

BRECKLAND COUNCIL

At a Meeting of the

AUDIT COMMITTEE

**Held on Friday, 13 December 2013 at 10.00 am in
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

PRESENT

Mr C.R. Jordan (Chairman) Mrs B Canham
Mr R.G. Kybird (Vice-Chairman) Mr M J Nairn

Also Present

Mr T. Ludlow Mrs S.C. King
Mr K. Stevens Mrs E. M. Jolly
Mr. R. Murray A Riglar

In Attendance

Robert Murray - Director, Ernst & Young
Mark Finch - Assistant Director of Finance
Sandra C. King - Internal Audit Consortium Manager
Alison Chubbock - Accountancy Manager
Julie Britton - Senior Committee Officer
Julia Perry - Training and Development Manager
Alison Riglar - Assistant Manager
Richard Wills - Breckland Training Services Manager

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49/13 MINUTES (AGENDA ITEM 1)

The Minutes of the meeting held on 20 September 2013 were confirmed as a correct record and signed by the Chairman.

50/13 APOLOGIES (AGENDA ITEM 2)

An apology for absence was received from Mr R Childerhouse.

51/13 DECLARATION OF INTERESTS (AGENDA ITEM 4)

The Vice-Chairman declared an interest in any matter relating to building control.

52/13 NON-MEMBERS WISHING TO ADDRESS THE MEETING (AGENDA ITEM 5)

Ellen Jolly.

53/13 2013/14 ANNUAL AUDIT FEE LETTER (AGENDA ITEM 6)

Members were informed that this was the 2013/14 Year End Annual Audit Letter not the Annual Audit Fee Letter as stated on the agenda.

Alison Riglar from Ernst & Young was introduced to the Committee. Alison would be attending meetings in future in place of Tina Meyer.

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The purpose of the Annual Audit Letter was to communicate to the Members of Breckland Council the key issues that had arisen from the external audit work.

The detailed findings and outcomes had already been reported to the Audit Committee on 20 September 2013.

The quality of work performed this year had been good. The audit had identified a limited number of errors which had not been considered significant and had already been amended by management during the course of the audit work.

The conclusions from the audit work had been summarised on page 11 of the agenda. Page 12 related to the outstanding Annual Certification Report that would be issued in the New Year. Page 13 highlighted the key findings and page 14, under the heading Control Themes and Observations, showed that there had not been any significant weaknesses in the design or operation of internal control during the course of the audit.

The Annual Audit Letter for 2013/14 was otherwise noted.

54/13 LOCAL GOVERNMENT SECTOR UPDATE (AGENDA ITEM 7)

The document attached was purely for information only and was noted accordingly.

55/13 STATUS REPORT - OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS (AGENDA ITEM 8)

This report would be discussed at the additional meeting on 20 September 2013.

56/13 MID-YEAR INTERNAL AUDIT ACTIVITY REPORT (AGENDA ITEM 9)

The Internal Audit Consortium Manager presented the report which examined the progress made between 1 April 2013 and 27 November 2013 in relation to the delivery of the Annual Audit Plan for 2013/14.

The Annual Audit Plan had initially contained provisions of 232.5 days to complete 16 assignments, 3 being the responsibility of the West Suffolk Internal Audit Partnership which, as the nominated auditors for the Anglia Revenues and Benefits Partnership (ARP), had been charged with reviewing the systems for Council Tax, National Non Domestic Rates plus Housing and Council Tax benefits on behalf of Breckland Council. The work for these 3 particular audit assignments originally aggregated 39.5 days, i.e. 17% of the originally approved Audit Plan.

In terms of how the Plan had panned out, the total planned audit days had actually fallen to 218.5, a reduction of 14 days this had been due to 3 key elements. The first had been in relation to the deferral of the audit of Performance Management from 2013/14 to 2014/15 due to an on-going management review of the current system, the service structure and the team. It was initially agreed with management to bring forward an audit of Partnerships by way of replacement for the deferred review, but following further consideration of this proposal, it had been decided no to progress this

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option and instead remove the original job budget of 10 days from the Annual Audit Plan.

The second change to the Plan concerned some computer audit savings secured involving ½ day in relation to BRK/14/16 Disaster Recovery Back Up and Data Centre. Conducting a similar audit for another Consortium client had generated this saving against the previously allocated job budget for this work.

The third adjustment to the Plan was due to the West Suffolk Revenues and Benefits audits providing savings on internal audit time in 2013/14 through expected efficiencies based on the working practices of the last audit. This had enabled the overall budget for these audits to be reduced by 3.5 days.

