

BRECKLAND COUNCIL

At a Meeting of the

AUDIT COMMITTEE

**Held on Friday, 25 November 2011 at 10.00 am in
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

PRESENT

Mr M. A. Wassell
Mr R.P. Childerhouse

Mr C.R. Jordan (Chairman)
Mr R.G. Kybird (Vice-Chairman)

Also Present

Mr K. Stevens

Mr T. Ludlow

In Attendance

Robert Murray
Sandra C. King
Alison Chubbock
Julie Britton
Stephen James

- District Auditor, Audit Commission
- Head of Internal Audit
- Accountancy Manager
- Senior Committee Officer
- Senior Procurement and Performance Officer

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62/10 MINUTES (AGENDA ITEM 1)

- (a) Audit Committee Self Assessment Exercise and Action Plan (Minute No. 57/11)

It was noted that no further reports were required in respect of the Audit Committee's self assessment exercise as full compliance with best practice requirements had been noted.

- (b) Minutes

The Minutes of the meeting held on 30 September 2011 were confirmed as a correct record and signed by the Chairman.

It was agreed that the slides from the training session held after the meeting on 30 September 2011 would be attached to the Minutes for those Members who had inadvertently been missed from the invitation list.

63/10 APOLOGIES (AGENDA ITEM 2)

Apologies for absence were received from Lady K Fisher and Mr T Jermy.

64/10 JOINT AUDIT & SCRUTINY PANEL MINUTES (AGENDA ITEM 6)

The Minutes of the Joint Audit & Scrutiny Panel meeting held on 25 October 2011 were noted.

65/10 QUARTER 2 GOVERNANCE REPORT RISKS (AGENDA ITEM 7)

The Senior Procurement and Performance Officer presented the quarterly

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risk report.

At the last Audit Committee meeting, Members were advised that the Council was reviewing its Corporate Plan. This review had now been completed, with a new Corporate Plan produced allowing for the creation of a new strategic risk register. The new risk register should be ready for presentation to Members in February 2012.

In terms of the risks for Quarter 2, new risks, decreased risks and closed risks that had occurred or changed over the last three months were highlighted.

A new risk had been identified during Quarter 2 relating to the provision of sporting activities at Redcastle Furze Community Centre. As part of the PFI arrangements the Council could not support alternate competing facilities and this had been reflected in a clause in the lease for the Community Centre. Further control measures were in place to ensure that the Council did not break any contractual arrangements in relation to the PFI.

Two risks decreased during Quarter 2. The first was the risk associated with the Council's Icelandic investments, which had moved from a score of 6 to a score of 4 following the recent test case which had been awarded priority status to certain UK depositors – although there had not, as yet, been any guidance of how the Supreme Courts decision would be applied to non-test cases such as Breckland. It was anticipated that the amount to be recovered would be 93% of the original deposit.

The second risk related to Snetterton Utilities project that had been decreased from 6 to 3 following a significant amount of work that had been undertaken with Icen Power in relation to providing power to the site.

The three closed risks related to bringing the ICT service back in-house from Steria. None of the risks had been realised and the Council had benefited from improved performance as well as an annual saving of £200,000.

The remainder of the report discussed the risks that sat outside the Council's risk appetite and these remained largely static. The current position of each had been detailed in the report.

Members' comments were welcomed.

Mr Kybird had received a comment from Lady Fisher in relation to the Snetterton Utilities project. She had not understood why this risk had been decreased. The Senior Procurement and Performance Officer explained that the information he had received had demonstrated that a timeline had been set for the Biomass Plant to be built subject to planning permission.

Mr Stevens questioned the PFI competing facilities in relation to the terms of contract at the Redcastle Furze Community Centre and asked whether Parkwood, the Council's Leisure Contractors, had been informed of these activities. Members were informed that the current tenant was aware of what the Community Centre could and could not do and control measures

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had been put in place. The Procurement & Performance Manager said that he would be surprised if this had not been mentioned to Parkwood but he would check this out with the relevant officer.

The Chairman stated that PFI should be taken into account at all times for anything that the Council did in terms of leisure and should be recorded and Parkwood automatically informed.

Mr Stevens reminded the Committee of his PFI background and stated that reassurance from Parkwood had been acquired in the past particularly in regard to Sporle School. He felt that the same reassurance should be required for Redcastle Furze.

The report was otherwise noted.

66/10 ESTIMATES 2012/13 (AGENDA ITEM 8)

The Accountancy Manager presented the draft estimates for 2012/13 to the Committee and sought Members' views on the main assumptions and risks as set out.

A presentation was provided and paper copies were circulated (a copy of the presentation slides are attached for Members' information).

