

AUDIT AND GOVERNANCE COMMITTEE
Friday 5 February 2016

Present:

Mr G N Cook

Councillors Farthing, Forbes, O'Neil, Speding and Mr M Knowles.

In Attendance:

Paul Davies (Head of Assurance, Procurement and Projects), Chris Nevin (Principal Accountant, Financial Resources), Mark Kirkham and Gavin Barker (Mazars) and Gillian Kelly (Principal Governance Services Officer).

Declarations of Interest

There were no declarations of interest.

Apologies for Absence

Apologies for absence were received from Councillor N Wright.

Minutes

24. RESOLVED that the minutes of the meeting of the Committee held on 11 December 2015 be confirmed as a correct record.

The Chair reminded Members of the Committee that Steve Walker, the Interim Director of Children's Services had attended a previous meeting to talk about the action being taken to address the issues in Children's Safeguarding which had been identified by Ofsted. However, Steve's secondment had now ended and Ann Goldsmith would be stepping into the role and would provide updates at future meetings.

The Chair advised that Steve Walker had contacted him before he left the authority to outline the current position and he had stated that there was a lot of activity taking place, there had been a number of discernible improvements but that it was only the beginning of a long journey. There had been a distinct improvement at the 'front door' of the system with an amalgamation of the elements of the corporate contact centre, triage and Multi-Agency Safeguarding Hub (MASH) to provide a single point

of entry. There continued to be tricky areas of performance including the number of agency workers being used and services for care leavers.

Councillor Farthing commented that Ann Goldsmith had addressed the Corporate Parenting Board at a meeting earlier in the week and it appeared that the most problematic issue at the moment was the large number of referrals being made to the MASH. The highest number of referrals were made by the Police and there was a need for agencies to tighten up the criteria to ensure that the referrals were appropriate and to reduce the number of 'no further action' cases.

Councillor Farthing also went on to say that she was pleased to see more permanent social workers being recruited and noted that, while there were a number of interim posts in the management structure, a recruitment process for senior managers was currently taking place and she was hopeful that some good calibre candidates would come forward.

The Head of Assurance, Procurement and Projects stated that there had been some interviews for posts within the new Children's Services structure taking place during that week and that Ofsted may make a follow up visit in the next few weeks. Depending on the timescales, Ann Goldsmith could possibly provide an update on the visit at the next Committee meeting as well as the Improvement Plan.

Councillor Forbes stated that she felt the MASH was a problem in itself and that no one seemed to take responsibility when there was a multi-agency approach and without responsibility, it was difficult to make improvements.

Treasury Management Policy and Strategy 2016/2017 including Prudential 'Treasury Management' Indicators for 2016/2017 to 2018/2019

The Director of Finance submitted a report informing the Committee of the Treasury Management Policy and Strategy (including both borrowing and investment strategies) proposed for 2016/2017. The report also presented the Prudential 'Treasury Management' Indicators for 2016/2017 to 2018/2019 and asked the Committee to provide comments to the Cabinet and Council on the proposed policy and indicators where appropriate.

The Principal Accountant stated that the Council was required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential Indicators (including specific Treasury Management Indicators) for the next three years to ensure that the Council's capital investment plans were affordable, prudent and sustainable. The Prudential Indicators were set out in Appendix 1 of the report and it was highlighted that the Council had to approve the authorised limits for external debt and the operational boundary. Members were advised that the operational boundary acted as a warning indicator and the authorised limit was a limit that should never be breached, as it was a legal requirement to ensure that borrowing did not exceed the calculated maximum limit approved by the Authority in any one year.

The Council was also required to adopt a Treasury Management Policy and to set out a Treasury Management Strategy which comprised the Council's strategy for borrowing and the Council's strategy and policy for managing its investments. The Policy and Strategy had to be approved annually by the Council and the Audit and Governance Committee would receive quarterly updates on the performance of the Treasury Management function.

Members were directed to Appendix 2 of the report, the Treasury Management Policy Statement, which set out the Borrowing and Investment Strategies. The Principal Accountant stated that the Council's average rate of borrowing at 3.51% was low in comparison with other local authorities and the rate of return on investments of 0.91% was significantly higher than the benchmark rate of 0.36%. The policy for 2015/2016 had been quite successful and had maintained the continued good performance of the Authority's Treasury Management function.

