

AUDIT & CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 4 FEBRUARY 2016

I N D E X

Page No	Minute No	Heading
1	572	Apologies for Absence
1	573	Declaration of Interests
1	574	Minutes of Last Meeting
1	575	KPMG Annual Report on Grants and Returns Work 2014/15
2	576	External Audit Progress Report and Technical Update
3	577	Internal Audit Consortium – Summary of Progress on the Annual Internal Audit Plan 2015/2016
3	578	Internal Audit Consortium – Consultants and Agency Staff
3	579	Corporate Plan Targets Performance Update – October to December 2015 (Q3 – 2015/16)
4	580	Medium Term Financial Plan 2016/17 – 2018/19
6	581	Treasury Management 2016/17 – 2018/19
7	582	Accounting Policies 2015/2016
7	583	Chairs Urgent Business

AUDIT & CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 4 FEBRUARY 2016

Present:

	Councillor D Skinner	(Chair)
	Councillor Mrs C A Smith	(Vice Chair)
Councillor	G Butler	Councillor S J Ellis
"	A Garrett	" G Hopkinson
"	M E Thacker	

Also Present:

Mr T Crawley – KPMG
Mrs J Williams – Internal Audit Consortium Manager
Mrs D Clarke – Assistant Director - Finance, Revenues and Benefits
Mr M Kane – Governance Manager
Mr B Mason – Executive Director - Operations

572 Apologies for Absence

Apologies for absence had been received from Councillor B Barnes.

573 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.

574 Minutes of the Last Meetings

RESOLVED - That the minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 26 November 2015 be approved as a correct record and signed by the Chair.

575 KPMG Annual Report on Grants and Returns Work 2014/15

The Committee considered a report of the Council's External Auditor, KPMG, who set out the annual report on grants and returns work 2014/15.

The report summarised the work that KPMG had carried out on the Council's 2014/15 grant claims and returns. It included the work completed under the public sector audit appointments certification arrangements as well as the work that had been completed on other grants/returns under separate engagement terms.

The report identified two areas for improvement. Work on the Council's housing benefit subsidy claims was subject to a qualification letter due to incorrect earned income figures being used in the calculation of housing benefit. The failure to fully reconcile benefit paid to benefit granted in accordance with software provider instructions had arisen due to workbooks being inaccurate.

On the issue of incorrect earned income figures being used in the calculation of benefits, KPMG had identified eight cases from 60 tested which had been subsequently corrected and then reassessed. It was noted that the Council had after several attempts successfully recruited to a post which includes within its responsibilities a programme of systematic error checks. This would reduce the risk of similar errors happening in future. Members were also advised that targeted training would be provided to benefits assessors to improve the handling of similar claims in the future.

RESOLVED: That:

1. The Committee notes that the report from the Council's external auditor, KPMG, in respect of the annual report on grants and returns work 2014/15.

(Executive Director - Operations)

576 External Audit Progress Report and Technical Update

The Committee considered a report of the Council's external auditor, KPMG, which provided a progress report and technical update on the work of external audit. The report provided the Committee with an overview on KPMG's progress in delivering their responsibilities as external auditors.

It also highlighted the main technical issues which were currently having an impact in local government. The issues that had the most effect on the authority were the new local audit framework arrangements and the reporting developments relating to infrastructure assets.

RESOLVED -That the Committee notes the report from the Council's Auditors, KPMG, in respect of the external audit progress report and technical update.

(Executive Director - Operations)

577 Internal Audit Consortium – Summary of Progress on the Annual Internal Audit Plan 2015/2016

The Committee considered a report of the Internal Audit Consortium Manager which advised members of progress made by the Consortium during the period 12 September 2015 to 22 January 2016 in relation to the 2015/2016 Annual Audit Plan. The report included a summary of internal audit reports issued during the period and work in progress.

The audit plan for North East Derbyshire had been agreed at the Audit and Corporate Governance Scrutiny Committee on 15 April 2015. During the period in question seven audit reports had been provided all of which secured an assessment of 'satisfactory' or higher.

The report set out the process for issuing reports together with the categories of opinion which were used for assessment. Any report that is below satisfactory was presented to the Committee for consideration.

In addition a number of audits were in progress including budgetary control, insurance, Section 106, Council Tax, industrial property rents/periodic income, business centres and sundry debtors.

RESOLVED: That the report on the progress on the Annual Internal Audit Plan 2015/16 be noted.

(Executive Director - Operations)

578 Internal Audit Consortium – Consultants and Agency Staff

RESOLVED - That this item be deferred to the next meeting of the Committee.

(Executive Director - Operations)

579 Corporate Plan Targets Performance Update – October to December 2015 (Q3 – 2015/16)

The Committee considered a report of the Assistant Director – Customer Service and Improvement which advised of the quarter 3 outturns against the Corporate Plan 2015/19 targets.

The report contained details of the Council's performance as of 31 December 2015. For each directorate, details of the number of targets in total, those on track and those as flagged as alerts were given. Of the fifty-five targets within the Corporate Plan, forty-four were on track, two had been achieved, two were overdue, two had not started and five had been flagged as alert i.e. the target may not achieve its intended outcome by the target date.

Councillor Skinner left the meeting at 3.26pm and returned at 3.29pm during which time Councillor Mrs C A Smith took the Chair.

During consideration of the report, officers took questions relating to the Procurement Strategy and the ambition to achieve a sustainable leisure service. There was concern raised around the long term sustainability of some of the Council's leisure centres and their level of engagement with local schools. The Executive Director - Operations undertook to raise the matter with the Executive Director - Transformation and Assistant Director - Leisure and bring back a report to the Committee outlining plans.

