

CANNOCK CHASE COUNCIL
MINUTES OF THE MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
THURSDAY 17 SEPTEMBER 2015 AT 4.00 P.M.
IN THE CIVIC CENTRE, BEECROFT ROAD, CANNOCK

PART 1

PRESENT:
Councillors

Witton, P.T. (Chairman)
Pearson, A. (Vice-Chairman)

Bowater, J. Johnson, J.P.
Hardman, B. Stretton, Mrs. P.Z.

Also Present: Andrew Reid, Senior Manager – Grant Thornton (External Auditors)

11. Apologies

Apologies for absence were received from Councillor Miss M.A. Freeman.

12. Declaration of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members

No Declarations of Interests were made in addition to those already confirmed by Members in the Register of Members' Interests.

13. Minutes

Minute No. 8 – Annual Governance Statement 2014-15

Cllr. Hardman requested an update on rollout of the Universal Credit scheme.

The Head of Finance advised that implementation was planned for towards the end of 2015, but discussions were still ongoing with the Department for Work and Pensions (DWP) about provision of support to new claimants. The Local Taxation and Benefits Manager would be asked to circulate an update.

The Head of Governance further advised that the Customers & Corporate Scrutiny Committee would be monitoring rollout of the scheme as part of its work programme for the year.

RESOLVED:

That the Minutes of the meeting held on 23 June, 2015, be approved as a correct record and signed.

14. Statement of Accounts 2014-15

Consideration was given to the Report of the Head of Finance (Item 4.1 – 5.6 plus separate booklet of the Official Minutes of the Council).

The Principal Corporate Account talked Members through the key aspects of the Statement of Accounts of which they needed to be aware.

Cllr. Hardman queried why the level of bad debts provision for rent arrears had trebled in 2014/15 when compared to 2013/14, why the amount of arrears had increased and whether write-offs were included.

The Head of Finance replied that the amount of write-offs was analysed throughout the year, so the total figure for bad debt provision didn't include write-offs as such, but could account for the increased provision.

Cllr. J. Johnson asked for clarification on why the bad debt provision had trebled.

The Head of Finance replied that the 'age' of the debts was the main issue; any debts over 12 months old were less likely to be collected, and there had been an increase in the number of debts which were above that 12 months threshold. However it was important to make clear that any debts weren't written off until all possible avenues for collection had been explored.

Cllr. Bowater queried if collection methods used including going into properties and seizing goods to sell.

The Head of Finance replied that as these were Council tenants being dealt with, bailiffs were used as a last resort.

The Chairman queried how many applications were made to court to repossess properties which were in arrears.

The Head of Finance replied he would have to check this information and report back.

Cllr. Pearson commented that in some instances the Council appeared to be too quick in issuing summons' to residents who had rent arrears.

The Head of Finance replied that he could look into this and report back, but an automated process was in place for issuing such notices and summons.

Cllr. Hardman queried if the Council had paid out any grants to people taking on empty properties, as there was potential issues with new tenants being overcharged council tax on the property to include the period it was empty.

The Chief Internal Auditor replied that the liability for paying council tax should only start from the point the property was purchased, therefore no 'backdated' charges should be payable, but this would be looked into.

The Head of Finance replied that he would check the figures on whether any such grants had been paid and report back accordingly.

RESOLVED:

That the audited Statement of Accounts for 2014/15 be approved.

15. External Audit of the Statement of Accounts 2014-15

Consideration was given to the Report of the Head of Finance (Item 5.1 – 5.38 of the Official Minutes of the Council).

Andrew Reid drew Members attention to the following aspects of the external auditor's report:

