial years (the relevant comparative figures are highlighted). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

Table 9

£'000	2011/12	2012/13	2013/14	2014/15

	Revised	Estimate	Estimate	Estimate
Gross Borrowing	85,434	84,213	81,569	79,567
Less Investments	0	0	0	0
Net Borrowing	85,434	84,213	81,659	79,567
CFR*	85,434	84,213	81,659	79,567

* - Under the Prudential Code revision any falls in the CFR are ignored.

10. The Deputy Chief Executive (Corporate Direction) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

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

12. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

13. The Council is asked to approve the following Authorised Limits:

Table 10

Authorised limit £'000	2011/12 Revised	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Borrowing	85,834	84,667	82,059	79,967
Other long term liabilities	0	0	0	0
Total	85,834	84,667	82,059	79,967

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

HRA Debt Limit £m	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Total	72.0	72.0	72.0	72.0

14. Borrowing in advance of need – The Council has some flexibility to borrow funds this year for use in future years. The Deputy Chief Executive (Corporate Direction) may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Deputy Chief Executive (Corporate Direction) will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. Borrowing in advance will be made within the constraints that:

- It will be limited to no more than 20% of the expected increase in borrowing need (CFR) over the three year planning period; and
- Would not look to borrow more than 12 months in advance of need.

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

Expected Movement in Interest Rates

Table 11

Medium-Term Rate Estimates (averages)

Annual Average %	Bank Rate	Money Rates		PWLB Rates*		
		3 month	1 year	5 year	25 year	50 year
2010/11	0.5	0.7	1.5	3.6	5.3	5.25
2011/12	0.5	0.7	1.5	2.3	4.2	4.3
2012/13	0.5	0.8	1.7	2.5	4.4	4.5
2013/14	1.3	1.4	2.4	2.9	4.8	4.9
2014/15	2.5	2.6	3.3	3.7	5.2	5.3
2015/16	3.5	3.7	4.0	4.8	5.7	5.8

- Borrowing Rates

Growth in the UK economy is expected to be weak in the next two years and there is a risk of a technical recession (i.e. two quarters of negative growth). Bank Rate, currently 0.5%, underpins investment returns and is not expected to start increasing until quarter 3 of 2013 despite inflation currently being well above the Monetary Policy Committee inflation target. Hopes for an export led recovery appear likely to be disappointed due to the Eurozone sovereign debt crisis depressing growth in the UK's biggest export market. The Comprehensive Spending Review, which seeks to reduce the UK's annual fiscal deficit, will also depress growth during the next few years.

Fixed interest borrowing rates are based on UK gilt yields. The outlook for borrowing rates is currently much more difficult to predict. The UK total national debt is forecast to continue rising until 2015/16; the consequent increase in gilt issuance is therefore expected to be reflected in an increase in gilt yields over this period. However, gilt yields are currently at historically low levels due to investor concerns over Eurozone sovereign debt and have been subject to exceptionally high levels of volatility as events in the Eurozone debt crisis have evolved.

This challenging and uncertain economic outlook has a several key treasury mangement implications:

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

Borrowing Strategy 2012/13 - 2014/15

16. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not

been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high and will be maintained for the borrowing excluding the HRA reform settlement.

Against this background and the risks within the economic forecast, caution will be adopted with the 2012/13 treasury operations. The Deputy Chief Executive (Corporate Direction) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was 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 was 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.

The requirement for the HRA reform settlement to be made to the CLG on 28 March 2012 will require a separate consideration of a borrowing strategy. The Council will need to have the cash settlement amount of £69.993m available by the 28th March 2012, so separate borrowing solely for this purpose is anticipated. The PWLB are providing loans at interest rates 0.85% lower than the usual PWLB interest rates solely for the settlement requirements. This provides a compelling reason to utilise this borrowing availability. The exact structure of debt to be drawn is curently being considered by officers to ensure it meets the requirements of the HRA business plan and the overall requirements of the Council. Whilst the debt can be drawn earlier than needed, this may incur a revenue cost, and will be considered when a review of the structure of actual prevailing borrowing and investment interest rates is undertaken nearer to the time.

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

Borrowing In Advance

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

    Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the current reporting mechanism.

Debt Restructuring

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

The reasons for any rescheduling to take place will include:

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

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

Investment Strategy 2012/13 – 2014/15

19. **Key Objectives -** The Council's investment strategy primary objectives are safeguarding the re-payment of the principal and interest of its investments on time, then ensuring adequate liquidity, with the investment return being the final objective. Following the economic background above, the current investment climate has one over-riding risk, counterparty security risk. As a result of these underlying concerns officers are implementing an operational investment strategy which tightens the controls already in place in the approved investment strategy.

20. **Risk Benchmarking –** A development in the revised Codes and the CLG Investment Guidance is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are new requirements to the Member reporting, although the application of these is more subjective in nature. Additional background in the approach taken is attached at Annex B2.

21. These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

22. Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

    - 0.24% historic risk of default when compared to the whole portfolio.

23. Liquidity – In respect of this area the Council seeks to maintain:

    - Bank overdraft - £0.6m
    - Liquid short term deposits of at least £1m available with a week's notice.
    - Weighted Average Life benchmark is expected to be 0.75 years, with a maximum of 1 year.

24. Yield - Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day LIBID rate and in addition that the security benchmark for each individual year is:

Table 12

	1 year	2 years	3 years	4 years	5 years
Maximum	0.24%	0.78%	1.48%	2.24%	3.11%

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

25. **Investment Counterparty Selection Criteria -** The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

26. The Deputy Chief Executive (Corporate Direction) will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria is separate to that which chooses Specified and Non-Specified investments as it provides an overall pool of counterparties considered high quality the Council may use rather than defining what its investments are.

