

Broads Authority

Financial Scrutiny and Audit Committee

Minutes of the meeting held on 4 December 2012

Present:

Mr G McGregor – Chairman

Mr D A Broad
Mr N Dixon
Mr P Durrant
Dr J S Johnson

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

Also Present:

Ms E Hodds – Deputy Audit Manager
Mr D Riglar – Audit Manager, Ernst and Young

2/1 Apologies for Absence

All members were present.

2/2 Matters of Urgent Business

There were no matters of urgent business.

2/3 Declarations of Interests

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

2/4 Minutes of the Financial Scrutiny and Audit Committee Meetings held on 10 July 2012 and 21 September 2012

The minutes of the meetings held on 10 July 2012 and 21 September 2012 were approved as correct records and signed by the Chairman.

2/5 Public Question Time

No questions were raised by members of the public.

2/6 Financial Budgeting and Monitoring

The Committee received a report concerning the current budgeting and monitoring procedures in place within the Authority. New procedures and training had been implemented during 2012/13 to improve the robustness of budget-setting. This had focused on the budget monitoring process, the financial accounting system and suggested approaches to profiling budgets and predicting forecast outturns. The report appended a new Budget Management Procedure which provided detailed guidance to budget managers on the practicalities on how to manage their budgets.

It was noted that, following the reorganisation in 2011, the budget had been set top down to facilitate the large reductions required. Members discussed the need for budget holders to be involved in the budget setting process and noted that this was now the case. Members also stressed the importance that the budget should follow the Authority's policies, reflecting the Business Plan, strategic objectives and strategic direction of the Authority. The new procedures would help to enable more strict project management of the budgets, which should allow spend to conform to the budgets and profiles. It was considered that it would be beneficial to include more details of any committed spend within the commentary on individual budgets, to help explain that variations to the profiled spend would be addressed when invoices for such commitments had been paid.

RESOLVED

that the budget monitoring process as set out in the report be noted.

2/7 Investment Strategy and Performance Six Monthly Report 2012/13

The Committee received a report setting out the Authority's investment of surplus cash, including the investment principles adopted and performance during the six months to 30 September 2012.

The investment of surplus cash was governed by a Service Level Agreement between the Authority and Broadland District Council. There was currently a balance of £2.49M with a planned withdrawal of £1M to fund capital works in December 2012. Members noted that interest rates were still very low, but that Broadland Council's low risk appetite meant that the Authority's surplus cash had a very low exposure to risk.

The Authority also currently has a twelve month investment of £1M placed with Barclays Bank at a fixed interest rate of 1.8% maturing in April 2013. It was noted that current interest rates are significantly lower than this. Options for reinvesting this sum will be explored closer to the investment's maturity.

RESOLVED

that the current arrangements regarding the investment of surplus cash be noted.

2/8 Consolidated Income and Expenditure: 1 April to 31 October 2012

The Committee received a report summarising the actual income and expenditure for the six month period to 30 September 2012 and a forecast of the projected expenditure at the end of the financial year. An update providing the actual income and expenditure for the period to 31 October 2012 was tabled during the meeting.

The consolidated actual income was £5.6M as at 31 October 2012 and the forecast outturn was expected to be £6,637,174; which was slightly below the original budget. Consolidated actual expenditure was £3.632M as at 31 October 2012, which was approximately £400,000 underspent. This was primarily due to timing differences with paying invoices and the forecast outturn for the end of year was still on track. Members reiterated the need to include more details of any committed spend within the commentary on individual budgets, to help explain that variations to the profiled spend would be addressed when invoices for commitments had been paid.

RESOLVED

that the report be noted.

2/9 Audit Committee Self-Assessment Exercise 2012/13

The Committee received a report covering the Chartered Institute for Public Finance (CIPFA) advocacy for the Committee to conduct regular self assessments against a checklist of measures to determine whether the Committee was suitably equipped to perform its role. All members had responded to the self assessment questionnaire.

The Deputy Internal Audit Manager addressed several points raised as a result of the self assessment. It was considered that the FSAC was now periodically assessing its own effectiveness by undertaking the self assessment exercise. Training of new FSAC members would be provided by Internal Audit and general training would be provided on a topic by topic basis. It was noted that the Committee's terms of reference would be reviewed in March 2013 and this would include the addition of delegated responsibility to manage the risk of fraud. Annual private discussions would also be scheduled with the Head of Internal Audit, potentially just before the February Committee meeting. It was also recognised that outline agendas would need to be planned a year ahead on a cyclical basis. The Head of Internal Audit would generate an action plan to cover these issues.

Members noted that the Annual Governance Statement would provide a demonstration of how effective the FSAC and the Authority had been. The Head of Internal Audit would provide individual feedback to members on their self-assessments and provide future self-assessments in Word format for ease of completion.

RESOLVED

that an Action Plan be developed by the Head of Internal Audit to address the issues raised within the self-assessments.

2/10 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. A number of recommendations had been implemented since the last meeting of the Committee, and members noted that only 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 end December 2012 and end March 2013 respectively. One low priority recommendation concerning the implementation of changes to job descriptions would be completed by end December 2012.

Members noted that a further Computer Audit Needs Assessment would be undertaken in 2013, following the office move.

RESOLVED

that the report be noted.

2/11 Annual Review of Strategic Risk Register

The Committee received a report from the Director of Change Management and Resources providing an updated Strategic Risk Register which had incorporated issues raised during the annual review with the Management Forum and the six monthly reviews with risk owners.

