

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held in The Jeffrey Room,
The Guildhall on Monday, 26 July 2010 at 6:00 pm.

D Kennedy
Chief Executive

AGENDA

1. APOLOGIES
Please contact Nicola Pepper on 01604 837356 or npepper@northampton.gov.uk when submitting apologies for absence.
2. MINUTES
3. DEPUTATIONS / PUBLIC ADDRESSES
4. DECLARATIONS OF INTEREST
5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED
6. PERFORMANCE AND TRAINING K. Brooks
X7583
7. TREASURY TRAINING Rebecca
Smith
X8046
8. TREASURY MANAGEMENT OUTTURN 2009/10 AND TREASURY MANAGEMENT REPORTING AND TRAINING 2010/11 Rebecca
Smith
X8046
9. SERVICE AREA RISK REGISTER S. Morrell
X8420
10. INTERNAL AUDIT UPDATE C Dickens,
Internal
Auditor
(PWC)
11. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:

“THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT.”

Public Participation

Members of the public may address the Committee on any non-procedural matter listed on this agenda. Addresses shall not last longer than three minutes. Committee members may then ask questions of the speaker. No prior notice is required prior to the commencement of the meeting of a request to address the Committee.

AUDIT COMMITTEE

Monday, 28 June 2010

PRESENT: Councillor Woods (Chair); Councillors Davies, J Lill, Palethorpe, Yates and Clarke for Hawkins, De Cruz for Wilson and Hollis for Collins.

1. APOLOGIES

Apologies were received from Councillors Perkins, Wilson, Collins and Hawkins.

2. MINUTES

The minutes of the last meeting held on 17th May 2010 were agreed as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

4. DECLARATIONS OF INTEREST

Cllr Hollis, Davies and Clarke declared a personal interest in item 6 Audit Committee Terms of Reference as members of the Constitution Working party.

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

There were none.

6. AUDIT COMMITTEE TERMS OF REFERENCE

The Assistant Head of Finance submitted a report and circulated papers. He confirmed that the changes to the Terms of Reference related to the change of the remit of the Audit Committee to approve the Statement of Accounts and Annual Governance Statement.

In response to a question, the Director of Finance and Support advised that to amend 9.22 of Article 9 to approve and influence would be a matter for Full Council on recommendations from the Constitution Working Party. The Terms of Reference had been the same for some time and the only key changes were the signing off of the accounts.

Councillor Clarke suggested that the purpose of the report should take into account the Constitution Working Party views and have clear lines for responsibility and reporting. He did not agree with any delegation which would take away from Council the right for the Annual Governance Statement and Statement of Accounts. The Constitution Working Party had also met on 25th January 2010 and considered the concept of an independent Chair for Audit Committee and their next meeting was on 29th June 2010.

It was suggested that the report be brought back to the next Audit Committee meeting if necessary after the Constitution Working Party had met on the 29th June 2010.

The Director of Finance and Support advised that the recommendation did not request any changes to be made as the Terms of Reference had already been approved by Council.

Resolved: That the report be noted.

7. REPORTS REQUESTED AT THE LAST COMMITTEE MEETING

7.1 HOUSING BENEFITS REVIEW AUDIT RECOMMENDATIONS

The Head of Revenues and Benefits submitted a report and elaborated thereon. He confirmed that there had been an increased level of debt which had been unprecedented to both the workload and the caseload of the Benefit Service. The Challenges were the housing benefit overpayments which tend to relate to vulnerable people and the higher priority debt for the council tax and rent arrears. The maximum recoverable for overpayments from claimants who received benefit entitlement was £10 per week to ensure that they did not get into more debt. Write off's were being considered at an earlier point and old debt and housing benefits debt were being reviewed. The caseload continued to increase and a small amount may be recovered.

The Head of Revenues and Benefits confirmed that people who were in high level of arrears were assessed and the repayments would be reduced to, say, £3.00 per week and that Revenues and Benefits work closely with the housing department. They now had targets to recover money back to the Council and worked with other teams to prevent the debt occurring in the first place. The Team Leaders could authorise any sign offs.

In response to a question, the Director of Finance and Support confirmed that the 2009/10 budget allowed for an officer to be appointed to recover debts and they would eventually pay for themselves. This has been approved by Council and Cabinet. Another member of staff has been moved into the Corporate Debt Recovery Team from within Revenues and Benefits to allow an even more joined-up approach. Data cleansing is a standard working practice but had not been carried out in the Council for some time. When the debt had been cleansed it would be known if it how much debt individuals owed to one area of the Council or a number of areas. The Council is wanting to treat people more fairly and is ensuring that all debt owed is considered together to balance the effect on the citizens with the need to maximise recovery.

The Internal Auditor confirmed that without data cleansing there is an issues that it is not possible to clarify how debt has built up and maintain evidence of the debt, which is essential for it to be recovered.

The Head of Revenues and Benefits confirmed that there is now a draft corporate debt policy which is adhered to and debt referral services are used. In the future they would be proactive and send notifications which offered debt advice and would be given a full financial means assessment to proceed with recovery.

Resolved: That the report be noted.

7.2 INTERNAL AUDIT REPORT HOUSING RENTS REVIEW 2009/10

The Housing Services Manager submitted a report and explained that the Committee had reviewed a number of internal audit reports that had attracted limited or no assurance ratings and had requested that this report be brought before the Committee. Weaknesses were identified as a result of the design of the controls used to operate the rents system and this was mitigated by manually inputting the data.

In response to a question, the Internal Auditor confirmed that he was satisfied with the controls put in place to rectify the problem. Usually the recommendation would be to investigate with the suppliers or look for mitigated or manual control.

The Housing Services Manager confirmed that the year to date performance was at £1.56 million which was £45,000 below last year and was the lowest it had been in the last 9 years. The Arrears had finished slightly above target and was the lowest end of year arrears for 8 years. People were evicted at the last resort and they visited all new tenants after 4 weeks of moving in and had carried out profiling arrears case study which had showed the 35-50 age group were more likely to fall into arrears. They had followed up on tenants of that age group. There had also been a significant improvement on all of the indicators.

In response to a question, the Housing Services Manager confirmed that they had anticipated reaching the £1.1 million target for current rent arrears although there was still further work to be done but had come a long way in the last four years. There were several campaigns which were ongoing and a letter drop was made to people more than £300 in arrears. Weekly figures for each area of the town were shared with the Portfolio Holders.

In view of the substitute members of the Committee the Director of Finance and Support clarified the remit of the Audit Committee. Furthermore, if Overview and Scrutiny wished to review the figures of people in rent arrears then it would have to be added on to its work plan and for members to request it. The progress which had been made was reasonable due to the current economic climate.

There was a further discussion on whether the Audit Committee should make a recommendation to Overview and Scrutiny to review the figures of people in rent arrears and whether the closure of the Housing Offices had made an impact on it. There was also a request for Members to receive further training on the Performance Plus system.

Resolved: That the Housing Services Manager to report back to the Committee on the impact of the closure of the Housing Offices, what the Council was doing to assist people in paying rent and on the implications of recent changes in payment options.

8. 2009/10 DRAFT ANNUAL GOVERNANCE STATEMENT

The Assistant Head of Finance submitted a report and elaborated thereon. This year there are three areas of significant control weaknesses which have to be shown in the Annual Governance Statement presented to the Committee which is a significant improvement on the previous year. The Annual Governance Statement and the supporting documentation and assurance statements would be available for the External Auditors during the audit period.

The Director of Finance and Support confirmed that the indicators were part of the monthly performance report to Cabinet and that the AGS restated all the aims of the LAA, which is best practise. The Council do not have input into all of them however, there were links with partners who did.

In response to a question, the Director of Finance and Support confirmed that the Government had abolished the CAA and it would be sometime in the future before it was known what would be in its place, if anything.

The Assistant Head of Finance confirmed he would check with the Borough Solicitor if the Standards Committee had agreed to the request to increase the number of independent members.

Councillor Woods referred to the Community Engagement Strategy. He felt that how the Council would engage with local people and other partners was still developing. A key part of this would be through the Neighbourhood Management Structure details of which should

be included in the revised Annual Governance Statement in September.

Councillor De Cruz requested that the aim for Northampton to have improved health, safer communities and cleaner environment also be included in the vision statement.

Councillor Clarke requested an update on the grounds maintenance be brought to the committee. The Internal Auditor confirmed that during the year control weaknesses were identified and it was recommended that they be included in the Annual Governance Statement as they were given limited assurance on the system. It was confirmed that a report on grounds maintenance would be brought to the Committee in October 2010.

Resolved:

- 1. That more detail on the Neighbourhood Management Structure be included in the revised Annual Governance Statement.**
- 2. That the Annual Governance Statement be approved for inclusion into the draft Statement of Accounts.**
- 3. That any appropriate changes to the Annual Governance Statement, following Audit Committee's comments, be included in a revised Annual Governance Statement to be brought back to Audit Committee in September.**

9. 2009/10 DRAFT STATEMENT OF ACCOUNTS

The Assistant Head of Finance submitted a report and elaborated there on. He confirmed that the Statement of Accounts were in line with the 2009 Statement of Recommended Practice and were the last to be presented in this manner. There is one significant accounting change this year relating to collection fund accounting, however this did not lead to change of resources available to the Council and details of the change could be located within the Statement of Accounts. He confirmed that the Councillors would be offered training on changes to the accounts as part of Councillor development.

In response to a question, the Assistant Head of Finance confirmed that the pension fund had a larger deficit due to people living longer, and if the current projected trend continued with the age profile of the pensioners and the projected economic conditions, then the Council would have to make larger contributions to the Pension Fund in the future.

Resolved:

- 1. That the draft Statement of Accounts 2009/10 be approved for publication and be made available to the External Auditors for audit.**
- 2. That the report be noted.**

10. THE AUDIT COMMISSION'S 2009/10 AUDIT OPINION PLAN

The External Auditor submitted a report which provided feedback on their risk assessment and in light of the work carried out by the Council's previous external auditors KPMG. The cost of the audit was based on the assumption that the level of risk is consistent with the findings of KPMG and that the quality of papers is as good as the previous year.

Councillor Woods commented that the risks identified had reduced dramatically. The External Auditor confirmed that if the level of work and risks reduces, they would be willing to discuss their fees. The announcement that the CAA has ceased will reduce work in the future. The savings needed in Government mean that the Audit Commission is potentially facing efficiency savings of around 30% which could be reflected in the fees.

The External Auditor advised of the potential conflict of interest outlined in the report and Audit Committee were satisfied that it appeared to be a low level risk and the individual was not in a position to influence the audit.

Resolved: That the plan be noted.

