



# Minutes

## Audit Committee

<b>Date:</b>	Thursday, 20 November 2014
<b>Venue:</b>	Town Hall, St Annes
<b>Committee members:</b>	Councillor John Singleton JP (Chairman)  Councillors Brenda Ackers, Ben Aitken, Christine Akeroyd, Leonard Davies, Tony Ford, Ken Hopwood, Linda Nulty and Louis Rigby
<b>Officers:</b>	Paul O'Donoghue, Jillian Burrows (KPMG), Nicol McLellan and Katharine McDonnell

### 1. Declarations of interest

Members were reminded that any disclosable pecuniary interests should be declared as required by the Localism Act 2011 and any personal or prejudicial interests should be declared as required by the Council's Code of Conduct for Members. There were none on this occasion.

### 2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 25 September 2014 as a correct record for signature by the Chairman.

### 3. Substitute members

The following substitution was reported under Council procedure rule 23(c):

Councillor Tony Ford for Councillor Howard Henshaw.

### 4. Annual Audit Letter 2013/14

Jillian Burrows (KPMG) explained that the Annual Audit letter was issued by the Council's external auditors (KPMG), detailing the auditor's opinion on the Council's performance and financial management. The auditors, in reaching their opinion, considered the financial governance of the Council, financial planning and control processes, in addition to how the Council prioritised its resources and sought to improve efficiency and productivity.

Mrs Burrows, drew the Committee's attention to an increase to the planned audit fee. She explained that the variance was due to additional work undertaken regarding the collection fund balances due to the changes in the NNDR returns, and that the increase was applicable to all local authorities, not just Fylde. Mrs Burrows advised that the Audit Commission had agreed the increase and confirmed their decision to the Section 151 Officer.

It was RESOLVED, having scrutinised the content,

1. To note the content of the Annual Audit Letter 2013/14

#### 5. Mid-Year Prudential Indicators and Treasury Management Monitoring Report 2014/15

Paul O'Donoghue (Chief Financial Officer) and Nicol McLellan (Senior Accountant) presented the mid-year prudential indicators and treasury management monitoring report 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.

Mr O'Donoghue advised that the Council currently had borrowing of £3.8m, but no additional external borrowing had occurred during the 2014/2015 financial year. He further advised that the Council had a requirement to fund a further £3.0m for 2014/15 but this was funded by internal borrowing on the advice of the Council's Treasury Advisors.

He explained that £1.5m of external debt would be repaid in December 2014, reducing the level of external borrowing to £2.3m.

In regards to investment activity, Mr O'Donoghue advised that in line with the Treasury Strategy the Council was risk averse in its investment activity, with the primary consideration being to ensure security of the original investment, the secondary consideration being liquidity and thirdly the rate of return on the investment. He added that a higher rate of return would increase the risk of the investment and was not the Council's policy.

Mr O'Donoghue drew the Committee's attention to a new EU directive, due for implementation in January 2015. He explained that the Directive stopped government bail-outs of failing banks. Instead shareholders and creditors would bear the cost. The European Parliament had also approved revisions to the Deposit Guarantee Schemes Directive, which would increase the amount of loss local authorities would incur if a bank, in which the authority had deposits in, failed. As a consequence of these changes, the Council's Treasury Advisors considered that some major UK banks may have their credit rating downgraded.

In anticipation of these changes the Committee were asked to consider recommending to Council amendments to the Investment Strategy, to allow the Council to invest in BBB+ rated banks and building societies, in limited amounts for short periods as set out in the report. Mr O'Donoghue advised that the risk of a bank failing remains unchanged, but the amount of loss that the Council would incur in such circumstances increases as a consequence of these revised arrangements. He further advised that the Council would always seek to invest in the highest-rated institutions possible.

Mr O'Donoghue provided a brief overview of the Prudential Indicators, explaining the variations and revisions from the start of the financial year, to the current mid-year position.

The Committee requested that in future, the Forecast Interest Prudential Indicator added clear narrative of the interest paid by the Council over a given financial year.

In regards to the repayment of £1.5m of external debt in December 2014, the Committee asked when the next repayment of external debt would occur. Mr O'Donoghue advised that £1.3m was due to be repaid in 2016, half in May 2016 and the remaining half in November 2016.

The Committee formally thanked the Finance team for all their hard work.

It was therefore RESOLVED

1. To recommend to Council:

- i. That the revised Investment Strategy, including the amendment to the Strategy to allow investment in banks and building societies rated BBB+ or above for short periods of time as described at section 5 of the report to Committee, be approved; and
- ii. That the revised Prudential Indicators and Limits in Appendix B of the report to Committee be approved.

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