

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

24TH MARCH 2016 AT 6.00 P.M.

PRESENT: Councillors R. D. Smith (Chairman), P.L. Thomas (Vice-Chairman),
C.A. Hotham, S. R. Peters, M. Thompson and S. A. Webb

Parish Councillor: Councillor C. Scurrall

Grant Thornton Representatives: Ms. S. Joberns and Mr. R. Percival

Observer: Councillor G. N. Denaro

Officers: Ms. J. Pickering, Mrs. C. Felton, Mr. A. Bromage, Ms. S. Morgan
and Ms S. Knight

48/15

APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES

Apologies for absence were received from Councillors S. R. Colella, H. J. Jones and P. M. McDonald with Councillor C. Hotham attending as substitute for Councillor Colella.

Apologies for absence were also received from Parish Councillor J. Ellis.

The Chairman welcomed Suzanne Joberns, Manager and Richard Percival, Engagement Lead, from Grant Thornton, who had recently taken over the external audit role for the Council.

49/15

DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS

There were no declarations of interest or any whipping arrangements.

50/15

MINUTES

The minutes of the meeting of the Audit, Standards and Governance Committee held on 10th December 2015 were submitted.

Members queried the report in respect of financial risk being reported at the Overview and Scrutiny Board meeting and whether this was carried out in an appropriate manner and the Chairman agreed to check the relevant Overview and Scrutiny Board minutes.

RESOLVED that the minutes of the meeting of the Audit, Standards and Governance Committee held on 10th December 2015 be approved as a correct record.

51/15

STANDARDS REGIME - MONITORING OFFICERS' REPORT

The Head of Legal, Equalities and Democratic Services presented the Monitor Officer's report and in so doing highlighted that there had been one complaint received since the last meeting, which was currently ongoing. In respect of Member training whilst there had been no training since the last meeting, a number of sessions covering a variety of subjects would be available in the new municipal year.

RESOLVED that the report be noted.

52/15

ANNUAL REVIEW OF THE OPERATION OF THE AUDIT, STANDARDS & GOVERNANCE COMMITTEE (VERBAL)

As this was the last meeting of the Committee for the municipal year, Members' discussed the overall success of it and any areas which they felt could be improved. It was agreed that overall Members' requests from officers had been satisfied during the year and considered the Committee to have generally worked well.

Members asked for clarification in respect of the number of times a substitute could attend on behalf of a Member and the Monitoring Officer agreed to provide clarification on this outside of the meeting.

53/15

STANDARDS - PARISH COUNCILS' REPRESENTATIVES' REPORTS (ORAL UPDATES)

There was no update provided by the Parish Council representative present. However, Members discussed the role of the Parish Councillors attending the Audit, Standards and Governance Committee on the basis that no updates had been provided at any meetings of the Committee during the year. The Executive Director, Finance and Resources agreed to clarify the Committee's expectations for future meetings.

54/15

GRANT THORNTON CERTIFICATION WORK REPORT 2014/15

An updated version of the Grant Thornton certification letter 2014/15 was tabled at the meeting. Members discussed the content of this letter and the fees to be charged for Grant Thornton's work during the year. The Committee was advised that all certification work had been completed.

RESOLVED that the Certification Letter 2014/15 be noted.

55/15

GRANT THORNTON AUDIT PLAN 2015/16

The representatives from Grant Thornton presented the Grant Thornton Action Plan 2015/16 and in so doing highlighted the following areas:

- Developments and other areas relevant to the Council's audit.

- Areas of significant risk and how these were selected.
- How external audit was required to assess value for money as part of their work.
- Grant Thornton had identified that approximately £700k had been saved over a number of years.
- Members were advised that Grant Thornton was comfortable with the terms used in the letter.