11. EXCLUSION OF PUBLIC AND PRESS

The Chair moved that the Public and Press be excluded from the remainder of the meeting on the grounds that there was likely to be disclosure to them of such categories of exempt information as defined by Section 100(1) of the Local Government Act 1972 as listed against such items of business by reference to the appropriate paragraph of Schedule 12A to such Act.

The Motion was Carried.

The meeting concluded at 20.21

Agenda Item 8

Appendices
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Item No.

8

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	TREASURY MANAGEMENT OUTTURN 2009-10 AND TREASURY MANAGEMENT REPORTING AND TRAINING 2010-11
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	26 July 2010
Policy Document:	No
Directorate:	Finance & Support
Accountable Cabinet Member:	David Perkins

1. Purpose

- 1.1 To put the draft Treasury Outturn Report for 2009-10 before Audit Committee for review prior to it being put to Cabinet and Council for noting in September, and to invite them to put forward recommendations as they think appropriate.
- 1.2 To advise Audit Committee of the proposed reporting timetable for treasury management reports and seek comments on those proposals
- 1.3 To advise Audit Committee of outline proposals for member training in treasury management, to seek comments on those proposals and to invite Audit Committee to indicate any specific training needs.
- 1.4 To ask Audit Committee to put forward recommendations for treasury management strategy, policy or procedures for consideration.

2. Recommendations

2.1 That Audit Committee:

- a) Review the draft Treasury Outturn Report for 2009-10 prior to it being put to Cabinet and Council for noting in September, and put forward recommendations as they think appropriate.
- b) Note and put forward comments on the proposed reporting timetable for treasury management reports
- c) Note and put forward comments on the outline proposals for member training in treasury management and indicate any specific training needs that they have identified.
- d) Put forward recommendations for treasury management strategy, policy or procedures for consideration.

3. Issues and Choices

3.1 Report Background

3.1.1 A report was brought to Audit Committee on 22 March 2010 that explained new regulatory requirements for the Council to place greater emphasis on the scrutiny of treasury management strategies and policies. Under these arrangements the Audit Committee has been nominated by Council as the body responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. This role includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and the making of recommendations to Council.

3.2 Issues

Treasury Management Outturn 2009-2010

3.2.1 The Council's draft Treasury Management Outturn Report for 2009-10 is attached at Appendix A. This comprises a covering report and annexes (A to G). This report is timetabled to go to Cabinet and Council for noting in September 2010.

3.2.2 Audit Committee are asked to review the report and to put forward recommendations to Cabinet and Council as they think appropriate.

Treasury Management Reports

3.2.3 Treasury management reports include, at a minimum:

- Annual Treasury Management Strategy Report
- Treasury Management Mid-year Report
- Treasury Management Outturn Report

3.2.4 A clear timetable is needed to ensure that the Audit Committee has prior scrutiny of all treasury management strategies, policies, practices and reports to Cabinet and Council.

3.2.5 The following timetable is proposed for 2010-11 financial year.

Report	Audit Committee	Cabinet	Council
Treasury Management Outturn Report 2009-10	July 2010	Sept 2010	Sept 2010
Treasury Management Mid-year Report 2010-11	Nov 2010	Dec 2010	Jan 2011
Annual Treasury Management Strategy Report 2011-12 to 2013-14	Jan 2011	Feb 2011	Feb 2011

3.2.6 Audit Committee are advised that due to the interdependence between the Council's capital programme, revenue budget, prudential indicators and treasury strategy, some detailed parts of the annual strategy report brought before them in January are likely to be subject to change before going on to the budget setting meetings of Cabinet and Council in February.

3.2.7 Audit Committee are invited to comment on the proposed reporting timetable for treasury management reports.

Treasury Management Training

3.2.8 The responsible officer (the Section 151 Officer) must ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

3.2.9 Audit Committee members are required by the statutory guidance to recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

3.2.10 It is proposed that training in treasury management for Audit Committee members is aligned to the treasury management reporting timetable, with half hour training slots preceding relevant Audit Committee meetings. Outline proposals are set out in the table below:

Date	Focus	Desired outcome
July 2010	Treasury Management Outturn Report 2009-10	Understanding of key points arising
Nov 2010	Treasury Management Mid-year Report 2010-11	Understanding of key points arising
Jan 2011	Annual Treasury Management Strategy Report 2011-12 to 2013-14	Understanding of key points arising

3.2.11 A wider training programme on treasury management will be offered to all Council members during the year.

3.2.12 Audit Committee are asked to comment on the outline proposals for member training in treasury management, and to indicate any specific training needs that they have identified.

Treasury Management Mid Year Report

3.2.13 In line with the proposed timetable at paragraph 3.2.5 a Treasury Management Mid Year Report for 2010-11 will be brought to Audit Committee in November 2010. Audit Committee are asked are to put forward any suggestions or recommendations for treasury management strategy, policy or procedures for consideration.

3.3 Choices (Options)

3.3.1 Audit Committee have the option to comment on the areas considered in the report and to make recommendations to Officers and to Cabinet and Council.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The Council is required to adopt the latest CIPFA Treasury Management Code of Practice, and to set and agree the following policy and strategy documents:

- A Treasury Management Policy Statement
- Treasury Management Practices (TMPs) and TMP Schedules
- An annual Treasury Strategy incorporating:
 - The Capital Financing and Borrowing Strategy for the year including:
 - The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.
 - The Affordable Borrowing Limit for the year as required by the Local Government Act 2003.
 - The Investment Strategy for the year as required by the CLG Guidance on Local Government Investments issued in 2004, and updated in 2010.
- A mid-year review report and an annual review report of the previous year.

These documents are reported to Cabinet and Council as part of the budget setting process or at appropriate points during the year.

3.2.14 The updated CIPFA Treasury Management Code of Practice (published in 2009) requires the Council to place greater emphasis on the scrutiny of treasury management strategies and policies. This includes the nomination of the body (such as an audit or scrutiny committee) responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. Council has nominated the Audit Committee for this role, which includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and the making of recommendations to Council.

4.2 Resources and Risk

- 4.2.1 The risk management of the treasury function is considered as an integral part of day-to-day treasury activities, and is also specifically covered in the Council's Treasury Management Practices (TMPs), which are reviewed annually.
- 4.2.2 The outturn report for 2009-10 attached as an Appendix to this report includes an analysis of the risk implications of decisions taken and transactions executed during 2009-10.

4.3 Legal

- 4.3.1 The Council is obliged to carry out its treasury management activities in line with statutory requirements and associated regulations and professional guidance. The relevant legislative and regulatory documents are referred to within the report and annexes and listed in the background papers

4.4 Equality

- 4.4.1 Annual Equalities Impact Assessments are carried out on the Council's Treasury Strategy and the associated Treasury Management Practices (TMPs) and Schedules to the TMPs. These are reported to Cabinet and Council in February of each year.

4.5 Consultees (Internal and External)

- 4.5.1 Consultation on treasury management matters is undertaken as appropriate with the Council's treasury advisers, Sector, and with the Portfolio holder for Finance

4.6 Other Implications

- 4.6.1 No other implications have been identified

5. Background Papers

Statute, Regulation and Guidance

Please see the Treasury Management Outturn Report at Appendix A for a full list of current statute, regulation and guidance relating to treasury management.

Reports to Audit Committee, Cabinet & Council

Treasury Strategy 2009-10 to 2011-12 – Report to Cabinet 19 February 2009 & Council 26 February 2009

Treasury Strategy 2010-11 to 2012-13 – Report to Cabinet 24 February 2010 & Council 25 February 2010

Treasury Strategy 2010-11 to 2012-13 – Report to Audit Committee 22 March 2010

Report Author: Bev Dixon, Finance Manager – Capital & Treasury, ext 7401

Appendices

7



NORTHAMPTON
BOROUGH COUNCIL

Item No.
[For Democratic
Services Use only]

CABINET REPORT

Report Title

TREASURY MANAGEMENT OUTTURN 2009-10

AGENDA STATUS:

PUBLIC

Cabinet Meeting Date:	22 September 2010
Key Decision:	NO
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Finance and Support
Accountable Cabinet Member:	David Perkins
Ward(s)	Not Applicable

1. Purpose

- 1.1 To inform the Cabinet of the Council's performance in relation to its borrowing and investment strategy for 2009-10.

2. Recommendations

- 2.1 That the Cabinet recommend to Council that they note the Council's Treasury Management Performance in 2009-10.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Council adopted the CIPFA Code of Practice on Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (“the Treasury Management Code of Practice”) following its publication in 2001.
- 3.1.2 During 2009, in the light of the impacts on local authorities of the Icelandic bank situation in 2008, CIPFA published a fully revised second edition of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and a fully revised third edition of the Guidance Notes for Local Authorities. The adoption of the updated code was formally minuted as a decision at the Council meeting of 25 February 2010.
- 3.1.3 The Treasury Management Code of Practice includes recommendations on reporting requirements. The table below shows how the specific requirements have been incorporated into this report.

Reporting Requirement	Reference
Report on the risk implications of decisions taken and transactions executed	Paragraph 3.2.13
Transactions executed and their revenue (current) effects	Paragraph 3.2.14 to 3.2.17 Annexes B to F
Performance report	Paragraph 3.2.14 to 3.2.17 Annexes B to F
Monitoring of treasury management indicators for local authorities.	Paragraph 3.2.18 Annex G
Compliance report on agreed policies/practices and on statutory/regulatory requirements	Paragraph 3.2.19

3.2 Issues and Choices

Accounting & Audit Issues

- 3.2.1 The 2009 CIPFA Statement of Recommended Practice (2009 SORP) includes a complex set of regulations on accounting for financial instruments. These requirements have been fully complied with in the preparation of the Council’s Statement of Accounts.
- 3.2.2 The regulations include the values at which financial instruments, including borrowing and investments, should be calculated for inclusion on the balance sheet at year-end. In some instances this is at amortised cost, whereby the balance sheet value is written up or down via the income and expenditure account over the life of the instrument to reflect costs or benefits, such as transaction costs or interest earned or due to date. Alternatively, financial instruments may be valued on their original cash value
- 3.2.3 In summary, and broadly speaking, the balance sheet values of the Council’s debt and investments at 31 March 2010 are held as follows:

Borrowing (Financial Liabilities)	
Long term borrowing	Amortised cost
Short term borrowing	Original (cash) value
Investments (Financial Assets)	
Deposit and call accounts	Original (cash) value
Short term money market investments	Amortised cost

- 3.2.4 All outturn figures contained in this report are subject to external scrutiny, through the annual audit of the Council’s Statement of Accounts.

