

MINUTES

**GOVERNANCE AND AUDIT
COMMITTEE
THURSDAY, 1 DECEMBER
2011**



COMMITTEE MEMBERS PRESENT

Councillor Bob Adams
Councillor Jean Bevan (Vice-
Chairman)
Councillor Trevor Scott

Councillor Rob Shorrocks
Councillor Ian Stokes (Chairman)
Councillor Martin Wilkins

OFFICERS

Head of Finance (Richard Wyles)
Development Management Service
Manager (Pat Reid)
Finance Support Manager – Finance
and Risk (David Scott)
Governance and Risk Officer
(Tracey Elliott)
Principal Democracy Officer (Jo
Toomey)

Tony Crawley (Audit Commission)
Paula Longden (Audit Commission)
Simon Lacey (RSM Tenon)
Rob Barnett (RSM Tenon)

42. MEMBERSHIP

The Committee were notified that Councillor Adams was substituting for Councillor Woolley for this meeting only.

43. APOLOGIES

An apology for absence was received from Councillor Thompson.

44. DECLARATIONS OF INTEREST

No declarations of interest were made.

45. MINUTES OF THE MEETING HELD ON 29 SEPTEMBER 2011

The minutes of the meeting held on 29 September 2011 were agreed as a correct record.

46. UPDATES FROM PREVIOUS MEETING

The Development Management Service Manager attended the meeting to update the Committee on the implementation of recommendations made by internal audit.

An outstanding recommendation related to the removal of files for use within the building. A system was introduced where, when a file was removed, it was replaced by a card, which the officer was required to sign. To help improve the storage of files, a programme of back scanning was on track for completion by April 2012. Councillors asked why the removal of files was not logged on computer. The cards provided a physical substitute for the hard copy file. This requirement would change with the completion of back scanning. The manager was also working with colleagues from IT to develop a system for the scanning of all planning applications on receipt.

Tracking the removal of files from the building was under consideration in a review of the lone working policy for Development Management staff. This would include a system to record where officers were going and the files they had with them. A system that would record the removal of files from the building would be in place by 1 January 2012.

Internal Audit advised Committee members that they would do a review to ensure control measures were in place. The results would be reported back to the Committee.

47. ANNUAL AUDIT LETTER

The District Auditor summarised the contents of the Annual Audit letter. He issued the Council an unqualified opinion on financial statements for the year ending 31 March 2011 and the certificate of completion of the audit. He also issued an unqualified conclusion stating the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March. 2011.

The Annual Audit letter also comprised a summary of current and future challenges faced by the Council. The key issues highlighted

were changes to council tax, non-domestic rates and self-financing the Housing Revenue Account.

The District Auditor also referred to planning for the future use of Council reserves. The Head of Finance explained that reserves had specified policy that were identified and agreed on an annual basis. If a project was underspent, the Committee would approve the use of the underspend as part of the year end accounts process.

Committee members noted the audit fee and the 1.5% rebate. Mr Crawley explained that the Audit Commission was committed to further rebates because of shrinkage within the Audit Commission's role.

Mr Crawley provided a progress update on secession of audit arrangements. The Audit Commission would complete the audit for the 2011/12 financial year. The 13 approved bidders had been announced and a list was available on the Audit Commission's website. Bidders had to make submissions for area contracts by 16 December 2011.

48. INTERNAL AUDIT PROGRESS REPORT

The senior manager from RSM Tenon summarised the internal audit progress report. Since the Committee's last meeting 8 reports were finalised covering: travel and subsistence, national non-domestic rates, partnerships, council tax, markets, payroll, treasury management and a follow-up report. 23 recommendations were raised across the 8 reviews; one recommendation was high risk, 8 medium risk and 14 low risk. All recommendations were accepted by management.

One change to the audit plan was made since the Committee's meeting on 29 September 2011: the removal of the Supporting People review. The authority was in the process of reviewing the service, working alongside Lincolnshire County Council.

Mr Barnett summarised the medium and high risk recommendations which were detailed in the report.

Councillors noted a review of Development Control Services, which was underway. One Councillor requested that internal audit review officer delegated decisions to ensure robust controls were in place. He suggested that the report should be submitted to the Development Control Committee for their information and reassurance.

In discussing the recommendations relating to non-domestic rates, Councillors considered the inspection rate of void properties. The Council had experienced some slippage in completing inspections on time because of staff absence and capacity. It was hoped this issue would soon be resolved.

Councillors also discussed the process of reconciling its Academy system with data from the Valuation Office. The Valuation Office updated its information whenever a rating assessment was changed; this data was forwarded on a periodic basis meaning systems were updated at different rates. As a remedy, the Council had agreed to introduce a temporary hold to cross-match its information against the Valuation Office's listing.

The Committee noted the report.

49. INTERNAL AUDIT FOLLOW-UP REPORT

Mr Barnett presented the recently completed follow-up report. This reviewed progress against internal audit recommendations until they were fully implemented. With 83% of recommendations fully implemented, internal audit opinion stated SKDC had demonstrated good progress. The implementation of 13% of recommendations was ongoing and 4% had been superseded.