The Council had set an affordable Borrowing Strategy whilst still having an ambitious Capital Programme and aimed to borrow at the lowest possible interest rates that it could. The Council used highly rated institutions for investments and also made use of in-house reserves to keep the cost of borrowing down and had one of the lowest long term debt rates in the country. The Authority adopted a careful and prudent approach where the prime consideration was the security of the capital funds invested and did not take unnecessary risks. This approach would be maintained in 2016/2017.

The Principal Accountant highlighted that interest rates had remained very low since March 2009 and it was felt unlikely that these would increase before 2017. When they did rise, rates would begin to rise in small increments, however the Bank of England base rate was unlikely to go above 3% in the medium term. All seven major UK banks had met the EU stress test requirements except RBS and Standard Chartered who both narrowly failed.

In terms of the UK position, there had been an improvement in GDP growth rates, however the country was still running at a budget deficit and relied on trade with the USA and Europe. There were concerns that inflation would remain low and the impact this could have on growth, concerns over sovereign debt levels and concern that, if the EU stimulus was not successful, this may lead to further recession. The introduction of the living wage and the EU referendum was also likely to have a volatile effect on the economy. The Bank of England had issued their quarterly inflation report the previous day and had reported that growth was down by 0.3% on their earlier predictions.

There were no major changes being proposed to the overall Treasury Management Strategy in 2016/2017 and particular areas which would inform the strategy included the extent of potential borrowing included in the Council's capital programme, the availability of borrowing and the current and forecast world and UK economic positions. When making treasury management decisions, the Council received input from Capita, their Treasury Management advisors, but were also informed by their own market intelligence.

Appendix 5 to the report presented further detail on the global economic situation and underlined some potential threats moving forward and that the position and possible risks would continue to be monitored. The Lending List Criteria and approved Lending List were also set out at Appendices 6 and 7 of the report. In relation to the banks on the Approved Lending List, Councillor Farthing commented that she had heard that CAF Bank and Charity Bank had considerable funds but queried if these were too small to be considered for the list. The Principal Accountant advised that the Council looked at those institutions with high level credit ratings and the charity banks were not large enough to achieve these ratings. This was the same situation with some building societies which had a strong balance sheet but did not have a high enough credit rating.

Mr Knowles asked about the difference between the operational boundary and the authorised limit for external debt and the Principal Accountant explained that the operational boundary included levels that would be reached if the Council was to take out all the borrowing needed for the Capital Programme over the current and following two years.

Having given the report detailed consideration, it was: -

25. RESOLVED that: -

- (i) the proposed Annual Treasury Management Policy and Strategy for 2016/2017 (including specifically the Annual Borrowing and Investment Strategies) and the Prudential 'Treasury Management' Indicators 2016/2017 to 2018/2019 be noted; and
- (ii) the Council be advised that the Committee was satisfied that the arrangements for Treasury Management were in an excellent position for the next and future years.

External Auditor – Audit Progress Report

The Director of Finance submitted a report presenting the external auditors' regular Audit Progress Report covering the period up to February 2016.

Gavin Barker, the Council's Senior Engagement Manager, presented the report and advised that Mazars had completed their work on the Housing Benefits Subsidy Claim and certified this before the Department for Work and Pensions deadline of 30 November 2015. The external auditors were required to report any errors, however minor, and two issues had been flagged up and had resulted in a reduction in the value of the claim by £63. This small amendment reflected that good arrangements which the Council had in place. The fee payable for this work had been confirmed as £10,300, which was in line with the indicative fee, and Gavin highlighted that this was quite a lot less than that the fee paid by other local authorities.

The audit planning for the 2015/2016 audit year was well underway and the detailed Audit Strategy Memorandum would be presented to the Committee at its next meeting.

The Committee were informed that the National Audit Office had published updated guidance in respect of the Value for Money conclusion and this would mean that the assessment had a new focus but would continue to take into account many of the same aspects which it always had previously. The external auditors would assess against the new criteria as part of their planning approach.

26. RESOLVED that the Audit Progress Report be noted.

(Signed) G N COOK
Chair

