

## MINUTES OF FINANCE AND AUDIT COMMITTEE MEETING - THURSDAY, 5 MARCH 2015

### Present:

Councillor Callow (in the Chair)

Councillors

I Coleman  
Galley

Hunter  
O'Hara

Smith  
L Taylor

### In Attendance:

Reena Ghelani, KPMG

Tracy Greenhalgh, Chief Internal Auditor

Neil Jack, Chief Executive

Bernadette Jarvis, Senior Democratic Services Adviser

Phil Redmond, Chief Accountant

Mark Towers, Director of Governance and Regulatory Services

Phil Redmond, Chief Accountant

Tracy Greenhalgh, Chief Internal Auditor

Reena Ghelani, KPMG

Bernadette Jarvis, Senior Democratic Services Adviser

### 1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

### 2 MINUTES OF THE MEETINGS HELD ON 29TH JANUARY 2015 AND 13TH FEBRUARY 2015

The Committee agreed that the minutes of the meeting held on 29<sup>th</sup> January 2015 and the minutes of the budget consultation meetings with the Trade Unions and Non-Domestic Ratepayers held on 13<sup>th</sup> February 2015 be signed by the Chairman as a correct record.

### 3 STRATEGIC RISK REGISTER - LEGAL OR REGULATORY CHANGE

Mr Towers, Director of Governance and Regulatory Services update the Committee on the risks identified in the Council's Strategic Risk Register in relation to changes to legal or regulatory services.

Mr Towers explained his role in ensuring that the controls detailed in the risk register in relation to research, proactive consultation and lobbying by statutory legal and financial officers were effectively managed. He reported on a recent meeting that had taken place between officers in the Department for Communities and Local Government, the Treasury and the Council's Corporate Leadership Team (CLT) that had given the Council the opportunity to provide feedback on current issues and priorities from Blackpool's perspective.

The Committee was advised of the lobbying and responses to consultations undertaken by statutory legal and financial officers. Examples of these were provided which included the Section 151 Officer's attendance at a House of Commons Select Committee and the

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consequent establishment of a Welfare Reform Board.

The process for senior officers to present policy scan reports to the Leadership Team (the Executive and the Council's Chief Officers) was reported to Members. The purpose of the scan reports was to provide information on current and emerging Government policies. The reports provided an early insight into emerging policies and potential issues to enable the Council to prepare and respond effectively to any changes required by the new policies. Examples of these were provided which included early preparations for adult social care in advance of the Care Act 2014 and the ability to dovetail the Council's child poverty strategy with national policy.

Mr Towers advised Members of the challenges faced in the current financial climate in responding to continual financial changes at short notice and within tight timescales. He reported on the steps being taken by officers to prepare for future changes in order to effectively manage and respond accordingly to those changes.

The Committee agreed to note the report.

Background papers: None

### **4 CERTIFICATION OF GRANTS AND RETURNS 2013/2014**

Ms Ghelani, KPMG, presented the External Auditor's report in relation to the certification of grants and returns 2013/2014.

The Committee was informed of the work undertaken on claims and returns for the year ended 31<sup>st</sup> March 2014 and the qualified opinion given on the Housing Subsidy claim due to incorrect classification of overpayments. Ms Ghelani reported on reassurances received from the Council that action had been, and was continuing to be taken, to prevent the reoccurrence of similar errors in the future.

Ms Ghelani advised Members of the reduced work undertaken by the External Auditors during 2013/2014 due to the Audit Commission's changes to its fee regime for certifying grants and returns and reported on the expectation that next year the requirement of certification work for CFB06 – Pooling of Housing Capital Receipts would cease but that there would still be a requirement for certification work for BEN01- Housing Benefit Subsidy Claims.

The Committee agreed to note the report.

Background papers: None

### **5 INTERNAL AUDIT PLAN 2015/2016**

Ms Greenhalgh, Chief Internal Auditor, presented the Internal Audit Plan for 2015/2016 which included the Anti-Fraud and Corruption Strategy and the Internal Audit Charter with the purpose of securing the Committee's approval of the Plan. She advised Members that demand for audit work had exceeded available resources and therefore it had been decided to focus attention on the areas that were considered to be of highest

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risk.

Members were advised that the allocated audit resource was split equally between compliance testing and risk based audit work. Details of the planned risk based and compliance reviews had been included in the plan and a summary of each of these would be reported to Committee at future meetings within the Risk Services quarterly report. Ms Greenhalgh advised Members that in the event of a higher risk being identified in the future, the plan would be re-prioritised accordingly and the changes reported to the Committee.

Ms Greenhalgh presented the proactive anti-fraud workplan 2015/2016, highlighting the anti-fraud and corruption statement, which was broadly similar to the previous year's statement. Members were informed that the Internal Audit Charter within the Audit Plan set out the terms of reference for the audit team.

Following a request from a Member of the Committee, Ms Greenhalgh explained the process adopted for audit reviews for contracts and procurement. This included ensuring that there was effective project management in place, that key targets were achieved and appropriate progress reports received.

The Committee agreed to approve the Internal Audit Plan for 2015/2016.

