

## MINUTES OF FINANCE AND AUDIT MEETING - THURSDAY, 26 JUNE 2014

### Present:

Councillor Callow (in the Chair)

Councillors

Benson	Galley	O'Hara
I Coleman	Hunter	Smith

### In Attendance:

Neil Jack, Chief Executive  
Dr Arif Rajpura, Director of Public Health  
Steve Thompson, Director of Resources  
Phil Redmond, Chief Accountant  
Gary Smith, Audit Manager  
Nicky Dennison, Senior Public Health Practitioner  
Bernadette Jarvis, Senior Democratic Services Adviser

### 1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

### 2 MINUTES OF THE LAST MEETING HELD ON 24TH APRIL 2014

The Committee agreed that the minutes of the meeting held on 24<sup>th</sup> April 2014 be signed by the Chairman as a correct record.

### 3 STRATEGIC RISK REGISTER

Dr Rajpura, Director of Public Health, provided the Committee with an update on the risks identified on the Strategic Risk Register in relation to the local tendering of the drug and alcohol treatment services.

He outlined the requirement to tender for Drug and Alcohol treatment services following the transfer of Public Health to the Council and the risks associated with the re-tendering of clinical services.

Ms Dennison, Senior Public Health Practitioner, reported on the number of bids that had been received following the commencement of the tender process in April. Members were advised that the bids had been submitted by the third sector and the current service provider was not in the tender process and these factors presented a potential risk for the service in terms of future service provision. Contracts for the existing service provider had been extended until 31<sup>st</sup> August.

Ms Dennison reported on the expectation for a successful tender at the end of the process. She highlighted a potential risk to the start of the new contract should there be a legal challenge to the outcome of the tender process and confirmed that a contingency

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plan had been put in place to mitigate against this risk.

The Committee was advised on successful negotiations with the existing service provider to continue to use the current premises. However, an element of risk existed in the event that the current arrangements could not continue and alternative compliant premises were required.

Ms Dennison concluded by advising that a decision on the tender process was expected by mid July.

Dr Rajpura reported that a key challenge was to ensure the continuity of service and reassured Members that this would be achieved.

The Committee was advised of the drive to support people to be drug free and rehabilitate back into normal life and employment. The various mechanisms that were in place to achieve this were outlined and the success rate.

Following concerns raised by the Committee relating to existing staff, the various support packages that were in place and consultations that had been undertaken were outlined. It was accepted that staff whilst were concerned about the future change in provider, there had been an element of uncertainty for a significant amount of time and that this had not impacted on the service provided.

In response to concerns relating to the financial implications of the change in provider, Members were informed of the expectation that a reduction in the number of service providers was expected which would result in reduced overheads and management costs and a rationalisation of activities not appropriate for funding was due to be undertaken to further reduce costs.

The Committee agreed to note the plans to control and mitigate the risks identified in the Council's Strategic Risk Register in relation to the local tendering of the drug and alcohol treatment services.

Background papers: None

### **4 ANNUAL AUDIT FEE 2014/2015**

Mr Thompson, Director of Resources gave apologies on behalf of KPMG as they had been unable to attend the meeting. He reported on the Annual Audit Fee Letter 2014/15 that had been forwarded by the external auditor outlining the proposed audit fee for the current financial year.

Mr Thompson advised Members that the planned fee was £145,800 which was the same as the previous year. The certification of grant claims and returns had reduced to £18,210 which was a considerable reduction from the previous year and which was a reflection on the reduction in external funding available.

The Committee agreed to note the external auditor's Annual Audit Fee Letter 2014/2015.

Background papers: None

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### **5 FINANCE AND AUDIT COMMITTEE TRAINING PROGRAMME**

Mr Smith, Audit Manager, presented the proposed Finance and Audit Committee training programme for 2014/15. He advised that Ms Talbot no longer worked for KPMG and that discussions were ongoing to determine who would present future training on behalf of KPMG.

The Committee approved the Finance and Audit Committee training programme for 2014/15.

Background papers: None

### **6 ANNUAL GOVERNANCE STATEMENT**

Mr Smith, Audit Manager, presented the Annual Governance Statement for 2013/2014, advising Members of the Council's statutory obligations in relation to governance arrangements. He advised that the draft Statement had been approved by the Corporate Leadership Team.

Mr Smith advised the Committee that the Annual Governance Statement sets out the statutory governance framework. It included the key elements of the Council Plan and the various controls in place under each category. Members were informed of the need for an annual review of the Council's governance arrangements which included engagement and consultation with relevant stakeholders. Members were advised of an error in the report in that external audit assessment had not yet taken place in relation to the Chief Financial Officer's arrangements for financial management, financial reporting and value for money but that this was due to take place in the near future.

Mr Smith presented the action plan which sets out the governance issues to be addressed in the current year and the planned actions to address these issues. Mr Thompson added that there was now a requirement to report changes in significant governance issues as part of the annual review.

The Committee agreed to approve the Annual Governance Statement for 2013/2014.

Background papers: None

### **7 ENGAGEMENT OF CONSULTANTS MONITORING REPORT**

The Committee considered the report detailing the appointment of consultants exceeding £25,000 for the period 1<sup>st</sup> February 2014 to 30<sup>th</sup> April 2014.

Mr Thompson confirmed that the use of consultants was on an exceptional and unavoidable basis and that there had been three appointments exceeding £25,000 during the above period. He explained that the two appointments within the Built Environment Directorate had related to non-recurrent capital schemes. The appointment within Children's Social Care had been as a result of a need to cover unavoidable vacancies. In response to questions from the Committee, Mr Jack, Chief Executive, reassured Members of the necessity for the appointment and the effectiveness of the individual.