The following points and comments were noted:

Revenue Budget & Efficiency Requirements

The opening efficiency requirement position for 2012/13 had been £1.3m - the current efficiency requirement now stood at £666,430. The major cost pressures to consider had been interest rates, commercial property income, which had been less than what had been anticipated, the income from the Anglia Revenues & Benefits Partnership and the loss of interest from the new Capital Programme. The recent changes to pensions were shown as a cost pressure since the budget had been presented to the Executive Board but was not a 'true' increase. The Chairman thought it would have been helpful to have seen some background details on these matters. It was agreed that the information would be emailed to Committee Members accordingly. Mr Kybird felt that the change in treatment to pensions needed to be understood and agreed that much more detail was required. The Accountancy Manager explained how the changes to pensions had come about which had initially been misinterpreted by Finance when the budget had been first presented to the Executive Board; however, it was not a true increase when compared to the previous years budget estimates. Whilst discussing salary and pensions issues, Mr Wassell reported that Group had been given the wrong impression in relation to the figures at their meeting the previous evening. Mr Ludlow felt that the pension scheme figure should be shown differently and should, in his opinion, be considered as a virtual variance thus having a different in-treatment. He then explained how the pension fund worked and how it had been set up. After further debate it was agreed that the pension deficit needed further explanation as it had been incorrectly reported.

Capital Programme

It was noted that the funding for the Moving Thetford Forward Riverside

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Regeneration project would be going forward to Council for approval but the figures had been included for budget purposes.

The Chairman felt that the budget papers seemed to be full of expenditure and felt unbalanced. Members were informed that there would be potential revenue to be gained from the Riverside Project.

Capital Programme Risks

The cash available for capital projects was not reliant on Icelandic investments being repaid.

Reserves

The Council had healthy reserve levels but they could not be used for long term support.

What Next?

The draft budget was currently on the Council's website for consultation. The Executive would be providing further direction on efficiency measures.

The final budget would be presented to Cabinet on 10 January 2012 followed by Council approval on 19 January 2012.

Mr Stevens queried the vacancy rates and asked for the position on compulsory redundancy if targets could not be met. Members were informed that the Council was going through various departmental restructures; as far as compulsory redundancies were concerned, the Chairman had never known of any since being elected and he was not aware of any policy changes to that affect.

The report was otherwise noted.

67/10 TREASURY MANAGEMENT MID-YEAR REPORT (AGENDA ITEM 9)

The Accountancy Manager updated the Committee on the mid-year Treasury Management Strategy, Policy and Prudential Indicators.

The report highlighted the key changes to the Council's capital activity (the prudential indicators), the economic outlook and the actual and proposed treasury management activity (borrowing and investment). The reasons for these changes were explained.

In response to a question Members were informed that MMFs stood for Money Market Funds.

Referring to the recovery of the Council's Icelandic investments, the Accountancy Manager explained that the test cases had been heard and the Council's claim had been lodged in the next round. Distribution was expected soon either before or just after Christmas.

The Treasury Management Mid Year report was otherwise noted.

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68/10 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY, APRIL - OCTOBER 2011 (AGENDA ITEM 10)

The Head of Internal Audit presented the report which provided Members with an update on the delivery of the Annual Audit Plan 2011/12.

In addition to providing summaries of the completed audit assignments, the Head of Internal Audit highlighted the various changes made to the Audit Plan (see paragraph 3.2.2 of the report) and the effectiveness of Internal Audit during April and October 2011. She also provided Members with an update on the future of the Internal Audit Contract with Deloitte.

At present, four audit assignments had been completed and the management summaries of each had been included at Appendix 2 of the report.

The effectiveness of the overall service through compliance with the CIPFA Code of Practice had been continually monitored and there had been three key developments over recent months. In October, a constructive meeting had been held with colleagues from Audit Lincolnshire, which provides the Internal Audit Service to South Holland District Council. The meeting had involved benchmarking plans and service provision, and explored ways in which the two sets of auditors might effectively operate together in the future. Alternative arrangements for providing Internal Audit Services to the Anglia Revenues Partnership were also being investigated; these investigations were still on-going. A more general review of Internal Audit's working practices had also been undertaken and the outcomes had been discussed with Members of the Norfolk Internal Audit Consortium. Changes to working practices were currently being refined, whilst the approach to future strategic audit planning was being amended to permit even greater consultation with the Corporate Management Team. In the event of major changes being applied to the annual audit needed assessment process, these would be brought to the attention of the Audit Committee in February 2012 when new Audit Plans for 2012/13 were presented.

