

Audit Committee



Date	Monday 30 June 2008
Venue	Town Hall, St. Annes
Committee members	Councillor John Singleton (Chairman) Councillor Keith Hyde (Vice-Chairman) Fabian Craig-Wilson, Ben Aitken, Cheryl Little, Louis Rigby, Elizabeth Oades and Paul Hayhurst
Other Councillors	Councillor Paul Rigby, Portfolio Holder for Finance and Efficiency
Officers	Bernard Hayes, Joanna Scott, Savile Sykes and Tracy Scholes
Other Attendees	Councillors Maxine Chew, Linda Nulty and Tony Ford

1. Declarations of interest

Members were reminded that any personal/prejudicial interests should be declared as required by the Council's Code of Conduct adopted in accordance with the Local Government Act 2000.

2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 17 June 2008 as a correct record for signature by the chairman.

3. Substitute members

The following substitutions were reported under council procedure rule 22.3:

Councillor Ben Aitken for Councillor Simon Renwick

Councillor Fabian Craig-Wilson for Councillor Paul Rigby

Councillor Cheryl Little for Councillor John Coombes

4. Annual Governance Statement

Savile Sykes, Head of Internal Audit, presented the Annual Governance Statement prepared under the CIPFA/SOLACE framework (the local code of corporate governance) for approval.

Mr. Sykes reminded members that the Council's Code adopted six core principles from the CIPFA/SOLACE guidance which underpinned the council's governance system, these being:

- Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting the values of the authority and demonstrating the values of good governance through behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members to be effective and ensuring that officers - including the statutory officers - also have the capability and capacity to deliver effectively
- Engaging with local people and other stakeholders to ensure robust local public accountability.

Under each core principle, a number of sub-principles were identified and the Corporate Governance Group (an officer group comprising the Chief Executive, Section 151 Officer, Monitoring Officer, Democratic Services and Member Support Manager and Head of Internal Audit) had conducted a detailed assessment of the council's governance arrangements against this checklist.

These governance issues had been reflected in the Council's Governance Statement. The Statement also contained other information such as an explanation of the purpose of a governance framework, the governance environment and a review of effectiveness. The weaknesses identified by the assessment would be translated into an Action Plan which would be brought to a future meeting of the Audit Committee for monitoring purposes.

A number of issues were raised. On page 3 of the Code, fourth paragraph, an addendum was requested to clarify that non Cabinet members can table questions in written format. The relevant sentence was amended to read, ***"Members of the council who are not members of the cabinet can table questions in written format"***.

There was discussion on issue 10 relating to financial management and monitoring systems. Mr Hayes explained that it was the intention that this area would be strengthened by budget holders being provided with monthly budget information. In addition, each quarter, the Executive Member for Finance and Efficiency would be presented with a report showing any 'hot spot' areas of either over or under expenditure. It would be open to the Executive Member to then take a more detailed report forward to share with Cabinet if he felt that there were significant concerns. Audit Committee members advocated that this information should be shared with them. Mr. Hayes felt that opportunity should be provided for the system to bed down in the first instance and drew members' attention to the fact that the Audit Committee was not the ideal forum to scrutinise financial information.

However, on issue 10, members requested an addendum to the end of the proposed action statement adding to it in the following terms “*and provide the Audit Committee with financial information relating to financial hot spots on a quarterly basis*”.

The committee RESOLVED to approve the Annual Governance Statement subject to the two amendments being made to the Statement as described in the preamble above.

5. Annual Statement of Accounts 2007/08

Bernard Hayes (Finance Director) presented a report on the Annual Statement of Accounts. The committee had the authority to approve the Council's Annual Statement of Accounts and to report back to Full Council as required.

The Chairman opened the debate by remarking that the Statement of Accounts had been prepared in a very timely manner and thanked Mr. Hayes and Ms. Scott for their hard work. In turn, Mr. Hayes acknowledged the hard work put in by the Accounts Team and supporting managers and Officers across the council in working together to close the accounts.

Mr Hayes explained that the council prepared its Annual Accounts and supporting financial statements in accordance with applicable laws and regulations and in line with the Statement of Recommended Practice (SORP) on Local Authority accounting in the UK.

This council had adopted and follows the format of these requirements as set out by the CIPFA (Chartered Institute of Public Finance and Accountancy), LASAAC (Local Authority (Scotland) Accounts Advisory Committee) Code of practice on Local Authority Accounting in Great Britain (the Code of Practice) and the Local Government Act 2003.

