

South Somerset District Council

Notice of Meeting



Audit Committee

Making a difference where it counts

Thursday 27 June 2013

10.00 a.m.

**Main Committee Room
Council Offices,
Brympton Way,
Yeovil,
Somerset BA20 2HT**

The public and press are welcome to attend.

Disabled Access is available at this meeting venue.



If you would like any further information on the items to be discussed, please ring the Agenda Co-ordinator, **Anne Herridge** on Yeovil (01935) 462570
Email: anne.herridge@southsomerset.gov.uk

This Agenda was issued on Wednesday 19 June 2013

Ian Clarke, Assistant Director (Legal & Corporate Services)

This information is also available on our
website: www.southsomerset.gov.uk



INVESTOR IN PEOPLE

Audit Committee Membership

Chairman Derek Yeomans
Vice-Chairman Ian Martin

John Calvert Roy Mills
John Dyke Terry Mounter
David Norris John Richardson
Tony Lock Colin Winder

South Somerset District Council – Corporate Aims

Our key aims are: (all equal)

- Jobs – We want a strong economy which has low unemployment and thriving businesses
- Environment – We want an attractive environment to live in with increased recycling and lower energy use
- Homes – We want decent housing for our residents that matches their income
- Health and Communities – We want communities that are healthy, self-reliant and have individuals who are willing to help each other

Members’ Questions on Reports prior to the Meeting

Members of the Committee are requested to contact report authors on points of clarification prior to the Committee meeting.

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Information for the Public

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The Audit Committee should review the Code of Corporate Governance seeking assurance where appropriate from the Executive or referring matters to management on the scrutiny function.

The terms of reference of the Audit Committee are:

Internal Audit Activity

1. To approve the Internal Audit Charter and annual Internal Audit Plan;
2. To receive quarterly summaries of Internal Audit reports and seek assurance from management that action has been taken;
3. To receive an annual summary report and opinion, and consider the level of assurance it provides on the council's governance arrangements;
4. To monitor the action plans for Internal Audit reports assessed as "partial" or "no assurance;"
5. To consider specific internal audit reports as requested by the Head of Internal Audit, and monitor the implementation of agreed management actions;
6. To receive an annual report to review the effectiveness of internal audit to ensure compliance with statutory requirements and the level of assurance it provides on the council's governance arrangements;

External Audit Activity

7. To consider and note the annual external Audit Plan and Fees;
8. To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken;

Regulatory Framework

9. To consider the effectiveness of SSDC's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action is being taken;
10. To review the Annual Governance Statement (AGS) and monitor associated action plans;
11. To review the Local Code of Corporate Governance and ensure it reflects best governance practice. This will include regular reviews of part of the Council's Constitution and an overview of risk management;

12. To receive reports from management on the promotion of good corporate governance;

Financial Management and Accounts

13. To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised;
14. To provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices. The committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators to Council;
15. To review and recommend to Council changes to Financial Procedure Rules and Procurement Procedure Rules;

Overall Governance

16. The Audit Committee can request of the Assistant Director – Finance and Corporate Services (S151 Officer), the Assistant Director – Legal and Corporate Services (the Monitoring Officer), or the Chief Executive (Head of Paid Services) a report (including an independent review) on any matter covered within these Terms of Reference;
17. The Audit Committee will request action through District Executive if any issue remains unresolved;
18. The Audit Committee will report to each full Council a summary of its activities.

Meetings of the Audit Committee are held monthly including at least one meeting with the Council's external auditor, although in practice the external auditor attends more frequently.

Agendas and minutes of this committee are published on the Council's website at www.southsomerset.gov.uk

The Council's Constitution is also on the web site and available for inspection in council offices.

Further information can be obtained by contacting the agenda co-ordinator named on the front page.

Audit Committee

Thursday 27 June 2013

Agenda

Preliminary Items

1. **To approve as a correct record the Minutes of the previous meeting held on 23 May 2013**
2. **Apologies for Absence**
3. **Declarations of Interest**

In accordance with the Council's current Code of Conduct (adopted July 2012), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the agenda for this meeting. A DPI is defined in The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 (SI 2012 No. 1464) and Appendix 3 of the Council's Code of Conduct. A personal interest is defined in paragraph 2.8 of the Code and a prejudicial interest is defined in paragraph 2.9.

4. **Public Question Time**

Items for Discussion

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Audit Committee – 27 June 2013

5. 2013/14 SWAP Internal Audit Plan - Revised

Head of Service: Gerry Cox, Chief Executive - SWAP
Lead Officer: Andrew Ellins, Audit Manager
Contact Details: andrew.ellins@southwestaudit.co.uk

Purpose of the Report

This report has been prepared for the Audit Committee to agree the proposed changes to the 2013-14 Internal Audit Plan.