The other adjustment to the Plan had applied to the revised timetabling of the review of Firewalls which had been earmarked for delivery in the last quarter of the year.

Section 3.2.9 summarised the position of various assignments.

It was noted that the field work in respect of Accountancy Services had been subsequently completed, whilst fieldwork for the Sundry Debtors audit had been scheduled to start in February 2014.

A mixture of assurance levels had been awarded finalised to date. The audit of Economic Development (BRK/14/02) had concluded with a good assurance level, whilst a limited assurance had been awarded to Development Control (BRK/14/03), corresponding to the same level of assurance given when this area was previously audited. A limited assurance had also been awarded to the audit of Homelessness, Housing List and Choice Base Lettings (BRK/14/06), the level of assurance had deteriorated since the previous review and had resulted in two high priority recommendations being raised.

A copy of the abbreviated Management Summaries of completed audit assignments had been attached at appendix 2.

Referring to the table at appendix 1 of the report Mr Ludlow asked the meaning of the heading 'original scheduling'. Members were informed that this was when the audit work should have started. Mr Ludlow felt that a further heading specifying the original final completion date should be added for comparison. The Internal Audit Consortium Manager advised that this information was already provided in the Annual Effectiveness report.

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A Member asked how services receiving limited assurances from Internal Audit were dealt with. The Internal Consortium Manager explained that the recommendations arising from these particular audits had been closely monitored regarding their implementation through subsequent audit follow up work with the outcomes reported back to the Audit Committee on a 6 monthly basis. The current follow up results would be discussed at the additional Committee meeting organised for the following week. Members were informed of the timeframes involved with regards to delivering high, medium and low priority recommendations. In the event of high priority recommendations remaining outstanding at year end, these items would be identified in the Annual Audit Report and Opinion and carried over to the Annual Governance Statement.

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In response to a further question in relation to the meaning of low priority recommendations, the Internal Audit Consortium Manager advised that low priority recommendations involved enhancements to systems of internal control, as opposed to significant or important developments being required to existing arrangements sought through high and medium priority recommendations.

The meaning of DISA configuration would be reported at the next meeting.

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RESOLVED that the outcomes of the audits completed between April and November 2013, together with recent amendments made to the Annual Audit Plan for 2013/14 be noted.

57/13 DRAFT ESTIMATES 2013/14 AND MEDIUM TERM PLAN (AGENDA ITEM 10)

The Assistant Director of Finance presented the report which asked Members to consider the draft Capital and Revenue Budget estimates, the Financial Medium Term Plan and the Capital Strategy and release for consultation.

Members were informed that the report had already been considered by the Cabinet at its meeting on 9 December 2013.

A very detailed presentation was provided by the Accountancy Manager and the high level key issues were highlighted (a copy of the presentation is attached for Members' information).

All figures shown were prior to the Autumn Statement announcement.

Cllr Nairn asked a question in relation to the National Non-Domestic Rates (NNDR) assumptions. Members were informed that no inflation for growth had been incorporated; however, Appendix F highlighted the sensitivities and showed the potential of what could be achieved if there was any economic growth.

The Vice-Chairman asked who the 'top earners' were for NNDR. The Accountancy Manager explained that the top ten rate payers were mainly supermarkets. The Assistant Director of Finance pointed out that supermarkets should be classed as 'double edged swords' as not only were they the biggest rate payers they were also categorised as high risk in relation to Appeals for rate reduction. Mr Ludlow asked if money from the NHS Transformation fund had been included. Members were informed that nothing had been received as yet but if there was it would have to be set against new spend.

The Chairman mentioned the New Homes Bonus (NHB) which he felt was forcing authorities to build more housing putting more pressure on planning. He further felt; however, that NHB was very important for Breckland's finances and land or development should not be held back and should be addressed forthwith. The Vice-Chairman suggested that the Council's Economic Development Team should provide a briefing on how it was promoting growth in the area. Cllr Jolly asked the Chairman what information he required. The Chairman advised that the Committee needed to know the reasons why Breckland Council was under provisioned in land supply compared to South Norfolk District Council that apparently was doing very well on NHB monies.

The Vice-Chairman stated that according to recent data there was more development on infill sites.

Cllr Jolly highlighted the fact that Breckland Council had been successful on its Empty Homes Policy and had brought many such homes back into use which in turn would have an effect on NHB and Council Tax. In relation to land supply and development, Cllr Jolly reported that the Local Plan Working Group was focusing on these matters.

