

MINUTES

GOVERNANCE AND AUDIT
COMMITTEE
THURSDAY, 6 DECEMBER 2012



COMMITTEE MEMBERS PRESENT

Councillor Jean Bevan (Vice-Chairman)
Councillor Trevor Scott
Councillor Ian Stokes (Chairman)

Councillor Jeff Thompson
Councillor Martin Wilkins
Councillor Rosemary H Woolley

OFFICERS

Strategic Director, Corporate Focus
(Daren Turner)
Head of Community Assets (Paul
Stokes)
Head of Finance (Richard Wyles)
Property Development Manager (Neil
Cucksey)
Service Manager Community Safety and
Licensing (Mark Jones)
Finance Support Manager (David Scott)
Governance and Risk Officer (Tracey
Elliot)
Principal Democracy Officer (Jo Toomey)

Paula Longden – KPMG

Rob Barnett – RSM Tenon
Chris Williams – RSM Tenon
Mark Lovell – RSM Tenon

Paula Ireland – JEMS (Emergency
Planning Officer)

36. APOLOGIES

An apology for absence was received from Councillor Shorrock. An apology for absence was also received from Tony Crawley (Audit Commission/KPMG).

37. DISCLOSURE OF INTERESTS

No interests were disclosed.

38. MINUTES OF THE MEETING HELD ON 25 SEPTEMBER 2012

The minutes of the meeting held on 25 September 2012 were approved as a correct record.

39. UPDATES FROM PREVIOUS MEETING

Repairs audit

The Head of Community Assets presented report number RIM0299, which provided an update on actions taken following the audit of the repairs service. The service carried out approximately 20,000 reactive repairs each year plus work on void properties. 97% of appointments were kept and 97% of jobs were completed on time.

Mr Paul Stokes summarised all the actions taken against each of the high risk recommendations.

- A lean review of the service took away the categorisation of calls, leaving it for operatives to go out, inspect the job and carry out the necessary work. Internal audit made a recommendation as a result of this practice and a referencing system for categorisation following diagnosis of the required repair had been set up.
- A new procedure was introduced to record and monitor the completion of work identified as a result of caretaker assessments and ensure they were carried out in a timely manner.
- Instructions were issued to relevant staff to ensure a code was issued when a Right to Repair job was raised. This would also identify when a repair fell under the scheme but was not classed as urgent.

Members were satisfied that the actions put into place addressed the recommendations raised by internal audit.

Leases audit

The Property Development Manager presented report number PD03 which provided an update on actions taken by the service in response to an audit on leases. The audit was requested following the creation of the service in January 2012 to identify any potential gaps or risks.

Actions as a result of recommendations made by internal audit included:

- Consolidating information on leases held across different council services (Property Development, Finance and Legal) to ensure consistency in records
- All consolidated information would be kept in a comprehensive database installed within the Flare system
- Consolidated information would also be shared with Hodgson and Elkington who managed leases for commercial premises on the Council's behalf
- Monthly updates were received regarding bad debts and rents that had not been received

Councillors asked a number of questions in respect of the Council's work with Hodgson and Elkington who began managing commercial leases following the resignation of the in-house commercial surveyor. This provided increased resource at a reduced cost. Ensuring Hodgson and Elkington had access to all information on commercial leases would provide a double-check to ensure prompt action around the expiration of leases. The new Flare database would also make it easier to identify leases which were due to expire.

40. ANNUAL AUDIT LETTER 2011/12

The Chairman welcomed Paula Longden to the meeting, who advised the Committee that Audit Commission staff had transferred to KPMG. She presented the letter of the District Auditor, which issued an unqualified opinion on the authority's 2011/2 financial statements (including the Statement of Accounts), concluded that the council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and certified completion of the audit. The Governance and Audit Committee and finance team were thanked for their support and co-operation.

Councillors were pleased with the letter and it was proposed, seconded and agreed that a copy should be sent to the local media.

The Committee was given an update on the changeover from the Audit Commission to KPMG. Members were assured that arrangements would remain substantially the same and that Mr Crawley would have responsibility to sign-off the accounts.

Members were advised that the Council would benefit from a 40% reduction in the scale fee. If additional work was required, an additional fee would be applied on a pro rata basis as there was no inbuilt contingency. This was highlighted as a risk to the Council following the loss of a key member of staff in the finance team and the changes in arrangements. Councillors stated that any additional work should be justifiable and agreed beforehand between officers and KPMG.

41. INTERNAL AUDIT PROGRESS REPORT

Rob Barnett from RSM Tenon presented the internal audit progress report. He advised the Committee that six reports had been finalised, while two were completed in draft and a further nine were planned. Across the six reviews 23 recommendations were raised (7 medium risk and 16 low risk) which had all been accepted by management. This equated to five green assurances and one green/amber assurance.

Councillors were advised that there had been one change to the plan: the removal of the planned audit on insurance. The six days allocated for this review had been moved into the contingency budget.

Committee members asked questions about the green waste audit which began on 3 December 2012. The audit was considering the key controls within the green waste scheme, reconciling receipt of payment to the issue of the sticker (which confirmed payment). The intention of the audit was to identify any learning opportunities from the initial rollout of the scheme that could be applied on an ongoing basis.

Councillors expressed an interest in getting involved in scoping the risk management audit.

Action Point

Rob Barnett to circulate copies of the brief for the risk management audit.

