

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 8 November 2010

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

1. APOLOGIES

Apologies had been received from Councillor J Lill.

2. MINUTES

The minutes of the last meeting held on 27th September 2010 were agreed as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

4. DECLARATIONS OF INTEREST

Councillor Woods declared a Personal interest in item 8, Register of Interests, in which he referred to the WNDC of which he was a Board member.

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

Councillor Woods confirmed that Councillor Palethorpe was no longer a member of the Committee as a result of Committee changes.

6. TREASURY MANAGEMENT MID YEAR REPORT

The Finance Manager submitted a report which appended a draft report to Cabinet that would be submitted on 15th December 2010. The report reviewed the activities taken, investments made and borrowing. When investments were made the Council had to demonstrate the application of its policies and criteria were made consistently. During the first six months of the year 40 new fixed term deposits were made which made up 82% of the Council's investment portfolio. The remainder was held on deposit accounts.

The Council would begin to use Money Market funds to invest as well as deposit accounts as they would ensure liquidity and provide instant access. As a result of the reduction in balances held in the deposit accounts there will be increased capacity with investment counterparties.

In response to a question from Councillor Woods, the Finance Manager confirmed that the £5,000 special investment was to the District Councils Network. They had been approached by the District Councils Network to make an investment to promote the interest of district councils which was a once off payment and they would not be reinvesting. The deposit accounts kept good rates and used to measure for performance and what rates could be achieved over and above the average. It was compared to the standard rate which banks were willing to lend to each other. Benchmarking against other Local Authorities were carried out although every Authority was unique and larger amounts achieved higher rates. There was not a direct comparator which they could use.

The Finance Manager confirmed that no new borrowing was made in this financial year and no loans had been repaid since April 2010 other than the £16,000 of the HCA annuity payment made in September. Maturity profile borrowing showed two loans which totalled £15.6m were due for repayment in 2014-15 and advisors had confirmed that to repay early would incur high premiums and therefore would not be beneficial.

In response to further questioning, the Finance Manager confirmed that all of the figures in the annexes would be aligned to the right to make the figures clearer.

A variation had been made to the investment strategy so investments could be made for up to two years and the Cabinet report would be amended to reflect this. The Finance Manager confirmed that Cabinet was aware of this in the Treasury Outturn report for last year. There had been a breach of treasury indicators which were set due to the market conditions as all of the investments had become variable. This had been reported to Cabinet and the indicator had been changed to £10million as set out in the report.

RESOLVED:

- (1) That the report be noted.**
- (2) That the Cabinet date of 15th December 2010 and Council date of 17th January 2011 be included in the report.**

7. RISK MANAGEMENT AND BUSINESS CONTINUITY UPDATE

The Corporate Risk and Business Continuity Manager submitted a report and provided an update on progress in Risk and Business Continuity Management across the authority. She confirmed that the Strategic Risk Register had undergone a significant refresh which had resulted in many of the current strategic risks being allocated to the Service Area best suited to manage the risk from a corporate perspective. The register would then be left with 5 or 6 true risks. Once the work had been completed it was recommended to be brought back to the Committee.

She confirmed that she was also on the Partnership Working group which enabled the local authority to put in place formal governance for staff to enter into Partnerships on behalf of the authority. This was a good example of risk management and was a standard part of project management activities.

The Corporate Risk and Business Continuity Manager was also on the Project Initiation Group (PIG) which worked to set projects on the right track at the early stages. They also worked with Performance Plus for risk management but no longer used it for this purpose as it had not been developed enough. They were waiting for the system to evolve and excel spreadsheets were being used as an interim option.

The Business Continuity plans had progressed well and they worked with staff to ensure changes, for example, the Cliftonville move, had minimal disruption.

There was a further discussion on the floods of 1998 and what the impact to the Westbridge Depot would be and the Corporate Risk and Business Continuity Manager confirmed there were business continuity plans in place.

RESOLVED:

- (1) That the report be noted.**
- (2) That once the latest Strategic Risk Register had been approved by Management Board, the Register be presented to the Audit Committee at a future meeting.**

8. SERVICE AREA RISK REGISTER - REGENERATION AND DEVELOPMENT

The Corporate Risk and Business Continuity Manager and Head of Regeneration submitted a report together with the Regeneration and Development Risk Register.

The Head of Regeneration confirmed that the risk management was part of delivering major projects and the service was well rehearsed and experienced in risk management. In the last year and since the service plan had been signed off there had been significant changes in the way the work had been approached and still continued to be outfacing for investments into Northampton. After the elections in May 2010 and the government proposal to reduce and terminate regional government they had worked very closely with MKSM to forward a submission. Last week they had received confirmation to proceed to the next stage with partners for the South East Midlands. Work had been completed for Management Board and Cabinet for how the partnership would operate and how they would work together to submit applications for regional growth funding which was previously available through RDAs. The applications had to be submitted by 21st January 2011. They also worked with other local partnerships in Northampton that included Legal and General and the University. The recession had produced a major risk for bringing investment into Northampton and they had decided that they wanted to proceed to deliver them and start the regeneration instead of waiting for the land values to increase. He considered it important for the authority to continue to influence the structure and how it would be developed over the next few months.

In response to a question from Councillor Davies, the Head of Regeneration confirmed that Legal and General were progressing with key work schemes which included negotiations with Stagecoach and the County Council to reprovide bus facilities and for the bus station to be moved for redevelopment. Legal and General had invested a lot of time and effort redesigning the scheme to take into account various options for public transport. In the past two weeks they had confirmed a contract for £1million to provide improvements for the Grosvenor car park which was achieved before the deadline.

Councillor Woods declared a personal interest as a Board member of the WNDC and confirmed that the Minister had written to the WNDC which set out 5 key projects which needed to be progressed. They will find out if capital funding will be available within the next two weeks.

The Head of Regeneration confirmed that the government would work with WNDC over the next two years for growth and funding and the WNDC have recognised the Grosvenor Greyfriar project and they will bid on 21st January to bring the project forward and influence other partners.

In response to a question from Councillor Woods, the Head of Regeneration confirmed that each major project had its own risk register which the team assessed. Key risks were identified through the management team meetings and reviewed to see how they affected the Council and then they were escalated as appropriate.

The Head of Regeneration confirmed that they were in discussions at present to bring the student accommodation and other aspects of the University to St John's although an agreement had not been signed yet. It was important for Northampton to encourage more people to live in the Town Centre to improve safety and provide more people in the evenings. It would also boost the economy.

In response to a question from Councillor Hawkins, the Head of Regeneration confirmed that they had an agreement with EMDA for the Blueberry Diner site but due to the recession had not been able to progress with it. They were waiting for the government to decide what would happen to the agreement and it was a risk which was recorded in the risk register. If

the government did not have confidence then they would make steps to terminate the agreement and the Council would have to repay the £2million. They were conscious of the risk and were actively engaged in bringing forward regeneration. The risk still scored a maximum of 12 as there were a number of third parties involved which they did not have control over. Depending on what agreement was signed then it would bring the risk down.

There was a further discussion on the student accommodation for the University and the Head of Regeneration confirmed that the University did not have sufficient land at their current campus. They had an ambition to grow and needed to provide a certain level of accommodation. The Council wanted to bring forward a site which they owned and to benefit the Town Centre. The University had conducted a questionnaire and the students had confirmed that they would like more accommodation in the Town Centre and see it as a place they would like to live.

The Head of Regeneration believed that boutiques and craft activities in the area was still viable and once the St John's site had been signed they would look to bring forward other activities. They may find that some of the first choices would not be viable at present.

The Risk Register had identified a lack of understanding and knowledge of customers and the Head of Regeneration confirmed that improvements had been made in the consultation process especially with the PFI project and residents. The whole risk referred to all of the project and what other partnerships and customers thought about it. They had conducted customer surveys but were not successful in receiving the responses back. It was important the Council understood what people thought.

The Internal Auditor confirmed that there was a hierarchy for the process of reviewing the risk register and more detail to the risk would be provided lower down the scale. The Risk Register appended to the report was a summary of the departmental risk.

The Head of Regeneration explained that each risk had an owner to monitor the risk across the service and it gave an opportunity for the risk owner to challenge what he was doing.

Councillor Woods confirmed that greater clarity was required to escalate the project to service risk and for that type of risk to be questioned.

The Corporate Risk and Business Continuity Manager advised she would review how the risk appetite was defined. They would also make the wording clearer on the risk register to identify if it related to the PFI project or not.

There was a discussion on which service level risk register was to be reviewed and it was agreed that it would be Customer Services.

RESOLVED:

- (1) That the report be noted.**
- (2) That Customer Services risk register to be reviewed at the next meeting.**

9. INTERNAL AUDIT PROGRESS REPORT 2010/11

The Internal Auditor submitted a report with the progress made for the internal audit plan and confirmed there were minor changes to the plan which amended the External auditors as the Audit Commission and the date.

Work had been completed on the IBS system credit review and further discussions were required before it was issued although it was considered a moderate risk. The work to be

carried out over the next two months were payroll, debtors, housing rents, home renovations and temporary accommodation follow up reviews and the general ledger. The Uniclass system would be replaced by the IBS system and two separate reports would be issued this year – one on Agresso creditors and one on IBS creditors.

The Internal Auditor confirmed that the Head of Finance and Assets requested a review of the decent homes and capital expenditure as there seemed to be unusual expenditure patterns which had indicated possible concerns. These include apparent inconsistency on the number of homes that were brought up to the decent homes standard. There were concerns over what work had actually been carried out and questions over the procurement process which was employed.

The Audit Committee had serious concerns in the areas highlighted in the report and the Head of Finance proposed to have a report brought back to the next meeting for the Committee to scrutinise to include the findings of a subsequent internal investigation.

RESOLVED

1. **That the report be received.**

10. 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.

11. INTERNAL AUDIT PRIVATE SESSION REPORT

The meeting concluded at 20.39