

**BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK**

**RESOURCES AND PERFORMANCE PANEL – AUDIT AND RISK COMMITTEE**

**Minutes of a Meeting of the Resources and Performance Panel – Audit and Risk Committee held on Monday 10 June 2013, at 6.54 pm, in the Committee Suite, King's Court, Chapel Street, King's Lynn.**

**PRESENT:**

Councillors P Beal (Chairman)  
D J Collis, J Collop, P Cousins, T de Winton, I Gourlay,  
M Langwade, J Loveless, C Manning (Vice-Chairman – *left the meeting at 7.15 pm*),  
A Morrison, D Tyler and A Wright

**Observing:**

Councillor A Beales, Portfolio Holder for Regeneration and Councillor J Moriarty

An apology for absence was received from Councillor N J Daubney

ARC1: **MINUTES**

The Minutes of the Resources and Performance Panel – Audit and Risk Committee meeting held on 23 April 2013 were confirmed as a correct record and signed by the Chairman.

ARC2: **DECLARATIONS OF INTEREST**

There were none.

ARC3: **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business to report.

ARC4: **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

ARC5: **CHAIRMAN'S CORRESPONDENCE**

The Chairman had no correspondence to report.

ARC6: **CABINET REPORT: REVENUE OUTTURN 2012/2013**

The Principal Accountant presented the report which set out in summary the revenue outturn for 2012/2013 for the General Fund (council tax accounts). The report showed details of the major differences between actual costs/income and the revised estimates for 2012/2013 reported in February 2013 monitoring.

The accounts showed actual Borough spend of £16,905,124 which was £124,046 less than the February Revised Estimate for 2012/2013. This additional saving would be held within the General Fund balance that was carried forward to 2013/2014.

The Committee was informed that the revised estimate set out in section 2.1 of the report had been adjusted from the one reported in the February 2013 monitoring report to allow for the central service recharges. The adjustments were only between portfolios and had no "bottom line" effect. The Principal Accountant also advised that additionally the estimate differed from the one included in the Financial Plan 2012/2016 as reported to Cabinet in February 2013 where figures were based on information as at October 2012.

Members were advised that the charges made to services across the themes were credited to the Performance and Resources support service budgets. This recharge of support services was required by the accounting guidelines to more properly reflect the full cost of a service. The 'net' impact on the accounts was nil.

The Principal Accountant drew Members' attention to section 2.3 of the report and explained that full details of the budget variances was set out at Appendix 1 to the report.

It was explained that sections 3.1 to 3.8 of the report set out the variances on a line by line basis. The Principal Accountant highlighted the College of West Anglia Grant and informed the Committee that the grant was capital expenditure that was charged to the revenue account under accounting regulation (REFCUS as set out in Appendix 3). The reason for the negative variance was that no budget was set for this expenditure. The adjustments were reversed out in the Financial Adjustment and had no overall effect on the revenue account.

Councillor Langwade asked for clarification on the College of West Anglia (COWA) grant. The Principal Accountant explained that the £1,395,450 was part payment of the original grant of £1.5m. It was explained that the remaining balance was paid during 2011/2012.

Councillor Cousins enquired why the COWA grant was not included within the budget. In response the Chief Financial Officer explained that the £1.5m was approved by Cabinet in November 2010 and was within the capital budget. She explained that the technical change had been undertaken as part of the close down of the accounts (REFCUS). Councillor Cousins suggested that a training session would be beneficial to the Committee on the various elements of the budget and accounting process. The Deputy Chief Executive undertook to arrange a training session prior to a future Committee meeting.

The Principal Accountant explained that the underspend on the budget for 2012/2013 resulted in an increase to the General Fund working balance of £124,046 which provided for a revised balance of the General Fund as at 31 March 2013 of £3,872,091.

