

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

AUDIT COMMITTEE

Minutes from the Meeting of the Audit Committee held on Monday, 27th November, 2017 at 5.00 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ

PRESENT: Councillor D Pope (Chairman)
Councillors Mrs J Collingham, J Collop, P Kunes, C Manning, G Middleton,
T Smith and T Tilbrook

Portfolio Holders

Councillor P Hodson
Councillor B Long, Leader

Officers:

Becky Box, Policy, Performance and Personnel Manager
Toby Cowper, Group Accountant
Martin Chisholm, Business Manager
Lorraine Gore, Executive Director
Kathy Woodward, Audit Manager

Councillors attending for A49: Budget Training:

Miss L Bambridge, I Devereux, H Humphrey, C Sampson, D Tyler,
E Watson, A Wright

A42 APPOINTMENT OF VICE-CHAIRMAN

RESOLVED: Councillor Mrs J Collingham be appointed Vice-Chairman for the meeting.

A43 APOLOGIES

An apology for absence was received from Councillor M Hopkins.

A44 MINUTES

The minutes of the Audit Committee held on 4 September 2017 were agreed as a correct record and signed by the Chairman.

A45 DECLARATIONS OF INTEREST

There were no declarations of interest.

A46 URGENT BUSINESS UNDER STANDING ORDER 7

There was no urgent business.

A47 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

A48 **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was none.

A49 **TRAINING SESSION FOR ALL MEMBERS - BUDGET**

All Members were invited to attend for this item.

The Group Accountant gave a presentation on the budget process (copy attached) and responded to questions relating to:

- Cost Reduction Programme.
- Balanced Budget.
- Reserves.
- The Walks Café – Capital Expenditure: replacement of coffee machine.
- Central Service recharge.
- September/October 2017 Budget Monitoring Report.
- Zero based budget.
- The process for reviewing the Council's budget.
- Services the Borough Council deliver for other Councils.
- Services the Borough Council bought in from other Councils.
- Increase in interest rates and the potential impact on the Borough Council.
- Overnight banking.
- Importance of Regeneration to attract businesses to King's Lynn.
- Borough Council's Investment Portfolio.
- Business Rates Retention Scheme.

A50 **ANNUAL AUDIT LETTER FOR YEAR ENDING 31 MARCH 2017**

D Cooke, Ernst and Young presented the Annual Audit Letter for the year ending 31 March 2017 and reminded the Committee that the audit results had been presented to Members at the 31 July 2017 meeting.

The Committee were invited to ask questions, a summary of which is set out below.

In response to a question regarding additional fees, D Cooke explained that Ernst and Young were currently liaising with the Executive Director to agree the level of additional fees.

In response to questions on no material weaknesses in controls or evidence of material management being identified and the controls in place, D Cooke, Ernst and Young drew the Committee's attention to page 41 of the Agenda and explained that all audits were managed with robust controls and therefore no material weaknesses had been identified and that the Council was in a strong position.

In response to questions regarding the Council's building projects in future years, D Cooke, Ernst and Young explained that the External Auditors only audited what was presented for the current audit. However, it was noted that the Council's future building projects would form part of the plan going forward.

The Leader, Councillor Long explained that the Council would receive a capital receipt for every house that was sold. However, if in the future all houses were not sold then the Council would have the option to consider renting properties which would generate an income stream.

The Chairman, Councillor Pope thanked Dan Cooke for attending and presenting the Annual Audit Letter.

RESOLVED: The Audit Committee noted the Annual Audit Letter for year ending 31 March 2017.

A51

BUSINESS CONTINUITY - ANNUAL UPDATE

The Business Manager presented the annual update report which outlined the current position of the Council's Business Continuity arrangements, summarised progress made since the last update and described work that is planned to be undertaken over the coming months.

Members were reminded that the Council had a responsibility as a Category 1 responder under the Civil Contingencies Act 2004 to develop and maintain plans to ensure that, as far as is reasonably practicable, key services could continue to be performance in the event of a disruption or emergency.

The Business Manager responded to questions and comments relating to:

- Borough Councillor's role.
- Response and Recovery Phases.
- Business Continuity Plans for the loss of the Town Hall.
- Itinerary of items in the documents store at the Town Hall.
- ICT back up arrangements.
- Consideration of using "the Cloud" for storage offsite. It was highlighted that the "Cloud" did not fit all service requirements and was therefore considered on a case by case basis.

