

Public Document Pack

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 25th June, 2015 at Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor L Smetham (Chairman)

Councillors C Andrew, G Baxendale, S Corcoran, R Fletcher, M Hardy,
M Simon and A Stott.

Councillors in attendance:

Councillors S Gardner, P Groves and A Moran.

Officers in attendance:

Peter Bates – Chief Operating Officer

Anita Bradley – Head of Legal Services and Monitoring Officer

Andrew North – Corporate Manager: Governance and Audit

Jon Robinson – Audit Manager

Judith Tench – Head of Corporate Resources and Stewardship

Alex Thompson – Corporate Manager Strategy and Reporting

Jo Wilcox – Corporate Finance Manager

Cherry Foreman – Democratic Services Officer

External Auditor (Grant Thornton)

Allison Rhodes

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors A Kolker and
D Marren.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 PUBLIC SPEAKING TIME/OPEN SESSION

No members of the public wished to speak.

4 MINUTES OF PREVIOUS MEETING

RESOLVED

That the minutes of the meeting held on 19 March 2015 be approved as a
correct record.

5 INTRODUCTION TO THE WORK OF THE COMMITTEE

The Chief Operating Officer introduced the Terms of Reference of the Committee and of its Sub-Committees, as set out in the Constitution. He reported that they had been updated a year ago and would continue to be reviewed to ensure they reflected the advice and guidance of bodies such as CIPFA.

The Committee was asked to agree to the inclusion of behaviour and performance in the Terms of Reference; this would require the approval of both the Constitution Committee and Council.

RESOLVED

That the Terms of Reference be noted and that approval be given to the proposal to include behaviour and performance.

6 EXTERNAL AUDIT UPDATE REPORT

Consideration was given to the update report from Grant Thornton on their work as External Auditors for the year ended 31 March 2015. Details were given of the work to be carried out as part of the statutory audit of the Council's financial statements and arrangements for securing value for money; it also included a summary of emerging national issues and developments relevant to the Council.

In response to questions from Members clarification was given as to when it would or would not be acceptable for any recommendations not being implemented by the due date; also that accounting for schools still required judgements to be made on whether to include non current assets for voluntary aided and voluntary controlled schools on the Council's balance sheets, this being the clearest guidance to date on the subject.

RESOLVED

That the update be noted.

7 INTERNAL AUDIT ANNUAL REPORT 2014/15

The Corporate Manager Governance and Audit presented a report on his opinion on the overall adequacy and effectiveness of the Council's control environment for 2014/15, which had been timed to support the Annual Governance Statement (AGS) in accordance with the requirements of the Public Sector Internal Audit Standards.

The opinion could be seen in full on page 4 of the Internal Audit Annual Report and it was confirmed that adequate management arrangements were in place to ensure that services were delivered, and that agreed savings proposals were being realised, against a background of transformation as part of the agenda to become a commissioning Council.

With reference to the implementation recommendations and agreed deadlines it was confirmed that in the event of a recommendation no longer being appropriate, due for example to wider structural change, then a more appropriate action was agreed with managers. It was, however, confirmed that changes of management structure were not an acceptable reason for deadlines not being met.

RESOLVED

- 1 That the Internal Audit Annual Report 2014/15 be noted.
- 2 That the Corporate Manager: Governance and Audit opinion on the Council's framework for 2014/15 be noted.

8 DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15

Consideration was given to the draft Annual Governance Statement (AGS), explaining how the Council makes its decisions, manages its resources and promotes values and high standards of conduct and behaviour; the final AGS would be considered by the Committee at its meeting in September.

In February 2013 the Council had set out its three year plan to become a strategic commissioning council, the focus of which was to deliver sustainable, cost effective, services needed by residents and businesses. It was reported that the Council continued to develop its governance framework as it delivered its transformation programme. There were robust monitoring and reporting processes which included reference to controls where significant activities took place through a group entity including companies that the Council owned or part owned.

In response to points raised concerning some of the explanatory wording in the report the Committee was advised that considerable efforts had been made to be as succinct as possible and that the points raised would be looked at further.

The Chief Operating Officer, as the Council's Section 151 Officer, endorsed the Internal Auditor's opinion on the Council's control environment that *'The Councils framework of risk management, control and governance is assessed as adequate for 2014/15.'*

RESOLVED

That the draft Annual Governance Statement be noted and the final statement be considered by the Committee at its meeting on 24 September 2015 prior to its publication on the Council's website.