The updates to the Strategic Risk Register were reviewed by the Committee. Members were also updated during the meeting on the risks concerning volunteers and noted that the Generic, Site Specific and Public Risk Assessment for volunteers had now been completed, as had the implementation of the Volunteer Strategy.

Members noted that the Business Continuity Plan and Disaster Recovery Plan would need to be updated to reflect the move to Yare House and the relocation from the Field Base and considered that it would be advisable for officers to hold an exercise to test the arrangements when this had been completed.

RESOLVED

that the updated Strategic Risk Register, together with the updates on the risks concerning volunteers be approved.

2/12 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.

2/13 Formal Questions

A formal question from Mr Broad had been submitted to the Committee. The question is detailed in Appendix 2, together with the Authority's response which was provided by the Chairman of the Committee.

2/14 Date of Next Meeting

The next meeting of the Committee would be held on Tuesday 12 February 2013 at Yare House, 62 – 64 Thorpe Road, Norwich, commencing at 2:00pm.

The meeting concluded at 11:10am

CHAIRMAN

APPENDIX 1

Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 4 December 2012

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 ✓
D A Broad	General	Toll Payer	

Formal Question Provided to FSAC on 4 December 2012

Question from Mr D Broad

“Are the Chief Executive, Director of Operations and Director of Change Management and Resources fully satisfied that all proper contractual procedures were followed with regard to the letting of works to replace markers in the Bure mouth portion of Breydon Water.

Are the same officers also satisfied that best value was obtained for Toll Payers when it is alleged (and is it true) that a principle contract was let to Land and Water subcontracted by them to Red7 of Ipswich for less money.

Is it further true that members of our direct works team felt that they were capable of undertaking the works after checking that labour and equipment resources available and were not given a full explanation of why this course of action was not considered and reported upon. Also that local firms who felt that they were capable of doing the works were not invited to tender to do so?”

Answer from Chairman of the FSAC

Breydon piling works – channel marker removal and installation

The original specification and budget cost for the essential channel marking works was estimated at below £25,000, which requires a minimum of three written quotes in accordance with Section 11 of the Authority’s Standing Orders Relating to Contracts. When preparing to let the contract for works at Breydon Water consideration was given to relevant contractors operating in the region known to have large cranes, large vibratory piling hammers, floating platforms and diving capability. Subsequently four specialised contractors were contacted directly and invited to quote (Red 7 Marine, Land and Water Services Ltd, Bam Nuttall and May Gurney). The Authority subsequently received two quotes of which Land and Water Services was the cheapest.

Due to the higher than expected value of the quotes received the Authority undertook further discussion and negotiation with Land and Water Services Ltd and it was agreed that the essential items could be undertaken with the proposed methodology for the final reduced sum of £60,944.77. It was considered that this represented good value for the specialist works. The contract was then awarded to Land and Water Services Ltd on 11 October 2012.

The method statement and risk assessment were developed further on award of the contract and prior to completing the works by Land and Water Services Ltd who also supervised the contract, completed the procurement and arranged for the waste disposal arising from the works. Land and Water Services Ltd subcontracted Red7 Marine (who had been invited to quote but declined to provide a response) to undertake the site works which included the post removal and pile driving.

The issue of works at Breydon was widely discussed at all levels within the Operations Directorate, including the Operatives. The issues discussed were:

1. Timings of the works – There was a lack of capacity in house because the Construction and Maintenance Teams already had a full works programme for 2012/13. If the Authority had carried out the works at Breydon it would have meant that some projects would have to have been deferred to 2013/14. It was agreed that current priorities on the rest of the network (in particular the PRISMA funded projects at Salhouse and Duck Broad which are subject to funding deadlines) made this detrimental to the programme and published timescales and agreements for existing works.
2. Budget availability – members had previously agreed the budget for Breydon Water maintenance works in excess of £100,000 for this financial year, and this contract was therefore within budget.
3. The uncertainty of how the works would take place. The Breydon markers were large, rotten and heavy, diving upon them to aid removal was a real possibility and the Authority does not have this skill or supervisory knowledge, so to complete the works in house would carry significant risk.
4. Breydon Water has a very strong tide, and the area at Bure Mouth is the most challenging of all given the confluence and our current plant (anchoring, buoyancy resource) is designed and maintained for inland waters, not marine environments and therefore this aspect of the work would also carry significant risk. Given the time requirements for the work, the time and money needed to upgrade the plant was not available. The Fitters were busy with refits and maintenance on other plant needed to carry out current dredging works.

Having taken account of all of the above, it was agreed and decided to let a contract for these works.

Land and Water Services Ltd had developed the outline risk assessment and method statement for the quotation which identified the need for a large crane to pull the posts, with use of diving contractors as a Plan B. This further confirmed the Authority's view that it did not have the appropriate equipment or expertise to complete the works in house as the Authority has neither this size of crane or access to in house divers.

Having followed due process, which included cost estimation, a full consideration of the scope of works, the ability of the Broads Authority to undertake such work, and subsequent competitive quotation process in accordance with Standing Orders procedure (section 11) the Chief Executive, Director of Operations and Director of Change Management and Resources have satisfied me that all proper contractual procedures were followed with regard to the letting of works to replace markers in the Bure mouth portion of Breydon Water, and that the Broads Authority has secured best value in this regard.

Mr G McGregor
Chairman, Financial Scrutiny and Audit Committee