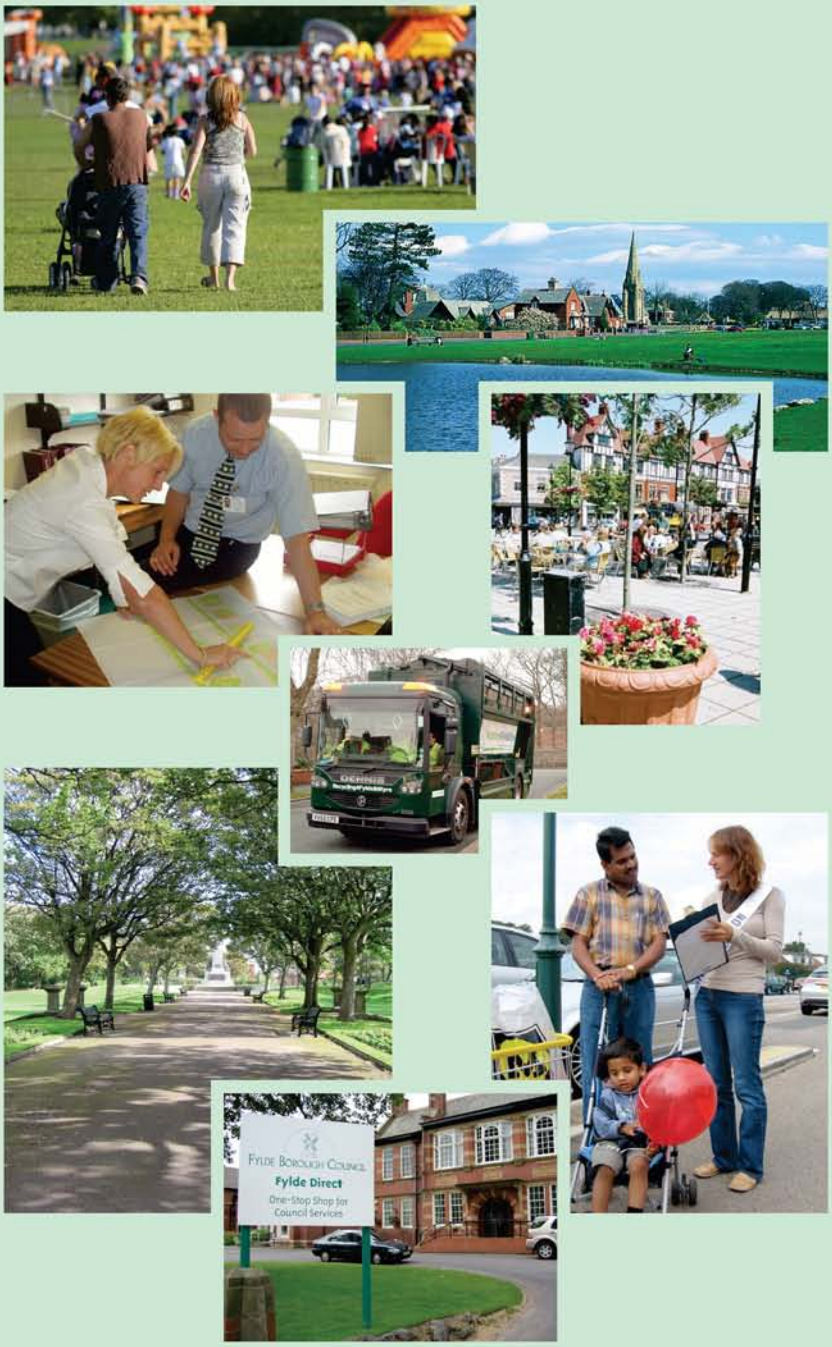
working together for excellence

FYLDE BOROUGH COUNCIL



Meeting Agenda

Audit Committee
Town Hall, St Annes
Thursday 10 November 2011, 7:00p.m.

The main doors to the Town Hall will be open to the public at 6:45pm

The maximum capacity for this meeting room is 60 persons –
once this limit is reached no other person can be admitted.

AUDIT COMMITTEE

MEMBERSHIP

CHAIRMAN - Councillor John Singleton JP
VICE-CHAIRMAN – Councillor Brenda Ackers

Councillors

Ben Aitken	Christine Akeroyd
Leonard Davies	Kath Harper
Howard Henshaw	Linda Nulty
Louis Rigby	

Contact: Lyndsey Lacey, St. Annes (01253) 658504, Email:
lyndseyl@fylde.gov.uk

Our Vision

Fylde Borough Council will work with partners to provide and maintain a welcoming, inclusive place with flourishing communities.

