

**A MEETING OF THE STANDARDS AND GOVERNANCE COMMITTEE
WAS HELD ON 29 NOVEMBER 2010**

Councillors Burgess (P), Chegwyn (P), Forder (P), Kimber (P), Scard and Wright (P).

Independent Members: Mr R V Perry (P) and Mr G Lidgley (P).

It was reported that, in accordance with Standing Orders, Councillor Hook had been nominated to replace Councillor Scard for this meeting.

34. APOLOGIES

An apology for inability to attend the meeting was submitted on behalf of Councillor Scard.

35. DECLARATIONS OF INTEREST

There were no declarations of interest.

36. DEPUTATIONS

There were no deputations.

37. PUBLIC QUESTIONS

There were no public questions.

PART II

38. ANNUAL AUDIT LETTER 2009/10

Consideration was given to the Draft Annual Audit Letter 2009/10 issued by the Audit Commission and summarising the findings from the 2009/10 audit which comprised two elements:

- the audit of the Council's financial statements ; and
- the auditor's assessment of the Council's arrangements to achieve value for money in use of resources.

The Audit Commission was represented by Patrick Jarvis and Mark Catlow who drew Members' attention to the key messages contained in the report.

The detailed audit looked into the Council's accounts and financial processes. An unqualified audit opinion had been issued on 30 September 2010 that the accounts were generally well prepared with good supporting working papers.

The Council had sold the Priddy's Hard site to the Portsmouth Naval Base Property Trust

during 2009/10. The Audit Commission had considered whether this sale complied with statutory regulations requiring Councils to demonstrate best value in the disposal of public assets. Further assurances and evidence from the Council had been received to show that this was the case.

Progress in implementing International Financial Reporting Standards (IFRS) had been found to be slow. The issue was being delivered within a framework of very limited resources and capacity. Effective implementation required contributions from human resources and valuation departments. Wider ownership of this challenge by the Council's Management Team and by the Standards and Governance Committee was urgently needed.

Arrangements to achieve economy, efficiency and effectiveness in the use of money, time and people against criteria specified by the Audit Commission had been assessed. The Audit Commission specified each year the relevant criteria to be taken into account for the Value for Money conclusion at each type of audited body. An unqualified conclusion stating the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources had been issued.

With regard to the management of finances, it was noted that the Council's financial planning had improved as well as the Medium Term Financial Strategy.

The Audit Commission felt it was encouraging that Members' development was now being examined by the Overview and Scrutiny Committee and considered it important that urgent progress be made on this issue.

The Council's use of natural resources was considered to be amongst the best in Hampshire.

It was noted that the recently announced comprehensive spending review anticipated a 26% reduction in Government support for local government over the next four years. Much of this would be front loaded in the first two years. The precise impact on Gosport Borough Council would not be clear until the publication of detailed allocations later in 2010. The Council had been considering savings, income and fee levels and the message was to continue seeking savings.

The Council's capital programme was extensive but vigilance would be required with regard to affordability and financing.

The key actions for the Council had been identified as:

- To ensure that Committee reports dealing with property disposals fully demonstrate best value and compliance with statutory requirements.
- To give priority to the implementation of International Financial Reporting Standards.
- To update its medium term financial strategy and to identify the scale of savings required to meet reductions in grant income following publication of the financial settlement in December 2010.

- To ensure there are robust arrangements in place to deliver savings.
- To work with other councils in Hampshire to consider whether there are further savings available from shared services and shared management.
- To keep under review the financing and affordability of its capital programme.

Members were advised that the Council was no longer maintaining its working balance at 7% of General Fund spending levels. There had been a need to relax this arrangement to relieve the pressure on Council Tax. The Revenue Financing Reserve had been built up to underwrite, for example, some insurance risks and “spend to save” initiatives.

The level of reserves varied dramatically amongst local authorities but Gosport Borough Council’s was low in comparison.

With regard to IFRS, Members were advised that the work fell on a small number of officers. Final guidance in the shape of a 900 page document had only just been published and re-defined many issues related to final accounts. In addition, officers would be required to draw up the previous year’s accounts in a comparative format. It was anticipated, however, that the prescribed deadlines would be met. Officers undertook to submit a report to the next meeting of the Standards and Governance Committee.

Most local authorities were in a similar position with regard to IFRS arrangements. Risks were not exclusively associated with issues such as the late preparation of accounts and other staff were involved as well as those working in finance.

With regard to concessionary travel, there was a risk associated with whatever the final arrangements would be for transferring responsibility to the County Council and whether this would result in a net loss to the Borough Council.

In answer to a Member’s question, Mr Jarvis advised that some local authorities who maintained large balances could be challenged. The balance with which Gosport Borough Council operated was felt to be small when set against turnover. Mr Jarvis acknowledged that there was little room for manoeuvre and that operating with this balance had been successful but the financial situation was becoming more difficult.

Messrs Jarvis and Catlow were thanked by the Chairman for attending the meeting and for their contribution. Messrs Jarvis and Catlow thanked the Committee for the opportunity to attend.

RESOLVED: That the Annual Audit Letter 2009/10 be noted.

The meeting commenced at 6.00pm and concluded at 6.38 p.m.

CHAIRMAN