

Audit Committee



Date:	Wednesday, 14 November 2012
Venue:	Town Hall, St. Annes
Committee members:	Councillor John Singleton(Chairman) Councillor Brenda Ackers (Vice Chairman) Councillors Ben Aitken, Christine Akeroyd, Leonard Davies, Kath Harper, Linda Nulty, Louis Rigby
Other Councillors:	Councillor Charlie Duffy
Officers:	Paul O'Donoghue, Ian Curtis, Paul Rogers
Other Attendees:	Jillian Burrows (KPMG),

1. Declarations of interest

Members were reminded that any personal/prejudicial interests should be declared as required by the Council's Code of Conduct adopted in accordance with the Localism Act 2011. No declarations were declared.

2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 20 September 2012 as a correct record for signature by the Chairman.

3. Substitute members

There were no substitutions.

4. Annual Audit Letter 2011-12

Jillian Burrows, representing KPMG, presented the Annual Audit letter for the financial year 2011-12. The letter detailed the auditor's opinion on performance and financial management and provided the auditor's opinion on the Council's preparation of its financial statements. She reminded members that the ISA 260 report relating to Governance had been presented to the September Audit Committee meeting which had identified the key issues during the audit of the Council's financial statements for the year ended 31 March 2012. She referred to the headlines on pages 7 and 8 of the report and, in particular, drew the committee's attention to two audit issues which were set out under the heading 'Financial Statements Audit'. She informed members that the issue relating to the revaluations of heritage assets was being progressed by the Council and it was likely that

this would be actioned before the end of the current financial year. The other matter related to an error in data flow of pension data by Lancashire County Council to Mercers. This was a case of clarification and did not result in any amendment to the financial statements. In conclusion she advised that for 2012-13 the audit fee would be reduced by 40 per cent due to a change in audit requirements and the Audit Commission's commitment to reduce the burden of audit regime on local authorities.

In answering questions posed by the Chair, Ms Burrows informed the Committee that over the past two years since she was last involved with the Council there had been an improvement in the financial position of the Council and that KPMG were happy with the way that the Council's Finance team worked with KPMG to deliver the audit. She made particular reference to the summary of reports issued since the last annual audit letter which were set out on page 10, and that KPMG had issued all the reports that were highlighted in the initial audit fee letter. She informed members that at the next Audit Committee meeting members will receive the overview on the certification of grants and returns which would be the conclusion of the 2011-12 work.

Mr O'Donoghue, Chief Financial Officer, endorsed Ms Burrow's view that having dealt with Heritage assets for the first time last year there were no significant accounting code changes on the horizon for this year. Mr.O'Donoghue asked the committee to note however that there would be changes around the business rate retention proposals, and the council tax benefit scheme which would need to be accounted for. The local authority mortgage scheme which would be considered by Council at its next meeting and the accounting arrangements for that would also need to be dealt with.

Following discussion it was RESOLVED that

- (1) the content of the audit letter be noted and that particular note be taken that since Jillian Burrows was last involved with the Council's audit, there had been an improvement in the financial position of the Council;
- (2) the comments in (1) above be commended for consideration by Cabinet.

5. Mid Year Prudential Indicators and Treasury Management Monitoring Report 2012/13

Paul O'Donoghue, Chief Financial Officer, presented the mid-year review of Treasury Strategy and Prudential Indicators for Audit Committee to scrutinise in line with the recommendations of CIPFA (Chartered Institute of Public Finance Accountants) Code of Practice on Treasury Management 2011. He informed members that it was a technical report which had within it a number of treasury indicators and he took the committee through those. He referred members to the economic background and outlook on page 14 which remained bleak. The interest rate forecast provided by the Council's treasury advisors Sector was set out in Table 1 on page 15 and the key risks were highlighted. He drew members' attention to the key prudential indicators in paragraph 4. Each of the tables from paragraph 4 onwards in the report set out the original indicator together with the latest indicator or revised estimate.

In referring to Table 4 on page 17, regarding the Authorised Limit indicator, this had been revised from £14.8 million to £15 million. He emphasised that the figure included a contingency which was available to the Council in the event of exceptional circumstances such as a service delivery failure or emergency. He highlighted the fact that the contingency sum was a CIPFA requirement and was indeed best practice throughout local government. He took members through the remaining paragraphs relating to the Investment Strategy Update where there were no changes and the Treasury Indicators.