27. The rating criteria use the **lowest common denominator** method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

28. Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

29. The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) is:

- **Banks 1 - Good Credit Quality** – the Council will only use banks which:

  i) Are UK banks; and/or
  ii) Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AAA.

And have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

i) **Short Term** – F1
ii) **Long Term** – A
iii) **Individual / Financial Strength** – C (Fitch / Moody's only)
iv) **Support** – 3 (Fitch only)

- **Banks 2 – Guaranteed Banks with suitable Sovereign Support** – In addition, the Council will use banks whose ratings fall below the criteria specified above if all of the following conditions are met:

  - (a) wholesale deposits in the bank are covered by a government guarantee;
  - (b) the government providing the guarantee is rated "AAA" by all three major rating agencies (Fitch, Moody's and Standard & Poors); and
  - (c) the Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.

- **Banks 3 - Eligible Institutions** - the organisation was considered an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary short and long term ratings required in Banks 1 above. These institutions were subject to suitability checks before inclusion.

- **Banks 4** - The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.

- **Bank Subsidiary and Treasury Operations** – the Council will use these where the parent bank has the necessary ratings outlined above.

- **Building Societies** – the Council will use all Societies which:

  i) meet the ratings for banks outlined above
  Or are both:
  ii) Eligible Institutions; and
  iii) Have assets in excess of £500m.

- **Money Market Funds** - AAA
- **UK Government** (including gilts and the DMADF)
- **Local Authorities, Parish Councils etc**
- **Supranational institutions**

A limit of 100% will be applied to the use of Non-Specified investments.

30. **Country and sector considerations** - Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above. In addition:

- no more than 5% will be placed with any non-UK country at any time;
- limits in place above will apply to Group companies;
- Sector limits will be monitored regularly for appropriateness.

31. **Use of additional information other than credit ratings** – Additional requirements under the Code of Practice require the Council to supplement credit

rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

32. **Time and Monetary Limits applying to Investments** - The time and monetary limits for institutions on the Council's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

Table 13

	Fitch (or equivalent)	Money Limit	Time Limit
Limit 1 Category	AAA	£5m	3yrs
Limit 2 Category	AA	£5m	3yrs
Limit 3 Category	A	£3m	2yrs
Other Institution Limits	-	£2m	1yr
Guaranteed Organisations	-	£2m	6mths

33. The proposed criteria for Specified and Non-Specified investments are shown in Annex B1 for approval.

34. In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

35. The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the longer term investment limits.

36. **Economic Investment Considerations** - Expectations on shorter-term interest rates, on which investment decisions are based, show likelihood of the current 0.5% Bank Rate remaining flat but with the possibility of a rise in mid/late-2013. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.

37. **The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions the Deputy Chief Executive (Corporate Direction) may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments will be restricted.**

38. Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), Money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

Sensitivity to Interest Rate Movements

39. Future Council accounts will be required to disclose the impact of risks on the Council's treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management costs/income for next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

Table 14

£m	2012/13 Estimated + 1%	2012/13 Estimated - 1%
Revenue Budgets		
Interest on Borrowing	0	0
Net General Fund Borrowing Cost	0	0
Investment income	0	0

Treasury Management Limits on Activity

40. There are four further treasury activity limits, which were previously prudential indicators. The purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure – This identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- Total principal funds invested for greater than 364 days - these limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

41. The Council is asked to approve the limits:

Table 15

£m	2011/12	2012/13	2013/14
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	16	16	16
Limits on variable interest rates based on net debt	4	4	4
Maturity Structure of fixed interest rate borrowing 2011/12			

		Lower	Upper
Under 12 months		0%	100%
12 months to 2 years		0%	100%
2 years to 5 years		0%	100%
5 years to 10 years		0%	100%
10 years and above		0%	100%
Maximum principal sums invested > 364 days			
Principal sums invested > 364 days	£5m	£5m	£5m

Performance Indicators

42. The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators often used for the treasury function are:
    - Debt - Borrowing - Average rate of borrowing for the year compared to average available
    - Debt - Average rate movement year on year
    - Investments - Internal returns above the 7 day LIBID rate

The results of these indicators will be reported in the Treasury Annual Report.

Treasury Management Advisers

43. The Council uses Sector as its treasury management consultants. The company provides a range of services which include:

    - Technical support on treasury matters, capital finance issues and the drafting of Member reports;
    - Economic and interest rate analysis;
    - Debt services which includes advice on the timing of borrowing;
    - Debt rescheduling advice surrounding the existing portfolio;
    - Generic investment advice on interest rates, timing and investment instruments;
    - Credit ratings/market information service comprising the three main credit rating agencies;

44. Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review.

4. Financial Implications (IB)

These are contained in the body of the report.

5. Legal Implications

There are none arising directly from this report.

6. Corporate Plan Implications

Delivery of the Prudential Indicators contributes to the achievement of Strategic Objective 3: “Deliver the Councils Medium Term Financial with a sustained focus on the Council’s priorities whilst working to resolve the continuing pressure of service requirements in the context of available resources”.

7. Consultation

None

8. Risk Implications

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision/project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report/decision were identified from this assessment:

Management of Significant (Net Red) Risks		
Risk Description	Mitigating Actions	Owner
Failure to achieve planned level of capital expenditure on the Capital Programme	Monitor expenditure via Budget Monitoring process and Capital Forum	Ilyas Bham
Failure to generate sufficient Capital Receipts and/or grants and other external funding to support the proposed programme	Look to revise the programme to bring spend into line with available resources	Ilyas Bham

9. Knowing your Community- Equality and Rural Implications

Schemes in the Capital Programme cover all services and all areas of the Borough including rural areas.

