

AUDIT AND RESOURCES COMMITTEE

Tuesday, 14 June 2016 (6:15 pm – 8:19 pm)

PRESENT:

Councillor Holes (Chair); Councillors Atkinson, Tennent, Balaam, Irish and Rushton

Apologies for absence were received from Councillors Thomas and Van Niekerk

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RESOLVED ITEMS (SUBJECT TO QUESTIONS ONLY)

1. PUBLIC PARTICIPATION

There was no public participation on this occasion.

2. MINUTES

**RESOLVED –**

**That the Minutes of the meetings held on 8 March 2016 (tabled at the meeting) and 16 March 2016 be confirmed and signed by the Chairman as a correct record.**

(NOTE: With regards to Minutes of 16 March 2016, it was noted that Councillor House was in attendance but omitted from the attendance list, and confirmed that Councillor S Sollitt was in attendance.)

3. EXTERNAL AUDIT ANNUAL FEE LETTER

Kate Handy, Director, EY, referred to their letter dated 20 April 2016 regarding the Annual Audit and Certification Fees for 2016/17. The Public Sector Audit Appointments Ltd (PSAA) had set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

The indicative fee was set at the scale fee level and based on certain assumptions including: effective control environment; operating effectiveness; overall level of risk; and value for money. The PSAA had set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee was based on actual 2014/15 benefit certification fees incorporating a 25 per cent reduction.

**RESOLVED -**

**That the report be noted.**

#### 4. EXTERNAL AUDIT'S ANNUAL AUDIT PLAN

Kate Handy, Director, EY, introduced the Audit Plan for year end 31 March 2016. The audit would state EY's opinion on whether the financial statements of the Council presented a true and fair view of its financial position, and of the income and expenditure. EY would also provide a statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness. There were two main areas of responsibility: Financial Statement risks, and the risk of management override; and Value for Money (VFM) risks, where EY's approach was to ensure that the Council had proper arrangements in place to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. It would focus on reviewing the outturn against the 2015/16 budget; reviewing the 2016/17 budget and the Medium Term Budget Strategy (MTBS); ensuring that the revenue impact of significant capital projects had been integrated into the MTBS (including Fleming Park and Ageas Bowl); considering the reasonableness of the Council's interest rate assumptions; and review progress in developing and delivering the Council's efficiency strategy.

Members asked a number of questions relating to the delivering of the Council's efficiency strategy and the risks involved with service provision and staffing - EY advised that the risks identified the previous year were still present but controlled by revenue budgets.

In conclusion, Members concurred that they thought the auditors were reviewing the key risks in the Audit Plan, and were aware that the Council's short term borrowing was the biggest risk, especially with the forthcoming referendum and how the outcome may affect interest rates.

#### **RESOLVED –**

**That the Annual Audit Plan be noted.**

#### 5. PROVISIONAL OUTTURN REPORT FOR THE YEAR 2015/16

Consideration was given to the report of the Chief Financial Officer (Agenda item 6) which gave Members of this Committee the opportunity to review and comment on processes of reporting the provisional outturn position for 2015/16 that was to be submitted to Cabinet on 16 June 2016. The report summarised the provisional General Fund Revenue Outturn position for the year 2015/16. It highlighted a favourable variance for the year of £263,900 compared to the rolling budget after Budget Management items of £434,890 that had been carried forward, and anticipated transfers to reserves and the Community Investment Programme (CIP) schemes had been made. Capital expenditure for 2015/16 was £43,786,850 which represented 97 per cent of the rolling budget.

The Chief Financial Officer stated that there were a few errors in the report: Paragraph 8 – the last sentence to be amended to read ‘This is further discussed in paragraph 19’; Paragraph 39 first sentence amended to ‘...the future success of the **Council** and this...’; and paragraph 42 **to ignore any reference to Recommendation 5**. Members also queried the figures for Capital Fund in Appendix D (page 48 of the agenda), for ‘Estimates of Capital Requirement’ – Subsequent to the meeting, the Capital Fund was amended to: **£126M** for 31/03/16; **£168M** for 31/03/17; and **£180M** for 31/03/18.

A summary of efficiencies achieved per Unit was set out in Appendix E to the report. Members were pleased to note that the Council had made an extra £700K in efficiency savings, £300K of which had been made in the last quarter, and they offered their congratulations to all staff stating that it was a great achievement.

