

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT THE TOWN HALL, PETERBOROUGH ON 28 JUNE 2010**

Present: Councillors Collins (Chairman), Kreling, Simons, Stokes, Harrington and Goldspink

Officers in Attendance: John Harrison, Executive Director – Strategic Resources  
Steve Crabtree, Chief Internal Auditor  
Steven Pilsworth, Head of Strategic Finance  
Kirsty Nutton, Financial Services Manager – Corporate Accounting  
Chris Hughes, PricewaterhouseCoopers  
Israr Ahmed, Lawyer  
Gemma George, Senior Governance Officer

Also in Attendance: Councillor Seaton, Cabinet Member for Resources

**1. Apologies for Absence**

Apologies were received from Councillor Newton (Vice Chair).

**2. Declarations of Interest and Whipping Declarations**

There were no declarations of interest.

**3. Minutes of the Meeting held on 29 March 2010**

The minutes of the meeting held on 29 March 2010 had been circulated to the previous Audit Committee Members for their comments.

Councillor M Dalton, the previous Chair of the Committee and Councillor North, the previous Vice Chair of the Committee approved the minutes as a true and accurate record of the meeting.

The Committee agreed to vary the order of the agenda and to take item number 5, Budget Monitoring Report Final Outturn 2009 / 2010, first.

**5. Budget Monitoring Report Final Outturn 2009 / 2010**

The Head of Strategic Finance presented the Budget Monitoring Report Final Outturn 2009 / 2010. The report highlighted to Members the final financial performance for revenue and capital at 31 March 2010.

The report contained performance information on treasury management activities, the payment of creditors in service and collection performance for debtors, local taxation and benefit overpayments.

The financial year 2009 / 2010 had been a challenging financial year with an array of one off and emerging pressures' since Full Council approved the revenue and capital budget requirement for 2009 / 2010 in February 2009. Early in the financial year, an analytical review concluded that high level risks and issues would require careful

monitoring, review and appropriate management action to ensure that the financial position of the Council remained stable.

The Council had been able to manage the expectations as set out in the Medium Term Financial Strategy (MTFS) with no detrimental impact to services such as service cuts, remedial action had been taken where required to mitigate pressures including addressing ongoing pressures within setting the financial strategy for 2010 - 2015 and it had been ensured that the financial position of the Council remained stable.

The Council's overall revenue position was £364k under spent, against a budget of £151,273k, an improvement of £1,192k since the adopted outturn had been reported to Cabinet. This was in part due to the robust mechanisms put in place to mitigate the emerging pressures such as reduced income streams and demand led services, utilising the Council's reserves to meet one off costs as agreed during the setting of the MTFS 2010 – 2015 and also slowing down non-priority spend or delaying projects and initiatives with no detriment to the MTFS. Alongside these actions, Children's Services and Operations had successfully delivered their action plans. All risks had been corporately managed over the last quarter of the financial year.

Members were invited to comment on the report and the following issues and observations were highlighted:

- Members queried which capital projects had been deferred during the capital programme refresh. Members were advised that schemes such as the Waste Project, Hampton Secondary School and Affordable Housing, had been deferred. The feasibility of the schemes was a key consideration going forward and where practical, schemes would be scaled down so that more could be delivered.
- Appendix A to the report contained a table which highlighted a further breakdown of under and over spends (by service activity). Numerous queries were directed to the Executive Director – Strategic Resources and responses were given as follows:
  - i) Westcombe was included in the City Services total, Members queried what the future plans for Westcombe were. Members were advised that Westcombe had been brought back to be Council run until the best option for its future could be decided. This was expected to be in September 2010. The options were to retain it or to close it. If retention was accepted, then there would be the possibility of keeping Westcombe at no cost to the taxpayer. The situation was due to be kept under review and referred to Members.
  - ii) Members questioned why Cultural Services, as a non statutory service, was highlighted as having such a large overspend. Members were informed that Cultural Services had been transferred over to a trust in May 2010 and it had been agreed that a budget of £450k would be set aside for the year to assist in the transfer.
  - iii) Clarification was sought on the situation on the overspend situation in relation to Neighbourhoods. The Committee was advised that grant aid was being clawed back by central government on the Rural Development Fund in order to support Neighbourhoods.
  - iv) Members questioned why Communications was so over budget. Members were advised that Communications had had a challenging saving target set at the start of the year. Planned income from marketing projects had also not hit targets. This had been taken into consideration for future years budgets.
  - v) ICT was also highlighted as being over budget, Members queried why this was. Members were informed that the outsourced ICT had

