

Minutes of a meeting of the Governance and Audit Committee held on Friday, 28 June 2019 in Committee Room 1 - City Hall, Bradford

Commenced 10.00 am
Concluded 11.35 am

Present – Councillors

LABOUR	CONSERVATIVE	LIBERAL DEMOCRAT
Johnson Godwin	Pollard	Reid

Apologies: Councillor Swallow

Councillor Johnson in the Chair

1. DISCLOSURES OF INTEREST

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

Action: City Solicitor

2. MINUTES

Resolved-

That the minutes of the meeting held on 18 April 2019 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. **EXTERNAL AUDIT PROGRESS REPORT**

The External Auditor submitted **Document “A”** which provided an update on progress with the 2018/19 audit and highlighted key emerging national issues which may be of interest to the Committee.

The report highlighted that, overall, the work was on track and there were no significant issues arising from External Audit’s work to date that needed to be reported to the Committee at this stage.

External Audit had received the Council’s draft accounts and accompanying other information on 3 June 2019. At the time of drafting the report (5 June 2019), the audit of the Council’s accounts was at a very early stage. External Audit would report the findings and conclusions from the audit through the Audit Completion Report to the July meeting of the Committee.

It was reported that the outcome of the OFSTED Monitoring visit of Children’s Services was due next week.

Resolved-

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

Action: External Audit

5. **ANNUAL GOVERNANCE STATEMENT 2018-19**

The Director of Finance submitted **Document “B”** 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 2018-19 to accompany the Council’s Statement of Accounts.

It was reported that a number of governance challenges previously recognised by the Council had been resolved or progressed during 2018/19. This included the LGA Peer Review, the Council’s Consultation processes, the Internal Audit Peer Review, Procurement arrangements and council core systems .These were explored in greater depth in the accompanying Annual Governance Statement, presented in full at Appendix 1 to Document “B”.

Members were informed that governance issues in respect of the Ofsted review, the integration of health and social care systems and the adoption of the General Data Protection Regulations, which were highlighted in 2018/19 and would continue to be monitored in 2019/20. There were no new governance issues raised for 2019/20 which had not been previously identified.

It was reported that Council was also responsible for the financial and management arrangements of the West Yorkshire Pension Fund and a separate assessment of the adequacy of these arrangements was also required. The internal arrangements in place to provide the Council with the necessary assurance were detailed at section 6.1 of the report.

In response to a Members question it was reported that the Service was not aware of any risks relating to IT and that business continuity risk would incorporate any such risk which would be managed.

It was reported that both the Corporate Management Team and the Council's Executive received quarterly updates on the Council's Strategic Risks through the Council's Finance and Performance reports. Risk registers had been established and updated for all Departments. There had been two meetings of the Risk Co-ordinators group. A revised Risk Strategy had been drafted and would be considered by CMT and the Executive in the summer. An internal audit completed on the Council's Strategic Risk Register had assessed the control arrangements as good.

A Member considered that the General Data Protection Regulations were causing problems with information sharing.

Members were informed that following the implementation of the new data protection legislation (GDPR) in May 2018, work had continued to ensure that internal processes, procedures, data systems and documentation were GDPR compliant. Advice and guidance for staff had been published on Bradnet and mandatory eLearning on protecting information provided for all appropriate staff. Work was continuing in respect of monitoring GDPR compliance across all Departments of the Council and work continued with neighbouring authorities and other partners to share best practice. Information could be shared with other agencies etc as long as there was consent in place.

Resolved-

That the Committee authorises the Leader of the Council and the Chief Executive to sign the document (once any proposed changes reported at the 31 July meeting of the Committee are incorporated into the document), on behalf of the Council, to accompany the Statement of Accounts 2018-19.

Action: Director of Finance

6. 2018-19 DRAFT STATEMENT OF ACCOUNTS

The Director of Finance submitted **Document "C"** which presented the Council's 2018-19 draft statement of accounts. These accounts were subject to approval from external audit.

This report also briefly detailed the salient financial implications from the accounts.

Following public scrutiny and the external audit, it was anticipated that the audit statement of accounts would be presented to the Committee on 31 July 2019 for approval.

The key financial implications as at 31 March 2019 from the draft 2018-19 statement of accounts were summarised in section 4 of the report and included:

- The General Fund Balance ended the year at £15m and earmarked reserves at £166m. Both these amounts represented cash funds, but which could be spent once only.
- The Council had spent £84m on long term infrastructure, as part of its Capital Programme.
- At the end of the year, the Council also held £47m of grants provided by external public sector bodies, which would be used in the future to finance the Capital Programme.
- Working capital was positive with short-term debtors and available cash higher than short-term creditors.
- The Council had £700m of borrowing for infrastructure spend. £220m was temporarily borrowed from the Council's own cash held in earmarked reserves in order to reduce interest payments. £4m related to miscellaneous historical debt. £314m was actual borrowing from the Public Works Loan Board. £162m was in the form of contractual Private Finance Initiative liabilities.
- Borrowing was in line with projections. Amounts previously set aside to pay for it were estimated at a higher proportion than outstanding usage on related land and buildings. As a result, the Council paid back to itself £23m in 2018-19 from these amounts set aside, transferring the cash amount into earmarked reserves. This followed a transfer for a similar amount in the 2017-18 financial year.
- Against the £700m of borrowing, the Council had £1,054m of land, buildings, equipment and other infrastructure. The value of the Council's long-term property was therefore significantly higher than the outstanding debt relating to it.
- Other considerations in any comparison between borrowing and infrastructure were that the Council's schools were converting to academies: accounting rules meant that as these academies were independent, their buildings could no longer be shown in the Council's accounts.

- The Council's estimated pension fund deficit had increased to £979m, based on an estimate made in accordance with accounting rules. However, this estimate was theoretical and was based on an extrapolation, looking into the future. It compared promised pension benefits to employees with the investments set aside to pay for them. Pension experts regard the assumptions used in the extrapolation as cautious. In reality, the actual cost of funding employees' pensions was determined by a different valuation, the results of which were already factored into the Council's Medium Term Financial Strategy. This separate valuation also suggested the current value of the balance between pension benefits and investments was nearer breakeven.
- The Council maintained a separate fund for Business Rates and Council Tax, from which it distributed pre-agreed shares to itself, the Government, West Yorkshire Fire and Rescue Authority and the Police and Crime Commissioner. Overall the fund ended 2018-19 close to a break even position for both Business Rates and Council Tax. .

Members sought clarification on various aspects of the report.

Resolved-

That the financial results from the 2018-19 draft Statement of Accounts be noted.

Action: Director of Finance

7. ANNUAL TREASURY MANAGEMENT REPORT 2018-19

This Council was required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2018-19.

The Director of Finance submitted Document "D" which reported on the Council's Treasury Management activities for the year ending 31 March 2019.

In response to a Members question it was reported that the service was not aware of any capital grants liable to be taken back due to the programme not taking place on time.

Changes to the Treasury Policy were highlighted which included:

- At present the Council only used Moody's for its long term credit rating in the Treasury Policy. This raised the issue that there were a few banks including ring fenced banks which used the other two main credit rating agencies but not Moody's. This meant at present the Council would not be able to use these banks.

- Due to the issue raised above it was proposed to make the following changes to the Treasury Policy:

The present criteria were:

Any Bank or a Building Society with a Moody's rating of Aa3 or better, a Fitch short-term credit rating of at least F1 and a Standard & Poor (S & P) rating of A-1 a limit of £30 million.

Any Bank or a Building Society with a Moody's rating of A1 or better, a Fitch short-term credit rating of at least F1 and a S & P rating of A-1 a limit of £20 million.

New criteria proposed were:

Any Bank or a Building Society with a Moody's rating of Aa3 or better, (Fitch AA- if not available) a Fitch short-term credit rating of at least F1 and a S & P rating of A-1 a limit of £30 million.

Any Bank or a Building Society with a Moody's rating of A1 or better, (Fitch A+ if not available) a Fitch short-term credit rating of at least F1 and a S & P rating of A-1.

Resolved-

That the report (Document "D") be noted and referred to Council at its meeting on the 16th July 2019 for adoption.

Action: Director of Finance

Chair

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

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