

**AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE**

**MINUTES OF MEETING HELD ON 27 JULY 2017**

**I N D E X**

<b>Page No</b>	<b>Minute No</b>	<b>Heading</b>
1	162	Apologies for Absence
1	163	Declaration of Interests
1	164	Minutes of Last Meeting
1	165	Report of Those Charged with Governance ISA 260
2	166	Corporate Plan Targets Performance Update – April to June 2017 (Q1 – 2017/18)
3	167	NEDDC Statement of Accounts 2016/17
4	168	Medium Term Financial Plan – Financial Outturn 2016/17
5	169	Budget Monitoring, Quarter 1 – April – June 2017
6	170	Risk Management Update, Partnership Working and Strategic Risk Register
6	171	Key Issues of Financial Governance
7	172	Urgent Business Public Session
7	173	Exclusion of Public
7	174	Internal Audit Reports

## **AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE**

### **MINUTES OF MEETING HELD ON 27 JULY 2017**

#### **Present:**

Councillor G Morley ..... (Chair)

Councillor Mrs C A Smith (Vice Chair)  
“ G Hopkinson

Councillor B Barnes  
“ M E Thacker

#### **Also Present:**

D Clarke	-	Assistant Director – Finance, Revenues and Benefits
S Cottam	-	Senior Governance Officer (Acting)
J Williams	-	Head of Internal Audit
T Crawley	-	KPMG
S Brunt	-	Assistant Director - Streetscene
S Barker	-	Assistant Director – HR and Payroll
K Drury	-	Information Engagements and Performance Manager

#### **162 Apologies for Absence**

Apologies for absence had been received from Councillors G Butler, S Ellis and D Skinner.

#### **163 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.

There were no interests declared at this meeting.

#### **164 Minutes of Last Meeting**

RESOLVED – That the Minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 18 May 2017 be approved as a correct record and signed by the Chair.

#### **165 Report of Those Charged with Governance ISA 260**

The Committee considered the report of the Council's External Auditors KPMG which provided the Committee with a copy of the ISA 260 report provided by KPMG in respect of the 2016/2017 financial year and secure approval of the Audit and Corporate Governance Scrutiny Committees letter of representation to be provided by the Council to KPMG. Tony Crawley of KPMG presented the external audit report which gave details of the external auditor's account of the Councils accounts

in respect of the 2016/2017 financial year. The ISA 260 report covered headline issues, financial statements, value for money, key issues and recommendations, follow up of previous years recommendations, audit differences, accounts payable and audit independence. The audit had identified no material misstatements and the accounts had been completed by the end of May 2017, this was already in line with the new statutory deadline which comes into effect in 2017/2018. It was reported that the authority had continued to maintain a good financial reporting process and a high standard of quality in the production of the financial statements. The finance team were thanked for dealing efficiently with audit queries.

The auditors reported that they anticipated issuing an unqualified audit opinion on the authority's financial statements by 31 July 2017. The auditors also advised that the Annual Governance Statement complied with the guidance issued by CIPFA / SOLACE (Delivering Good Governance in Local Government published in April 2016. For the year ending 31 March 2017 the authority had reported a surplus of £1.526m. There had been no impact on the General Fund which remained at £2m. However, the Committee were advised that there were three areas identified of audit focus, however, there were not considered as significant risks as they were less likely to give rise to a material error.

A discussion took place around how savings would be met in the Council, officers gave reassurance to Members that plans were being worked on to address savings and they were confident that the savings would be made.

**RESOLVED** – That:

1. The Audit and Corporate Governance Scrutiny Committee notes the report from KPMG, the Council's External Auditors.
2. The Audit and Corporate Governance Scrutiny Committee approve the letter of representation and authorise the Chair of the Committee and the Chief Financial Officer to sign the letter on behalf of the Council.

During the discussion Councillor M E Thacker requested it be recorded that unnecessary comments made by Councillor Mrs C A Smith in the meeting to Councillor Thacker were found to be rude and inappropriate during the Committee.

**166** **Corporate Plan Targets Performance Update – April to June 2017 (Q1 – 2017/18)**

The Committee considered the Corporate Plan Target Performance Update April – June 2017 Quarter 1 – 2017/18 which contained the performance outturn as of 30 June 2017. Out of the 56 targets 45 (80%) were on track, 8 (14%) had been achieved previously, 2 (4%) had been flagged as an alert and 1 (2%) had been withdrawn previously.

Members discussed the two targets that had been flagged as an alert, target G12 (through a programme of targeted refurbishment to bring 20 empty properties per

year back into use by March 2019) and G14 (through the private rented sector leasing scheme deliver 5 additional units of affordable housing each year).

