

Broads Authority

Financial Scrutiny and Audit Committee

Minutes of the meeting held on 12 February 2013

Present:

Mr G McGregor – Chairman

Mr D A Broad
Mr P Durrant

In Attendance:

Dr J Packman – Chief Executive
Mr T Adam – Head of Finance
Mr R G Holman – Director of Change Management and Resources
Mr J W Organ – Head of Governance and Executive Assistant
Ms T Wakelin – Director of Operations

Also Present:

Ms E Hodds – Deputy Audit Manager
Ms J Penn – Treasurer and Financial Adviser

3/1 Apologies for Absence

Apologies for absence were received from Dr J S Johnson and Mr N Dixon.

3/2 Matters of Urgent Business

There were no matters of urgent business.

3/3 Declarations of Interests

Members expressed declarations of interest as set out in Appendix 1 to these minutes.

3/4 Minutes of the Financial Scrutiny and Audit Committee Meeting held on 4 December 2012

The minutes of the meeting held on 4 December 2012 were approved as a correct record and signed by the Chairman.

3/5 Public Question Time

No questions were raised by members of the public.

3/6 Financial Planning and Budgeting: Earmarked Reserves Strategy and Asset Management

The Committee received a report setting out the issues to be considered in determining the appropriate level of earmarked reserve balances in future years. The recent asset management report to the Navigation Committee and Broads Authority had recommended that contributions to reserves of approximately £250,000 per annum would be necessary to provide for a planned approach to the maintenance and replacement of assets. Two broad options for the consolidation of the Authority's earmarked reserves were considered and members noted that External Audit had advised that it is a matter for the Authority to determine its approach to the management of reserves, and that they would only comment where overly high levels of reserves were being established.

Members considered a proposal to consolidate the majority of the current reserves into three main headings of: Property; Plant, Vessels and Equipment; and Premises. Specific reserves would also still be maintained for the Planning Delivery Grant, Sustainable Development Fund and Section 106 Agreements. Two further earmarked reserves were proposed in relation to ring-fenced income for the Trinities and Upper Thurne Enhancement Schemes. The Implementing Electronic Governance reserve has been used in 2012/13 and it was proposed that the balances in other reserves with a minimal balance (Mobile Phone reserve and Fen Management Equipment reserve) be returned to revenue budgets for 2013/14 and closed. It was noted that the reserves held for the STEP and PRISMA projects would continue to be held separately. Although it was anticipated that the balance of these reserves would be fully utilised in delivering the projects, any balance remaining (should there be one) would be released back to the general National Park or Navigation reserves at the end of the projects as appropriate. In the case of PRISMA, any residual balance would be transferred to an appropriate reserve and used to support dredging activity.

It was emphasised that consolidation would lead to some limitations in the ability to track money from its original source through the currently established reserves and into any new consolidated reserves. Members considered that it would be important to be able to determine where the reserve provisions had been contributed from, in terms of National Park or Navigation contributions, to enable expenditure from the reserves to be apportioned accordingly. On the condition that such a distinction between the two contributions could be maintained, members supported the consolidation of the reserves to allow these to be used with more flexibility in the future. Members also noted that some of the reserve provisions were ring fenced for a certain area and that it would also be important to be able to maintain such distinction within the reserves.

Members noted the potential commitments and liabilities for the three main reserve headings being proposed and supported that adequate provision needed to be made in accordance with Appendix A of the report.

RESOLVED

- (i) that the current reserves be consolidated into three main reserve headings (of: Property; Plant, Vessels and Equipment; and Premises) with additional specific reserves maintained for the Planning Delivery Grant, Sustainable Development Fund, Implementing Electronic Governance, Mobile Phone Upgrade, Section 106 agreements, the Trinities and Upper Thurne Enhancement Scheme;
- (ii) that the establishment of earmarked reserves in respect of ring-fenced income, as set out in paragraph 4.4 of the report, be approved;
- (iii) that the release of funds from those earmarked reserves with a minimal balance into 2013/14 budgets and the closure of these reserves, as set out in paragraph 4.6 of the report, be approved; and
- (iv) that contributions to reserves for the period to 2014/15, as detailed in Appendix A, be supported.

