

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Wednesday 23 September 2015** at **4.30 pm** at the **Conference Chamber, West Suffolk House**, Western Way, Bury St Edmunds IP33 3YU

Present: **Councillors**

Chairman Sarah Broughton
Vice Chairman Patricia Warby

Carol Bull
Betty Mclatchy
Karen Richardson

Peter Thompson
David Nettleton
Barry Robbins

Substitutes attending:

David Roach

By Invitation:

Susan Glossop
Ian Houlder, Portfolio Holder for Resources and Performance
Ivor McLatchy

52. Substitutions

The following substitution was declared:

Councillor David Roach for Councillor Paula Wade.

53. Apologies for Absence

Apologies for absence were received from Councillors Beccy Hopfensperger and Paula Wade.

54. Minutes

The minutes of the meeting held on 30 July 2015, were accepted by the Committee as an accurate record and signed by the Chairman.

55. Public Participation

There were no questions/statements from members of the public.

56. **Ernst and Young - Presentation of 2014-2015 ISA Annual Results Report to those Charged with Governance**

The Committee received Report No: PAS/SE/15/023, which presented the results of the Ernst and Young (EY) audit of the financial statements for 2014-2015.

The report set out those issues they were formally required to report on to those charged with governance, under the Audit Commission Code of Audit Practice and International Standards on Auditing (ISA (UK & Ireland) 260).

The report also included the results of the work that EY had undertaken to assess the Council's arrangements to secure value for money in the use of its resources, as the Performance and Audit Scrutiny Committee was charged with governance in accordance with powers delegated to it under the Council's Constitution.

The Council's unaudited 2014-2015 statement of accounts, signed by the Council's Chief Financial Officer (Section 151 Officer) on 30 June 2015, had been updated to reflect adjustments recommended by EY from their audit work. Members were advised that the adjustments were all immaterial to the overall financial position of the Council and were in most cases merely presentational changes.

A copy of the Audit Committee Summary was attached as Appendix A, and was presented to the Committee by Neil Harris (Director) and Mary Springer (Auditor) from EY.

Also attached as Appendix B to the report was a Letter of Representation, on behalf of the Council in accordance with the audit of the financial statement for St Edmundsbury Borough Council for the year ended 31 March 2015. The Head of Resources and Performance advised the Committee that during the time of the audit, auditors were unable to obtain a third party confirmation of a £3m investment with Ulster Bank. Therefore, it was proposed that an additional paragraph be included in the Letter of Representation, above "subsequent events", to read as follows:

"Specific Disclosure

I confirm that an Investment £3m with Ulster Bank, for which auditors were unable to obtain third party confirmation, existed at 31 March 2015."

Mr Harris confirmed that all work on the audit of the Council's 2014-2015 financial statements had been concluded and no further errors had been identified. He explained that EY was currently working on closing down the audit files, which meant EY would not be able to issue an unqualified opinion and certificate until Friday 25 September 2015, on both the Council's 2014-2015 financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources. Mr Harris reassured Members that EY endeavours to conclude its audit work by the date of the Committee. He wished to thank the Head of Resources and Performance and her team who had been helpful and instrumental in making this a very smooth audit for EY.

However, he wished to draw the Committee's attention to a couple of key areas:

- 1) On page 24 – There had been a significant change to the valuation of the Apex, resulting in an impairment of £4.8m. EY reviewed the work of the valuer, and the Council was now revisiting its five year revaluation programme to ensure that any significant movements would be identified and appropriately disclosed.
- 2) On page 29 – Value for money risk identified – arrangements for financial resilience of local authorities. Mr Harris was satisfied with the assurances provided in how the Council was addressing the budget gap.
- 3) The audit fee for 2014-2015 remained the same as previously indicated to the Committee.

Finally, Mr Harris explained that this would be his final presentation to the Committee. A new audit lead (Rob Murray) would be taking over from November 2015, as he had completed his seven years as the Councils External Audit Director.

Members asked a number of questions in relation to the report, to which Mr Harris duly responded.

The Chairman expressed the Committees and her disappointment that EY were not in a position to issue its audit opinion until Friday 25 September 2015, instead of this evening (23 September 2015).

The Chairman, on behalf of the Committee wished to thank the Head of Resources and Performance and the Finance Team for their outstanding work also wished to thank EY for their audit work. In particular, thanked Neil for his work over the last seven years.

With the vote being unanimous, it was

RESOLVED: That

- 1) The unqualified opinion of the Financial Statements for 2014-2015 (page 3 of Appendix A), issued by the Auditor be noted.
- 2) The Value for Money conclusion stating that the Council had proper arrangements in securing economy, efficiency and effectiveness in its use of resources (page 3 of Appendix A), issued by the Auditor be noted.
- 3) The Letter of Representation on behalf of the Council be approved, before the Audit Director issues his opinion and conclusion, subject to the inclusion of the additional paragraph, as follows:

Specific Disclosure - I confirm that an Investment £3m with Ulster Bank, for which auditors were unable to obtain third party confirmation, existed at 31 March 2015.

57. West Suffolk Annual Governance Statement 2014-2015

The Committee received Report No: PAS/SE/15/024, which sought members approval of the Annual Governance Statement for 2014-2015, attached as Appendix A.

The Annual Governance Statement provided stakeholders with the assurance that the Council had operated within the law and that the Council had met the requirements of the Accounts and Audit Regulations 2015. The Annual Governance Statement accompanies the Statement of Accounts.

The document had been prepared by the Officer Governance Group and was presented as a joint statement for St Edmundsbury Borough Council and Forest Heath District Council to reflect both councils working together and sharing services across West Suffolk.

