

Corporate Governance Committee – 28 September 2016

Present: Councillor Sully (Chairman)
Councillor Mrs Blatchford (Vice-Chairman)
Councillor Booth, Cavill, Coles, Hall, Nicholls and Mrs Reed

Officers: Sue Williamson (Principal Accountant), Paul Fitzgerald (Assistant Director - Resources), Shirlene Adam (Director – Operational Delivery and s151 Officer) and Emma Hill (Democratic Services Officer)

Also Present: Councillor Berry
Peter Barber - Associate Director, Grant Thornton
Kevin Henderson – Audit Manager, Grant Thornton

(The meeting commenced at 6.15 pm)

35. Apologies/Substitutions

Apologies: Councillors Horsley, Hunt, Ryan, Miss Smith, Tucker and Mrs Webber
Substitution: Councillor Coles for Councillor Miss Smith

36. Declaration of Interests

Councillor Coles declared a personal interest as a Member of Somerset County Council and Member of Devon and Somerset Fire and Rescue Service. Councillor Hall declared a personal interest as a Director of Southwest One.

37. Assessment of Going Concern

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 2015/16.

The 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,
- The Council's Year End Position,
- Current and Projected financial position for Revenue, Capital and Balance Sheet.
- The Council's Treasury Arrangements
- 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
- Asset Condition and Compliance Surveys

- Transformation and the Business Cases for change

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 until at least September 2017 i.e. One year from expected opinion on the Council's 2015/16 financial statements". This assessment would be undertaken annually in the course of preparing the Council's financial statements for each year.

During the discussion of this item the following points were made:-

- In response to a question asking who made the decision as to what was a reasonable reserve for the Council, the Committee were informed that S151 Officer would decide ultimately that the level set was acceptable following the appropriate assessments and provisions being completed by the Council.
- Members queried if the 'going concern' status would change following the creation of a new authority and were informed that the Council was aware that the decision taken by both Council to merge and the continuing transformation plans would bring savings for both Councils. If the Council progressed to the stage where a new Council was created, the new Council's Medium Term Financial (MTF) plan would need to be assessed under the current regime. The s151 Officer stated there were no issues giving cause for concern regarding the proposed merger at the current time. Members asked if there is any indication of the amount of potential Business Rate refund claim stated in the emerging risks and were informed that Officers had made estimations looking at both best and worst case scenarios. The Council had set aside funding just in case a claim was made. The estimated worst case scenario was around £800,000. As of yesterday, the Council had not received any application for business rate refunds.

Resolved that the outcome of the assessment made of the Council's status as a "going concern" for the purposes of the draft Statement of Accounts for 2015/16 be noted.

38. Grant Thornton External Audit – External Audit Progress Update

Members considered the report previously circulated which provided a regular progress and update report in relation to prescribed audit work to date for the financial year and also provided an update in relation to emerging national issues that might impact on the Council.

The report updated Members on the status, progress and completed work in relation to the auditor's planned schedule of work, year ending 31 March 2016. The Auditors completed risk assessments in the prescribed audit work areas. If any risks came out of the assessment process, the Auditor's would look into those risks and the area in further detail.

During the discussion of this item the following points were made:-

- Members expressed their thanks to Council Officers involved and external auditors Grant Thornton for their continued co-operation in working towards the bringing forward of the completion for signing off of the audited accounts.

Resolved that the Officer's update report be noted.

39. Grant Thornton External Audit – External 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 our 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 2015/16, 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 2015/16 were signed off by the Council's S151 Officer in June 2016 within the statutory deadline, 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 discussion of this item the following points were made:-

- Members were reassured that any misclassification issues (as highlighted on page 25 of the report) had been addressed to prevent reoccurrence in future years.

Resolved that the Council's Statement of Accounts and to support the action plan in the report be noted.

40. Approval of Statement of Audited Accounts

Members considered the report previously circulated, concerning the Statement of Accounts for 2015/16. This report is required to be approved by the Corporate Governance Committee and signed by the S151 Officer (Shirlene Adam) 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.

The Council's Statement of Accounts had been audited this year by Grant Thornton UK LLP and was 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 2015/16 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 2015/16.

In 2015/16 there were no significant changes to our accounting requirements which might have made it necessary to change the comparative financial details related to 2014/15. However, as reported in our draft accounts we had reviewed our computations relating to our Business Rates Collection fund. This had led to a restatement of the 2013/14 and 2014/15 accounts and a revision to the 2015/16 accounts from the draft accounts that were publicised in June. The details of the restatement were found in Note 2 to the accounts.

The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2016:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure 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 were a number of amendments to the Draft Accounts, particularly to correct the position on the Business Rates Collection Fund and also regarding the valuation of our assets which have been reviewed at year end. This was shown in the Audit Findings Report earlier on this agenda. These amendments now mean that we had addressed the issues, which we identified in our Business Rates recalculations and the valuation issues the external auditors raised as part of their audit.

During the discussion of this item the following points were made:-

- In response to a question asking what was the deficit amount paid by the smoothing fund and what was the balance of the fund, the Committee were informed that smoothing fund had been £2 million and our share of the deficit amount was £748,000. This would leave in the smoothing fund £1.3 million.
- Officers reassured the Committee, that the Council had taken this issue very seriously and that action had been taken, which included the tightening of controls surrounding Collection fund.
- In response to a question asking why had there been an increase in the Council's bad debt provision, the Committee were informed that this sat within the earmarked reserves of Housing Revenue Account (HRA). It related to a provision made following the assessment of potential rent arrears for the following year and this provision would be reviewed annually. The increase in the provisions was directly linked to the Welfare Reform and in preparation for the introduction of Universal Credit.
- In response to a question asking was there anything the Council could do to ensure total cost recovery within the Planning Fee structure the Committee were informed that planning fees were set by the Government and elements of the service were funded by the taxpayer, but not the entire service. The figure displayed had been an overall planning figure.
- Director of Operations wanted to add her personal and corporate thanks to the Finance Team as they had worked extremely hard to get the Council to a position tonight, where we could sign off the Statement of Accounts. Director of Operations expressed her thanks for the patience of the Council's auditors as these boundaries had been tested and pushed beyond normal with the delays.
- Also the Director offered thanks and congratulations to Principal Accountant Sue Williamson for presenting with such clarity tonight.

Resolved that:-

1. The Auditor's unqualified opinion on the Statement of Accounts be noted;
2. The Statement of Accounts 2015/16 as presented to the Committee be approved; and
3. The Chairman of the Committee and the S151 Officer be authorised to sign off the Statement of Accounts.

41. Corporate Governance Committee Forward Plan

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

Resolved that the changes to the Corporate Governance Committee Forward Plan be noted.

(The meeting ended at 7.21pm).