Mr Stevens asked a question in relation to supermarkets having any S106 implications in terms of revenue costs. Members were informed that there were none in any of the current projects. The Chairman felt that this should be shown as a low risk in future.

In response to questions, the Accountancy Manager advised that the £1m for affordable housing shown in the Capital Budget came under the Housing remit and was from Council funding. The street lighting project was in progress and was in relation to towns taking on options for provision of street lighting.

Mr Ludlow asked a question in relation to financial checks on current contracts. The Assistant Director of Finance advised that this would be part of the Council's Business Continuity Plan.

The report was noted.

58/13 TREASURY MANAGEMENT MID-YEAR REPORT (AGENDA ITEM 11)

The report requested the Audit Committee to note the update on the Treasury Management Strategy, Policy and Prudential Indicators.

The Assistant Director of Finance highlighted the Council's statutory reporting requirements and what these covered.

The Council's Treasury Advisory Contract expired on 31 November 2013. The Council led a joint procurement with South Norfolk and Broadland Councils to procure a new advisor and following a competitive exercise, and for best value, Capita Asset Services (formerly Sector) had been re-appointed on a 3 year 4 month contract (to align dates with other Councils). Sector would normally be invited to the Council for training sessions and Members were asked if they would like this training to take place. The Chairman felt that such training was very important for Members and asked that this be arranged.

At this point the Chairman had to leave the meeting for other Council business and the Vice-Chairman resumed the Chair.

The Vice-Chairman highlighted the recommendations in the report. The Assistant Director of Finance stated that both recommendations related to the Treasury Management Strategy. Referring to the use of non-UK counterparties, Members were informed that the Council would receive a better return on its investments with the preferred non-UK counterparty. It was noted that the bank in question was UK based and had very high reserves. Members' advice was sought. The bank also had a triple 'A' rating and there were no risks on the horizon. An update on the Council's current banking situation would be brought to the February meeting.

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<p><u>RESOLVED</u> that the recommendations be approved.</p>	
<p>59/13 <u>WORK PROGRAMME (AGENDA ITEM 12)</u></p> <p>It was agreed that the following items would be added to the Work Programme:</p> <ul style="list-style-type: none">• Bank update• Briefing on promoting growth in Economic Development• Sector Training (O&SC Chairman to be invited).	<p>MF/JB</p>
<p>60/13 <u>NEXT MEETING (AGENDA ITEM 13)</u></p> <p>The arrangements for the next meeting were noted.</p>	
<p>61/13 <u>EXCLUSION OF PRESS AND PUBLIC (AGENDA ITEM 14)</u></p> <p><u>RESOLVED</u> that the press and the public be excluded from the meeting for the following item of business as it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act.</p>	
<p>62/13 <u>BRECKLAND TRAINING SERVICES ANNUAL REVIEW 2012-13 (AGENDA ITEM 15)</u></p> <p>The Training Services Manager provided Members with a detailed presentation that highlighted the amount of business it had generated in the first year of operation.</p> <p>Members were reminded of how the Breckland training service had started.</p> <p>The aims and a financial summary were provided and the customers that had received the training were highlighted.</p> <p>The Training Services Manager said that he had learnt a vast amount in the past year and the feedback from the customers had been incredible. However, a lot of lessons had been learnt too.</p> <p>Moving forward and the service's future aims were explained. Members' attention was drawn to the risks involved.</p> <p>Mr Ludlow said that he would like the figures to be further explored and asked questions in relation to income and costs and whether the staffing levels had changed. He also asked if the start up fund had been included which, if it had, would put the service in a very different position.</p> <p>Further questions were asked in relation to running costs i.e. lunches, overheads etc. and also where the professional indemnity insurance, if any, appeared in the figures. It was agreed that the Assistant Director of Finance would circulate a summary of the figures to Members by email.</p> <p>Mr Ludlow asked if the objectives had changed. Members were informed that they had not. It was agreed that the objectives which had been disregarded should still be included for information purposes.</p> <p>Mr Stevens asked how the successful training sessions were measured. The Training Services Manager advised that the Team had steered clear of</p>	<p>MF/RW</p> <p>RW</p>

gathering feedback by so called 'happy' sheets and explained the current set up which had proved to be of much better value.

A question was asked about staffing levels and not being reliant on one person throughout. Members were informed that the staffing structure was being looked at.