Our Corporate Objectives

- To Promote the Enhancement of the Natural & Built Environment
- To Promote Cohesive Communities
- To Promote a Thriving Economy
- To meet the Expectations of our Customers

The Principles we will adopt in delivering our objectives are:

- To ensure our services provide value for money
- To work in partnership and develop joint working

A G E N D A

PART I - MATTERS DELEGATED TO COMMITTEE

Personal interests

8.—(1) You have a personal interest in any business of your authority where either—

(a) it relates to or is likely to affect—

(i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;

(ii) any body—

(aa) exercising functions of a public nature;
(bb) directed to charitable purposes; or
(cc) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),

of which you are a member or in a position of general control or management;

(i) any employment or business carried on by you;
(ii) any person or body who employs or has appointed you;
(iii) any person or body, other than a relevant authority, who has made a payment to you in respect of your election or any expenses incurred by you in carrying out your duties;
(iv) any person or body who has a place of business or land in your authority's area, and in whom you have a beneficial interest in a class of securities of that person or body that exceeds the nominal value of £25,000 or one hundredth of the total issued share capital (whichever is the lower);
(v) any contract for goods, services or works made between your authority and you or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi);
(vi) the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £25;
(vii) any land in your authority's area in which you have a beneficial interest;
(viii) any land where the landlord is your authority and you are, or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi) is, the tenant;
(xi) any land in the authority's area for which you have a licence (alone or jointly with others) to occupy for 28 days or longer; or

(b) a decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward, as the case may be, affected by the decision;

(2) In sub-paragraph (1)(b), a relevant person is—

(a) a member of your family or any person with whom you have a close association; or
(b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
(c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
(d) any body of a type described in sub-paragraph (1)(a)(i) or (ii).

Disclosure of personal interests

9.—(1) Subject to sub-paragraphs (2) to (7), where you have a personal interest in any business of your authority and you attend a meeting of your authority at which the business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.
(2) Where you have a personal interest in any business of your authority which relates to or is likely to affect a person described in paragraph 8(1)(a)(i) or 8(1)(a)(ii)(aa), you need only disclose to the meeting the existence and nature of that interest when you address the meeting on that business.
(3) Where you have a personal interest in any business of the authority of the type mentioned in paragraph 8(1)(a)(viii), you need not disclose the nature or existence of that interest to the meeting if the interest was registered more than three years before the date of the meeting.
(4) Sub-paragraph (1) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.

(5) Where you have a personal interest but, by virtue of paragraph 14, sensitive information relating to it is not registered in your authority's register of members' interests, you must indicate to the meeting that you have a personal interest, but need not disclose the sensitive information to the meeting.
(6) Subject to paragraph 12(1)(b), where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest.
(7) In this paragraph, "executive decision" is to be construed in accordance with any regulations made by the Secretary of State under section 22 of the Local Government Act 2000(**d**).

Prejudicial interest generally

10.—(1) Subject to sub-paragraph (2), where you have a personal interest in any business of your authority you also have a prejudicial interest in that business where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.

(2) You do not have a prejudicial interest in any business of the authority where that business—

(a) does not affect your financial position or the financial position of a person or body described in paragraph 8;
(b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any person or body described in paragraph 8; or
(c) relates to the functions of your authority in respect of—

(i) housing, where you are a tenant of your authority provided that those functions do not relate particularly to your tenancy or lease;
(ii) school meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;
(iii) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;
(iv) an allowance, payment or indemnity given to members;
(v) any ceremonial honour given to members; and
(vi) setting council tax or a precept under the Local Government Finance Act 1992.

Prejudicial interests arising in relation to overview and scrutiny committees

11.— You also have a prejudicial interest in any business before an overview and scrutiny committee of your authority (or of a sub-committee of such a committee) where—

(a) that business relates to a decision made (whether implemented or not) or action taken by your authority's executive or another of your authority's committees, sub-committees, joint committees or joint sub-committees; and
(b) at the time the decision was made or action was taken, you were a member of the executive, committee, sub-committee, joint committee or joint sub-committee mentioned in paragraph (a) and you were present when that decision was made or action was taken.

