



MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE

TUESDAY 17 SEPTEMBER 2013
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON

Committee Members Present:

Councillor J Williamson (Vice-Convenor)
Councillor S Brown
Councillor S Currie
Councillor A Forrest

Other Councillors Present:

Councillor F McAllister

Council Officials Present:

Mrs A Leitch, Chief Executive
Mr A McCrorie, Depute Chief Executive (Resources and People Services)
Ms M Patterson Depute Chief Executive (Partnership and Services for Communities)
Mr T Shearer, Head of Policy & Partnerships
Mr P Vestri, Corporate Policy & Improvement Manager
Ms M Garden, Internal Audit Manager
Mr A Gillespie, Finance Manager
Mr S Allan, Senior Auditor
Mr S Kennedy, Risk Officer

Clerk:

Miss F Currie, Committees Assistant

Visitors Present:

Mr S Reid, KPMG
Ms S Burden, KPMG
Mr B Axon, General Manager, enjoyleisure
Mr G Tait, Accountant, enjoyleisure
Mr B Farnsworth, General Manager, Musselburgh Racecourse (Item 8 only)
Mr D Kennedy, Finance Manager, Musselburgh Racecourse (Item 8 only)

Apologies:

Councillor K McLeod (Convener)
Councillor J Caldwell
Councillor J Goodfellow
Councillor P McLennan

Declarations of Interest:

Councillor Forrest declared an interest, as a member of Musselburgh Joint Racing Committee, in relation to Item 8.

The Chief Executive, Angela Leitch, began by explaining that, due to a last minute submission of apologies, the meeting did not have a quorum under the terms of the Standing Orders. Rather than abandon the meeting altogether, Members agreed to deal with the key business on the agenda and that any decisions taken would go forward to the next meeting of the Committee for formal approval.

1. DRAFT ANNUAL AUDIT REPORT TO MEMBERS OF EAST LoTHIAN COUNCIL AND THE CONTROLLER OF AUDIT - KPMG

KPMG submitted their draft Annual Audit Report to Members of East Lothian Council and the Controller of Audit, which summarised their findings in relation to the audit for year ended 31 March 2013.

The Director KPMG LLP, Stephen Reid, presented the draft report to Members, indicating that it would be finalised following the signing of the Council's financial statement. He focussed on key areas of the report, commenting that the deficit of £2.5 million for 2012-13 was less than anticipated and the level of borrowing, although higher than the previous year, was also less than anticipated. The cost of borrowing remained low. However, East Lothian Council had the highest percentage of debt of all Councils in Scotland and the second highest per head of population.

Mr Reid acknowledged that improvements in financial management and reporting had helped to identify where pressures were heaviest. Despite these positive developments, robust monitoring continued to be necessary to ensure financial management remained on track. He warned that if planned efficiency savings could not be achieved, the utilisation of reserves could not go on forever. He concluded by saying that although good progress had been made over the year, the report included recommendations for further improvements.

In response to questions from Members, Finance Manager, Anthony Gillespie, confirmed that the sum of £0.6 million within the Housing Revenue Account had been transferred from the capital spend budget to the repairs budget following the Council's decision not to proceed with a development of affordable housing.

On the continued use of reserves; Mr Reid indicated that, despite the inherent risks, the Council should do its utmost to progress to a "break-even" position as planned. While it was feasible to use reserves to fund restructuring in the short term this should be done with a view to reducing costs in the mid to longer term. To put off such plans indefinitely would be unsustainable.

Councillor Currie welcomed the report but commented that Members were yet to see the benefits of decisions taken by the Council last October, particularly in relation to the cancellation of capital projects. He suggested that any reductions in expenditure as a result of these decisions could be made clearer in future reports.

Decision

The Committee noted the report.

2. ASSURANCE AND IMPROVEMENT PLAN UPDATE 2013-16

A report was submitted by the Chief Executive to inform the Committee of the Assurance and Improvement Plan Update 2013-16 provide by the Local Area Network (LAN).

Mrs Leitch presented the report which had also been to the Council meeting in June 2013. She indicated that Care Inspectorate Children's Services inspections would take place this autumn, alongside an educational inspection. Although there was some concern about both inspections happening at the same time, preparations were well underway.

There were no questions or comments from Members.