Recommendation

To agree the new Audit Plan attached as Appendix A.

Background

The Audit Committee agreed the 2013/14 Internal Audit Plan at its February meeting. Since then the Audit Manager and the S151 Officer have identified higher risks and also looked to allocate time that had previously been a 'Contingency' within the approved total plan of 419 days.

There has also been an announcement by Grant Thornton that they will be placing a different level of assurance on the annual 'key control' audits that have always been part of the audit plan. As such, the S151 Officer and the Audit Manager have looked into more added value reviews that will still provide ongoing assurance in respect of the key financial systems whilst not being directed and prescribed by the audit programmes designed by the Audit Commission (former External Auditors).

Appendix A – Revised Internal Audit Plan 2013-14.

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers:

None.

SDDC REVISED Internal Audit Plan 2013-14

Follow-Up Audits		Comments
2012-13 Audits receiving Partial Assurance	15.00	
Total	15.00	
Key Control Audits		
Capital Accounting	0.00	replaced with governance audits
Council Tax and NNDR	0.00	replaced with governance audits
Creditors	0.00	replaced with governance audits
Debtors	0.00	replaced with governance audits
Housing and Council Tax Benefits	0.00	replaced with governance audits
Main Accounting	0.00	replaced with governance audits
Payroll	0.00	replaced with governance audits
Treasury Management	0.00	replaced with governance audits
Total	0.00	was 95 days
Governance, Fraud and Corruption Audits		
Cash Receipting and Bank Reconciliation	15.00	replaced Main Accounting
Council Tax Reduction Scheme	15.00	replaced Council Tax
Housing Benefits Fraud Prevention	20.00	replaced Housing Benefits
Social Networking	5.00	replaced Contingency
Troubled Families	10.00	
Boden Mill and Chard Regeneration Scheme Statement of Accounts	3.00	
Yeovil Crematorium and Cemetery Annual Return	5.00	
Fighting Fraud Locally	15.00	
Corporate Procurement Cards	15.00	
Use of Cash Collection Contractors: Banking (Loomis) and Bailiffs	15.00	
Resource Centre - Contract Compliance	15.00	
Business Rates - Managing New Risks and Liabilities	15.00	replaces NNDR
Debt Management	15.00	
Asset Management - Leasing	15.00	
Unofficial Voluntary Funds	15.00	
Total	193.00	
IT Audits		
Mobile and Remote Working	0.00	replaced with higher ICT risks
ICT Strategy	10.00	replaced Contingency
Event, Incident and Problem Management	15.00	replaced Contingency
Disaster Recovery Planning	10.00	replaced Contingency
Total	35.00	
Operational Audits		
Payroll Service	20.00	
Fleet Workshop and Stores	20.00	
Town Council Licensing Controls	15.00	
Careline Income	10.00	
Car Parks Income	10.00	
Goldenstones Income	10.00	
Homelessness Prevention Income	10.00	
Licensing Income	10.00	
Octagon Theatre Income	10.00	
Plant Nursery Income	5.00	
Section 106 Agreements Income	5.00	
Wincanton Sports Centre Income	10.00	
Total	135.00	
Follow-Up Audits		15.00
Key Control Audits		0.00
Governance, Fraud and Corruption Audits		193.00
IT Audits		35.00
Operational		135.00
TOTAL AUDIT TIME		378.00
Corporate Meetings	12.00	
Corporate Advice	9.00	
External Audit (Grant Thornton)	3.00	
General Advice	12.00	
Waste and Recycling (County Wide)	5.00	
Total Plan Days	419.00	

Audit Committee – 27 June 2013

6. 2012/13 Treasury Management Activity Report

Chief Executive: Mark Williams
Assistant Director: Donna Parham – Finance and Corporate Services
Service Manager: Amanda Card - Finance
Lead Officer: Stephen Meers – Interim Accountant
Contact Details: stephen.meers@southsomerset.gov.uk or (01935) 462612

Purpose of Report

1. To review the treasury management activity and the performance against the Prudential Indicators for the 2012/13 financial year as prescribed by the revised CIPFA Code of Practice and in accordance with the Council's Treasury Strategy and Annual Investment Policy and Treasury Management Practices.

Recommendations

2. The Audit Committee are requested to:
 - Note the Treasury Management Activity for the 2012/13 financial year;
 - Note the position of the individual prudential indicators for the 2012/13 financial year;
 - Note the outlook for the investment performance in 2013/14.

Background

3. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. The Council reports six monthly to Full Council against the strategy approved for the year. The scrutiny of treasury management policy, strategy and activity is delegated to the Audit Committee.
4. Treasury management in this context is defined as:

"The management of the local authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks".
5. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.