Cllr Nairn wanted to know about projection figures and when full cost recovery would be achieved. It was noted that costs had been recovered in year one and sufficient income had been generated to cover all overheads; however, full cost recovery would take about 6 to 7 years.

The Breckland Training Services Team was congratulated.

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The meeting closed at 11.45 am

CHAIRMAN

Draft Budget 2014-15 for Consultation

Audit Committee
13 December 2013



Introduction

- o Revenue budgets and efficiency requirement
- o Risks and sensitivity
- o Capital programme and available funding
- o Reserves

6

Revenue Budgets and the Efficiency Requirement

10

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Revenue Budget Assumptions

- o Council Tax increases by 2% every year
- o No inflation added unless specifically contracted
- o No growth allowed
- o 8.5% LCTRS remains in place
- o Early achieved efficiencies used to balance budget to 2015-16
- o Salary and other assumptions are shown in section 7 of the Medium Term Financial Plan

Revenue Budget Assumptions

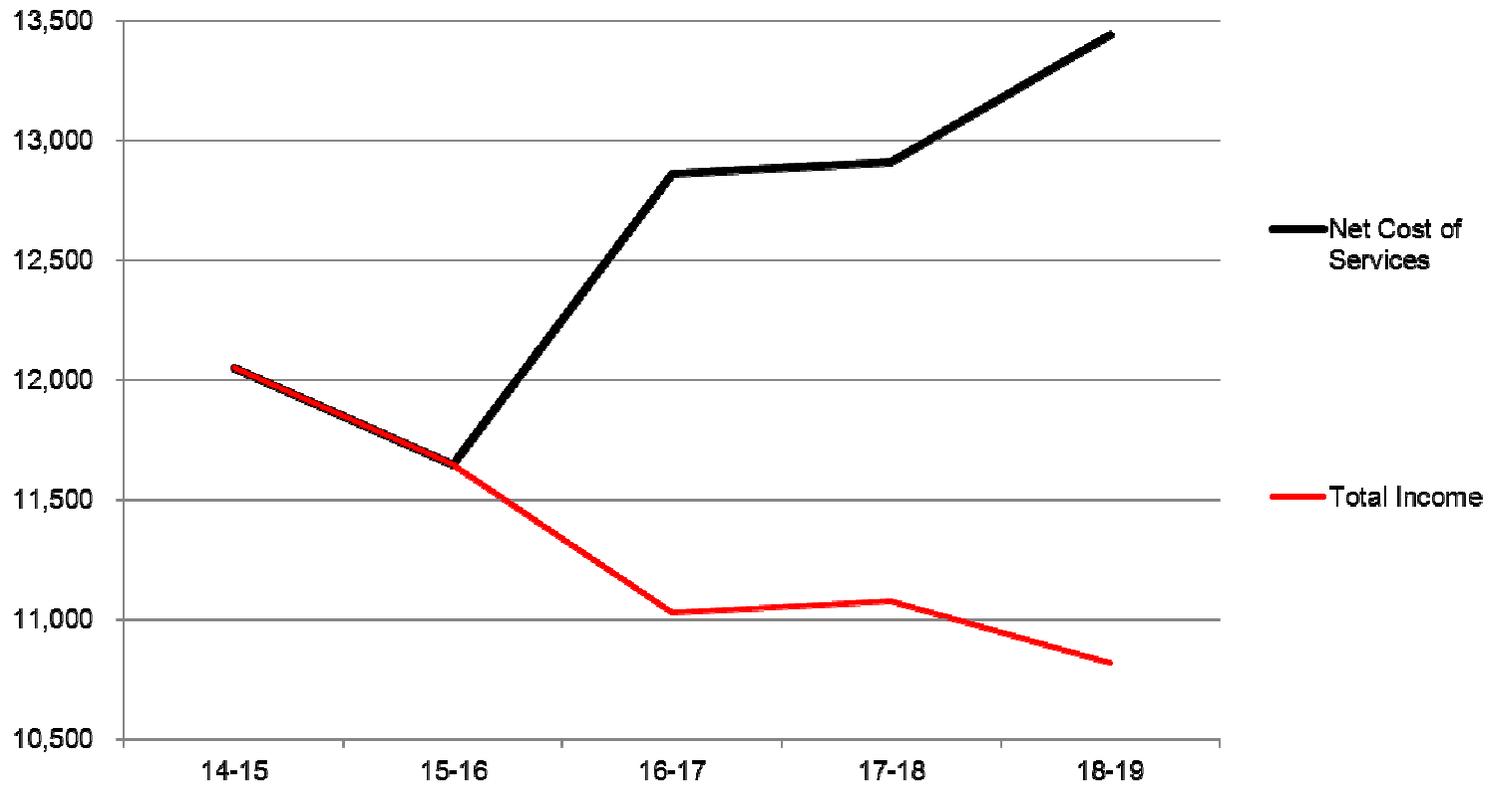
- o RSG reduces

	2014-15	2015-16	2016-17	2017-18	2018-19
	(24.4%)	(32.3%)	(36.6%)	(37.8%)	-
- o NNDR September 13 figures used then:
 - o Inflationary increases to multiplier rate
 - o Adjusted for local knowledge & appeals
- o New Homes Bonus (NHB)
 - o Increased using prior year averages
 - o Additional from CS forecast cont'd to reserve

Revenue Budget Summary

	14-15	15-16	16-17	17-18	18-19
	£'000	£'000	£'000	£'000	£'000
Net Cost of Services	12,054	11,648	12,867	12,913	13,448
Settlement	(3,930)	(2,663)	(1,688)	(1,051)	(1,051)
Retained NDR	(3,767)	(3,872)	(3,998)	(4,146)	(4,300)
New Homes Bonus	(1,624)	(1,995)	(2,453)	(2,909)	(2,438)
Council Tax	(2,733)	(2,814)	(2,892)	(2,973)	(3,031)
13-14 efficiency	-	(304)	-	-	-
NHB to Reserve	30	154	342	529	529

Revenue Budget Summary



14

Revenue Budget Gap

	14-15	15-16	16-17	17-18	18-19
	£'000	£'000	£'000	£'000	£'000
Total Efficiency Requirement	4	963	1,890	1,834	2,629
Use 2013-14 surplus	-	(304)	-	-	-
Use 2013-14 efficiencies achieved early	-	(593)	-	-	-