- Anticipate giving an unqualified opinion in respect of the Council's financial statements and Value for Money (VfM) arrangements;
- Good standard of draft accounts and supporting working papers provided by the Council as part of the audit;
- No adjustments were identified to the financial statements which would affect the Council's reported financial position;
- Only three amendments were made to the draft accounts during the audit process, which related to; reclassification of National Non-Domestic Rates (NNDR) appeals provision, exit packages and long-term borrowing;
- A debtor invoice which was raised in 2015/16 and related to works undertaken in 2014/15 was not included in the final set of accounts due to timing of reporting/receipt, however the external auditors were of the opinion that the invoice amount should have been included, although the amount was below the threshold at which it would have had a material impact on the financial statements;
- Satisfied with the Council's forward financial planning arrangements in place, therefore assess the Council as a 'going concern' in this regard;
- Satisfied with the approach taken by the Council to manage the process for NNDR appeals provision;
- Valuation of Property, Plant and Equipment (VPPE) – as with 2013/14, the process adopted by the Council to value assets on a rolling basis was not inline with guidance from the Chartered Institute for Public Finance Accounting (CIPFA) which recommends a full annual review be undertaken. However having spoken with management, the external auditors are satisfied with the Council's approach and that on the basis of evidence provided, no issues have arisen;
- In respect of VfM, some minor issues were identified, but none that would stop the external auditors from giving an unqualified opinion;
- An amber rating had been given for strategic financial planning due to a funding 'gap' of £280,000 being identified for 2017/18;
- Concerns were also raised about the Council's reliance on collecting a significant level of its Business Rates funding from only a small number of businesses. Should any of these businesses fail then the Council could be faced with further possible funding risks.

Cllr. J. Johnson queried what threshold was in place for assessing 'material liability'.

Andrew Reid replied that it was circa £1.2m (2% of gross expenditure) and any figure above that would not present 'true' accounts.

Cllr. J. Johnson then queried if the liability was only tested above that figure.

Andrew Reid replied that testing took place below that figure as well, but anything reported above the threshold would result in the external auditors not being able to say the accounts were ok as presented.

The Head of Finance advised that a balanced budget had already been achieved for 2016/17; however an updated financial plan for 2016/17 and 2017/18 would be presented to Cabinet and Council in November 2015 for consideration. Setting of future budgets was however partly vulnerable to volatility in Business Rates provision/collection.

Cllr. J. Johnson asked how the Council performed on VfM compared with other local authorities.

Andrew Reid replied that the Council was very typical when compared with elsewhere, as very few other authorities were given fully 'green' ratings for their VfM performance, however most were also being given unqualified assessments.

The Head of Finance advised Members that until 2013/14, all locally collected Business Rates went straight to central government, but the formula was changed so that the Council now received approximately 40% of the Business Rates it collected, which was supposed to serve the purpose of covering the gap caused by a reduction in the Revenue Support Grant provided by central government. The change in funding provision did present a risk to the Council as should a major business in the District fail, then 40% of the Business Rates paid by that business would no longer be received.

In respect of Business Rates appeals, the Head of Finance advised that should any appeals be successful, then the rateable value of the business back to 2010 could have to be paid out by the Council, so all steps had been taken within the accounts and budgets to ensure sufficient provision was in place.

RESOLVED:

That

(A) The contents of the report be noted, with reference to:

- (i) The Audit Findings for Cannock Chase District Council;
- (ii) Statement of Accounts 2014/15

(B) The Management Representation letter be approved and signed by the Chairman on behalf of the Committee.

16. Internal Audit 2015-16 Quarter 1 Report

Consideration was given to the Report of the Chief Internal Auditor (Item 6.1 – 6.3 + Appendix 1 of the Official Minutes of the Council).

Local Enterprise Partnership (LEP) Arrangements audit

Cllr. Hardman queried why no information had been provided in respect of the outcome of this audit.

The Chief Internal Auditor replied that audit outcomes were usually reported on an exceptions only basis (i.e. information would only be provided where audits had been given a limited or partial assurance level). Therefore, as the LEP audit had been given a substantial assurance, an outcome report was not provided.

Major Projects within Leisure & Culture

Cllr. Pearson queried whether the project management issues referred to in the report related only to Hednesford Park or other current projects.

The Chief Internal Auditor replied that the issues concerned a number of projects, which was partly as a result of the Council not having in place corporate level project management guidance. Such guidance would be beneficial to Officers in ensuring the 'right' approach was taken.

Community Infrastructure Levy

Cllr. Pearson queried how much section 106 income the Council had lost as a result of being rebuffed by developers who were not prepared to provide such funding for development schemes.

The Chief Internal Auditor replied that he would speak with the Finance and Planning departments to ascertain if this information was available and then circulate a response to Members.

RESOLVED:

That the contents of the Internal Audit Report for Quarter 1 2015-16 be noted.

The meeting closed at 5:10pm.

CHAIRMAN