Summary of Investment Strategy for 2012/13

6. The Council's strategy for investments was based upon minimising risk and safeguarding the capital sum. With short term interest rates remaining lower for longer than anticipated, the investment strategy resulted in the lengthening of investment periods, where cash flow permits, in order to lock into higher rates of

acceptable risk adjusted returns. The problem in the current environment is finding an investment counterparty providing acceptable levels of counterparty risk.

7. In order to diversify the authority's investment portfolio which is largely invested in cash, investments have been placed with a range of approved investment counterparties in order to achieve a diversified portfolio of prudent counterparties, investment periods and rates of return.
8. Money Market Funds (MMFs) are being utilised but good treasury management practice prevails and whilst MMFs provide good diversification the Authority utilises more than one MMF to diversify the exposure. The Authority restricted its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF. In the case of Government MMFs the Council ensured exposure to each Fund did not exceed 2% of the net asset value of the Fund.
9. Security of capital has remained the Council's main objective. This has been maintained by following the Council's counterparty policy as set out in the Treasury Management Strategy Statement for 2012/13. New investments could be made with the following institutions:
 - Other Local Authorities;
 - AAA-rated Money Market Funds;
 - Certificates of Deposit (CDs) and Term Deposits with UK Banks and Building Societies systemically important to the UK banking system and deposits with select non-UK Banks (Australian, Canadian and American);
 - T-Bills and DMADF (Debt Management Office);
 - Bonds issued by Multilateral Development Banks, such as the European Investment Bank;
 - Pooled funds (collective investment schemes) meeting the criteria in SI 2004 No 534 and subsequent amendments.
10. The minimum long-term counterparty credit rating determined for the 2012/13 treasury strategy was A-/A-/A3 across rating agencies Fitch, S&P and Moody's. Throughout the year none of the ratings that were on the Council's lending list fell below the Council's A-/A3 credit rating threshold.
11. The Council considered an appropriate risk management response to uncertain and deteriorating credit conditions in Europe was to shorten maturities for new investments. This has had an impact on investment income.

Interest Rates 2012/13

12. Base rate began the financial year at 0.5% and this has been maintained throughout 2012/13.
13. Our advisors are forecasting that the outlook is for official interest rates to remain low for an extended period, as shown below:

	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Official Bank Rate													
Upside risk			0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

Investment Portfolio

14. The table below shows the Council's portfolio of investments at the start and end of the 2012/13 financial year:

	Value of Investments at 01.04.12 £	Value of Investments at 31.03.13 £	Fixed/ Variable Rate
Investments advised by Arlingclose			
Euro Sterling Bonds	4,182,407	0	Fixed
Certificates of Deposit	0	8,501,524	Fixed
World Bonds	3,035,190	3,028,271	Fixed
Treasury Bills	0	0	Variable
Euro Sterling Bonds	<u>5,985,000</u>	<u>5,985,000</u>	Variable
Total	<u>13,202,597</u>	<u>17,514,795</u>	
Internal Investments			
Short Term Deposits (Banks)	8,000,000	12,000,000	Variable
Short Term Deposits (Other LAs)	14,000,000	5,000,000	Variable
Short Term Deposits (DMADF)	0	0	Variable
Money Market Funds & Business Reserve Accounts	<u>3,710,000</u>	<u>4,810,000</u>	Variable
Total	<u>25,710,000</u>	<u>21,810,000</u>	
TOTAL INVESTMENTS	<u><u>38,912,597</u></u>	<u><u>39,324,795</u></u>	

Returns for 2012/13

15. The returns to 31st March 2013 are shown in the table below:

	Actual Income £'000	% Rate of Return
Investments advised by Arlingclose		
Euro Sterling Bonds (Fixed)	24	
Payden Money Market Fund (VNAV)	5	
World Bonds	23	
Certificates of Deposit	37	
Euro Sterling Bonds (Variable)	<u>49</u>	
Total	138	0.8%
Internal Investments		
Short Term Deposits	226	
Money Market Funds (CNAV) & Business Reserve Accounts	<u>45</u>	
Total	271	0.76%

Other Interest		
Miscellaneous Loans	16	
Total	<u>16</u>	
TOTAL INCOME TO 31st MARCH 2013	<u><u>425</u></u>	0.77%
PROFILED BUDGETED INCOME	<u><u>507</u></u>	
DEFICIT	82	

16. The table above shows investment income for the year compared to the profiled budget. The annual budget was set at £507,030. The figures show a deficit under budget of £81,823.
17. The outturn position was affected by the interest rate set by the Bank of England. Balances were affected by the timing of capital expenditure and the collection of council tax and business rates. Investment periods were shortened due to the conditions in Europe.
18. The actual interest rate received for the year was 0.77% compared to a benchmark rate of return of 0.43%.

