

Audit Committee

A meeting of Audit Committee was held on Tuesday, 29th June, 2010.

Present: Cllr Barry Woodhouse (Chairman); Cllr Dick Cains (Vice Councillor Maurice Frankland), Cllr Aidan Cockerill (Vice Councillor Maurice Perry) and Cllr Mick Womphrey.

Officers: P Johnson, P Saunders (R); P K Bell (LD).

Also in attendance: C Andrew (Audit Commission).

Apologies: Cllr Mrs Lynne Apedaile, Cllr John Fletcher, Cllr Maurice Frankland, Cllr Mrs Kath Nelson, Cllr Ross Patterson, Cllr Maurice Perry and Cllr Mrs Sylvia Walmsley.

A Declarations of Interest

19/10

There were no interests declared.

A The Minutes of the Meetings held on 1st March 2010 and 12th April 2010 to 20/10 be signed by the Chairman as a correct record

The Minutes of the Meetings held on 1st March 2010 and 12th April 2010 were signed by the Chairman as a correct record.

A Treasury Management Strategy 2010/11

21/10

Consideration was given to a report on the practical implication of the 2010/11 Treasury Management Strategy and associated issues.

It was during 2009/10 that quarterly reporting to the Audit Committee on the implementation of the Treasury Management Strategy commenced. These reports in the main concentrated on the position regarding investment income, but always contained, in addition, an evaluation of Stockton's borrowing position. The Audit Commission's report, 'Risk and Return' had underlined the point that in these times of low investment return, assessing the option of redeeming high interest debt was a valid utilisation of funds. As mentioned in previous reports Stockton redeemed its high interest debt a couple of years back, the only high interest debt remaining being that with a penal premium for redemption. The dramatic fall in interest rates also brought into contention paying back some loans with lower interest rates, but again during 2009/10 the premiums for these loans were the sticking point in making this move. As was promised to this Committee, officers were constantly monitoring this position, for an opportune moment when these rates moved to a more favourable position and this occurred in April of this year. Subsequently some Public Works Loan Board debt was paid back and in total this would save Stockton £2.1 million in interest payments per annum.

As was usually the case with Local Government finance the allocation of these savings were not straightforward, and did not all go directly to the General Fund, that was used for the majority of the Council's revenue functions. The savings must be split in proportion to the amount of debt associated with the General Fund, and that attributed to the Housing Revenue Account. As this moment in time that split would be £1.2 million to the General Fund and £900,000 to the

Housing Revenue Account. If however the proposed move to a Registered Social Landlord for the housing function did occur during 2010/11, the HRA would no longer continue to exist, and the proportion of savings in each area would change. This situation would be monitored by finance staff and once anything definite was known would be included in the relevant quarterly update.

In any event the minimum savings to the General Fund for 2010/11 were £1.2 million from the debt redemption. As a reminder to Members the target in the MTFP for 2010/11 in terms of income generation from management of the cash resources was £2.3 million. There was therefore a requirement to generate £1.1 million from Stockton's investments in 2010/11. This would equate to an average investment return of 1.5%, compared to the 2% required initially. The redemption of debt then, as well as lowering the risk of having money invested, had lowered the target percentage required on those funds that were placed with banks and building societies.

In terms of the sound state of the financial institutions that money was invested with, for banks in particular there had been an improvement in their financial health. Even for those banks where Government intervention was necessary at the beginning of the credit crunch, the latest figures had shown an improvement in their positions, if not in every instance the result had been a return to profit status. The building societies on the other hand remain, in general, a little more static. Although repossessions and debt defaults did not reach the Armageddon levels many were predicting, the recovery in the housing market was still fragile, and many building societies were finding it difficult to achieve real growth. The position for the financial institutions was certainly not as gloomy as it was this time last year, but it would be a brave individual that would say they are out of the woods just yet.

In summary the move to redeem debt had helped to ease the targets for investment returns in 2010/11. The move out of technical economic recession for the UK had seen a corresponding easing of the position of the financial investment sector. It was however, too early just yet to predict a definite recover and the situation still needed to be monitored vigilantly.

