

# NORTHAMPTON BOROUGH COUNCIL

## AUDIT COMMITTEE

Monday, 18 January 2016

**PRESENT:** Councillor Nunn (Chair); Councillor Golby (Deputy Chair); Councillors Lynch, Chunga, Kilbride, Marriott and Stone

### 1. APOLOGIES

None.

### 2. MINUTES

The Minutes of the meeting held on 9<sup>th</sup> November were agreed and signed by the Chair with the amendment ISO260 to ISA260 in 8.1

### 3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

### 4. DECLARATIONS OF INTEREST

Councillor Kilbride declared a personal non pecuniary interest in item 6 as had completed a print job for the cobblers in the past.

Councillor Marriot declared a personal non pecuniary interest in item 10 as an employee of BT.

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

None.

### 6. AUDIT COMMITTEE REVIEW OF LOAN TO NTFC AND DEVELOPMENT AT SIXFIELDS

Councillor Meredith addressed the Committee on behalf of the people of Talavera. He advised they were angry with the prospect of the situation the Council is in and want to see the money returned.

Councillor Beardsworth addressed the Committee. She asked what advice was given to the Cabinet regarding the loan and if the advice given to Councillor David Macintosh during Cabinet on the 17<sup>th</sup> July 2013 was taken on board. She also asked how long it would take to complete the audit of NTFC and can the public be assured that papers, reports and documents regarding the audit would be published for transparency. She advised that it was rumoured that when First Land LTD went to the site they were advised by NTFC that only warehouses can be built on the site.

The Chief Finance Officer began by elaborating on the report. He stated that the report covers both the chronology of events and the background work PWC have completed. A number of issues were highlighted to the committee

- 1) This review is one of a number of reviews alongside KPMG and the police.
- 2) An internal review is taking place reviewing Council's policy and procedure.

4.2.2 of the report was alluded to outlining the risks in relation to the Audit Committee

review.

Senior Audit Manager from PWC elaborated on the report further. He advised the Audit Committee had asked Internal Audit to conduct a review into the circumstances surrounding the loan to the Football Club and in particular to consider the relevant policies and procedures that are applicable to a transaction of this nature. This review will focus on whether the current policies and procedures are adequate and whether they were adhered to in this instance.

It was advised that a report for the Audit Committee would be produced on the adequacy and effectiveness of the existing policies and procedures and any that were in place at the time of this agreement. Lessons learned will also be considered that should be incorporated into policies and procedures going forward.

The Senior Audit Manager referred to the scope of the Audit in Appendix 2 of the report.

Councillor Stone stated that she felt it would be best to have an independent Chair for neutrality purposes. She also advised that while scoping is good the committee is in danger of missing the tensions between Officers and Members and the roles of Officers and Members need to be understood.

The Senior Audit Manager advised that the review is designed to look at Council policies and procedures and ensure internal mechanisms are adequate. He also stated that the review is to ensure the Council have adequate Safe guards in place.

The Chair stated that residents of his Ward are also concerned with the NTFC loan and that he voted with the rest of the council for the Internal Auditors to investigate this matter fully, and so chairing will remain as is.

In response to questions regarding a risk assessment the Senior Audit Manager referred the Committee to Risk Management in Appendix 2 of the report.

In response to questions regarding a credit assessment on the football club the Senior Audit Manager stated that it would depend on what is stated in Council procedure regarding credit ratings and if not in there this may be one of the recommendations from PWC.

The Senior Audit Manager stated that PWC have capacity and don't expect the report to take more than 9 or 12 months.

The Chair proposed that this agenda item be a rolling agenda item at every Committee.

Councillor Marriot stated that this item needed to be discussed in far greater detail and that a separate meeting be held.

The Chair advised that if a great deal of information is uncovered at any particular point then he is happy to hold a separate meeting and would rely on ongoing contact with PWC regarding this.

In response to questions regarding debt recovery strategy and collateral The Senior Audit Manager referred the Committee to Financial controls in Appendix 2 of the report.

## **RESOLVED**

The Committee **AGREED** the proposed scope by the Council's internal auditors Price Waterhouse Coopers, of the review by the audit committee into the internal processes and

procedures of the loan to NTFC, and, development of land at Sixfields.

The Council's internal auditors **AGREED** to support the review to be undertaken by the Audit committee.

## 7. DEBT ANALYSIS REPORT

Head of Revenues and Benefits and Revenues Manager presented the report and elaborated thereon.

It was advised that the chair of the audit committee had requested a report to be provided to each audit committee that shows analysis of debt and the age of outstanding debt across Northampton Borough Council (NBC)

The corporate debt recovery team, part of LGSS Revenues and Benefits, is responsible for the recovery of all overdue debt across the Council. Initially requests for payment should be requested from individual service areas to ensure income is collected as soon as possible. Where this has been completed and debts are still outstanding the debt is then passed to the Councils recovery team in order to seek payment of the debt. The recovery team have responsibility for recovery of overdue debt as follows:

- Council Tax
- Business Rates (NNDR)
- Business improvement district levy (NNDR)
- Council Tenants but not current rent arrears
- Former Council Tenants
  - Service Charges for leaseholders
  - Re-chargeable repairs – current tenants
  - Re-chargeable repairs – former tenants
  - Housing benefit overpayments
  - Sundry debts (i.e. Council services)

It was reported that the amount of unmanaged debt is a corporate KPI currently no more than 4.5%.

