

**AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE**

**MINUTES OF MEETING HELD ON 31 JANUARY 2019**

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# **AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE**

## **MINUTES OF MEETING HELD ON 31 JANUARY 2019**

### **Present:**

Councillor G Morley ..... (Chair)  
Councillor G Butler ..... (Vice Chair)

Councillor A Garrett

Councillor S Ellis

### **Also Present:**

A Bashir - Improvement Officer for Minute No  
D Cairns - Senior Governance Officer  
D Clarke - Joint Head of Finance and Resources and Section 151 Officer  
J Williams - Internal Audit Consortium Manager  
M Surridge - Mazars

### **518 Apologies for Absence**

Apologies for absence had been received from Councillors B Barnes, D Skinner, C A Smith and M E Thacker.

### **519 Declarations of Interest**

Members were requested to declare the existence and nature of any disclosable pecuniary interests and/or other interests, not already on their register of interests, in any item on the agenda and to withdraw from the meeting at the appropriate time.

Councillor G Butler declared a disclosable pecuniary interest in item 6(b) Medium Term Financial Plan arising from his membership of the Rykneld Homes Board. The interest related to the discretion on the Housing Revenue Account section of the report and Councillor G Butler left the room for the discussion on this item.

### **520 Minutes of Last Meeting**

RESOLVED – That the Minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 22 November 2018 be approved as a correct record and signed by the Chair.

### **521 Mazars External Audit: Progress Report**

The Audit and Corporate Governance Scrutiny Committee considered the external audit Progress Report and Technical Update which had been prepared by Mazars for consideration by Members.

The Progress Report provided an overview of the work undertaken and delivered, and Mazars' responsibilities as external auditors, and provided a briefing for the Committee on recent publications relevant to audit responsibilities.

Members were advised that the External Audit work was at the planning stage and Mazars were discussing with Senior Management the arrangements for the interim audit due to commence in February 2019. The report set out details of the actions that would be taken during the interim, field work and completion stages of the external audit.

The Technical Updates covered the following topics:

- Horizon Scanning – Challenges and Opportunities in 2019
- Measured resilience in English authorities
- Managing Risk in the Local Government Pension Scheme
- New Statement of Professional Practice on Ethics
- Next steps on Sustainability and Transformation Plans (STPs)
- CIPFA Fraud and Corruption Tracker (CFxCT) 2017/18
- Statement on Borrowing in advance of need
- Implementation date for IFRS 16 Leases, CIPFA
- A review of the role and costs of clinical commissioning groups
- Local auditor reporting in England 2018
- Local Authority Governance
- Departmental Overview: Commercial and Contracting 2017-18
- Financial sustainability of local authorities 2018 visualisation

RESOLVED - The Audit and Corporate Governance Scrutiny Committee note the update report from the Council's external auditor, Mazars.

**522 Internal Audit Consortium Summary of Progress on the Annual Internal Audit Plan 2018/2019**

The Committee considered the report of the Internal Audit Consortium detailing progress made by the Internal Audit team in respect of the 2018/19 internal audit plan. The report included a summary of the Internal Audit reports issued between 10 November 2018 and 18 January 2019, which showed the level of assurance given in respect of each area examined.

During the period Internal Audit had issued 4 reports, 3 were 'substantial assurance' provided and 1 was 'reasonable assurance' provided. Following the internal audit reports recommendations were made for improvements within the service areas and actions plans were agreed. Members were advised that a follow-up audit of Coney Green Business Centre would be carried out in the next Internal Audit Plan for 2019/20 to consider a number of arrangements that were still being implemented.

RESOLVED - That the Committee notes the report and the Summary of Progress on the Annual Internal Audit Plan 2018/19.

**523 Accounting Policies 2018/19**

The Audit and Corporate Governance Scrutiny Committee considered the report of the Joint Head of Finance and Resources and Section 151 Officer on the Council's Accounting Policies. The purpose of the report was to seek approval of the Committee for the Accounting Policies that were proposed for the current financial year in the preparation of the Statement of Accounts 2018/19.

The Accounting Policies adopted by the Council determine the accounting treatment that would be applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year end. The Committee's endorsement of the Accounting Policies demonstrated that those charged with corporate governance were fully informed prior to the commencement of the Statement of Accounts preparation.

The Policies proposed in respect of 2018/19 were unchanged from previous years however, the Committee were advised that as the preparation of the Statement of Accounts progressed it may become necessary to make amendments to the Policy.

**RESOLVED -**

- (1) That the Audit and Corporate Governance Scrutiny Committee approves the Accounting Policies detailed in Appendix 1 to the report.
- (2) That Members note that any proposed amendments or changes to these policies would be reported back to the Committee, together with an explanation for the reasons a change was considered to be appropriate and detailing any financial implications of the amendment.