RESOLVED: That:

1. Early progress against the Corporate Plan 2015/2016 targets be noted.
2. A further report on target T10 – To develop a series of strategies and plans to support the ambition of a sustainable leisure service by March 2016 – be brought to this Committee at its next meeting.

(Executive Director Operations/
Executive Director – Transformation)

580 Medium Term Financial Plan 2016/17 – 2018/19

The Committee considered Report No EDO/19/15-16/BM of the Executive Director - Operations which set out the Council's Medium Term Financial Plan 2016 to 2019 prior to the report being taken to Cabinet.

The Medium Term Financial Plan covered the following three areas:-

- General Fund Revenue Account;
- Housing Revenue Account (HRA);
- Capital Programme.

Cabinet's recommendations would be reported to Council at its meeting on 15 February 2016 to secure approval of the Council's budget for the financial year 2016/17. .

The Council's Section 151 Officer was satisfied that the methodology adopted to calculate the estimates was robust and provided Members with reliable information on which to base their decisions. Likewise the Section 151 Officer was satisfied that the proposed level of reserves were adequate to cover the issues and potential risks which faced the Council.

General Fund Revenue Account

The Council had set its original budget for 2015/16 on the basis that it was necessary to secure savings of £0.500m. On the basis of the current estimates the

Council would achieve these savings and secure a surplus of £0.414m. This provided a firm basis to address the Council's full financial position of the period of the Medium Term Financial Plan.

In terms of the 2016/17 budget this included a shortfall of £0.395m. Given the Council's previous performance in achieving savings targets, whilst challenging, this should be achievable. The Council needed to maintain its work on the growth and transformation agenda to secure the projected financial savings of £1.9m anticipated to be required by 2018/19.

Housing Revenue Account (HRA)

With regard to the HRA, the estimated outturn figures showed an overall surplus of £19,000 for 2015/16.

The key issues for the Housing Revenue Account was the Government's announcement that rent levels would be reduced by 1% per annum for a period of four years starting April 2016. This represented an estimated loss of rental income for North East Derbyshire District Council of £0.6m in 2016/17. Cumulatively, this would amount to a loss of income of £6m by April 2020.

In order to maintain the level of services and to maintain stock at the Decent Homes Standard, significant efficiency savings would need to be secured and the HRA Capital Programme would have to be carefully managed.

The impact of the 1% rent reduction would reduce the average rent for a council house from £85.62 per week on a four week basis to £84.76 per week.

Capital Programme

With regard to the Capital Programme the majority of the expenditure would continue to be in respect of the Housing Revenue Account Programme which was funded by Capital Resources ring fenced to the Council's Housing Revenue Account. The financial provision to fund the ongoing programme of housing refurbishment work was planned to continue at a level of £9m to £10m per annum over the period 2016/17 to 2018/19. It was also proposed that funding for a scheme to build new homes in North Wingfield be included in the Capital Programme for future years.

In terms of the General Fund Capital Programme, the main item of expenditure would continue to be on vehicle replacement funded by Prudential Borrowing. The Programme required investment of £1.014m to secure replacement of the Council's Streetscene vehicles.

There was also the ongoing requirement for work in respect of private sector housing, together with asset refurbishment across the range of the Council's assets.

There was a discussion around the need for Cabinet to prioritise the adoption of a Local Plan. The proposed 1.95% Council Tax increase was also briefly debated.

RESOLVED: That :

1. The Committee notes the report prior to its consideration by Cabinet on 10 February 2016.
2. The Committee requests Cabinet make the adoption of a District Council Local Plan at the earliest opportunity a key corporate priority for the Council.

(Executive Director – Operations)

581 Treasury Management 2016/17 – 2018/19

The Committee considered Report No EDO/20/15-16/BM of the Executive Director – Operations which advised members of the Treasury Management Strategy 2016/17 to 2018/19 prior to a report being taken to Council.

The report outlined the Council's proposed Treasury Management Strategy which fulfilled four requirements:

- How the function would support the capital decisions approved within the Medium Term Financial Plan and the parameters for all borrowing and lending associated with the day to day treasury management of the Council's cash flow requirements.
- The prudential indicators covering the next three financial years which showed the impact of changes in the level of the Council's debt on its revenue accounts.
- The policy on the repayment of its debt each year through the Minimum Revenue Provision (MRP). The provision was the amount of debt being repaid and was a charge on the revenue accounts for the Council.
- An investment strategy was also included within the report which set out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

During consideration of the report, members proposed that a briefing be delivered by the Council's Treasury Management partners, Capita, which could also be made available to other Members.

RESOLVED - That the Committee notes the report prior to its submission to Council on 15 February 2016.

582 Accounting Policies 2015/2016

The Committee considered Report No EDO/21/15-16/BM of the Executive Director – Operations which sought approval of the Accounting Policies which formed part of the Statement of Accounts 2015/16.

The policies proposed for adoption had a significant influence upon the Accounting Statements and it was important that they were given appropriate consideration at the outset of the preparation of the Statement of Accounts. This helped to ensure that they were applied consistently in the preparation of the accounts. The policies recommended for adoption were in line with those used in the previous financial year with only some minor clarification of detail.

RESOLVED: That:

1. The Committee approves the Accounting Policies detailed at Appendix 1 of the report.
2. The Committee notes that any amendments or changes to the 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 amendments.

(Executive Director – Operations)

583 Chairs Urgent Business

There were no items of urgent business to be considered at this meeting.