The Committee were advised that no properties for either target in quarter 1 had been achieved. Action Housing the Council's preferred partner had drawn down all the funding that they secured under the 2015/18 HCA grant programme. This had been used in other districts meaning there was currently no funding available for lease and repair of empty properties within the district.

Lead officers had approached other registered providers and they had not expressed an interest in refurbishing empty properties. Action Housing were under CME (Continuous Market Engagement) looking to bid for funding towards a Purchase and Repair scheme for empty properties, however, this was across the Sheffield City Region. Lead officers and the team would work with Action Housing to encourage them to work within our district.

As the performance indicator had struggled for the past few years considerations should be given to reviewing and possibly amending these targets. The Committee were advised that this was something that can be looked at through the Corporate Plan review.

**RESOLVED** – That the Audit and Corporate Governance Scrutiny Committee notes progress against the Corporate Plan 2015/19 targets.

(Assistant Director – Human Resources and Payroll)

**167    NEDDC Statement of Accounts 2016/17**

The Assistant Director - Finance, Revenues and Benefits presented the reports which gave details of the auditors Statement of Accounts for 2016/17. The Council published its Draft Statement of Accounts in respect of 2016/17 on 26 May 2017, in line with the target date of 31 May 2017 which had been set to reflect the forthcoming change in the statutory deadline.

During 2016/17 the Council continued its established approach on robust financial management to help maintain high quality services for its residents. The original budget was set in February 2016 with an efficiency and savings target of £0.395m to be met from identified areas including repayment of Invest to Save borrowing, Strategic Alliance secondments, transformation savings, property rationalisation and income generation.

Effective budget monitoring and a Cabinet led budget working group, the necessary efficiencies and savings had been identified and achieved whilst minimising the impact upon service delivery. By the end of the year the Council will have achieved a savings target of £0.395m and increased contribution to the Invest to Save Reserve to £1.553m.

**RESOLVED** – That:

1. The Audit and Corporate Governance Scrutiny Committee approve the audited Statement of Accounts in respect of 2016/17.
2. Delegated powers be granted to the Chief Financial Officer following consultation with the Audit and Corporate Governance Scrutiny Committee to agree any changes which may be necessary in order to ensure the finalisation of the external audit currently being concluded by the Council's external auditors KPMG and to ensure the completion of the Statement of Accounts by 31 July 2017.

(Assistant Director – Finance, Revenues and Benefits)

**168    Medium Term Financial Plan – Financial Outturn 2016/17**

The Committee considered a report of the Assistant Director – Finance, Revenues and Benefits in relation to the Council's financial outturn for 2016/17 financial year, which was considered by Cabinet on 7 June 2017. The Council had closed its financial accounts for 2016/17 in line with the target date of 31 May 2017 which had been set to reflect the forthcoming change in the statutory deadline next year. The draft Statement of Accounts for 2016/17 was now subject to the independent audit from the Council's external auditors KPMG. The report provided information on the outturn position in respect of the following:

- General Fund Revenue Account
- Housing Revenue Account
- The Council's Capital Investment Programme
- Treasury Management Activity

In relation to the General Fund during the previous financial year the Council managed its budget effectively securing a favourable financial outturn. In particular the Council had successfully met its financial savings target of £0.395m and was able to grow the balance in the Invest to Save Reserve by £0.195m. However, despite a successful outturn position the impact of the austerity agenda and the ongoing reduction in the level of Government grant was adversely impacting on the Council's financial position.

Although the outturn had allowed the Council to set aside earmarked reserves to meet contractual commitments and to address some of the key issues and potential liabilities it is facing, the Invest to Save Reserve which was the Council's only general earmarked reserve did not have commitments against it in 2017/18 so continued prudence was needed when committing against this reserve.

The Housing Revenue Account continued to operate within the parameters set by the 30 year Business Plan and the Medium Term Financial Plan. Officers would be working with Rykneld Homes to ensure that the Business Plan continued to reflect the impact of recent Government legislation and that the HRA remained sustainable over the 30 year period of the Business Plan.

The Capital Programme saw good progress on approved schemes during the 2016/17 financial year. In particular both the sports centre refurbishments and the North Wingfield new build scheme were progressing well. There were, however, a limited number of schemes which were work in progress and this required the associated expenditure and funding carry forward into 2017/18 financial year.

The Council operated in line with its agreed Treasury Management Strategy during 2016/17 financial year. This ensured the lending and borrowing arrangements were prudent and sustainable, minimising the risk of financial loss to the Council.

Effective management of these arrangements ensured that interest costs during the year were minimised in order to assist the Council's revenue position.

Again Members commented on the timing that this report had been brought to the Committee when it had already been considered and approved at Cabinet in June 2017.