Investments

19. The graph shown in appendix B shows the performance of the in-house Treasury team in respect of all investments for the quarter ending 31st March 2013 in comparison to all other clients of Arlingclose.
20. The graph shows that SSDC is in a very good position in terms of the risk taken against the return on investments.

Borrowing

21. An actual overall borrowing requirement (CFR) of £9.4 million was identified at the beginning of 2012/13. As interest rates on borrowing exceed those on investments the Council has used its capital receipts to fund capital expenditure. As at 31st March 2013 the Council had no external borrowing.

Prudential Indicators – 2012/13

Background:

22. In March 2012, Full Council approved the indicators for 2012/13, as required by the Prudential Code for Capital Finance in Local Authorities. The Local Government Act 2003 allows local authorities to determine their own borrowing limits provided they are affordable and that every local authority complies with the code.

Prudential Indicator 1 - Capital Expenditure:

23. The actual capital expenditure incurred for 2012/13 compared to the original estimate is:

	2011/12 Outturn £'000	2012/13 Original Estimate £'000	2012/13 Outturn £'000	2012/13 Variance £'000	Reason for Variance
Approved capital schemes	3,837	4,059	3,078	(981)	The variance is due to slippage within the capital programme from 2012/13 to future years. The 6 largest projects being: Birchfield Sewer Pollution Easement Works (£178k) and New Car Parks (£720k)
Reserve Schemes	0	1,279	0	(1,279)	Variance is due to slippage.
Total Expenditure	3,837	5,338	3,078	(2,260)	

The figures in brackets reflect that actual expenditure was less than budgeted.

Prudential Indicator 2 - Ratio of Financing Costs to Net Revenue Stream:

24. A comparison needs to be made between financing capital costs and the revenue income stream to support these costs. This shows how much of the revenue budget is committed to the servicing of finance.

Portfolio	2011/12 Outturn £'000	2012/13 Original Estimate £'000	2012/13 Outturn £'000	2012/13 Variance £'000	Reason for Variance
Financing Costs	(801)	(397)	(277)	120	Decreased income on investments.
Net Revenue Stream	17,861	16,577	17,102	525	Carry Forwards approved from 2011/12 and incorporated within the budget for 2012/13
%	(4.5)	(2.4)	(1.6)	0.8	

25. The financing costs include interest payable and notional amounts set aside to repay debt less interest on investment income. The figure in brackets is due to investment income outweighing financing costs significantly for SSDC but is nevertheless relevant since it shows the extent to which the Council is dependent on investment income.

Prudential Indicator 3 - Capital Financing Requirement:

26. The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The year-end capital financing requirement for the council is shown below:

	2011/12 Outturn £'000	2012/13 Original Estimate £'000	2012/13 Outturn £'000	2012/13 Variance £'000	Reason for Variance
Opening CFR	9,415	9,503	9,503	0	
Capital Expenditure	3,834	4,059	3,078	(981)	See Prudential Indicator 1 above.
Capital Receipts*	(2,706)	(3,650)	(1,605)	2,045	Due to the reduction in capital spend in 2012/13, financing through capital receipts was reduced.
Grants/Contributions*	(1,131)	(409)	(1,448)	1,039	
Minimum Revenue Position (MRP)	(177)	(125)	(148)	(23)	Additional leases have incurred additional MRP
Additional Leases taken on during the year	268	0	276	276	New leases relating to 1 x chipper, 3 x vans, 4 x ride on mowers and 3 x Tippers (Vehicles)
Closing CFR	9,503	9,378	9,656	278	

*Figures in brackets denote income through receipts or reserves

Prudential Indicator 4 – Net external Borrowing compared to the medium term Capital Financing Requirement:

27. The Council is also required to ensure that any medium term borrowing is only used to finance capital and therefore it has to demonstrate that the net external borrowing does not, except in the short term exceed the total of capital financing requirements over a three year period.

	2011/12 Outturn £'000	2012/13 Revised Estimate £'000	2012/13 Outturn £'000	2012/13 Variance £'000	Reason for Variance
Net Borrowing	(39,551)	(36,014)	(38,939)	(2,925)	The estimate was a prediction of the year end balance based on a forecast usage of capital resources. There was slippage on the capital budget.
CFR	9,503	9,378	9,656	278	See explanations for indicator 3 above

28. The figures above in brackets described as net borrowing actually represent net investments. Our net borrowing is forecast to remain as net investment for the foreseeable future and therefore will not at any time be in excess of the capital financing requirement.

Prudential Indicator 5 - Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

29. The Council must set three years of upper limits to its exposure to the effects of changes in interest rates. As a safeguard, it must ensure that its limit would allow it to have up to 100% invested in variable rate investments to cover against market fluctuations. For this purpose, term deposits of less than 365 days are deemed to be variable rate deposits. Fixed rate deposits are investments in Eurobonds, Corporate Bonds and term deposits exceeding 365 days.

