

**MINUTES OF FINANCE AND AUDIT COMMITTEE MEETING - THURSDAY, 27 NOVEMBER
2014**

Present:

Councillor Callow (in the Chair)

Councillors

I Coleman

Hunter

Smith

Galley

O'Hara

L Taylor

In Attendance:

Neil Jack, Chief Executive

Carmel McKeogh, Deputy Chief Executive

Steve Thompson, Director of Resources

Tracy Greenhalgh, Chief Internal Auditor

Iain Leviston, Manager, KPMG

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 18TH SEPTEMBER 2014

The Committee agreed that the minutes of the last meeting held on 18th September 2014 be signed by the Chairman as a correct record.

3 STRATEGIC RISK REGISTER - MAJOR PROJECTS

Mr Jack, Chief Executive, provided the Committee with an update on the risks identified on the Strategic Risk Register in relation to the delivery of major projects.

He gave examples of ongoing major projects and explained that for all projects a bespoke robust project framework was put in place to ensure that the projects were delivered both on time and with the expected outcomes. He went on to outline the framework which included regular meetings to monitor progress and appropriate representation from all departments, the Corporate Leadership team and relevant Cabinet Member.

Ms Greenhalgh, Chief Internal Auditor, added that evidence had shown that the most successful projects had adopted the framework and had a project risk register in place from the outset. Examples of successful projects were outlined which included Project 30 and the transfer of Public Health responsibilities to the Authority. A less successful project had been the Waste PFI where it would have been helpful to have had the project plan in place from the start. Ms Greenhalgh explained the improvements that had been undertaken to the way in which projects were managed with emphasis on delivery on time and satisfactory outcomes.

In response to questions from Members relating to the success of Project 30 in reducing

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the amount paid in accident claims and the potential to attract future funding, it was reported that it was difficult to assess due to the unknown impact from the Jackson reforms introduced in July 2013 and the length of time taken to settle claims, although there had been a reduction in the number of claims in quarter two compared to the same period last year. Ms Greenhalgh confirmed that recent analysis had shown that the Council was in a much stronger position following Project 30 to defend claims and demonstrate better management of its highways. However, it was too early to determine whether the reduction in claims would be sufficient to reduce settlement figures.

Responding to a question from the Committee, Ms Greenhalgh reported that the Jackson reforms had introduced timescales for both parties to deal with claims and fines for non-compliance and as such it was expected that claims relating to incidents after July 2013 would be dealt with quicker and more economically.

The Committee agreed to note the report.

Background papers: None

4 STRATEGIC RISK REGISTER - PUBLIC SERVICES NETWORK

Mrs McKeogh, Deputy Chief Executive, provided the Committee with an update on the risks identified on the Strategic Risk Register in relation to the Public Services Network (PSN) compliance requirement to restrict access to the network for unmanaged devices. She explained the importance for the Council in maintaining PSN compliance status to enable continued access to shared networks.

The Committee was advised of the current initiatives in place to ensure PSN compliance and maintain the safety and security of the Council's network. Mrs McKeogh explained how the change from personal devices to managed devices had reduced the risk to the network. She reported that through encryption and remote disabling, it had also resulted in the Council maintaining its control of the devices and enhanced security of the network.

Mrs McKeogh advised Members of the enormity of the exercise that was currently underway to provide all staff with managed devices. She reported that the project was approximately half way through being completed and that the timescales for delivery of the devices had been aligned to the relocation of staff. She added that the former staff portal had been disabled and replaced by a more secure method of accessing the Council's network through encrypted devices and two-factor identification.

In response to questions relating to the Members Portal, Ms McKeogh confirmed that a pilot was underway to provide managed devices to Members but there was less urgency than staff as Members generally had access to information that was widely available rather than sensitive and confidential data.

The Committee agreed to note the report.

Background papers: None

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5 ANNUAL AUDIT LETTER 2013/14

The Annual Audit Letter 2013 /2014 was presented to Committee by Iain Leviston, Manager, KPMG. He explained that the purpose of the report was to provide a summary of the reports that had been brought to Committee throughout the year and to outline the key findings from the 2013/14 audit of the Council.

Mr Leviston acknowledged the hard work undertaken by Mr Thompson and his team in providing the comprehensive information required to Department of Communities and Local Government which enabled KPMG to confirm that the information was consistent with its understanding and issue a certificate on 30th September to confirm the conclusion of the audit in accordance with the requirements of the Audit Commission.

The Committee agreed to note the report.

Background papers: None

6 AUDIT COMMISSION - PROTECTING THE PUBLIC PURSE 2014

Ms Greenhalgh, Chief Internal Auditor, presented the Committee with a summary of the key findings of the Audit Commission's recent Protecting the Public Purse (2014) publication. She advised Members that with the transfer of responsibility for benefit fraud from the Council to the DWP, the key focus in the future for the Council will be on non-benefit fraud, which included council tax discount fraud, right to buy fraud, social care fraud and disabled parking fraud.

The Committee was informed of a number of recommendations from the report which included the protection and enhancement of investigative resources and being alert to the risk of organised crime and fraud. The report also recommended increased focus on prevention and deterrence of fraud and the use of legislation such as the Proceeds of Crime Act to recover losses as a result of fraud. Ms Greenhalgh confirmed that all the areas identified from the report would be incorporated into the plans for next year.

A further recommendation was that Elected Members responsible for audit and governance to review the counter fraud arrangements through completion of a checklist and Ms Greenhalgh suggested that it might be beneficial for the Committee to undertake this exercise at a separate session.