Councillor Cousins referred to the Democratic Process and the additional £178,563 being transferred from the Incinerator campaign reserve at year end and the total spent on the campaign for 2012/2013 of £406,562. He asked for a breakdown on the Incinerator expenditure to date and what the costs were likely to be going forward. The Deputy Chief Executive outlined the costs incurred to date. Councillor Beales added that the purpose of tonight's meeting was to look at the revenue outturn 2012/2013. The information on the Incinerator campaign including the budget was available to all Members as it was a transparent process.

The Chief Executive explained that the Council had allocated £400,000 within the last financial year and therefore was out by £6,000 in the estimates. If future expenditure was to be incurred during the current financial year, then it would be necessary to seek Member approval. Once the Inspector's report was received it may be wise to take specialist advice. However, it was not anticipated that significant expenditure would be incurred during the current financial year.

Councillor de Winton congratulated the Deputy Chief Executive and his team on looking after the the Council's finances in a measured and controlled way.

In response to questions from Councillor de Winton on sewerage treatment works in the Council's ownership, the Chief Accountant explained that budget had been allocated within the Capital Programme for major works to be carried out at Wretton and Marshland St James. In addition, works were required on pumping stations. The Deputy Chief Executive explained that, he believed, there were 6 within the Council's ownership and that the aim was to transfer 4 to Anglian Water Authority. However, two were pumping stations which serviced industrial units and would therefore remain in the Council's ownership.

Councillor Gourlay referred to page 10 – Dog Warden saving of £8,390 and stated that there did not seem to be enough dog bins. Councillor Gourlay also stated, that in his personal opinion the cost of advertising space within the Town Centre was overpriced. In response to the two points raised by Councillor Gourlay, the Deputy Chief Executive undertook to find out the details and report back direct to Councillor Gourlay.

In response to questions from Councillor Humphrey relating to paragraph 2.1 – central services recharges, the Deputy Chief Executive explained that it had been set out as separate cost headings in the budget to make it simpler for Members to understand at the Budget setting stage and it was detailed in this way at the year end as this was how auditors would expect to see it as part of the closure of the accounts.

Following questions from Councillor Loveless on car parking operations, the Principal Accountant explained that a surplus of £239,626 was due to £67,994 of King's Lynn car parking income that was now being accrued consistently with the rest of the parking service, £64,005 prior year income adjustment and additional income generated of £107,627. Councillor Beales advised that

Martin Chisholm held a significant amount of data on car parking should any Member wish to obtain such information.

In response to questions from Councillor Morrison on Community Centres, the Chief Executive explained that there were a small number of Community Centres, most of which were located in King's Lynn and the aim was to run them as a business to maximise income year on year. The build on the Community Centres was considered to be of good quality, and the South Lynn Community Centre had been recently extensively refurbished.

In response to questions from Councillor Langwade on the impact of removing the £1 charge in car parks after 6 pm, the Deputy Chief Executive advised that this raised a considerable level of income. A report for the Regeneration, Environment and Community Panel had been prepared, which would outline a number of options available for car parking promotions.

**RESOLVED:** That Cabinet be informed that the Resources and Performance Panel – Audit and Risk Committee supports the recommendations as set out in the report to Cabinet.

ARC7: **CABINET REPORT: CAPITAL PROGRAMME AND RESOURCES 2012/2016**

In presenting the report, the Chief Financial Officer explained that the report provided details of the outturn of the 2012/2013 Capital Programme and outlined amendments and rephrasing to the spending on schemes, revising the programme for 2013/2016. The capital programme outturn for 2012/2013 totalled £4,555,980 against an approved budget of £7,032,630. Members were advised that it had been necessary to rephase a total of £2,097,350 of scheme costs to future years. Capital receipts generated in the year totalled £2,921,250 of which £2,915,794 were useable.

The Chief Financial Officer explained that the full Capital Programme for 2012/2013 was shown at Appendix 1 and provided details of the outturn for individual schemes, together with amendments and rephrasing to/from 2013-2014. A full updated Capital Programme for 2012/2013 of £8,032,630 was reported at the Cabinet meeting on 5 February 2013 and approved by Council on 21 February 2013. Since that date a further amendment to the programme had been reported as part of the monthly monitoring as set out in section 2.2 of the report.