Decision

The Committee welcomed the report and noted that the Chief Executive would keep the Council updated on any inspections and focused work by the Local Area Network and the Auditor.

The Convenor advised Members that the meeting would now deal with items 8 and 7 on the agenda, in that order.

8. MUSSELBURGH JOINT RACING COMMITTEE FINANCIAL STATEMENT 2012/13

A report was submitted by Musselburgh Joint Racing Committee (MJRC) outlining the Racecourse financial statement for 2012-13.

The Musselburgh Racecourse General Manager, Bill Farnsworth, presented the report explaining that the Racecourse had made a profit of £70,000 in 2012/13 which was ahead of expectations. A total of £430,000 had been spent on capital projects and a further £200,000 of work was planned in the current year. This work would ensure that the Racecourse maintained its 5 star VisitScotland status. Future plans included restocking of cash reserves and further development of the business.

Following questions from Councillor Currie, Mr Farnsworth clarified the relationship between the MJRC and the Council. The Minute of Agreement clearly sets out the roles and responsibilities of both the Council and the Lothian Racing Syndicate (LRS) and is subject to review. In operational terms, the business can be considered to run separately from the Council although it is also classed as a committee of the Council and it is not subject to Corporation Tax. The MJRC business accounts form part of the Council's Group accounts and the assets are managed by the MJRC but owned by the Council. They lease the assets from the Council and have a responsibility to maintain them to a certain standard – as seen in the rolling programme of capital projects. Any profits are reinvested in the business and any prize monies are funded from its revenue. Mr Farnsworth indicated that the MJRC did not undertake commercial borrowing at present but could not rule it out in relation to future plans. Any such borrowing would be likely secured against business revenues. He confirmed that Racecourse staff were not Council employees and were therefore not subject to the same restrictions in terms of pay raises and bonuses. A salary review was currently underway.

Alex McCrorie, Depute Chief Executive (Resources and People Services), confirmed that the MJRC is not an ALEO (Arms Length Organisation).

The Racecourse Finance Manager, Douglas Kennedy, indicated that the current arrangement of 3 separate bank accounts – for the MJRC, wages and creditors - would shortly be changing to just one account for more efficient day-to-day financial management.

Councillor McAllister asked about future capital projects and the need to apply for appropriate planning consents. Mr Farnsworth acknowledged that, in the past, they had not always got this right. However, he assured Members that future projects would adhere to planning rules.

Decision

The Committee noted the report.

7. ENJOYLEISURE MANAGEMENT REPORT

A report was submitted by enjoyleisure to update elected Members on the current status and progress of Enjoy East Lothian Ltd (enjoyleisure).

The enjoyleisure General Manager, Bill Axon, presented the report outlining the key points: management, value for money and the achievement of Council objectives. Enjoyleisure is governed by 12 non-executive directors and managed on a daily basis by a Management Executive. It is governed by company law and, due to its charitable status, by the Office of the Scottish Charity Regulator (OSCR). Accountant, Graham Tait, took Members through the figures in the financial statement and indicated that this would shortly go before their Annual General Meeting for approval. The figures showed a decrease in the annual surplus – mainly due to an increase in pension investment – and a 10% reduction in Council funding.

In response to questions from Members, Mr Axon acknowledged that a reduction in Council funding and the current economic climate had resulted in challenges for the business. However, membership numbers and casual users had increased in the last year and a draft business strategy, to be discussed by the Board in November, would look at ways to continue delivering and expanding services as efficiently as possible.

Mr Tait confirmed that energy costs were a key consideration and steps were being taken to reduce these where possible. They had employed an external company to advise them on how they might potentially make savings in this area. The firm, UAC, were recommended by West Lothian Leisure Trust. In the meantime, plans were underway to reduce water costs at 3 sports centres and to install solar panels at Dunbar Leisure Pool.

Councillors Currie and Forrest both welcomed the report and wished to congratulate the staff at enjoyleisure on their performance over the year.

Decision

The Committee noted the report and acknowledged the continued success of enjoyleisure in its four years since formation.

The Convenor brought the meeting to a close and indicated that an additional meeting would be scheduled to deal with the remaining agenda items.

Signed

Councillor John Williamson
Vice-Convenor of the Audit and Governance Committee