Economic Environment

- 3.2.5 The UK, along with most major world economies, began 2009 in recession following the worldwide banking crisis of 2008. Banks were reluctant to lend due to fears over their weakened balance sheets, and many governments were forced to rescue their major banks in order to prevent the collapse of the world banking system. Central bank rates were cut in an attempt to counter the recession; the UK bank base rate was cut to 0.5% in March 2009 and has remained at this level.
- 3.2.6 In March 2009, the UK Monetary Policy Committee began a programme of quantitative easing to increase liquidity in the economy in order to stimulate growth. This resulted in a reduction in borrowing costs, and caused the spread between bank base rate and investment rates to decrease from 0.95% to zero during the first 5 months of the year, reducing income for investors.

- 3.2.7 Worldwide, government debt increased in 2009-10 as more support was given to failing banks, and the sovereign ratings of several countries were downgraded due to weak growth and increased debt. The credit ratings of many worldwide banks continued to be unstable throughout the year, and while the frequency of downgrades has now decreased, negative rating watches remain in place for many counterparties.
- 3.2.8 Standard and Poor's placed a negative outlook on the UK's AAA sovereign rating in May 2009, amid concerns that UK government debt could approach 100% of GDP. This outlook remained in place throughout the year, due to uncertainty over the result of the 2010 general election and the ability of the government to produce an achievable plan for the reduction in budget deficit.
- 3.2.9 While economic growth returned in the US and the EU in the third quarter of 2009, recovery in the UK was slower. The UK eventually came out of recession in the final quarter of 2009, with growth at 0.4%. Opinion remains divided on the speed and strength of recovery of the major world economies, and interest rate forecasts vary significantly between analysts. In the UK concerns remain over the possibility of a double dip recession caused by a reluctance of consumers to spend in a period of tax increases and redundancy threats, and the potential impact of the current economic climate in the EU on the UK. Even the most optimistic forecasts do not expect UK bank base rate to increase until the end of 2010.

Interest Rates

- 3.2.10 Interest rates were closely monitored during the course of the year. The bank base rate remained at 0.5% throughout 2009-10. The average 7 day London Interbank Bid Rate (LIBID), and average 7 day London Interbank Offered Rate (LIBOR) fell sharply in the first six months of 2009-10, then started to increase again during the second half of the year.
- 3.2.11 Rates for money market investments fell in line with the LIBID in the first half of the year, reaching a low point in September 2009 before slowly beginning to rise again in the final six months of 2009-10
- 3.2.12 **Annex A** shows this information in graphical form and also includes definitions of the key terms used (Bank of England base rate, LIBID rate, LIBOR rate).

Risk implications of decisions taken and transactions executed

- 3.2.13 The Treasury Management Code of Practice identifies eight main treasury management risks. Definitions of these are included in the Council's Treasury Management Practices (TMPs) for 2010-11 reported to Cabinet on 24 February 2010 & Council 25 February 2010. The management of these risks during 2009-10 is covered in the following paragraphs.
- a) Credit and counterparty risk – In the economic and banking environment that prevailed during 2009-10 this was an area of considerable risk for all local authority investors. The Council managed this risk extremely closely during 2009-10 through strict adherence to its treasury management policies and practices and a tightly controlled counterparty list that took into account a range of relevant factors including sovereign rating, credit

ratings, inclusion in the UK banking system support package and credit default swap spreads. The advice of the Council's treasury management advisors was also an underlying feature. The Council was not subject to the failure of any of its counterparties to meet their contractual obligations to the Council under treasury transactions during 2009-10.

- b) Liquidity risk – This was managed effectively during 2009-10 through proactive management of the Council's cashflow, including the choice of suitable investment values and maturity dates and the maintenance of sufficient levels of liquid cash in bank and deposit accounts. The Council also maintained its access to overdraft facilities and temporary borrowing facilities as a contingency for use in exceptional circumstances. The Council undertook £6m of long term borrowing in advance of need to fund planned capital expenditure over the coming two to three years. These sums were invested within the rules of the Council's agreed investment and counterparty policies.
- c) Interest rate risk - The Council's upper limits for fixed and variable interest rate exposures in respect of net external debt are managed as treasury indicators. These are reported at Annex G. The indicators were not breached during 2009-10.
- d) Exchange rate risk - The Council has a policy of only entering into loans and investments that are settled in £ sterling, and has no treasury management exposure to this category of risk.
- e) Refinancing risk – The Council did not refinance any of its debt during 2009-10 and was therefore not exposed to this category of risk during the year.
- f) Legal and regulatory risk - The Council has carried out its treasury management activities for 2009-10 within the current legal and regulatory framework. Officers responsible for strategic and operational treasury management decisions are required to keep abreast of new legislation and regulations impacting on the treasury management function, and have applied any changes as necessary. Legal and regulatory risks associated with other organisations with which the Council deals in its treasury management activities have been managed through counterparty risk management policies.
- g) Fraud, error and corruption and contingency management - Officers involved in treasury management are explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Council. All treasury activities must be carried out in strict accordance with the agreed systems and procedures in order to prevent opportunities for fraud, error and corruption. The measures in place to ensure this include a scheme of delegation and segregation of duties, internal audit of the treasury function, detailed procedure notes for dealing and other treasury functions, and emergency and contingency planning arrangements (including a business continuity plan for treasury management). The internal audit report on treasury

management for 2009-10 gave a high level of assurance with no recommendations for action.

- h) Market risk – The Council did not hold any investments during 2009-10 that were subject to fluctuations in market value, such as gilts and CDs (Certificates of Deposit), and was therefore not exposed to this category of risk during the year.

Performance Report - Borrowing

3.2.14 Long Term Borrowing

- a) **Annex B** shows the Council's long-term debt as at 31 March 2010 at amortised cost. The total debt outstanding is £32m. Of this amount, 77% (£24.8m) is in the form of money market LOBO loans, 19% (£6m) is PWLB borrowing and the remaining balance of 4% (£1.2m) is in the form of an annuity loan with the Homes and Communities Agency (HCA).
- b) No loans were repaid during the year other than the repayment of the principal element of the annuity with HCA (£14k) due in 2009-10. The principal amount due to HCA in 2010-11 (£16k) is treated as short-term borrowing and is included in the discussion at paragraph 3.2.15 below.
- c) New borrowing of £6m was undertaken during January 2010 in the form of three £2m fixed rate maturity loans from the Public Works Loan Board (PWLB), for periods of six, seven and eight years respectively.
- d) The timing of the loans, to fund capital expenditure over the next three years, was on the advice of the Council's treasury advisors, Sector, who, in line with other forecasters anticipate that borrowing rates will rise in the short to medium term. Sector also advise that the loans are rescheduled to longer maturity periods when long-term borrowing rates have subsequently decreased back to lower levels.
- e) No rescheduling of loans took place during the financial year.
- f) Under Section 3 of the Local Government Act 2003, the Council is required to set an annual affordable borrowing limit. This limit is also set as a prudential indicator, i.e. the authorised borrowing limit. The affordable borrowing limit for 2009-10 was set by Council at its meeting on 26 February 2009.

Compliance is demonstrated below:

	Affordable Borrowing Limit as set 26 February 2009	Maximum Actual Amount Outstanding in Year
Overall Borrowing	£43m	£32m

- g) **Annex C** illustrates the Council's long-term debt maturity profile as at 31 March 2010.

Two LOBO loans totalling £15.6m are due for repayment in 2014-15. As current interest rates are lower than the rates applicable to these loans, rescheduling of this debt at current rates would incur high premiums, and would therefore not be beneficial. Options for the repayment or rescheduling of these loans will be revisited nearer to their maturity date, and advice taken from Sector the Council's treasury management advisers.

3.2.15 Short Term Borrowing

- a) The year-end position on temporary borrowing, and the range of rates applied, is set out at **Annex D**.
- b) The Council has long-standing agreements with two local organisations, Billing Parish Council and Northampton Volunteering Centre, for the short-term deposit of funds with the Council. Accounting regulations require that these be treated in the accounts as short-term borrowing. The interest rate applicable on these accounts is set quarterly using the Council's average investment rate for the previous quarter, less 0.5% to cover administrative costs.
- c) The repayment of the principal element of the HCA annuity (£16k) due in 2010-11 is also treated as short term borrowing in the accounts in order to comply with accounting requirements.

Performance Report - Investments

3.2.16 Investments Strategy

- a) The CLG Guidance on Local Government Investments requires Councils to set an Investment Strategy. The regulations in force for 2009-10 required this to cover types of investment, liquidity issues, interest rates and prudential indicators. The Council's Investment Strategy for 2009-10 was included in the Treasury Strategy for 2009-10, approved by Council at its meeting on 26 February 2009.
- b) Investments are split into 2 categories:
- (i) Specified investments which are broadly sterling investments, not exceeding 364 days and with a high credit rating; and
 - (ii) Non-specified investments that do not satisfy the conditions for specified investments.

- c) The Council's Investment Strategy for 2009-10 set out the Council's credit rating criteria for specified investments, and the types of unspecified investments that it might enter into, including investments over 364 days.
- d) All money market investments made during the year were specified investments.
- e) Following the collapse of the Icelandic banks in 2008, the Council severely restricted its list of approved investment counterparties and shortened the maximum investment period in order to safeguard investments. These changes led to decreased return on investments, in an overall depressed market, as short-term investment rates were significantly lower than the longer-term rates, The limited number of available investment counterparties also led to more deposits being placed with the UK Debt Management Office, at rates below bank base rate.
- f) In November 2009, following a period of increased stability of credit ratings, the maximum period for investments with counterparties on the Council's existing counterparty list was extended from 3 months to 12 months, subject to (a) the investment being within the Council's external treasury adviser's recommended time limit for the counterparty, and (b) that a maximum of £10m was invested in this way. This was approved by the Chief Finance Officer on 2 November 2009, and reported to Cabinet on 25 November 2009. £8m was invested for periods between 3 and 12 months during 2009-10, which led to a slight increase in the overall rate of return on investments.
- g) Instant access deposit accounts were used during 2009-10 to ensure liquidity and security of funds; the average balance in deposit accounts throughout the year was £10m, representing 16% of the overall investment portfolio.
- h) The total value of investments held at 31st March 2010, at amortised cost for money market investments and cash values for deposit accounts, was £49m. All investments were placed with reference to the pre-determined lending list, in line with the investment strategy.

Investment Type	Balance at 31 March 2010 £m
Building Societies	3.00
Cash on Deposit	3.40
Banks	42.73
Total	49.13

- i) Most short-term investments were held for cashflow purposes. 70 money market investments were made during the year (excluding instant access

deposit accounts). The range of investment periods was from 1 day to 364 days (1 year). The average investment period was 83 days.

