

## **MAIDSTONE BOROUGH COUNCIL**

### **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

#### **MINUTES OF THE MEETING HELD ON 21 SEPTEMBER 2015**

**Present:** Councillor McLoughlin (Chairman) and Councillors Daley, Garland, Mrs Gooch, Perry, Mrs Riden (Parish Representative) and Round

**Also Present:** Councillors Mrs Blackmore and Sargeant  
Keith Hosea and Darren Wells of Grant Thornton (External Auditor)

#### 21. APOLOGIES FOR ABSENCE

It was noted that apologies for absence had been received from Councillors Butcher (Parish Representative), Butler and Clark. In addition, Councillor Vizzard was on his way to the meeting, but had been delayed.

In the event, Councillor Vizzard arrived after the meeting was closed by the Chairman.

#### 22. NOTIFICATION OF SUBSTITUTE MEMBERS

It was noted that Councillor Round was substituting for Councillor Butler.

#### 23. NOTIFICATION OF VISITING MEMBERS

Councillor Mrs Blackmore indicated her possible wish to speak on both reports on the agenda.

Councillor Sargeant attended the meeting as an observer.

#### 24. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

#### 25. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

#### 26. EXEMPT ITEMS

**RESOLVED:** That the items on the agenda be taken in public as proposed.

27. MINUTES OF THE MEETING HELD ON 20 JULY 2015

**RESOLVED:** That the Minutes of the meeting held on 20 July 2015 be approved as a correct record and signed.

28. AUDIT, GOVERNANCE & STANDARDS COMMITTEE MEMBER BRIEFINGS

The Head of Audit Partnership submitted a report setting out a proposed programme of Member briefings aligned to the Committee's wider terms of reference. It was noted that:

- The themes and topics within the briefing programme coincided with significant reports and decisions mandated to the Committee through its annual work programme and the briefings were designed to run alongside and not replace any more in-depth or detailed training sessions that might be offered to or requested by Members in helping them to fulfil their duties.
- There were no additional costs associated with the proposed programme as the briefings would be arranged in-house, drawing on the expertise and professional experience of the Officers. However, the opportunity could be taken to draw in external contributions, and the Council's External Auditor, Grant Thornton, was willing to be involved. Any briefings or proposed briefings that required additional expense would be considered separately on a case by case basis, but at present no such sessions were proposed.

In response to questions by Members, the Head of Audit Partnership explained that it was proposed that the briefings take the same format as that established in 2014/15 with sessions being held immediately prior to meetings of the Committee and lasting approximately 45 minutes, with 20-30 minutes for the presentation followed by questions/discussion. If Members wanted more in-depth knowledge of particular topics, then separate training sessions could be arranged.

The Committee felt that the proposed programme represented a comprehensive package to address Members' development needs.

**RESOLVED:**

1. That the Member briefing programme set out in Appendix I to the report of the Head of Audit Partnership, including the proposed schedule of briefings for 2015/16, be approved.
2. That the nature of and topics contained in the Member briefing programme be reviewed and refreshed as required.
3. That the Head of Audit Partnership be given delegated authority, in consultation with the Chairman of the Committee, to finalise the details of the format, content and timing of individual briefings having regard to any suggestions made by other Members.

Note: Councillors Garland and Mrs Riden (Parish Representative) entered the meeting during consideration of this report.

## 29. EXTERNAL AUDITOR'S AUDIT FINDINGS REPORT 2014/15

The Senior Accountant (Client) introduced the report of the Head of Finance and Resources setting out the audited Statement of Accounts for 2014/15 for approval by the Committee in accordance with the amended Accounts and Audit Regulations 2011, the External Auditor's Audit Findings Report and the Letter of Representation written by the Council to the External Auditor. It was noted that:

- None of the amendments to the Accounts identified during the audit process had affected the Council's General Fund balance as at 31 March 2015. A number of other minor changes had also been made to improve the presentation and clarity of the Statement of Accounts.
- The Audit Findings Report also included a review of Value for Money, and concluded that in all significant respects the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources for the year ending 31 March 2015.
- The External Auditor was required to provide the Value for Money conclusion based on two criteria specified by the Audit Commission.
- To this end, a review had been undertaken of six risk areas to assess the Council's performance against the Audit Commission's criteria. The assessment of each risk area was summarised using a red, amber or green rating based on the following definitions:  
  
Green - Adequate arrangements  
Amber - Adequate arrangements with areas for development  
Red - Inadequate arrangements
- Overall, the Council was rated as green across all areas reviewed. Three residual risks were identified and rated as amber. These risks relating to slippage in the Capital Programme, strategic financial planning and the effectiveness of services being delivered through the Mid-Kent Partnership would be revisited as part of the audit planning work for 2015/16. Recommendations relating to these risks were included in the Action Plan, attached as Appendix A to the Audit Findings Report, together with the Management response.
- The External Auditor intended to issue an unqualified opinion on the 2014/15 Statement of Accounts and an unqualified Value for Money conclusion.