It was explained that although the report was delivered in a prescribed technical language as outlined above that a key message was that the council's financial position was robust in line with minimum reserve resources but still remained serious.

A number of questions were asked including risks associated was the council's borrowing requirements. Councillor Mrs. Oades observed that the council had remained debt free for a number of years but now had a borrowing requirement and sought clarity on the risks associated with this given the changeable financial market. Mr. Hayes verified that the borrowing had been taken with the benefit of financial advice at a fixed rate of borrowing thereby insulating the council's risks in terms of increases in interest rates.

Councillor Elizabeth Oades also queried the £33,000 overspend at year end and the levels of risk associated with unanticipated costs for 2008/09 such as rising inflation and fuel costs. Mr. Hayes explained that in terms of managing this risk, this was why minimum reserves were required and that this requirement was being met.

Councillor Paul Hayhurst asked if the risk from bad debtors posed a threat to reserve levels. Bernard Hayes responded by explaining that the recommended provision for bad debtors was in line with national guidance. The percentage collection rate for council tax was very high but Mr. Hayes gave an undertaking to keep collection rates under close review.

Councillor Kath Harper asked a point of clarity around what business Fylde Borough Solutions conducted.

Councillor Linda Nulty questioned why the precise figures for the Streetscene overspend were not shown in the documentation. Mr. Hayes outlined that these had been articulated to Cabinet but did not appear in the close down of accounts information as he was obligated to set out the information in a prescribed way which precluded this.

The Chairman sought reassurance that measures were in place to keep budget pressures under control. Mr. Hayes explained that he was utilising a similar framework to the one he used at Preston City Council. Robust monitoring would prove to be the key and this had brought about significant change and improvement at Preston Council, which he hoped to emulate at Fylde Borough Council.

Councillor Paul Hayhurst asked what discipline would be installed in budget holders to ensure that monitoring was being properly undertaken. Mr. Hayes responded by outlining that training and information were very important to try and bring about a cultural shift.

Councillor Fabian Craig-Wilson closed the questions by seeking an assurance that officers could be relied upon to implement the self discipline required. Mr. Hayes outlined that he would be undertaking close monitoring and taking very seriously any non implementation.

The Committee RESOLVED to approve the Statement of Accounts for 2007/08 Constitution

6. Constitution Refresh

Tracy Scholes (Democratic Services and Member Support Executive Manager) presented a report on the constitution on behalf of Ian Curtis. The council's constitution needs to be re-adopted by the council each year. The report highlighted some proposed changes and invited the committee to recommend to council that it formally re-adopts the constitution subject to those changes.

Mrs. Scholes outlined that all changes, with the exception of the number of Executive Members and the Cabinet Procedure rules, would be endorsed by the council. Decisions relating to Cabinet matters were within the powers of the Leader.

Mrs Scholes identified a number of key areas which she felt would be of most interest to the Audit Committee and committee members themselves raised a number of issues which included:

- Chief Executive's Delegations. Clarity required on where authority currently rests for approving applications for voluntary redundancies
- Reasons for changes to delegations to executive managers regarding the pay and grading procedures
- The extent of powers to be delegated to all executive managers under the Regulation of Investigatory Powers Act 2000

Mrs. Scholes addressed the queries of members on a number of other issues including the role of the Mayor and Deputy Mayor at council meetings.

A debate also took place on the merits of changing the period of notice for elected members submitting notices of motion from 7 days to 10 days, limiting the rights of members to speak on motions at council meetings to 5 minutes from 10, and the use of the closure motion at council meetings.

With regard to the possible changes to the Cabinet Procedure Rules to allow greater participation of elected members and the public, the proposed changes were in the main welcomed. However, elected members felt that more flexibility appeared to be being offered to members of the public in the drafting of the Procedure Rules. There was also a feeling that the number of Portfolio Holders should remain at 7 as opposed to the proposed reduction to 6. It was felt that 7 were preferable to share in the sizeable workload undertaken by Cabinet members.

RESOLVED (i) That Mr. Curtis be invited to a Special Meeting of the Committee to be scheduled prior to the Council meeting to provide further information to the committee on its areas of interest prior to the Audit Committee confirming its recommendations to council

(ii) That the Leader be informed that the Audit Committee was of the view that the number of Portfolio Holders should remain at himself as Leader plus seven Portfolio Holders rather than reducing to six Portfolio Holders.