Use 2013-14 under spend	(4)	(66)	(53)	-	-
Total Efficiency Required	-	-	1,837	1,834	2,629

Allows time for defined transformation programme

Risks & Sensitivity

Risks

- o Delivering efficiencies already included in budget
- o 26 week planning risk of returned income £200k
- o Reduction in HB Admin grant (up to £198k per yr)
- o NDR appeals higher than forecast
- o See Medium Term Financial Plan, section 14

Sensitivity

- o Pension auto-enrolment, max = £125k
- o Inflation on major contracts, +/- 1% = £93k
- o Lost income from 1% reduction in NNDR
 - o Year 1 = -£60k
 - o Year 2 = -£121k

Sensitivity

- o Optimistic forecast of NNDR income
 - o Year 1 = +£293k
 - o Year 2 = +£474k
- o Safety net maximum reduction = -£440k
- o See Appendix F

19

Capital Programme & Available Funding

20

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Capital Programme

- o Changes to current capital programme
 - o Added Redcastle Mound project (£50k)
 - o Added Humbletoft Adoption (£100k)
 - o Riverside project budget still included
 - o No other LABV projects removed at this stage
 - o No capital budget contribution for LABV project
- o Capital programme appendix

Available Funding

	13/14	14/15	15/16	16/17	17/18	18/19
	£'000	£'000	£'000	£'000	£'000	£'000
Opening CFR	(11,719)	(8,669)	(367)	595	1,468	2,352
Spend in year	6,116	9,180	1,447	1,277	1,288	834
Receipts & funding in year	(3,066)	(878)	(485)	(404)	(404)	(404)
CFR	(8,669)	(367)	595	1,468	2,352	2,782

Whilst the CFR is negative there is no borrowing requirement

Insufficient funding to deliver current programme:

- Remove some projects?
- Alternative funding – revenue reserves, S106?

Reserves

Un-Allocated Reserves

Reserve Description	£'000
Revenue Match Funding	(1,631)
Self Insurance	(56)
Commercial Property	(671)
PFI	(87)
Organisational Development	(1,871)
LDF	(90)
Council Tax & NNDR	(2,000)
Community Projects	(585)
Sub total	(6,991)
General Fund	(2,612)
Total unallocated reserves	(9,603)

Next Steps

- o Budget consultation – in progress
- o Final budget to:
 - o Executive Board 20 January 2014
 - o Cabinet 11 February 2014
- o Final budget & council tax setting to Full Council 27 February 2014