

**AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE**

**MINUTES OF MEETING HELD ON 14 JULY 2016**

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## **AUDIT & CORPORATE GOVERNANCE SCRUTINY COMMITTEE**

### **MINUTES OF MEETING HELD ON 14 JULY 2016**

#### **Present:**

|                           |                    |
|---------------------------|--------------------|
| Councillor G Butler ..... | (Chair)            |
| Councillor B Barnes       | Councillor S Ellis |
| “ A Garrett               | “ G Hopkinson      |
| “ G Morley                | “ M Thacker        |

#### **Also Present:**

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

#### **136 Appointment of Chair for the Meeting**

Due to the absence of the Chair and Vice Chair nominations were sought from the Committee for a Chair to be appointed for the meeting.

It was moved and seconded that Councillor G Butler be appointed Chair for the meeting.

RESOLVED: That Councillor G Butler be appointed as Chair for the meeting.

#### **137 Apologies for Absence**

Apologies for absence had been received from Councillor D Skinner.

#### **138 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 and in any item on the agenda and to withdraw from the meeting at the appropriate time.

Councillor G Morley declared a disclosable pecuniary interest in respect of agenda item 5b arising from his tenancy with the Council of a commercial property. Due to the nature of this interest, Councillor G Morley was unable to take part in the consideration of this item and at this point left the meeting.

*Councillor Morley left the meeting at this point.*

**139 Minutes of the Last Meeting**

RESOLVED - That the minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 19 May 2016 be approved as a correct record and signed by the Chair.

**140 KPMG Progress Report and Technical Update**

The Committee considered a report of the Council's External Auditor, KPMG, which provided an update on the progress of the External Audit Process and advised the Committee of a number of technical updates.

From KPMG's initial work on the audit of the Council's Statement of Accounts they advised that the Council may need to include reference to the possible implications following the EU Referendum result, which occurred after the accounts were published.

The report set out a number of recent KPMG publications and Members were informed that updates on the impact of the EU Referendum result could be accessed via a portal on the KPMG website which was free to access.

The Committee were also advised of technical developments related to highway network assets (which the Council confirmed it did not hold); the time frames for the exercising of electors rights in relation to questioning the accounts; exemptions for tax and National Insurance for Councillors travel expenses; a National Audit Office report on English Devolution deals; and proposed reforms to business rates and core grants.

Members were informed that a joint CIPFA and Chartered Institute for Housing report had recently been published concerning HRA reform.

The Committee noted that the majority of these developments were graded as low potential impact by KPMG and were unlikely to significantly affect the Council. In relation to the new local audit framework the Executive Director Operations advised the Committee that the Council had submitted an expression of interest to the Local Government Association in respect of a sector wide procurement exercise.

RESOLVED: That the Committee notes that the report from the Council's Auditors, KPMG in respect of the External Audit Progress Report and Technical Update.

**141 Medium Term Financial Plan – Financial Outturn 2015/2016**

The Committee considered a report of the Executive Director Operations in relation to the Council's financial outturn for 2015/16 financial year, which was considered by Cabinet on 8 June 2016.

The Council had closed its financial accounts for 2015/16 in line with the target date of 31 May 2016 which had been set to reflect the forthcoming change in the statutory deadline. The Draft Statement of Accounts 2015/16 were now subject to the independent audit from the Council's External Auditors, KPMG.

The final audited accounts will be reported for approval to this Committee at its meeting on 21 September 2016.

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 successfully met its financial savings target of £0.5m and was able to transfer £0.2m to the General Fund Reserves, together with £0.753m to the Invest to Save Reserve. While the financial position in respect of 2015/16 had been successfully managed it was noted that significant savings were still required to be made in future financial years.

While 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 faced by the Council, the Invest to Save Reserve which was the Council's only general earmarked reserve had now been fully committed.

The Housing Revenue Account continued to operate within the parameters set by the Thirty Year Business Plan and the Medium Term Financial Plan.

The Committee discussed the position in relation to the Business Rates Collection Fund deficit and were advised that the requirement to make provision to recognise appeals had the largest impact in generating a potential deficit. The Council had, however, established a reserve to meet these potential liabilities. It was recognised that business rates were a volatile income stream which could impact on future levels of income.

Members queried whether the Council had a strategy for attracting new businesses in order to grow business rates income that would also recognise that growth of new businesses was important for the District beyond the income stream for the General Fund. It was agreed that the Assistant Director for Economic Growth be invited to a future meeting to advise the Committee in relation to this issue.

The Committee discussed the Council Tax Collection Fund surplus/deficit provisions and was advised that the collection fund had performed better than expected in recent years.

Members queried the headroom calculation for the Housing Revenue Account and were advised that annual provision to repay the Housing Revenue Account debt over the thirty year term was included in the accounts.

The Committee were advised in relation to the Council's Treasury Management Strategy that the volatility in the financial markets presented a potential risk to the Strategy should, for example, it have a further adverse impact on the financial ratings of the UK banks. The situation would continue to be monitored in case the Council's Treasury Management Strategy needed to be reviewed.

Members commented on the timing that this report had been brought to this Committee when it had already been considered and approved by Cabinet in June 2016. The Committee were advised that this timing could not be avoided but the proposed budget for the Council was always brought to this Committee before being submitted to Cabinet. It was discussed that the Committee's comments on this report should be made known to the Cabinet and it was agreed that the minute of this item should be submitted to the next meeting of the Cabinet.

**RESOLVED:** That:

- (1) The Committee requests that the Assistant Director Economic Growth attend a future meeting of the Committee to discuss the Council's plans for attracting new businesses and growing business rates income.
- (2) The minute for this item be submitted to the next meeting of the Cabinet.
- (3) The Committee notes the report on the Financial Outturn 2015/16.

(Executive Director Operations /  
Assistant Director Economic Growth)

## **142 Key Issues of Financial Governance**

The Committee considered a report of the Executive Director Operations which advised the Committee of Key Issues of Financial Governance.

The report included an action plan covering the most significant issues raised by the external and 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 key partnership arrangements.
- Maintaining the quality of performance monitoring within the Council.
- Monitoring the impact of new legislation.
- Ensuring that internal controls are maintained.

- Monitoring the Council's arrangements concerning the administration of Section 106 arrangements following the unsatisfactory conclusion of the internal audit review.

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

The Committee noted that the Assistant Director Planning and Environmental Health would be attending the meeting of the Committee in September 2016 to provide a further update on the implementation of the recommendations of the audit report in relation to the administration of Section 106 arrangements.

The position in respect of debtors at the end of the final quarter of 2015/16 was attached to the report.

The report also provided information relating to previous concerns raised by the Committee:

#### Use of Agency Staff

The Committee was provided with further information as requested relating to the cost of agency staff within Streetscene, Planning and Revenues and Benefits and the actions undertaken to reduce the reliance on agency staff. Members recognised that while the cost of agency staff was met from within the Planning budget, and that the performance in dealing with planning applications was meeting national targets. Concerns were, however, expressed that the quality and standard of the advice of agency staff and consultants within this area might not meet previous standards as quality was more difficult to measure with anecdotal evidence suggesting there may be some issues.

As the Assistant Director for Planning and Environmental Health was to attend the next meeting of this Committee it was agreed that he would also be requested to address these issues.

#### Investment in Commercial and Industrial Units

A summary of the 2015/16 Revenue Account in relation to commercial and industrial units was also provided within the report as previously requested by the Committee. Members were also advised that in addition to the repairs works, where necessary, the capital asset refurbishment fund was utilised for renovations and other upgrade work.

The Executive Director Operations informed the Committee that the income from the Council's commercial and industrial units went into the General Fund and was not ring fenced to any particular expenditure. It was recognised that the commercial and industrial units were not particularly modern buildings, however, occupancy rates were believed to be around 80-90% demonstrating that there was a demand for facilities such as these for light industrial use at a reasonable cost.

The Committee were advised that while essential repairs and limited renovation was undertaken, a comprehensive renovation of the units was not economically viable. The units remained popular providing low cost facilities which were popular with local business.

It was noted that £25k per year was set aside for the Capital Asset refurbishment for future contingencies relating to the maintenance of the commercial and industrial sites, however, this was a very small percentage of the income and would not cover the cost to replace the facilities in the long term.

The Committee discussed that allowing the sites to deteriorate and putting off investment in these facilities may postpone the problem which would be more costly to resolve in the future.

Members were advised that alternative options such as increasing the costs of tenancies would not be popular with the occupiers and the Council could not afford to sacrifice the income to the General Fund to be devoted to these refurbishment works.

The Committee discussed the need for a strategy to manage the decline of these facilities and consider the longer term options, ensuring that the sites remained safe and at a reasonable standard in the interim. It was agreed that the Assistant Director Economic Growth be requested to address this issue when she attends a future meeting of the Committee.

The Committee were advised that the Council had been willing to sell these units over recent years to occupants who wished to change their use or wished to invest in the facilities themselves.

#### **Debt Management Performance**

The Committee discussed the information in respect of debtors provided in the report and noted that there had been an increase in aged debt levels. Members were advised that older debts were not an issue and it was only the current debts which seemed high. The figures included debts which had not yet fallen due and could also be increased more recently by recharging between the Councils in the Strategic Alliance.

The Committee requested further information on which departments the debts falling within the 90 to 365 days category fell across. Members were advised that details of debts across departments were considered at quarterly meetings at a directorate level.

The Committee also discussed the repayment of housing benefit over payments. It was noted that housing benefit over payments were difficult to recover other than via attachment to future benefits. This would become more difficult with the transition of claimants to Universal Credit.

The Committee were also advised that the Housing Revenue Account total indebtedness levels were holding steady which was a reasonable performance giving rising rent levels although it would be preferred to see this level decrease.

**Development of a Sustainable Leisure Service**

The Committee were informed of a report that had been considered by the Cabinet at its meeting 29 June 2016 which secured the agreement for the implementation of a strategy designed to further reduce the level of subsidy in leisure by upgrading the quality of the facilities and improving usage levels.

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

Executive Director Operations /  
Assistant Director Planning and Environmental Health /  
Assistance Director Economic Growth

**143 Urgent Business Public Session**

The Committee was advised that there was no urgent business to be considered in the public session of this meeting.