

At a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the CIVIC CENTRE on TUESDAY 29 JUNE 2010 at 1.30pm.

Present:-

Mr G N Cook in the Chair

Councillors Allan, M Forbes and Mr J P Paterson.

Declarations of Interest

There were no declarations of interest.

Apologies for Absence

Apologies for absence were received from Councillors Rolph, Tate and T Wright.

Minutes

10. RESOLVED that the minutes of the Committee held on 28 May 2010 be confirmed and signed as a correct record.

Annual Report on the Work of the Committee 2009/2010

The Director of Financial Resources and the Chief Solicitor submitted a report providing a summary of the work undertaken by the Audit and Governance Committee and how the Committee has fulfilled its role during 2009/2010.

Following the assessment of the remit and effectiveness of the Audit and Governance Committee which took place in July 2009, it was agreed that an annual report would be prepared on the work of the Committee. The report would also be presented to the Cabinet following consideration by the Committee.

The report sets out the role of the Committee and the matters which have been considered during the course of the year. These included the Internal Audit Strategy and Operational Plan, the Annual Audit Letter, Corporate Risk Profile and the Annual Governance Review.

It also highlighted areas where the Committee had been proactively monitoring performance and requesting improvement including the ICT Disaster Recovery arrangements, Strategic Asset Management and the implementation of agreed audit recommendations.

The Chairman commented that the content of the report highlighted the active interest the Committee were undertaking in their governing role and drew Members attention to appendix 1 which identified the areas that had been covered during the municipal year 2009/2010.

Having given consideration to the Annual Report, it was:-

11. RESOLVED that the report be approved and referred to the Cabinet.

Treasury Management – Review of Performance 2009/2010

The Director of Financial Resources submitted a report outlining the borrowing and investment performance for 2009/2010.

The Borrowing Strategy had been agreed by Council in March 2009 and the basis of the Strategy was to:-

- continuously monitor prevailing interest rates and forecasts;
- secure long-term funds when market conditions were favourable;
- use a benchmark financing rate of 4% for long-term borrowing;
- take advantage of debt rescheduling opportunities, as appropriate.

The Audit and Governance Committee had reviewed the Borrowing Strategy in November 2009 and February 2010 and it was reaffirmed on both occasions. The report also incorporated the requirements of the revised CIPFA Code of Practice on Treasury Management which was formally adopted on 3 March 2010.

George Blyth, Director of Financial Resources, presented the report to the Committee advising that due to current financial markets investments were unable to get the returns they had previously but that the return made on investments for 2009/2010 was 1.91% which far exceeded the benchmark that had been set of 0.36% and represented a very good achievement for the Council in a year that had seen a great deal of uncertainty and volatility in the financial markets.

The Chairman commented that this was a very positive report and asked that the team be congratulated on their continuous achievements and ongoing work, and it was:-

12. RESOLVED that the Treasury Management performance for 2009/2010 be noted.

Statement of Accounts 2009/2010 (Subject to Audit)

The Director of Financial Resources submitted a report presenting the Statement of Accounts for the year 2009/2010 to the Committee for approval, subject to audit.

Members' attention was drawn to the changes to the Statement of Recommended Practice (SORP) which had introduced some significant changes in accounting requirements for the 2009/2010 Statement of Accounts. These changes include changes in the accounting requirements for Private Finance Initiatives (PFI), technical changes to the way Authorities have to account for the Council Tax income and National Non Domestic Rates they collect and changes to disclosure notes to the accounts.

It was highlighted that from 1 April 2010, Local Authority accounts had to be compliant with the International Financial Reporting Standards (IFRS) and the Council was making good progress towards this requirement.

The Chairman advised that he had received an offer of free training for Committee Members on the new compliances and the IFRS and that any Members who wished to secure a place on it should contact the Democratic Services' Officer.

Members were then referred to the main financial issues highlighted in the Foreword to the Statement of Accounts 2009/2010 (subject to Audit) and the Director of Financial Resources highlighted the following:-

Revenue Expenditure and Income Summary – the budget requirement for 2009/2010 had been estimated at £249.051 million with a contribution from Balances of £3.946 million, whilst the actual outturn position had resulted in a contribution to balance of £3.195 million.

General Reserve – this had increased by £3.195 million.

Additions to balances had been achieved through successful applications for VAT refunds (£1.045 million), savings on waste disposal costs (£0.570 million), repayment of temporary financing in respect of Rainton Bridge Industrial Estate (£0.405 million), net savings in contingencies and non delegated budgets (£0.164 million), and £2.104 million debt charge savings. Balances of £0.623 million had been earmarked for the additional costs of winter maintenance (£0.623 million), £0.600 million to support the pressures of the economic downturn, £0.900 million to support the Children's Placement Strategy review and the approved transfer of £2.165m to the Strategic Investment Reserve to support invest to save projects through the Improvement Programme and Capital Programme for 2011/2012.

