BRECKLAND COUNCIL

At a Meeting of the

AUDIT COMMITTEE

Held on Friday, 13 November 2009 at 10.00 am in Norfolk Room, Conference Suite, Elizabeth House, Dereham

PRESENT

Mr G.P. Balaam
Mr P.J. Hewett
Mr C.R. Jordan (Chairman)
Mr R.G. Kybird
Mr D.S. Myers
Mr. L. Peacock
Mrs L.H. Monument

Also Present

Mr M.A. Kiddle-Morris

In Attendance

Robert Barlow	-	Director of Governance and Finance
Chris Brooks	-	Governance and Performance Accountant
Robert Davies	-	External Auditor, Audit Commission
Mark Finch	-	Finance Manager
Sandra C. King	-	Head of Internal Audit
Leah Mickleborough	-	Deputy Audit Manager
Susan Smith	-	Senior Accountancy Officer
Mark Stanton	-	Economic Development Manager
Mark Stokes	-	Deputy Chief Executive
Elaine Wilkes	-	Senior Member Services Officer

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68/09 MINUTES

The minutes of the meeting held on 29 September 2009 were confirmed as a correct record and signed by the Chairman.

69/09 APOLOGIES

An apology for absence was received from Mr. R. Childerhouse.

70/09 URGENT BUSINESS

None.

71/09 DECLARATION OF INTEREST

No declarations were made.

72/09 NON-MEMBERS WISHING TO ADDRESS THE MEETING

- Mr. M. Kiddle-Morris - Executive Member (Commercial & Economic).

73/09 REV (RURAL ENTERPRISE VALLEY) PROGRAMME BUDGET REVIEW (AGENDA ITEM 6)

The Economic Development Manager presented the report, which was made in response to a request by Cabinet for the Committee to review the

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REV Programme Budget on behalf of the Council and make any comments or recommendations to Council on the current and future use and management of the budget.

The Economic Development Manager gave a presentation outlining the background to the REV Programme, achievements to date, and setting out the details of the RevActive Project, which was a proposed scheme being initiated under the REV Programme.

The REV Programme was an economic development umbrella programme focused on the A11 corridor from Thetford to Norwich, the vision for which was to "establish an exemplar area for local people to live, work and play, whilst contributing significantly to the regional economy, with the lowest possible environmental impact". The REV Programme was not a project in itself but was an enabling programme for other projects. It was a long-term programme over 10-15 years.

Over the period 2006-208, the first phase of the REV initiative (Rev 1) had achieved £1.2m inward investment and supported over 400 businesses, leading to creation of an additional 40 jobs.

The REV Programme was aimed at addressing issues and barriers important to sustaining and enabling growth of the economy of the area, as follows:

- Strategic site development
- Overcoming utility and infrastructure challenges
- Attracting inward investment / funding
- Supporting and growing local businesses
- Supporting the creation of quality local job opportunities
- Leading on the low carbon agenda

Intrinsic to this was the promotion of these issues both regionally and nationally. The Programme was also relevant having regard to the award of Growth Point status to Thetford and the regional planning targets for housing and employment growth.

To date, the current REV Programme (Rev 2) had successfully:

- Prompted recognition of the A11 corridor as an area of significant growth and importance
- Enabled potential of £100m of inward investment
- Raised local energy supply issues national and regionally through the Snetterton Utilities project and the Snetterton Prospectus
- Developed the RevActive Project which is set to attract £3m in funding for Breckland businesses

In addition, the Programme supported the Moving Thetford Forward programme and had enabled the creation of a three-year Economic Development Trainee post to support the Programme and projects.

For the future, the Programme would continue to support ongoing delivery of projects in the following areas:

- To attract Government funding through the Integrated Development Plan (local investment plan)

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- Master planning for Snetterton / Attleborough
- Snetterton Utilities Project (energy supply)
- To attract further and convert current inward investment opportunities
- Providing specialised consultancy support as and when needed

As mentioned above, the RevActive Project was a major scheme under the umbrella of the REV Programme.