**524 Medium Term Financial Plan 2019/20 to 2022/23**

The Audit and Corporate Governance Scrutiny Committee considered a report of the Joint Head of Finance and Resources and Section 151 Officer concerning the proposed Medium Term Financial Plan for 2019/20 to 2022/23.

Members considered the financial projections in respect of 2019/20 to 2022/23 and the change in the forecast shortfalls from the position estimated in February 2018. The report detailed the main factors taken into account in developing the Council's financial plans which the Joint Head of Finance and Resources and Section 151 Officer outlined in the meeting. Members considered the potential end to the New Homes Bonus Scheme and the potential pressure on the budget that this loss of funding would create.

The Committee was advised that the Business Rates Retention Pilot which the Council had been part of in 2018/19 had been successful, however, the bid for taking part in a further pilot for 2019/20 had not been accepted. The previous pooling arrangements within Derbyshire were to be reinstated for 2019/20.

The Committee also discussed the implications of the National Funding Settlement 2020/21, the Fair Funding Review and Business Rates Reset.

The report outlined the assumptions that had been made in developing the financial projections covering the period 2019/20 to 2022/23.

Given the financial challenges that continued to be faced during the Medium Term Financial Plan the importance of the transformation programme was highlighted and the need for progression of innovative forward thinking ideas.

The options for Council Tax increases was outlined in the report with the recommended increase to be reported to the next meetings of Cabinet and Council.

The level of the Council's financial reserves was outlined in the report.

*Councillor G Butler left the room at this point.*

The Committee went on to discuss the Housing Revenue Account and the estimated outturn for 2018/19 for budget for 2019/20 and financial plan for 2020/21 to 2022/23.

It was noted that 2019/20 would be the final year of the Rent Reduction Scheme after which it was intended to return to a scheme for setting rents annually based on increases aligned with the Consumer Price Index (Housing) plus 1%. The proposed management fee for Rykneld Homes Limited was the same as the current financial year.

Additional Capital funding had been requested for various projects including external wall insulation. This was not included in this current report as a full review of the Capital Funding for HRA works would be undertaken in 2019/20 to ensure a strategic approach would be followed. It was also recommended as part of this review that a full housing stock survey be undertaken.

*Councillor Butler returned to the meeting at this point.*

Details of the General Fund Capital Programme were outlined, including changes to the Asset Refurbishment Budget moving from a reactive model to a rolling programme of maintenance based on a recent non dwelling asset survey. Members commented that this approach to building maintenance was welcomed to avoid more substantial costs in future years caused by dilapidation which could have been avoided.

**RESOLVED** - That the Audit and Corporate Governance Scrutiny Committee note the report on the Medium Term Financial Plan 2019/20 to 2022/23.

**525 Treasury Strategy Report 2019/20 – 2022/23**

The Committee considered the report of the Joint Head of Finance and Resources and Section 151 Officer on the proposed Treasury Strategies prior to their submission to Council for approval.

From 2019/20 the Chartered Institute of Public Finance and Accountancy (CIPFA) Code required. The Council to produce a Capital Strategy alongside a Treasury Management Strategy. In addition, the 2018 Investment Guidance issued by the Ministry of Housing Communities and Local Government required local authorities to produce an Investment Strategy from 2019/20 onwards. The Council would produce the three separate treasury strategies as attached to this report.

The Council's Treasury Management Strategy provided the framework for managing the Council's cash flows, borrowing and investments, and the associated risks for the years 2019/20 to 2022/23. The Strategy also set out the parameters for all borrowing and lending as well as listing all approved borrowing and investment sources. Prudential indicators aimed at monitoring risk were also included and attached to the Strategy were details of the existing investment and debt profile position.

The Capital Strategy was intended to be high level, concise overview of how capital expenditure, capital financing and treasury management activity would contribute to the provision of the Council's services. The Strategy was also to provide an overview of the associated risk, its management and the implications for future financial sustainability. The Capital Strategy set out the capital expenditure plans for the period and how they were to be financed. It also provided information of the minimum revenue provision, capital financing requirement and prudential indicators aimed at monitoring risk.

The Investment Strategy focused on investments made for service purposes and commercial reasons, rather than those made for treasury management purposes. Investments covered by the Strategy included earning investment income through commercial investments or by supporting local services by lending to or buying shares in other organisations. Members queried the borrowing provided to Rykneld Homes Limited and were advised that this was on commercial rates based on the Public Works Loans Board rate plus an additional 0.5%.