	2011/12 Actual %	2012/13 % Limit	2012/13 Actual %	2012/13 Variance %	Reason for Variance
Fixed	18.6	80	7.7	(72.3)	Within limit
Variable	81.4	100	92.3	(7.7)	Within limit

30. The Council must also set limits to reflect any borrowing we may undertake.

	2011/12 Actual %	2012/13 % Limit	2012/13 Actual %	2012/13 Variance %	Reason for Variance
Fixed	0	100	0	100	SSDC currently has no borrowing
Variable	0	100	0	100	SSDC currently has no borrowing

31. The indicator has been set at 100% to maximise opportunities for future debt as they arise.

Prudential Indicator 6 - Upper Limit for total principal sums invested over 364 days:

32. SSDC must also set upper limits for any investments of longer than 364 days. The purpose of this indicator is to ensure that SSDC, at any time, has sufficient liquidity to meet all of its financial commitments. The following table summarises the position:

Upper Limit for total principal sums invested over 364 days	2011/12 Actual £'000	2012/13 Maximum Limit £'000	2012/13 Actual £'000	Variance £'000	Reason for Variance
Between 1-2 years	9,020	25,000		(25,000)	Within limit
Between 2-3 years		20,000		(20,000)	Within limit
Between 3-4 years		10,000		(10,000)	Within limit
Between 4-5 years		10,000		(10,000)	Within limit
Over 5 years		5,000		(5,000)	Within limit

33. The table above shows that the Council adopts a policy of safeguarding its investments by minimising investments that are redeemable more than five years ahead.

Prudential Indicator 7 - Actual External Debt:

34. The purpose of this indicator is to highlight a situation where the Council is planning to borrow in advance of need

	2012/13 Estimate £'000	2012/13 Actual £'000	2012/13 Variance £'000	Reason for Variance
Outstanding Borrowing (at nominal value)	0	0	0	
Other long-term liabilities (at nominal value)	196	386	190	Additional Leases taken out since setting the budget
Gross Debt	196	386	190	
Less: Net Investments	(36,014)	(39,325)	(3,311)	
Net Debt	(35,818)	(38,939)	(3,121)	

The figures above described as net debt actually represent net investments.

Prudential Indicator 8 – Credit Risk:

35. The Council considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution and its sovereign
- Sovereign support mechanisms
- Credit default swaps (where quoted)
- Share prices (where available)
- Economic Fundamentals, such as a country's net debt as a percentage of its GDP
- Corporate developments, news articles, markets sentiment and momentum
- Subjective overlay

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

Prudential Indicator 9 - Actual External Debt:

36. This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities (this

represents our finance leases). This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2013	£'000
Borrowing	0
Other Long-term Liabilities (Finance Leases)	386
Total	386

Prudential Indicator 10 - Authorised Limit for External Debt:

37. This limit represents the maximum amount that SSDC may borrow at any point in time during the year. If this limit is exceeded the Council will have acted ultra vires. It also gives the Council the responsibility for limiting spend over and above the agreed capital programme. A ceiling of £12 million was set for each year.

	2011/12 Actual £'000	2012/13 Original Estimate £'000	2012/13 Actual £'000	2012/13 Variance £'000	Reason for Variance
Borrowing	0	11,000	0	(11,000)	SSDC currently has no borrowing
Other Long-term Liabilities	389	1,000	386	(614)	Within limit
Total	389	12,000	386	(11,614)	

Prudential Indicator 11 – Operational Boundary for External Debt:

38. The operational boundary sets the limit for short term borrowing requirements for cash flow and has to be lower than the previous indicator, the authorised limit for external debt. A ceiling of £10 million for each of the next three years was set.

	2011/12 Actual £'000	2012/13 Original Estimate £'000	2012/13 Actual £'000	2012/13 Variance £'000	Reason for Variance
Borrowing	0	9,200	0	(9,200)	SSDC currently has no borrowing
Other Long-term Liabilities	389	800	386	(414)	Within limit
Total	389	10,000	386	(9,614)	

Prudential Indicator 12 - Maturity Structure of Fixed Rate borrowing:

39. This indicator is relevant when we borrow, then we can take a portfolio approach to borrowing in order to reduce interest rate risk. This indicator is shown as the Council has set limits in anticipation of future borrowing.

Maturity structure of fixed rate borrowing	2012/13 Upper Limit %	2012/13 Lower Limit %	2012/13 Actual %	2012/13 Variance %	Reason for Variance
Under 12 months	100	0	0	Not applicable	
12 months and within 24 months	100	0	0	Not applicable	
24 months and within 5 years	100	0	0	Not applicable	
5 years and within 10 years	100	0	0	Not applicable	
10 years and within 20 years	100	0	0	Not applicable	
20 years and within 30 years	100	0	0	Not applicable	
30 years and within 40 years	100	0	0	Not applicable	
40 years and within 50 years	100	0	0	Not applicable	
50 years and above	100	0	0	Not applicable	

Prudential Indicator 13 - Incremental Impact of Capital Investment Decisions:

40. SSDC must show the effect of its annual capital decisions for new capital schemes on the council taxpayer. Capital spend at SSDC is financed from additional receipts so the figure below actually shows the possible decreases in council tax if all capital receipts were invested rather than used for capital expenditure.

Incremental Impact of Capital Investment Decisions	2011/12 Actual £	2012/13 Original Estimate £	2012/13 Actual £	2012/13 Variance £
Decrease in Band D Council Tax	0.20	0.34	0.65	0.31

Prudential Indicator 14 - Adoption of the CIPFA Treasury Management Code:

41. This indicator demonstrates that the Council has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 18 th April 2002.

Conclusion

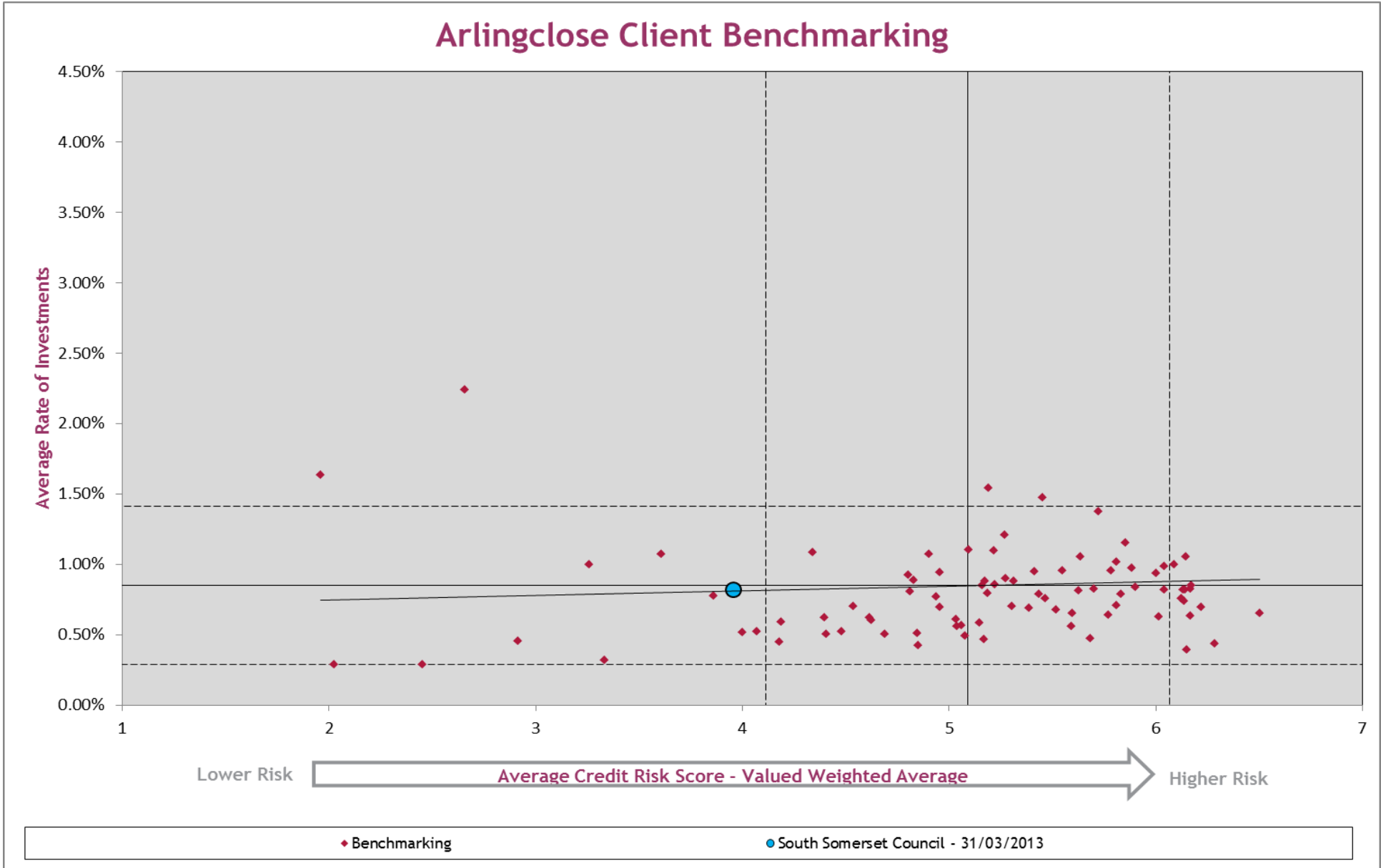
42. The council is currently within all of the Prudential Indicators.

Background Papers: *Prudential Indicators Working Paper, Treasury Management Strategy Statement 2012/13*

Appendix A**Breakdown of Investments as at 31st March 2013**

Date Lent	Counterparty	Amount	Rate	Maturity Date
20/03/13	Barclays Bank	1,000,000	0.88%	20/03/14
31/05/12	Newcastle City Council	3,000,000	0.72%	30/05/13
12/12/12	Barclays Bank Plc	1,000,000	0.98%	12/12/13
11/01/13	Nationwide Building Society	1,000,000	0.76%	17/10/13
17/01/13	Barclays Bank	1,000,000	0.60%	17/07/13
02/08/12	National Australia Bank	1,000,000	0.55%	02/08/13
05/11/12	Bank of Scotland	2,000,000	1.60%	07/05/13
07/01/13	Bank of Scotland	1,000,000	0.80%	08/07/13
12/10/12	Canadian Imperial Bank of Commerce	1,000,000	0.50%	11/10/13
07/11/12	Barclays Bank	1,000,000	1.05%	07/11/13
12/11/12	Nationwide Building Society	1,000,000	0.80%	12/08/13
28/11/12	Birmingham City Council	1,000,000	0.50%	30/09/13
05/03/13	IPA SCB TD Incoming (Santander)	1,000,000	0.65%	13/06/13
12/03/13	Tayside Fire & Rescue	1,000,000	0.48%	12/09/13
	Royal Bank of Scotland*	3,810,000	Base +0.3%	
	Payden Money Market Fund	1,000,000	1.34%	
	Certificate of Deposit	3,000,891	0.97%	02/08/13
	Certificate of Deposit	1,500,335	0.52%	14/10/13
	Certificate of Deposit	2,000,146	0.48%	14/05/13
	Certificate of Deposit	2,000,151	0.43%	18/06/13
	International Bank for Reconstruction and Development (the World Bank)	2,018,846	0.84%	10/12/13
	International Bank for Reconstruction and Development (the World Bank)	1,009,424	0.71%	10/12/13
	Eurobond Floating Rate Note	5,985,000	SONIA+ 0.35%	18/03/14
		38,912,597		

*** Note: Money Market Funds are instant access accounts so the rate displayed is a daily rate**



Audit Committee – 27 June 2013

7. Register of Staff Interests – Annual Report

Leader & Deputy Leader: Ric Pallister & Tim Carroll
Strategic Director: Mark Williams, Chief Executive Officer
Assistant Director: Ian Clarke, Legal and Corporate Services
Lead Officer: Ian Clarke, Legal and Corporate Services
Contact Details: ian.clarke@southsomerset.gov.uk or (01935) 462184

Purpose of the Report

This annual report to the Audit Committee is to advise members of the outcome of the review by the Monitoring Officer of the returns submitted to him by managers detailing any “interests” disclosed by staff working for them. It is important that the council has procedures to guide staff on the need to register and have approval for any interests they have that may impact upon their duties as an employee.

Recommendation

That members note the annual report.

Introduction

Previously the South West Audit Partnership (SWAP) undertook an audit of the adequacy of controls and procedures in place for Register of Interests for Staff across the Council as part of general audit plan work. Although the audit review did acknowledge that the Council complied with the statutory requirements and that there was a robust procedure in place for dealing with any complaints certain improvements were recommended to the process. It was agreed that individual service managers would be responsible for capturing this data at a service level due to there being no resource centrally to manage the process. However in order to ensure consistency it was agreed that service managers should report annually to the Monitoring Officer detailing interests that had been disclosed and where any consents had been given.

Outcome

In brief, staff are required to disclose and managers are required to record any interest that falls in to the broad categories set out below. In addition to the obligation to disclose there is also the requirement that consent may need to be given by the manager to certain activities and the Monitoring Officer would also be aware of this and be able to assess whether such consent should have been given in the first place and where any conditions applied are appropriate or sufficient to protect the Council’s interests.

The categories are:-

- Any contract with the council for the supply of goods, services etc (excluding their contract of employment!);
- Any licence or tenancy agreement with the Council;
- Any connection with any contractors carrying out work for the Council;
- Any other paid employment or business interests;
- Belonging to other bodies to which they have been appointed or elected e.g. school governors, member of another council etc;

- Belonging to any secret societies i.e. bodies not open to the public and where an oath of allegiance or similar is required. The usual type of body in this category would be the freemasons.