Further discussions had been held with Deloitte in relation to their contract. These discussions had resulted in the extension of the contract to September 2014 and the freezing of the contractual day rate, such that the 2010/11 day rate now applied until September 2014, rather than increasing year on year in line with RPI increases.

The management summaries of completed audit assignments had been attached to the report at Appendix 2(a) to 2(d). Members were asked to note that the Audit opinion on Accountancy Services had gone from adequate to a **good** but the opinion on Virus Protection and Spyware had deteriorated from an adequate to a **limited assurance**.

The report was otherwise noted.

69/10 REPORT ON THE STATUS OF AUDIT RECOMMENDATIONS DUE FOR IMPLEMENTATION BY 30 SEPTEMBER 2011 (AGENDA ITEM 11)

The Head of Internal Audit informed Members of the progress made in

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implementing audit recommendations due at 30 September 2011.

Additional information had been included at Appendix 2 as previously requested (see paragraph 3.1.3 of the report) which related to outstanding recommendations due to be implemented in the first six months of 2011/12, together with those agreed actions with revised deadlines for completion now occurring after September 2011.

The number of outstanding recommendations, listed per audit, had been attached at Appendix 1 and a summary of the current and previously reported position had been highlighted at section 4.1.1 of the report. The Head of Internal Audit was able to provide the Committee assurances that the situation regarding management's implementation of audit recommendations had improved significantly since the last status report provided in June 2011.

In response to a queries raised by Mr Kybird, the Head of Internal Audit agreed to email Members more information regarding Appendix 2 and revised deadline dates recorded therein.

The report was otherwise noted.

70/10 WORK PROGRAMME (AGENDA ITEM 12)

The Work Programme was agreed subject to the date of the March 2012 meeting being amended to **23** March 2012.

71/10 NEXT MEETING (AGENDA ITEM 13)

The arrangements for the next meeting on Friday, 3 February at 10.00am were noted.

The meeting closed at 11.45 am

CHAIRMAN

Draft Budget 2012-13

Audit Committee 25th
November 2011



Introduction

- o Revenue budget & efficiency requirement
- o Risks & sensitivity
- o Capital programme & available funding
- o Reserves



Revenue Budget Assumptions

Salaries assumptions (Non ARP Staff)

- o 5% Vacancy factor
- o Blended PRP levels:
 - o 2012-13 = 0.325%
 - o 2013-14 = 4.30%
 - o 2014-15 = 4.30%



Revenue Budget Assumptions

- Salaries assumptions (ARP Staff)
 - o 2.5% Vacancy factor
 - o Incremental grades plus cost of Living increase:
 - o 2012-13 = 0.00%
 - o 2013-14 = 2.50%
 - o 2014-15 = 2.50%



Revenue Budget Assumptions

Members Allowances

Rates subject to independent remuneration panel

o 2011-12 = 0.00%

o 2012-13 = 3.40%

o 2013-14 = 3.10%

o 2014-15 = 3.30%



Revenue Budget Assumptions

No inflation added unless specifically contracted

Inflation rates used (RPI):

o 2012-13 = 3.40%

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o 2013-14 = 3.10%

o 2014-15 = 3.30%

o Contract rates vary by individual contract



Revenue Budget Assumptions

Council Tax

o Zero for 12-13, then CPI increase

o 2012-13 = £64.05 (0.00%)

o 2013-14 = £65.33 (2.00%)

o 2014-15 = £66.64 (2.00%)

o 2015-16 = £68.04 (2.10%)

o 2016-17 = £69.47 (2.10%)



Council Tax Sensitivity

- o £1 increase on CT equates to £44k pa (£235k over 5 yrs)
- o 1% increase on CT equates to £28k pa (£150k over 5 yrs)



Revenue Budget Assumptions

Grant Settlement and non-ring fenced grants

- o RSG & NDR at levels forecast last budget setting
- o New Homes Bonus – current level (£471k) 4 yrs
- o Homelessness grant - £141k 12-13 only
- o Council tax freeze grant – additional £70k for 1 year only

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Revenue Budget Assumptions

- Other assumptions
 - o Tax base increases by 1.42%
 - o Commercial Property surplus offsets Council Tax
 - o Interest levels returning to 'normal' levels after 14-15



