

WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Council Chamber - The Guildhall, Marshall's Yard, Gainsborough, DN21 2NA on 15 September 2016 commencing at 6.30 pm.

Present: Councillor Giles McNeill (Chairman)
Councillor Jackie Brockway (Vice-Chairman)

Councillor Sheila Bibb
Councillor David Bond
Councillor John McNeill
Councillor Mrs Angela White
Alison Adams (Independent Co-opted Member)
Andrew Morriss (Independent Co-opted Member)

In Attendance:

Ian Knowles	Director of Resources and S151 Officer
Alan Robinson	SL - Democratic and Business Support
Tracey Bircumshaw	Financial Services Manager
Katie Coughlan	Governance and Civic Officer
Nicola Calver	Governance and Civic Officer

Also in Attendance

John Cornett	KPMG – External Auditors
Adrian Benselin	KPMG – External Auditors

Apologies: Peter Walton (Independent Co-opted Member)

Membership: No substitutes were appointed for the meeting.

30 PUBLIC PARTICIPATION PERIOD

There was no public participation.

31 MINUTES

RESOLVED that the Minutes of the meeting of the Governance and Audit Committee held on 26 July 2016 be approved and signed as a correct record.

32 DECLARATIONS OF INTEREST

There were no declarations of interest made at this stage of the meeting.

33 MATTERS ARISING

Members gave consideration to the Matters Arising Schedule which set out the current position of all previously agreed actions as at 7 September 2016.

With regard to the green action entitled “report format” the Chairman advised that this matter had been further discussed at his most recent briefing meeting. The Authority was in the process of introducing a new committee management system and it may be feasible for some of the suggested areas for improvements to be addressed through this. Officers undertook to engage with members where appropriate through the system’s development. Councillor Brockway and Mr Morriss indicated that they were happy to be engaged in the process.

RESOLVED that progress on the Matters Arising Schedule as set out in report GA.20 16/17 be received and noted.

34 ISA 260 REPORT

Consideration was given to a report from the Authority’s Auditor KPMG, which presented their report to those charged with Governance (ISA 260 Report) in relation to the Statement of Accounts and Annual Governance Statement 2015/16, the headlines of which included: -

- A proposed unqualified audit opinion on the 2015/16 Statement of Accounts;
- no material audit differences had been identified;
- All presentational audit differences identified have been adjusted for;
- There had been no significant risks identified within the Financial Statements; and
- The Annual Governance Statement complied with recommended practice (Delivering Good Governance in Local Government; A Framework) and was consistent with the Auditor’s understanding of the Authority.

In presenting the report, the Auditor outlined the headline findings to the Committee as detailed on page 3 of the report. Committee’s attention was drawn to the Audit Adjustments required, referenced on page 3 of the report with further detail contained on page 10, and it was stressed that this was a misclassification of receipts in the Cash Flow Statement, amounting to £1.135m. This had been adjusted and the overall balance of the Cash Flow Statement was unaffected. Confirmation was given that the work referred to as outstanding on page 8 of the report was now completed.

The External Auditor placed on record his thanks to the finance team for their professional and helpful approach in responding to queries throughout the audit process and highlighted to the Committee the fees associated with undertaking this work.

In responding to Members comments, the “risk” associated with the impact on the pending changes to NNDR retention, was further clarified, but it was stressed that this was a similar position to other authorities.

RESOLVED that the information contained within the report be received and noted.

35 AUDITED STATEMENT OF ACCOUNTS 15/16

Members gave consideration to a report which presented the 2015/16 Statement of Accounts for scrutiny and adoption.

The Section 151 Officer, first thanked the Financial Services Manager and her team, for the work they had undertaken in completing the Statement of Accounts, in accordance with the statutory requirements. The overall financial position was summarised during which Members noted the following: -

- the revenue out-turn reflected a gross surplus of £1.255m after deductions for approved carry forwards and unapplied grants an amount of £0.798m had been transferred to the General Fund Balance;
- the Capital Investment totalled £0.965m;
- In respect of Useable Reserves, the Authority remained in a healthy position with balances as follows: -
 - The General Fund working balance totalled £3.715m (£4.160m in 14/15)
 - The General Fund Earmarked reserves totalled £13.817m (£10,658m in 2014/15)
 - Capital receipts totalled £2.984 (£2,407m in 2014/15)
 - Capital grants unapplied for totalled £0.476m (£4.486m in 2014/15)

The amendments to the Statement of Accounts which had been made and which were summarised at Section 2 of the report were highlighted to the Committee.

The contents of the explanatory foreward were summarised to Members.

Members asked a number of technical and pertinent questions particularly concerning the pension liability and sought further details and clarity as to whether this trend would continue. Officers gave assurance that the figure referred to was not the amount the authority had to pay and this was an accounting presentation issue and used as a comparator. Assurance was given that arrangements were in place to manage any deficit in the fund over the next 20 years. It was stressed that the pension liability was developed on a national basis. It had been agreed that the position would be reviewed every 3 years against a set of indicators, and level was set dependent on the outcome of this review. It was stressed that West Lindsey District Council was broadly in the same position as other local authorities in respect of this matter. However West Lindsey did make a lump sum contribution against its deficit, this had now become recommended practice for local authorities, and the treatment applied to the pensions deficit was the same across the country.

The Committee welcomed the inclusion of the Commercial Performance Section and commented that it could now be seen that a number of previously agreed projects were now coming to fruition.