9 PRE AUDIT STATEMENT OF ACCOUNTS 2014/15

The Committee considered the draft Pre-Audit Statement of Accounts 2014/15 due to be published on the Council's website on 1 July 2015 along with the Annual Governance Statement; the external audit of the accounts would then begin and run until the end of September. This was the first year that group financial statements had been prepared, reflecting the major step forward in the way services were now managed, with the financial statements being a mixture of wholly and jointly owned subsidiary private interests.

It was reported that the financial statements showed an improving financial position despite targeted reductions in expenditure, and the overall financial health, performance and reliance were strong. The report highlighted a number of operational highlights and gave a resume of the headline messages which would help the Committee in advance of the formal responsibility to approve the accounts at its next meeting.

The Committee received a presentation from the Corporate Manager Strategy and Reporting and had the opportunity to ask questions and seek clarification on the balance sheets.

RESOLVED

That the summarised position of the accounts for the year ended 2015, and the publication dates, be noted.

10 WHISTLEBLOWING ARRANGEMENTS

The Head of Legal Services submitted an update report on the effectiveness of the Council's whistleblowing arrangements and a breakdown of the number of reports received during 2014/15. The Policy was intended to encourage and enable all staff to raise serious concerns within the organisation rather than not doing so for fear of being disloyal to colleagues or the organisation, or due to fear of harassment or victimisation.

The policy had been subject to regular review since it was first approved in 2008, it had last been updated in 2014, and would continue to be reviewed as an ongoing exercise. Seven whistleblowing reports had been received during 2014/15 and the report gave the investigation results. In each case sufficient information had been given to allow an investigation to be carried out and all appeared to be the result of genuine unease.

There had been a recent article in the Council's internal news 'Team Talk' to raise staff awareness. It was acknowledged, however, that it was impossible to know to what extent staff concerns went unreported although the existence of some reports could be taken as evidence that the Policy was understood and used.

RESOLVED

That the report be noted and the ongoing review of the Council's whistleblowing arrangements be endorsed.

11 CODE OF CORPORATE GOVERNANCE REVIEW AND UPDATE

(Councillor Margaret Simon left the meeting during discussion of this item and did not return.)

The Committee considered this report as part of its continuing responsibility for reviewing the Council's corporate governance arrangements. In promoting the principles of accountability and effective governance it provided stakeholders with greater awareness of its arrangements and clarity on the expected principles and behaviours to which the Council operated.

The Code had first been approved in 2009 and reviewed annually to reflect best practice and organisational change, and to be consistent with the CIPFA/SOLACE Framework. A major change had been the inclusion of evidence sources which then highlighted the various systems, policies and processes which demonstrated how the Council complied and fulfilled the requirements of its Code.

RESOLVED

That the revised Council's Code of Corporate Governance be noted.

12 OMBUDSMAN COMPLAINTS

The Corporate Manager: Governance and Audit gave a presentation on the arrangements for responding to the Local Government Ombudsman (LGO). He explained the process from when a resident first approached the LGO through to the issuing of a decision notice and final public report on the outcome of the investigation. Under the procedure the Council was given 28 days in which to consider and respond to the provisional view of the LGO.

Specific reference was made to a complaint concerning the green waste collection in 2013/14 and to the lessons to be learned and taken forward from this particular case. The Committee was assured that the need to consider fully the provisional view of the LGO had now been highlighted to colleagues by the compliance team and training given to ensure this happened.

RESOLVED

That the presentation, and the revised arrangements for considering the provisional view of the Local Government Ombudsman, be noted.

13 **WORK PLAN**

Consideration was given to the Committees Work Plan, and to membership of its various Member/Officer Working Groups. It was noted that the Work Plan needed to take into account that the Accounts and Audit Regulations 2015 revoked those for 2011, although they continued to have effect in relation to financial years ending on or before 31 March 2015.

It was agreed that the Working Groups should continue as they provided continuity of membership and in depth knowledge to be acquired in their areas. Members were invited to contact the Corporate Manager: Governance and Audit in respect of any areas in which they had particular interest, knowledge, expertise.

In considering the Work Plan discussion took place on the recent general/local elections count process. The Chief Operating Officer indicated that a review of the election arrangements was being dealt with elsewhere.

RESOLVED

That the Work Plan and updated membership of the Member/Officer Work Groups be considered further at the next meeting of the Committee.

