

Minutes of a meeting of the Governance and Audit Committee held on Thursday, 28 June 2018 in Committee Room 3 - City Hall, Bradford

Commenced 10.00 am
Concluded 11.15 am

Present – Councillors

CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT
M Pollard	Johnson Thornton Swallow	Reid

Councillor Johnson in the Chair

1. DISCLOSURES OF INTEREST

Councillor Pollard disclosed an interest in Minute 7 as he was a governor of a school that had a PFI (Private Finance Initiative) contract and was also in the early stages of academy conversion.

Action: Interim City Solicitor

2. MINUTES

Resolved-

That the minutes of the meeting held on 22 March and 19 April 2018 be signed as a correct record.

3. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

4. ANNUAL GOVERNANCE STATEMENT 2017-18

The Assistant Director Finance and Procurement submitted **Document “A”** which set out the requirement to conduct the annual review of the effectiveness of the Council’s governance framework and system of internal control. It reported the conclusions of that review and produced the Annual Governance Statement for 2017-18 to accompany the Council’s Statement of Accounts.

In response to a Member’s question in relation to procurement arrangements it was reported that training for Senior Leadership Team had been carried out and a training and awareness development programme for managers had been created that would be rolled out across the authority during 2018/19.

It was reported that the implementation of the budgetary reductions and the need to protect front line services had led to the Council finding it more difficult to resource and update some of the Council’s management systems; improvements had been made in updating the Council’s risk registers; work had to be prioritised due to the lack of resources; the Governance Statement had been considered by the Corporate Management Team who were satisfied with the content of the report.

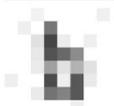
In response to a Member’s question it was reported that work was being undertaken to look at the Council’s training and development system “Evolve” and the monitoring and effectiveness of courses run through that system.

Members suggested that paragraph 7.3 of the report should be amended to implementation rather than adoption.

Resolved-

- (1) That paragraph 7.3 of Appendix 1 (attached to Document “A”) be amended to read “The implementation of the General Data Protection Regulations across the Council”.**
- (2) That subject to the above change the Leader of the Council and the Chief Executive be authorised to sign the Annual Governance Statement, on behalf of the Council, to accompany the Statement of Accounts 2017-18.**

Action: Assistant Director, Finance and Procurement



5. INTERNAL AUDIT PLAN 2018/19

The Assistant Director of Finance and Procurement submitted **Document “B”** which outlined the Internal Audit Plan for the financial year 2018/19. The delivery of the audit plan would assist with risks within the systems reviewed being managed to an acceptable level through improvement in internal control.

The 2018/19 Internal Audit plan was in the first year of a five year internal audit planning cycle which was detailed in the report.

In response to a Member’s question it was reported that the recruitment of four additional Senior Auditors would solve a number of problems in terms of resources and Internal Audit would be able to give a stronger audit.

Resolved-

That the Committee reviewed and approved the Internal Audit Plan for 2018/19.

Action: Assistant Director, Finance and Procurement

6. EXTERNAL AUDIT PROGRESS REPORT

The External Auditor submitted **Document “C”** which updated the Committee on progress with the 2017/18 audit and highlighted key emerging national issues which may be of interest to the Committee.

Members were informed that the findings of the audit would be reported in the Audit Completion Report which would be submitted to the Committee in July.

It was reported that the audit work was on track and there were no significant matters to report to the Committee.

Members were informed that an additional significant audit risk had been identified over and above those communicated in the Audit Strategy Memorandum 2017/18 which related to the revision of the Minimum Revenue Provision (MRP) calculation.

It was reported that initial planning discussions had been held and early testing undertaken in relation to the 2017/18 housing benefit subsidy return; there were no matters arising from this early work and it remained on track to meet the end of November submission deadline.



Resolved-

That the External Audit Report (Document “C”) was considered and noted.

Action: External Auditor

7. UN-AUDITED DRAFT STATEMENT OF ACCOUNTS 2017-18

The Assistant Director of Finance and Procurement submitted **Document “D”** which reported that the 2017-18 unaudited Draft Statement of Accounts were uploaded onto the Council’s website on 31 May 2018 and were now in the process of being audited.

The final audited 2017-18 Statement of Accounts were due to be approved by the Committee on 30 July 2018.

It was reported that the Committee was considering the draft accounts this year as the production of accounts moved forward by two months and would be signed off by the Committee on 30th July; the reason for bringing the draft accounts was for the Committee to have the opportunity to look at them before they were signed off.

Members were informed that:

- Last year the accounts showed a negative net worth because of the way the WYPF valuations had to be calculated.
- The deficit had reduced very slightly and cash had reduced.
- The collection fund position was worse than what was being expected for business rates and Council Tax, expected Council Tax deficit to be £500,000 but was actually £900,000; the increase in deficit was dealt with by using reserves. It was the same situation in the collection of business rates, the deficit was set aside by using reserves.
- The total amount of cash had increased at 31 March 2018 due to the MRP (Minimum Revenue Provision) adjustments.

It was reported that new guidance which required Local Authorities to set aside a prudent amount of MRP (Minimum Revenue Provision) had been published. The authority was reviewing its policy in respect of the annual charge for MRP in 2017/18. Changing MRP did not lead to revenue savings as the change reallocated the cost of financing into future years.

In response to a Member’s question it was reported that the authorities proposed use of the MRP Policy was appropriate and prudent and complied with regulations and guidance issued by the DCLG (Department of Communities and Local Government).

Members were informed that:



- To repay the debt element, normal accounting rules matching costs to time were basically the principles of depreciation; the cost of the building financed with the borrowing was charged to the revenue based on the timing of building usage. However for Local Government, the Government had legislated to replace depreciation with an MRP policy.
- The Council at 31 March 2018, held £310 million of old debt, it was in relation to this amount the proposal to change the Council's MRP Policy was made.
- At 31 March 2018, the Council held £186 million of debt for PFI (Private Finance Initiative), the proposal was made to spread the debt repayments over none revenue budgets.
- At 31 March 2018 the Council had £153 million of newer debt, this would be paid off in equal instalments numbered according to the lifespan of the buildings bought with the debt. No change was proposed for the debt repayment on this debt.
- Overall the debt totalled £649 million against the total value of long term assets held on the Council's balance sheet of £1.1 billion.

In response to a Member's question it was reported that legal advice on the Council's proposal was sought and it was confirmed that it was in accordance with government regulations, the revisions the Council was making were prudent.

It was reported that provision for bad debt included writing a debt off and that money was set aside for such eventualities.

Members were informed that what was being proposed for schools in relation to the PFI contract was reasonable and that there would be no impact on a unitary charge.

In response to a Member's question it was reported that under new proposals the PFI debt would be paid off on the life of school buildings and did not affect the PFI contract; how PFI assets was shown in the Council's accounts would need to be considered.

It was reported that most authorities were already dealing with debt in this way and it was prudent to align assumption to asset life.

Resolved-

That the progress on the preparation of the 2017-18 Statement of Accounts be noted.

Action: Assistant Director, Finance and Procurement

Chair

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

