

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 26 July 2010

PRESENT: Councillor Woods (Chair); Councillor Collins (Deputy Chair); Councillors Davies, Hawkins, Palethorpe and Wilson

1. APOLOGIES

Apologies were received from Cllr J Lill.

2. MINUTES

The minutes of the last meetings held on 28th June 2010 were agreed as a true record.

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. PERFORMANCE AND TRAINING

The Performance Team Leader circulated papers on Performance Plus and elaborated thereon.

RESOLVED: That the presentation be noted.

7. TREASURY TRAINING

The Assistant Head of Finance circulated papers and elaborated thereon.

RESOLVED: That the papers be received.

8. TREASURY MANAGEMENT OUTTURN 2009/10 AND TREASURY MANAGEMENT REPORTING AND TRAINING 2010/11

The Assistant Head of Finance submitted a report and elaborated thereon. The Treasury Management Outturn report was before the Committee for review prior to it being put to Cabinet and Council for noting in September together with any recommendations from this Committee. She outlined the purpose of the Cabinet report and confirmed that no action would arise from it as the recommendations are for Cabinet and Council to note the outturn position.

In response to a question, the Assistant Head of Finance confirmed 16% of the overall investment portfolio was the average for the whole year, and not the specific year end

balance. When grants etc were received or major payments (e.g. salary runs) made there were high point and low points and the 16% is based on the average position. The operational boundary was what they expected to happen when limits were set to borrow and the authorised limited provided leeway for any unexpected circumstances. For example at a County Council if a school had burned down then this would be covered by the authorised limit.

The Committee were also invited to review the proposals for member training to assist with their responsibilities in relation to Treasury Management.

The Internal Auditor confirmed that the training that evening had been informative although it would have been helpful if they had time between the training and the meeting to review the report fully and any areas which needed to be challenged in light of the training.

The Chair suggested that the November and January training to be brought forward one meeting to enable this and that a ten-minute refresher be provided at the meeting where the reports themselves are considered.

Resolved:

- 1. That the report be noted.**
- 2. That the November and January training to be brought forward one meeting to enable this and that a ten-minute refresher be provided at the meeting where the reports themselves are considered**

9. SERVICE AREA RISK REGISTER

The Corporate Risk Manager submitted a report and confirmed the Committee had the opportunity to highlight any suggestions for improvement for the Housing Register.

The Head of Landlord Services explained that one risk which had remained as red on the risk register was meeting the decent homes standard. At the present time, the Decent Homes standard cannot be reached for all properties. There was a report which was going to Cabinet on 28th July 2010 with further details and information on the current situation. There is an investment gap of in the region of £77m. Also to ensure the stock information was robust the stock condition survey would be updated with a new survey, a significant amount of it now being more than five years old. They were waiting for the outcome of the HRA finance reforms and what the Government's next step was. At present the resources which were available would not meet the decent homes standard. 48% are non decent and this would be reduced to 31% by 2015 using existing resources.

In response to a question, the Head of Landlord Services confirmed that the stock condition survey had been updated every year except from last year. They have found that when they go into the property, the levels were less than expected. The survey would be completed this year.

Councillor Palethorpe commented that the Council was never going to have to money available and he believed to meet the decent homes standard would be nearly impossible for this organisation if it was kept in house.

The Chair suggested that there were also two further elements being if the PFI money was no longer available then there would be an issue for Eastfield and Thorplands areas. Also there could be new Government proposals for what was in place of the HRA when that ceased to exist in its current form.

The Head of Landlord Services confirmed that they were waiting to see what the Government is going to do.

Councillor Hawkins commented that an institute like NBC had a hefty housing issue for which it is responsible for and would have to go to the Government and ask what alternative measures would be put in place for extra lending provided that we were clear of how much money we needed to borrow.

The Head of Landlord Services confirmed that the existing stock was detailed and the investment gap in the Cabinet report was £77 million. If approved by government, PFI would commence in 2014. 31% of properties would still be non decent by 2015 but the PFI arrangement would reduce that.