The Chairman, Councillor Pope thanked the Business Manager for attending and presenting the annual report.

RESOLVED: 1) The Audit Committee reviewed the progress made and endorsed the approach being taken to the Council's Business Continuity arrangements.

2) The Audit Committee confirmed it wished to receive further annual updates on the topic as required.

A52

CORPORATE RISK REGISTER MONITORING REPORT

The Policy, Performance and Personnel Manager presented the report which outlined the changes to the Corporate Risk Register since the last monitoring report in April 2017. The report gave details of the risks falling into the 'Very High' category and the associated work being progressed to mitigate the effects.

The Committee was advised that two risks had been removed from the register (section 2.3) and seven new ones had been added (section 2.4). The risk scores for four entries had been changed as part of the review undertaken.

In response to questions, relating to 1.2 – Cost Reduction Programme (staff morale and Members expectations), the Policy, Performance and Personnel Manager explained that the Council had an annual training budget/plan. Each employee received an annual appraisal at which any training needs were identified. It was highlighted that the Council had a success track of redeploying staff dependent on the nature of the role, an example was given in that administrative posts were often redeployed into alternative roles within the Council.

Following a question relating to 1.4 – Due Diligence and the score of unlikely instead of Possible, the Policy, Performance and Performance Manager explained that the Chief Executive and Executive Directors identified savings and how services could be delivered more efficiently. It was noted that regular monitoring was undertaken by both Management Team and Extended Management Team and where appropriate actions were taken. The Executive Director advised that as part of the budget monitoring exercise, the approach of identifying savings at an early stage enabled the Council to transfer any savings to the General Fund to mitigate any risk to enable the Council to balance its budget to 2021. It was highlighted that the budget position was reviewed on an ongoing basis.

In response to questions relating to 1.9 – Capacity/staff levels, the Policy, Performance and Personnel Manager explained that in some operational areas of the Council there both busy and quieter periods during the year. The Council had no rules to enforce when staff took annual leave, but the Council adopted a flexible approach but

encouraged staff to take a minimum amount of holiday during the busier periods, dependant on the needs of the service. It was noted, however, that service managers could refuse annual leave requests.

The Policy, Performance and Personnel Manager responded to questions relating to 1.15 – Pension Fund. The Executive Director explained that non-council staff were currently able to join the pension scheme and gave an example of the arrangements for Alive Manager/Alive Leisure and added that this issue could be raised with them at a future meeting. The Executive Director informed the Committee that the current arrangements had been set up with Alive Management/Alive Leisure to protect existing staff when the new arrangements were implemented.

Following questions on 1.16 Business Rates/businesses cease operation, the Policy, Performance and Personnel Manager explained that the Borough Council had a Business Development and Marketing Officer who worked closed with businesses in the Borough and would therefore liaise with a business if there were any issues regarding payment of rent and negotiate a payment plan, if appropriate.

In response to questions on the Council's strategic land and property acquisition, the Leader, Councillor Long commented that the Council considered opportunities as they arose and highlighted the importance of balancing when to purchase available land and development propels. The Leader gave examples of the Council's successful housing development at NORA, Lynnsport and Marsh Lane and explained that if the Council was not able to sell housing units, then the units could be offered for rent which would bring an income stream to the Borough Council.

Following questions on the new refuse/recycling contract, the Portfolio Holder – Environment explained that there was a process which the Council was required to adhere to. He added that a clear specification had been subject to consultation and eight expressions of interests had been received.

The Chairman, Councillor Pope thanked the Policy, Performance and Personnel Manager for the report.

RESOLVED: The Committee considered the contents of the Corporate Risk Register and confirmed agreement with Management Team's assessment of the risks to the Corporate Objectives.

A53

MID YEAR TREASURY REPORT

The Group Accountant reminded the Committee that the Council had formally adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2011) and remained fully compliant with its requirements.

The Mid-Year Review Report had been prepared in compliance with CIPFA's code of Practice, and covered the following:

- A review of the Treasury Management Strategy.
- The Council's capital expenditure (prudential indicators).
- An economic update for the first six months of 2017/2018.

In response to a question on the Local Property Investments Fund, the Leader, Councillor Long explained that the Council had purchased a bungalow in Burnham Market to use part of the garden as an access to land for future development. Once the land had been developed, the bungalow would be sold and would therefore generate a capital receipt.