Revenue Budget Summary

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	ACTUAL	ESTIMATE	ESTIMATE	ESTIMATE	ESTIMATE	ESTIMATE	ESTIMATE
	£	£	£	£	£	£	£
NET COST OF SERVICES	15,225,943	12,559,860	12,686,550	12,647,240	12,494,300	11,961,319	12,160,815
Supported Growth Bids	0	0	0	0	0	0	0
Corporate Contingency/(Efficiency)	0	61,496	(666,430)	(774,260)	(984,600)	(254,050)	(646,460)
BRECKLAND BUDGET REQUIREMENT	15,225,943	12,621,356	12,020,120	11,872,980	11,509,700	11,707,269	11,514,355
FINANCING							
Local Government Settlement	(11,057,615)	(9,519,608)	(8,363,246)	(8,287,977)	(7,823,850)	(7,988,151)	(8,155,902)
Area Based Grant & LABGI	(519,969)	0	0	0	0	0	0
New Homes Bonus (applied from reserves)	0	0	(471,170)	(471,170)	(471,170)	(471,170)	0
Homelessness Grant	0	(141,470)	(141,470)	0	0	0	0
Council Tax Freeze Grant	0	(69,800)	(143,630)	(73,450)	(73,450)	0	0
Collection Fund - Council Tax	(34,883)	(57,870)	(28,880)	0	0	0	0
Special Expenses		(62,550)	(62,550)	(134,340)	(134,980)	(134,980)	(134,980)
BRECKLAND PRECEPT REQUIREMENT	3,613,476	2,770,058	2,809,174	2,906,043	3,006,250	3,112,968	3,223,473
BRECKLAND BAND D COUNCIL TAX		64.05	64.05	65.33	66.64	68.04	69.47
PERCENTAGE INCREASE			0.00%	2.00%	2.00%	2.10%	2.10%
Tax Base		43,248	43,859	44,482	45,113	45,754	46,404

Efficiency Requirement

	2012-13
Opening Efficiency Requirement Position	1,359,240
Efficiencies Identified	(2,025,246)
Cost pressures	1,332,436
Current Efficiency Requirement	666,430



Revenue Growth Bids

Growth Bids Submitted, but not Included in Budgets						
Description	2012-13	2013-14	2014-15	2015-16	2016-17	TOTAL
Asset Management - Additional 16 hours for grade 10 post	8,500	8,866	9,247	9,644	10,059	46,316
Undertake tree works	15,000	15,000	15,000	TBC	TBC	45,000
TOTAL	23,500	23,866	24,247	9,644	10,059	91,316



Risks & Sensitivity

- o Business rates retention proposals from April 2013
- o Council Tax Benefit changes & reduction in grant from April 2013
- o Inflation levels on Council's large contracts (1% change equates to circa £81k in 2012-13)
- o 5% vacancy factor – achievable? (£300-£340k)



Risks & Sensitivity

- o ESPO forecast rises of 16% for electricity & 30% for gas (this equates to circa £14k & £5k in 12-13)
- o Commercial property income levels in current climate
- o PFI contract benchmarking in 2013-14
- o Efficiencies not met/not met within timescales



Capital Programme

	11-12	12-13	13-14	14-15	TOTAL
	£'000	£'000	£'000	£'000	£'000
Existing capital programme	3,502	1,995	1,581	1,496	8,574
New schemes added to programme:					
Air Quality/Noise Monitoring Equipment	0	50	0	0	50
Planning & Building Control investment	128	0	0	0	128
Car Park Re-surfacing	0	227	226	227	680
MTF - Riverside Regeneration	0	1,500	4,500	0	6,000
Skate Park Land	23	0	0	0	23
Revised capital programme	3,653	3,772	6,307	1,723	15,455
Capital Receipts	(784)	(168)	(922)	(186)	(2,060)
Capital Funding	(681)	(703)	(1,736)	(502)	(3,622)
Net Cost of Capital Programme	2,188	2,901	3,649	1,035	9,773

Capital Financing Requirement

Forecast Capital Financing Requirement (CFR)

	2011-12	2012-13	2013-14	2014-15
	£'000	£'000	£'000	£'000

Opening CFR	(2,881)	(693)	2,208	5,857
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Movement in year (This is capital spend offset by capital receipts and specific funding, shown above)	2,188	2,901	3,649	1,035
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PFI Liability	(9,660)	(9,492)	(9,315)	(9,129)
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CFR - Underlying Borrowing requirement	(10,353)	(7,284)	(3,458)	(2,238)
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Future projects which may impact on capital programme (not yet fully worked up)				1,090
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CFR - Underlying Borrowing requirement				(1,148)
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Capital Programme

Capital programme risks

- o When Capital Financing Requirement becomes positive borrowing required
- o Capital receipts
- o Risk of rising costs for projects due to timing delays
- o Cash available is not reliant on Icelandic investments being repaid



Reserves

- o Healthy reserve levels currently but cannot use them for long term support
- o Need funding for invest to save initiatives which could be funded from ODR