In response to a question, the Head of Landlord Services confirmed that the stock condition survey would be as robust as can be although it was standard practice not to inspect every single property. It remained red on the risk register, as there was nothing that could be done to mitigate it into amber at the present time under the current financial regime. Councillor Palethorpe noted that if 48% of stock failed the decent homes standard then that would have a knock on effect on other priorities on the risk register which would turn it from amber to red. This was in relation to reaching top quartile performance for all PI's which he suggested should be shown as red as the Council could not meet the Decent Homes target. The Head of Landlord Services agreed and said that this risk would be re-evaluated.

The Chair agreed that this would have a high likelihood of happening and the Council may have to make decision that it did not want to make. Under the current rules they were unable to borrow against the asset of houses themselves although risk maybe mitigated if the Government changed the rules.

The Head of Landlord Services confirmed that there were a number of other Local Authorities in the same situation. The Council's Head of Finance had advised that it was reasonable to wait and see what the Government does and the outcome of the reforms.

The Director of Finance and Support suggested there were two other mitigating factors which could be added, firstly the evaluation of the new Government proposals when they were received on the HRA finance reform. Once we receive the full valuation the second option would be to consider further options around housing stock to increase decency. The further option appraisal would be carried out when it was relevant.

In response to a question, the Head of Landlord Services confirmed that the IBS software had gone very well and went live on the 5th July 2010, but it was too early to evaluate this or move this to green on the risk register. Tenants would be able to review their rent account balance online within the next couple of weeks.

Resolved: That the report be noted.

10. INTERNAL AUDIT UPDATE

The Internal Auditor submitted a report and explained that the field work had been completed although they were still in the process of finalising reports. A lot of work had been carried out on Team Central and there were only 9 recommendations which were outstanding.

The Chair confirmed that this had been a major improvement.

The Director of Finance and Support confirmed that the new "dashboard" monitoring report to Cabinet would include outstanding audit recommendations. The Budget report would be presented to Cabinet on the 28th July 2010 and the Dashboard report on key financial report indicators and Audit recommendations would be shown in the report.

Resolved: That the report be received.

The External Auditor provided an update. Initial audit work had confirmed that they could reply on the financial system. Work on financial statements had progressed with a view to deliver the financial governance report.

The use of resources work had ceased following government announcements but they still had to give the overall conclusion on value for money. The CAA work had ceased as well. They would draw on work already done and the Annual Governance Statement would show key aspects of that so knowledge would not be lost. The external auditor indicated that the housing landlord inspections was now unlikely to go ahead but still had the ability to ask for an ad-hoc review of certain aspects.

In response to a question, the External Auditor confirmed that as the CAA had ceased there would be a change to fee structures although could not comment on what the actual impact would be. This information would be provided to the Director of Finance and Support as soon as possible.

Nationally the Audit Commission would be reassessing what it needed to do and the resource requirement after the inspection regime changes. It would be less than what it was before. The statutory requirement for audit of accounts would remain and they would reassess the position to comply with the new landscape. The Audit Commission would be consult with all Councils about what the auditors will do and the conclusion would be more focused on financial costs. They were under pressure to reduce costs of regulation and become more focused. Consultation with Councils would be completed by the end of July and a decision would be made in the autumn.

The Chair confirmed that it was the Head of Finance's last meeting and thanked him for his support on behalf of the Committee and wished him luck for the future and in his new role at Bedfordshire Fire and Rescue Service.

11. EXCLUSION OF PUBLIC AND PRESS

The Chair moved that the Public and Press be excluded from the remainder of the meeting on the grounds that there was likely to be disclosure to them of such categories of exempt information as defined by Section 100(1) of the Local Government Act 1972 as listed against such items of business by reference to the appropriate paragraph of Schedule 12A to such Act.

The Motion was Carried.

The meeting concluded at 19.16