

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

Minutes of the meeting of the **JOINT AUDIT AND STANDARDS COMMITTEE** held in the King Edmund Chamber, Endeavour House, 8 Russell Road, Ipswich on Monday, 13 November 2017

PRESENT:

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|--------------|-------------------------|-------------------|
| Councillors: | Michael Burke | Michael Creffield |
| | John Field | Frank Lawrenson |
| | John Levantis | John Matthissen |
| | Suzie Morley - Chairman | Dave Muller |
| | David Rose | Kevin Welsby |

The following Councillors were unable to be present:

Sue Burgoyne, Tom Burrows, Lesley Mayes, Mark Newman, Mike Norris, William Shropshire and Stephen Williams

In attendance:

- Strategic Director
- Assistant Director – Law and Governance
- Assistant Director – Corporate Resources
- Corporate Manager – Democratic Services
- Corporate Manager – Financial Services
- Corporate Manager – Internal Audit
- Audit and Risk Management Services Officer
- Governance Support Officer

20 **SUBSTITUTES**

It was noted that, in accordance with Committee and Sub-Committee Procedure Rule No. 20, a substitute was in attendance as follows:

John Field (substituting for Mike Norris)

21 **DECLARATION OF INTERESTS**

There were no declarations of interests.

22 **JAC/17/9 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 29 SEPTEMBER 2017**

RESOLVED

That the minutes of the meeting held on 29 September 2017 be confirmed as a correct record.

23 **PETITIONS**

None received.

24 **QUESTIONS BY THE PUBLIC**

None received.

25 **QUESTIONS BY COUNCILLORS**

None received.

26 **JAC/17/10 MID YEAR REPORT ON TREASURY MANAGEMENT 2017/18**

- 26.1 The report was introduced by the Corporate Manager – Financial Services. It contained details of the Councils' performance and the effects of the decisions taken during the first 6 months of 2017/18. The report also outlined details of non-compliance with the Councils' Treasury Management policy. The Corporate Manager drew Members' attention to the following points in the report:
- 26.2 Paragraph 3.2 on page 13 of Appendix A was to be disregarded as the interest rate had increased since the report was written.
- 26.3 Section 4, page 13 provided important regulatory updates for the Markets in Financial Instruments Directive (MiFID II) and CIPFA's consultation on Prudential and Treasury Management Codes.
- 26.4 Babergh had reduced its debt by £6.2m and Mid Suffolk had reduced its debt by £8.2m. Neither of the Councils had undertaken new long-term borrowing.
- 26.5 Appendix C contained the Councils' investment activity. The Funding Circle Investments returns were reduced significantly from 8.92% to 3.59% for Babergh and 8.86% to 3.9% for Mid Suffolk, this was mainly due to bad debts not recovered.
- 26.6 As the bidding process for Funding Circle had changed recently, the Councils would have to take greater risk to achieve a higher level of return on the investments, which was deemed not to be an acceptable level of risk that the Councils should take.
- 26.7 Both Councils were compliant with the upper limits for interest rate exposure.
- 26.8 The investment activity undertaken for the first half of the year had been done in order of priority of security and liquidity over yield as prescribed in the Treasury Management Strategy.
- 26.9 In response to Members questions the Assistant Director, Corporate Resources agreed to keep Members informed of the performance of the investments in Funding Circle as part of the half-yearly reporting, as these had so far not performed to the expected level. No further investments would be made in Funding Circle as a result of the change and current investments would not be reinvested as they matured.

- 26.10 The Assistant Director, Corporate Resources fulfilled the role as Section 151 Officer and therefore managed the day to day running of investment decisions in line with the agreed Treasury Management Strategy.
- 26.11 She would also get back to Members in response to the question of what was the original assumption in the Business Plan of the value of investment in the Funding Circle.
- 26.12 Councillor Matthissen enquired after an answer to a question posed at the previous meeting regarding the Statement of Accounts in the previous year and a breakdown of the various elements to provide a greater level of detail. The Assistant Director, Corporate Resources requested that Councillor Matthissen forward the question again to the Assistant Director so that it could be considered as additional disclosure information when the 2017/18 Statement of Accounts was prepared.
- 26.13 The investment in CCLA (Table 6): Pooled Funds (Appendix C), indicated capital value below the initial investment value, but officers were confident that this investment would generate the income return expected over the 5 - year investment period and that the capital value would rise again.