10. Corporate Implications

By submitting this report, the report author has taken the following into account:

- Community Safety Implications
- Environmental Implications
- ICT Implications
- Asset Management Implications
- Human Resources Implications
- Voluntary Sector Implications

Background Papers
Capital Programme 2010/11 to 2013/14
The CIPFA Prudential Code
Treasury Management Policy
Revenue Budget 2012/13

Contact Officer: Ilyas Bham, Group Accountant ext 5624

Executive Member: Cllr KWP Lynch

Treasury Management Practice (TMP) 1 – Credit and Counterparty Risk Management

The CLG issued Investment Guidance in 2010, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 30 June 2003 and will apply its principles to all investment activity. In accordance with the Code, the Deputy Chief Executive (Corporate Direction) has produced its treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

Annual Investment Strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy Guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified Investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum short term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies.

Non-Specified Investments – Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	Non Specified Investment Category	Limit (£)
a.	**Supranational Bonds greater than 1 year to maturity** **(a) Multilateral development bank bonds** - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.). **(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g. The Guaranteed Export Finance Company {GEFCO}) The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	AAA long term ratings £3m £3m
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£3m
c.	**The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.**	£3m
d.	**Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which were originally considered Eligible Institutions and have a minimum asset size of £500m, but will restrict these type of investments to £2m	£2m
e.	Any **bank or building society** that has a minimum long term credit rating of A, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£5m
f.	Any **non rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a limit of £2m for a period of 6 months	£2m

The Monitoring of Investment Counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Sector as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Deputy Chief Executive (Corporate Direction), and if required new counterparties which meet the criteria will be added to the list.

Appendix 2

Security, Liquidity and Yield Benchmarking

Benchmarking and Monitoring Security, Liquidity and Yield in the Investment Service - A proposed development for Member reporting is the consideration and approval of security and liquidity benchmarks.

These benchmarks are targets and so may be breached from time to time. Any breach will be reported, with supporting reasons in the Annual Treasury Report.

Yield - These benchmarks are currently widely used to assess investment performance. Local measures of yield benchmarks are:

- Investments - Internal returns above the 7 day LIBID rate

Security and liquidity benchmarks are already intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators. However they have not previously been separately and explicitly set out for Member consideration. Proposed benchmarks for the cash type investments are below and these will form the basis of future reporting in this area. In the other investment categories appropriate benchmarks will be used where available.

Liquidity - This is defined as “having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives” (CIPFA Treasury Management Code of Practice). In respect of this area the Council seeks to maintain:

- Bank overdraft - £0.6m
- Liquid short term deposits of at least £1m available with a week’s notice.

The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio – shorter WAL would generally embody less risk. In this respect the proposed benchmark is to be used:

- WAL benchmark is expected to be 0.75 years, with a maximum of 1 year**.**

Security of the investments - In context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody’s and Standard and Poors). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council’s investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch/Moody’s Standard and Poors long term rating category over the period 1990 to 2009.

Years	1	2	3	4	5
AAA	0.00%	0.01%	0.05%	0.10%	0.17%
AA	0.03%	0.06%	0.08%	0.14%	0.20%
A	0.08%	0.22%	0.37%	0.52%	0.70%
BBB	0.24%	0.68%	1.19%	1.79%	2.42%
BB	1.22%	3.24%	5.34%	7.31%	9.14%
B	4.06%	8.82%	12.72%	16.25%	19.16%
CCC	24.03%	31.91%	37.73%	41.54%	45.22%

The Council's minimum long term rating criteria is currently "A", meaning the average expectation of default for a one year investment in a counterparty with a "A" long term rating would be 0.08% of the total investment (e.g. for a £1m investment the average loss would be £800). This is only an average - any specific counterparty loss is likely to be higher - but these figures do act as a proxy benchmark for risk across the portfolio.

The Council's maximum security risk benchmark for the whole portfolio, when compared to these historic default tables, is:

- 0.055% historic risk of default when compared to the whole portfolio.

And in addition that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum	0.24%	0.68%	1.19%	1.79%	2.42%

These benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members in the Investment Annual Report. As this data is collated, trends and analysis will be collected and reported. Where a counterparty is not credit rated a proxy rating will be applied.

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FINANCE, AUDIT AND PERFORMANCE SELECT COMMITTEE – 11 JUNE 2012

REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)
RE: TREASURY MANAGEMENT TO 31 MARCH 2012

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1. PURPOSE OF REPORT

To inform the Select Committee of the Council's Treasury Management activity during 2011/12.

2. RECOMMENDATION

That the Select Committee note the report.

3. BACKGROUND TO THE REPORT

At its meeting in August 2011 the Council approved the Council's Treasury Management Policy for the year 2011/12 and delegated the oversight of the execution of the Policy to the Select Committee.

This report sets out the Treasury Management activities for 2011/12 and shows that they are in line with the limits set out in the Policy.

Treasury Management covers two main areas:-

1. The management of day to day cash flows by way of short term investing and borrowing. Longer term investment opportunities may arise depending on cash flow requirements.

2. Management of the Council's Long term debt portfolio which is used to finance capital expenditure that cannot be immediately funded by internal resources (e.g. by Capital Receipts).

Economic Background

In 2011/12 there has been a continuation of the longest period of consistently low interest rates. The UK Base Rate has now been at 0.5% for over 3 years. This together with continuing uncertainty in the money markets, including the financial stability of banks and other institutions and the Sovereign debt crisis in parts of the EU has had an impact on Treasury operations.

Whilst it is generally accepted that the next move in interest rates will be upwards there is no real consensus in the market as to when that movement will take place.

Given the current economic situation, growth levels in the UK, low worldwide economic growth, and the Chancellor's austerity measures, it appears unlikely that the Base Rate will show any appreciable increase until at least the second half of 2013.