Councillor Linda Nulty asked why the authorised limit in Table 4 cannot remain at £14.8 million. Mr. O'Donoghue re-emphasised that the figures shown in that Table were based on CIPFA requirements and advice from Sector the Council's treasury advisors.

In reply to Councillor Louis Rigby's question regarding slippage, Mr O'Donoghue reminded members that all schemes with detailed costings are considered and approved by Cabinet before any expenditure is committed and that slippage referred to the re-phasing of approved scheme expenditure between financial years.

Councillor John Singleton, Chairman, asked how the existing capital borrowing figure of £3.8 million in Table 4 had been calculated. Mr. O'Donoghue informed members that the Council approved a capital programme each year which contained a variety of capital schemes, including the Bins to Boxes scheme, depot improvements, cremator replacements, etc The Council can also receive grants and capital receipts each year which are used to fund capital expenditure. The difference between expenditure and the grants and receipts received was the Capital Financing Requirement or Gross Borrowing Indicator, which currently stands at £8.5m. The Council therefore has an underlying need to borrow £8.5m, but to date has only borrowed £3.8m which is the first figure in table 4.

Councillor Singleton referred to the Additional Capital Borrowing figure of £4.7 million and asked how this was calculated. Mr O'Donoghue informed the committee that this was the difference between the Council's underlying need to borrow of £8.5m and the current borrowing of £3.8m, and represented the amount of additional borrowing that the Council would need to take in order to fund the Capital schemes approved by the Council.

Councillor Singleton also referred to the contingency figure in Table 4 of the report, and expressed concern that this had grown from £4.3m in 2011/12 to £6.5m in 2012/13. Mr O'Donoghue informed the committee that this was a contingency which was available to the Council in the event of exceptional circumstances such as a service delivery failure or emergency. He highlighted the fact that the contingency sum was a CIPFA requirement and was indeed best practice throughout local government and that for the first time the figure included a contingency for potential short term cash borrowing of £2m which accounted for the increase. The figures had been calculated having taking professional advice from the Council's treasury advisors.

Councillor Nulty asked what happens to the interest on unused Section 106 monies. Mr O'Donoghue informed members that unless Section 106 agreements specify that the money contained in the agreement plus any interest gained should be spent for specific purposes as set out in that agreement, only the original amount would be used for Section 106 purposes. Where the s106 agreement remained silent on interest, it was usual that interest gained on those monies become part of the Council's general cash.

Following detailed discussion it was RESOLVED to

- (1) approve the revised prudential indicators and limits set out in the report, and these be submitted to Full Council accordingly.
- (2) note the committee's concern that there is a need to increase the borrowing limit contingency amount to £6.5 million in line with CIPFA guidelines and the advice of professional treasury management advisors .

6. Guide/Criteria for Members Serving on Outside Bodies

Ian Curtis, Head of Governance, presented a report which addressed some issues that had been raised in relation to the matter at the previous meeting of the Committee. The report examined those issues and recommended changes to the draft Guidance/Protocol

to (1) add the requirement of skills, experience and knowledge of the work of an outside body to the core competencies for appointments to outside bodies, and (2) add additional guidance on conflicts between the interests of the council and those of a company to which the council is invited to nominate a director. He emphasised to the Committee that the competences were not a regulation but were a tool to help members to assess their development needs in relation to appointments to outside bodies.

Members expressed the view that transparency with regard to appointments to outside bodies was an issue and that there was need for the guidance and protocols to be robust to address that issue.

Councillor Charlie Duffy was present at the meeting and was allowed to comment. He informed the committee that the points he had raised at the previous meeting had been addressed in the report and that he was content with the recommendations.

It was RESOLVED to approve the Protocol for Members Serving on Outside Bodies and commend the same to Council for approval as a formal procedure to be included within the council's constitution, subject to the changes to the draft set out in 8 and 18 of the report.

With regard to the above decision a recorded vote was taken and the voting was as follows:

For the above decision - Councillors John Singleton, Brenda Ackers, Ben Aitken, Christine Akeroyd, Kath Harper, Linda Nulty.

Against the above decision - Councillor Louis Rigby.

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