RECOMMENDED TO BABERGH COUNCIL

That it be noted that Treasury Management activity for the first six months of 2017/18 was in accordance with the approved Treasury Management Strategy, and that, except for one occasion when Babergh District Council exceeded its daily bank account limit with Lloyds by £120k for one day, as mentioned in Appendix D, paragraph 1.1. of Paper JAC/17/10, both Councils have complied with all Treasury Management Indicators for this period.

(Note – only the three Babergh Members voted)

RECOMMENDED TO MID SUFFOLK COUNCIL

That it be noted that Treasury Management activity for the first six months of 2017/18 was in accordance with the approved Treasury Management Strategy, and that, except for one occasion when Babergh District Council exceeded its daily bank account limit with Lloyds by £120k for one day, as mentioned in Appendix D, paragraph 1.1. of Paper JAC/17/10, both Councils have complied with all Treasury Management Indicators for this period.

(Note – only the seven Mid Suffolk Members voted)

27 JAC/17/11 JOINT ANNUAL AUDIT LETTER FOR THE YEAR 2016/17

- 27.1 The Assistant Director, Corporate Resources began by explaining that the contents of the Annual Audit Letter, report JAC/17/10, had for the most part been reported in the Annual Audit report to the Committee in September 2017 by the Auditors Ernst & Young LLP. Members attention was drawn to page 34, the Executive Summary, which indicated the key elements of the Auditors opinion on the Councils' performance.

RESOLVED

That the joint external auditor's Annual Audit Letter for 2016/17, as set out in Appendix A to report JAC/17/11 be approved.

28 JAC/17/12 INTERIM INTERNAL AUDIT REPORT 2017/18

- 28.1 The Audit and Risk Management Services Officer introduced report JAC/17/12 by stating that the report format had changed and that the reporting was sectioned into key strategic themes. Much of the report was in working progress, but included some completed work.
- 28.2 He pointed Members attention to sections 8 and 9 on page 62 which explained resource constraints and detailed to Members how the Internal Audit Team had made arrangements to complete the work plan.
- 28.3 An independent review of the service to the Council of Public Sector Internal Audit Standards (PSIAS) was due. An independent assessor, Elizabeth Humphrey, Tilia Solutions, was appointed to carry out this by the end of the year.
- 28.4 The Officer highlighted other areas of Appendix A including:
- Assets and Investments under section 6,
 - Business Growth, paragraph 6.2,
 - Housing Delivery 6.4,
 - Information Governance General Data Protection Regulation (GDPR), 6.5.1
 - An outline of the work to be undertaken in the remainder of the second half of the year.
- 28.5 Bullet point 6.5.1 was questioned by Members and officers responded that the General Data Protection Regulation (GDPR) would have a significant impact on the way the Councils managed their data and that the Corporate Manager for Information Management was to deliver a report to the Senior Leadership Team to ensure Leadership that the Councils were compliant.
- 28.6 Officers were asked to explain why the financial controls for Fees and Charges had been found to be 'ineffective' (page 58, 6.2.1). This was because the budgetary and financial information was such that it was not possible to evaluate individual pricing to enable a comparison with a competitive market. Assistant Directors and Corporate Managers were working closely with business partners to review each theme in the budget and Fees and Charges were being considered in detail.
- 28.7 Members enquired if it were possible to attend the Reputational Risk workshop organised for key senior officers by the Internal Audit Team referred to on page 57 bullet point 4.2, the Corporate Manager for Internal Audit would let Members know if this was possible.