Effect of prejudicial interests on participation

12.—(1) Subject to sub-paragraph (2), where you have a prejudicial interest in any business of your authority—

(a) you must withdraw from the room or chamber where a meeting considering the business is being held—
(i) in a case where sub-paragraph (2) applies, immediately after making representations, answering questions or giving evidence;
(ii) in any other case, whenever it becomes apparent that the business is being considered at that meeting;

unless you have obtained a dispensation from your authority's standards committee;

(b) you must not exercise executive functions in relation to that business; and
(c) you must not seek improperly to influence a decision about that business.

(2) Where you have a prejudicial interest in any business of your authority, you may attend a meeting (including a meeting of the overview and scrutiny committee of your authority or of a sub-committee of such a committee) but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
FINANCE	AUDIT COMMITTEE	10th NOVEMBER 2011	4

MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2011/12

Public Item

This item is for consideration in the public part of the meeting.

Summary

This report is a mid year review of Treasury Strategy and Prudential Indicators for Audit Committee to scrutinize in line with the recommendations of the revised CIPFA (Chartered Institute of Public Finance Accountants) Code of Practice on Treasury Management.

Recommendation

Recommendations

1. The Audit Committee is recommended to scrutinise the Mid Year Prudential Indicators and Treasury Management Monitoring Report and recommend the following changes to Council:-

   i) Approve the revised Prudential Indicators and Limits

Reasons for recommendation

The revised Code of Practice requires Members to receive a Mid Year Treasury Review report and scrutinize the strategy and Prudential Indicators. As changes arise during the year some of the Prudential Indicators and Limits need to be revised.

Alternative options considered and rejected

No alternative options exist.

Cabinet Portfolio

The item falls within the following Cabinet portfolio: Finance & Resources – Councillor Karen Buckley.

Report

1. Introduction

Revisions to the regulatory framework of Treasury Management during 2009 introduced a requirement for the Council to receive a Mid Year Treasury Review, in addition to the forward looking Annual Treasury Strategy and backward looking Annual Treasury Report.

The underlying purpose of the new report is in line with the recommendations of the revised CIPFA Code of Practice on Treasury Management. The revised Code of Practice requires Members to receive reports and scrutinize the Treasury Management service.

In order to assist with the terminology and explanations included within the report, Appendix A sets out a number of Treasury Management & Prudential Indicators Frequently Asked Questions.

2. Economic Update

2.1 Global Economy

The Euro zone sovereign debt crisis continued with Spain, and particularly Italy, being the focus of renewed market concerns that they may soon join with Greece, Ireland and Portugal in needing assistance

2.2 UK Economy

Following zero growth in the final half of 2010/11 the UK economy grew by a weaker than expected 0.1% in the first quarter of 2011/12. Growth prospects will be governed by UK consumer sentiment, which is currently subdued due to falling disposable income. The announcement by the MPC on 6 October of a second round of quantitative easing of £75bn emphasised how seriously the MPC now views recession as being a much bigger concern than inflation.

2.3 Interest Rate Forecast

There are huge uncertainties in the economic forecasts. It is expected that low growth in the UK will continue with a low Bank Rate for at least 24 months, with a possible further extension of quantitative easing. This will keep investment returns depressed.

The expected longer term trend for PWLB borrowing rates is for them to rise. However, the current safe haven status of the UK may continue for some time, postponing any increases in borrowing rates until 2012.

Table 1 Interest Rate Forecast

Annual Average	Bank Rate	Investment Rates		Borrowing Rates (PWLB)		
		3 month	1 year	5 year	25 year	50 year
NOW	0.5	0.75	1.5	2.3	4.2	4.3
March 2012	0.5	0.70	1.5	2.3	4.2	4.3
March 2013	0.5	0.75	1.7	2.5	4.4	4.5
March 2014	1.25	1.4	2.4	2.9	4.8	4.9
March 2015	2.5	2.6	3.3	3.7	5.2	5.3

3. Treasury Management Strategy Statement

The Treasury Management Strategy Statement for 2011/12 was approved by the Council on 02/03/11. There are no policy changes to the Treasury Management Strategy Statement, the details in this report update the position in light of the updated capital programme, budget changes, and economic position.

