

**CORPORATE AND COMMUNITY PLANNING**  
**STANDING SCRUTINY PANEL.**

Minutes of meeting in County Buildings, Wellington Square, Ayr,  
on 24th February 2011 at 10.00 a.m.

- Present: Councillors Brian Connolly (Chair), Bill Grant, Mairi Low, Helen Moonie, Alec Oattes and Mike Peddie.
- Apologies: Councillors Sandra Goldie and John Hampton.
- Attending: E. Howat, Executive Director – Corporate Services; L. Bloomer, Executive Director – Development and Environment; V. Andrews, Head of Legal and Administration; D. Alexander, Head of Corporate Resources; R. Howe, Fleet Manager; H. McLaughlin, Audit Services / Programme Review Manager; A. MacLeod, Performance and Business Manager; D. McNeill, Chief Treasury and Cash Officer; and E. Wyllie, Committee Administration Officer.
- Also Attending: Councillor Robin Reid (Portfolio-holder for Resources and Performance) and Anne Cairns, Senior Auditor, Audit Scotland.

**1. Minutes of previous meeting.**

**Decided:** to note the Minutes of the previous meeting of 27th January 2011 (issued).

**WIDER SCRUTINY PANEL BUSINESS:-**

**2. Treasury Management Strategy Report 2011/12.**

There was submitted a report (issued) of 15th February 2011 by the Head of Corporate Resources

(1) advising

- (a) that the Chartered Institute of Public Finance and Accountancy (CIPFA) had adopted the following as its definition of treasury management activities:-

*‘The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks’;*

- (b) that the Local Government in Scotland Act 2003 and supporting regulations required the Council to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council’s capital investment plans were affordable, prudent and sustainable;
- (c) that the Act also required the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included at Section 9 in Appendix 1 of the report) which set out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments; and

- (d) that the CIPFA Code of Practice on Treasury Management (revised November 2009) had been adopted by the Council on 2nd March 2010;
- (2) intimating that this Council had adopted the following reporting arrangements in accordance with the requirements of the Code:-

<b>Area of Responsibility</b>	<b>Council/ Panel/Officer</b>	<b>Frequency</b>
Treasury Management Quarterly Reporting	Leadership Panel	Quarterly;
Scrutiny of Treasury Management Strategy/Performance	Corporate and Community Planning Standing Scrutiny Panel	Annually before the start of the year/Following financial year end;
Treasury Management Strategy (incorporating Annual Investment Strategy)	South Ayrshire Council	Annually before the start of the year; and
Annual Treasury Outturn Report	South Ayrshire Council	Annually following the end of the financial year; and

- (3) seeking approval of the proposed Strategy for Treasury Management activities within the Council for the financial year 2011/12 as detailed in Appendix 1 of the report.

Various questions were raised in relation to the proposed Strategy document and in respect of:- level of debt and borrowing; PPP debt; timescales for repaying debt; the benefits, or otherwise, of borrowing over the previous years and the availability of such information; the ratios with regard to the prudential and treasury indicators; the recently announced increase in bank rates and possible impact; the downgrading of the credit rating; the position of other local authorities; and the methods used and frequency of borrowing and lending between authorities and Officers responded accordingly. The Executive Director – Corporate Services suggested that the Maturity Profiles information could be of interest and that she would arrange for this to be circulated to Panel Members as well as included within the Strategy report being referred to the Council.

Councillor Moonie raised concerns in respect of the recently approved budget and asked whether it was an Officer's recommendation that prudential borrowing was the better way of funding capital requirements or whether to find additional savings. The Executive Director – Corporate Services indicated that the discussion had focussed on the use of reserves/prudential borrowing to fund capital expenditure. Councillor Moonie enquired whether Officers had been asked to make revenue savings to fund capital and the Executive Director – Corporate Services confirmed that this had not been requested.

**Decided:**

- (i) to note the Annual Treasury Management Strategy for 2011/12, as contained in Appendix 1 of the report; and
- (ii) to refer this report, including Maturity Profiles, to the Council meeting on 16th March 2011 for its consideration.

### 3. **Panel Work Programme - Procurement Working Group.**

The Head of Corporate Resources

- (1) updated Members on the current position with the Procurement Working Group which had met recently to explore a review of Procurement guidance for purchases less than £30,000 as discussed at the previous meeting;
- (2) advised that, as a threshold for this exercise, the Working Group explored how the Council dealt with purchases up to that amount and how other local authorities and the Scottish Government managed similar types of expenditure; and
- (3) reported that the Group was due to meet soon to consider the feedback from the above exercise and thereafter, scope this out with a view to reporting the outcome to the next meeting of this Panel taking place on 24th March 2011 prior to submitting to the meeting of the Leadership Panel being held on 19th April 2011.