The Revenues Manager advised that debt is harder to collect than ever, with more long term arrangements being made, and there is a need to look at a customer's total indebtedness

It was advised that there is a need to balance the recovery action as being appropriate, whilst not raising unnecessary recovery costs, which add to the debt and unnecessary stress for customers.

In response to questions from the Committee it was advised that

Impact of the Council Tax Reduction Scheme, (CTRS), was outlined in a paper completed with consultation which was sent out in October.

A quality impact assessment is completed each year on CTRS

The Council used to benchmark against similar authorities but this is increasingly difficult as measuring against different objectives. However research is completed to see what the best practice is. The Council do not have the most aggressive debt recovery timetable however aggressive where they need to be. Bankruptcy and charging orders are still options that are made use of.

Full Council determine what the priorities are.

## **RESOLVED**

That the report be noted

## **8. TREASURY MANAGEMENT STRATEGY MID YEAR UPDATE 2015-16**

The LGSS Finance Manager presented the report and elaborated thereon. It was advised that this report was put before Audit Committee for scrutiny and also to advise Audit Committee of plans for treasury management training for members to be delivered in the new financial year.

The Council's Treasury Management Mid-Year Report for 2015-16 attached at Appendix 1 was outlined by the Finance Manager and it was advised that this report was presented to Cabinet on 9 December 2015 and to Council on 14 December 2015.

The Finance Manager stated that Audit Committee are asked to review the report and to make comments or recommendations as they think appropriate.

It was also noted that it is planned to offer treasury management training early in the new financial year, to be delivered by Capita, the Council's treasury management advisers, Training will be offered initially to Cabinet and Audit Committee members, as they have specific governance responsibilities in respect of treasury management, but may be extended to other members if there is sufficient demand.

In response to a question on loan funding to the University of Northampton (3.2.15 of appendix 1) the Chief Finance Officer advised that the loan will be paid in a single tranche and will be funded by PWLB project rate borrowing, applied for by SEMLEP.

The Chief Finance Officer advised the committee, in response to a question, that discussions are taking place regarding a mechanism local authorities can use to pool their money together however it is very early in the process.

## **RESOLVED**

The Audit Committee reviewed the Treasury Management Mid-Year Report for 2015-16.

## **9. DRAFT TREASURY MANAGEMENT STRATEGY 2016-17**

LGSS Finance Manager presented the report and elaborated thereon. It was advised that the draft Treasury Management Strategy for 2016-17 was put before Audit Committee for review and to invite Audit Committee to put forward any recommendations that they think appropriate. P.50 of the report was referred to outlining the main changes.

- Updates to Prudential and Treasury Indicators
- Updates to interest rate forecasts
- Updates to debt financing budget forecasts

- Updates to the MRP policy
- Expansion of the Council's counterparty policy to include appropriate counterparties with a sovereign rating of AA.
- Re-wording of the 50% restriction on overseas counterparties to take out Money Market Funds and instant access deposit accounts

It was also advised that the investment counterparty limits were set out on P.91 of the report.

In response to questions from the Committee regarding the possibility of adding human rights records as a sovereign counterparty criteria alongside credit ratings and financial risk the Chief Finance Officer responded by explaining that proceeding down the ethical route would be a large shift in the policy determining which counterparties the Council invest with, but the committee are welcome to make recommendations to be considered by Council and Cabinet.

The Finance Manager advised that, aside from the UK, at very few investments had been made during the current year with the AA+ countries listed on p.88 of the report.

## **RESOLVED**

That Audit Committee reviewed the draft Treasury Management Strategy for 2016-17.

## **10. RISK REVIEW OF 2015/16 BUDGET OPTIONS**

Strategic Finance Manager elaborated on a report submitted by the Chief Finance Officer.

It was advised that the risk assessment of the budget proposals was brought to Audit Committee for consideration and that any feedback for consultation process will be taken to Cabinet and Council.

In response to questions from the Committee the Strategic Finance Manager confirmed that the New Build – Dallington in the table on p.104 of the report was for 100 new Council houses.

The Chief Finance Officer advised that the Little Cross Street project is part of the draft Housing Revenue Account capital programme within the Major Works category. He stated that there are 2 aspects to disabled adaptations referring to p.100 of the report on general fund making adaptations to private dwellings stating that proportion of that is funded by government grant.

In response to questions regarding funding for town centre improvements the Chief Finance Officer advised that funding for this in first 4 years has been redirected to St Giles street scheme.

It was advised that the funding towards broadband is the Borough's contribution to a County Council scheme. Details of what this scheme was made up of could be provided to the Committee.