This particularly impacts on the availability and choice of investment counterparties. These have become more restricted in recent years in terms of numbers of parties available, the amount that can be invested with a single counterparty and the length of time an investment can be made.

In the present climate it is considered to be imprudent to invest for an extended period of time for the following reasons:

1. Interest rates may increase and therefore it would be unwise to lock the investment in for too long, so that it is not possible to take advantage of increasing rates when they occur.

2. In a volatile market the financial strength of a counterparty can change at fairly short notice and therefore to invest for shorter periods reduces the Council's risk exposure.

To invest with better quality counterparties for shorter periods does reduce the Council's exposure to risk and uncertainty but does mean that investment yields are reduced.

Investment Activity

The Council's investment criteria are

- **Banks 1 - Good Credit Quality** – the Council will only use banks which:
    i. Are UK banks; and/or
    ii. Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AAA

  And have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
    i. **Short Term** – F1
    ii. **Long Term** – A
    iii. **Individual / Financial Strength** – C (Fitch / Moody's only)
    iv. **Support** – 3 (Fitch only)

- **Banks 2 – Guaranteed Banks with suitable Sovereign Support** – In addition, the Council will use banks whose ratings fall below the criteria specified above if all of the following conditions are met:
  - (a) wholesale deposits in the bank are covered by a government guarantee;
  - (b) the government providing the guarantee is rated "AAA" by all three major rating agencies (Fitch, Moody's and Standard & Poors); and

- (c) the Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.

- **Banks 3 – Eligible Institutions** - the organisation is an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary short and long term ratings required in Banks 1 above. These institutions have been subject to suitability checks before inclusion, and have access to HM Treasury liquidity if needed.
- **Banks 4 –** The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- **Bank Subsidiary and Treasury Operations –** the Council will use these where the parent bank has the necessary ratings outlined above.
- **Building Societies –** the Council will use all Societies which:
    i. meet the ratings for banks outlined above

    Or are both:

    ii. Eligible Institutions; and
    iii. Have assets in excess of £500m.
- **Money Market Funds –** *AAA*
- **UK Government** (including gilts and the DMADF)
- **Local Authorities, Parish Councils etc**
- **Supranational institutions**

Funds for investment come from the following Sources

a) Revenue Account Balances held by the Council
b) Earmarked Reserves and Provisions
c) Unapplied Capital Receipts
d) Cash flow balances - income received before expenditure needs to be incurred

At 31 March 2012 the Council held the following investments totalling £2,500,000

Counterparty	Investment Date	Maturity Date	Amount	Interest Rate
Newcastle Building Society	01/12/2012	23/05/2012	500,000	1.0000
Hinckley & Rugby Building Society	25/08/2011	23/05/2012	2,000,000	1.5000

Details of all investments held from April 2011 to 31st March 2012 are included in Appendix A attached.

Details of the weighted average investment for the year are shown in the table below together with the average overnight, 7 day and 3 month London Inter Bank Offer Rates (LIBOR) as a bench mark to the rates received by the Council.

Period	Weighted Average invested	Average period (days)	Average Return	Overnight LIBOR	7 Day LIBOR	3 Month LIBOR
April to March	7,713,671	15.92	1.0384	0.5734	0.6051	0.9426

The figures above show that the Council received a rate of return that is compatible with the returns available in the market.

It also shows that the Weighted average life is within the maximum set of 0.5 years.

Borrowing Activities

Long term borrowing to finance Capital Expenditure

Excluding the HRA self financing element the Council has a Capital Financing Requirement of around £14m which arises from previous decisions to incur Capital Expenditure that was not financed immediately by internal resources e.g. Capital Receipts or Grants giving rise to the need to borrow to finance the expenditure. This borrowing requirement can either be met by long or short term external borrowing or by internal borrowing i.e. using the cash behind the authority's balances and reserves and foregoing investment income. At the present time the interest payable on long term borrowing is significantly greater than the returns the Council could expect on its investments and therefore the Council has adopted a policy of being "underborrowed" with only £4.3m of long term loans on its books. Short term loans from the PWLB currently cost 1.5% so if the Council was fully funded with short term money and was receiving investment income of 1% there would be a cost of £50,000 pa. With longer term rates at about 4.5% the cost would be £350,000pa. In these circumstances the Council has not undertaken any long term borrowing in the current year and has relied on short term borrowing to meet cash flow needs.

Additionally, as part of the Self Financing HRA Settlement £67.652m has been borrowed from PWLB. Repayment options have been discussed with members and were presented to the Executive on 13th March 2012. Repayments for principal amounts for these loans will commence in 8 years time. The loan will be repaid in equal instalments of £2.9414m over 23 yrs.

Short term borrowing to cover cash flow shortfalls.

Some short term borrowing took place to cover temporary cash flow shortfalls. The movements are as follows:-

Amount outstanding at 1 April 2011	£5,500,000
Plus Total Amount borrowed in year	£15,500,000
Less Total Amount repaid in year	£18,400,000
Amount outstanding at 31 March 2012	**£2,600,000**

The average amount borrowed was	£ 575,068
Average period of loans	7.7 Days
Number of occasions	15
Average rate of interest paid	0.5835%

All borrowing was conducted with the Operational Limit set by the Council.

4. **FINANCIAL IMPLICATIONS (IB)**

None arising directly from this report.

5. **LEGAL IMPLICATIONS (EP)**

There are no legal implications arising directly from this report.