Background papers: None

### **6 RISK SERVICES QUARTER 3 REPORT - 2014/2015**

The Committee received an update from Ms Greenhalgh on work undertaken by Risk Services from 1<sup>st</sup> October to 31<sup>st</sup> December 2014. Ms Greenhalgh reported on two changes to the Internal Audit Plan that had been agreed with the Section 151 Officer. The first change was the replacement of the planned review of working arrangements at Bickerstaffe Square with a review of Blackpool Transport Services' management accounts as requested by the Shareholder Panel. The second change was the replacement of a review of Visit Blackpool with a corporate review of income and debt management as it had been considered a higher risk.

Following a request by the Committee at a previous meeting, the Risk Services report now included further clarification on performance in relation to benefit fraud.

Ms Greenhalgh reported that the percentage of business continuity plans that had been updated during the financial year was well below target and further improvement of this area was required. The number of trained Emergency Response Volunteers was also below target and would benefit from further development.

The Committee was presented with a summary of audit reviews undertaken during the quarter ended 31<sup>st</sup> December 2014. She reassured Members that priority one recommendations had been given to any services requiring improvement and that ongoing monitoring on progress on the recommendations was being undertaken and would be reported to the Committee at future meetings.

Ms Greenhalgh concluded her report by advising Members that a year on year analysis of

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benefit overpayments had been provided within the report at the Committee's request.

Following concerns raised by a Member of the Committee, Ms Greenhalgh confirmed that the reduction in staffing levels since 2010 had impacted on risk as demonstrated in the increase in the number of inadequate assurance statements. Actions had been taken to mitigate against this risk by the audit team assisting service managers to identify improvement controls and focus on high risk areas.

The Committee agreed to note the Risk Services Quarterly Report for the quarter ended 31<sup>st</sup> December 2014.

Background papers: None

### **7 FINANCIAL PERFORMANCE MONITORING AS AT MONTH 9 2014/2015**

Mr Redmond, Chief Accountant presented the Financial Performance Monitoring Report as at Month 9. He reported on a forecast overspend of £714, 000 for 2014/2015 with the main areas accounting for the overspend being Children's Services, due to the level of Looked After Children not decreasing as expected and Community and Environmental Services due to the expected insurance savings from Project 30 not being realised as yet. Within Adult Services, Adult Commissioning Placements was forecasting a significant overspend although savings in other areas were helping to reduce the overall overspend for the service. Parking Services continued to place pressure on the budget as a result of high income targets despite actual income from parking services having increased.

Treasury Management continued to benefit from temporary borrowing at low interest rates resulting in a favourable budgetary position for the service.

The figure for Working Balances was reported at just under £5.2 million as at Month 9 which was a slight improvement on the previous month. The forecast outturn for Working Balances for this financial year was expected to be in the region of £5.5million.

Following questions raised by the Committee, Mr Jack reported on the in-depth analysis involved in setting the required level of Working Balances. He confirmed the intention to steadily increase the level of Working Balances until they reached £6 million. He suggested that, if the Committee so wished, a detailed report on the criteria for setting the level of Working Balances could be brought to a future meeting.

Mr Redmond reported that Business Rates collection was 90% as at Month 11 with the aim to increase this figure to 95% by the end of this financial year. Following questions raised by the Committee, Mr Redmond confirmed that a significant proportion of the Business Rate deficit was attributable to appeals. He confirmed that assessments of the ongoing impact of future successful appeals would be taken into consideration in setting the budget. Mr Jack reported on the increased scrutiny of Business Ratepayers known to have defaulted in payment of previous Business Rates.

Clarification was provided on the difference between usable and unusable reserves in response to questions from a Member of the Committee. Mr Jack outlined the complexities of unusable reserves and the difficulties resulting from the requirement for Local Authority accounting practices to mirror those in the private sector. Mr Jack

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confirmed that a report giving a detailed breakdown of the unusable reserves could be brought to a future meeting of the Committee if required.

The Committee agreed to note the report.

Background papers: None

### **8 FINANCE AND AUDIT TERMS OF REFERENCE**

Mr Towers, Director of Governance and Regulatory Services, referred to a briefing session that Members of the Committee had previously attended where they had compared the Committee's roles to the Chartered Institute of Public Finance and Accountancy (CIPFA)'s model terms of reference. At that time, Members considered that the terms of reference presented a clearer indication of the Committee's functions and responsibilities than the current powers and duties as detailed in the Council's Constitution.

Mr Towers advised that a number of other Local Authorities had adopted CIPFA's suggested terms of reference. He reported on a number of changes that had been made to the model terms of reference to bring it in line with Blackpool Council's Finance and Audit Committee's ways of working. The amendments included the addition of the Committee's participation in the annual budget setting process and its monitoring of financial and treasury management.

The Committee agreed to recommend Council to consider the amended powers and duties at its Annual meeting on 22<sup>nd</sup> May 2015 when it appoints its Committees for the Municipal Year 2015/2016.

Background papers: None

### **9 DATE OF NEXT MEETING**

The Committee agreed to note the date of the next meeting as 6pm on Thursday 25<sup>th</sup> June 2015, subject to approval at Annual Council, and the proposed items for the meeting so far as follows:

- Financial Performance Monitoring Report
- Strategic Risk Register – Death / Injury of employee, service user or member of the public leading to reputational damage, increased regulatory intervention or reduced staff morale.
- Strategic Risk Register Review

### **Chairman**

(The meeting ended 6.37 pm)

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Any queries regarding these minutes, please contact:  
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