- j) **Annex E** shows the analysis of the Council's performance on investment returns by plotting the Council's average monthly investment rate achieved against the average 7 day London Interbank Bid Rate (LIBID), and the average 7 day London Interbank Offered Rate (LIBOR). The average rate achieved was 1.66% compared to 0.42% LIBID, and 0.55% LIBOR.
- k) Longer term investments entered into at the beginning of 2008 when interest rates were high enabled the Council to achieve a significant variance above the LIBID rate at the beginning of the year. The Council's rate of return fell significantly during the first half of the year as most of these investments matured and the funds were reinvested at lower rates.
- l) Following the revision of the Investment Strategy in November 2009, Council officers were able to access the higher rates available for investments made for periods over 3 months, and the rate of return began to rise again from the low point in November, with variance against the LIBID rate continuing to increase steadily for the rest of 2009-10.
- m) The Council does not hold any financial instruments listed or publicly traded on a stock exchange.

Performance Report - Debt Financing Budget Outturn

3.2.17 **Annex F** shows the budget, outturn and variance for the Council's debt and investment portfolio in 2009-10. This demonstrates the revenue (current) effects of the treasury transactions executed. A summary is set out below:

Budget Comparison	Approved Budget 2009-10 £000	Outturn 2009-10 £000	Variance 2009-10 £000
Debt Financing & Interest	1,083	1,122	39

Prudential Indicators and Treasury Management Indicators

3.2.18 Throughout the course of the year the Council's treasury staff have monitored the prudential Indicators and the treasury management indicators set for 2009-10. No indicators were breached during the financial year. The outturn indicators are shown at **Annex G**. These are at original (cash) value rather than amortised cost, in line with the requirements of the Prudential Code.

Compliance with agreed policies and practices, and statutory and regulatory requirements

3.2.19 The Council's officers and members have individual and collective responsibilities to comply with agreed policies and practices and statutory and regulatory requirements. These are set out in detail in the Schedules to the Council's Treasury Management Practices (TMPs). There were no recorded breaches of these responsibilities during 2009-10.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The Council is required to adopt the latest CIPFA Treasury Management Code of Practice, and to set and agree the following policy and strategy documents:

- a) A Treasury Management Policy Statement
- b) Treasury Management Practices (TMPs) and TMP Schedules
- c) An annual Treasury Strategy incorporating:
 - (i) The Capital Financing and Borrowing Strategy for the year including:
 - The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.
 - The Affordable Borrowing Limit for the year as required by the Local Government Act 2003.
 - (ii) The Investment Strategy for the year as required by the CLG Guidance on Local Government Investments issued in 2004, and updated in 2010.
- d) A mid-year review report and an annual review report of the previous year.

These documents are reported to Cabinet and Council as part of the budget setting process. The Council's Treasury Strategy for 2009-10 was approved by Council at its meeting on 26 February 2009.

3.1.4 The updated CIPFA Treasury Management Code of Practice (published in 2009) requires the Council to place greater emphasis on the scrutiny of treasury management strategies and policies. This includes the nomination of the body (such as an audit or scrutiny committee) responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. The Audit Committee has been nominated for this role, which includes the review of all treasury management policies and procedures, the review of all

treasury management reports to Cabinet and Council, and for making recommendations to Council.

4.2 Resources and Risk

- 4.2.1 The resources required for the Council's debt management and debt financing budgets are agreed annually through the Council's budget setting process. The debt financing budget outturn position is shown at paragraph 3.2.17 and Annex F.
- 4.2.2 The risk management of the treasury function is an integral part of day-to-day treasury activities. It is also specifically covered in the Council's Treasury Management Practices (TMPs), which are reviewed annually.
- 4.2.3 The risk implications of decisions taken and transactions executed during 2009-10 financial year are discussed in the body of the report at paragraph 3.2.13.

4.3 Legal

- 4.3.1 The Council is obliged to carry out its treasury management activities in line with statutory requirements and associated regulations and professional guidance. The relevant legislative and regulatory documents are referred to within the report and listed in the background papers.

4.4 Equality

- 4.4.1 An Equalities Impact Assessment was carried out on the Council's Treasury Strategy for 2009-10, and the associated Treasury Management Practices (TMPs) and the Schedules to the TMPs. This was included as an annex to the report to Cabinet on 19 February 2009 and to Council on 26 February 2009.
- 4.4.2 As a result of that assessment, it was noted that the potential impact of the strategy and associated documents (including Treasury Management Practices (TMPs) and the Schedules to the TMPs) on the different equalities groups must be considered as it is developed and put together each year. This includes the consideration of the potential impact on the different equalities groups of any processes, procedures or outcomes arising from these.

4.5 Consultees (Internal and External)

- 4.5.1 Consultation on treasury management matters is undertaken as appropriate with the Council's treasury advisers, Sector, and with the Portfolio holder for Finance.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 The Council is required to keep its Treasury Management Strategy under review and monitor against it. The strategy should reflect the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services.
- 4.6.2 This supports the Council's priority to be a well-managed organisation that puts our customers at the heart of what we do.

4.7 Other Implications

- 4.7.1 No other implications have been identified

5. Background Papers

Statute, Regulation and Guidance

CIPFA Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes 2001

Local Government Act 2003

Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

CIPFA Prudential Code for Capital Finance in Local Authorities 2003

ODPM Guidance on Local Government Investments 2004

CIPFA Treasury Management in the Public Services - Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (Fully Revised Second Edition 2006)

CIPFA Prudential Code for Capital Finance in Local Authorities – Fully Revised Guidance Notes for Practitioners 2007

Audit Commission. Risk & Return: English Local Authorities and the Icelandic Banking Crisis (March 2009)

CLG Select Committee report on Local Authority Investments (11 June 2009)

The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008

CIPFA Prudential Code for Capital Finance in Local Authorities (Fully Revised Second Edition) 2009

CIPFA Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes (Fully Revised Second Edition) 2009

CIPFA Treasury Management in the Public Services - Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (Fully Revised Third Edition) 2009

CLG Guidance on Local Government Investments (11 March 2010)

Reports to Cabinet & Council

Treasury Strategy 2009-10 to 2011-12 – Report to Cabinet 19 February 2009 & Council 26 February 2009

Prudential Indicators for Capital Finance 2009-10 to 2011-12 – Monitoring to 30 September 2009 – Report to Cabinet 25 November 2009 (*Informs Cabinet of a change to the Council's investment counterparty limits approved by the Chief Finance Officer on 2 November 2009*)

Treasury Strategy 2010-11 to 2012-13 – Report to Cabinet 24 February 2010 & Council 25 February 2010 (*Contains formal adoption of the fully revised second edition of CIPFA Code of Practice for Treasury Management*)

Bev Dixon, Finance Manager – Capital & Treasury, ext 7401

REPORT COMPLETION CHECK LIST

Note: Steps 1 – 25 should be completed BEFORE report goes to call-over

		Yes	No	Initials
	Forward Plan			
1	Does the issue need to come for a Cabinet decision?	Yes		BD
2	Has the issue been discussed with Portfolio Holder?			
3	Have the ward Cllrs been made aware of the issue?	N/A		BD
4	Is it agreed if the issue is a KEY or NON-KEY decision?	Yes		BD
5	Is the title confirmed as it will appear on the agenda?	Yes		BD
6	Has the item gone onto the current Forward Plan?	Yes		BD
7	Write Report (check formatting)			
8	Is it on the correct (latest) template?	Yes		BD
9	Are the pages numbered?	Yes		BD
10	Is the alignment consistent (should be left aligned)?	Yes		BD
11	Is the paragraph numbering correct?	Yes		BD
12	Is the font set throughout at Arial 12?	Yes		BD
	Have you used the same format for bullet points throughout the report?	Yes		BD
13	Does the report state clearly if it is PRIVATE?	N/A		BD
14	Is the correct date on the report?	Yes		BD
15	Have you deleted KEY/NON-KEY	Yes		BD
16	Have you put the correct Directorate(s)	Yes		BD
17	Have you put the correct Portfolio Holder(s)	Yes		BD
18	Have you run a spell / grammar check?	Yes		BD
19	Write Report (content)			
20	Attach appendices and insert number on front of report	Yes		BD
21	Is the Report content agreed with: Portfolio Holder?			
22	Director?			
23	Accountant?	Yes		BD
24	Legal Services?			
25	Send Report to Democratic Services			
26	Report Presented to Call Over (by Author/Director)			
27	Refer to Call-Over Notes (sent following meeting)			
28	Is the report cleared to go on the agenda?			
29	Report updated to reflect Mngt Board comments			
30	Tick sheet completed?			
31	Send updated report to Democratic Services			

Friday after Call Over: Reports to IP/FF

IP/FF return reports to Director with comments

Following Wednesday: Final input from Portfolio Holder

Friday am: Reports to IP → FF → Democratic Services

Fri pm /Weekend /Mon am: Reports cleared by IP / FF / DK

Monday am: Reports returned to Democratic Services

Monday Midday: Reports to Print

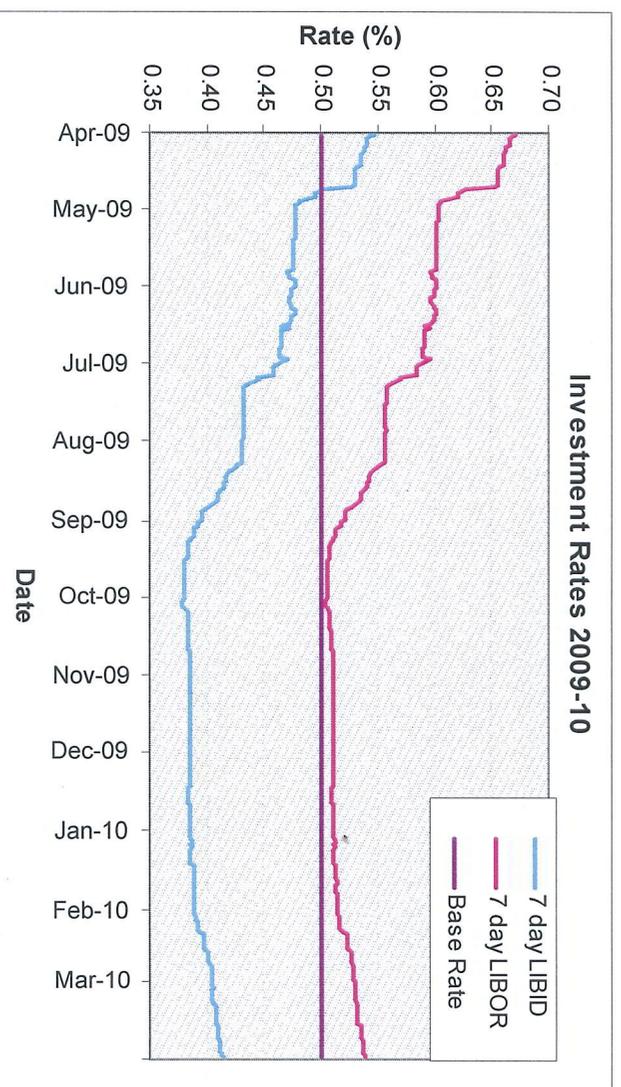
Tuesday: Agenda collated/ Published /distributed