4. Key Prudential Indicators

The Prudential Indicators were originally approved by Council on 2nd March 2011. As changes arise during the year some of the Prudential Indicators and Limits need to be revised. The Prudential Indicators in this report will be taken to Council for approval on 28th November 2011. The current position for figures in the report reflects the treasury activity up to 30th September 2011.

4.1 Capital Expenditure

Table 2 shows the revised forecast capital expenditure as reported in the Financial Forecast Update (Including Revenue, Capital and Treasury Management) 2011/12 to 2015/16 to Council on 28th November 2011 as compared to the capital expenditure originally approved by Council.

Table 2 Forecast Capital Expenditure

Forecast Capital Expenditure	2011/12 Original Indicator £M	2011/12 Latest Estimate £M
Total	4.7	3.2

The above table shows the forecast capital expenditure on new projects. The Town Hall Accommodation Project has been slipped to 2012/13 and as a result the amount of forecast capital expenditure has reduced.

4.2 Capital Financing Requirement (CFR)

Table 3 shows the CFR which is the total of all of the Council's capital assets (existing and planned) less all of the Councils' capital reserves. This is the amount of capital expenditure that the Council has still to finance. The CFR is normally financed by external borrowing. The Council has borrowed £2.5M (see section 5.1), and there is a requirement to finance a further £5.1M.

Table 3 Capital Financing Requirement (CFR)

	2011/12 Original Indicator £M	2011/12 Revised Indicator £M
Total CFR	7.0	7.6

The CFR has been increased by £0.6M to include the addition of replacement vehicles to the Capital Programme that are funded by Prudential Borrowing. These vehicles were formerly leased but it is now more cost effective to purchase the vehicles and finance them with Prudential Borrowing. The revenue budget provision already exists to finance the debt repayment so no overall impact on the Council's revenue budget position. These vehicles are being replaced as part of the Council's Modernisation Strategy.

4.3 Operational Boundary & Authorised Limit

A further two Prudential Indicators control the overall level of borrowing. These are:

- The Authorised Limit for External Debt
- The Operational Boundary for External Debt

The Authorised Limit for External Debt is a further key Prudential Indicator that controls the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

The expected maximum debt position during each year represents the Operational Boundary Prudential Indicator, and so may be different from the year end position.

The changes to these limits are shown in Table 4.

Table 4 Operational Boundary & Authorised Limit for External Debt

	2011/12 Original Indicator £M	2011/12 Revised Indicator £M	Note
Existing Capital Borrowing	2.5	2.5	refer section 5.1
Additional Capital Borrowing Requirement	4.5	5.1	1
Gross Borrowing (Capital)	7.0	7.6	refer Table 3
Short Term Revenue Borrowing	1.5	2.5	2
Total Gross Borrowing	8.5	10.1	
Operational Boundary	**8.5**	**10.1**	
Contingency	4.3	4.3	3
Authorised Limit	**12.8**	**14.4**	

Note

1. The Gross Borrowing (capital) has been increased by £0.6M due to the addition of replacement vehicles to the Capital Programme that are funded by Prudential Borrowing.

2. The short term borrowing (revenue) has been increased from £1.5m to £2.5m to ensure that the Council can meet its short term cash flow and working capital fluctuations. The latest General Fund Budget Forecast to Cabinet indicates that the Council's reserves will deplete further over the next four years which will mean the Council's cash balances are lower overall. Previously, the Council's cash levels have been artificially higher due to the receipt of Section 106 and other capital receipts. As these receipts are committed to future projects then the Council's cash levels will be lower which may give rise to more fluctuations and short term borrowing. The short term borrowing is only expected to be for very short periods of a few days at a time. Hence, the Gross Borrowing limit will only be fully utilised occasionally.

3. The Authorised Limit includes £4.3M for 'contingency' which is an amount that has been estimated to provide scope to undertake short-term borrowing in the event of a service delivery failure or emergency, eg. failure to collect council tax income.

The Operational Boundary and Authorised Limit have been revised in line with the increases to the Gross Borrowing outlined above.

4.4 Net Borrowing

The CFR determines the amount that the Council needs to borrow for a capital purpose. The term Net borrowing is borrowings less investments. Net borrowing should not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2011/12 and next two financial years. This gives the Council some headroom to borrow early for a capital purpose in order to secure low interest rates.

There are no difficulties anticipated in keeping the long term capital borrowing below the CFR. Revenue borrowing will be incurred for short periods in line with cash flow requirements.