- come into effect in 2009 / 2010 and the budget for ICT sat centrally and across other departments, which would be rationalised.
- vi) Members queried why there was such a difference in the Annual Budget figure and the Final Outturn Forecast for Procurement. Members were advised that Procurement had not hit the targets which had been expected. The targets had been challenging and talks would need to be had with suppliers going forward. Corporate savings made would also be removed from departmental budgets as and when they arose.
  - vii) Members sought clarification as to why Revenue and Benefits had been under spent. Members were informed that the under spend was down to the cost of the whole service, payments, collection of council tax and the council tax arrears due to the impact of the recession.
  - viii) Members questioned why Customer Services had been over budget. Members were advised that a project in Customer Services had yet to be finished, therefore the Council had been unable to take the money for the project until its completion, which was due to be in the current year 2010 / 2011.
  - ix) The Committee sought clarification as to the situation with regards to the collection of business rates. The Committee was informed that the collection of business rates, which is passed to central government for redistribution, was being affected by the continuing economic situation. Members were advised that comparisons with other authorities in the region highlighted that we were no different to them.

#### **ACTION AGREED:**

The Committee:

- 1) Noted the final outturn position (based on expenditure at the end of March 2010) on the Council's revenue and capital budget;
- 2) Noted the performance against the prudential indicators;
- 3) Noted the performance on treasury management activities, payment of creditors in services and collection performance for debtors, local taxation and benefit; and
- 4) Noted the financial uncertainty of local government financing in future years and how this could impact the Council.

#### **4. Statement of Accounts for Year Ended 31 March 2010**

The Head of Strategic Finance presented the Statement of Accounts for Year Ended 31 March 2010.

The Council had to consider and approve its accounts by 30 June 2010 at a meeting of either the Full Council or a committee of the Council. This was a requirement of the Accounts & Audit Regulations 2003 (amended 2006) and the Council's Constitution delegated this matter to the Audit Committee.

The Council Section 151 Officer (Executive Director – Strategic Resources), had responsibility for certifying that the Accounts presented fairly the financial position of the Council at 31 March 2010.

The Accounts for 2009 / 2010 conformed with the CIPFA (Chartered Institute of Public Finance & Accountancy) Best Value Code of Practice for Local Authority Accounts and the new Statement of Recommended Practice (SORP). The individual

financial statements, along with the notes that accompanied them, aimed to give a full and clear picture of the financial position of the Council.

The Head of Strategic Finance addressed the Committee and stated that since the submission of the papers to the Audit Committee, further work had been undertaken in preparation for the external audit. There were therefore amendments to two items these being:

- Within the Income and Expenditure Account, the gross expenditure and gross income for Children's and Education Services were overstated. The overstatement occurred within the service, therefore the net expenditure remained the same.
- There was a typographical error which gave the employer's pension contributions for Gillian Beasley, Chief Executive, as £19,875 for 2009 / 2010 and £18,454 for 2008 / 2009 instead of £27,909 for 2009 / 2010 and £26,037 for 2008 / 2009.

The Committee was advised that the accounts presented to it for sign off included these amendments. Once approved by the Audit Committee the Accounts would be passed to the Council's External Auditors, PricewaterhouseCoopers (PwC) for in depth scrutiny.

Members were invited to comment on the report and the following issues and observations were highlighted:

- Members questioned whether the error regarding the Chief Executive's pension contributions was only in one section of the report. Members were advised that the error was only present in one table, under Senior Employee's Remuneration, which highlighted the Senior Officers whose salary was £150,000 or more.
- A query was raised regarding the Balance Sheet which was contained in the Statement of Accounts 2009 / 2010. Pension fund liability had increased by 150%, and Members requested an explanation as to how was this funded. Members were advised that each year the actuary provided an estimation of the figure which was required to be put into the accounts. This figure did not accrue in one go, but over a number of decades and it required the employer to pay a pension contribution. The actuary was due to report back on the situation later on in 2010. The Mid Term Financial Strategy going forward would reflect this, and provisions had been made for these increased costs. Members were further advised that a review of public and private sector pensions was due to be undertaken by the Government. Local Government pension schemes also had funding behind them and were generally healthier than other schemes.
- Members questioned what the rate of council tax collection was for the year 2007 / 2008. Members were informed that the rate was 96.85% for 2007 / 2008 and the figure had increased to 98.00% during 2008 / 2009.
- With regards to Government Grants, between £5 million and £10 million was taken off the Council each year and Members questioned what the claw back had been for the years 2008 / 2009 and 2009 / 2010. Members were advised that over the past five years the figure had fluctuated greatly. In 2006 / 2007 it had been £3.4 million, in 2007 / 2008 it had fallen to £2.9 million, in 2008 / 2009 the basis of how the grants were allocated had been changed and the figure had increased to £5.5 million, in 2009 / 2010 the figure was £4.5 million and 2010 / 2011 the figure was £3.8 million. A larger amount was expected in 2011 / 2012 due to a new spend review and grant system but this could not be confirmed at the time.
- Members commented on the decrease in the fund balance from £6 million to £3.7 million as highlighted in the Revenue Expenditure and queried whether

PwC had any comment to make on the situation. The External Auditor from PwC addressed the Committee and stated that the decrease would be looked at as would the Council's plans for the coming year in the MTFs.

- The main elements of capital expenditure, compared with the revised March 2010 budget after slippage were highlighted in the report. Members commented that the Council was always behind on the capital programme and aspirations were never met, therefore why were lower sums not incorporated. Members were informed that the capital programme had been a challenge, but it had improved. Revenue savings had also been generated by the reigning back of some schemes.
- The number of buildings held by the Council were highlighted in the information on assets held, contained within the report. The Committee questioned why, when the Council was trying to cost save, there was no evidence of a reduction in the number held year on year. Members were informed that 6 social services area offices had been closed down and the programme was to be progressed, although the reality of losing buildings and offices was difficult to achieve and it was highlighted that the Council had obtained more properties throughout the year than it had lost.
- The amount of trade debt owed to the Council was highlighted in the report and Members sought clarification as to why the debts of over one year had almost doubled in the past year and what was being done to address these debts. Members were informed that £7 million of the overall debt highlighted was one debt alone and it had been paid in April 2010. The remainder of the core debts were related to strategic property and these were in the process of attempted recovery. Members were further informed that the payment of £7 million made at the end of April 2010 meant that the general debtors figure, highlighted in the debtors table in the report, had decreased by £7 million.
- Members questioned whether the collection allowance for national non domestic rates, as highlighted in the report under the collection fund and notes, covered its costs. Members were advised that the cost to the Council was offset by monies received from the Government.
- A query was raised regarding the details of payments due to be made under private finance initiative (PFI), the report contained a table which highlighted the payments due to be made up until 2037 and Members questioned why the payments were due to increase so much. Members were advised that the payments were set out in an agreed payment schedule, therefore were set. Members were further advised that the payments were due to cease after 2041.

#### **ACTION AGREED:**

The Committee:

- 1) Scrutinised the Accounts for year ended 31 March 2010;
- 2) Approved transfers to / from Reserves, as set out in the Note 42 to the Core Financial Statements in the Accounts in accordance with the recommendations of the Executive Director – Strategic Resources; and
- 3) Approved the draft Accounts for the year ended 31 March 2010 as attached at Appendix 1 to the report, in accordance with Regulation 10 of the Accounts and Audit Regulations 2003 (as amended 2006)

#### **6. Feedback Report**

The Chief Internal Auditor submitted the latest Feedback Report for consideration.

Members were advised that there was one issue which had been highlighted for follow up at the previous meeting of the Audit Committee, which was to provide further information on the number of Blue Badge applications being dealt with on a yearly

basis. Members were further advised that during 2009 / 2010 there had been 3167 applications processed in total which included new applications, renewals and refusals.

**ACTION AGREED:**

The Committee noted the Feedback Report.

**7. Work Programme 2010 / 2011**

The Chief Internal Auditor submitted the latest version of the Work Programme for the municipal year 2010 / 2011 for consideration and approval.

Members were advised that a training session was proposed to take place prior to the next meeting of the Audit Committee, commencing at 6.00 p.m. This session would cover Risk Management.

**ACTION AGREED:**

The Committee noted and approved the 2010 / 2011 Work Programme.

7.00pm - 8.02pm  
Chairman