

**MINUTES of the meeting of Audit and Governance held at The Library, The Shire Hall, Hereford on Wednesday 25 September 2013 at 11.00 am**

**Present:** Councillor J Stone (Chairman)

**Councillors:** CNH Attwood, PGH Cutter, TM James, Brig P Jones CBE, PJ McCaull, NP Nenadich and AJW Powers

**Officers:** D Powell (Chief Officer: Finance and Commercial, H Donaldson (Governance Services)

**10. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors EMK Chave and AJ Hempton-Smith.

**11. NAMED SUBSTITUTES (IF ANY)**

Councillor AJW Powers substituted for Councillor EMK Chave.

**12. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

**13. MINUTES**

**RESOLVED:** That the Minutes of the meeting held on 5 July 2013 be confirmed as a correct record and signed by the Chairman.

**NOTE:**

The Chairman reported to the Committee that the next Council meeting would consider the membership of the Audit and Governance Committee, because it was necessary to address issues relating to political proportionality, vacancies on the Committee and the appointment of a Vice-Chairman.

**14. AUDIT FINDING REPORT**

*[Note: In order to further the efficient transaction of business, the Chairman agreed to consider agenda item 6 (Statement of Accounts) first, this agenda item second, and an additional agenda item (Community Governance Review – Ross-on-Wye) last.]*

The Director of Grant Thornton UK, the Council's appointed external auditor, presented the report in respect of the audit findings from the annual audit of the Council's annual accounts. In addition, he tabled the Audit Opinion at the meeting. He added that, although the Opinion had been given, the accompanying Certificate would be temporarily withheld pending the receipt of a potential objection from a member of the public, who had notified him that it would be submitted later in the week. He reported that, overall, the draft accounts were of a good standard, and were a clear improvement on the previous year due to the Council's robust review of quality.

The following points were made during the ensuing discussion on the Audit Finding Report:

- In respect of Section 3 of the report (Value for Money), it was noted that the Council faced a particular challenge in relation to recovering its overspend, especially in the light of its economies of scale as a smaller authority. It was important to consider which of the Council's services would be prioritised for 2014/15, with the high costs of Adult Social Care being of foremost concern. The Director added that the move to bring Adult Social Care Services in-house was positive, and was likely to achieve savings in line with other authorities who had taken similar action.
- The Committee welcomed the continued involvement of the Overview and Scrutiny Committees in overseeing the budget, and seeking regular assurance from the budget monitoring representatives.
- Members requested that updates on the budget action plan, and identified risks, be considered at all of its meetings.

**RESOLVED: That**

- (a) the external audit findings and action plan for Herefordshire Council dated 31 March 2013, be noted; and**
- (b) an updated action plan and identified risks be considered by the Audit and Governance Committee at every meeting, along with a management response in respect of each point on the plan.**

## **15. STATEMENT OF ACCOUNTS**

The Head of Corporate Finance presented the 2012/13 Statement of Accounts, which were a statutory requirement and had been produced in accordance with the CIPFA code of practice. The Statement as presented had been approved by the Chief Officer Finance and Commercial, and would need to be published by 30 September 2013. She drew the committee's attention in particular to the key considerations at paragraph 8.2 of the covering report. She gave members an overview of the full Statement of Accounts, and expanded in more detail on the following points in response to questions from members:

- Paragraph 2.2: The most significant overspend on the revenue account was £5.9 million in relation to adult social care, which was offset by savings in other directorates, savings on the treasury management budget, and by the sale of West Mercia Supplies.
- Paragraph 2.7: Of the earmarked reserves of £13.9 million, £5.5million were allocated to schools' balances, and could be used only for this specific purpose. A further £3.3 million related to as yet unused grants. General reserves were £4.6 million at 31 March 2013 compared to £6.1 million in the previous year.
- Paragraph 2.8: The increase in the deficit on the pension scheme, from £159.3 million in 2012, to £187.4 Million in 2013, would be eliminated over a period of years, starting with a review of the pension fund position later in the year. The Chief Officer Finance and Commercial reported that the pension fund was currently cash-positive, although with the pension base likely to diminish in future years due to government cuts, it was likely that a larger employee contribution

would be required. He added that the Council had requested Herefordshire representation on the pension committee, and suggested that the Audit and Governance Committee could continue to lobby for this.

- The reference to property, plant and equipment on the balance sheet on page 44 of the agenda, related solely to items in the Council's ownership, and not to those belonging to any of its contractors.
- In response to a general question about the Council's level of borrowing, the Head of Corporate finance confirmed that borrowing was not secured against property. Loans used for capital spending were always matched by an increase in the revenue budget; therefore the ability to re-pay loans was always factored into the base budget.
- With reference to the cash flow statement on page 46 of the agenda, it was noted that a new collection system for council tax and business rates would be introduced in 2014. Collection rates would continue to be monitored, and the impact of the new system would be assessed through the internal audit programme. A member commented that the change in the system would lead to a proportion of business rates coming directly to the Council, which he suggested could be used to assist the start-up of new businesses.

**RESOLVED: That**

- (a) the 2012/13 Statement of Accounts be approved; and**
- (b) the draft letter of representation be signed by the Chairman of the Audit and Governance Committee and by the Chief Officer Finance and Commercial.**

**16. COMMUNITY GOVERNANCE REVIEW**

*[Note: The Chairman agreed that this item be put to the Audit and Governance Committee under paragraph 4.2.6.1 (b) of the Council's constitution, on the grounds that, it should be considered as a matter of urgency in order to progress the review.]*

The Head of Governance presented his report in respect of a Community Governance Review (CGR) of the areas of Ross Town Council and Ross Rural Parish Council, which had been approved by the Committee on 21 September 2012. At that meeting, the Committee had set up a Community Governance Review Sub-Committee, and agreed a politically proportionate membership of Councillors AM Atkinson, CNH Attwood, PGH Cutter, AJ Hempton-Smith and JA Hyde. The CGR was due to start in the autumn of 2013, and the Head of Governance had agreed to arrange training for members ahead of the review.

The current position was that Councillors Atkinson and Hyde were not members of the Audit and Governance Committee. Councillor Hempton-Smith had advised his political group that he would tender his resignation later in the week, and it was therefore necessary to revise the Sub-Committee membership and appoint a Chairman and Vice-Chairman.

Councillor Powers requested further discussion with his political group about representation, and it was agreed that he would notify the Committee of the nominee after the meeting. The remaining membership of the Sub-Committee was agreed as Councillors Attwood, Cutter, Jones and Stone, with Councillor Stone chairing.

**RESOLVED: That**

- (a) The nominations of Councillors CNH Attwood, PGH Cutter, P Jones and J Stone to the Community Governance Review Sub-Committee, be approved;**
- (b) The nominee from the It's Our County Group be notified to the Head of Governance by the group leader as soon as possible; and**
- (c) Councillor J Stone be appointed Chairman of the Community Governance Review Sub-Committee, and a Vice-Chairman be appointed from the Sub-Committee membership at its first meeting.**

**17. CHIEF OFFICER FINANCE AND COMMERCIAL**

The Committee noted that the Chief Officer Finance and Commercial, Mr David Powell, would leave the Council shortly to take up a new post at Powys County Council. The Chairman, on behalf of the Committee, thanked him for his professionalism and dedication over many years of service to the Council, and wished him every success in the future.

The meeting ended at 12.50 pm

**CHAIRMAN**