Table 5 Net Borrowing

	2011/12 Original Indicator £M	2011/12 Revised Indicator £M
Gross Borrowing	8.5	10.1
Short Term Borrowing (Revenue)	(1.5)	(2.5)
Gross Borrowing (Capital)	7.0	7.6
Investments	(0)	(0)
Net Capital Borrowing	7.0	7.6
Capital Financing Requirement	7.0	7.6

5. Treasury Strategy 2011/12

5.1 Borrowing Strategy Update 2011/12

The Council currently has long-term debt of £2.5M at an average rate of 3.27%.

No new long term borrowing has been undertaken as yet in 2011/12.

The Council also has a new borrowing requirement in 2011/12 of £5.1M (£7.6M CFR less £2.5M) based on Prudential Borrowing that has been approved as part of the Capital Programme. The CFR of £7.6M (See Table 2) includes this Prudential borrowing, and the cost of borrowing has already been included within the approved revenue budgets.

The Council's treasury advisors Sector will advise on the timing and type of borrowing. The treasury advisors have recommended that in the short term the Council uses its available cash balances in lieu of borrowing as this is a prudent and cost effective approach in the current economic climate.

5.2 Investment Strategy Update 2011/12

The investment strategy for 2011/12 was approved by Council on 2nd March 2011. There are no policy changes to the investment strategy. There were no breaches of the approved limits within the Investment Strategy during the first six months of 2011/12.

In accordance with the Code of Practice on Treasury Management, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. It is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low. The continuing Euro zone sovereign debt crisis, and its potential impact on banks, prompts a low risk and short term investment strategy. Given this risk environment, investment returns are likely to remain low.

On 2nd March 2011 the Council approved the investment counterparty criteria which is based upon counterparties having minimum credit ratings. Many UK banks have been downgraded by the ratings agencies. Any further downgrades could lead to the majority of UK banks being removed from the Council's lending list. Advice received from the Council's treasury advisers indicates that there would then be only a small number of options for investments, eg. other Local Authorities, Money Market Funds (AAA credit rating), and Debt Management Office. The returns on these investments are low and this would impact adversely on the Council's overall revenue budget position.

The Council's budgeted investment return for 2011/12 is £0.03m, and performance for the first half of the year is in line with the budget.

6. Treasury Indicators

6.1 Limits on Rate Exposure

There are treasury Prudential Indicators whose purpose is to manage risk and reduce the impact of an adverse movement in interest rates. The indicators are:

- Upper limits on fixed interest rate exposure – This indicator identifies a maximum limit for fixed interest rates based upon the debt position.
- Upper limits on variable interest rate exposure –Similar to the previous indicator this covers a maximum limit on variable interest rates.

The indicators relating to debt have been revised in Table 6 in line with the changes to the Operational Boundary detailed in Section 4.3.

Table 6 Interest Rate Exposures & Maximum Principal Sums invested >364 days

	2011/12 Original Indicator £M	2011/12 Revised Indicator £M
Limits on fixed interest rates based on debt	8.5	10.1
Limits on variable interest rates based on debt (50% of debt)	4.2	5

6.2 Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the financing cost (interest payable less interest receivable) as a percentage of the net revenue stream as shown in Table 7.

Table 7 Ratio of Financing Costs to Net Revenue Stream

	2011/12 Original Indicator	2011/12 Revised Indicator
Ratio	5.5%	6.3%

The ratio of financing costs has increased. This is due to the cost of financing the approved capital projects outlined in Section 4.2, and a reduction in the net revenue stream in line with budget forecasts.

7. Impact Statement

7.1 Sound financial advice and assistance is vital to deliver the Council's priorities.

8. Risk Assessment

8.1 If the revised Prudential Indicators and Limits are not scrutinised and recommended by Audit Committee to Council, the Council will be at risk of default if it is unable to effectively manage it's cash flows, investments and borrowing activities.

8.2 Also, the Council will not be complying with the Council's approved treasury management practices as detailed in the Council Constitution or CIPFA's Standard of Professional Practice on Treasury Management.

9. Conclusion

There remains huge uncertainty in economic forecasts and investment returns are expected to remain low for some time. Borrowing rates are not expected to increase until September 2012 so the Council will continue to monitor rates closely and will undertake new external borrowing in line with cash flow requirements and the interest rate forecast.