Interest Rate Movements 2009-10

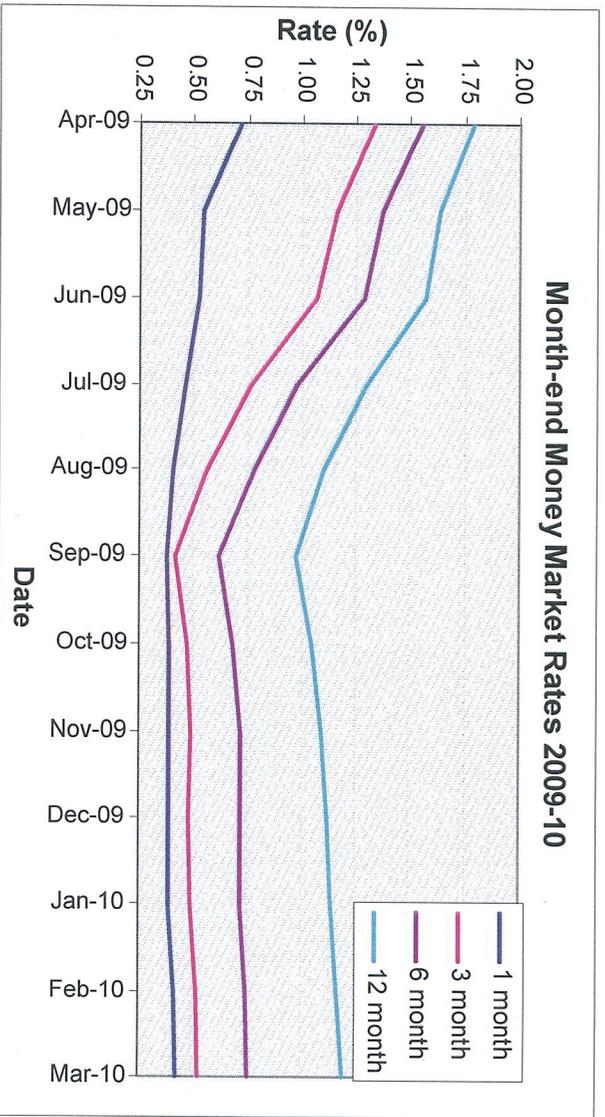
Definitions of key terms used are set out below.

Bank of England Base Rate	The interest rate at which the Bank of England lends to financial institutions. This affects interest rates set by commercial banks, building societies and other institutions. Changing interest rates affects spending in the economy. A reduction in interest rates makes saving less attractive and borrowing more attractive, stimulating spending. The opposite occurs when interest rates are increased.
Libor Rate	The London Interbank Offered Rate is based on the average rate at which banks offer to lend to other banks.
Libid Rate	The London Interbank Bid Rate is the rate bid by banks on Eurocurrency deposits, i.e., the rate at which a bank is willing to borrow from other banks.

Interest rates were closely monitored during the course of the year. The bank base rate remained at 0.5% throughout 2009-10. The average 7 day London Interbank Bid Rate (LIBID), and average 7 day London Interbank Offered Rate (LIBOR) fell sharply in the first six months of 2009-10, then started to increase again during the second half of the year. This is illustrated in the graph below.

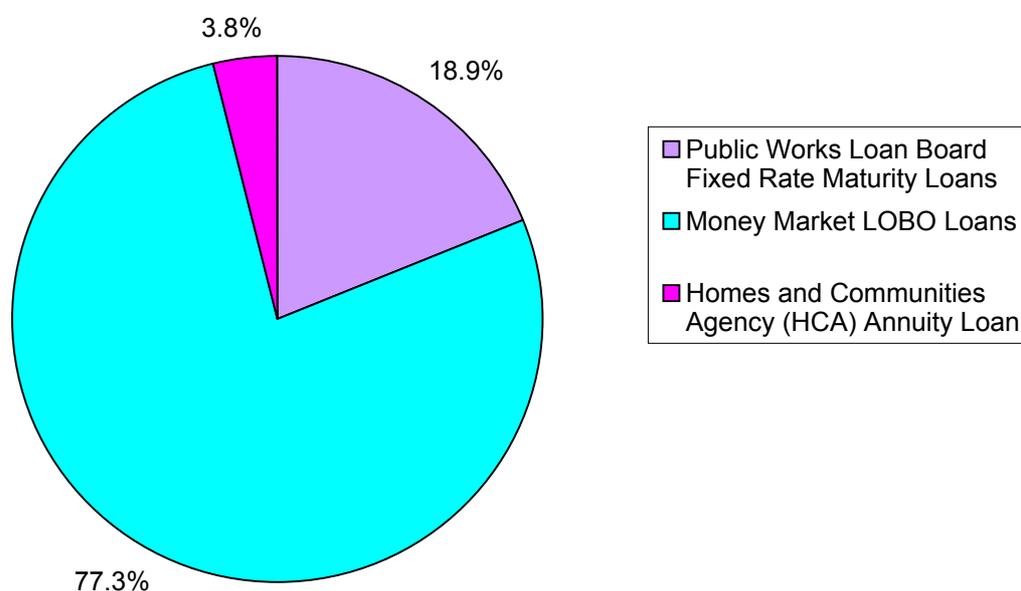


Rates for money market investments fell in line with the LIBID in the first half of the year, reaching a low point in September 2009 before slowly beginning to rise again in the final six months of 2009-10.



Long Term Borrowing as at 31st March 2010

	Principal £'000	Proportion of Debt %	Range of Interest Rates Paid within the Year	
			From %	To
Public Works Loan Board Fixed Rate Maturity Loans	6,049	19	3.47	3.97
Money Market LOBO Loans	24,787	77	4.85	7.03
Homes and Communities Agency (HCA) Annuity Loan	1,226	4	9.25	9.25
Total Long Term Debt Outstanding at 31st March 2010	32,062	100		



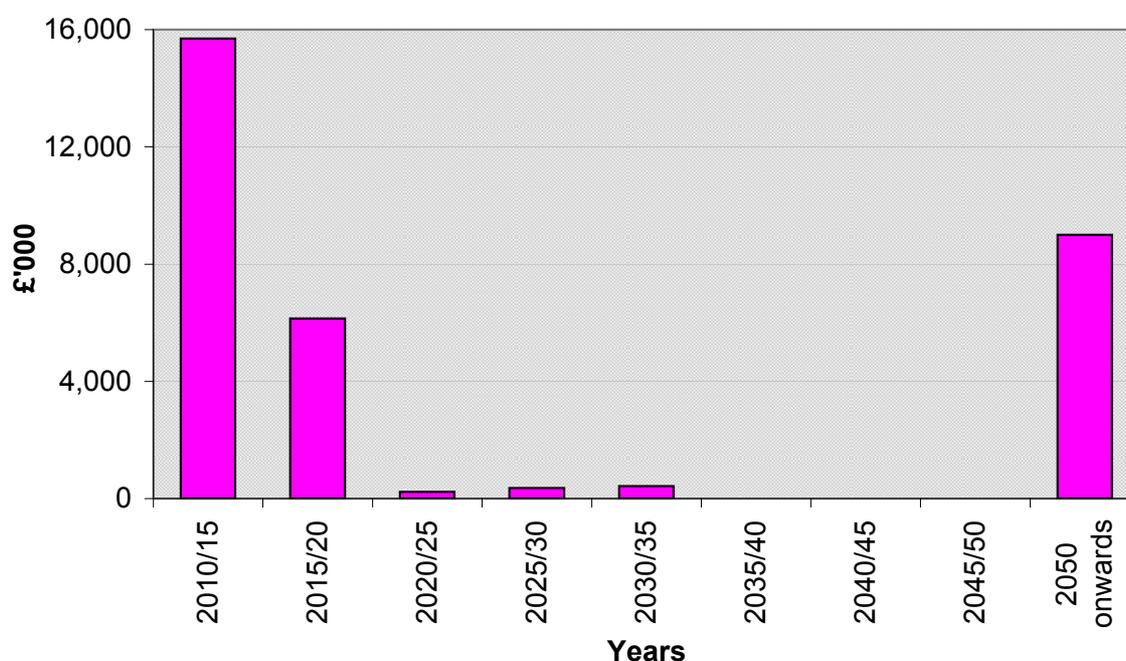
Figures shown at amortised cost as per the CIPFA SORP 2009

Long Term Debt Maturity Profile as at 31st March 2010

	Time Frame	Year	Value of Loans Maturing £'000	Proportion of Long Term Debt %
Within:	5 years	2010/15	15,694	49.3
	10 years	2015/20	6,146	19.3
	15 years	2020/25	227	0.7
	20 years	2025/30	354	1.1
	25 years	2030/35	420	1.3
	30 years	2035/40		0.0
	35 years	2040/45		0.0
	40 years	2045/50		0.0
Over:	40 years	2050 onwards	9,000	28.3
Total			31,842	100.0

The LOBO loans mature in 2014-15 (£15.6m) and in 2065/66 (£9m). The PWLB Loans mature in 2016, 2017 and 2018 (£2m each year, £6m in total). The HCA annuity is repaid across the term of the loan, with the final payment due in 2033-34.