6. **CORPORATE PLAN IMPLICATIONS**

This report supports the following Corporate Aims

- Thriving Economy

7. **CONSULTATION**

None

8. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Loss of investments due to failure of Counterparty	Ensure Counterparty is financially secure prior to lending by confining activity to institutions on a list of approved institutions based on credit ratings. Ensure that lending is for appropriate periods and amounts as per Counterparty list	I Bham I Bham

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

Treasury management activities support all activities of the Borough Council and therefore impact on all areas of and communities within the Borough

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account: [if you require assistance in assessing these implications, please contact the person noted in parenthesis beside the item]

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector implications

Background papers: Investment and borrowing records

Contact Officer: Ilyas Bham, Group Accountant ext 5924

Executive Member: Cllr Keith Lynch

APPENDIX A

TEMPORARY IVESTMENTS (ADVANCES) 2011 - 2012

DATE	BROKER	RATE %	NOTICE	AMOUNT £	BORROWER	NO DAYS	INTEREST 2011/12	DATE REPAID	LOAN NO	INTEREST 2010/11	TOTAL INT RECD	Bal	
b/f	Direct	1.3600	25/08/11	2,000,000	Hinckley & Rugby	146	10,880.00		2131	9,389.59	20,269.59		
25/08/11	Direct	1.5000	23/05/12	2,000,000	Hinckley & Rugby	272	22,356.16		2131			2,000,000	Core
b/f	Prebone	1.4000	28/10/11	1,650,000	Principality BS	210	13,290.41		2493	3797.26	17,087.67		
28/10/11	Prebone	0.9600	31/01/12	1,650,000	Principality BS	95	4,122.74		2493				
31/01/12	Prebone	0.6000	29/02/12	1,650,000	Principality BS	29	786.58		2493				
29/02/12	Prebone	0.5000	15/03/12	1,650,000	Principality BS	15	339.04	15/3/12	2493				Core
b/f	Sterling	1.5000	03/11/11	500,000	NewCastle BS	216	4,438.36		2555	1,171.23	5,609.59		
03/11/11	Sterling	1.0000	01/02/12	500,000	NewCastle BS	90	1,232.88		2555				
01/02/12	Sterling	1.0000	01/05/12	500,000	NewCastle BS	90	1,232.88		2555			500,000	Core
04/04/11	Hsbc	0.2500	05/04/11	374,000	Hsbc Money Mkt	1	2.56	05/04/11	2663				
11/04/11	Hsbc	0.2500	12/04/11	421,000	Hsbc Money Mkt	1	2.88	12/04/11	2664				
12/04/11	Hsbc	0.2500	13/04/11	329,000	Hsbc Money Mkt	1	2.25	13/04/11	2665				
13/04/11	Hsbc	0.2500	14/04/11	530,000	Hsbc Money Mkt	1	3.63	14/04/11	2666				
15/04/11	Sterling	0.4000	19/04/11	1,560,000	Skipton Bs	4	68.38	19/04/11	2667				
19/04/11	Hsbc	0.2500	21/04/11	861,000	Hsbc Money Mkt	2	11.79	21/04/11	2668				
27/04/11	Hsbc	0.2500	28/04/11	376,000	Hsbc Money Mkt	1	2.58	28/04/11	2669				
03/05/11	Hsbc	0.2500	04/05/11	382,000	Hsbc Money Mkt	1	2.62	04/05/11	2770				
04/05/11	Hsbc	0.2500	05/05/11	268,000	Hsbc Money Mkt	1	1.84	05/05/11	2771				
09/05/11	Sterling	0.4500	02/06/11	500,000	West Brom BS	24	147.95	02/06/11	2772				
11/05/11	Hsbc	0.2500	12/05/11	250,000	Hsbc Money Mkt	1	1.71	12/05/11	2773				
12/05/11	Hsbc	0.2500	16/05/11	370,000	Hsbc Money Mkt	4	10.14	16/05/11	2774				
16/05/11	Hsbc	0.2500	19/05/11	2,400,000	Hsbc Money Mkt	3	49.32	19/05/11	2775				
18/05/11	Hsbc	0.2500	19/05/11	303,000	Hsbc Money Mkt	1	2.08	19/05/11	2776				
19/05/11	Hsbc	0.2500	20/05/11	1,700,000	Hsbc Money Mkt	1	11.64	20/05/11	2777				
20/05/11	Hsbc	0.2500	23/05/11	950,000	Hsbc Money Mkt	3	19.52	23/05/11	2778				
23/05/11	Hsbc	0.2500	24/05/11	580,000	Hsbc Money Mkt	1	3.97	24/05/11	2779				
24/05/11	Hsbc	0.2500	25/05/11	301,000	Hsbc Money Mkt	1	2.06	25/05/11	2780				
31/05/11	Hsbc	0.2500	01/06/11	658,000	Hsbc Money Mkt	1	4.51	01/06/11	2781				
01/06/11	Hsbc	0.2500	02/06/11	4,500,000	Hsbc Money Mkt	1	30.82	02/06/11	2782				
02/06/11	Hsbc	0.2500	03/06/11	500,000	Hsbc Money Mkt	1	3.42	03/06/11	2783				
03/06/11	Hsbc	0.2500	07/06/11	350,000	Hsbc Money Mkt	4	9.59	07/06/11	2784				
07/06/11	Sterling	0.8600	23/09/11	600,000	Skipton BS	108	1,526.79	23/09/11	2785				