Report Author	Tel	Date	Doc ID
Joanna Scott (Section 151 Officer)	(01253) 658528	November 2011	

List of Background Papers		
Name of document	Date	Where available for inspection
Medium Term Financial Strategy Including General Fund, Capital Programme & Treasury Management report	02.03.11	Minutes of Council Meeting 02/03/11
Capital Programme 2nd Quarter Update 2011/12	30.09.11	Accountancy Services Town Hall
Sector Interest Forecasts	October 2011	Accountancy Services Town Hall

Attached documents

Appendix A – Treasury Management & Prudential Indicators Frequently Asked Questions

IMPLICATIONS	
Finance	Contained within the body of the report
Legal	N/A
Community Safety	N/A
Human Rights and Equalities	N/A
Sustainability and Environmental Impact	N/A
Health & Safety and Risk Management	N/A

Appendix A

Treasury Management & Prudential Indicators Frequently Asked Questions

1. What is the difference between capital expenditure and capital financing requirement?

   The Capital Expenditure is the forecast expenditure on new capital projects in line with the Capital Programme. It excludes all of the Council's existing capital assets, eg. Land, buildings, vehicles, etc.

   The Capital Financing Requirement (CFR) is the Council's capital assets (existing and planned) less all of the Councils' capital and revenue resources which have been applied to pay for it. This is the amount of capital expenditure that the Council has to charge to revenue or to finance through other resources. The CFR is normally funded by external borrowing.

2. What does the term 'financing' mean?

   The term 'financing' does not refer to the payment of cash but the resources that will be applied to ensure that the capital payment amounts is dealt with over the longer term. A number of financing options are available to Councils:-

   - capital receipts (eg. sale of land or buildings)
   - contribution from revenue expenditure
   - capital grant
   - contribution from a third party
   - borrowing

3. Does the Council link long term loans to particular capital assets/projects?

   The Council does not associate loans with particular capital assets/projects, as it is not best practice. The Council will, at any point in time, have a number of cashflows both positive and negative and will be managing its position in terms of its borrowings and investments in accordance with its treasury management strategy and practices. This is best practice in line with the CIPFA Prudential Code.

4. What does the term 'net borrowing should not exceed the total of the CFR' mean?

   The CFR determines the amount that the Council needs to borrow for a capital purpose. Net borrowing will remain below the CFR to ensure that the Council is only borrowing for a capital purpose. The Council is permitted to borrow in advance for a capital purpose over the medium term. The term 'total of the CFR' is the CFR of the current year plus increases in the CFR of the previous financial year and next two financial years. In other words, the total of the Council's existing assets plus additions to assets resulting from the forecast Capital Programme, eg. vehicles, upgrades to the Crematorium burners. This gives the Council some headroom to borrow early for a capital purpose in order to secure low interest rates.

5. Is the cash that is being managed inhouse revenue or capital?

The short term surplus cash that is managed during the year in house may be revenue or capital, eg. the Council receives a capital receipt in April but capital expenditure is incurred throughout the year giving rise to increased cash balances in the early part of the financial year which is invested short term in house. The Council receives Council Tax which is classed as revenue income. This is typically received in the months of April to January as Council Tax payers make 10 instalments. Therefore, the Council has less cash in the months of February and March and may need to borrow cash short-term in line with the cash flow forecast.

6. What does the Council invest in?

The Council is restricted in where it can invest its surplus funds. The restrictions are prescribed by statute (Local Government Act 2003 section 15(1)(a)). Councils are also required to have regard to supplementary investment guidance provided by the Communities and Local Government.

The Council's investments are typically short term, ie. less than a year, and are made in sterling with institutions with high credit ratings.

7. What is the role of internal and external auditors in respect of treasury management?

The focus of external auditors work is a Council's annual accounts and the financial management systems and processes that underpin them. The external audit will enquire as to whether the Treasury Management Code has been adopted and whether its principles and recommendations have been implemented and adhered to. External auditors cannot comment or advise on authority's treasury management strategy or policies

Through a process of review, the role of Internal Audit is to provide an opinion of the adequacy, application and reliability of the key internal controls put in place by management to ensure that the identified risks are sufficiently mitigated. This will assist Treasury Management in meeting its desired objectives and help to ensure that the risk of fraud and/or error is minimised. Internal Audit will also look to identify other areas of potential risk which could usefully be included as well as any inefficiencies in existing processes and procedures where improvements can be made.