**Decided:** to note the current position with the work programme for the Procurement Working Group.

### **AUDIT FUNCTION:-**

#### 4. **Annual Audit Plan 2010/11.**

There was submitted a report (issued) of 15th February 2011 by the Executive Director – Corporate Services

- (1) advising that Audit Scotland had analysed the risks facing the Council and had planned its Annual Audit Plan work accordingly;
- (2) informing that the Audit had gone beyond simply providing assurance on the financial statements and the organisation's internal control environment and outlining that the auditors were required to provide a view on performance, regularity and the organisation's use of resources; and
- (3) reporting that, in carrying out the Audit, Audit Scotland had sought to gain assurance that the Council:-
  - (a) had good corporate governance arrangements in place which reflected the three fundamental principles of openness, integrity and accountability;
  - (b) had systems of recording and processing transactions which provided a sound basis for the preparation of financial statements and the effective management of its assets and interests;
  - (c) prepared financial statements which gave a true and fair view of the financial position at 31st March 2011, and income and expenditure for the year then ended, in accordance with the Local Government (Scotland) Act 1973 and other applicable laws and regulations, including the 2010 "Code of Practice on Local Authority Accounting in the United Kingdom" including for the first time in 2010/11 the full application of International Financial Reporting Standards;
  - (d) had systems of internal control which provided an adequate means of preventing or detecting material misstatement, error, fraud or corruption;

- (e) complied with established policies, procedures, laws and regulations;
- (f) proactively managed and reviewed its performance in line with its strategic and operational objectives; and
- (g) had made proper arrangements for securing best value in its use of resources and was complying with its community planning duties.

Ms. Cairns, Senior Auditor, Audit Scotland referred to the report which provided a summary of Audit Scotland's assessment of the key issues facing the Council.

Various questions and comments were made by Members of the Panel in relation to:- the risk associated with reserves being unable to meet future demands and how would this be addressed; when would proposals relating to the use of reserves be brought forward; the retention of reserves until required at a later date; the risk associated with the balance of the repair and renewal fund; and the appointment process for external auditors and the Executive Director – Corporate Services and the Senior Auditor, Audit Scotland responded accordingly. The Executive Director – Corporate Services advised that the Council currently had a reserves strategy in place and that she would be preparing a report for Members' consideration relating to options for these reserves prior to closing the accounts for the year to 31st March 2011.

**Decided:**

- (i) to note the contents of the report;
- (ii) to approve the management assurances and planned audit action contained in Appendix A of the report; and
- (iii) to request regular updates on progress to future meetings of this Standing Scrutiny Panel.

**5. Internal Audit Service – Follow-up of Internal Audit Reports – Fleet Management Maintenance Contract.**

Reference was made to the Minutes of 27th January 2011 (Page 119, paragraph 4) when that Panel had decided to continue consideration of the progress of the Action Plan in respect of the Fleet Management Maintenance Contract and the audit medium risk recommendation relating to the Traffic Commissioner to this Panel for further consideration.

The Audit Services/Programme Review Manager outlined the background in relation to this matter as reported to the previous meeting of this Panel.

A full discussion took place when clarification was sought as to whether acceptance of changed maintenance arrangements by the Traffic Commissioner had been sought as recommended by the Council at its Special Meeting on 16th September 2008 (Page 558, paragraph 7).

The Fleet Manager

- (1) referred to the tendering process of the Fleet Review and the Council's decision which had been made in this regard and advised that, at that time, the terminology used should have stated that the Traffic Commissioner be informed rather than acceptance be sought;

- (2) explained that the Traffic Commissioner had been kept fully informed of developments as part of the standard protocol and, therefore on that basis, it was deemed that acceptance had been given, albeit not in written format; and
- (3) informed of subsequent discussions with the Audit Services/Programme Review Manager regarding this matter and advised that he had since requested an appropriate response from the Traffic Commissioner.

Various questions were raised by Members of the Panel in relation to:- adherence of the decision made by the Council in 2008; whether other local authorities had a similar arrangement with the Traffic Commissioner; inspections undertaken by the Traffic Commissioner; accidents and potential outcomes; and proportion of risk in terms of risk management and Officers responded accordingly.

The Executive Director – Development and Environment and the Fleet Manager confirmed that the Traffic Commissioner would be welcome to visit at any time should she so wish and the Audit Services/Programme Review Manager reported that internal audit did not have any concerns regarding service delivery and that there was no major risk to the Council as this was more a procedural matter.

**Decided:** to accept the explanation from the Executive Director – Development and Environment and the Fleet Manager with regards to this matter and to request that any response from the Traffic Commissioner be circulated to Members of the Panel for their information.

The meeting ended at 11.10 a.m.