

Corporate Governance Committee – 31 July 2017

Present: Councillor Sully (Chairman)
Councillor Cavill, Booth, Gaines, Hall, Horsley, Hunt, Ryan, Mrs Smith-Roberts, Mrs Stock-Williams, Mrs Tucker.

Officers: Paul Carter (Assistant Director – Corporate Services), Jo Nacey (Financial Services Manager and Deputy s151 Officer), Peter Barber (Director – Grant Thornton) and Andrew Randell (Democratic Services Officer).

Councillors Coles and Habgood

(The meeting commenced at 6.15 pm)

14. Apologies

Apologies were received by Councillors Govier and Nicholls.

Substitution: Councillor Nicholls for Coles.

15. Minutes

The Minutes of the meetings of the Corporate Scrutiny Committee held on 20 June 2017 were taken as read and were signed.

16. Declaration of Interests

Councillor Cavill declared a personal interest as a member of the Taunton Heritage Trust. Councillor Coles declared a personal interest as a Somerset County Councillor and a member of the Devon and Somerset Fire Authority. Councillor Hall declared a personal interest as a member of the Taunton Heritage Trust. Councillor Hunt declared personal interests as a Member of Somerset County Council, Exmoor National Park Authority Member, Devon & Somerset Fire & Rescue Authority Member and Tacchi Morris Management Committee Member. Councillor Stock-Williams declared an interest as a member of the Taunton Heritage Trust.

17. Assessment of Going Concern Status 2016/17

Members considered the report previously circulated, concerning the S151 Officer's assessment of the Council as a "going concern" for the purpose of producing the Statement of Accounts for 2016/17.

The Financial Services Manager and Deputy S151 Officer presented the report, which detailed the main factors underpinning the assessment of the Council's Going Concern as being:

- The Council's current financial position;
- Current and Projected financial position;
- Governance arrangements;
- The regulatory and control environment applicable to the Council as a local authority.

Additionally, the report detailed emerging risks that could potentially affect the Council in the following areas:

- NHS claims for Business Rates Discount
- Multi Year Finance Settlement and Business Rates Retention
- Transformation and New Council Creation
- Commercial Approach and Income Generation

It was considered that, having regard to the Council's arrangements and such factors as were highlighted in this report, the Council remained a "going concern for the foreseeable future. This assessment would be undertaken annually in the course of preparing the Council's financial statements for each year.

During the consideration of this item, the following points were made:-

- The potential of business rate relief claim from the NHS triggering a safety net payment was discussed. It was questioned how this was triggered. Concerns were expressed that there would be little indication of the business rate claim to mitigate against the risks.
- Any successful business rate claim would be a significant figure. This would be backdated for 6 years.
- Following the creation of the New Council, West Somerset would also have the potential of a business rate claim to be resolved. There was a different scale of risk in relation to the increase of the Hinkley rateable value.
- Funding had been set aside in the smoothing reserve to cover the risk for 2018/19.
- Assurance was given that there was confidence there was enough budget set aside in earmarked reserves to cover the risk.

Resolved that members noted the assessment made of the Council's status as a "going concern" as a basis for preparing the 2016/17 Statement of Accounts.

18. External Audit 2016/17 Audit Findings Report.

Members considered the letter previously circulated, concerning the External Audit 2016/17 Audit Findings Report.

Members considered the report previously circulated, concerning the annual report of our external auditor Grant Thornton outlining their findings from their audit of our Statement of Accounts, and arrangements to secure Value for Money.

That following the detailed review of financial statements and our governance and control arrangements, the Auditor had indicated his intention to provide an "unqualified" opinion on our accounts for 2016/17, and an "unqualified VFM conclusion" in respect of arrangements to secure economy, efficiency and effectiveness in our use of resources i.e. providing value for money.

The Unaudited Statement of Accounts 2016/17 were signed off by the Council's S151 Officer in May 2017 within the earlier statutory deadline for 2017/18, and before the start of the external audit review.

The external audit review had been completed and the auditor had indicated their

intention to issue an “unqualified opinion” for the Statement of Accounts, as showing a true and fair view of the Council’s financial position and performance.

The auditor had also reviewed our arrangements to secure economy, efficiency and effectiveness in our use of resources, and provided an opinion in the form of a value for money conclusion and their report stated that “the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources”.

