

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 24 September 2015** at **6.00 pm** at the **Council Chamber, District Offices**, College Heath Road, Mildenhall IP28 7EY

Present: **Councillors**

Chairman Louis Busuttil

David Bimson
Ruth Bowman
Brian Harvey
Louise Marston

Christine Mason
Colin Noble
Peter Ridgwell

52. **Substitutes**

There were no substitutes at the meeting.

53. **Apologies for Absence**

Apologies for absence were received from Councillors Andrew Appleby and Lance Stanbury.

54. **Minutes**

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

(Councillor Colin Noble arrived at 6.03pm during the consideration of this item)

55. **Public Participation**

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

56. **Ernst and Young - Presentation of 2014-2015 ISA 260 Annual Results Report to those Charged with Governance**

The Committee received Report No: PAS/FH/15/022, 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.

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

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. However, one item had not been adjusted in respect of the Newmarket Leisure Centre adjudication costs. This item had been carried forward from the 2011-2012 statement of accounts audit and it had been agreed by Members of the Performance and Audit Scrutiny Committee in that and subsequent years, that this would remain as an unadjusted item for the 2014-2015 statement of accounts.

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 Forest Heath District Council for the year ended 31 March 2015.

Mr Harris confirmed that all work on the audit of the Council's 2014-2015 financial statements had been completed and no further errors had been identified. Therefore, EY would be issuing an unqualified opinion and certificate on 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. 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 31, it was confirmed that there were no changes in EY's assessment of independence since their confirmation in their Audit Plan dated March 2015.
- 2) On page 33, the unadjusted audit error for Newmarket Leisure Centre relating to capital spend, which EY did not necessarily feel complied with the Accounting Standards.
- 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 and officers duly responded. In particular discussions were held on the history behind the Newmarket Leisure Centre unadjusted audit error relating to capital spend.

The Chairman, on behalf of the Committee wished to thank the Head of Resources and Performance and the Finance Team for their outstanding work and also wished to thank EY for their audit work.

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.

57. West Suffolk Annual Governance Statement 2014-2015

The Committee received Report No: PAS/FH/15/023, 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 Forest Heath District Council and St Edmundsbury Borough 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 discussed the Annual Governance Statement for 2014-2015 and asked questions to which officers duly responded. In particular, discussions were held on the planning and regulatory service and the potential for future charging.

With the vote being unanimous, it was

RESOLVED

That the Annual Governance Statement for 2014-2015, attached as Appendix A to Report No: PAS/FH/15/023 be approved for signing by the Chief Executive and the Leader of the Council.

58. 2014-2015 Statement of Accounts

The Committee received Report No: PAS/FH/15/024, 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.

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/FH/15/022).

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 Forest Heath District 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 now in a position to sign the 2014-2015 Statement of Accounts off.

The Head of Resources and Performance was pleased to confirm that the Council's net expenditure for 2014-2015 was £8.438m, resulting in a budget underspend for the year of £0.036m.

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 asked questions of officers who duly responded. In particular, discussions were held on the pension fund deficit; and clarification was sought on page 132, notes on the Shared Leadership Team.

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/FH/15/024 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

The Committee received Report No: PAS/FH/15/025, which updated members on the budget assumptions and timetable, along with progress made to date on delivering a balanced budget for 2016-2017. Forest Heath 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, Forest Heath 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 from April 2017.

Member scrutinised the report in detail and asked a number of questions to which officers duly responded. In particular discussions were held on the budget saving proposals relating to future staffing changes, including service changes and vacancy management; and the future expected level of public sector finances.

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/FH/15/025 in securing a balanced budget for 2016-2017.

(Councillor Ruth Bowman left the meeting at 6.57pm, during the consideration and prior to the voting on this item).

(Council David Bimson left the meeting at 6.59pm, during the consideration and prior to the voting on this item).

60. Annual Corporate Environmental Performance 2014-2015

The Committee received Report No: PAS/FH/15/026, which set out the Annual Environmental Statement covering environmental performance in 2014-2015 (Appendix A). The Statement covered the operations of both Forest Heath District Council and St Edmundsbury Borough Council and the leisure trusts in West Suffolk in respect of energy and water consumption and renewable energy regeneration. By delivering improved environmental performance across West Suffolk, both Councils continued to fulfil both their statutory and policy responsibilities set out in the West Suffolk Sustainability Strategy, and support for the shared strategic vision "*Working together, Forest Heath and St Edmundsbury Councils will support communities to create the best possible future for people in West Suffolk*".

The Committee scrutinised the West Suffolk Environmental Statement 2014-2015 and asked a number of questions, to which officers duly responded. In particular discussions were held on the rent a roof scheme and renewable energy generation, which it was reported would continue to make long term savings for the Council.

There being no decision required, the Committee **noted** the contents of the report.

61. Work Programme Update

The Committee received Report No: PAS/FH/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 Committee considered its work programme, and there being no decision required, **noted** the contents of the report.

The Meeting concluded at 7.08pm

Signed by:

Chairman