8. What are the qualifications of Council staff involved in treasury management practices?

Staff are either working towards or have achieved professional accountancy qualifications from CIPFA (Charted Institute of Public Finance Accountants), ACCA (Association of Chartered Certified Accountants) or CIMA (Chartered Institute of Management Accountants). Staff work closely with Treasury Management Advisors and attend treasury training and updates provided by the Treasury Management Advisors.

Audit Committee

FYLDE BOROUGH COUNCIL

Date:	Thursday, 22 September 2011
Venue:	Town Hall, St. Annes
Committee members:	Councillor John Singleton JP (Chairman) Councillor Brenda Ackers (Vice-Chairman) Councillors Ben Aitken, Christine Akeroyd, Leonard Davies, Kath Harper, Linda Nulty, Louis Rigby
Other Councillors:	None
Officers:	Joanna Scott, Ian Curtis, Paul O'Donoghue, Gary Sams, Savile Sykes, Andrew Wilsdon, Lyndsey Lacey
Other Attendees:	Iain Leviston and Trevor Rees - 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 Local Government Act 2000. No declarations were declared.

2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 23 June 2011 as a correct record for signature by the Chairman.

3. Substitute members

There were no substitutions.

4. International Financial Reporting Standards (IFRS) Project Completion Report

Joanna Scott (Section 151 Officer) presented an updated report on the completion of the International Financial Reporting Standards (IFRS) project.

In brief, members were advised that the project had been completed by 30 June 2011 in line with the statutory deadlines and within the approved budget provision. Reference was also made to the on-going requirements of IFRS and potential project risks.

An updated IFRS Implementation Plan which detailed all tasks completed was circulated with the agenda.

Following consideration of this matter it was RESOLVED:

1. To note the completion of the implementation of the IFRS project.

2. To convey the Committee's thanks and appreciation to the finance team for all their efforts in completing the project within the requisite timescale.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

5. Annual Statement of Accounts 2010/11

Joanna Scott (Section 151 Officer) and Paul O'Donoghue (Deputy Section 151 Officer) presented a report on the Annual Statement of Accounts for the year ending 31 March 2011.

Mr O'Donoghue made reference to the Council's statutory obligations in preparing the financial statements of the Authority and the associated Code of Practice. He highlighted a small presentational adjustment that had been made to Section 36 of the accounts (Related Party Transactions) whereby the membership of new Fylde Housing had been reduced from 4 members to 1. He added that the requisite signed copy of the accounts had been amended accordingly.

A copy of the Statement of Accounts was circulated with the agenda.

Various members of the Committee asked for clarification on a number of areas detailed in the accounts. These were addressed by Mrs Scott and Mr O'Donoghue.

After detailed consideration of this matter the committee RESOLVED:

1. To approve the Statement of Accounts for 2010/11 and that they be submitted to Full Council accordingly.

2. To thank the officers for the presentation of the final accounts in a timely manner.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

6. Report of those charged with Governance (ISA 260) 2010/11

Trevor Rees and Iain Leviston of KPMG attended the meeting and presented an overview of their report on key issues identified during the audit of the Council's financial statements for the year ended 31 March 2011. It included their assessment of the Council's arrangements to secure value for money (VFM) in its use of resources.

Mr Leviston indicated that they had not identified any issues in the course of the audit that were considered to be material and acknowledged that there had been an improvement in the quality of accounts and the supporting paperwork. Their audit had identified only a small number of presentational and disclosure adjustments. In terms of their recommendations (included as an appendix to the document) these related to the reporting arrangements for NNDR and Council Tax and the implementation of a robust control process for the revaluation of investment assets.

Members were advised that the report concluded that the authority had made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

Following detailed discussion it was RESOLVED:

1. To thank Mr Rees and Mr Leviston for the timely production of the report and their attendance at the meeting.
2. To note the work undertaken by the Council over the course of the last year resulting in an extremely positive audit opinion o f the Council's effectiveness.
3. To thank all the relevant staff for their contribution to the work.
4. To present an updated report to the January meeting of the committee on the implementation of the recommendations outlined in the KPMG report.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

7. Constitution

Further to the last meeting of the committee and the subsequent Council meeting and in accordance with Article 14 of the Council's Constitution, Ian Curtis (Head of Governance) presented a report detailing further proposed changes to be incorporated in the Constitution.