15/06/11	Sterling	0.3500	22/06/11	1,500,000	West Brom BS	7	100.68	22/06/11	2786				
15/06/11	Sterling	0.4000	24/06/11	1,000,000	NewCastle BS	9	98.63	24/06/11	2787				
15/06/11	Hsbc	0.2500	16/06/11	492,000	Hsbc Money Mkt	1	3.37	16/06/11	2788				
16/06/11	Hsbc	0.2500	17/06/11	637,000	Hsbc Money Mkt	1	4.36	17/06/11	2789				
20/06/11	Hsbc	0.2500	21/06/11	277,000	Hsbc Money Mkt	1	1.90	21/06/11	2790				
21/06/11	Hsbc	0.2500	22/06/11	346,000	Hsbc Money Mkt	1	2.37	22/06/11	2791				
23/06/11	Hsbc	0.2500	24/06/11	307,000	Hsbc Money Mkt	1	2.10	23/06/11	2792				
24/06/11	Sterling	0.4000	07/07/11	560,000	NewCastle BS	13	79.78	07/07/11	2793				
28/06/11	Hsbc	0.2500	29/06/11	406,000	Hsbc Money Mkt	1	2.78	29/06/11	2794				
29/06/11	Hsbc	0.2500	30/06/11	565,000	Hsbc Money Mkt	1	3.87	30/06/11	2795				
30/06/11	Sterling	0.4000	07/07/11	740,000	NewCastle BS	7	56.77	07/07/11	2796				
01/07/11	Sterling	0.4300	07/07/11	2,000,000	Skipton Bs	6	141.37	07/07/11	2797				
01/07/11	Sterling	0.3500	07/07/11	1,300,000	West Brom BS	6	74.79	07/07/11	2798				
01/07/11	Hsbc	0.2500	04/07/11	986,000	Hsbc Money Mkt	3	20.26	04/07/11	2799				
11/07/11	Hsbc	0.2500	12/07/11	277,000	Hsbc Money Mkt	1	1.90	12/07/11	2800				
15/07/11	Sterling	0.3000	19/07/11	1,700,000	West Brom BS	4	55.89	19/07/11	2801				
18/07/11	Hsbc	0.2500	19/07/11	270,000	Hsbc Money Mkt	1	1.85	19/07/11	2802				
19/07/11	Hsbc	0.2500	20/07/11	827,000	Hsbc Money Mkt	1	5.66	20/07/11	2803				
20/07/11	Sterling	1.2000	08/02/12	600,000	West Brom BS	203	4,004.38	08/02/12	2804				
20/07/11	Hsbc	0.2500	22/07/11	313,000	Hsbc Money Mkt	2	4.29	22/07/11	2805				
22/07/11	Sterling	0.3000	25/07/11	1,056,000	West Brom BS	3	26.04	25/07/11	2806				
25/07/11	Hsbc	0.2500	26/07/11	556,000	Hsbc Money Mkt	1	3.81	26/07/11	2807				
26/07/11	Hsbc	0.2500	28/07/11	510,000	Hsbc Money Mkt	2	6.99	28/07/11	2808				
28/07/11	Martin	0.4300	11/08/11	1,400,000	Skipton Bs	14	230.90	11/08/11	2809				
01/08/11	Hsbc	0.2500	03/08/11	1,000,000	Hsbc Money Mkt	2	13.70	03/08/11	2810				
01/08/11	Sterling	0.4000	11/08/11	2,000,000	Nationwide BS	10	219.18	11/8/11	2811				
01/08/11	Sterling	0.4000	11/08/11	1,500,000	NewCastle BS	10	164.38	11/8/11	2812				
03/08/11	Hsbc	0.2500	04/08/11	390,000	Hsbc Money Mkt	1	2.67	4/8/11	2813				
04/08/11	Sterling	0.3000	09/08/11	750,000	West Brom BS	5	30.82	9/8/11	2814				
09/08/11	Sterling	0.7500	25/10/11	800,000	West Brom BS	77	1,265.75	25/10/11	2815				
11/08/11	Hsbc	0.2500	12/08/11	291,000	Hsbc Money Mkt	1	1.99	12/8/11	2816				
15/08/11	Sterling	0.4300	22/08/11	1,100,000	Skipton Bs	7	90.71	22/8/11	2817				
15/08/11	Sterling	0.4000	22/08/11	1,100,000	NewCastle BS	7	84.38	22/8/11	2818				
22/08/11	Hsbc	0.2500	23/08/11	743,000	Hsbc Money Mkt	1	5.09	23/8/11	2819				
30/08/11	Hsbc	0.2500	31/08/11	580,000	Hsbc Money Mkt	1	3.97	31/8/11	2820				
31/08/11	Hsbc	0.2500	01/09/11	526,000	Hsbc Money Mkt	1	3.60	1/9/11	2821				
01/09/11	Sterling	0.5000	22/09/11	1,200,000	NewCastle BS	21	345.21	22/9/11	2822				
01/09/11	Sterling	0.4200	16/09/11	2,000,000	Nationwide BS	15	345.21	16/9/11	2823				
01/09/11	Sterling	0.3500	09/09/11	500,000	West Brom BS	8	38.36	9/9/11	2824				
01/09/11	Hsbc	0.2500	02/09/11	757,000	Hsbc Money Mkt	1	5.18	2/9/11	2825				
05/09/11	Hsbc	0.2500	06/09/11	403,000	Hsbc Money Mkt	1	2.76	5/9/11	2826				
06/09/11	Hsbc	0.2500	07/09/11	258,000	Hsbc Money Mkt	1	1.77	7/9/11	2827				
07/09/11	Hsbc	0.2500	08/09/11	370,000	Hsbc Money Mkt	1	2.53	8/9/11	2828				
08/09/11	Hsbc	0.2500	09/09/11	470,000	Hsbc Money Mkt	1	3.22	9/9/11	2829				
09/09/11	Hsbc	0.2500	12/09/11	292,000	Hsbc Money Mkt	3	6.00	12/9/11	2830				
12/09/11	Sterling	0.3000	16/09/11	500,000	West Brom BS	4	16.44	16/9/11	2831				
15/09/11	Sterling	0.4000	16/09/11	1,300,000	Coventry BS	1	14.25	16/9/11	2832				
15/09/11	Sterling	0.3000	16/09/11	1,400,000	Skipton Bs	1	11.51	16/9/11	2833				