The report provided a summary of the three recommendations that were not fully implemented, together with a summary of progress against the recommendation. Progress against these would be included in Internal Audit's next follow-up report.

Brief discussion ensued on accounting for Value Added Tax on rental by private tenants within Anite, the Council's housing computer system. Officers were working with Anite to see if that functionality was possible. Internal Audit stated that if a solution was not possible or the cost exceeded the benefit, they would remove the recommendation.

50. RISK REGISTER UPDATE

The Finance Support Manager (Finance and Risk) presented HOF181, the risk register update. At its meeting on 30 June 2011, the Committee approved the updated strategy. The Risk Management Improvement Plan, approved by the Committee on 29 September 2011, required regular reviews of the corporate risk register.

A review was undertaken alongside benchmarking against the risk registers of other authorities. One additional risk was added as a result of the review, which related to business and service disruptions in light of industrial actions or severe weather. This had previously been in service risk assessments but was escalated for management at a corporate level.

Categories were added to the register to provide additional context and weightings were applied. Levels of risk were shown on the heat map attached to the report at appendix B. Councillors commented on the usefulness of heat map in providing a summary of risks to the Council.

Of particular note for the Committee were risks relating to the economic and financial climate, both categorised as high. The Head of Finance explained that there was not currently sufficient detailed information to plan for the financial risks arising from changes to non-domestic rates and council tax.

The Committee would be provided with regular updates on the risk register. It was suggested that future updates include a marker indicating whether levels of risk had altered.

The Committee noted the contents of report HOF181.

51. TREASURY MANAGEMENT MID-YEAR REVIEW

The Finance Support Manager (Finance and Risk) presented report number HOF174, which provided a mid-year review of treasury management activity for 2011/12. He highlighted key points in the report:

- The report covered 6 months from 1 April 2011 to 30 September 2011.
- The Council had not undertaken additional long-term borrowing.
- There was still an outstanding debt portfolio, which was constantly reviewed to see whether it would be cost-effective to settle the debt early.
- New debt taken on as a consequence of the self-financing of the Housing Revenue Account could affect the cost-effectiveness of paying debts early.
- The investment portfolio was consistent with the previous year; appendix B showed the current position.
- Interest rates were expected to remain static for a further 18-months, which meant the council needed to maintain a good

- risk-based approach to strategy.
- Appendix C outlined the prudential code and indicators, which were maintained within the agreed limits.

The Committee asked questions on the report. Appendix B, showing the investment maturity analysis, recorded the average interest rate for RBS Global Treasury Fund as variable. It was not possible to provide a specific figure because rates fluctuated on a daily basis.

Short-term investments sat across a number of banks. Officers maintained a breakdown, which showed exactly where money was.

The Committee noted the mid-year activity position of 2011-12 (April 2011 to September 2011).

52. TREASURY MANAGEMENT STRATEGY 2011-12 UPDATE

Decision:

The Governance and Audit Committee recommends to Council:

- 1. The amendments to the 2011/12 Treasury Management Strategy as identified in report number HOF177.***
- 2. The Strategic Director - Corporate Focus (s151 officer) and the Resources Portfolio Holder be delegated to authorise the most suitable and financially advantageous method of borrowing to finance the HRA self-financing payment.***

The Head of Finance summarised report number HOF177 on the revision of the Treasury Management Strategy 2011/12. He explained that ordinarily changes to the Treasury Management Strategy were delegated to the Committee, but because the changes were so significant, the report was being put to Council on 8 December 2011.

Changes to the strategy were required to accommodate the self-financing of the Housing Revenue Account; the updated strategy was attached at appendix A to the report. The report also recommended that the Strategic Director – Corporate Focus (s151 officer) and the Resources Portfolio Holder be given delegated authority to authorise the most suitable method of borrowing to finance the HRA self-financing payment. This delegation was required as the single transaction date was 28 March 2011. Increased parameters of the prudential indicators were required to enable the transaction on the appointed day. The borrowing limit needed increasing. The final

figure the Council would be required to pay would be confirmed in January 2012. The revised strategy also proposed widening investment criteria.

The self-financing of the HRA required the Council to produce a 30-year business plan. The Council was still obliged to use nationally set rents, working towards rent convergence by 2015/16. When this was achieved, rents would increase annually in line with the retail price index and 0.5%.

Right to buy receipts would still be pooled – the Council would keep 25% of the sale receipt with the remainder going to central government. Modelling assumed a certain level of right to buy; increases in right to buy could affect modelling as the housing stock would be reduced.

The Council would be able to retain 100% of the receipt from empty dwellings and surplus land if it can demonstrate how it supported housing need.

The strategy had been subject to an equalities impact assessment. An ethical statement had been added to the strategy, which required all cash investments made by, or on behalf of the Council, were socially responsible.

The recommendations in report number HOF177 were proposed seconded and agreed.

53. BUSINESS CONTINUITY

At its last meeting, the Committee considered SKDC's business continuity plan. An initial copy of the business continuity action plan was circulated with the agenda. The Committee would be provided with further detail at its meeting on 16 March 2012.

54. CLOSE OF MEETING

The meeting was closed at 14:15.