- 28.8 With the implementation of Capita Open Housing System, page 59, bullet point 6.4.1 it was found by the Internal Audit Team that an officer had been appointed to manage this project to ensure this new housing management system could be proficiently implemented. The Service Management Team had been reconstructed to ensure a robust management system was put in place and the Auditor and Risk Management Services Officer felt sure that the governance of the team was sound. The recent appointment of the Assistant Director for Housing was to strengthen this. Considerable work had also taken place to enable the Councils to work from a single platform to streamline procedures and processes.
- 28.9 Members asked if the Capita Open Housing System would improve customer services and if the program plan in place would secure a sound implementation of the system throughout the services.
- 28.10 To be noted: There was a detailed program of work, which previously had been inappropriately managed. There was now a much more focused approach to this work and it had been risk assessed. The appointment of an officer to manage the project, who would drive this work forward and that a course of action had been implemented, which was followed, ensured that the project was successful. Data cleansing had enabled a better service to customers and the program plan was far more robust than previously. The project was now under management control and the program plan could be found on 'Connect'.
- 28.11 Members requested that they be provided with a summary of areas of concern, which the Audit and Risk Management Services Officer agreed to provide.

RESOLVED

That the contents of report JAC/17/12, supported by Appendix A be noted.

29

CONSTITUTIONAL UPDATE FROM THE MONITORING OFFICER

- 29.1 The Assistant Director, Law and Governance presented the Constitutional Update. Members had the tabled paper before them (attached). In general Members agreed with the changes detailed in Part 1 of the paper.
- 29.2 In response to questions regarding the return address for official correspondence it was clarified that the designated office for Babergh and Mid Suffolk District Council was Endeavour House. Sudbury and Stowmarket were to be the Customer Access points respectively for each Council.
- 29.3 Part 2 of the tabled paper was discussed and some Members felt that it would be a disadvantage to have named substitutes as it might make some Members less inclined to attend Committee meetings knowing that a named substitute was available. Others felt that it was better to have named substitutes, who would be trained and informed of Committee business in their role as substitutes and would receive all agendas for their relevant Committees.

- 29.4 The Chairman said it was still the duty of Members to attend the Committees they had been appointed to and that it was their responsibility to arrange for a substitute if they were unable to attend and that this practice would continue even if a substitute system was put in place. The Chairs and the Governance Service Support team still had to be informed of a substitute attending, but it was likely that the 24 hours' notice to the Chair and the Governance Service Support team would be void.
- 29.5 In the exceptional circumstance that a named substitute was unable to attend the meeting, Members were advised to arrange for another Member from their own political group to attend or failing that to give prior notification and contact the Monitoring officer. It was established that Members could appoint two or three named substitutes from their own political group.
- 29.6 It was a regulatory requirement for Councillors to receive training for the regulatory Committees they sat on, but that there were no formal requirements for other Committees, but it was best practice to do so. All Members received briefing sessions at the beginning of the municipal year and throughout the year training was offered to Members. Substitutes were required to attend the same training as the Member they were substituting for.
- 29.7 Emily Yule, Assistant Director, Law and Governance would liaise with Councillor Levantis regarding informal training.
- 29.8 Some Members felt that the smaller political groups would be unable to manage to attend their own Committee as well as those they were named substitutes for.
- 29.9 In response to questions of who had been consulted regarding the proposal for named substitutes, the officer responded that the Leaders of Babergh and Mid Suffolk District Councils had been consulted and that the Group Leaders would be briefed about the proposal before it was presented to both Full Councils.
- 29.10 Members agreed that the Constitutional amendments proposal to be recommended to both full Councils be voted on in two parts:
1. Amendments related to the move to Endeavour house
 2. Named Substitutes

RESOLVED

- (1) That the Constitutional amendments relating to the move to Endeavour be recommended to both full Councils.**
- (2) That the Constitutional amendments relating to the introduction of named substitutes be recommended to both full Councils.**

30 **JAC/17/13 FORWARD PLAN**

30.1 It was noted that the Audit Plan 2017/18 would be removed from the January meeting as this was a duplication.

30.2 It was requested that future Forward Plans include the whole calendar year.

RESOLVED

That the Forward Plan be noted.

The business of the meeting was concluded at 11.30 a.m.

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Chairman