

Minutes of a meeting of the Governance and Audit Committee held on Friday 18 March 2016 at City Hall, Bradford

Commenced 1100
Concluded 1205

PRESENT – Councillors

CONSERVATIVE	LABOUR	THE INDEPENDENTS
Eaton	L Smith	Naylor
	Swallow	

Apologies: Councillor A Thornton

Councillor L Smith in the Chair

61. DISCLOSURES OF INTEREST

In the interest of transparency all those who were members or beneficiaries of the West Yorkshire Pension Fund disclosed an interest.

ACTION: *Interim City Solicitor*

62. MINUTES

Resolved -

That the minutes of the meeting held on 29 January 2016 be signed as a correct record.

63. INSPECTION OF REPORTS AND BACKGROUND PAPERS

There were no appeals submitted by the public to review decisions to restrict documents.



64. **TREASURY MANAGEMENT POLICY STATEMENT, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY 2016/17**

The Director of Finance submitted **Document “AN”** which reported on the Council’s Treasury Strategy for borrowing for the three financial years commencing 2015/16 and the Annual Investment Strategy for 2015/16.

It was reported that the Council’s Treasury portfolio position at 31 March 2015, with forward projections were summarised in paragraph 3.1 of the report. The table showed the actual external debt (the Treasury management operations) against the underlying capital borrowing need (the Capital Financing Requirement – CFR) highlighting any over or under borrowing.

Members were informed that over the past year the Council had repaid £53 million of maturing debt bringing its level of external debt down to £338m; this had resulted in a reduction in cash balances; given this reduction combined with the forecast use of reserves and the under-borrowed position meant that the Council now expected to maintain this level of external borrowing over the next few years; this would be maintained by replacing maturing loans; the under-borrowed position meant that the capital borrowing need (the Capital Financing Requirement), had not been fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow had been used as a temporary measure; this strategy was prudent as investment returns were low and counterparty risk was relatively high.

It was reported that as short term borrowing rates would be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings would need to be considered in the light of the current Treasury position and the size of the cost of debt repayment (premiums incurred).

Members were informed that consideration would also be given to identify if there was any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments were likely to be lower than rates paid on current debt; all rescheduling would be reported to this Committee.

It was reported that in the last Treasury report the investment limits for the four main UK banks were reduced, and changed to using the same credit criteria as the other banks/building societies; this meant that Lloyds limit changed to £20m and Barclays to £7m limited to 100 days. This raised the following new issues:

- (i) Bradford schools – The schools had their own individual balances with the four main banks. At present their overall balances with Lloyds and Barclays exceeded the new Treasury policy limits.
- (ii) Further more it should be noted that centrally held cash balances had, and were going to continue to, reduce significantly (due to repayment of loans and use of reserves); this meant that the investment limits for our counterparties would reduce in the near future.



- (iii) It also meant that a large percentage of the overall cash held by the Council could be in the schools bank accounts, concentrated in a few counterparties.

In response to Members' concerns relating to school balances the Finance Director reported that more schools were turning into academies; a review would be undertaken on school balances; the last review undertaken a couple of years ago involved a number of schools changing to different financial institutions and it was hoped this would be repeated again this time; Schools turning into academies also meant that there would be less finance held by the Council.

A Member suggested that schools be advised on the risks associated with having balances with certain banks that exceeded the new Treasury Policy Limits.

Members queried what due diligence had been undertaken for school finances when schools became academies.

In response the Finance Director reported that

- The Schools Funding Team constantly monitored the schools financial positions.
- Soft intelligence and audit mechanisms were employed.
- Self assessment methods were used by schools.
- Some audit time was spent in individual schools.
- There were rules on who took responsibility of the funding liability when schools turned to academies.

In response to a Member's question the Finance Director reported that the School Commissioner favoured academy sponsors and each case for academisation was negotiated case by case; the overall health of finance of schools and whether schools were part of PFI deal was known; the authority would not be aware of all contract schools had entered into; for conversion to academy status the Authority would look to ensure school financial management was good.

It was reported that Schools needed to keep the Authority informed on what contracts they were entering into.

The Finance Director reported that schools would be given guidance on contracts they entered into and managing finances.

