

# NORTHAMPTON BOROUGH COUNCIL

## AUDIT COMMITTEE

Tuesday, 24 June 2008

**PRESENT:** Councillor Perkins (Chair); Councillor Yates (Deputy Chair); Councillors Davies and Meredith (In place of De Cruz)

**Observer**

Councillor Mildren (Portfolio Holder for Finance)

### 1. APOLOGIES

Apologies had been received from Councillors De Cruz, Hawkins and Tavener.

### 2. MINUTES OF THE MEETING HELD ON 27 MAY 2008

These were agreed as a true record and signed by the Chair.

### 3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

### 4. DECLARATIONS OF INTEREST

There were none.

### 5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

There were none.

### 6. ANNUAL GOVERNANCE STATEMENT

B Lewis, Assistant Head of Finance, presented the 2007/08 Annual Governance Statement, which replaced the Statement of Internal Control and had a wider remit to include oversight of governance and partnership arrangements. The Committee noted the processes involved in the production of the Statement and that it would be reviewed again by the Annual Governance Group before its final sign-off in September.

The Chair referred to page 17 of the Statement and the need to be aware of the significant governance issues raised when looking at the financial statement.

**Recommended:**

**That Council adopt the Annual Governance Statement 2007/08.**

### 7. STATEMENT OF ACCOUNTS 2007/08

B Lewis presented the 2007/08 Statement of Accounts to the Committee explaining in detail some of the more significant transactions. It was noted that, although there were budgetary pressures for the future, the Council's current position was relatively healthy.

Referring to the loss of revenue from non-dwelling premises, Councillor Meredith requested that the matter of un-let garages and industrial units be considered by the relevant service area and that a report be presented to a future Audit Committee meeting.

The Chair highlighted the increase in deficit from £5 to £9 million in the Income and Expenditure account and explained that changes in accounting policies skewed like for like figures. The Committee was referred to the Statement of Movement showing a reduction in the General Fund balance of £142,000, although there had also been additions to

earmarked reserves.

It was pointed out that some of the significant differences between the figures for 2006/07 and 2007/08 were as a result of changes in analysis and accounting practices and that direct comparisons were not possible in some cases.

There was now a more pro-active treasury team leading to an improvement in interest rates and a better managed portfolio. The biggest change was in the capitalisation of additional redundancy and pension costs with additional strains for early retirement. The Statement identified where capital expenditure was necessary to retain the value of existing assets.

Premia (i.e. penalty charge) incurred in 2002/03 and 2003/04, when certain loans were restructured, was split between HRA and the General Fund. Auditors had advised that this split was incorrect and that more should have been charged to the HRA. The HRA charge can be spread over the remaining life of the restructured loans. The consequence of this to the General Fund is that there is a significant credit to the General Fund in these accounts.

The Chair then commented on the income deficit in the Building Control Trading Account. It was noted that the aim was to break even over a period of three years. Charges could be raised but no profit could be made and there remained an element of competition with the private sector in future contracts.

The Committee was guided to the table in the Statement relating to debtors and it was reported that officers were investigating the two key areas of rent arrears and the recovery of overpayments in benefits. The policy in place to ensure that tenants with existing rent arrears were not re-housed was subject to lenience in cases of particular need, although it was noted that old debts were known to be more difficult to recover. There had to be clear evidence that debts were not recoverable before they could be written off. Work was being undertaken to improve performance relating to these long-standing bad debts. It was requested that the Housing Department present a report addressing the issue of rent arrears and collection with specific reference to trends and the previously reported improved collection of rent.

There was further concern about the amount outstanding on employee loans and the collection of bad debt relating to these. The Committee requested an overall report on unpaid debt, recovery and write-offs.

It was further noted that some of the debt relating to unpaid council tax belonged to the Police and County Council and that the 98.5% collection target rate could not have been met if the Collection Fund was in deficit. It was explained to the Committee that the council tax collection targets included an estimated number of new properties being established on the council tax register and an over-estimate could add to a deficit in council tax collection. It was suggested that all future debt recovery that was unrelated to housing rent might fall within the remit of the council tax department. It was requested that the Revenues Section present a report addressing the issues of arrears and collection rates with specific reference to trends and the collection rate over time. Committee also requested that the accuracy of the Council Tax base be assessed.

The area of old debt relating to the overpayment of housing benefit was then discussed and it was established that improved reporting practices had identified that the likelihood of recovering overpaid housing benefits was quite low. The benefits service relied on the individual claimants giving correct information and updating the council in relation to changes in circumstances. A balance was required to secure a level of recovery of overpaid benefits as against creating additional hardship for the individuals concerned. It was requested that the benefits section present a report to the Audit Committee providing an

overview of debt levels and types of debt and outlining progress in debt collection in this area.

Concern was expressed at the current performance of the pensions fund and it was noted that the situation would have to improve to avoid an increase in employer's contributions. The deficit was attributed to the falling value of assets, including property investments, and the poor state of existing markets.

**Recommendation:**

**That Council adopt the 2007/08 Statement of Accounts.**

The meeting concluded at 19.30