This project was aimed at creating a resource efficiency network for businesses to assist business growth and sustainability. It was a proactive project covering the Thetford area and in a one mile radius of the A11 from Thetford to Norwich, with further sample work in Norwich and one other area to assess regional potential. The project would run for 42-45 months, commencing in January 2010. The overall budget for the project was £3m. The Council's budget contribution to this was £228,000, with the remainder of the investment coming from business, European funding and other sources.

Details of the project were given, together with the results taken from an existing case to show the benefits of the scheme.

The following issues were then raised and discussed by the Committee:

The REV Programme and the RevActive Project were felt to be an essential tool for enabling business and the value for business investors was evident. One member raised the value to the local taxpayer which he felt, however, did not appear so clear.

The Economic Development Manager replied that the Council's economic development priorities were delivered through the gaining of external funding, which was supplemented by a small internal budget. The European-funding Objective 2 programme was a very successful example of this.

The role of the Council's economic development function was to support and enable businesses to create jobs, which in turn helped the local economy to thrive, with the aim of providing communities with access to good quality employment nearer to the areas in which they lived and thereby helping to create sustainable communities.

It was becoming ever more competitive to obtain funding for specific areas and the Council's role in this, therefore, remained important.

In answer to a question, it was noted that the figure of approximately 1000 jobs was projected over the 5-7 years life of the programme and would contribute towards the regional planning target for employment for Thetford.

In looking at the RevActive project, it was noted that its primary aims were to help businesses become more competitive through cost reduction, including reducing their energy and other resource costs. Carbon reduction solutions would also reduce the environmental impact to the benefit of the wider community.

The Economic Development Manager explained that the Carbon Trust

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had expressed great interest in the concept of a low carbon A11 corridor and were keen to participate in the project and were looking at what resources they might be able to contribute.

The projected outcome figures on carbon reduction were subject to verification with the Carbon Trust and UEA (University of East Anglia). It was also noted that a part of the project was to develop more accurate models for assessing a company's energy resource and other savings.

A member asked about the risk to investment from competition in other areas. The Economic Development Manager agreed there was a risk, as there was competition for investment for regional schemes such as the A11 dualling and the outer harbour at Great Yarmouth. In addition, Breckland did not have many brownfield sites for development and there were other constraints in the District.

In Breckland's favour, however, land costs were cheaper in Snetterton than Norwich and there was advantage for certain types of businesses in a location away from built up areas. The one current disadvantage, however, was the issue of energy supply.

When looking at the Thetford area, even in recession, there was strong demand for good land and premises, which highlighted the importance to the area of the Thetford Enterprise Park project.

Overall operating costs in the area were also still relatively low.

The Council was not able to access national funds the level of finance needed to attract major business investment as the area did not qualify and therefore it helped in other ways – through provision of strategic sites, solving utility service problems and increasing confidence in job skills available.

In answer to another question about the time being taken to produce the business plan from the Prospectus, it was explained that the REV Programme had a term of 10 – 15 years. The IDP was, in effect, the business plan for the Programme and was being produced with the assistance of consultants. A priority had also had to be given to commencing work on the Snetterton Utilities project within this period.

Given the size of the Programme, the Chairman highlighted the relevance of ensuring a comprehensive risk assessment had been carried out and asked whether there was confidence that the investment needed could be obtained during the recession.

The Economic Development Manager replied that so far as RevActive was concerned, the risk would lie in ensuring business confidence in the project. However, the Economic Development Team had built up good relations with businesses and the first year of the project would be concerned with ensuring that confidence was in place, with delivery targeted in year 2.

The project would also have business champions, who would be those who had already made significant savings as part of a previous pilot scheme.

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Energy savings on costs to business was felt to be a huge incentive.

As part of the risk assessment for the project, there was a contingency for businesses to drop out. The base target for successful delivery of the project was 300 businesses to invest an average of £4,500. The Council's budget for the project was up to £228,000. If the target investment was not reached or if there was insufficient take up, then a proportion of the budget would not be used and, if necessary, the project could be terminated.

The following points were noted in response to further questioning:

- The REV Programme had secured funding of £342,000 from the LABGI settlement (not from Breckland core budget).
- RevActive Project funding from the Council was for up to £228,000 over three years.
- The Rev 1 project was a revenue business support programme separately funded by the Council and based on the success of which the current REV Programme had been developed.
- REV Programme funding had been used to develop the RevActive Project, which had been identified to meet local need.