The meeting commenced at 2.00 pm and concluded at 4.45 pm

Councillor L Smetham (Chairman)

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting:	25 June 2015
Report of:	Chief Operating Officer
Subject/Title:	Draft Pre-Audit Statement of Accounts 2014/15
Portfolio Holder:	Councillor Peter Groves

1.0 Report Summary

- 1.0 The Statements of Accounts for the period 2014/15 present a positive review of the Council's financial standing. The Council focuses on putting the needs of residents and businesses first and is clearly doing this from an improving financial position despite targeted reductions in expenditure.
- 1.1 This is the first year that 'Group' financial statements have been prepared reflecting a major step forward in the way local authority services are managed. Cheshire East Borough Council represents the largest entity within the Cheshire East Group but the financial statements now present a mixture of wholly and jointly owned subsidiary private interests.
- 1.2 In 2014/15 the Group generated a surplus of £0.7m (0.27%) against its approved revenue budget of £253.8m. Its overall financial health, performance and resilience is strong despite taking over £50m out of its cost base since 2011. In addition to its strong financial performance there have been operational highlights, throughout 2014/15, that include:
- Council Tax has been frozen for five consecutive years
 - Cheshire East came out top as the best place to live in the North West in the Halifax survey of local authorities across the country.
 - Bio-science and pharmaceuticals continue to help the Borough's economic upturn and our investment in the Manchester Science Partnership alongside Bruntwood has developed Alderley Park.
 - New companies continue to set up in the Borough and the continued roll out of high speed broadband to over 60,000 premises is a major factor in encouraging new business and creating jobs. We look forward to hearing whether we have been successful in securing the North West Gateway hub station for Crewe.
 - Another ground-breaking achievement for the Council is Fairerpower. The energy tariff is already proving popular with residents. We intend to make fuel poverty a thing of the past.
 - We had a successful launch of our Dementia Friends Campaign and embrace the opportunities that the Care Act has brought to us.
 - 2014 will be remembered for commemorating the 100th anniversary of WW1. Many successful events took place around the Borough and the Council fully supported them.

- The Crewe Lifestyle Centre is progressing well and we are investing in our other leisure services around the Borough.
- Our parks and open spaces continue to collect green flag awards and national recognition for their recreation and education provision and are enjoyed by millions of visitors and children each year.
- Ofsted have placed over 93.6% of our schools “good or outstanding” and our schools are in the top three in the country.

1.3 Information on the 2014/15 pre-audit statement of accounts, for the Cheshire East Group of Companies and for the single entity of Cheshire East Borough Council, will be presented to the committee. This step is taken to provide committee members with an early summary of the accounts, which will help them in advance of any formal responsibility to approve the accounts in September 2015.

1.4 This report confirms that the Council will publish, on its website, its pre-audit statement of accounts for year ended 31st March 2015, alongside its draft Annual Governance Statement, by the 30 June 2015 deadline.

2.0 Recommendations

2.1 Members’ note the summarised position of the accounts for year ended 31st March 2015.

2.2 Members note the important dates in relation to the approval process for the statement of accounts, specifically the 1st July publication of the draft accounts and Annual Governance Statement.

3.0 Reasons for Recommendations

3.1 The Accounts and Audit Regulations 2011 require the Audit and Governance Committee to approve the statement of accounts after the external audit is completed and before the deadline of 30 September 2015.

3.2 To support this responsibility the Committee is provided with an overview of the key issues within the draft Statement of Accounts before the external audit work begins. This allows committee members adequate time to scrutinise the statements ahead of the deadline for approval.

1.0 Background

1.1 2014/15 was the second year of the Council’s 3 Year Plan. The five outcomes contained within the plan are being achieved through a selection of significant measures developed by the Council to highlight progress. The explanatory foreword, within the statement of accounts, will provide evidence of how performance measures demonstrate achievement of the outcomes by the Cheshire East Group of Companies.