The Group Accountant responded to questions relating to the Investment Portfolio and the rationale for lending Moray Council at an interest rate of 0.3%. The Group Accountant explained that where possible, the Council tried to invest on a long term basis in order to guarantee a higher interest rate.

In response to a question on the capital receipts target, the Executive Director explained that the target was made up of a combination of capital receipts. The Capital Programme had been set in 2017 and now required refreshing.

RESOLVED: The Committee reviewed and noted the report and the treasury activity.

A54

INTERNAL AUDIT HALF YEAR PROGRESS REPORT

The Audit Manager presented the report which showed the Internal Audit activity against the Strategic Audit Plan 2017/2018 and fraud work for April to October 2017.

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

- Audit work for April to October 2017.
- Work planned for November 2017 to March 2018.
- Investigations work April to October 2017.
- Issues for the Panel to consider.
- Corporate Priorities.
- Any other Implications/Risks.
- Paragraph 4.7 – Total additional fraud and errors identified £69,149.48. Work was underway to cover the errors identified.

The Chairman, Councillor Pope invited the Committee to ask questions on the progress report.

There were no questions from the Committee.

RESOLVED: The Committee considered the work completed and indicated they were satisfied with the progress against the agreed plan.

A55 **BUDGET MONITORING REPORTS - OCTOBER AND NOVEMBER 2017**

The Committee received the Budget Monitoring Reports for October and November 2017.

In response to question of the reimbursement of the lump sum payment to the Council's Pension Scheme, the Executive Director explained that the Council was required to contribute an annual stabilisation payment which was reviewed every three years. When the interest rates were low, the Council had made a three year payment in previous years.

A56 **COMMITTEE WORK PROGRAMME 2017/2018**

The Committee noted the Work Programme for 2017/2018.

The Chairman, Councillor Pope invited the Committee to put forward any items for consideration for inclusion on the Work Programme.

Councillor Mrs Collingham suggested that consideration be given to a small group of Members look at one item e.g. the Corporate Risk Register and report back to the Full Committee. Councillor Mrs Collingham added that in adopting this approach time would be saved at the Full Committee meetings.

A57 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on Monday 12 February 2018 at 5 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn.

The meeting closed at 7.02 pm



Council Budgets and Estimates Audit Committee

27 November 2017

Toby Cowper



Aims for the session

To develop an understanding of the Budget:

- **what is a budget**
- **capital / revenue**
- **setting process,**
- **council funding**
- **financial constraints and challenges,**
- **monitoring**
- **closedown**



Budgets

What is a budget?

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Budgets

- **An estimate of income and expenditure for a set period of time.**
- **An itemised summary of estimated or intended expenditures for a given period along with proposals for financing them**
- **A budget is a set of interlinked plans that quantitatively describe an entity's projected future operations. A budget is used as a yardstick against which to measure actual operating results, for the allocation of funding, and as a plan for future operations.**



Budgets

What are revenue and capital budgets?



Budgets

Revenue

- **Day to day expenses**
- **Examples repairs and maintenance, salaries, utilities**

Capital

- **Items of substantial value (above £10,000)**
- **Useful life exceeds one year**
- **Enhances value of asset**
- **Examples: vehicles, fitness equipment, IT systems, acquisition/extension/new buildings, refurbishment but not repairs.**



Budgets

How much is the Borough estimated to spend on revenue services during 2017/2018?

How much is the Borough planning to spend on capital projects in 2017/2018?



Budgets

As per the Financial Plan 2016 - 2021

Revenue £79,734,640

Capital £31,073,550

The Financial Plan 2016 – 2021 can be found here:

https://www.west-norfolk.gov.uk/info/20160/budgets_and_spending/474/council_budgets



Budgets

How does the Borough fund this expenditure?



Budgets

Major Income Sources 2017/2018

• Car parking (net)	£ 2,777,780
• Planning Fees	£ 1,121,020
• Revenue Support Grant	£ 1,857,870
• New Homes Bonus	£ 2,410,950
• Rural Services Delivery Grant	£ 371,410
• Business Rates Retention	£ 7,164,280
• Housing benefits	£39,193,400
• Council Tax	£ 5,700,220



Budgets

General Fund Balance

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	£	£	£	£	£
Balance b/f	5,735,034	8,519,614	5,518,724	5,711,364	5,143,884
Reimbursement of lump sum Pension Payment	1,266,000	(2,932,000)	1,415,000	1,517,000	0
Estimated Contribution to/(Draw from) Balances	1,518,580	(68,890)	(1,222,360)	(2,084,480)	(2,620,490)
Balance c/f	8,519,614	5,518,724	5,711,364	5,143,884	2,523,394



Budgets

Capital funding

Receipts from sale of assets

External contributions – Developer contributions, lottery grants

Reserves

Borrowing

Leasing/unsupported borrowing



Budgets

Why prepare budgets?