3/7 Review of Contractual Procedures

The Committee had considered a question from a member at the last meeting relating to the Authority's contractual procedures as a result of concerns expressed about the letting of a recent contract. In response to these concerns, a review of the process had been carried out by the Director of Operations and a number of actions had been proposed to improve the Authority's contractual arrangements.

Members noted that no provision had been made for mobilisation and preliminaries for the contract and agreed that, when developing future internal estimates of work, the figures should include the cost of mobilisation and preliminaries. Members also considered that a further 20% should be added for the profit element for a more realistic commercial price estimate, but that only 5% should be allowed for any mark up of additional work by contractors. Members also supported the use of a new clause requiring any sub-contracting to be agreed in advance and that details of such sub-contracting would need to be detailed in the formal tender response.

Paragraph 3.1 of the report proposed an additional paragraph to be added to Standing Orders Relating to Contracts to cover any event when the contract estimate was incorrect and the quotations received would have resulted in a different process being applied. This clause would require the procurement process to either be re-run following the appropriate process, or a Waiver of Standing Orders to be completed. Members supported this proposed amendment.

Paragraph 3.2 of the report also highlighted a proposed amendment to Standing Orders Relating to Contracts concerning waiving the need to seek competitive quotations or tenders if working in partnership with another public sector organisation, when that other organisation had already undertaken such a process; subject to the Authority being satisfied that the process was fair and robust and that the expenditure represented good value in the use of public money. Members supported this proposed amendment on the condition that the other organisation was funding 50% or more of the work.

Members requested a review of the £25,000 limit within Standing Orders Relating to Contracts and asked that the Standing Orders Relating to Contracts be brought back to the next meeting for review.

RESOLVED

- (i) that the proposed amendments to the Authority's contractual procedures as set out in paragraph 2 of the report be noted; and
- (ii) that the proposed changes to Standing Orders Relating to Contracts, as set out in paragraphs 3.1 and 3.2 of the report (subject to the proposed change in paragraph 3.2 being amended to be applicable for when the other organisation was funding 50% or more of the work), be approved.

3/8 Consolidated Income and Expenditure: 1 April to 31 October 2012

The Committee received a report summarising actual income and expenditure for the nine month period to 31 December 2012 and a forecast of the projected expenditure at the end of the financial year.

The consolidated actual income was £5,635,131 as at 31 December 2012 and the forecast outturn was expected to be broadly in line with the original budget at £6,629,174. Consolidated actual expenditure was £5,142,619 as at 31 December 2012 and the forecast outturn was expected to be £7,711,770, representing an increase of £594,402 on the original budget.

Members noted the reasons why the forecast outturn position had been adjusted, which included a reduction of £35,000 in Practical Maintenance costs, a reduction of £14,000 in Strategy and Project costs, an increase of £15,000 in the forecast costs of legal services and an adjustment of £76,000 to the forecast use of reserves in respect of the New Office Accommodation reserve. Members also reviewed the list of significant variances.

RESOLVED

that the report be noted.

3/9 Outcomes of Audit Committee Self Assessment Exercise 2012/13

The Committee received a report summarising the outcomes of the review of the Self Assessment exercise undertaken by members against a checklist of

measures designed to test whether they were suitably equipped to perform their role on behalf of the Authority. The information generated by the Self Assessment exercise would help to inform the annual review of effectiveness of Internal Audit, which in turn would assist with the completion of the Annual Governance Statement. The report provided six action points within an action plan to ensure full compliance with the Self Assessment checklist.

Members noted that the private discussions to be held with the Committee would be scheduled to be held in advance of the next meeting, to satisfy Action Point 5. It was also noted that the Terms of Reference for the Committee would be amended to include the approval of the Authority's Financial Regulations, Standing Orders Relating to Contracts and fraud, corruption and bribery arrangements, which would meet the requirements of Action Point 4.