The Committee's attention was drawn to the following sections of the report relating to the Capital Programme:

- Capital Programme – amendment approved, revised Capital Programme 2012/2013 of £7,032,630. The final figures for the outturn on the capital programme showed that it would be necessary to carry forward a further £3,097,350 as schemes were rephased to future years. Housing Joint Venture – the agreement with Norfolk County Council had now been signed and costs would be recovered.

- Summary of the programme and actual spend to 31 March 2013.
- Financing of the Capital Programme 2012/2013.
- Private Sector Renewal Assistance.
- Pages 32 to 37 of the report outlined all the schemes and underspends.
- Capital receipts.
- Minimum Revenue Provision (MRP).
- Section 5.2 reasons why it was proposed to rephrase the following to/from 2013/2014 – Car Parks Resurfacing, St James' Swimming Pool, Private Sector Housing Assistance and the Enterprise Centre.
- Capital Resources 2013/2016.
- Joint Venture – NORA.
- Risk Implications and Sensitivity Analysis.

In response to questions on the disposal of gym equipment which had been replaced, the Chief Financial Officer explained that the Council had a disposal policy and such equipment would be sold in an auction or traded in.

In response to questions from Councillor Cousins on predicted sales receipts and the income anticipated from the Joint Venture with Norfolk County Council, the Chief Financial Officer advised that if the houses were not sold, then the Council would look to place them on the rental market in order to generate income.

Councillor de Winton commented that trends indicated that the Council's Capital Programme depended heavily on capital receipts. He stated that the Council needed to address this important issue and look at how to promote King's Lynn to attract business.

Councillor C J Crofts referred to page 27 and the additional budget of £50,000 being agreed by Cabinet in May 2013 for the Tuesday Market Place project. At the invitation of the Chairman, Councillor Beales addressed the Committee and advised that there were a number of aspirations for the Tuesday Market Place as set out below:

- Works would be carried out on the resurfacing of the car park.
- Provision of 3 pedestrian crossing points.
- Improvements to the area outside the Corn Exchange.
- Provision of tables and chairs outside existing food establishments – e.g. Prezzo and the Dukes Head Hotel.
- Events to be held on the Tuesday Market Place.
- £50,000 additional budget was agreed by Cabinet to replace the tarmac road area adjacent to the corner of the Dukes Head Hotel to match the paving for the remainder of the Tuesday Market Place.
- £12,000 being included to reinforce areas (air raid shelters) under the Tuesday Market Place as potential provision to add to the town's heritage assets.

**RESOLVED:** That Cabinet be informed that the Resources and Performance Panel – Audit and Risk Committee supports the recommendations as set out in the report to Cabinet

ARC8: **CABINET REPORT: ANNUAL TREASURY REPORT 2012/2013**

The Chief Financial Officer explained that the Annual Treasury Report looked backwards at 2012/2013 and covered:

- The Council's overall borrowing need.
- The Council's treasury position/performance.
- The Strategy for 2012/2013.
- The economy in 2012/2013.
- Borrowing rates in 2012/2013.
- The borrowing outturn for 2012/2013.
- Compliance with treasury limits and prudential indicators.
- Investment rates for 2012/2013.
- Investment outturn for 2012/2013.
- Debt rescheduling.

The Committee was informed that during the year the Council maintained a cautious approach to investment and management of debt. Investments returned a percentage of 1.38% exceeding the 7 day LIBIB benchmark rate of 0.39%. Interest on debt averaged 2.48% in 2012/2013.

Members were informed that the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Council's Code of Practice on Treasury Management required that the Council considered an Annual Treasury Report looking back at the previous year's performance.

The Chief Financial Officer advised the Committee that the Moody's rating had been reduced for the Co-operative Bank. She explained that the Council did not have any investments with the Co-operative Bank, but that it was the bank the Council used for its day to day transactions. The Committee noted that 140 other local authorities currently used the Co-operative Bank and that the Council's Advisor, Sector had recommended that the Council did not change its contract at the present time. The Chief Financial Officer outlined the current daily arrangements relating to transactions with the Co-operative Bank in order to minimise risk.

