

# Public Document Pack

## AUDIT COMMITTEE

6 FEBRUARY 2018

Present: Councillors Rankin (Chair), Sinden (Vice-Chair), Charman, Chowney and Davies

### 9. APOLOGIES FOR ABSENCE

None.

### 10. DECLARATIONS OF INTEREST

None.

### 11. MINUTES OF THE MEETING HELD ON 21 SEPTEMBER 2017

**RESOLVED** – (unanimously) that the minutes of the meeting held on 21 September 2017 be approved and signed by the Chair as a true record.

### 12. HOUSING BENEFITS GRANT SUBSIDY FOR THE YEAR ENDED 31 MARCH 2017

The Assistant Director, Financial Services and Revenues, presented the BDO report which summarises the matters arising from the certification of the Housing Benefit Subsidy Claim for the financial year ended 31 March 2017. The report also included the amount of fees incurred.

He informed the committee that external audit did a lot of work reviewing the Housing Benefit subsidies claim and internal testing work undertaken. It was explained that the variation in fees in their report depends on the sampling. Some claims are straight forward, some go back 10 years and take a lot of time to justify, hence we see a variation on fees and charges against that projected.

Last year was satisfactory. We have again appointed Branch & Lee, Housing subsidy maximisation experts, to review this year's benefits claim and anticipate another smooth process for the 2017/18 audit.

Councillor Sinden queried why the £24,000 swing to Hastings BC was so large. It was explained that this is relatively small in the context of a £50m claim. There will always be errors in the claims given, some are local authority error and others are claimant error, for example, on self-employed earnings there can be different interpretations. He was assured though that overall the error rate is very low.

Councillor Davies queried what happens to the increase in subsidy of £24,000 and was informed that it is in our bank account – offsetting the costs incurred.

Councillor Davies queried whether benefit overpayments and hence funding was impacted as a consequence of bedroom tax. He was informed it was and arises when

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someone exceeds the number of bedrooms to which they are entitled or are not 'disabled exempt' – in which case an overpayment can arise.

Councillor Rankin asked whether Branch & Lee provide value for money.

The Assistant Director Financial Services and Revenues said that they provide good value for money and cost between £22,000-£25,000 a year. Their costs have been offset by the subsidy received. If we stay below error rate, we can recover more subsidy. He added it is important to make as few errors as is possible and we have never exceeded the set error rate where we could lose in excess of £100,000 if it were to be exceeded.

Branch & Lee are good value and also produce an information sheet detailing errors occurring and steps that can be taken to improve accuracy. This provides a valuable learning and training document for staff.

Councillor Sinden proposed a motion to approve the recommendation as set out in the resolution below. This was seconded by Councillor Chowney.

### **RESOLVED (unanimously) that**

- 1. To accept the External Auditor's Report on the Audit of the Housing Benefit Subsidy Claim for the year ended 31 March 2017.**

The reason for the decision was: BDO undertake the grant claim certification as an agent of Public Sector Audit Appointments (PSAA) Ltd, in accordance with the Certification Instruction (CI) issued by them after consultation with the Department for Work and Pensions (DWP).

The Audit Committee role includes receipt and consideration of all reports produced by the External Auditors which are directed to Hastings Borough Council.

### **13. TREASURY MANAGEMENT, ANNUAL INVESTMENT STRATEGY AND CAPITAL STRATEGY 2018-19**

The Assistant Director, Financial Services and Revenues submitted his report to the Committee to consider the draft Treasury Management, Annual Investment Strategy and Capital Strategy and make recommendations to Cabinet and Full Council as appropriate, to ensure that there is an effective framework for the management of the Council's investments, cash flows and borrowing activities. The Council has some £41.1 million of debt as at 23 January 2018, and investments which can fluctuate between some £15 million and £30 million in the year.

There is a statutory requirement to determine, by full Council, the Treasury Management Strategy Statement, Minimum Revenue Provision (MRP) Policy and Annual investment Strategy prior to the start of the new financial year.

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The report was set out in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management.

He referred to the changes in this year's strategy and said that he had received new investment guidelines from the Government on Friday and MRP Guidance position. It leaves no time to produce a Capital Strategy for 2018/19, but steps can be taken in 2018/19 to produce one in time for 2019/20 - as required by the Code of Practice.