During the consideration of this item, the following points were made:-

- The Unqualified in the opinion of the findings set out no concerns over the accounts.
- Data from SAP was owned by the Council. All historic data from SAP had been downloaded.
- Issues relating to security and user access to the IT systems were discussed. More information would be requested from IT to address this.
- A review of security access would be undertaken with managers involved along with controls in employee access.
- Controls in recognising income were considered, along with risks in reporting and accounting errors. No significant issues had been identified.
- Work had been done in the areas of balance sheets and fixed assets.
- Pension fund liability was considered, information relating to this was provided by Somerset County Council.
- There were no issues relating to employee remuneration, operating expenses or the Southwest One contract termination.
- Assurance was given that appropriate controls were in place for the Medium Term financial plan.
- There were no significant issues had occurred in the systems transfer when bringing the Southwest One services back in house.
- There was ongoing dialogue and early engagement with finance colleagues.
- This year’s audit findings were ahead of schedule. Mistakes that were picked up in previous years wouldn’t reoccur due to the change of timetable.
- It was determined to be a significant achievement for finance on the improvements made since the previous year.
- The “Red/Amber/Green” status was requested to be included in future reports.
- The apportionment of time between both councils had been correctly stated in the report and accounts. This has been arranged appropriately within the agreement.
- Internal and external audit had considered cost apportionment, this would be revisited; it was recognised that there were changing pressures that would influence this.

Resolved that the Corporate Governance Committee note the report and support the action plan.

19. Approval of the Statement of Accounts 2016/17.

Members considered the report previously circulated, concerning the Statement of Accounts for 2016/17. This report is required to be approved by the Corporate

Governance Committee and signed by the S151 Officer (Paul Fitzgerald) and the Chair of the Corporate Governance Committee (Councillor Sully).

A copy of the Statement of Accounts was attached with the covering report.

This report also linked to and reflected the Audit Findings Report, which was prepared by and would be presented by the Council's external auditors, Grant Thornton UK LLP.

The Accounts and Audit Regulations 2011 require the Statement of Accounts to be approved by a resolution of a nominated committee. The current constitutional arrangements devolve this responsibility to the Corporate Governance Committee.

The S151 officer was required to sign off the unaudited Draft Accounts as true and fair by 30 June each year. The audited Statement of Accounts must be approved by Committee by 30 September each year. Once approved the Statement must be signed by the S151 Officer and the Chair of the Corporate Governance Committee, and published on the Council's website. This requirement had changed for the 2017/18 accounts and in anticipation the 2017/18 deadlines worked to were 31 May and the Final Accounts signed off by the 31 July

The Council's Statement of Accounts had been audited this year by Grant Thornton UK LLP and were attached to this report. At the time of writing this report, Grant Thornton intend to issue an unqualified opinion, as reported in the Audit Findings Report earlier on the agenda for this meeting.

The Statement of Accounts for 2016/17 had been prepared on an IFRS (International Financial Reporting Standards) basis in line with the CIPFA (Chartered Institute of Public Finance Accounting) Code of Practice on Local Authority Accounting in the UK 2016/17.

In 2016/17 there was a significant change in the Code of Practice to our accounting requirements which might that income and expenditure had to be reported in the same format management accounts are produced to committee. This also meant that the 2015/16 figures had to be restated for comparative purposes. The changes were highlighted in note 2 on page 34. The format change did not change the outturn figures ("bottom line") and is presentational only.

The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2017:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement

There were also supplementary statements related to the Collection Fund, which deals with the collection and distribution of Council Tax and Business Rates and the Housing Revenue Account.

Grant Thornton UK LLP intends to issue the Council with an "unqualified" opinion on the Statement of Accounts and the Value for Money conclusion. This was good news

and means that the Auditors agree that the Accounts provide a “true and fair view” of the financial position.

During the audit, there was an amendment to the Council Dwellings revaluation figure of 13.8m which had been reflected in the Accounts and in the Audit findings. Reported that other minor amendments were made during the checking process but these were mainly presentational.

During the consideration of this item, the following points were made:-

- It was determined that General Reserves and the Housing Revenue Accounts were above the minimum balances.
- There was a calculation determining appropriate provision for bad debt. The introduction of Universal Credit could be a factor in determining this.
- The projected figures would be factored into the Medium Term Financial Plan.
- Assurance was given that the pension fund would provide the best information they can do at the earliest opportunity.
- There were no impending future changes to the LGPS. New starters were automatically enrolled in the LGPS.

Resolved that:-

1. The Corporate Governance Committee noted the Auditors unqualified opinion on the Statement of Accounts.
2. Approve the 2016/17 Statement of Accounts as attached to the report.
3. The Chairman of the Corporate Governance Committee signed the Statement of Accounts

20. Corporate Governance Committee Forward Plan

Submitted for information the proposed Forward Plan of the Corporate Governance Committee.

Resolved that the Corporate Governance Committee Forward Plan be noted.

Councillor Hunt left at 7.35pm

(The meeting ended at 7.45pm).