Long Term Debt Maturity Profile as at 31st March 2010



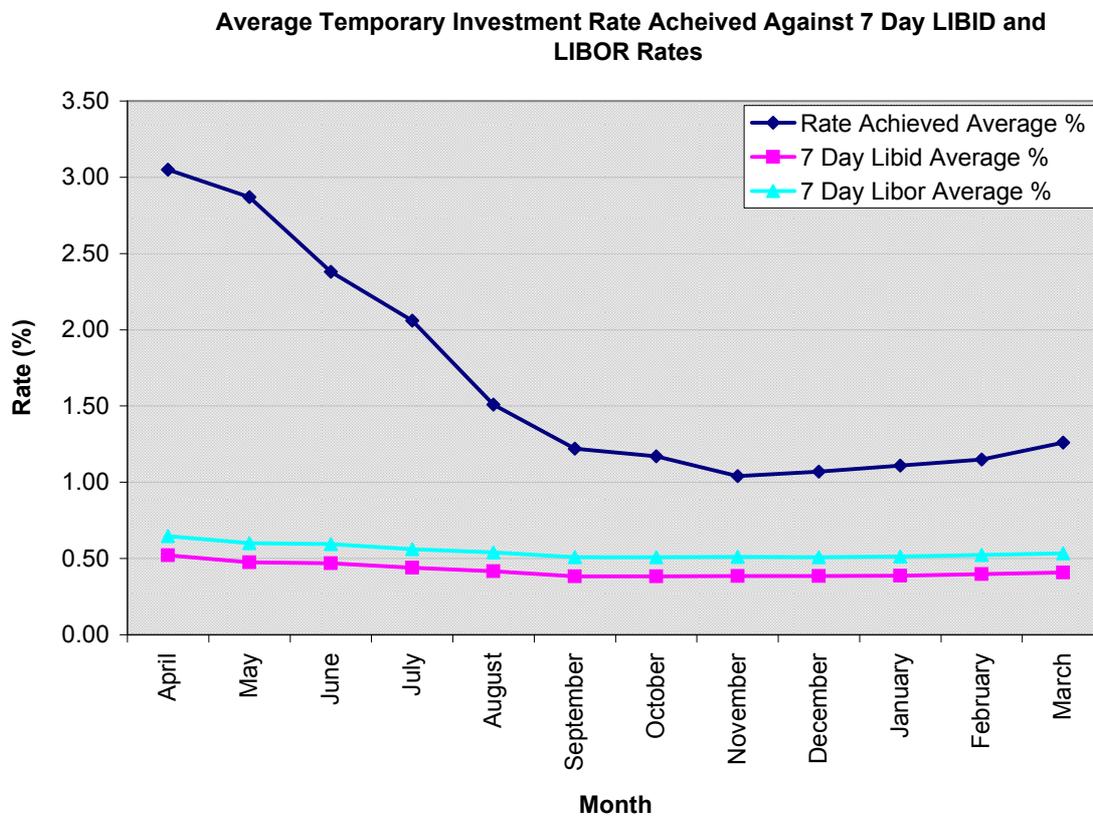
Figures shown at original (cash) value rather than amortised cost to reflect commitment at maturity

Short Term Borrowing as at 31st March 2010

	Principal £'000	Proportion of Debt %	Range of Interest Rates Paid within the Year	
			From %	To %
Northampton Volunteering Centre 7 Day Notice Account	94	52.3	0.59	3.42
Billing Parish Council 7 Day Notice Account	70	39.0	0.59	3.42
Homes and Communities Agency (HCA) principal due within one year	16	8.7	9.25	9.25
Total Debt Outstanding at 31st March 2010	180	100		

Shown at original (cash) value as per the CIPFA SORP 2009

Comparison of investment rate achieved against 7 day LIBID and 7 day LIBOR



	Rate Achieved Average %	7 Day Libid Average %	7 Day Libor Average %	Variance - Rate achieved to Libid %
April	3.05	0.52	0.65	2.53
May	2.87	0.48	0.60	2.39
June	2.38	0.47	0.59	1.91
July	2.06	0.44	0.56	1.62
August	1.51	0.42	0.54	1.09
September	1.22	0.38	0.51	0.84
October	1.17	0.38	0.51	0.79
November	1.04	0.38	0.51	0.66
December	1.07	0.38	0.51	0.69
January	1.11	0.39	0.51	0.72
February	1.15	0.40	0.52	0.75
March	1.26	0.41	0.53	0.85
Average for Year	1.66	0.42	0.55	1.24

The Monthly Return percentage is calculated by dividing the total interest earned in the month by the average principal invested in deposit accounts and temporary investments. This is then plotted on a graph against the base rate, libid and libor rates to show NBC's performance against the benchmarks.

As most investments are fixed for a set period, changes in the base rate which tend to affect the libid and libor rates immediately will not usually be reflected in the monthly return until later, as older investments mature and newer deals are fixed at the new rates.

ANNEX F

DEBT FINANCING & DEBT MANAGEMENT

Ref *	Budget 2009-10 £	Draft Outturn 2009-10 £	Variance 2009-10 £
Debt Financing & Interest			
<u>INTEREST PAYABLE</u>			
	1,377,930	1,381,705	3,775
	130,500	116,207	(14,293)
1	211,500	48,656	(162,844)
	3,900	3,361	(539)
	7,700	53,747	46,047
	1,731,530	1,603,676	(127,854)
<u>INTEREST RECEIVABLE</u>			
2	(1,320,000)	(1,066,501)	253,499
3	0	(819,293)	(819,293)
	(3,200)	0	3,200
	(1,323,200)	(1,885,794)	(562,594)
	408,330	(282,117)	(690,447)
<u>OTHER ADJUSTMENTS</u>			
	343,120	381,079	37,959
4	894,550	596,446	(298,104)
	1,237,670	977,525	(260,145)
	1,646,000	695,407	(950,593)
5	(563,000)	426,293	989,293
	1,083,000.00	1,121,700	38,700

* See explanation of variances overleaf

Debt Financing Budget Outturn 2009-10– Explanation of Major Variances

Ref	Explanation	Variance 2009-10 £000
1	Interest on new borrowing in 2009-10 was lower than budgeted due to the timing of borrowing decisions (actual borrowing taking place later than anticipated).	(163)
2	Interest rates achievable for temporary investments were lower than budgeted due to interest rates remaining at exceptionally low levels for longer than forecast	253
3	Interest was received from HMRC in relation to an overpayment of VAT that was refunded in 2009-10. This was transferred to the Council's general earmarked reserves. (See below)	(819)
4	Minimum Revenue provision (MRP) is the statutory requirement to make revenue provision in relation to debt principal. A prudent approach to a change in methodology was taken when budgeting; actual provision required was substantially less.	(298)
Earmarked Reserves		
	The interest received from HMRC in relation to an overpayment of VAT that was refunded in 2009-10 was transferred to the Council's general earmarked reserves.	819
5	The debt-financing budget is particularly exposed to risk in uncertain economic conditions and when interest rates are volatile. A reserve of £563k was set up for 2009-10 to mitigate the risk of the economic downturn and low interest rate environment. £433k of this was utilised, leaving an amount of £130k to carry forward into 2010-11. The use of reserves was lower than budgeted due to the impact of the other variances reported above. Year-end movements on reserves were reported to Cabinet on 30 June 2010 in the General Fund Revenue Budget Outturn report	170
	Other variances were mainly in respect of interest related to HRA Recharges and to back dated interest on Section 106 funds .	77
	Net total	(38)

PRUDENTIAL INDICATORS RELATING TO BORROWING AND INVESTMENTS 2009-10

The **authorised limit for total external debt** gross of investments together with the actual total maximum figures for 2009-10:

Authorised limit for external debt			
	2009-10 Original Limit £000	2009-10 Final Limit £000	2009-10 Actual Maximum In Year £000
Borrowing*	41,000	41,000	32,026
Other long term liabilities	2,000	2,000	12
TOTAL	43,000	43,000	32,038

*Long and short-term borrowing

The **operational boundary for external debt** together with the actual total maximum figures for 2009-10:

Operational boundary for external debt			
	2009-10 Original Limit £000	2009-10 Final Limit £000	2009-10 Actual Maximum In Year £000
Borrowing	36,000	36,000	32,026
Other long term liabilities	2,000	2,000	12
TOTAL	38,000	38,000	32,038

*Long and short-term borrowing

TREASURY INDICATORS FOR 2009-10

The **maturity structure limits on borrowings** for 2009-10:

Maturity structure limits on borrowings*					
	Actual at 31/03/10 %	Lower Limit %	Exceeded Yes/No	Upper Limit %	Exceeded Yes/No
Under 12 months	0.56	0	No	25	No
12 months and within 24 months	0.05	0	No	25	No
24 months and within 5 years	48.93	0	No	50	No
5 years and within 10 years	19.20	0	No	100	No
10 years and above	31.25	0	No	100	No

The **upper limits on variable interest rate exposures** together with the actual total maximum figure for 2009-10:

Upper limits on variable interest rate exposures		
2009-10 Original Limit £000	2009-10 Final Limit £000	2009-10 Actual at 31 March 2010 £000
38,000	38,000	21,364

The **upper limits on fixed interest rate exposures** together with the actual total maximum figure for 2009-10:

Upper limits on fixed interest rate exposures		
2009-10 Original Limit £000	2009-10 Final Limit £000	2009-10 Actual at 31 March 2010 £000
0	0	(37,758)

The **upper limits on investments for periods longer than 364 days** together with the actual total maximum figure for 2009-10:

Upper limits on investments for periods longer than 364 days		
2009-10 Original Limit £000	2009-10 Final Limit £000	2009-10 Actual Maximum £000
10,000	10,000	6,000

Appendices
1



Item No.

9

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title

Risk Register Reviews

AGENDA STATUS:

PUBLIC

Meeting Date:	26 th July 2010
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr David Perkins
Ward(s)	Not Applicable

1. Purpose

- 1.1 To provide an opportunity for the Audit Committee to undertake a review of a service-level risk register at each committee meeting.

2. Recommendations

- 2.1 To undertake a review of the Housing risk register.
- 2.2 To highlight any suggestions for improvement.
- 2.3 To select the next service-level risk register to be reviewed.

3. Issues and Choices

3.1 Report Background

- 3.1.1 At the Audit Committee meeting on 22nd March, the Committee requested that each service area risk register be routinely brought before the Committee for review.

3.2 Issues

- 3.2.1 Points for Audit Committee to consider as part of the review:
 - Is the register complete are there gaps in the spreadsheet.
 - Are there any key risks missing, highlight additional risks to be considered.
 - Are there overdue actions.
 - Challenge scores where necessary.
 - Discuss in more detail any high risks or risks of specific interest.
- 3.2.2 The Council essentially has five areas of risk management across the authority, strategic, service, project, partnership and operational.

3.2.3 The registers being reviewed through this process are the service-level registers and therefore are focussed on risks to achieving service objectives. They should not include day-to-day operational risks.

3.2.4 The Housing Key Service Priorities are detailed below:

- Achieve a 2 star (good) with “excellent prospects for improvement” audit commission rating
- Complete the housing asset management strategy
- Deliver decent homes phase 2
- Create a new formal structure for tenants (aligned with TSA proposals)
- Develop key strategies to support no 4 above (Customer Engagement Strategy and Tenant Participation agreement)
- Develop Housing PFI outline business case for Eastfields and Thorplands estates
- Develop an independent living strategy to address a number of challenges posed by an ageing population and future of SP funding
- Delivering a new housing strategy (2010-15) relevant to Northampton (including BME strategy)
- Deliver a range of ICT business –critical modules to support the continual improvement of Housing services
- Respond to the increase in expressed demand for housing assistance (e.g. increasing the range and effectiveness of options and homelessness prevention)
- Delivering 8 new build homes
- Ensure all sections of the housing directorate reach national upper quartile performance
- Deciding on future housing investment options strategy
- Respond to the reform of housing finance and its implications for Northampton
- Improving the quality of NBC estates and communal areas
- Provision of an effective, quality anti-social behaviour service
- Deliver key actions within the Repairs and Void improvement action plans to ensure dramatic improvements to the Property Maintenance service

3.3 Choices (Options)

3.3.1 To suggest any additional areas to cover in future risk updates.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None.