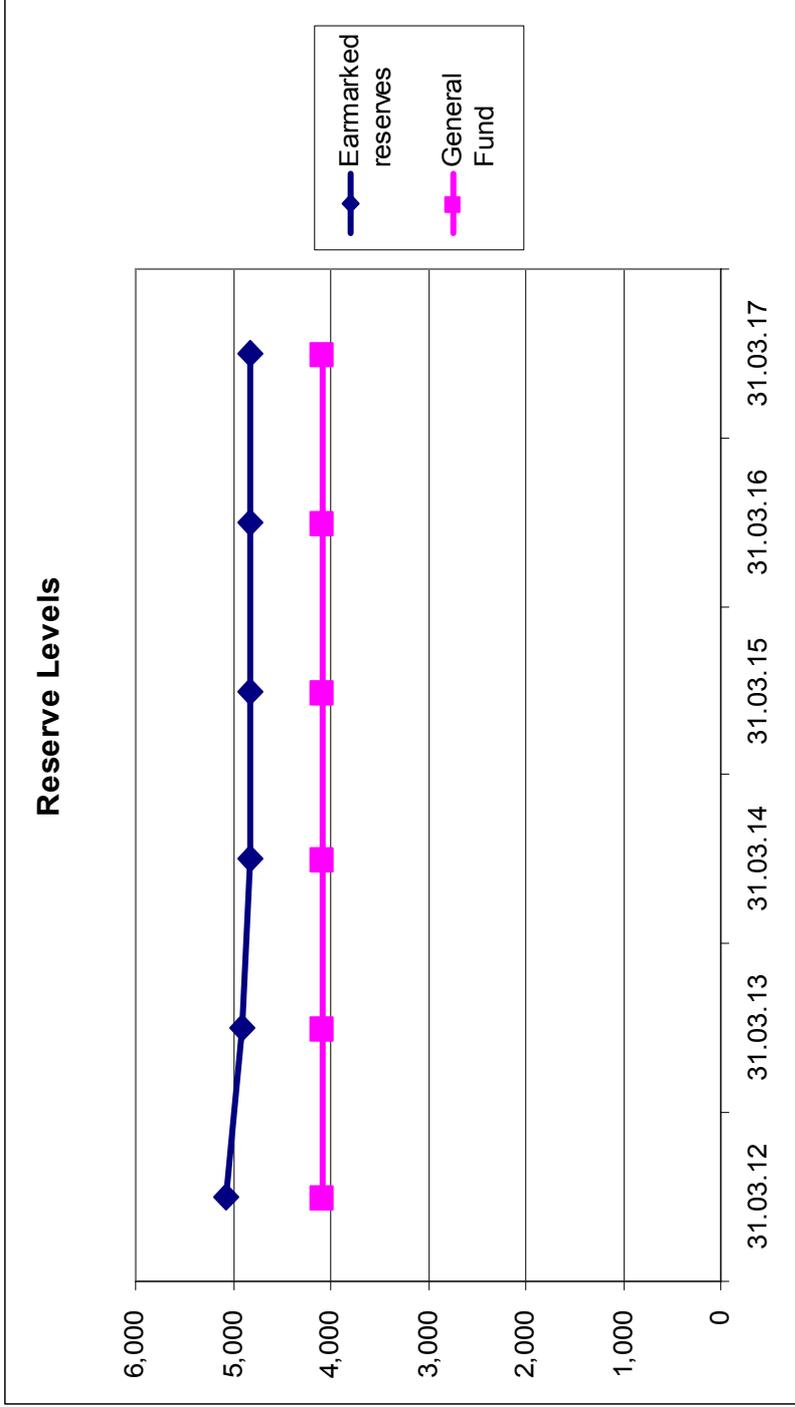
Reserves

Unallocated Reserve Amounts

The following details the unallocated amounts held within the differing reserves as at 31 August 2011

Reserve Name	Unallocated Amount Available
General Fund	4,080,749
Earmarked Reserves:	
Commercial Property	553,830
Insurance Reserve	25,827
PFI Reserve	122,196
Revenue Match Funding	1,764,781
Organisational Development	2,361,544
LABGI	10,982
Area Based Grant	10,802
HPDG	25,420
Total (Excl General Fund)	4,875,382

Reserves



What next?

- o Draft revenue & capital budgets, medium term plan & capital strategy to Cabinet 29-11-11
- o The Executive will give direction on efficiency measures to be included
- o Final budget to Cabinet 10-01-12
- o Final budget to Full Council 19-01-12
- o Council Tax Setting at Full Council 23-02-12