The decision to redeem outstanding debt undoubtedly helped in the management of risk, as less money had to be placed with investment counterparties. However due to the continuing uncertainty as to whether the economic recovery would be sustained, at this moment in time there was no change to the current risk rating.

RESOLVED that the report be noted.

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22/10

Corporate Risk Register and Annual Risk Management Report 2009/10

Members were provided with the Risk Management Annual report 2009/10.

The Annual report provided details of risk management activity that had taken place over the previous 12 months. It also outlined risk management policies and practices in place and the key issues that would be addressed in the financial year. Additionally the report provided the latest version of the Corporate Risk Register with amendments made over the final quarter of the year ending 31st March 2010.

Members were informed of progress relating to the risk strategy during the year 2009/10, these included:-

- External Assessments
- Internal Assessments
- Improving the framework for identifying and managing risk across the authority
- Continuing the development of risk reporting and monitoring processes and strengthening risk management arrangements at the operational level of the authority
- Projects and Partnerships
- Local Resilience Forum
- Insurance
- Benchmarking with other public sector organisations
- Risk Management Services Customer Satisfaction Survey
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Other on-going strategic operational activities included:-

- Partnership and Project Management Risks
- Annual Assurance Statements
- Anti-Fraud and Corruption Strategy
- Business Continuity Plans
- Training and Support

The key issues for 2010/11 and beyond included:-

- Corporate Risk Profile and Risk Management Strategy
- Comprehensive Area Assessment
- Risk Management Funds
- Self-Insurance Provisions and Reserves

Attached to the report for Members information were the Performance Indicators and a copy of the Corporate Risk Register. Members noted the risk issues and the risk identification and assessment and the proposed risk management.

RESOLVED that the report be accepted.

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23/10 **Statement of Accounts 2009/10**

Consideration was given report on the Council's Statement of Accounts for 2009/10.

The Accounts and Audit Regulations 2003 (amended 2006) required all authorities in England to prepare their Statements of Accounts for 2009/10 by 30th June 2010. The setting of this date was one of the steps introduced by the HM Treasury to bring forward the closure process ensuring that all public bodies complete and gain approval of their Statements by a set deadline. This requirement was detailed within the Governments regulation "Whole of Government Accounts (WGA)" and would enable the HM Treasury to consolidate all public body accounts to assist policy making and proper financial management.

To ensure the Governments timescales were met a detailed timetable had been in place for a number of years. This timetable was reviewed on an annual basis to resolve potential problem areas and the process was fully supported by the Corporate Management Team. The Council had met its deadlines and had worked closely with the Audit Commission to ensure the changes to Financial Standards, Practices and Reporting that had been introduced in 2009/10 had been introduced and adopted.

Officers presented detail on the WGA and closure of accounts process. This included a brief presentation on key financial issues included within the Statement and processes employed by the Council to identify key stakeholder requirements. A copy of the full Statement of Accounts was available in the Members Library, a draft statement was available on the Internet and a Summary Statement of Accounts was attached to the report for information.

In accordance with the Comprehensive Performance Assessment (CPA) Framework the Statement of Accounts, including the Corporate Governance Statement, and the approval process was subject to close and detailed scrutiny by Members. To assist the scrutiny process the following key financial issues had been identified to help the debate:-

- Fixed Assets - the Council's valuation of its assets amounts to £776 million and is an increase of £70 million from 2008/09.
- Income and Expenditure Account – there is an in-year surplus on the Income and Expenditure Account of £6.8 million.
- Long and Short Term Investments amount to £135 million. This is an increase of £18 million from the previous year.
- The Council's current Long and Short Term Borrowing levels have remained at £260 million.
- The Council's earmarked reserves have increased to £71 million which is an increase of £8 million from the previous year.
- The level of General Fund balances at the 31st March, 2010 has increased to £15.2 million and School Reserves stand at £5.7 million.

A requirement of the regulations stated that the lead Member of the Committee must sign the explanatory forward and it was requested that the Committee approve the Statement of Accounts, including the Corporate Governance Statement, enabling the Chair of the Audit Committee to undertake this role.

RESOLVED that the Statement of Accounts for 2009/10 be approved and the explanatory forward be signed by the Chairman.