In response to questions from Councillor de Winton on borrowing, the Chief Financial Officer advised that the Council could only borrow for capital purposes.

In response to questions from Councillor Wright relating to the investments with the NatWest Scotland, the Chief Financial Officer explained that the interest rates were not known for a 2 year period and the Council's Financial Advisors had indicated that a 12 month period was more stable.

Councillor Collop asked for clarification on the increase in bank rates. In response, the Chief Financial Officer advised that this information was expected towards the end of 2014.

**RESOLVED:** That Cabinet be informed that the Resources and Performance Panel – Audit and Risk Committee supports the recommendations as set out in the report to Cabinet.

ARC9: **INTERNAL AUDIT PLAN 2012/13 – PROGRESS REPORT FOR THE QUARTER JANUARY TO MARCH 2013**

In presenting the report, the Audit Manager reminded Members that the Strategic Audit Plan 2012/15, endorsed by the Audit and Risk Committee on 31 January 2012, set out the work Internal Audit expected to carry out during the year 2012/13.

The Audit Manager advised that 8 audits and 5 follow-up audits had been undertaken during the quarter.

The Audit Manager informed the Committee that apart from the standard audits, Internal Audit also undertook other work during the last quarter including starting work on analysing the data matches returned from the 2012/13 National Fraud Initiative exercise.

In conclusion, the Audit Manager informed the Committee that progress through the year had been satisfactory and would enable the Audit Manager to complete the Annual Report to support the Annual Governance Statement as usual.

Members were advised that two of the planned audits for 2012/13 had been deferred to the 2013/14 plan, namely Major Development Schemes and the Local Authority Company/Trust. This was due to the projects not reaching an auditable stage during the last year.

In response to questions from Councillor de Winton on the additional work at the Corn Exchange, the Audit Manager explained that an investigation had been carried out relating to a discrepancy in the bar stock. Extensive work had been undertaken to check the processes and records. It appeared that over a period of time the coding on the tills had been done on an ad hoc basis and it was therefore probable that some items were being put to the incorrect code. The tills had now been cleared and the relevant codes entered. Following the last stock check the figures were now correct. Monitoring procedures were now in place.

**RESOLVED:** The Committee approved the report on the Internal Audit Workplan for January to March 2013.

ARC10: **NATIONAL FRAUD INITIATIVE (NFI)**

The Audit Manager explained that since 1996 the Audit Commission had run

the National Fraud Initiative (NFI), a data matching exercise which matched electronic data within and between participating bodies to prevent and detect fraud.

The report updated the Committee on the work carried out since the last report presented on 28 August 2012. However, it did not cover the results from the work on the Benefit matches as this was covered by a separate detailed report presented on a 6-monthly basis by the Fraud Investigations Manager.

The work performance to date was outlined as set out at section 2 of the report.

In conclusion, the Audit Manager explained that the results from the work to date had been consistent with previous NFI exercises. The majority of the matches had either proved to be 'No Issue' or had already been identified and dealt with through the Council's own procedures. Work would continue to complete checking on all the matches and the Committee would be kept informed of progress and any significant results.

Councillor Humphrey suggested that a data matching exercise be considered for empty homes. The Audit Manager undertook to propose that empty homes be included to give a beneficial data match.

**RESOLVED:** (1) The Committee noted the results of the work completed so far on the matches produced by the NFI and confirmed the approach to the investigations and the resources allocated to it.

(2) The Audit Manager to propose that empty homes be included within the NFI.

#### ARC11: **COMMITTEE WORK PROGRAMME**

The Committee considered its Work Programme.

**RESOLVED:** That the Committee's Work Programme be noted.

#### ARC12: **DATE OF NEXT MEETING**

Committee Members noted that the next meeting of the Resources and Performance Panel – Audit and Risk Committee was to take place on **Tuesday 25 June 2013** in the **Committee Suite, King's Court, Chapel Street, King's Lynn.**

**The meeting closed at 8.03 pm**