4.2 Resources and Risk

- 4.2.1 A balanced approach needs to be taken when considering the cost of mitigating actions against the level of perceived or actual risk.
- 4.2.2 Targeting resources at areas and issues of greatest risk where the Council's objectives are most under threat.

4.3 Legal

- 4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

- 4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

- 4.5.1 The Director of Finance and Support, the Head of Finance & Assets and the Head of Housing Needs and Support have been asked to comment on this report.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 Providing an early warning system to alert Officers and Members to potential opportunities and threats.
- 4.6.2 Targeting resources at areas and issues of greatest risk where the Council's objectives are most under threat.
- 4.6.3 Reduction in interruptions to service delivery.
- 4.6.4 Continuity of critical Council activities.
- 4.6.5 Enabling the Council to act proactively, avoiding reactive management wherever possible.
- 4.6.6 Protecting and enhancing the reputation of Northampton Borough Council.

4.7 Other Implications

- 4.7.1 Not applicable.

5. Background Papers

- 5.1 Appendix A – Housing Risk Register (please print on A3 paper)

Sue Morrell
Risk and Business Continuity Manager, ext 8420

SERVICE AREA - RISK REGISTER 2010-11

Corporate PRIORITY	PRIORITY OUTCOMES	Service area objectives	ID	Category	Risk Owner	Risk Cause (as a result of)	Risk Event (there is a risk that)	Risk Impact (which may result in)	Inherent Risk Scores (assume no controls)			Mitigation Actions and Controls	Residual Risk Scores			Progress update and estimated completion date	Action Owner
									Impact (1-5)	Probability (1-5)	Score (I x P)		Impact (1-5)	Probability (1-5)	Score (I x P)		
CP 02 - Improved homes, health and wellbeing CP03 - A confident, ambitious and successful Northampton	CP02.1 CP03.3	SP02 - Complete the housing asset management strategy SP03 - Deliver decent homes phase 2 SP06 - Develop Housing PFI outline business case for Eastfields and Thorplands estates SP013 - Deciding on future housing investment options strategy	1	Customers Environmental Financial Legal Property & Assets Reputation	Christine Ansell	Lack of investment in existing stock and neighbourhoods Lack of effective planning and unco-ordinated actions Slippage in capital expenditure Failure to decide on future housing options	Not meeting the Decent Homes standard	Unfit and unsuitable homes Unsustainable neighbourhoods Not meeting the TSA homes standard Widening investment gap	4	5	20	Implementation of asset management strategy Development of PFI outline business case for Eastfield and Thorplands Implementation of Decent Homes programme phase 2	3	5	15	Draft Housing Asset Management Strategy going to Cabinet on 28th July for approval which contains a 5 year capital programme of Decent Homes work and outlines what the shortfalls are for achieving the DHS by 2015. The Outline Business Case for PFI is to be submitted in October 2010. Phase 2 of the Decent Homes Standard is to commence in October 2010 and will cost £22m covering 3,672 properties	Christine Ansell
CP04 - Strong partnerships and engaged communities CP05 - A well managed organisation that puts our customers at the heart of what we do	CPO5.1 CPO5.4	SP01 - Achieve a 2 star (good) with "excellent prospects for improvement" audit commission rating	2	Customers Financial Reputation Service delivery	All Managers	Inspection Project Plan slippage Non delivery of key actions within SIP	Failure to achieve 2 stars in housing inspection	Loss of reputation Inability to access funding opportunities from central government Possible intervention by TSA	3	4	12		3	3	9	Monthly progress meetings are taking place at DMT who monitor the inspection preparation as part of their role as Project Board. KLOE Self Assessments and Gap analysis meetings have taken place and information is being gathered to identify and support strengths and action plans in place for each service area where weaknesses have been identified. The Performance Improvement Team officers have now been asked to dedicate and prioritise inspection preparation work to drive this forward and the Communications Group are increasing the level of engagement with staff through presentations, newsletters and regular e-mails and SMS text messaging will be deployed in August. A top ten priorities Action Plan has been developed, which contains key actions to be delivered by October before the inspection takes place.	Gary Parsons
CP 05 - A well managed organisation that puts our customers at the heart of what we do	CPO5.5	SP012 - Ensure all sections of the housing directorate reach national upper quartile performance	3	Customers Financial Human Resources Reputation Service Delivery	All Managers	Insufficient focus, monitoring and benchmarking of performance Failure to identify and challenge poor performance	Failure to achieve upper quartile performance across all areas of the housing service and improve business performance in key business areas	Inability to deliver better services and outcomes for our customers Non achievement of 2 star rating Lowering of staff expectations	3	5	15	Performance a standing item on team meeting agendas Introduction of service specific benchmarking Contacting good performers and learning from best practice An extended role for performance champions More effective IT systems	3	3	9	Strategy & Performance Manager will be reviewing the role of the Performance Champions and the Equality Champions groups. Currently the project Inspection Team members are responsible for ensuring KLOE Leads and Performance leads report to Project Board on a regular basis to discuss performance indicators and progress. The new role of the performance champions will be to report poor performing Performance Indicators in Bottom Quartile to a Star Chamber which is made up of the Director and both Heads of Service.	Gary Parsons
CP05 - A well managed organisation that puts our customers at the heart of what we do	CP05.2 CP05.6	SP014 - Respond to the reform of housing finance and its implications for Northampton	4	Financial Legal Reputation	All Managers	Insufficient directorate awareness and monitoring of and planning for legislative change	Failure to identify or implement emerging legislation	Adverse financial impact Loss of reputation Legal challenge	4	5	20	Close dialogue with legal and financial services Taking part in service specific networking events and membership of professional networks Maintaining watching brief of HQN, Housemark and CLG websites All new projects to follow corporate procurement strategy	3	3	9	The Performance Improvement Team subscribe to Housemark for Benchmarking purposes and receive regular updates. The Housing Strategy team provide to all staff a Housing weekly news alert which monitors Inside Housing, CLG website and other Government Agency websites to provide the latest news on Legislation changes and housing news. Corporate Procurement to be approached to provide information at all Housing team meetings on the corporate procurement strategy and how to practically use it.	Gary Parsons
CP05 - A well managed organisation that puts our customers at the heart of what we do	CP05.1 CP05.2 CP05.6	SP01 - Achieve a 2 star (good) with "excellent prospects for improvement" audit commission rating	5	Customers Property & Assets Service Delivery	All Managers	Lack of knowledge of baseline costs Ineffective procurement Poor service performance	Failure to deliver VFM services	High cost poor value services Increased service charges Poorer quality of life for customers Increased % of non decent homes	4	4	16	Benchmarking 2009/10 costs through Housemark Continued monitoring by in house procurement team Continued membership of NAPS Increased scrutiny during budget setting process	3	3	9	Benchmarking costs are currently being assessed by John Henry as part of the Housing Inspection preparation and issues that have been identified through the VFM KLOE self assessment.	Gary Parsons

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									Impact (1-5)	Probability (1-5)	Score (I x P)		Impact (1-5)	Probability (1-5)	Score (I x P)		
CP01 - Safer, greener and cleaner communities CP05 - A well managed organisation that puts our customers at the heart of what we do	CP01.1a CP01.1b CP05.1	SP016 - Provision of an effective, quality anti-social behaviour service SP017 - Deliver key actions within the Repairs and Void improvement action plans to ensure dramatic improvements to the Property Maintenance service	6	Customers Service Delivery	Christine Ansell	Not dealing with the casues or outcomes of anti social behaviour Not delivering the actions within the repairs and voids improvementplan	Failure to proactively deal with hosing issues of major concern to tenants	Reduced tenant satisfaction	3	3	9	Effective monitoring of asb satisfaction and outcomes Provision of an out of hours service	3	2	6	Action will be taken on individual ASB cases, where the perpetrator can be identified and it is appropriate to do so.	Christine Ansell
CP05 - A well managed organisation that puts our customers at the heart of what we do	CP05.6	SP09 - Deliver a range of ICT business –critical modules to support the continual improvement of Housing services	7	Customers Reputation Service Delivery	Gary Parsons	Lack of investment in technological advances Lack of training for staff on application and use of new technologies	Failure to deliver a range of ICT business-critical modules	Limited opportunities and choice for customers to access services Business inefficiencies Services delivery that does not comply with best practice	4	4	16	Implementation of OPENAccess and OpenContractor modules Further development of web based applications	3	2	6	Open Contractor went live on the 5th July 2010. The Housing Application on-line project is scheduled to be completed and running live by the 8th September 2010.	Gary Parsons
CP05 - A well managed organisation that puts our customers at the heart of what we do	CP05.1 CP05.6	SP01 - Achieve a 2 star (good) with "excellent prospects for improvement" audit commission rating	8	Customers Human Resources Reputation Service Delivery	All Managers	Lack of investment in and commitment to staff training Poor quality workforce planning and traning	Poorly skilled, informed and motivated staff	Poor service to customers e.g. through inaccurate and out of date advice Low customer satisfaction Increased level of complaints Inability to achieve 2 star rating	3	3	9	Training programme tailored to skills audit findings An additional £40k in training budget	2	3	6	Several members of staff have now been approved to finish and start their qualifications in Housing using the Housing PET budget of £40k	Gary Parsons
CP 02 - Improved homes, health and wellbeing CP03 - A confident, ambitious and successful Northampton	CP02.2 CP03.3	SP08 - Deliver a new housing strategy (2010-15) relevant to Northampton (including BME strategy) SP011 - Deliver 8 new build homes	9	Customers Environmental Partnership Property & Assets	Gary Parsons	Lack of effective partnership working Failure to exercise strategic role and powers	Failure to influence the wider expansion agenda and growth of new homes	Reduced supply of new affordable homes Limited choice for future customers seeking alternative housing options Failure to complete the programme of council house building (8 properties at Woodside Way)	2	3	6	Review of partnership arrangements through new RSL framework arrangements Delivery of Housing Strategy Delivery of Central Area Action Plan Delivery of objectives within the Core Spatial Strategy Working towards a local investment agreement and plan as part of the 'Single Conversation' with HCA. This involves partnership working with WNDCC, Daventry District Council, South Northants Council and NCC	2	2	4	The New RSL Framework will be completed by September 2010, and will be ready for taking potential housing sites through a mini tender process to enable the delivery of more affordable homes. The Housing Strategy was approved on the 9th June 2010 and the Housing Strategy Steering Panel will monitor the delivery of the Action Plan every 6 months. The Local Investment Plan with the HCA at a West Northamptonshire Level is due to be developed as a Draft in September 2010, with view for completing and signing off in March 2011.	Gary Parsons
CP01 - Safer, greener and cleaner communities	CPO1.6	SP015 - Improve the quality of NBC estates and communal areas	10	Customers Environmental Property & Assets Reputation	Christine Ansell	Localised problems of asb, vandalism and run down appearance of certain areas Lack of investment in neighbourhoods Caretaking service not borough-wide An ineffective grounds maintenance service Failure to tacke pockets or persistent asb	Not improving the quality of our housing estates and communal areas	Increased customer dissatisfaction Poor neighbourhoods and development of gehtto culture in certain areas Poor reputation as a landlord Lack of pride in neighbourhoods	3	3	9	Estate walkabouts and tenant involvement in identifying issues Environmental enhancement budget SLAs with estate management and grounds maintenance teams Neighbourhood Management budgets More effective action to target persistent offenders	2	2	4	Environmental budgets have now been set for 2010/11 and ideas and suggestions from the Estate walkabouts and Housing Management teams have been considered for allocation this year. Programme of walkabouts produced for July and October, and have commenced and being undertaken. Regarding the Environmental budgets, drop in sessions have been held and 125 tenants attended , planning meeting re delivery to be held week commencing 12/7/10. A draft tenant training programme is in place.	Christine Ansell