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The Committee agreed to note the report.

Background papers: None

### **8 PROVISIONAL OUTTURN 2013/2014**

Mr Thompson reported on the Provisional Revenue Outturn for 2013/2014 which had been presented to Executive at its last meeting. He advised Members of the net underspend of £134,000 on the approved budget of £150million which represented a good overall performance.

Members were advised of the expectation for an upturn in the planned deficit in Strategic Leisure Assets by 2018. The overspend in Children's Services had been due to higher than expected number of looked after children and associated costs. Plans were in place to reduce the number of looked after children but this could only be achieved gradually over a relatively long period of time.

Mr Jack reported on other modest overspends mainly relating to back office functions and outlined plans that had been put in place to address the issue, such as not filling vacant posts. He advised the Committee on the continued significant pressures on car parking and that the removal of the concessionary fares on the tramway was expected to contribute to a future saving in the budget.

The Committee was informed of the overspends and underspends which would be carried forward into 2014/2015. The Children's Services overspend would be written off to enable the Department to meeting its budget savings target for the year.

Members were advised that the level of expenditure on the Council's 2013/2014 Capital Programme was just over £82 million.

The Council Tax collection rates were reported upon and the expected adverse impact on the collection rates following the implementation of the Council Tax Reduction Scheme on 1<sup>st</sup> April 2013. There had been an upturn in the collection rate for National Non-Domestic Rates, however, there were a number of outstanding appeals which presented a financial risk for the Local Authority and discussions were ongoing with the Valuation Office to clarify this risk.

Responding to questions from the Committee relating to staff car parking, Members were advised that the uptake of town centre parking for employees would not be known until the relocation of staff to Bickerstaffe House had been completed. Mr Jack confirmed that the new staff parking arrangements were due to start in August and that some of the more expensive options had proven popular with staff. Members were advised of the expectation that business rates would apply for the car park at the former site of the Devonshire Road hospital and that these would be assessed on its rateable value.

The Committee noted the content of the report.

Background papers: None

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### **9 TREASURY MANAGEMENT OUTTURN 2013/2014**

Mr Thompson presented the Treasury Management Outturn Report for the 2013/2014 financial year that had been presented to Executive at its last meeting.

The Committee was advised that the Report outlined the Council's treasury management activities, its borrowing transactions, investment transactions, cash flow management and banking arrangements for the above period. He reported on a positive year during which the use of temporary borrowing had resulted in a contribution to the Council's bottom line of just over £2.8million. It was anticipated that in 2014/2015 it might be more difficult to achieve savings due to £2million having been earmarked against the in-year budget and a likelihood of a rise in interest rates. Mr Thompson advised Members of benchmarking exercises that had been undertaken with other Local Authorities which had shown that the Council was mid-range in terms of its level of debt.

Following questions from the Committee, Mr Thompson confirmed that short term borrowing attracted lower rates of interest and advised on the continuous sourcing of cheaper borrowing options.

The Committee agreed to note the content of the report.

Background papers: None

### **10 ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR 2013/2014**

The Committee considered the Annual Report of the Chief Internal Auditor 2013/2014. Mr Smith advised Members that the Report included the Annual Audit opinion which stated that the number of negative assurance statements for internal audit work completed was higher and attributed the increase partially to the reduction in resources across the Council. He confirmed that high risk cases would continue to be addressed.

Mr Smith reported on the Service Development key issues which included recent staffing changes within the service and presented the performance data for Internal Audit, Investigations and Civil Contingencies. He advised Members of the need to address the issue of the percentage of Council services with business continuity plans which was below target and the aim of ensuring risk registers were kept up to date.

Mr Smith reported on the Assurance Statement which demonstrated an increase in the number of controls that had been considered adequate. Members were referred to the number of priority one audit recommendations that had been included in the Report.

Responding to questions relating to the reduction in the number of trained emergency response group volunteers, Mr Thompson reported that the reduction had been as a result of staff leaving the Council and that more volunteers were needed. Mr Jack confirmed that plans were in place to recruit more volunteers and that in the meantime there were sufficient resources to cover emergencies although it would be preferable to have increased resilience.

Mr Smith responded to concerns relating to the significant amount of Local Authority

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overpayments by highlighting the current recovery rates of 68.62%.

In response to concerns relating to the decision of the Benefit Fraud Investigations Manager to take voluntary redundancy, Mr Thompson confirmed that the fraud team had been given savings targets to achieve for the first time this year but that the remainder of the team were now protected from further staffing reductions. He advised Members that from April 2015, the Benefits Fraud team would be subsumed a single Fraud Investigation service within DWP and HMRC.

The Committee agreed to note the report.

### **11 INTERIM AUDIT LETTER 2013/14 - MANAGEMENT RESPONSE**

Mr Thompson reminded Members that its last meeting the Committee had requested that the Management's response to the recommendation from the 2013/2014 Interim Management Letter be reported at this meeting.

He confirmed that the Management response was to implement the recommendation regarding the bank account reconciliations to ensure that all bank account reconciliations would be reviewed within one month of their preparation to ensure that all accounts were appropriately reconciled to the corresponding accounting records and any issues were promptly identified.

The Committee agreed to note the update report.

### **12 DATE OF NEXT MEETING**

The Committee agreed to note the date of the next meeting as 6pm on Thursday 18<sup>th</sup> September 2014, Town Hall Blackpool and the proposed items for the meeting as follows:

- Statement of Accounts
- ISA260
- Financial Monitoring
- Risk Services Report – Quarter 1
- Strategic Risk Register – funding the illuminations

### **Chairman**

(The meeting ended 7.02 pm)

Any queries regarding these minutes, please contact:  
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