Movement on Locally Managed Schools Reserve – this had been increased from £5.772 million at 31st March, 2009 to £7.493 million at 31st March, 2010.

Capital Expenditure and Income – this had totalled £99.921 million for the year.

Building Schools for the Future – The status of the Council's second phase to BSF to complete the modernisation of the secondary school estate is awaited.

Cost of Pensions – this continues to increase year on year over which the Council has little control. The coalition government will review public sector pensions in the next year and this will have an impact on future costs for the Council.

Efficiency – the budget for 2009/2010 was set taking into account efficiency savings of £11.681 million.

Major Acquisitions, Capital Works and Disposals during 2009/2010 – schemes highlighted included BSF projects at Biddick, Washington, Hylton Red House, Castle View and Academy 360, swimming pools at Hetton and Silksworth and the Sunderland Strategic Transport Corridor. There was one major asset disposal during the year in respect of the sale of land at Farrington Row for £825,000.

Capital Borrowing – statutory limits had not been exceeded.

Single Status – Phase 2 of the scheme continues to be progressed by the Council and there was limited provision for the potential costs of the new scheme within its financial plans.

Equal Pay Claims – the outstanding claims would be defended and periodically reviewed to ensure timely and appropriate action was taken where necessary.

Insurance Provision – the Council continues to benefit from reduced insurance premia by successfully managing some insurance risks itself and had been able to return provisions for insurance costs to Council balances in 2009/2010.

Airport Revaluation – the revised valuation has seen the Council's shareholding reduce by £0.708m to a valuation of £0.795m.

South of Tyne and Wear Waste Management Partnership – the Partnership has been awarded £73.5m of PFI credits and has proceeded to the final stages of the procurement process.

Coalition Government Funding Position – Local Government is expected to contribute £1.2 billion to the Government's planned £6.2 billion reduction in public spending. This is to be achieved through reductions in government grant funding and the Council will be faced with significant reductions over forthcoming years. The Council has already put actions in place to help manage this situation and will try to ensure that frontline services are protected as much as possible for the people of Sunderland.

In relation to budget reductions, Mr Blyth responded to a query from the Chairman, advising that there were two stages, managing in year reductions and then addressing longer term reductions of 25-30%. A report will be submitted to the Management Scrutiny Committee for their comment and then submitted to a meeting of the Cabinet for consideration and following the executive decision being made and future actions agreed there would be clarity with regard to the extent of the cuts needing to be made and how it will affect Sunderland and there will be further information and detail for the next meeting of this Committee.

Cuts in public spending had been expected and consequently the Chief Executive had put the Sunderland Way of Working programme in place to address the need for major efficiency savings but this in itself is unlikely to be sufficient to meet the expected 25-33% government grant reductions.

The Chairman thanked Officers for their update and asked that this Committee continue to be updated.

Councillor Forbes referred to the Local Government Pensions Scheme and asked for figures on the cost of pensions as a percentage of Council Tax, to which Mr Blyth advised he would provide the information in a written response to Committee members.

Councillor Forbes went on to comment that if there was a move towards freezing Council Tax in the future, it would be important to know what proportion of the tax related to the pension fund. Mr Blyth commented that the latest understanding from Government was that a freeze to Council Tax may not be applied across all local authorities and may be voluntary. Indications were that it would apply to low spending authorities who may wish to consider freezing their Council Tax levels and a modest amount of funding would be available to support a freeze.

With regard to page 63 of the report and the industrial loan given at a subsidised rate of interest, Councillor Forbes asked if there are criteria which had to be met by companies applying for the loans and if so, what are they. Mr Blyth advised that he would make enquiries and circulate details to Members. Mr Rayner advised that each application was determined on its individual merits and that the loans were to be given as a timely intervention to try and save businesses under threat of closing down or encourage growth.

When asked how businesses found out about the scheme, Members were advised that they could be referred from places such as TWEDCO or the Business Investment Team and all partner agencies of the Council were aware that the scheme was in place. Mr Blyth advised that the Business Investment Team website had packages offering help and support to local businesses which would include signposting to details of the scheme.

Councillor Forbes referred to page 71 of the report and commented that under Agency Services there was a sum £2.1m in respect of the Health Trust and a sum of £4.6 million in respect of 'Other Payments' and asked for a breakdown of what the figures referred to in detail. Mr Blyth advised he would gather the information and forward it to Members.

In reference to page 86 of the report and the operating leases of vehicles, Councillor Forbes asked what kind of vehicles the £455,718 was in relation to. Mr Blyth advised that this figure covered the cost of a variety of vehicles including day to day general purpose vans, refuse collection vehicles and did not cover the cost of officer leased vehicles, although he advised he would circulate a more detailed breakdown to the Committee for their information.

Following discussions, it was:-

13. RESOLVED that the Statement of Accounts for the financial year 2009/2010 be approved subject to audit and that the extra information as detailed be circulated to Members of the Committee.

(Signed) G N COOK
Chairman