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Budgets

- **Assists planning and policy making**
- **Measures achievements**
- **Links to corporate priorities**
- **Provides authority to spend**
- **Help to determine priorities**



Budgets

- **Forecast changes in demand**
- **Show implications of changes**
- **Match demand with resources**
- **Determine levels of rents and charges**
- **Management control**



Budget Process

June

Outturn of previous year

Oct/Dec

Prepare estimates

Jan/Feb

Cabinet approves figures

End Feb

Council sets Council tax

**Monitor of budgets and making revisions
throughout the year**



Budget Process

Bottom Up

- **Responsibility at service level**
- **Promotes ownership**
- **Work within guidelines**

Top Down

- **Consider overall budget position**
- **Match demand with resources**



Budget Process

Incremental

- **Most common form of preparing budgets**
- **Next year based on this years spend – rolling budget**
- **Relatively quick and easy**
- **Assumes current budget is correct (monitoring)**
- **Can focus on changes**
- **May stifle initiative**



Financial constraints and challenges

Since 2008 there have been significant changes in the global economy.

The Borough's budget has been impacted by these changes. (Austerity Agenda)



Financial constraints and challenges

- **Government grant – levels and shift of focus/risk from central to local government**
- **Council tax income – Local Council Tax Scheme – Freezing Council Tax**
- **Return on investments/borrowing costs**
- **Benefits increased demand – uncertainty around impact of universal credits**
- **Ability to increase general fees and charges**
- **Budget cuts – austerity measures – availability of third party funding for major projects, business stability**



Financial constraints and challenges

How has the Borough acted to address the impact on the budget?

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Financial constraints and challenges

- **Cost reduction programme**
- **Shared working**
- **New refuse contract**
- **Shared office space – CCG - DWP**
- **Leisure Trust/Local Authority Company**
- **Selling services – car parking, CCTV**
- **Buying In services - legal**
- **Discontinue services – cash office, pest control**



Financial constraints and challenges

The Borough needs to find ways to address the estimated £2.6m difference between expenditure in income from 2020/2021.

What challenges in the wider economy will influence the Borough financial planning in the next 5 years?



Financial constraints and challenges

Future levels of Government grant – general election ? anticipate further period of austerity

Political priorities - Borough election in 2019

Inflation levels

Growth in economy – international, national and local

Investment returns

100 % Business Rates Retention



Funding

Two of the major areas of funding available to the council are

- **Council Tax**
- **Retained Business Rates**



Funding

Council Tax

The Borough council tax for 2017/2018 is:

BAND	2017/2018	BAND	2017/2018
	£		£
A*	77.91	E	142.84
B	90.90	F	168.81
C	103.88	G	194.78
D	116.87	H	233.74

The tax base was 48,774 as at April 2017



Funding

**In 2017/2018 this has generated Council Tax
income for the Council of**

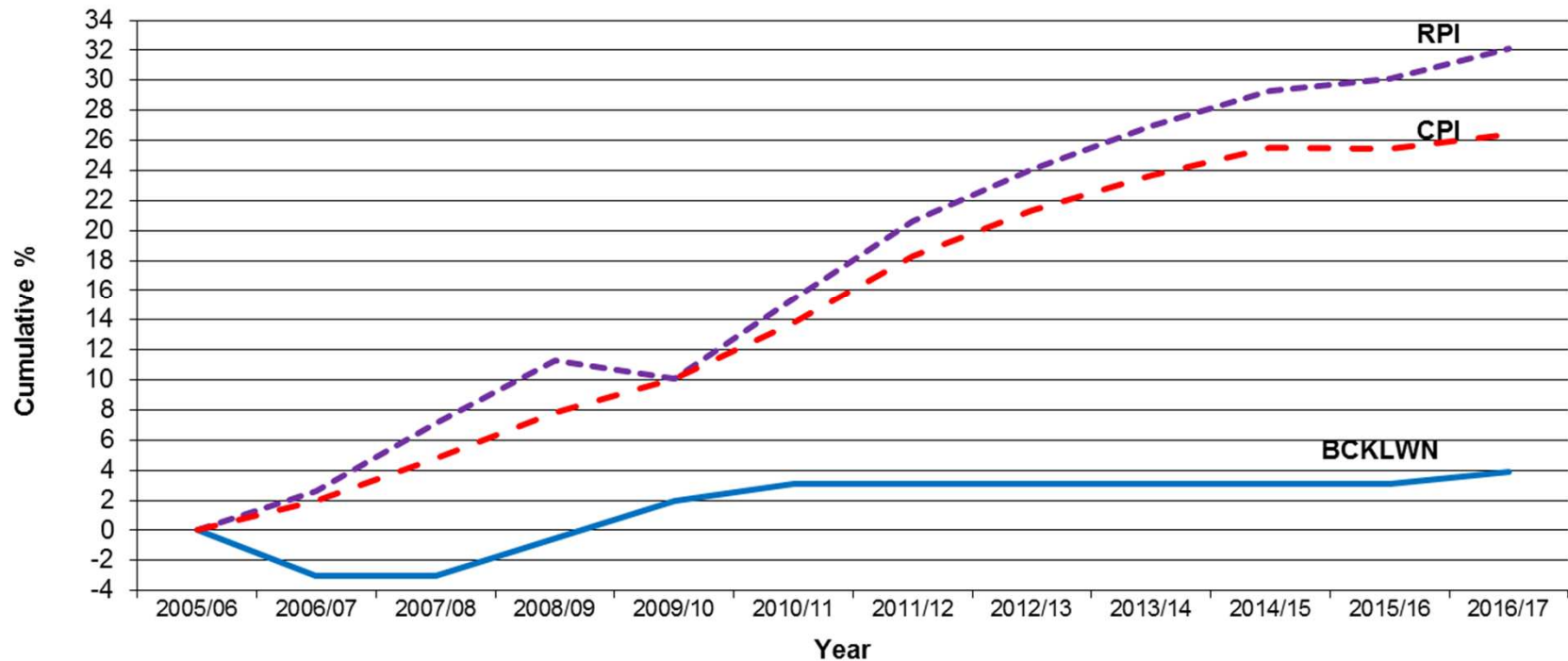
(Band D X Tax Base)