The Chairman was of the view that, while the proposed investment could be supported based on the previous achievements under the REV initiative, the Committee should nonetheless have the opportunity to see the detailed background papers on risk assessment and to monitor progress on a regular basis.

A member felt that while he was happy to accept the position regarding the RevActive project, he was less so about the value overall of the REV Programme and agreed the need for thorough risk assessment.

The Economic Development Manager explained that there was not a risk analysis for the REV Programme development budget as such because the risk analysis came from the individual projects and initiatives that emerged from the umbrella of the REV Programme. A very detailed risk assessment did, therefore, exist for the RevActive Project and this could be circulated to members for their information.

In conclusion, the Committee

RESOLVED that

(1) support be given to the investment in the RevActive Project;

(2) a copy of the risk analysis for the RevActive Project be circulated to members for information; and — Mark Stanton

(3) the Committee receive quarterly risk monitoring reports in future.

74/09 DRAFT ESTIMATES 2010-11 - CONSULTATION (AGENDA ITEM 7)

The Director (Governance and Finance) presented the draft estimates for 2010-11 to the Committee as a key consultee and sought members' views on the main assumptions and risks as set out.

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The following points and comments were noted:

Section 2: Assumptions
The reduction in the bank base rate had affected investment returns over the past 12 months. In addition, further technical advice was awaited on whether the interest received on the impaired Icelandic investments could be credited to the revenue account or not.

A member asked whether the general inflation assumption of 0% over the five year financial plan was applied to any other specific items in the budget. It was replied that there was some flexibility in this but the general inflation figure was being applied across the board as a general efficiency target and a cap had been put on contribution rates.

Section 3: 2009-10 Outturn
The Director was confident that the 2009-10 outturn would be in line with the original budget forecast.

Section 4: Grant Settlement
It was noted that there was, as yet, no formal indication as to what the Government was intending to do with the grant settlement but it was felt authorities could be looking at as much as a 30% cut in Government funding over 10 years. A review of the funding model was due at the end of the current three year term (2013-14), although some discussion in advance of this could be anticipated at the time of the 2011-12 settlement.

Options for making up any shortfall through local taxes were limited, as there was a 5% cap on increases in Council Tax. The Chairman made the point that while a number of services were statutory duties upon local authorities, there were also some that were discretionary.

Section 5: Collection Fund
The deficit forecast reflected the fact that not everyone was paying their Council Tax and therefore the Band D calculation had been adjusted for future years to recover the position and enable the Council to return to a zero balance target.

Section 6: Tax Base
Figures were reviewed annually.

Section 7: 2009-10 Estimates
There was a challenge to meet the contingency (efficiency savings) target in Table 6 (line 15) by the time the Estimates were submitted to Cabinet in January.

Section 8: Policy Changes
In relation to effects of economic activity on the Council's commercial property and other income, a member commented that the impact of the recession on employment had not yet bottomed-out and it was agreed that the position needed to be closely monitored. However, it was accepted that the position on commercial property had held up well to date.

With regard to the indicative budget sum to support the development of rural transport schemes referred to in paragraph 8.11, it was noted that

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this would need to be reduced to take account of a lower level of Department of Transport funding for next year.

Section 9: Fees and Charges (excluding rents)
The main changes outlined in paragraph 9.3 were noted.

Section 10: Reserves
The intention to use some of the reserves for associated one-off initiatives as outlined in paragraph 10.2 was noted.

So far as the Icelandic investments were concerned, it was noted that the Council would be asked in the New Year to decide whether to make good its loss of interest from its capital reserves or to charge this through its revenues.

Section 11: Budget Requirement
It was noted that the report did not demonstrate the cumulative impact on finances from the setting of a zero increase on Council Tax.

Section 18: Capital Programme
The capital programme was relatively light, reflecting the fact that most projects come forward on an opportunistic basis and the programme was, therefore, subject to change.

It was agreed to add an explanatory reference to the Moving Thetford Forward project into the report.

> **RESOLVED** that the report be noted and the draft estimates for 2010-11 be endorsed for consultation purposes as recommended in paragraph 21 of the report.

