

# GOVERNANCE AND AUDIT COMMITTEE

## MINUTES OF THE MEETING HELD ON MONDAY, 22 FEBRUARY 2010

**Councillors:** Jeff Beck (*Chairman*) (P), Paul Bryant (P), Tony Linden (P), Irene Neill (P), Julian Swift-Hook (P), Tony Vickers (*Vice-Chairman*) (P), Quentin Webb (P)

**Substitutes:** Brian Bedwell, Adrian Edwards, Roger Hunneman, Keith Lock

**Also present:** David Holling (Head of Legal and Electoral Services), Moira Fraser (Democratic Services Manager), Joseph Holmes (Accountancy Manager), Robert O'Reilly (Head of Human Resources), Lesley Flannigan (Finance Manager)

### PART I

#### 37. APOLOGIES.

No apologies for absence were received for inability to attend this meeting.

#### 38. MINUTES.

The Minutes of the meeting held on 5 January 2010 were approved as a true and correct record and signed by the Chairman.

#### 39. DECLARATIONS OF INTEREST.

There were no declarations of interest declared at the meeting.

#### 40. IMPLEMENTING NATIONAL PAY AWARD.

The Committee considered a report (Agenda Item 4) concerning the procedure for agreeing to implement a national pay award each year for all West Berkshire Council staff except those on teaching or Soulbury pay scales.

Robert O' Reilly in introducing the report explained that the provision to make a local pay award, rather than shadowing the national pay award, for all staff except those on teaching or Soulbury pay scales was set out in the West Berkshire Terms and Conditions since 1999. To date the Council had always opted to shadow the national pay award but recently Members had requested that a mechanism be put in place to allow the Council to deviate from this approach should the national pay award be deemed to be detrimental to the Council. The report set out a mechanism to do this.

Members queried what would happen should the Chief Executive not be available to make the decision. The Monitoring Officer confirmed that this decision could not be delegated to a Corporate Director as they would have an interest in the level of the pay award. In the event of the Chief Executive not being at work for a significant period it was anticipated that an acting Chief Executive would be appointed and the duties associated with the Head of Paid Service (including this decision) would be delegated to this person. It was therefore not necessary to make provision for this circumstance in the report.

Councillor Dr Tony Vickers queried why this decision would need to be made by the Chief Executive and not the elected Members. Robert O' Reilly explained that unless exceptional circumstances prevailed the Chief Executive would authorise the local implementation of the national pay award. The deviation would only arise in

exceptional circumstances where the Chief Executive believed that the national pay award would be detrimental to the integrity and effectiveness of the Council's pay policy. Any decisions made would be in consultation with the unions and would have to be agreed by the Executive.

Councillor Paul Bryant noted the Head of HR's comments but felt that the report did not address the situation of a 'stand off' occurring between the Chief Executive and elected Members. Mr O' Reilly explained that where a deviation was proposed a report would be taken to the Executive for consideration. Should a disagreement on the level of the increase arise the Executive would instruct the Chief Executive to consult on a different level of pay award and bring a report back to the next Executive meeting. A decision would then be made by the Executive at that meeting. In practice the Chief Executive would, in all likelihood, discuss these issues with elected Members before a report was taken to the Executive for consideration.

Members noted that the national pay award was usually agreed well into the new financial year and queried whether it would not be preferable to agree a level at the outset of the financial year thereby ensuring certainty. Officers explained that this was a contractual issue. The 1999 terms and conditions (which were applicable to the majority of non-school based staff) stated that the Council 'reserves the right, with local consultation, to determine its own [pay] award should the national award be detrimental to the integrity and effectiveness of the Council's pay policy and procedure' and as a consequence it was not possible to set the local award prior to the announcement of the national pay award.

*Councillor Paul Bryant left the meeting at 6.20pm and returned at 6.21pm.*

Robert O' Reilly explained that it would require significant resource to implement a proper local pay award. He noted that the majority of authorities that pursued this option had made pay awards that exceeded the national pay award during the 2009/10 financial year. He would therefore not be proposing that this option be adopted in West Berkshire at this time.

Members noted that this report was putting a mechanism in place to deal with a local pay award should it be required in line with the wording included in most employees' contracts as part of the 1999 terms and conditions of employment. They therefore unanimously agreed the report.

Members requested that prior to consideration at Council the word 'exiting' in paragraph 1.2 (8<sup>th</sup> line) be amended to read 'existing'.

**RESOLVED** that the report be agreed and proposed to full Council for ratification.

#### **41. OVERVIEW OF THE IMPLEMENTATION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS).**

The Committee considered a report (Agenda Item 5) concerning how West Berkshire Council was implementing the IFRS.

Joseph Holmes in introducing the report noted that he had raised the revised standards at previous Governance and Audit Committee meetings. The new standards would be introduced as of the 01 April 2010.

The key changes, resulting from the introduction of IFRS, would be around the following areas in the financial statements: leases, fixed assets, PFI schemes, employee benefits and the format of the financial statements (the size of these documents were likely to increase significantly).

Mr Holmes noted that the Audit Commission had recently released a briefing note on the introduction of the public sector as a whole. This document alluded to the fact that 63% of authorities would be using external consultants to help with the transition. West Berkshire Council would be managing the change internally and no additional resources would be employed to facilitate this work. The Audit Commission had originally proposed an 8% increase in their audit fee to deal with the amended system but following a flood of responses had agreed to cover it off using existing resources in 2010/11 at no extra cost to the authorities.

Members agreed that KPMG would be invited to provide an opinion on the Council's progress in implementing IFRS at the June meeting which they would be attending anyway.

The Committee had some concerns about the way financial reporting was presented. It was not in a format that made it comprehensible to most residents and they queried whether IFRS would be adding an additional level of complexity. Mr Holmes explained that one of the advantages of IFRS was that it provided some flexibility which might make it more 'user friendly'. However the notes that were required might negate some of the more helpful changes. Members agreed that they would consider the information presented to them at the June meeting and try to suggest adaptations that might make the document more understandable at that time. Councillor Neill felt that it would be useful to include a glossary with that document to assist readers.

**RESOLVED that:**

1. the report be noted;
2. KPMG be invited to provide an opinion on the progress WBC was making in implementing IFRS at the June meeting;
3. Members be asked to consider the financial reports at the June meeting and make suggestions for making the documents more comprehensible.

**42. DATE OF THE NEXT MEETING.**

The Committee noted the next meeting would take place on the 29 March 2010 at 6.00pm. An additional meeting would be arranged for the 27 April 2010 to discuss any items on the May 2010 Council agenda (the meeting would be cancelled if there were no items to be considered in advance of the May Council meeting).

*(The meeting commenced at 6.00pm and closed at 6.56pm)*

**CHAIRMAN** .....

**Date of Signature:** .....