42. TREASURY MANAGEMENT MID-YEAR REVIEW

The Finance Support Manager presented report number HOF212 on the Treasury Management Activity 2012/13 – Mid Year Review and highlighted key points:

- No additional long-term borrowing had been required
- Reviews were undertaken to review redemption costs of natural maturity against new borrowing to settle outstanding debt early; no potential savings had been identified
- No loans were repaid during the reporting period
- The average size of the investment portfolio for the first half of 2012/13 was £42.8m compared to an average portfolio size of £39.6m during the same period in 2011/12
- The majority of the Council's investments were short-term (£37.7m)
- A fixed rate deposit of £1m was placed with Lloyds TSB for a period of 5 years for the Local Authority Mortgage Scheme
- All investment activity during the period was maintained within the prudential indicator limits

Councillors asked a question in respect of opportunities to provide loans for other authorities. There were opportunities for councils to lend money to other authorities however returns would likely be less than the money market rates. In response to a question from Councillors, officers advised that the Council did not have any insurance in respect of its investment portfolio because the majority of investments were short-term.

Action Point

To assist Councillors review the maturity of investments, the maturity dates should be included in the appendices to the report

43. TREASURY MANAGEMENT STRATEGY UPDATE

Decision:

The Governance and Audit Committee approves the amendments to the 2012/13 Treasury Management Strategy as detailed in report number HOF214 by the Head of Finance.

The Finance Support Manager presented report number HOF214 on revisions to the Treasury Management Strategy 2012/13. The Annual Investment Strategy, which formed part of the Treasury Management Strategy had been reviewed and a number of updates proposed. The proposed changes listed in the report looked at introducing a credit worthiness methodology to strengthen the council's approach to borrowing. Councillors were advised that the Council would combine information it received from Sector with information SKDC had identified from going to the market directly.

Referring to paragraph 54 of appendix A to the report, officers explained that there would be no amendments to the maturity structure.

The recommendation to approve the amendments to the strategy was proposed, seconded and agreed.

44. CONTRACT PROCEDURE RULES UPDATE

Decision:

The Governance and Audit Committee recommends to Council the approval of the updated Contract and Procurement Procedure Rules in relation to supporting local suppliers as detailed in report number HOF213 subject to the following amendments:

- ***Officers should seek three written quotations for all contracts up to £25,000***
- ***The removal of the sentence: "the definition of a 'local' supplier within the policy is those suppliers whose trading premises are located within Lincolnshire"***

Report number HOF213 (updating of contract and procurement procedure rules) was summarised by the Head of Finance. The proposed changes would support local suppliers bidding for work. The proposed definition of local supplier was a supplier whose registered business address was within Lincolnshire. Officers would actively seek a local quotation for all work below £25k; on receipt of quotations, normal selection procedures would apply.

Several Councillors expressed concern that currently verbal quotations were acceptable for contracts valued up to £10k and suggested this should be amended to require a written quotation for all contracts up to £10k. This was

proposed, seconded and agreed.

A number of councillors also expressed concerns about the definition of local. They felt that given the location of South Kesteven, suppliers from Nottinghamshire, Leicestershire, Rutland and Cambridgeshire could be nearer than those in other Lincolnshire. It was proposed, seconded and agreed that the sentence “the definition of a ‘local’ supplier within the policy is those suppliers whose trading premises are located within Lincolnshire” not be included.

Subject to the amendments noted above, it was proposed, seconded and agreed that the Committee recommends to Council the approval of the amendments to the Contract and Procurement Procedure Rules as presented in report HOF213.

45. BUSINESS CONTINUITY ANNUAL REPORT 2011/12

Decision:

To note the business continuity annual report for 2011/12

The Council’s Community Safety and Licensing Service Manager and a Business Continuity Officer from the Lincolnshire Joint Emergency Management Service presented the business continuity annual report for 2011/12, which included information to the end of November 2012.

They highlighted work that had been undertaken:

- Officers summarised a recent desktop exercise undertaken by the authority which considered business continuity arrangements in the event of a fire on the day before the Police and Crime Commissioner election.
- The IT team tested their business continuity arrangements by routinely testing servers and carrying out system restores
- The disaster recovery contract had been renegotiated
- Lincolnshire Chief Executives had signed up to a countywide mutual resilience agreement

Future projects were also highlighted:

- Member training was a key priority
- Aligning the flood awareness policy of Lincolnshire’s district councils
- Encouraging parishes to create their own resilience plans
- A multi-player exercise based around an incident in South Kesteven which incorporated strategic management at county headquarters and a live scenario simulated at RAF Waddington
- Produce a business continuity strategy (if needed)

In addition to a corporate business continuity plan, services were required to develop their own plans to ensure, in the event of an emergency, critical services could be delivered.

Councillors asked about contingency arrangements in the circumstance the main offices required evacuating. An example was made of Melton Borough Council who following a serious fire had shifted its base of operations to premises in Nottingham over a weekend. Officers advised that Melton Borough Council retained external office facilities in case of an emergency. If a similar event was to happen in South Kesteven there were arrangements that would see services run from the Meres Leisure Centre and the Alexandra Road depot. Officers stated they could investigate costs for retaining office facilities to help decrease disruption.

Following a question from a councillor, members were assured that all of the information stored within the Council's computer system was regularly backed up off-site.

It was proposed, seconded and agreed that the report be noted.

46. CLOSE OF MEETING

The meeting was closed at 15:47.