There were concerns about staffing turnover and the loss of expertise and knowledge however the Corporate Director advised that staff turnover on the whole had decreased. There were processes in place to ensure that staff would become fully trained in their new way of working.

**RESOLVED –**

**That the report be noted.**

6. APPOINTMENTS TO (A) PROCUREMENT EXECUTIVE GROUP; AND (B) STRATEGIC RISK MANAGEMENT GROUP

**RESOLVED -**

- (1) **That Councillors M Atkinson and B Tennent be appointed to the Procurement Executive Group, and**
- (2) **That Councillor L Van Niekerk be appointed to the Strategic Risk Management Group.**

7. VERBAL UPDATE FROM PEG AND SRMG

(a) **Procurement Executive Group**

Councillor Atkinson advised that there were no updates from the Procurement Executive Group as there had not been a meeting since the last update.

(b) **Strategic Risk Management Group**

Councillor Van Niekerk had provided an update on the recent group meeting that the Chair read out as follows:

- i. The Events Policy had been finalised and the process agreed and states that Senior Risk Management Group has the final say on whether the event goes ahead or not. However the organiser has a right to appeal and the appeal process which will then goes through to Management Team.
- ii. A more detailed risk register for the Council's debt was requested. This will be discussed with the Chief Executive.
- iii. Internal Audit would from now on be included in the Future Eastleigh programme. Minutes would be reported back to the Audit and Risk Committee with regular updates.
- iv. Future Eastleigh would be delivered by December 2017.
- v. The Corporate Risk Register now included Air Quality Management.
- vi. Internal Audit would look at emerging risks like potential fraud from disgruntled employees etc.

**RESOLVED -**

**That the update be noted.**

8. CIVIC OFFICES REDEVELOPMENT PROJECT VERBAL UPDATE

The Corporate Director advised that an outline planning application for commercial development had been approved by Eastleigh Local Area Committee (ELAC) on 24 May 2016. This was for a car dealership, fast food outlet and office space. This would contribute to the Council's revenue stream with a net revenue of six per cent per annum.

The Council was now in negotiations to secure long term revenue returns for the Council and it was expected that the Reserved Matters application would be submitted to ELAC 19 July 2016.

Members were also advised that the plans for the Combined Heat and Power (CHP) were at an advanced stage and the Council was waiting on proposals.

**RESOLVED -**

**That the update be noted.**

9. DIGITAL BY DESIGN VERBAL UPDATE

The Corporate Director advised that this was Service Redesign and Digital which involved how the Council operated and based on a commercial

model of operating. It was now well into the design of phase one of three and was on time, on budget, and on course to deliver efficiency savings.

Overall it was planned to complete the transformation process by December 2017. It was divided into phases which were detailed in the transition plan.

There were sixty different systems within the Council and it was now looking to have a Council-wide core system where processes and data could integrate, and fewer individual systems. This software purchase was going through the procurement process and analysed by the Digital by Design Board. Those invited to tender would have to demonstrate that they can deliver a system that met the Council's expectations.

Senior Managers were now being recruited which would take until the end of July 2016. It would be based on people's behaviour to ensure that the Council retained and recruited people with the right attitude.

Phases 1B and 1C set out Strategy and Support Services and this would go 'live' in November 2016. There was transition planning and the implementation of transition plans. There would be new roles, changed roles, and a different way of doing things.

Staff would be managed through the change, provided with support and training, including support from the consultancy Ignite who had considerable experience in transition management. There was also a transition plan for Members to aid them through the process.

Members asked that a financial update be verbal provided at each Audit and Resources Committee meeting.

#### **RESOLVED -**

**That a financial update on the Service Redesign be given at every Audit and Resources Committee meeting.**

#### 10. ACTION LIST

The Committee considered the Action List, which set out the recent decisions and subsequent actions arising from the Committee.

#### **It was AGREED -**

**That the Fleming Park Leisure Centre be removed from the Action List.**

#### 11. FORWARD PLAN

The Committee considered the current Forward Plan of Key Decisions.

**It was AGREED -**

**That the current Forward Plan be noted.**

12. WORK PROGRAMME

The Committee considered its current Work Programme and added the Marks and Spencer project to the agenda for 6 September 2016.

**It was AGREED -**

**That the Work Programme be amended and noted.**