Members asked a number of further technical and pertinent questions in respect of pending changes to NNDR retention, and the impact this could have. It was noted that a workshop was being held the following week, to which all Members had been invited, to inform them further of the impact. A consultation response had been prepared by the Authority, and it was considered of vital importance that a re-evaluation be undertaken, if the North and Midlands were not to suffer in the future.

Referring to page 19, Members requested details of the number of fixed term contracts currently in existence across the Council. The Director of Resources undertook to provide this figure outside of the meeting.

Officers undertook to check the absenteeism figure reported on page 10 of the report. However Officers advised of the work being undertaken by the Joint Staff Consultative Committee. Absence levels were at the lowest level since data collection had commenced (2006) and this should be applauded. Members questioned how the employee satisfaction figure had been obtained, and whilst surveys had been undertaken in previous years, there was currently a staff engagement group in operation, which aimed to address issues identified through the survey.

Members indicated that the Council Tax Collection rate should be applauded.

It was confirmed that the comparators on Page 75 of the report were not full years and the operational debtors increase on page 65, was simply a moment in time position and not cause for concern.

On that basis it was :-

RESOLVED that:

- (a) having reviewed the Statement of Accounts, attached to report GA.22 16/17 it be confirmed that there are no concerns arising from the Financial Statements that need to be brought to the attention of the Council;
- (b) the Statement of Accounts for 2015/16 be approved;
- (c) the Section 151 Officer and the Chair of the Governance and Audit Committee be permitted to certify the letter of representation to the Council's Auditor, KPMG, for completion of the audit.

36 REVIEWING WEST LINDSEY GOVERNANCE ARRANGEMENTS

The Committee received a briefing on the process for changing governance arrangements and consideration to appointing a Member/Officer Working Group to consider feedback from Members and the public, discuss options in detail and make recommendations for change to the Governance and Audit Committee. The briefing included a staged outline timetable, and the steps required.

Members questioned whether the timeline was realistic, noting that a number of actions were already nearing their completion date. It was noted that any slippage would be reported,

through to the Governance and Audit Committee, and the final implementation date of any change would be dependent on the extent of the changes agreed, as outlined in the paper.

All were agreement that it was appropriate to undertake a review, even if the answer remained unchanged. Nothing was being ruled in or out at this stage of the process and whilst devolution and its impact should be a consideration, it was not a reason to not undertake a review.

RESOLVED that:-

- (a) the process and timeline as presented be noted;
- (b) that Councillors White, Bond and G McNeill be appointed to serve on the Task and Finish Group;
- (c) the Terms of Reference for the Governance Arrangements Task and Finish Group, as appended to the report, be agreed.

37 REPORT ON THE GOVERNANCE ARRANGEMENTS FOR MANAGING THE RISKS OF A WHOLLY OWNED LIMITED COMPANY SUBSIDIARY

Members gave consideration to a report, the purpose of which was to provide assurance to members of the Governance and Audit Committee that appropriate arrangements were being put in place to manage the risks of a wholly owned limited company.

By way of background Committee Members were advised that in June of this year WLDC had acquired a local business operating as a staffing agency in the district and surrounding area.

This company would continue to operate as an independent limited company that was wholly owned by the Authority. In addition, a second subsidiary would be created to act as a TECKAL company for the supply of the same services to public bodies. The TECKAL status currently allowed Authorities to give work to such companies without an open tender process.

At its meeting in July, Corporate Policy and Resources Committee had agreed a governance structure for recommendation to Full Council.

That same report was being presented to members of Governance and Audit Committee in order that they could review the arrangements, seek assurance that appropriate governance was in place and make any comments that may be raised by the Chair of the committee at the meeting of Full Council.

Discussion ensued and in response to Members' questions the role of the Executive Director and Non-Executive Director were clarified. Initially there were concerns that a Board was not being established for the company, however an independent member with experience of managing a large private sector business confirmed that he would not expect a company of this size to have a Board. It was questioned whether Members would see management accounts. The Director of Resources stated that as a non-executive Director he would see the accounts and would present a summary to the Corporate Policy and Resources

Committee as part of the Annual Business Plan by which the company would be operated.

Officers also confirmed that there was a resourcing agreement between the agency and the Council, in order that State Aid Rules were adhered to. It was confirmed that the Council, as a Corporate Body, was the Shareholder, not individual Councillors, and the Director of Resources would be the named shareholder. Payroll Services were provided by the Council. Terms and Conditions for persons employed through SureStaff were not the same as those of people directly employed by the Authority, as this was a separate entity.

It was confirmed that the extra recommendation requested by the Corporate Policy and Resources Committee, namely that, which related to the appointment of an independent Member as a Non-Executive Director, would be included within the report prior to it being submitted to Full Council.

RESOLVED that having reviewed the governance arrangements in the attached report, the committee have assurance that appropriate governance is in place and that there are no comments that they wish the Chair of the Committee to raise at Full Council.

38 WORK PLAN

Members considered their work plan for the remaining meetings during the ensuing civic year.

The External Auditor, indicated that in light of the revised “sign off of accounts timetable” a number of his reports due for submission, would maybe need to have their timelines revised. He undertook to liaise with the Governance and Civic Officer regarding any revisions required.

The Director of Resources indicated that he would also prepare a report, for discussion at the next Chairman’s Briefing meeting, and for possible subsequent submission to the Committee, setting out the timeline for the early closure of accounts.

RESOLVED that the work plan as at 7 September 2016 be noted.

The meeting concluded at 8.22 pm.

Chairman