

AUDIT COMMITTEE

17 January 2017

Attendance:

Councillors:

Cutler (P)

Ashton
Burns
Huxstep (P)

Prince (P)
Stallard (P)
Weir (P)

Deputy Members:

Councillor Gottlieb (Standing Deputy for Councillor Burns)

Others in attendance:

Councillor Ashton (as a newly appointed member of the Cabinet, Councillor Ashton sat apart from the Committee and did not participate in the meeting).

1. **DISCLOSURES OF INTERESTS**

Councillors Huxstep and Stallard both declared disclosable pecuniary interests in respect of items under consideration which may have a Hampshire County Council involvement due to their roles as County Councillors. However, as there was no material conflict of interest regarding these items, they had a dispensation granted on behalf of the Standards Committee to participate and vote in all matters which might have a County Council involvement.

Councillor Gottlieb declared a personal and pecuniary interest in the St Clements Surgery. He did not believe that it was a prejudicial interest but he would at the Chairman's discretion leave the room if there was a specific discussion about the property. As no reference was made to St Clements Surgery during consideration of the Asset Management Plan item, he stayed and voted on this item.

2. **MINUTES**

RESOLVED:

That the minutes of the previous meeting held on 24 November 2016 be approved and adopted.

3. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman stated that together with the Vice Chairman he had earlier that day attended training in London on best practice for Audit Committees. He also referred Members to the training on best practice for the Audit Committee to be run by Hampshire County Council and the Southern Internal Audit Partnership on 6 February 2017. In view of the training on the 6 February, 2017, it was agreed that the Audit Committee training on Best Practice to be held at the City Council on the 31 January 2017 should not go ahead at this stage. A decision would be made at the Chairman's Pre meeting on whether it would alternatively be held immediately prior to the next meeting of the Committee on 7 March 2017.

A Member made reference to the Treasury Management Strategy which would be discussed by of a workshop following this meeting. It was asked whether the Treasurer Management Strategy should be submitted to the Audit Committee for scrutiny prior to consideration by Cabinet, The Overview and Scrutiny Committee and Council. Following debate, it was agreed that the final draft of the Treasury Management Strategy should be circulated to Audit Committee members prior to it being published for Cabinet.

4. **ASSET MANAGEMENT PLAN**

(Report AUD173 refers)

The Assistant Director (Estates and Regeneration) provided a detailed summary of the background to the Asset Management Plan. He stated that the Plan from 2010 to 2016 had focussed on the renovation of Council property that had raised health and safety considerations. The current Plan from 2016 to 2021 had covered wider issues, including sustainability. In considering the Plan's strategy, the Council had identified £15mn to spend on property acquisition. It was noted that Exempt Appendix E to Report CAB2870 considered at Cabinet on 7 December 2016 contained a detailed five year programme of new build and maintenance works.

The Chairman commented that the Asset Management Plan was the Council's highest Corporate Risk, and asked if the Council could be satisfied that it could be achieved.

The Assistant Director (Estates and Regeneration) replied that the 2010 to 2016 Plan had addressed the maintenance of property presenting high risks to staff and the public due to health and safety considerations in order to prevent accidents and the current plan to 2021 was focused on improving the quality of property and sustainability.

A Member enquired whether the cost of maintaining the Council's property portfolio had been benchmarked. The Assistant Director (Estates and Regeneration) replied that it had not been benchmark and that the operational part of the portfolio had focused on bringing the property to a standard where less maintenance would be required. There were particular buildings in the portfolio that required special consideration, such as the Guildhall.

A Member commented that the Risk Management section of Report AUD173 was a wide ranging mix of risks and asked how operational risks and risks associated with refurbishment were balanced. The Assistant Director (Estates and Regeneration) replied that all risks needed to be considered to have a total package, for example those ranging from timeliness to reputational risk.

A Member suggested that although the Plan provided good detail on operational maintenance and the risks involved, it would be of help to decision makers if a key paragraph was included setting out the strategic risks that could then be prioritised. An example of this would be looking at the issues that needed to be taken into consideration in deciding whether property assets were better repaired or sold.

It was further suggested that it would be helpful if risks were better clarified and that there be a distinct separation between investment properties and operational properties. Operational properties could be subject to different financial accounting rules than investment properties. The separation between operational properties and investment properties could also lead to each being looked at in separate ways, for example would the Council be better off by renting operational properties through an external property management company, which would look after the property's maintenance, rather than owning its own property. There was a lack of correlation between the two elements which led to confusion. An overarching Mission Statement which included a vision for the future, with separate mention of property acquisitions that were intended for either investment or strategic purposes, would give added clarity.

The Assistant Director (Estates and Regeneration) replied that the elements referred to above were set out in the Plan at a high level. For example, page 26 of the Plan considered investments and Appendix F had a route map and direction of travel which was appropriate for the level of detail that was required in an Asset Management Plan.

A Member commented that the Plan needed to be more specific about what the Council wished to achieve, including strategic purchases which were separate from investment purchases. It would also be of benefit if the officer making the risk assessment was separate from the author of the Asset Management Plan. It was additionally suggested that there should be an interface document between the Corporate Risk Register and the Asset Management Plan to contain detail on how risks had been addressed and the action taken to reduce the likelihood and impact to mitigate the risk.

The Assistant Director (Estates and Regeneration) commented that the risks were associated with each individual project, and were addressed in individual project reports, rather than in the Asset Management Plan. There was an Annual Report to The Overview and Scrutiny Committee and risk could be included within this report.

The Corporate Director (Professional Services) observed that the Audit Committee considered updates on the Corporate Risk Register twice per

annum and that the Council's officer Corporate Governance Group also provided scrutiny. Full Council on 11 January 2017 had considered a report on the Council's aspirations (Proposed Creation of a Strategic Acquisition Strategy – Report CAB2872 refers) and the Asset Management Plan could be updated to reflect this.

At the conclusion of debate, the Committee agreed that following dialogue between the Chairman and the Portfolio Holder for Estates the matter be reconsidered at its next meeting. The Chairman's dialogue with the Portfolio Holder would include discussion as to whether additional clarity was required where the Asset Management Plan responded to risks and to have a broader property strategy to inform the Plan where it responded to other corporate risks associated with investment. The Plan was required to be simple to understand, could be easily used and was referenced.

RESOLVED:

That the Chair of the Audit Committee discuss with the Portfolio Holder for Estates that further work needs to be undertaken to set out the risks within the Asset Strategy as outlined above.

10. **AUDIT (GOVERNANCE) SUB-COMMITTEE**
(Report AUD181 refers).

RESOLVED:

That the minutes of the Audit (Governance) Sub Committee, held on 24 November 2016 be received (attached as Appendix A to these minutes).

The meeting commenced at 6.30pm and concluded at 8:15pm.

Chairman