DATE	BROKER	RATE %	NOTICE	AMOUNT £	BORROWER	NO DAYS	INTEREST 2011/12	DATE REPAID	LOAN NO	INTEREST 2010/11	TOTAL INT RECD	Bal	
16/09/11	Hsbc	0.2500	19/09/11	292,000	Hsbc Money Mkt	3	6.00	19/9/11	2834				
19/09/11	Hsbc	0.2500	20/09/11	386,000	Hsbc Money Mkt	1	2.64	20/9/11	2835				
20/09/11	Hsbc	0.2500	21/09/11	287,000	Hsbc Money Mkt	1	1.97	21/9/11	2836				
28/09/11	Hsbc	0.2500	29/09/11	525,000	Hsbc Money Mkt	1	3.60	29/9/11	2837				
29/09/11	Hsbc	0.2500	30/09/11	525,000	Hsbc Money Mkt	1	3.60	30/9/11	2838				
30/09/11	Hsbc	0.2500	03/10/11	376,000	Hsbc Money Mkt	3	7.73	3/10/11	2839				
03/10/11	Sterling	0.5000	21/10/11	1,500,000	NewCastle BS	18	369.86	21/10/11	2840				
03/10/11	Sterling	0.4500	21/10/11	2,000,000	Skipton Bs	18	443.84	21/10/11	2841				
03/10/11	Sterling	0.9000	29/12/11	600,000	West Brom BS	87	1,287.12	29/12/11	2842				
05/10/11	Hsbc	0.2500	07/10/11	511,000	Hsbc Money Mkt	2	7.00	7/10/11	2843				
10/10/11	Hsbc	0.2500	11/10/11	292,000	Hsbc Money Mkt	1	2.00	11/10/11	2844				
12/10/11	Hsbc	0.2500	13/10/11	291,000	Hsbc Money Mkt	2	3.99	13/10/11	2845				
14/10/11	Hsbc	0.2500	17/10/11	429,000	Hsbc Money Mkt	3	8.82	17/10/11	2846				
17/10/11	Sterling	0.4000	21/10/11	2,000,000	Coventry BS	4	87.67	21/10/11	2847				
17/10/11	Hsbc	0.2500	18/10/11	1,226,000	Hsbc Money Mkt	1	8.40	18/10/11	2848				
18/10/11	Hsbc	0.2500	19/10/11	1,051,000	Hsbc Money Mkt	1	7.20	19/10/11	2849				
28/10/11	Hsbc	0.2500	01/11/11	600,000	Hsbc Money Mkt	4	16.44	1/11/11	2850				
01/11/11	Sterling	0.4500	25/11/11	2,000,000	Coventry BS	24	591.78	25/11/11	2851				
01/11/11	Sterling	0.4500	25/11/11	2,000,000	Skipton Bs	24	591.78	25/11/11	2852				
01/11/11	Sterling	0.4500	25/11/11	500,000	NewCastle BS	24	147.95	25/11/11	2853				
01/11/11	Hsbc	0.2500	03/11/11	910,000	Hsbc Money Mkt	2	12.47	3/11/11	2854				
07/11/11	Hsbc	0.2500	08/11/11	255,000	Hsbc Money Mkt	1	1.75	8/11/11	2855				
08/11/11	Hsbc	0.2500	11/11/11	320,000	Hsbc Money Mkt	3	6.58	11/11/11	2856				
11/11/11	Hsbc	0.2500	15/11/11	394,000	Hsbc Money Mkt	4	10.79	15/11/11	2857				
15/11/11	Sterling	0.9500	13/02/12	800,000	NewCastle BS	90	1,873.97	13/2/12	2858				
15/11/11	Sterling	0.4300	22/11/11	2,000,000	Nationwide BS	7	164.93	22/11/11	2859				
15/11/11	Hsbc	0.2500	18/11/11	313,000	Hsbc Money Mkt	3	6.43	18/11/11	2860				
18/11/11	Hsbc	0.2500	25/11/11	308,000	Hsbc Money Mkt	7	14.77	25/11/11	2861				
24/11/11	Hsbc	0.2500	25/11/11	277,000	Hsbc Money Mkt	1	1.90	25/11/11	2862				
01/12/11	Sterling	0.8000	08/02/12	2,000,000	Coventry BS	69	3,024.66	8/2/12	2863				
01/12/11	Sterling	0.6500	08/02/12	1,700,000	Skipton Bs	69	2,088.90	8/2/12	2864				
01/12/11	Hsbc	0.2500	02/12/11	410,000	Hsbc Money Mkt	1	2.81	2/12/11	2865				
12/12/11	Hsbc	0.2500	13/12/11	295,000	Hsbc Money Mkt	1	2.02	13/12/11	2866				
15/12/11	Sterling	0.4300	22/12/11	2,000,000	Nationwide BS	7	164.93	22/12/11	2867				
15/12/11	Sterling	0.3000	19/12/11	700,000	West Brom BS	4	23.01	19/12/11	2868				
22/12/11	Hsbc	0.2500	23/12/11	591,000	Hsbc Money Mkt	1	4.05	23/12/11	2869				
28/12/11	Hsbc	0.2500	29/12/11	941,000	Hsbc Money Mkt	1	6.45		2870				
29/12/11	Sterling	0.4000	04/01/12	1,100,000	Nationwide BS	6	72.33	4/1/12	2871				
03/01/12	Sterling	0.3200	05/01/12	1,200,000	West Brom BS	2	21.04	5/1/12	2872				
03/01/12	Sterling	0.3000	04/01/12	700,000	NewCastle BS	1	5.75	4/1/12	2873				
03/01/12	Hsbc	0.2500	04/01/12	3,029,000	Hsbc Money Mkt	1	20.75	4/1/12	2874				
05/01/12	Hsbc	0.2500	06/01/12	255,000	Hsbc Money Mkt	1	1.75	6/1/12	2875				
09/01/12	Hsbc	0.2500	12/01/12	255,000	Hsbc Money Mkt	3	5.24	12/1/12	2876				
12/01/12	Hsbc	0.2500	13/01/12	588,000	Hsbc Money Mkt	1	4.03	16/1/12	2877				
16/01/12	Sterling	0.4300	25/01/12	1,100,000	Nationwide BS	9	116.63	25/1/12	2878				
16/01/12	Sterling	0.3500	19/01/12	1,770,000	West Brom BS	3	50.92	19/1/12	2879				
19/01/12	Sterling	0.3000	20/01/12	921,000	West Brom BS	1	7.57	20/1/12	2880				
20/01/12	Hsbc	0.2500	23/01/12	379,000	Hsbc Money Mkt	3	7.79	23/1/12	2881				
25/01/12	Hsbc	0.2500	26/01/12	450,000	Hsbc Money Mkt	1	3.08	26/1/12	2882				
26/01/12	Hsbc	0.2500	27/01/12	497,000	Hsbc Money Mkt	1	3.40	27/1/12	2883				
30/01/12	Sterling	0.3000	31/01/12	1,106,000	West Brom BS	1	9.09	31/1/11	2884				
31/01/12	Sterling	0.3000	01/02/12	852,000	West Brom BS	1	7.00	1/2/12	2885				
01/02/12	Sterling	0.4300	08/02/12	1,000,000	Nationwide BS	7	82.47	8/2/12	2886				
02/02/12	Hsbc	0.2500	03/02/12	251,000	Hsbc Money Mkt	1	1.72	3/2/12	2887				
06/02/12	Hsbc	0.2500	07/02/12	265,000	Hsbc Money Mkt	1	1.82		2888				
07/02/12	Hsbc	0.2500	08/02/12	264,000	Hsbc Money Mkt	1	1.81	8/2/12	2889				
08/02/12	Sterling	0.3000	10/02/12	949,000	West Brom BS	2	15.60	10/2/12	2890				
10/02/12	Sterling	0.4500	01/03/12	663,000	NewCastle BS	20	163.48	1/3/12	2891				
13/02/12	Sterling	0.3000	14/02/12	858,000	Skipton Bs	1	7.05	14/2/12	2892				
15/02/12	Sterling	0.4000	21/02/12	1,651,000	Coventry BS	6	108.56	21/2/12	2893				
15/02/12	Sterling	0.4000	29/02/12	500,000	NewCastle BS	14	76.71	29/2/12	2894				
21/02/12	Sterling	0.3000	22/02/12	1,371,000	West Brom BS	1	11.27	22/2/12	2895				
22/02/12	Sterling	0.3000	24/02/12	772,000	West Brom BS	2	12.69	24/2/12	2896				
27/02/12	Hsbc	0.2500	28/02/12	348,000	Hsbc Money Mkt	1	2.38	28/2/12	2897				
28/02/12	Hsbc	0.2500	29/02/12	257,000	Hsbc Money Mkt	1	1.76	29/2/12	2898				
29/02/12	Sterling	0.3000	02/03/12	618,000	West Brom BS	2	10.16	2/3/12	2899				
02/03/12	Hsbc	0.2500	06/03/12	436,000	Hsbc Money Mkt	4	11.95	6/3/12	2900				
06/03/12	Hsbc	0.2500	09/03/12	338,000	Hsbc Money Mkt	3	6.95	09/03/12	2901				
09/03/12	Hsbc	0.2500	13/03/12	394,000	Hsbc Money Mkt	4	10.79	13/03/12	2902				
13/03/12	Hsbc	0.2500	15/03/12	347,000	Hsbc Money Mkt	2	4.75	15/3/12	2903				
29/03/12	Hsbc	0.2500	30/03/12	367,000	Hsbc Money Mkt	1	2.51	30/3/12	2904				
				127,474,000			80,095.10			0		2,500,000	