In response to questions from the Committee, Ms Greenhalgh reported on the Council's unsuccessful bid for funding to support efforts to refocus its counter-fraud activities on non-benefit fraud and as a consequence further planning was required to establish how to deal with non-benefit fraud going forward. Members were informed of the benefits of joint working with the Department for Work and Pensions (DWP) on detecting incidents of fraud. Mr Thompson advised of the reduction of the systems shared by the Council and the DWP following the introduction of the Universal Credit benefit scheme.

The Committee agreed to note the findings of the Protecting the Public Purse (2014) publication.

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Background papers: None

7 FINANCIAL PERFORMANCE MONITORING AS AT MONTH 5 2014/2015

Mr Thompson, Director of Resources, presented the Financial Performance Monitoring Report as at Month 5. He advised Members that although there had been an overall improvement of £329k from the previous month, the working balances were just less than £4million against the £6million target for the end of the financial year.

The Committee was advised of the continual work undertaken to reduce the overspends and the expectation that there would be some improvement but that it was unlikely that the working balance target of £6million would be achieved.

The Committee agreed to note the report.

Background papers: None

8 FINANCIAL PERFORMANCE MONITORING AS AT PERIOD 6 2014/2015

Mr Thompson presented the Financial Performance Monitoring Report as at period 6. The Committee was advised that although there had been a further improvement of £152k from period 5, it was still predicted that the target of £6million working balances would not be achieved. He advised that early indication for period 7 showed a similar trend.

Mr Thompson reassured the Committee that regular meetings were being held with individual Directors regarding the budget. The particular areas of significant pressure continued to be Children's Services, Adult Services, Community and Environmental Services and Parking Services.

It was reported that there had been a reduction in income collection for both Council Tax and Business Rates compared with the same period last year and a report by the Audit Commission had indicated that it was a national problem. Mr Thompson confirmed that continued efforts were being made to seek ways to improve collection rates and recover arrears.

In response to questions from the Committee, Mr Thompson acknowledged the financial benefits for the Council from the new Sainsburys, the Harbour and Bickerstaffe House. However, there remained the risk of significant financial impact from the outcome of successful appeals following the localisation of business rates.

Following concerns raised by Members regarding the impact of Looked After Children on Children's Services budget, Mr Jack highlighted the level of publicity of child abuse that could have attributed to the increased number of referrals. He also considered that the high levels of vulnerable families in Blackpool along with high rates of domestic violence and alcohol and drug abuse could be contributory factors in the number of referrals to Children's Services.

The Committee agreed to note the report.

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Background papers: None

9 TREASURY MANAGEMENT HALF-YEARLY PROGRESS REPORT TO THE 30TH SEPTEMBER 2014

The Committee was presented with the Treasury Management progress report as at 30th September 2014. Mr Thompson reported on the stable interest rates and the expectation that this trend would continue into next year.

Mr Thompson presented a summary of the Council's borrowing activities for the first half of the financial year and advised that the total borrowings had reduced to £156million. He reported on ongoing negotiations with Lancashire County Council in relation to maintaining the current position with regards to the Local Government Reorganisation (LGR) debt, the outcome of which would be known in the next couple of months.

Members were advised of the favourable forecast outturn for Treasury Management in 2014/15 to just below £1.7million due to lower financing costs on long term debt and lower interest rates for short term loans. The transactions for the last six months of the financial year were presented and explained that the £400million total reflected the reduced budget and the recycling nature of investing and lending.

The Committee agreed to note the report.

Background papers: None

10 RISK SERVICES QUARTER 2 REPORT

Ms Greenhalgh reported on the work undertaken by Risk Services in quarter 2 of this financial year. Members were advised of the key service developments which included preparations to ensure the Council's participation in the National Fraud Initiative Programme for 2015/16 and a Corporate business continuity exercise which was expected to be undertaken early in the New Year.

Ms Greenhalgh presented the Performance Indicators and highlighted the success of the Investigations Team in recovering £268k of overpayments. She reported an ongoing concern in relation to the completion of business continuity plans and assured Members that this was continuing to be addressed.

A summary of the audit work undertaken was presented with assurance statements issued against each area. Ms Greenhalgh confirmed that follow-up action would be taken to ensure that effective controls were in place for areas that had been deemed inadequate.

Responding to questions from the Committee, Ms Greenhalgh advised on the various methods adopted to seek recovery of overpayments either by fraud or error. She reported that there had been a decrease in performance in relation to benefit overpayment recovery rates and that this was due to a combination of factors which included people having less money and resource issues within the benefits team. She

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confirmed that the benefits team were aware of the situation and were working to address it.

In response to a request from a Member of the Committee, Ms Greenhalgh agreed to provide a year on year analysis of benefit recoveries in future reports to the Committee. She also agreed to include further explanation of Performance Indicators in future reports.

The Committee agreed to note the report.

Background papers: None

11 INTERNAL AUDIT BENCHMARKING

Ms Greenhalgh explained that periodically the Council participates in the CIPFA benchmarking exercise relating to internal audit. She presented the outcome of the recent exercise which had shown that the Council was at a similar level to the other Authorities in terms of cost of the service and pay scales for audit staff. She reported on the high number of qualified staff in Blackpool's audit team compared to other Authorities which demonstrated a positive commitment to the service.

The exercise had also highlighted that the audit team undertook less work on risk management process and performance management compared with the average for other Local Authorities and advised Members that this would be considered for the 2015/16 audit plan.

The Committee agreed to note the report.

Background papers: None

12 DATE OF NEXT MEETING

Members noted the date of the next meeting as Thursday 29th January 2015 at 6.00pm in Committee Room A at the Town Hall and the proposed items for the meeting as:

- Financial Performance Monitoring Report
- Strategic Risk Register – Retention of staff of the right calibre and maintain morale
- Annual Audit Fee Letter 2013/2014

Chairman

(The meeting ended 7.03 pm)

Any queries regarding these minutes, please contact:
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