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									Impact (1-5)	Probability (1-5)	Score (I x P)		Impact (1-5)	Probability (1-5)	Score (I x P)		
CP04 - Strong partnerships and engaged communities CP05 - A well managed organisation that puts our customers at the heart of what we do	CP04.3 CP05.4	SP04 - Create a new formal structure for tenants (aligned with TSA proposals) SP05 - Develop key strategies to support no 4 above (Customer Engagement Strategy and Tenant Participation agreement)	11	Customers Communication Legal Reputation Service Delivery	Tim Ansell	Failure to empower tenants Lack of opportunity and choice for tenants to influence and shape decisions	Failure to engage meaningfully with customers and neighbourhoods	Not meeting TSA standards/TSA intervention Not achieving 2 star rating Poor awareness of customer needs and expectations Reputation of landlord as one that does not listen Increased incidence of customer complaints being upheld by Ombudsman Increased likelihood of challenge/judicial review	4	3	12	Introduction of local 'offers'/standards Tenant auditor programme Formal TP structures introduced Resident involvement strategy TP Agreement Area based meetings Tenant training programme Tenant scrutiny panels Complaints satisfaction monitoring (1 in 5 survey)	2	2	4	Local Offers have to be in place by April 2011 and we will have an implementation plan on how to deliver this at the end of July 2010. Consultation on the local offers has already started through the newly set up Tenant Area Panels, which have been well attended. The Tenant Auditor programme has inspected two service areas (repairs and voids). From this the voids lettable standard has been revised and a new rent arrears collection strategy is in place. A new Resident Involvement Strategy is being prepared. In terms of the TSA, we will be preparing an annual report by September 2010, which will outline our plans for meeting and setting the local offers up for Tenants in Northampton. Further work is taking place with RSL partners through the RSL Management Forum to discuss the Local Offer.	Tim Ansell
CP05 - A well managed organisation that puts our customers at the heart of what we do	CP05.1 CP05.5	SP01 - Achieve a 2 star (good) with "excellent prospects for improvement" audit commission rating	12	Customers Financial Service Delivery	Gary Parsons	Lack of investment in technological advances Lack of training for staff on application and use of new technologies	Inability to deliver accessible up to date services	Limited opportunities and choice for customers to access services Business inefficiencies Service delivery that does not comply with best practice	4	4	16	More online services including housing application and viewing the account and repairs reporting (through Open Access) Increased financial provision to develop and roll out new applications	2	2	4	Housing on-line application due to go live on the 8th September and a working group set up to take this forward. Increased financial resources to be considered as part of the Budget setting process for 11/12 and efficiency savings process	Gary Parsons
CP04 - Strong partnerships and engaged communities CP05 - A well managed organisation that puts our customers at the heart of what we do	CP04.3 CP05.1 CP05.4	SP01 - Achieve a 2 star (good) with "excellent prospects for improvement" audit commission rating	13	Customers Legal Reputation Service Delivery	Gary Parsons	Insufficient customer profile information Failure to understand the customer base Failure to apply the information gained	Failure to shape services on the basis of the diverse needs of our customers	Low customer satisfaction High level of complaints Risk of legal challenges	3	3	9	Proactive collection of tenant profile information using face to face, written and telephone contacts Implementation of actions with Housing Equality Action Plan (HEAP) : training and awareness sessions for staff tailoring communications with tenants according to their expressed preferences	2	2	4	Current tenant profile information 75%. Target to increase this to 85% by the time of the Housing Inspection. The HEAP is currently being reviewed and updated with the outcomes and recommendations from the BME Housing Needs Survey work conducted by Housing Strategy, which will include a series of training opportunities for staff, and starting to link the information we know about our tenants to the way we engage with them.	Gary Parsons
CP05 - A well managed organisation that puts our customers at the heart of what we do	CP05.2	SP014 - Respond to the reform of housing finance and its implications for Northampton	14	Financial	Lesley Wearing/Isobel Proctor	Lack of understanding of the impact and opportunities presented by the HRA reform proposals Failure to meet national timescales	Failure to take on board the implications of the HRA reform	Failure to influence government direction	4	2	8	Designated financial support within corporate finance Complete options appraisal	3	1	3	Response to Government Consultation document returned to CLG and now the Council is awaiting Government Decision	Lesley Wearing
CP 02 - Improved homes, health and wellbeing	CP02.4	SP07 - Develop an independent living strategy to address a number of challenges posed by an ageing population and future of SP funding	15	Customers Human Resources Service Delivery	Ian Swift	Reducing levels of SP grant year on year High proportion of sheltered stock unsuitable and unadapted Poor use of IT by staff Lack of assistive technology to support customers in their own homes	Inability to deliver key housing related support to vulnerable and elderly people	Failure to provide adequate support and services Service pressures impacting on staff workloads and service delivery Poor customer satisfaction	5	4	20	Expansion of gateway services to support vulnerable tenants Review and reshaping of sheltered housing service Use of technology to increase efficiency and change ways of working Meeting with SP/NCC regarding future strategy	3	3	9	Review of Sheltered Housing taking place and liaising with partner agencies to grow the service. Gateway expansion due its success planned	Ian Swift
CP 02 - Improved homes, health and wellbeing	CP02.3 CP02.4	SP010 - Respond to the increase in expressed demand for housing assistance (e.g. increasing the range and effectiveness of options and homelessness prevention)	16	Customers Service Delivery	Ian Swift	Impact of recession Pressure on homeless prevention services such as deposit bond and mortgage repossession Staff under pressure due to high caseloads Lack of temporary accommodation options	Failure to respond adequately to increase in expressed demand for housing assistance	Increased levels of homelessness and rough sleeping Increased pressure on housing waiting list Increase in people living in unsatisfactory accommodation	3	3	9	An expansion of the gateway service Increased TA options through use of Paget House Continued use of homeless prevention services e.g. Deposit Bond, Mortgage Repossession	1	1	2	Homelessness prevention is top quartile nationally reduced level of rough sleeping and on course to end rough sleeping Government target by 2012. National leaders	Ian Swift

Appendices
1



Item No.
10

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Internal audit progress report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	26 July 2010
Policy Document:	NO
Directorate:	Finance and Support
Accountable Cabinet Member:	Councillor David Perkins

1. Purpose

1.1 To provide the Audit Committee with a report summarising progress made against the approved internal audit plan.

2. Recommendations

2.1 Receive the report.

3. Issues and Choices

3.1 Report Background

3.1.1 Introduction

The report is produced to inform the Committee on internal audit activity in the current year up to the date of the Committee meeting. The report will give an update on reports issued and recommendations made as well as highlighting any issues that are considered appropriate to bring to the attention of the Committee.

3.1.2 2010/11 Plan Outturn

We have undertaken work in accordance with the 2010/11 Internal Audit Plan which was presented to Audit Committee at its meeting in March 2010

We have completed the fieldwork on both of the reviews for quarter 1, for Voluntary Grants and Community Safety (Licensing).

We have issued the Voluntary Grants report in draft to management:

- The Voluntary Grants review (**10_11 NBC Voluntary Grants 01**) focussed on controls in place over the grant funding provided to voluntary organisations. The review focussed on the application processes, including advertising, accessibility of funding and authorisation of grants awarded. We have not identified any critical or high risk rated issues and have provided a **moderate assurance** draft opinion.

We anticipate issuing the draft report for Community Safety (Licensing) shortly.

Planning has commenced for the quarter 2 audits and we anticipate commencing audit fieldwork for these in early August.

For information we have provided an update in Appendix A regarding the status of recommendations made as part of the 2009/10 audit plan.

3.2 Issues

3.2.1 As detailed in the report

3.3 Choices (Options)

3.3.1 N/a

4. Implications (including financial implications)

4.1 Policy

4.1.1 No implications other than enabling monitoring of internal audit reporting performance.

4.2 Resources and Risk

4.2.1 Risks may be highlighted as a result of audit issues being reported.

4.3 Legal

4.3.1 N/a

4.4 Equality

4.4.1 N/a

4.5 Consultees (Internal and External)

4.5.1 Director of Finance and Support and Head of Finance

4.6 Other Implications

4.6.1 N/a

5. Background Papers

5.1 Appendices to the report

- Appendix 1 – TeamCentral report summary

Other individual internal audit reports are available if required.

Chris Dickens
Senior Manager
PricewaterhouseCoopers LLP
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Appendix One

TEAMCENTRAL 7th July 2010

Year	Number of recommendations made	Implemented / Closed	Outstanding
2009/10	132	99	33 (24 not yet due)

The table above shows the position as at the 7th July 2010.

Note:

- Only finalised reports are being tracked through TeamCentral
- The 9 overdue recommendations relate to Grounds Maintenance (4), Risk Management (2), General Ledger (1) and Housing Rents (2).

Updates regarding the status of work performed to date regarding these overdue recommendations have been added to TeamCentral or sent to internal audit by email. These will be monitored going forward to ensure that progress is being made with implementation.

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