£5,700,220



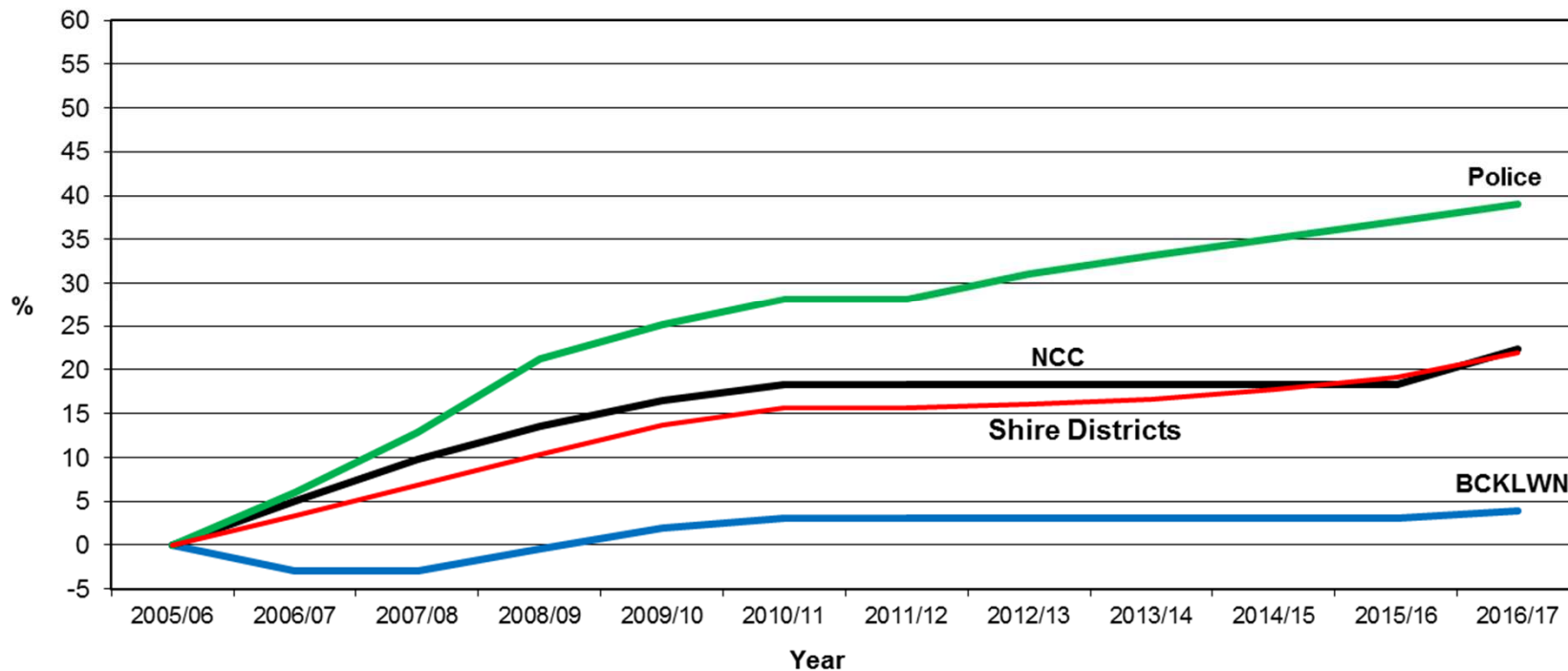
Funding

Band D Council Tax and RPI percentage increases 2005 to 2016



Funding

Band D Council Tax percentage increase 2005 to 2016



Funding



Funding

Business Rates Retention

DCLG – ‘The Government reformed the local government finance system to introduce local business rates retention from April 2013 – a fundamental change putting a strong financial incentive for economic growth at the heart of local government funding’



Funding

Business Rates Retention

Borough charges £46m in business rates

50% to Central Government used to fund local government through Revenue Support Grant or other specific grants

50% to local precept authorities - split BCKLWN 80% and NCC 20%



Funding

Business Rates Retention

For each authority DCLG will then calculate the baseline funding level – applying the formula grant process to the local share of the estimated business rates aggregate

For 2017/2018 BCKLWN has retained £7.2m



Funding

Business Rates Retention

Risks – if actual business rates decrease (large business in area closes) then first 7.5% of retained business rates reduction falls to BCKLWN ie £380k

Incentive – authorities retain 50% of any increase compared to baseline



Capital Budgets

Why engage in capital investment?

- **Corporate priorities – economic growth– Enterprise Zone, Major Housing Project**
- **Maintain assets – new roofing to building**
- **Exploit technology – ICT**
- **Improve performance/reduce costs – energy efficiency schemes, vehicles**



Capital Budgets

Capital bids compete for limited resources how do we choose?

What criteria do you think should be considered?

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Capital Budgets

- **Corporate priorities**
- **Asset essential to service delivery and at end of useful life – service continuing?**
- **Legislation**
- **Invest to save scheme – income generation, efficiency savings**
- **Opportunity for sale of existing site v cost of new build**
- **Purchase cost v lease cost – equipment, vehicles**
- **Availability of capital resources**



Budgetary Control

Budget done – what next?

- **Cross fingers ? – yes!**
- **Pray all goes well? – sometimes!**
- **Look for other work? – possibly**
- **Monitor continuously? - YES**



Budgetary Control

Why monitor?

- **Assumptions may be wrong**
- **May be visited by the unexpected**
- **May need to take action**
- **May wish and be able to change things**
- **If all is well its nice to know**
- **There should be no surprises at year end!**



Budgetary Control

What are we looking for?

- **Over and under budget – variances**
- **Opportunity to ask**
 - **Do I need to act?**
 - **Will it correct itself?**
 - **Is corrective action possible?**
 - **Should I tell someone?**

Elected Members receive a monthly monitoring report on the overall Borough budget



Budgetary Control

Effective budgetary control relies on -

- **Proper authorisation of expenditure**
- **Regular and timely monitoring**
- **Allowing for commitments**
- **Identifying reasons for variances**
- **Taking corrective action**
- **Informing the proper authority**



Developments

Move towards a rolling budget setting process.

Rather than the estimates setting process in October – December each year.



Closing The Year

When

- **31 March - Year end**
- **End May - draft Statement of Accounts published**
- **June - Outturn report to Cabinet**
- **June - July – External Audit**
- **End July - Publish Statement of Accounts to Public**

The Statement of Accounts can be found here;

https://www.west-norfolk.gov.uk/info/20160/budgets_and_spending/364/annual_accounts



Any Questions?