There are no disclosures that reveal that any staff belong to any secret society but there are disclosures that cover every other category. There are a wide range of interests disclosed relating to other bodies but all generally fall into 3 categories (i) governors of local schools, (ii) town, parish and district councillors, and (iii) trustees of local charities e.g. village hall committees. A number of other disclosures were made about local volunteering work for play groups, hospices etc.

A number of disclosures were made about other paid employment. These sometimes are where staff work part-time for SSDC but in other cases this is additional consultancy work for other bodies. The key control on this other work is to ensure that it does not put an employee into a position where there is a potential conflict of interest with the work they are paid to do for SSDC. Permission has to be given for this other work to be undertaken. Such permission is subject to conditions that significantly reduce or remove the potential for conflict e.g. work can only be undertaken outside SSDC's administrative boundaries. The important thing with "interests" is their disclosure so that any potential conflict of interests can be managed. However managers also need to ensure that they don't create any issues by not imposing suitable conditions on any consent. The conditions disclosed where such consent has been given seem entirely appropriate consisting mainly of a geographical exclusion zone.

Clearly, despite raising awareness of the requirements, ultimately one is still dependent on employees being transparent and disclosing all relevant interests. It is re-assuring to note that there has only been one incident in the last 18 months where an interest that should have been disclosed and consent sought wasn't. Although there was no attempt to conceal, it was clearly an inappropriate relationship which could have placed the officer in a difficult position and potentially could have called into question his integrity. Accordingly the relationship was brought to an end immediately and the officer made aware of the issues that they had clearly not considered.

Part of the process is for there to be periodic reminders for staff and it is proposed that this takes place as part of a more formal review and revision of the process within the next few months. It will be interesting to see whether this results in many more interests being disclosed. Members may recall that the corporate induction programme does now include specific coverage of the staff code of conduct. It is also included on the manager's checklist of matters to be brought to the attention of new members of staff. The combination of all these approaches should ensure that employees are fully aware of their obligations and that non-compliance could result in disciplinary action being taken against them.

Although the Monitoring Officer is content that all relevant managers are sending him their year-end records for checking. Improvements can still be made both as to content and consistency in some areas and indeed generally. However the Monitoring Officer is content that there are no materially significant issues that need to be addressed.

Financial Implications

Any that there are, can be met from existing resources.

Legal Implications

There are no specific legal implications resulting from the subject matter of this report as the statutory requirements contained in the Local Government Act 2000 are already being complied with.

Carbon Emissions & Adapting to Climate Change Implications (NI188)

There are no specific environmental implications arising from the subject matter of this report.

Equalities and Diversity Impact

There are no specific equality or diversity implications arising from the subject matter of this report as all staff are subject to the requirements set out in the code of conduct.

Background Papers: *Internal Audit Report 11th February 2011*

Audit Committee – 27 June 2013

8. Audit Committee Forward Plan

Assistant Director: Donna Parham, Finance and Corporate Services
Lead Officer: Anne Herridge, Committee Administrator
Contact Details: anne.herridge@southsomerset.gov.uk or (01935) 462570

Purpose of the Report

This report informs Members of the agreed Audit Committee Forward Plan.

Recommendation

Members are asked to:-

1. Comment upon and note the proposed Audit Committee Forward Plan as attached at Appendix A.

Audit Committee Forward Plan

The forward plan sets out items and issues to be discussed over the coming few months and is reviewed annually.

Items marked in italics are not yet confirmed.

Background Papers: *None*

Audit Committee – 27 June 2013

Appendix A

Audit Committee Forward Plan

Meeting Date	Agenda Item	Lead Officer
25 Jul 13	To approve the Internal Audit Charter	Andrew Ellins
25 Jul 13	<i>Swap Governance changes</i>	<i>Andrew Ellins</i>
25 Jul 13	Review of local code of Corporate Governance	Donna Parham
25 Jul 13	Review exemptions given through procurement Procedure Rules 2012/13	Gary Russ
25 Jul 13	Risk Management Update	Gary Russ
22 August	Treasury Management – First Quarter monitoring report	Stephen Meers
22 August	Internal Audit – First quarter update	Andrew Ellins
22 August	Annual Governance Statement Action Plan	Donna Parham
26 Sep 13	Treasury Management Practices	Amanda Card
26 Sep 13	Approve Annual Statement of Accounts	Amanda Card
26 Sep 13	Approve Summary of Accounts	Amanda Card
26 Sep 13	External Audit Annual Governance report	Donna Parham
26 Sep 13	External Audit Value for Money (VFM) conclusion	Donna Parham

Audit Committee – 27 June 2013

9. Date of Next Meeting

The next scheduled meeting of the Audit Committee will be held on Thursday, 25 July 2013 at 10.00 a.m. in the Main Committee Room, Council Offices, Brympton Way, Yeovil.