75/09 OUTCOMES OF AUDIT COMMITTEE SELF-ASSESSMENT EXERCISE (AGENDA ITEM 8)

This report presented the outcomes from the self-assessment review carried out by the Committee at its September meeting. The review compared the Committee’s compliance with the standards and guidance on best practice set out in the CIPFA publication “A Toolkit for Local Authority Audit Committees”.

The findings of the review recognised that there is considerable compliance with best practice guidance as advocated by CIPFA, although there was still scope to further align the operation of the Committee to published standards.

The main areas for further development included:

- Training
- Periodic private discussion meetings with Internal and External Audit Managers
- Greater interaction with External Audit on their audit plans and strategy, including assessing performance and approving audit fees
- Introduction of a committee work plan

Actions in all these areas were being progressed.

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<u>RESOLVED</u> that

(1) the report be noted and the outcomes of the self-assessment exercise be confirmed; and

(2) the proposed actions to augment existing arrangements be agreed.

76/09 <u>PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY 2009/10 - COVERING THE PERIOD UP TO 15 OCTOBER 2009 (AGENDA ITEM 9)</u>

The report informed the Committee on current progress of the Annual Audit Plan for 2009-10. Members were pleased to note a much more positive position than for the same time last year.

To date, eight audits had been completed and a further two draft reports had been issued. The Head of Internal Audit advised that she anticipated that the Audit Plan would be substantially completed by 31 March 2010.

The position was noted.

<u>RESOLVED</u> that the report is received and noted.

77/09 <u>FOLLOW-UP OF AGREED AUDIT RECOMMENDATIONS ARISING FROM FINAL AUDIT REPORTS (AGENDA ITEM 10)</u>

The Deputy Audit Manager presented the report, from which it was noted that this was the first report to Committee following the introduction of the new arrangements for monitoring the status of audit recommendations, which now involved greater interaction between management and the Internal Audit Services contractor to confirm the extent to which agreed actions have been implemented. The report explained how the new working practices were operating, how successful they have been and the level of implementation achieved at the end of Quarter 2 of the current financial year.

With regard to Systems Audits, 80% of the recommendations due to be implemented by the end of September 2009 had been completed, with 16 recommendations remaining outstanding.

In the case of Computer Audits, only 50% of the recommendations due to be implemented by the end of September 2009 had been resolved, with 28 recommendations remaining outstanding.

Although there had been improvement in the overall situation, the Committee remained concerned at the number of outstanding computer audit recommendations.

<u>RESOLVED</u> that

(1) the Committee notes progress made in implementing internal audit recommendations and notes that the new provisions for overseeing implementation of agreed actions were working well;

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(2) the Head of IT be asked to report to the Committee's next meeting on progress of the outstanding computer audit recommendations. Kevin Rump

78/09 QUARTER 2 GOVERNANCE REPORT - RISKS (AGENDA ITEM 11)

Details of the changes to the risk register were noted.

RESOLVED that the report be noted.

79/09 PARTNERSHIP REVIEW ACTION PLANS - CRIME & DISORDER REDUCTION PARTNERSHIP (AGENDA ITEM 12)

It was noted that the previous joint governance arrangements between the King's Lynn and West Norfolk CDRP and Breckland CDRP had been dissolved and stand-alone CDRP had been re-established in the two areas.

80/09 MEMBER TRAINING ON TREASURY MANAGEMENT (AGENDA ITEM 18)

Preferred dates for the proposed Treasury Management training session were agreed as follows:

Preferred dates (in priority order)
1. 15 January 2010
2. 26 March 2010
3. 12 March 2010

Alternative dates:
- 29 January
- 26 February

81/09 WORK PROGRAMME (AGENDA ITEM 14)

RESOLVED that

(1) the draft work programme be approved;

(2) the following items be added to the schedule for the next meeting on 15 January 2010:

- Progress report on outstanding computer systems audits (Head of IT)
- International Financial Reporting Standards (IFRS) – Update report (Director of Governance & Finance)

82/09 NEXT MEETING

Arrangements for the next meeting on 15 January 2010 were noted.

The meeting closed at 12.20 pm

CHAIRMAN