Following presentation of the report Members discussed a number of areas in further detail including:

- The substantial savings plan – the Executive Director, Finance and Corporate Resources confirmed that a medium term financial plan was in place, but the Council was only required to achieve a balance for the first year of this plan.
- Valuation of Parkside and the old Council House site respectively. Officers explained that the value of the Council House site would fluctuate depending on its use in line with accounting practice. It was confirmed that PPL would undertake this valuation and all options would be considered by Members in order to identify the best way to dispose of the site moving forward.
- Members debated the figure that had been identified by Grant Thornton as representing the overall materiality for the Council; £672k. The Committee was advised that this was based on industry standards.
- Some Members expressed concerns that the authority was not in a sustainable position in respect of the medium term financial plan. The Executive Director, Finance and Corporate Resources confirmed that the Corporate Management Team was working hard towards reviewing the Council's financial position.

After further discussion it was

RESOLVED that the Audit Opinion Plan 2015/16 be noted and agreed.

56/15

GRANT THORNTON - PROGRESS REPORT / ACTION PLAN UPDATE

The Grant Thornton Manager presented the External Auditors update for March 2016 which covered progress with audit work as at 9th March 2016. The Committee was advised that the majority of the progress update was covered in other items within the agenda.

RESOLVED that the Grant Thornton Update Report – March 2016 be noted.

57/15

BENEFIT FRAUD QUARTER 3 UPDATE REPORT

The Assistant Benefits Manager presented the Benefits Fraud update for the third quarter of 2015/16. Members' were advised that the report covered a period of 4 months due to the transfer of work to the Department of Work and Pensions. The Committee was provided with

an overview of the fraud work which had been undertaken during this period and were advised that the Fraud Team's role, would in future, be focused on compliance and identifying areas to generate income for the Council.

The Committee was advised that there would be no report covering the fourth Quarter of 2015/16 regarding housing benefits. The next version of the report providing an update on quarter one of 2016/17 would focus on the work of the Compliance team.

Members thanked the team for their hard work over the years.

RESOLVED that the report be noted.

58/15

SECTION 11 UPDATE REPORT

The Executive Director, Finance and Corporate Resources presented the Section 11 update for Members consideration. During the delivery of this presentation she highlighted the following matters for the Committee's attention:

- Members were advised that an interim audit to be undertaken by Grant Thornton in April 2016 would gather evidence in respect of the Council's progress with the Section 11 Action Plan.
- External support had been provided to the Council when working on the Accounts. Officers clarified the structure of the Finance team and the reasons why consultants had been employed to provide assistance.
- The Committee was advised that all members of the Finance team had received relevant training.
- A high level plan had been developed for future work and this had involved significant engagement from members of the team.
- As requested more detailed working papers for the accounts were being developed – Council staff had worked closely with Grant Thornton on this.
- The Committee was advised that the budget monitoring process was being transformed and in future would adopt a more automated approach.
- Officers would shortly be asking Group Leaders to establish a cross party working group which would meet monthly to consider the process.
- The external auditors had indicated that they supported the Council's approach in terms of Section 11.

Following presentation of the report Members discussed a number of areas in more detail:

- Members questioned whether Heads of Service should take more responsibility for their budgets and attend Committee to discuss these with Members. The Executive Director, Finance and

Corporate Resources advised that the emphasis of the monitoring process should be on setting the initial budgets, however senior officers could attend meetings to discuss their savings.

- The validity of the advert that had been placed in respect of the Section 11 accounts was debated by Members, particularly in respect of its timing. The Executive Director, Finance and Corporate Resources agreed to seek further advice on this point.

RESOLVED that

- 1) Officers seek legal advice in respect of the process for advertising the Section 11 Accounts;
- 2) Officers to take any relevant action following receipt of the advice requested above; and
- 3) The Section 11 Action Plan and Update be noted.

59/15

TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2016/17 TO 2018/19

The Financial Services Manager presented the Treasury Management Strategy Statement and Investment Strategy 2016-17 to 2018-19. During the presentation of this report she raised the following issues for Members consideration:

- Members were advised that currently no UK bank was rated above AA-
- The Council would be seeking a borrowing limit of £15m (but expected to borrow £14m).
- An overview of the policy statement was provided.

