

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 16 January 2017

PRESENT: Councillor M Markham (Chair); Councillor Golby (Deputy Chair);
Councillors Chunga, J Hill, Marriott, Stone and Parekh

1. APOLOGIES

There were none.

2. MINUTES

The Minutes of the meeting held on the 14th November 2016 were confirmed and signed by the Chair. With an amendment to the minutes of the meeting held on the 5th December 2016, whereby the Chair had submitted his apologies and the meeting had been chaired by Cllr Golby (Deputy Chair) the minutes were agreed 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. INTERIMS AND VACANCIES UPDATE

The Chief Finance Officer elaborated on the report of the Position Statement on Vacant Posts and Interim/Agency Staff and noted that it had been commissioned in March 2016 following queries raised at Audit Committee. He highlighted the downwards trajectory in the number of interim/agency staff engaged between February and November 2016 from 39 to 27. He further reported that the number of staff vacancies had decreased from 52 to 41 and noted that the financial costs of the interim/agency staff would be collated for the period to the end of December 2016 and reported to the next Audit Committee.

In response to questions asked by the Committee, it was confirmed that some of the interims employed in the Regeneration, Enterprise and Planning Directorate were recruited for project specific purposes and that this had been a necessity to ensure that the Council had the correct skills to deliver and progress on a number of major projects. The Chief Finance Officer confirmed that the number of interims/agency staff recruited to specific projects would be measured and reported to a future Committee to make some of the figures more meaningful.

Responding to further questions from the Committee, the Chief Finance Officer explained that there no benchmarks in place to measure interims/agency staff; he further explained that retention and promotion of staff from within was a discussion topic at Management Board but that in some instances it was difficult to recruit to some positions and therefore interims and agency provided a valuable service.

RESOLVED:

That the contents of the finance report be considered.

7. GOVERNANCE ACTION PLAN - UPDATE

The Chief Executive outlined the report and updated the Committee on the progress made with the Governance Action Plan. Since the Committee endorsed the Governance Action Plan it was noted that there had been very limited time but that extensive progress had been made which included;

- a) The establishment of an Executive Programme Board
- b) The implementation of a new Cabinet Clearance process
- c) The formation of a Corporate Governance and Support Officer Programme Board.

The Leader confirmed that there had been a lot of focus on Governance and that whilst the Action Plan was a live and fluid document, it was not life limited and continued to explain that whilst risks may have been approached with more caution, there was a balance between total risk aversion and calculated risks. The Chief Executive noted that the risk appetite of the council had significantly changed since 2013 and explained that the Council focused less on taking big risks and more on taking calculated risks that were based on research and well managed. He further explained that the Governance Action Plan also encompassed cultural changes to how loans would be dealt with in future and that whilst there may be additional costs in terms of resourcing, it was considered a necessity.

RESOLVED:

1. That the progress against the Governance Action Plan be noted.

8. ISA260 ACTION PLAN UPDATE

The Interim Strategic Finance Manager explained that the ISA260 action plan included 41 separate actions, with the 9 recommendations from the 2015/16 ISA260 and audit letter, and 2 recommendations brought forward from 2014/15. He explained that significant progress had been made and 27 of the actions have now been completed, with 4 outstanding. He stated that the response and progress against the ISA260 had been completed very quickly and that it was hoped that all of the actions outstanding would be completed in due course.

The External Auditor, in response to questions asked, confirmed that they were happy with the progress that had been made and the achievements of the Council so far

RESOLVED:

That the progress achieved to date be noted against the action plan developed by the statutory S151 Chief Finance Officer (CFO) to make improvements in line with the 2015/16 ISA260 Recommendations

9. TREASURY MANAGEMENT MID YEAR REPORT 2016-17

The Principal accountant explained that the average rate of interest on investments to 30 September was 0.8% (0.52% above the 7 day LIBID benchmark). He explained that the average rate was likely to reduce further by the end of the year as investments are replaced. It was noted that the Debt Financing Budget was currently showing a £370k saving. This was due to:

- i) Lower recharges to the General Fund as a result of lower than expected opening balances and lower average rates of interest.

- ii) A lower than budgeted set aside for outstanding borrowing. (Actual is based on previous year's activity level).

He explained that the Treasury Management function had kept within the approved policies and practices in the year to date and noted that there had been no reported breaches. There has been no requirement to ask Council for adjustments to any indicators or parameters during the financial year.

He explained that there had been training for Members which had been delivered in October 2016 by the Council's Treasury Management advisors. Which he noted would be repeated in future financial years.

In response to questions asked, the Chief Finance Officer explained that advice was being sought on entering into other investments and noted that there needed to be cautious as whilst some investments could provide extra uplift in terms of interest rates, they may result in further risks as capital could go up or down. It was noted that in house investment returns received of 0.77% was achieved which compared favourably to the benchmarks. Responding to a further question, the Chief Finance Officer explained that the loan from the Homes and Community Agency was very old and had duration of 49 years, that the Council had no option other than to wait for it to mature.

RESOLVED:

That the Audit Committee reviewed the Treasury Management Mid-Year Report for 2016-17.

10. FINANCE REPORT

The Chief Finance Officer presented a report to Committee which outlined the financial position to 30th September 2016 and car parking income and usage to 30th November 2016. It was explained that there had been an increased spend on temporary accommodation and B & B provisions as there had been increased pressures in those areas which had put big pressures on budget costs. It was noted that there had been a small underspend of £306k on the HRA. £2 million had been vired from the Revenue Voids Management Budget to the HRA Capital Programme to help fund a programme of additional units and help to ensure that the Council fully utilised the retained 141 Right to Buy receipts that it currently held.

In response to questions asked, the Chief Finance Officer explained that he would provide the Committee with accurate details in relation to Disabled Facilities Grant and the carry forward of £400k.

The Chair noted that the problem of increased costs for the provision of B & B's and temporary accommodation was a national problem and work was being undertaken with Northampton Partnership Homes (NPH) and the Social Lettings Agency to reduce the numbers. She further reported that when the Decent Homes standards had been introduced to Council owned homes, a number of them had been adapted but that there was more of a general need than there was for purpose built (adapted) homes.

RESOLVED:

1. That the contents of the following finance reports be noted:
 - General Fund Revenue Monitoring (Appendix 1 of the report);
 - General Fund Capital Monitoring (Appendix 2 of the report);

- HRA Revenue Monitoring (Appendix 3 of the report);
 - HRA Capital Monitoring (Appendix 4 of the report).
2. That the position on car parking income and usage as at 30 November (Appendix 5 of the report) be noted.

11. RISK REVIEW OF 2017/18 BUDGET REPORT

The Chief Finance Officer presented a report which outlined the risk assessment of the budget proposals for 2017/18. He explained that a balanced budget had been achieved through the Council's prudent financial management and continued commitment to delivering efficiency savings. It was noted that the key financial challenge that the Council faced was the forecast budget gap, which showed a requirement to make a saving of £4.8 million in 2018/19 and £7.0 million in 2020/21.

In response to questions asked, the Chief Finance Officer explained that whilst some modelling could be looked at, it would be hard to predict any changes the government might make, especially with regards to New Homes Bonus. He further noted that with regards to the Council's efficiency plan, there were a number of approaches being explored and active projects that had the potential to deliver extra funds to the Council.

RESOLVED:

1. That issues in relation to risk within the budget proposals for 2017/18 be noted.

12. DEBT MANAGEMENT REPORT

The Revenues Manager presented a report on the position regarding the Council's outstanding debt and noted that pensioners were 100% protected from paying Council Tax and that they would remain exempt from doing so. It was noted that the overall outstanding arrears had increased by £776K compared to the same point as late year and noted that the majority of unmanaged debt within the Council sat within the Asset Management. It was explained that Welfare reform had increased pressures on those liable to pay Council Tax. The Council tax reduction Scheme (CTRS) was the support provided towards the Council Tax for those residents who were on a low income. It was reported that the Revenue Team had worked hard to minimise cuts and had done extensive work to examine longer-term modelling and that the demand of CTS would be re-examined in 18 months' time.

RESOLVED:

1. That the latest position in relation to the Council's outstanding debts as at 30 November 2016 be noted.

13. LGSS INTERNAL AUDIT UPDATE

The Internal Auditor (LGSS) reported that 16 of the 17 actions, agreed following the 2015-16 audits, had been satisfactorily addressed and closed. It was noted that a meeting had been held in December 2016 and another had been timetabled for February 2017 to include the external auditors (KPMG). He commented that the work undertaken would be reported back to the Committee over the next 2 meetings.

The Committee discussed the report.

RESOLVED:

That the Committee noted the report.

14. PWC INTERNAL AUDIT UPDATE

The internal auditor updated the Committee on the current progress of internal audit work. It was noted that there had very recently been a meeting held with the Chief Executive, the Monitoring Officer and Chief Finance Officers to decipher what work would be undertaken in relation to the Governance Action Plan and the internal auditors work plan.

In response to questions asked, the internal auditor confirmed that they had been heavily involved in the governance Action Plan and noted the confidence that they had in the proposed improvements.

The Chair thanked the Internal and External Auditors for the work that they had completed and for the help and assistance given to officers. She reported that solid foundations had been laid and noted they could advance and monitor all potential risks in the future.

RESOLVED:

That the Committee noted the report.

The meeting concluded at 7:47pm