Committee members asked many detailed questions covering transparency, whether there is flexibility in the capital strategy, PWLB, MRP guidance commercial property purchase, Housing Company, short term investments, borrowing to cover cash flow and other items.

The Assistant Director, Financial Services & Revenues provided comprehensive replies to all of the queries.

Councillor Davies proposed a motion to approve the application subject to the amendment of Condition 3 to add the words 'Capital Strategy'. This was seconded by Councillor Chowney.

### **RESOLVED (unanimously)**

- 1. The Audit Committee recommend that the Council adopts the new CIPFA Treasury Management Code of Practice (2017).**
- 2. The Council formally adopts, as part of the Council's Constitution and financial rules the four clauses recommended by the Code of Practice as detailed in Appendix 8.**
- 3. The Audit Committee recommend that the Council approve the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy, Annual Investment Strategy, and Capital Strategy.**
- 4. That the strategies continue to be reviewed in 2018/19 in the light of the requirements of the new Codes of Practice and that the Financial rules and Financial Operating Procedures of the Council are reviewed and amendments proposed as necessary.**
- 5. That the authorised limit for external debt is increased by £10m to allow for short term borrowing for cash flow purposes at year end in particular.**

The reason for the decision was: The Council seeks to minimise the costs of borrowing and maximise investment income whilst ensuring the security of its investments. The Council is seeking to increase opportunities for income generation, particularly where there are benefits to the residents of Hastings in doing so, and this will continue to involve the Council in taking on additional borrowing. The sums involved are large and the assumptions made play an important part in determining the annual budget. A new CIPFA Code of Practice (2017 Edition) has been released to take account of the more commercialised approach being adopted by councils and

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the enhanced levels of transparency required. The Code represents best practice and helps ensure compliance with statutory requirements.

The Council has the ability to diversify its investments and must consider carefully the level of risk against reward against a background still of historically low interest rates. Investments can help to close the gap in the budget in the years ahead and thus help to preserve services.

### **14. UPDATE ON FINANCIAL ASPECTS OF THE PRIVATE RENTED SECTOR SELECTIVE LICENSING SCHEME**

The Assistant Director, Financial Services & Revenues presented a report to update the Audit Committee on the financial aspects of the above scheme following the internal audit report on Selective Licensing undertaken by Price Waterhouse Coopers LLP to the 21<sup>st</sup> September 2017 Committee.

The Assistant Director, Financial Services & Revenues updated the committee on the progress made in implementation of the recommendations made in the Price Waterhouse Coopers audit report. He concluded that there was clear evidence of improvement and that the degree of implementation of the recommendations was acceptable.

Councillor Chowney proposed a motion to approve the application as set out in the resolution below. This was seconded by Councillor Sinden.

#### **RESOLVED (unanimously)**

- 1. To ensure that future schemes are subject to a stringent sensitivity analysis which is completed across services prior to the commencement of the scheme.**
- 2. To ensure that information supplied for regular monitoring is robust in order to allow informed decisions to be made.**
- 3. To ensure that all the data produced by the core systems is sufficiently reliable to allow for the accurate assessment of Income levels.**

The reason for the decision was: To ensure income is correctly reported for statutory reporting purposes and to enable robust and frequent monitoring. Up to date and accurate information will allow informed decision to be made for adaptations to the business plan and ensure suitable financial controls are in place.

### **15. CHIEF AUDITOR'S SUMMARY AUDIT AND RISK REPORT**

The Chief Auditor presented a report which informed the committee of the key findings from the Housing Benefit and Council Tax Reduction audits.

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The purpose is to ensure the council has the right processes and procedures for monitoring each agreement and ensuring complete accurate and timely receipt of all income due.

The review had found that the controls in place were good and worked effectively and no significant audit concerns were raised.

There followed some detailed discussion on Housing Benefit and on the Council Tax Reduction Scheme that enabled a greater understanding of these functions.

Councillor Chowney proposed a motion to approve the recommendation as set out in the resolution below. This was seconded by Councillor Davies.

**RESOLVED (unanimously) that the Audit Committee accepts the report.**

The reason for the decision was: To monitor levels of control within the organisation.

### **16. NOTIFICATION OF ANY ADDITIONAL URGENT ITEMS (IF ANY)**

None.

(The Chair declared the meeting closed at. 7.46 pm)

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