In response to questions by Members, the Officers/representatives of the External Auditor explained that:

- In the past, in the main, slippage had occurred in the Capital Programme due to factors outside the Council's control. The Capital Programme for the last few years had relied on programmes of work such as the programme of work for play areas, and sometimes projects within those programmes had not been specified as clearly as they could have been and alternative schemes were not prioritised effectively resulting in slippage. Discussions were taking place to identify a more robust process for prioritising capital projects and delivering them within the planned timeframe to ensure the use of resources to the best effect.
- The Council had agreed some years ago to set aside New Homes Bonus funding to part fund the implementation of the Infrastructure Delivery Plan associated with the Local Plan, but decisions had yet to be made as to where the schemes would be delivered. The Council had also agreed to resource some property purchases with this funding not only to provide a solution to particular problems, but to provide revenue savings and an opportunity to generate cash flows for the Council to invest and improve its asset base. These assets could be converted back to capital receipts if the implementation of the Infrastructure Delivery Plan became a higher priority.
- With regard to the Collection Fund Statement, it was the responsibility of the Council as the Billing Authority to collect revenue from Council Tax and Non-Domestic (Business) Rates, deal with immediate cash flows and distribute the income to the relevant precepting bodies and the Government. Surpluses/deficits declared by the Billing Authority in relation to the Collection Fund were apportioned to the relevant precepting bodies and the Government in the subsequent financial year in their respective proportions. The collection rate in terms of Council Tax was almost 99%, and outstanding amounts were only written off in exceptional circumstances.
- The External Auditor had made a recommendation to improve the clarity of the Council Tax and Business Rates accounting policies having regard to good practice observed in other audited bodies, and this had been reflected in the financial statements.
- Whilst the notes to the Accounts stated that assets under construction were included in the Balance Sheet at depreciated historical cost, this was unlikely to be the case as these assets would normally transfer to the correct category on the Balance Sheet once constructed, i.e. within the year.
- During 2009/10, the Council entered into an agreement with Serco, the managing contractor of the Leisure Centre, to undertake a major refurbishment of the Centre. Under the terms of the agreement, Serco had initially funded the cost of the works through a loan, and the Council was now repaying this loan by equal monthly instalments over a 15 year term. Fixed assets were valued on a rolling five year basis so the improvements undertaken by the managing contractor of the Leisure Centre would be reflected in those valuations. The

valuation of the Leisure Centre had increased, and the improvements which had been undertaken were a factor.

- The audit had been conducted in line with the Audit Plan dated 30 March 2015. The draft Accounts had been received by the External Auditor in June, the audit had commenced early in July and most of the work had been completed by the end of July. The audit was now substantially complete subject to discussion of the findings with the Committee and finalisation of certain issues to enable the External Auditor to respond to requirements set down in the International Standard on Auditing before closure.
- In terms of adjusted misstatements, debtors and creditors in respect of the Collection Fund were both overstated due to an entry being processed incorrectly in the working papers as a result of a misunderstanding. There had been no impact other than in respect of the Collection Fund.
- For 2014/15, the Council entered into a pooled arrangement with Kent County Council in order to minimise the levy payment due to the Government and thereby maximise the local retention of locally generated business rates. The table on page 36 of the Accounts showed the actual taxation and non-specific grant incomes, but not the gain from the pooled arrangement. The gain over the baseline figure should show in the earmarked reserves because it had been agreed that it should be set aside specifically for economic development purposes. Precise details would be circulated to the Chairman who had raised the issue.
- In terms of strategic financial planning, the Medium Term Financial Strategy was a five year plan looking at (a) the resources likely to be received from the Government, Council Tax and income which could be generated and (b) the costs and growth in costs, and identifying the budget gap (£3.8m over the next five years). In 2010, the Council had agreed a comprehensive strategy to bridge the savings gap over the five year period to 2015, but the situation from 2016/17 onwards was less clear. The Commercialisation Strategy would deliver savings, and the Service Committees had started to look at options to meet the gap. To date ideas had been put forward which would cover two thirds of the £3.8m required. A risk assessment of the Budget Strategy would be reported to the Audit, Governance and Standards Committee in January 2016.
- The External Auditor had been discussing with Officers how they could demonstrate the effectiveness and the value for money of the services being delivered by the Mid-Kent Improvement Partnership, and it had been understood that a review would be undertaken by the Officers. The summary findings reflected that the assessment of the effectiveness of the shared services which was to have been undertaken had been delayed. The review of the effectiveness of the shared services should address both the Council's and local residents' perspectives. A savings review of the services being delivered

through the Mid-Kent Improvement Partnership had also been delayed until 2015/16. These reviews would have regard to the drivers for entering into the shared services (greater resilience or financial) and to changes in the parameters; for example, in the case of Planning Support, the increase in the volume and complexity of the applications being processed since the decision was made to enter into the shared service.

The Committee indicated that it wished to receive a report on the savings delivered to date through the shared service arrangements compared to targets and an update on the progress being made on the review of the effectiveness of the shared services.

**RESOLVED:**

1. That the External Auditor's Audit Findings Report, attached as Appendix A to the report of the Head of Finance and Resources, be noted and that the response to the recommendations contained in the Action Plan be agreed.
2. That the audited Statement of Accounts for 2014/15, attached as Appendix B to the report of the Head of Finance and Resources, be approved.
3. That the Council's Letter of Representation to the External Auditor, attached as Appendix C to the report of the Head of Finance and Resources, be approved.
4. That the Head of Finance and Resources be requested to submit a report to a future meeting of the Committee on the savings delivered to date through the shared service arrangements compared to targets, together with an update on the progress being made on the review of the effectiveness of the shared services.

30. COMMITTEE WORK PROGRAMME 2015/16

At the request of the Chairman, the Head of Audit Partnership undertook to submit a report to the next meeting of the Committee reviewing the Council's Whistleblowing Policy.

31. DURATION OF MEETING

6.30 p.m. to 7.40 p.m.