FAP work programme 2012/13

Date of Meeting	Reports to be considered
11 June 2012	Treasury Management Quarterly report 4th Quarter 2011/12 Final Prudential Indicators report 201 1/12 Performance Management Framework Outturn 2011/12 2012/13 Internal Audit Plan (CW Audit) Annual Governance Statement Update on Localisation of Council Tax Support
23 July 2012	Outturn for 2011/12 Draft Statement of Accounts 2011/12 Audit Block Report (CW Audit) Risk Management Report? (if not part of performance report) 1st Quarter Treasury Management Report
10 September 2012	1st Quarter Outturn report ISA 260 letter (PwC) Statement of Accounts and Annual Governance Statement Audit Block Report (CW Audit) 1st Quarter Performance Management Framework
29 October 2012	Audit Block Report (CW Audit) 2nd Quarter Treasury Management Report
10 December 2012	Audit Block Report (CW Audit) Capital programme 2012/13 to2015/16 2nd Quarter Budget Monitoring Annual Audit Letter (PwC) Performance Management Frame work Risk Management Report (if not part of performance report) Half yearly Prudential Indicators
21 January 2013	Audit Block Report (CWAudit) Budget proposals 2013/14 (General Fund and HRA) Capital Programme 2012/13 to 2015/16 Prudential Indicators and Treasury Policy report 2012/13 to 2015/16 Annual External Audit Plan 2012/13 (PwC) MTFS 2012/13 to 2015/16
4 March 2013	Audit Block Report (CW Audit) 3rd Quarter Budget Monitoring 3rd Quarter Treasury Management Report Performance Management Frame work Internal Audit Plan 2013/14 (CW Audit)
15 April 2013	Internal Audit Annual Report 2012/13 (CW Audit)

Treasury management training —29 October

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