RESOLVED

- (i) that the outcomes of the Self Assessment exercise be noted;
- (ii) that the action plan be agreed.

3/10 Implementation of Internal Audit Recommendations: Summary of Progress

The Committee received a report concerning the progress in implementing Internal Audit recommendations arising out of audits carried out since 2008/09. There had been no change in the position since the last meeting of the Committee in December. Consequently, three recommendations remained outstanding. There were two medium priority recommendations concerning the compilation of procedures for toll income and reviews of planning policies and procedures. These were scheduled to be completed by the end of March 2013. One low priority recommendation concerning the implementation of changes to job descriptions would be completed by the same date.

RESOLVED

that the report be noted.

3/11 Internal Audit's Terms of Reference, Code of Ethics, Audit Strategy, Strategy and Annual Audit Plans and a Summary of Internal Audit Coverage for 2013/14

The Committee received a report providing an overview of the stages followed prior to the formulation of the Strategic Audit Plan for 2013/14 to 2015/16 and the Annual Audit Plan for 2013/14. The report also clarified the links between Internal Audit's Terms of Reference, Performance Indicators, Strategy, and its Strategic and Annual Audit Plans, as well as detailing the way in which Internal Audit would operate in the year ahead.

Members noted that it had been agreed that two-yearly rather than annual audit opinions would be provided with regard to the Authority's system of risk management and corporate governance, but that this might have to revert to an annual basis once guidance on audit standards had been provided.

RESOLVED that

- (i) Internal Audit's Terms of Reference and Performance Indicators for 2013/14;
- (ii) Internal Audit's revised Code of Ethics for 2013/14;
- (iii) Internal Audit's Strategy for 2013/14;
- (iv) the Strategic Audit Plan for 2013/14;
- (v) the Annual Audit Plan for 2013/14; and
- (vi) the Summary of Internal Audit Coverage for 2013/14

be approved.

3/12 Other Items of Business

There were no further items of business which the Chairman decided should be considered as a matter of urgency pursuant to Section 100B (4) (b) of the Local Government Act.

3/13 Formal Questions

There were no formal questions.

3/14 Date of Next Meeting

The next meeting of the Committee would be held on Tuesday 9 July 2013 at Yare House, 62 – 64 Thorpe Road, Norwich, commencing at 2:00pm. A private meeting of the Committee with Internal Audit would be held just prior to the meeting, commencing at 1:00pm.

3/15 Exclusion of the Public

RESOLVED

that the public be excluded from the meeting under section 100A of the Local Government Act 1972 for consideration of the following items on the grounds that they involved the likely disclosure of exempt information as defined by Paragraph 3 of Part 1 of Schedule 12A to the Act as amended.

3/16 Dragonfly House Costs

The Committee received a report concerning the need to make provisions for occupancy related costs for Dragonfly House.

RESOLVED

- (i) that a provision be made in the 2012/13 accounts to make a full and final settlement to Defra Estates; and
- (ii) that the provision be held in the accounts until such time as there was clarity with regard to these costs.

3/17 Voluntary Redundancies: Augmented Pension Contributions

The Committee received a report setting out the detail of minor changes to the organisational structure involving the HR Team and the financial implications of two redundancies. Members considered whether the Authority should award augmented pension contributions.

RESOLVED

- (i) that the minor changes to the organisational structure involving the HR Team and the financial implications of the two voluntary redundancies be noted; and
- (ii) that augmented pension contributions should be awarded to the two staff being made redundant.

The meeting concluded at 3:50pm

CHAIRMAN

APPENDIX 1**Declaration of Interests**

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 12 February 2013

Name Please Print	Agenda/ Minute No(s)	Nature of Interest (Please describe the nature of the interest)	Please tick here if the interest is a Pecuniary Interest ✓
G McGregor	General	Member of Suffolk County Council	
D A Broad	General	Toll Payer, Member of Great Yarmouth Port Consultative Committee	