

AUDIT COMMITTEE

Wednesday, 30 January 2019

PRESENT – Councillors Baldwin (Chair), Crudass and McEwan

ALSO IN ATTENDANCE – Nicola Wright and Mark Outterside (Ernst and Young)

OFFICERS IN ATTENDANCE – Peter Carrick (Finance Manager Central/Treasury Management), Lee Downey (Complaints and Information Governance Manager) and Shirley Burton (Democratic Manager)

21 DECLARATIONS OF INTEREST

There were no declarations of interest reported at the meeting.

22 TO APPROVE THE MINUTES OF THE LAST MEETING OF THIS COMMITTEE HELD ON 24 OCTOBER 2018

Submitted – The Minutes (previously circulated) of a meeting of this Audit Committee held on 24th October, 2018.

RESOLVED – That the Minutes be approved as a correct record.

23 MID YEAR RISK MANAGEMENT UPDATE REPORT 2018/19

The Managing Director submitted a report (previously circulated) updating Members on the approach to and outcomes from the Council's Risk Management processes.

It was reported that positive progress continued to be made within the Authority regarding the management of key strategic risks and the submitted report outlined the work and processes undertaken by Officers to manage operational risks.

Particular reference was made to the identified operational risk in relation to the inability to retain and recruit sufficient qualified and suitably experienced social workers in Adults Services and its potential impact on cost and quality of service and Members requested that further information be sought on the actions in place to manage this risk going forward and mitigate any impact on service delivery.

A Member also referred to the role of the Regional Schools Commissioner in relation to the risk associated with underperforming Academies and the Council's reliance on that post to mitigate the risk and how that could be addressed.

RESOLVED – That the report be noted and that the thanks of this Committee be extended to the Officers on an excellent report.

24 MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2018/19

The Managing Director submitted a report (previously circulated) seeking approval of

the revised Treasury Management Strategy, Prudential Indicators and providing a half-yearly review of the Council's borrowing and investment activities.

It was reported that the mandatory Prudential Code, which governed Council's borrowing, required Council approval of controls, called Prudential Indicators, which related to capital spending and borrowing. The indicators were set out in three statutory annual reports and the key objectives of those reports were set out in the submitted report, together with the key proposed revisions to the indicators which related to a reduction in the Operational Boundary and the Authorised Limit to allow for any additional cashflow requirement.

Particular reference was made to the limited debt rescheduling opportunities which had been available in the current economic climate, however Officers highlighted an opportunity which had arisen in relation to two inverse Lender Option Borrowing Options (LOBO's) whereby early settlement of those LOBOs had resulted in savings to the Council of £26.740 million over the remaining 42 years of the loans and £12.658 at net present value discounted rates.

Reference was also made to the Treasury management budget which was forecast to achieve an improvement of £0.590 million in 2018/19, which would be returned to balances.

Members examined the Prudential Indicators and the Treasury Management half-yearly review and were satisfied with the Council's borrowing and investment activities and the reported prudential indicators.

RESOLVED – That the submitted report be referred to Cabinet and that it be advised that this Audit Committee approves the revised prudential indicators and limits and notes the reduction in the revised Treasury Management Budget (Financing Costs).

25 PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT STRATEGY REPORT 2019/20

The Managing Director submitted a report (previously circulated) requesting that this Committee reviews and scrutinises the Council's Treasury Management Strategy 2019/20 and its associated policies, the Treasury Management Prudential Indicators and a policy statement relating to the Minimum Reserve Position (MRP) and make any necessary amendments or comments thereon prior to consideration by Cabinet and Council.

The submitted report outlined the Council's Prudential Indicators for 2019/20-2021/22 and set out the expected treasury operations for this period and it was reported that the Council's expenditure plans, treasury management and prudential borrowing activities indicated that they were within the statutory framework and consistent with the relevant codes of practice, prudent, affordable and sustainable and were an integral part of the Council's Revenue and Capital Medium Term Financial Plans.

The submitted report also included a Treasury Management Strategy for 2019/20, covering the Council's debt and investment projections estimates and limits on future debt, expected movements in interest rates and the Council's borrowing and

investment strategies for future years. Key objectives of the investment strategy were outlined noting that the primary objective was the safeguarding of the repayment of principal due to the Council, ensuring adequate liquidity of those investments and finally the rate of return on the investment.

It was reported that the revised 2017 CIPFA Prudential and Treasury Management Code required all local authorities, from 2019-20 to prepare a Capital Strategy report which would ensure that all Members fully understood the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite and that this report would be considered by Cabinet at its meeting schedule to be held on 12 February 2019.

Particular reference was also made to the lifting of the Housing Revenue Account debt cap.

RESOLVED – That this Audit Committee is satisfied with the Prudential Indicators and Treasury Management Strategy, the Minimum Revenue Position statement and the Annual Investment Strategy 2019/20, as presented in the submitted report, and that the report be forwarded to Cabinet for its onward referral to Council for consideration.

26 AUDIT SERVICES ANNUAL AUDIT PLAN 2018/19 - PROGRESS REPORT

The Audit and Risk Manager submitted a report (previously circulated) providing Members with a progress report against the 2018/19 Annual Audit Plan, in accordance with Audit Services' role and terms of reference.

The submitted report outlined the progress to date on audit assignment work, consultancy/contingency activity and performance indicators and it was reported that good progress was being made to date.

RESOLVED – That the progress report against the 2018/19 Annual Audit Plan be noted.