The Chair stressed the importance of the Committee being kept informed on the implications for the Authority on the conversion of schools to academies and the monitoring of these proposals.

Resolved -

- (1) That the Treasury policy be endorsed and recommended to Council for adoption.**



- (2) That the Director of Finance and the Chair discuss with the Leader the implications for the Local Authority on the conversion of schools to academies and the monitoring of these proposals.

ACTION: *Director of Finance*

65. **EXTERNAL AUDIT PROGRESS REPORT FOR THE 2015/16 AUDITS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL AND WEST YORKSHIRE PENSION FUND**

As part of the audit of the Authority, External Audit considered how the Governance and Audit Committee, as those charged with governance, gained assurance over management processes and arrangements:

- to prevent and detect fraud; and
- to comply with applicable law and regulations.

In accordance with the above the External Auditor submitted **Document “AO”** which asked some questions about the above arrangements and requested that the Committee provided a response by 30 April 2016.

The report also highlighted changes affecting the public inspection of accounts.

Members were informed of the changes affecting the public inspection of the accounts which included the Accounts and Audit Regulations (2015):

- the roles and responsibilities associated with informing electors of their rights; and
- the publication of draft and audited statements of account and information that accompanied those statements.

It was reported that it was now the Responsible Financial Officer’s responsibility to publish a statement that included details of the period for the exercise of public rights. It was also now the Responsible Financial Officer’s responsibility to inform the auditor of the date on which that period commenced; previously the auditor was responsible for ‘calling the audit’ and appointing a specific date on which electors could ask questions relating to the audit.

The period for the exercise of public rights must be a single period of 30 working days. Electors can only exercise their rights of inspection and objection, as set out in the Local Audit and Accountability Act 2014, during this period. The period must include the first 10 working days of July for this year’s audit.

Members were informed that the Regulations also set out the revised timetable for the preparation and audit of the Council’s financial statements from 2017/18. External Audit continued to work closely with the Council’s finance team to ensure that the revised timetable was met.



Resolved -

- (1) **That the External Audit Progress Report and briefing be received with interest.**
- (2) **That a response be provided to External Audit by 30 May 2016 to questions about the arrangements to prevent and detect fraud and to comply with applicable law and regulations.**

ACTION: *Director of Finance*

66. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) JOINT ADVISORY GROUP HELD ON 28 JANUARY 2016

The Council's Financial Regulations required the minutes of meetings of the WYPF Joint Advisory Group to be submitted to this Committee.

In accordance with the above the Director of West Yorkshire Pension Fund submitted **Document "AP"** which reported on the minutes of the meeting of the WYPF Joint Advisory Group held on 28 January 2016.

Members expressed concerns about the potential wide ranging powers of the Secretary of State in the forthcoming legislation on revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations and it was felt that intervention by the Secretary of State was not believed to be an improvement to the current regulations.

Resolved -

That the minutes of the WYPF Joint Advisory Group held on 28 January 2016 were considered and Members expressed concerns about the potential wide ranging powers of the Secretary of State in the forthcoming legislation on revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations.

ACTION: *Director of West Yorkshire Pension Fund*

67. EXCLUSION OF THE PUBLIC

The Committee was asked to consider if the item relating to the minutes of the meeting of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 28 January 2016 should be considered in the absence of the public and, if so, to approve the following recommendation:



Resolved –

That the public be excluded from the meeting during the consideration of the items relating to minutes of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 28 January 2016 because the information to be considered is exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972. It is also considered that it is in the public interest to exclude public access to this item.

68. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL MEETING HELD ON 28 JANUARY 2016

The Council's Financial Regulations required the minutes of meetings of the WYPF be submitted to this Committee.

In accordance with this requirement, the Director of West Yorkshire Pension Fund submitted **Not for Publication Document "AQ"** which reported on the minutes of the meeting of the WYPF Investment Advisory Panel held on 28 January 2016.

Resolved –

That the minutes of the West Yorkshire Pension Fund Investment Advisory Panel held on 28 January 2016 were considered.

Chair

Note: These minutes are subject to approval as a correct record at the next meeting of the Committee.

THESE MINUTES HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER

