

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 6 SEPTEMBER 2018**

Members in attendance * Denotes attendance ∅ Denotes apology for absence			
*	Cllr I Bramble	*	Cllr J A Pearce (Chairman)
*	Cllr J Brazil	*	Cllr J T Pennington (Vice-Chairman)
*	Cllr T R Holway		

Members also in attendance:	
Cllrs N A Hopwood, R J Tucker, and S A E Wright	

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Section 151 Officer; Group Manager – Business Development; Community Of Practice Lead – Environment Services; Senior Specialist – Accountant; Devon Audit Partnership Manager; and Senior Specialist – Democratic Services

A.14/18 MINUTES

The minutes of the meeting of the Committee held on 26 July 2018 were confirmed as a correct record and signed by the Chairman.

A.15/18 URGENT BUSINESS

The Chairman advised that she had no urgent items to be raised at this meeting.

A.16/18 DECLARATIONS OF INTEREST

Members and officers were invited to declare any interests in the items of business to be considered during the course of the meeting, but none were made.

A.17/18 ACTIVITIES TO SUPPORT ECONOMIC GROWTH

The Committee considered a report that sought to recommend that a Commercial Property Strategy be adopted. Furthermore, the report also asked that the Committee agree a total borrowing limit of £60 million for this Strategy.

In his introduction, the Leader of Council outlined the draft Strategy to the Committee and provided an update on the views of the Overview and Scrutiny Panel, who had considered this agenda item earlier in the day.

Following this introduction, it became evident that Members wished to ask questions on exempt Appendix B and it was therefore **PROPOSED** and **SECONDED** and when put to the vote declared **CARRIED**:

RESOLVED

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following item of business as the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the Act is involved.

In addition to these questions being answered, the Leader of Council also provided the Committee with a confidential outline of some of the potential projects that were currently under consideration.

Once all Members were satisfied that they had no further issues to raise in exempt session, it was then **PROPOSED** and **SECONDED** and when put to the vote declared **CARRIED**:

RESOLVED

That the public and press be re-admitted to the meeting.

That in accordance with

In the ensuing discussion, the following points were raised:-

- (a) The Committee was of the view that the aspects of the current Strategy relating to 'Development on Council Owned Land' and 'Commercial Property Acquisitions in the South Hams' were effectively separate strands. As separate strands, Members were of the view that the governance arrangements for these should be different.

In particular, the Committee recognised that the time constraints associated with open market competition were not so applicable for 'Development on Council Owned Land'. As long as they complied with the Council approved total borrowing limit and contained (as an appendix) a full and detailed Business Plan in each instance, then the Committee felt that such matters could be determined at a formal meeting of the Executive, with the appropriate delegations being in place from the Council. As a further level of assurance, a Member also made the point that such decisions would then be subject to the Scrutiny Call-In Procedure Rules.

With regard to decisions relating to 'Commercial Property Acquisitions in the South Hams', the potential need to act very quickly (and therefore outside of the formal decision making process) was recognised. That being said, Members shared some of the concerns that had been raised by the Overview and Scrutiny Panel in respect of the current proposals related to the delegated decision-making process being in need of further revision. As a result, the Committee asked that the Leader give further consideration to the proposed delegated decision-making process for 'Commercial Property Acquisitions in the South Hams' in time for the next Executive meeting on 13 September 2018;

- (b) Whilst Members did still have some reservations, the Committee felt that a number of its risks had been mitigated by the proposal now being to only acquire Commercial Property that was located within the South Hams;
- (c) A Member was of the view that a 1% net yield return was very slim given the levels of investment being proposed. Whilst accepting that a 1% return may be appropriate for proposals relating to Development on Council Owned Land, the Member felt that a 2% net yield return should be a reasonable assumption for Commercial Property Acquisitions in the South Hams;
- (d) A Member considered that it would be incredibly difficult to base any decisions on the ability to measure social factors and community gain;
- (e) In respect of a total borrowing limit, the Committee emphasised the importance of suitable governance arrangements being first put in place to underpin such decisions. Moreover, Members were supportive of the suggestion of the Leader whereby, in the event of a total borrowing limit being set at £60 million, this should be capped at £30 million before the upcoming May 2019 local elections. It was therefore **PROPOSED** and **SECONDED** and on being put to the vote declared **CARRIED** that:-

'Subject to suitable governance arrangements being in place, a total borrowing limit of £60 million (capped at £30 million before 30 April 2019) be agreed for the Commercial Property Strategy.'

It was then:

RESOLVED

That the Audit Committee wish to express the following views to the Executive:-

1. that the Committee endorse the principle of a Commercial Property Strategy that includes the following multiple objectives:
 - to support regeneration and the economic activity of the District;
 - to enhance economic benefit;

- to grow business rate income;
 - to assist with the financial sustainability of the Council as an ancillary benefit;
 - to help the Council continue to deliver and/or improve frontline services in line with the Council's adopted strategy and objectives; and
2. that the proposed Commercial Property Strategy be revised to contain two separate strands to the governance arrangements (one part for 'Development on Council Owned Land' and one part for 'Commercial Property Acquisitions in the South Hams') with decisions relating to the 'Development on Council Owned Land' becoming a function of the Executive (through appropriate delegations from the Council and assuming that the proposed expenditure complies with the Council approved total borrowing limits) and further consideration being given to the proposed delegated decision-making process for 'Commercial Property Acquisitions in the South Hams' in time for consideration at the next Executive meeting on 13 September 2018; and
 3. that, subject to suitable governance arrangements being in place, a total borrowing limit of £60 million (capped at £30 million before 30 April 2019) be agreed for the Commercial Property Strategy.

A.18/18 **ANNUAL TREASURY MANAGEMENT REPORT 2017/18**

In accordance with regulations issued under the Local Government Act 2003, the Committee considered a report that presented an annual treasury management review of activities and the actual prudential and treasury indicators for 2017/18.

In discussion, reference was made to:-

- (a) the Treasury Management performance. The Committee congratulated officers on the investment results and obtaining £140,126 income during 2017/18. In particular, the excellent rates of return from the Council's CCLA investment was noted and it was felt that, as part of the 2019/20 annual budget setting process, consideration should be given to increasing the amount invested in this Fund;
- (b) Member Training. The Committee requested that Treasury Management Training for Members be arranged both before and after the May 2019 local elections. In addition, officers committed to arranging a specific training session on the new CIPFA (Chartered Institute of Public Finance and Accountancy) guidelines before the end of 2018.

It was then:

RESOLVED

1. That the actual 2017/18 prudential and treasury indicators (as outlined in the presented agenda report) be approved; and
2. That the Annual Treasury Management Report for 2017/18 be noted.

A.19/18 PAY AND DISPLAY MACHINES – LOST INCOME

The Community Of Practice Lead – Environment Services was invited to provide an update and outlined some of the steps that had been undertaken by the Metric Group to improve contract performance.

In discussion, the following points were raised:-

- (a) Officers informed that the latest compensatory offer from the Metric Group to reflect the lost income incurred by the Council was unsatisfactory and negotiations were ongoing;
- (b) To build resilience, it was felt that all Council Car Parks should be installed with a second pay and display machine thereby minimising the impact of one machine not working. The Committee felt that this requirement could be part of the ongoing negotiations with the Metric Group;
- (c) When questioned, officers informed that lost income was calculated by profiling against the income generated in the previous year and adding any charging increases that had been implemented.

A.20/18 AUDIT COMMITTEE DRAFT WORK PROGRAMME

In considering its draft Work Programme, the Committee paid particular attention to the request of the Overview and Scrutiny Panel at its meeting on 28 June 2018 (Minute O&S.6/18 refers) for the Committee to undertake an assurance review of the relationship between Civica and the Council.

Having considered the request, Members felt that all avenues had now been explored and there would therefore be little benefit in undertaking a review.

The Committee was therefore unsupportive of this request and asked for this item to be removed from its Work Programme.

(Meeting commenced at 2.00 pm and finished at 3.55 pm)

Chairman