RESOLVED - That the Audit and Corporate Governance Scrutiny Committee note the report and the attached Treasury Strategies for 2019/20 – 2022/23.

**526 Corporate Debt – Quarter 3**

The Committee considered the report which provided a summary of the Corporate Debt position as at 31 December 2018. The report provided details of the level of debt owed in relation to Sundry Debtors and Members were advised that no majors concerns existed surrounding this area of debt.

The level of aged debt for overpaid housing benefits and HRA debts was likely to increase as a result of Universal Credit due to the difficulty in recovering overpayments of Housing Benefit. This was due to housing costs forming part of the Universal Credit payment rather than a payment processed by the Council under the current housing benefit arrangements. Rykneld Homes Limited were closely monitoring the performance of HRA rent collection as a result of Universal Credit paying housing costs to claimants rather than the landlord directly.

It was noted that the Committee had previously requested additional information on other forms of debt and the comparison of how the Council is performing compared to other local authorities in debt collection. Whilst this information was not available in this report it would be provided in future reports.

RESOLVED - That the Committee notes the report.

**527 Corporate Plan Targets Performance Update – October to December Q3 – 2018/19**

The Committee considered the Corporate Plan Targets Performance Update report which contained the performance outturn as of 31 December 2018. Out of the 56 targets in total, 31 were on track, 16 had been achieved, 4 had been flagged as alert and 2 withdrawn previously with one further request to be made.

The Committee considered the targets that were on alert and the updates that were provided on their current status.

In relation to target G12, bringing empty properties back into use, members were advised that the Housing Strategy and Growth Manager would attend the next meeting of the Committee to provide a further update. The report outlined the pilot Empty Property Programme launched with Eon in January 2019, however, Members were advised that the funding for this pilot was based on the New Homes Bonus and was likely to be impacted by the uncertain future surrounding the New Homes Bonus Scheme. Changes to the existing New Homes Bonus Scheme also impacted on the New Homes Bonus Target at G15.

The target C13, growth in membership of the Chesterfield and North East Derbyshire Credit Union, remained on alert with only 87 new members achieved during the period. Members queried whether any members leaving the Credit Union would impact on the target and if there was a turn in membership numbers. The Performance Officer would request the information from the Strategic Partnership Co-ordinator and update members accordingly.

Committee was advised that target T11, increase in online self service transactions, was also on alert, however, the lead officer noted that whilst the take up was not moving at a rapid pace it was increasing and a revamp of the website was also due to be launched in March 2019. The Joint Head of Finance and Resources and Section 151 Officer also pointed out that self service transactions through other departments such as Revenues and Benefits had not been counted in this target previously and work would be undertaken to review this in the coming months.

The target requested to be withdrawn was target T12, developing an action plan to enable the delivery of the Derbyshire Thriving Families Initiative. The request to withdraw this target was a consequence of the decision of Derbyshire County Council to reformulate their approach to the Thriving Communities programme which was to be replaced by an accelerator programme focusing on an area outside of North East Derbyshire district. It was not possible to meet the Corporate Plan target within the identified timescale and it was therefore proposed that the target be withdrawn.

RESOLVED - That progress against the Corporate Plan 2015-19 targets be noted.

**528 Financial Procedures within Constitution Review**

The Committee considered a report of the Joint Head of Corporate Governance and Monitoring Officer which outlined proposals for changes to the finance rules and the contract procedure rules arising from other proposed amendments to the delegation scheme as part of the Constitution review for 2018/19.

The proposals related to the restriction of the use of the Invest to Save reserve under delegated powers to the Section 151 Officer and the change of the threshold for consideration of tenders by Cabinet in line with the key decisions thresholds. Details of the constitutional provisions that would be amended within the delegation scheme the finance rules and the contract procedure rules were outlined in an appendix to the report.

RESOLVED - That the Audit and Corporate Governance Scrutiny Committee support the proposed amendments to the finance rules and the contract procedure rules.

**529 Committee Work Programme 2018/2019**

The Audit and Corporate Governance Scrutiny Committee considered its Work Programme 2018/19 and noted that there were no amendments arising from previous agenda items of this meeting.

The Joint Head of Finance and Resources and Section 151 Officer informed members that the April meeting would consider the Annual Governance Statement in advance of the deadline for the completion of accounts in May.

RESOLVED - That the Work Programme 2018/19 be noted.

**530 Urgent Business**

There was no urgent business to be discussed at the meeting.

As this was the final meeting of the Audit and Corporate Governance Scrutiny Committee to be attended by the Joint Head of Finance and Resources and Section 151 Officer, Dawn Clarke, Members thanked the Officer for her service and dedication in supporting the work of the Committee.