

Minutes

OF A MEETING OF THE



Listening Learning Leading

Audit and Corporate Governance Committee

HELD ON TUESDAY 20 JANUARY 2015 AT 6.00 PM

COUNCIL CHAMBER, COUNCIL OFFICES, CROWMARSH GIFFORD

Present:

Philip Cross, John Cotton, Margaret Davies, Neville F Harris and Paul Harrison

Substitutes:

Apologies:

Kristina Crabbe, David Bretherton and Michael Welply tendered apologies.

Officers:

William Jacobs, Ron Schrieber and Bob Watson

Also present:

Adam Swain, Audit Manager, Ernst and Young

The Committee extended its best wishes to Mike Welply who was unwell

The Committee also placed on record its appreciation of the hard work and dedication of officers to provide services since the fire at the Crowmarsh Gifford offices.

20 Declaration of disclosable pecuniary interest

None.

21 Urgent Items

The Vice-Chairman in the Chair reported that, under the Local Government Act 1972, local authorities were required to give five clear days notice of a meeting. The meeting scheduled for this evening at the council offices in Crowmarsh Gifford could not proceed due the events of last week. A revised agenda for this evening's meeting

at the new venue was published yesterday, notice given at the council offices at Crowmarsh Gifford, at Cornerstone Arts Centre and on the council's website accompanied by a notice specifying the change of venue.

In light of the special circumstances he stated that he was of the view that the meeting should proceed without five clear days notice. Consideration of the treasury management items was necessary to allow the views of the committee to be considered by Cabinet and Council at meetings in February. The remaining items contained time relevant information.

22 Minutes of the previous meeting

RESOLVED: to defer the approval of the minutes of the meeting held on 29 September 2014 as a correct record and to agree that the Chairman sign them as such to the next meeting.

23 Internal audit activity report

This item was withdrawn.

24 Internal audit management report quarter three 2014/2015

The committee considered the audit manager's report on management issues within the internal audit service during the third quarter of 2014/15.

The report stated that the internal audit team was now at full complement and remained on track to complete the audit plan. However, subsequent to the report's publication, the fire at the council offices meant that this was no longer possible. Ernst & Young had agreed that the internal audit plan would now focus on key audits, four of which had already been completed with the remaining four being included in the following year's plan. A report on the 2015/16 internal audit plan would be submitted to the next meeting.

The committee noted the report.

25 Treasury management mid-year monitoring 2014/15

The committee considered the report of the Head of Finance that fulfilled the legislative requirements to ensure the adequate monitoring of the treasury management activities and also fulfilled the requirement to report the prudential indicators to the council mid year. The report provides details of the treasury activities for the first six months of 2014/15 and an update on the current economic conditions with a view to the remainder of the year.

The Accountancy Manager (Technical), drew attention to the key points in the report, which included the following:

- The council had received over £2 million in respect of its claim for £2.6 million against the failed Icelandic bank Kaupthing Singer & Friedlander, with the twelfth dividend paid on 10 December 2014.
- Total investment income was forecast to be around £2.4 million in 2014/15 against a budget of £2.1 million

In response to questions, officers clarified the following:

- CCLA was the Churches, Charities and Local Authorities property portfolio that the council bought into and which paid slightly below six per cent per annum.
- The amount of the loan to SOHA was £15 million and not £20 million as stated in the report.
- The advantage of entering into a seven-year rather than a five-year deal with Kingston upon Hull City Council was the investment income to be gained over the additional period. It also ensured that the council had a more balanced portfolio spread of investments.
- Officers were aware of the exposure risks of investing in smaller building societies. However, many of the investments listed in Appendix B had either matured or would mature shortly. Changes proposed to the Treasury management and investment strategy 2015/16 would reduce the exposure risks.

RESOLVED:

1. that the treasury management mid-year monitoring report 2014/15 be noted;
2. that the committee was satisfied that the treasury activities were carried out in accordance with the treasury management strategy and policy.
3. that cabinet considers the comments made by the committee and recommends council to approve the report.

26 Treasury management strategy 2015/16

The committee considered the report of the Head of Finance which presented the council's Treasury Management Strategy (TMS) for 2015/16 to 2017/18. This sets out how the council's treasury service will support capital investment decisions, and how the treasury management operates day to day. It set out the limitations on treasury management activity governed by the prudential indicators, within which the council's treasury function must operate.

The proposed strategy for 2015/16 included the following changes:

- (i) To add enhanced cash funds to the list of approved investment types. Investment in such funds to be subject to counterparty lending limits as per Table 5, Appendix A.
- (ii) To add certifications of deposit to the list of approved investment types. Investment in such funds to be subject to counterparty lending limits as per Table 5, Appendix A.

The above recommendations were intended to increase the number of high quality counterparties available to the council and so allow for further diversification of the investment portfolio.

RESOLVED:

1. that the treasury management strategy 2015/16, as set out in appendix A to the head of finance's report, be approved.
2. that the prudential indicators and limits for 2015/16 to 2017/18 as set out in table 2, appendix A, be approved.
3. that the annual investment strategy 2015/16 set out in appendix A (paragraphs 32-68) and the lending criteria detailed in table 5 be approved.
4. that cabinet recommends council to approve the report.

27 External auditor's annual audit letter

The committee considered the annual audit letter 2013/14 from the council's external auditor's, Ernst & Young.

The audit had found no deficiencies that were of sufficient importance to merit being reported.

The committee noted the report.

The meeting closed at 7.00 pm

Chairman

Date