The report set out the proposed changes and invited the committee to recommend to Council that it formally re-adopts the constitution subject to those changes.

In summary, the proposed changes related to:

- Proposed additions the powers delegated to the Director of Strategic Development Services in relation to Section 106 planning obligations
- The inclusion of additional words relating to financial regulation 18.7
- Proposed changes to the delegated powers of the Chief Finance Officer

It was RESOLVED to recommend that Council agree the changes to the Constitution as set out in the report.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote on it.)

8. Regulation of Investigatory Powers Act 2000: Authorisations

Ian Curtis (Head of Governance) presented a report on the above. He explained that councillors are obliged to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly.

Mr Curtis provided an overview of the RIPA framewok and advised that in the quarter to June 2011, there were no authorised operations. In the quarter to September 2011, there had been one authorised operation relating to benefit fraud.

The Committee RESOLVED to note the report.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote on it)

9. Corporate Governance Improvement Plan 2011-12

Further to the request of the Committee at its last meeting, Ian Curtis (Head of Governance) presented a progress report on the 2011/12 Corporate Governance Improvement Plan and details of any outstanding actions from the 2010/11 Improvement Plan.

In summary, any outstanding actions arising from the 2010 plan had been brought forward to the 2011/12 Improvement Plan and a copy of the plan (which included 8 actions) was included as an appendix to the report. Mr Curtis briefed the committee on the current status and target dates of each of the actions detailed.

The Committee RESOLVED:

1. To note that the outstanding actions (marked with an asterisk on the appendix) from the 2010/11 Corporate Governance Improvement Plan had been carried forward to the 2011/12 Improvement Plan and that all other remaining actions for that period had been fully implemented.

2. To note the latest position with regard to each of the issues included on the Corporate Governance Improvement Plan 2011/12.

3. To present an an updated report to the January meeting of the committee on any outstanding actions.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

10. Internal Audit Annual Report 2010-11

This report was a duplicate from the June meeting of the committee and was included on the agenda in error, It was withdrawn accordingly.

11. High Priority Actions 2010-11(update)

By way of introduction, Savile Sykes (Head of Internal Audit) made reference to the request of the committee at its last meeting for an updated report on high priority issues reported in the Internal Audit Annual Report 2010/11.

The report included details (in tabular form) of the twelve high priority actions agreed by management during 2010/11. It showed the previous implementation status together with an overview of the current implementation status and the associated completion dates for the two remaining outstanding actions (9 and 11).

Mr Sykes reported that with regard to action 9, the completion date had been extended to the end of September. In terms of the status of action 11, Mr Sykes explained that management had decided that the originally agreed wording was too prescriptive and as a result, had agreed revised wording for that action. The implementation date was the end of October. This was set out in the report.

Following consideration of this matter it was RESLOVED to note the latest position with regard to each of the high priority actions agreed by management arising from internal audit work in 2010/11.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote on it).

12. Risk Management Interim Report

Further to the request of the committee at its last meeting, Andrew Wilsdon (Insurance and Risk Management Officer) presented the following information to members of the committee:

- An updated Strategic Risk Management Strategy incorporating the recommendations made in the Internal Audit Review of Risk Management.
- A reformatted copy of the Strategic Risk Register 2011/2012, updated with actions completed prior to the 31/08/2011
- An update on Action no. 1 of Risk Action Plan 3 FBC Solutions Ltd.

Following discussion the Committee RESOLVED:

1. To approve the Strategic Risk Management Strategy (amended Sept 2011).

2. To approve the Strategic Risk Register for 2010/11 in its reformatted style.

3. To note the update on Action no 1 of Risk Action Plan 3 and that a further updated report be presented to the January meeting of the committee.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote on it).

13. Sandwinning Operations

Further to the request of the committee at its last meeting, Mr Gary Sams (Principal Estates Surveyor) presented a report on issues arising from the audit of the sandwinning operations.

In summary, the issues highlighted related to the independent verification of weighbridge readings, insurance, review of payment rates and the authorisation of invoices. Details with respect to this matter were set out in the report.

Following consideration of this matter the committee RESOLVED:

1. To note the Action Plan produced as a result of the audit of sandwinning and the measures now in place to mitigate the risks to the Council.

2. To request that the possible removal of sand without payment to the Council is investigated further, and the results reported back to the Committee in January.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote on it).