The Chief Finance Officer also advised that there are a number of different funding sources for the Delapre scheme.

## **RESOLVED**

The Audit Committee considered issues in relation to risk within the budget proposals for 2016/17

## **11. FINANCIAL MONITORING REPORT (PERIOD 6)**

Strategic Finance Manager presented the report. The report presented the financial position to the end of September 2015 for the General Fund and HRA revenue and Capital budgets. It also presented the car parking income and usage to the end of November. It was advised that the GF Capital Programme is currently forecasting no significant variances to the end of September

Car parking graphs at page 117 and 118 were talked to. The income from daily ticket sales showed more than the profiled budget to date with the ticket usage graph also showed the higher usage over previous years of the car parks.

In response to questions from the Committee the Chief Finance Officer advised that Hardingstone and Collingtree were the 2 planning appeals referred to in the report and the estimated costs associated with them is the Council's element only.

The Chief Finance Officer advised the Committee that a significant saving has been made since transferring back office services to LGSS.

The Head of Revenues and Benefits stated that a large saving would be made over a 5 year period built into the original LGSS base case had been delayed so that benefits would be realised a little later than envisaged.

The Chief Finance Officer stated that a minimum level of general reserves is set and maintained by the Borough Council.

### **RESOLVED**

The Committee considered the contents of the following finance reports:

- General Fund Revenue Monitoring (Appendix 1);
- General Fund Capital Monitoring (Appendix 2);
- HRA Revenue Monitoring (Appendix 3);
- HRA Capital Monitoring (Appendix 4).

The Committee noted the position on car parking income and usage as at 30 November (Appendix 5A and 5B).

The Committee noted the latest position in relation to the Council's outstanding debts as at 30 November (Separate agenda item and report)

The Committee considered whether they require any additional information in order to fulfil its governance role.

## **12. EXTERNAL AUDIT UPDATE - CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT 2014/15**

KPMG Director submitted a report and elaborated thereon. The report was supplied to the

Committee at the meeting. It was advised that the report summarised the results of work KPMG have carried out on the Council's 2014/15 grant claims and returns.

It was advised that KMPG's work on the Council's Housing Benefit Subsidy claim was subject to a qualification letter and one adjustment was necessary to Pooling of Housing Capital Receipts return as a result of their certification work this year.

It was reported that the indicative fee for KPMG's work on the Council's 2014/15 Housing Benefit Subsidy was set by Public Sector Audit Appointments but the actual fee for this work will be higher than the indicative fee set due to additional work and training being undertaken by the audit team due to an unexpected and long term sickness absence of the key member of staff responsible for assisting with this work. Plus additional testing was required in 2014/15 in respect of the assessment of job seeker allowance (JSA) end dates for non-housing revenue claimants and the calculation of child care costs for private tenant claimants. We are currently discussing the additional fee with the S151 Officer and when agreed the final fee will be subject to approval by the PSAA.

Cllr Marriot stated that the issue surrounding the long term absence highlights that no risk assessment has been completed on internal staff knowledge.

## **RESOLVED**

That the report be noted

### **13. INTERNAL AUDIT UPDATE**

The Internal Audit Senior Manager submitted the report and elaborated thereon.

It was reported that The 2015/16 internal audit plan was approved by the Audit Committee on 7 September 2015 and since then PWC have undertaken work in accordance with the plan.

It was advised that Work is progressing on LGSS Contract and Governance and risk and that this is a non-assurance review to support the Council in re-designing risk management arrangements, ensuring these are fit for purpose, fully integrated into Council business activities and that consideration of risk is integral to decision making going forward.

A workshop is planned for January 2016 with the Senior Management Team to identify risks and existing sources of assurance and/or gaps and determine the appetite to risk, in order to ensure that the Council can deliver its services in a cost effective and efficient manner.

In response to questions from the Committee the Internal Audit Senior Manager stated that one of PWC's concerns is that the Council has attained full ownership of the activities within the Council and how the Council's relationship sits with LGSS.

It was also explained that PWC look at how Council retains its governance.

In response to further questioning from the Committee the Chief Finance Officer advised that majority of LGSS staff area ahead of living wage threshold but cannot say for certain.

## **RESOLVED**

That the report be noted

### **14. RISK BASED VERIFICATION (RBV) POLICY**

The Head of Revenue and Benefits presented the report. It was advised that the report was brought to the audit committee to advise them of the new approach to verifying claims for Housing Benefit and Council Tax Reduction and to seek approval of the Risk

Based Verification (RBV) Policy. The Committee were advised Risk Based Verification (RBV) is a method of applying different levels of verification checks to benefit claims according to the predicted risk associated with those claims. The main benefits associated with the RBV approach are twofold:

- In low risk cases enables to 'fast track' HB/CTR applications which deliver significant customer service improvements and service efficiencies
- In high risk cases enables to 'more accurately' detect fraud and error at the point of data entry

## **RESOLVED**

The Audit committee **APPROVED** the Risk Based Verification Policy (Appendix A).

## **15. 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 not Carried.

The meeting concluded at 20:15