Following presentation of the report Members discussed a number of issues in detail:

- The borrowing figure listed in the medium term financial plan.
- Discussions about how capital receipts could change.
- The Council's reserves, how these could be used and how it was expecting to use these in the future.
- The Executive Director, Finance and Resources explained that the Council had to follow a particular process in order to balance the budget and could not borrow to address the revenue gap.

Members agreed at the end of consideration of this item that Councillor C. Hotham should meet with the relevant officers to discuss the MRP in more detail.

RECOMMENDED to Full Council

- 1) the Strategy and Prudential Indicators shown at Appendix 1:
- 2) the Authorised Limit for borrowing at £15 million, should borrowing be required.

- 3) the maximum level of investment to be held within each organisation (i.e. bank or building society) as detailed at £2.5 million, subject to market conditions; and
- 4) the updated Treasury Management Policy shown at Appendix 2.

60/15

QUARTER 3 (APRIL TO DECEMBER 2015) FINANCIAL MONITORING REPORT

The Executive Director, Finance and Corporate Resources presented the April to December 2015 Financial Savings Monitoring Report 2015/16 and in so doing highlighted the following areas:

- The savings which had been achieved to date and the Council's current financial position.
- The changes that would be made to the monitoring process in 2016/17 – the emphasis would be on capturing all savings in order to ensure transparency.
- All anticipated savings for 2015/16 had been achieved with the exception of those in respect of Parkside. There was a reserve built into the overall budget of £110k and this would be used to address this.
- The discrepancies in respect of the figures detailed in the report were clarified during the meeting.

Members discussed a number of areas with particular reference being made to energy bills and whether there had been any significant changes in these since the move to Parkside. It was agreed that the Executive Director, Finance and Corporate Resources should seek clarification on the subject and provide Members with this information electronically.

RESOLVED that the final financial position for savings, as presented in the report for the period April to December 2015 be noted.

61/15

INTERNAL AUDIT PLAN 2016/17

The Service Manager for Worcestershire Internal Audit Shared Service presented the 2016/17 Internal Audit Plan report and highlighted the following for Members' consideration:

- The Committee was advised that there had been no changes from the draft plan that had been considered by Members at its December meeting.
- The emphasis of the report was on core financial information and budgets remained unchanged due to the challenging economic circumstances facing local government.
- Internal Audit would be reviewing the move to Parkside and particular emphasis would be placed on lessons that had been learned.
- In future Internal Audit would no longer be reporting on Corporate Governance Indicators.

RESOLVED that

- 1) the Internal Audit Plan 2016/17 be approved; and
- 2) the performance indicators be approved.

62/15

INTERNAL AUDIT MONITORING REPORT

The Service Manager of the Worcestershire Internal Audit Shared Service presented the Internal Audit Monitoring Report. This report outlined the internal audit work and performance for 2015/16. Members were provided with an explanation of the appendices which included the Internal Audit Delivery 2015/16, the Key Performance Indicators 2015/16, a summary of the high and medium priority recommendations from the finalised reports together with details of any follow up work.

RESOLVED that the report be noted.

63/15

RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR MICHAEL THOMPSON)

Councillor M. Thompson provided a verbal update on his work as the Council's Risk Champion and confirmed that he had met with the Head of Environmental Services. Councillor Thompson had no concerns and commended officers for the work that was taking place in respect of risk. He confirmed that he planned to meet with the Head of Community Services in April.

64/15

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Executive Director, Finance and Resources confirmed that the Section 11 actions may change and that this would be brought forward as a separate item to the June meeting of the Committee. A new template for savings would also be brought forward. Members were mindful that the September meeting had a particularly heavy agenda.

RESOLVED that subject to the pre-ambule above the Audit, Standards and Governance Committee's work programme be noted.

The meeting closed at 8.10 p.m.

Chairman