- 1.2 The backdrop to such achievements has been continuing national austerity in the public sector, with central government grants reducing by 40% over the medium term. Rather than pass on the cost of such cuts Cheshire East Council has continued to freeze Council Tax levels and rely on greater levels of efficiency and continuing development to find the best fit providers to match customer needs
- 1.3 The medium term financial strategy, last published in February 2015, illustrates the scale of the continuing challenge over the next few years. However, the Cheshire East Group is well placed to maintain strong services that meet the needs of local residents. Investment in growing the local tax base may ultimately replace the need for government funding (in all areas but education), and the opportunities to trade in the open market are now established.
- 1.4 **Headline messages from the statement of accounts**
- 1.5 General and Earmarked reserves have increased in 2014/15 to £71.4m. This includes General Reserves which closed at £14.7m, 6% of the net budget. The overall level of reserves is adequate to continue to protect the Group against financial risks and to provide opportunities for investment in the medium term.
- 1.6 The Group demonstrates a healthy Balance Sheet, with net assets of £222.8m, despite a decrease of £103.8m (31.8%). The decrease is mainly as a result of an increase in the pension liability (Cheshire East Council +£67.1m; Subsidiaries & Joint Venture +£14.1m).
- 1.7 The Council continues to improve its performance in producing the Statement of Accounts. The external auditors commented last year on the improvements in quality of the accounts and supporting working papers. The recommendations made by the external auditors last year have been also been implemented. The Chief Operating Officer, (Section 151), has produced a pre-audit set of accounts that provides a true and fair view of the Council's financial position. He expects to receive a clean (unqualified) audit opinion from the external auditors.
- 1.8 The Statement of Accounts for 2014/15 is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In 2014/15 there have been no significant changes in the Code's requirements which affect the Cheshire East Group of companies and therefore no change to the accounting policies that have been adopted by the group.
- 1.9 There has been a change in the way statements are prepared due the changing structure of service providers. The Group statements consolidate the accounts of: Cheshire East Council; four wholly owned subsidiaries (Ansa, Orbitas, TSS, EotN); one joint venture (Cosocius). The accounts of a fifth wholly owned subsidiary (TPE), and one associate organisation (CWLEP), although part of the Group, are not consolidated on the grounds of materiality. This mirrors treatment of these organisations in 2013/14. The single entity statements for

Cheshire East Borough Council will also be presented to the Committee for approval in September 2015.

- 1.10 The objective of the Statement of Accounts is to provide information about the organisation's financial performance that is useful to a wide range of interested parties. Its purpose is to give readers and stakeholders clear information about the Group's consolidated finances and to answer questions such as: what did services cost; where the money came from; what are the significant events this year; and what is the Group's net worth?
- 1.11 Members are not required to approve the pre-audit statement of accounts for the Group or for the Council as a single entity. But the Chief Operating Officer is providing the committee with an early indication of the key messages from these accounts before he signs them for publication. The Pre-Audit Statement of accounts will be published on the 30 June 2015 and the certified Statement of Accounts will be published by the end of September, meeting all the statutory deadlines and reporting requirements.
- 1.12 **Next steps**
- 1.13 The Council's external auditors are Grant Thornton. Their formal audit will commence on 1 July and is expected to be completed by mid September.
- 1.14 The Committee will receive independent reports from the auditors on 24 September 2015 – including their opinion on the accounts and their value for money conclusion. The final audited Statement of Accounts will also be presented to this Committee for approval on 24 September in advance of the publication deadline of 30 September 2015.
- 1.15 **Wards Affected**
- 1.16 Not applicable.
- 1.17 **Local Ward Members**
- 1.18 Not applicable.
- 1.19 **Policy Implications**
- 1.20 None.
- 1.21 **Financial Implications (Authorised by the Chief Operating Officer)**
- 1.22 The Statement of Accounts summarises the financial activities of the Council for the preceding financial year and its position at the year end. It summarises the Council's income and expenditure, assets and liabilities, and its level of reserves and indebtedness. As the statements are subject to external audit and opinion they present a key measurement of the overall financial performance of the authority. The statement of accounts is an important part of the Council's financial governance and stewardship arrangements.

1.23 Legal Implications (Authorised by the Head of Legal Services)

1.24 The regulations arising out of the Audit Commission Act 1998 (Accounts and Audit Regulations 2011) prescribe statutory provisions regarding the overall format and approval procedures for authorities' financial statements. The detailed format of the Statement of Accounts is laid out annually by the Chartered Institute of Public Finance and Accountancy (CIPFA) in the form of the Code of Practice on Local Authority Accounting in the UK (the Code).

1.25 Further supporting guidance contained in the Service Reporting Code of Practice for Local Authorities (Sercop) and Local Authority Accounting Panel (LAAP) bulletins is applied as relevant. The pre-audit statement of accounts must be signed by the Council's Section 151 officer and published by the end of June following the financial year end. The pre-audit statements do not require committee approval, however it is deemed to be good practice to present the accounts to members before publication.

1.26 The Audited statements are to be approved by committee and published by end of September following the financial year.

1.27 Risk Management

1.28 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices. Failure to do so could result in a qualification of the accounts and an adverse impact on the Council's reputation.

1.29 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name: Alex Thompson
Designation: Corporate Manager – Strategy & Reporting
Tel No: (01270) 685876
Email: alex.thompson@cheshireeast.gov.uk

This page is intentionally left blank