**RESOLVED** – That the Audit and Corporate Governance Scrutiny Committee note the report on the Council's financial outturn for 2016/17.

(Assistant Director – Finance, Revenues and Benefits)

**169    Budget Monitoring, Quarter 1 – April – June 2017**

The Assistant Director – Finance, Revenues and Benefits presented the report which gave a summary of the budget monitoring for the first quarter of 2017/18. The report summarised the financial position of the Council following the first quarters budget monitoring exercise for the General Fund, the HRA, Capital Programme and Treasury Management activity. The report concluded that the Council was operating in line with approved budgets.

The Council were currently monitoring the General Fund position and were working to refresh the transformation plan. The Committee were advised that a refresh of the 30 year Business Plan would be taking place and the Council were working with Rykneld Homes on a Stock Condition Survey. The Committee were also advised that savings would also be made through vacancy savings and a considerable extra amount of income was coming in through planning fees in the first quarter.

Members questioned whether the Council would be sticking with the current strategy and if so would it be used to the best of its advantage. The Assistant Director – Finance, Revenues and Benefits advised that Arlingclose could be invited to the Committees November meeting to talk about the current strategy and to discuss where this could possibly be expanded.

**RESOLVED** – That:

1. Arlingclose be invited to the Committee's November meeting to talk about the current strategy in place and to discuss where this could be expanded.
2. The Audit and Corporate Governance Scrutiny Committee note the report

concerning the Council's budget monitoring for quarter 1 2017/2018.  
(Assistant Director – Finance, Revenues and Benefits)

**170 Risk Management Update, Partnership Working and Strategic Risk Register**

The Audit and Corporate Governance Scrutiny Committee considered a report on the Risk Management Update, Partnership Working and Strategic Risk Register which would be considered by Cabinet at its meeting on 2 August 2017.

The Strategic Risk Register was intended to highlight the majors areas where the Council needed to manage its risk effectively. One of the key purposes of the reports was to set out the risks that had been identified and to encourage both Members and officers to actively consider whether the Strategic Risk Register and supporting Service Risk Registers actively covered all of the issues facing the Council. The section of partnership serves to highlight the extent of the working arrangements together with the approach that had been adopted for their effective management.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee note the report on the Risk Management Update, Partnership Working and Strategic Risk Register.

(Assistant Director – Finance, Revenues and Benefits)

**171 Key Issues of Financial Governance**

The Committee considered a report of the Chief Financial Officer which advised the Committee of the Key Issues of Financial Governance. The report included an action plan covering the most significant issues raised by the External/Internal Auditors, other inspections and other matters which would significantly impact upon the Council's financial governance arrangements. These included:

- The need to achieve a balanced budget over the period of the Medium Term Financial Plan
- Management of the Council's internal control arrangements
- Marginal reports in respect of Licensing, Health and Safety and also Transport Administration, Social Media and Procurement.

The report contained details of the Council's current position in relation to these issued and the actions taken to address the risks.

RESOLVED – The Committee notes the report and action plan in respect of the key issues of financial governance.

(Assistant Director – Finance, Revenues and Benefits)

**172 Urgent Business Public Session**

The Committee were advised that there was no urgent business to be considered in the Public Session of this meeting.

**173 Exclusion of the Public**

**RESOLVED:** That the public be excluded from the meeting during the discussion of the following items of business to avoid the disclosure to them of exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006).

**174 Internal Audit Reports**

The Audit and Corporate Governance Scrutiny Committee considered a report of the Assistant Director – Finance, Revenues and Benefits concerning an update on the marginal internal audit reports previously reported to this Committee.

The reports concerned were:

- Health and Safety
- Transport (Central Garage)
- Licensing

The Assistant Director – Streetscene and the Assistant Director – HR and Payroll were in attendance at the meeting to update on their respective areas. However, the Assistant Director – Planning and Environmental Health was unavailable to attend the meeting to update Members on the Licensing report.

Members wished to place on record their disappointment of the non attendance of the Assistant Director – Planning and Environmental Health. Members felt the action plan regarding the marginal Licensing report was not acceptable. Members requested that the Assistant Director – Planning and Environmental Health attend the next meeting to discuss the concerns. Members were advised that internal audit would also report back to the Committee in October on all three of the marginal reports.

**RESOLVED:**

1. That the Audit and Corporate Governance Scrutiny Committee note the update on the three marginal reports and updated action plans and implementation schedules.
2. Requests the Assistant Director – Planning and Environmental Health attends the next meeting of the Audit and Corporate Governance Scrutiny Committee.  
(Assistant Director – Finance, Revenues and Benefits)