The Head of Resources and Performance advised that no significant governance issues had been raised, but the Annual Government Statement recognised the work of the planning and regulatory service and the additional resources deployed to the service during 2014-2015.

The Committee was asked to review and approve the Annual Governance Statement prior to being signed off by the Chief Executive and the Leader of the Council.

The Committee considered the Annual Governance Statement for 2014-2015 and with the vote being unanimous, it was

RESOLVED

That the Annual Governance Statement for 2014-2015, attached as Appendix A to Report No: PAS/SE/15/024 be approved for signing by the Chief Executive and the Leader of the Council.

58. 2014-2015 Annual Statement of Accounts

(Councillor Karen Richardson arrived at 5.02pm, during the consideration and voting of this item)

The Committee received Report No: PAS/SE/15/025, which sought Members approval of the 2014-2015 Statement of Accounts, attached as Appendix A, in accordance with the powers delegated to it under the Council's Constitution. Also attached at Appendix B, was a detailed schedule of payments made to Councillors during the financial year 2014-2015.

EY had commenced the audit of the Council's draft Statement of Accounts in July 2015, with a view to its completion prior to the 30 September 2015 deadline for publication. The results of EY's review of the accounts were provided in the Annual Results Report, which was included on the Committee's agenda (PAS/SE/15/023). The attached Statement of Accounts (Appendix A) had been amended (as appropriate) to take on board issues raised by the audit process up to the date of distribution. Only minor

presentational changes were now required prior to the signing of the accounts.

EY had confirmed that the audit of St Edmundsbury Borough Council had been concluded and would be issuing an unqualified opinion on the financial statements and the value for money conclusion that the Council had made the appropriate arrangements to secure economy, efficiency and effectiveness in the Council's use of resources by Friday 25 September 2015. This meant the Committee was in a position to sign the 2014-2015 Statement of Accounts off.

The Head of Resources and Performance wished to thank the Finance Team for all their work involved in pulling the accounts together and also thanked EY.

The Committee scrutinised the draft accounts and member payments in detail and asked a number of questions to which officers duly responded. In particular, the Committee raised questions to which responses were given as follows:

Members Payments

- i) That a note should be included to identify the current and past Mayor and Deputy Mayors.
- ii) Councillor Nettleton suggested that the other expenses column should be split into two, for clarification to highlight other allowances such as communications/IT/Broadband. Officers agreed to amend the expenses list prior to the deadline for publication.

Statement of Accounts

- i) It was suggested that the reference to Civic Regalia be reworded to read "Civic Insignia".

The Committee wished to convey its thanks and commended the Finance Team in the work involved in closing the accounts.

With the vote being unanimous, it was

RESOLVED: That

- 1) The 2014-2015 Statement of Accounts, attached as Appendix A to Report No: PAS/SE/15/025 be approved in accordance with the powers delegated to it under the Council's Constitution.
- 2) The Chairman of the Performance and Audit Scrutiny Committee signs the certification of the 2014-2015 Statement of Accounts on behalf of the Committee.
- 3) The Chief Finance Officer, in consultation with the Portfolio Holder for Resources and Performance, be given delegated authority to make any presentational and non-material changes to the

Statement of Accounts that may be required up to the date of publication.

59. **Delivering a Sustainable Budget 2016-2017**

(For transparency Councillor Sarah Broughton declared that she sat on the Grant Working Party, but did not consider this a pecuniary interest in the item under discussion).

(Councillor Patricia Warby left the meeting at 5.38pm, during the consideration and prior to the voting of this item).

The Committee received Report No: PAS/SE/15/026, which updated members on budget assumptions and timetable, along with the progress made to date on delivering a balanced budget for 2016-2017.

St Edmundsbury continued to face considerable financial challenges as a result of increased cost and demand pressures and constraints on public sector spending. In this context, and like many other councils, St Edmundsbury had to make difficult financial decisions.

The budget gap for years 2016-2017 to 2018-2019 were projected in Table 1 of the report. The current budget assumptions for 2015-2016 and for the period of the Medium Term Financial Strategy were detailed in Appendix A. The key budget assumptions continued to be reviewed as more accurate information became available.

The Performance and Audit Scrutiny Committee was asked to support and recommend to Cabinet the inclusion of a number of budget proposals, as set out in Table 2 of the report, in order to progress securing a balanced budget for 2016-2017.

The Committee was further asked to consider proposals in continuing the current scheme of gradually phasing out the Local Council Tax Support Grant by April 2017, and the continuation of the Rural Initiative Grant Scheme for the four year period 2016-2020 through reallocating the underspend of the previous Rural Action Plan.

Member scrutinised the report in detail and asked a number of questions to which officers duly responded. In particular discussions were held on the proposed vacancy savings assumptions; transport fuel assumptions; building control fee levels and future proposals and assumptions regarding fees and charges for brown bins.

Members **noted** the budget assumptions, timetable and progress made to date on delivering a balanced budget for 2016-2017.

With the vote being unanimous, it was

RECOMMENDED

That Cabinet includes the proposals, as detailed in Section 5 and Table 2 at paragraph 5.1 of Report No: PAS/SE/15/026 in securing a balanced budget for 2016-2017.

60. Work Programme Update

The Committee received Report No: PAS/SE/15/027, which provided information on the current status of the Committee's work programme. Attached as Appendix 1 to the report were details of items scheduled to be presented to the Committee during 2015-2016.

The Head of Resources and Performance informed the Committee that an additional item would be presented to the Committee at its November 2015 meeting on setting proposed fees for Brown Bins.

The Committee considered its work programme, and there being no decision required, **noted** the contents of the report, subject to the inclusion of a report on setting proposed fees for Brown Bins at its November 2015 meeting.

The Meeting concluded at 5.47pm

Signed by:

Chairman
