

**Minutes of a meeting of the Governance and Audit Committee held on Thursday, 23 September 2021 in Ernest Saville Room - City Hall, Bradford**

Commenced 1030  
Concluded 1230

**Present – Councillors**

LABOUR	CONSERVATIVE	LIBERAL DEMOCRAT
Tait Thornton Godwin	Pollard	Reid

**Councillor Tait in the Chair**

**17. DISCLOSURES OF INTEREST**

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

Action: City Solicitor

**18. MINUTES**

**Resolved –**

**That the minutes of the meeting held on 22 July 2021 be signed as a correct record.**

**19. INSPECTION OF REPORTS AND BACKGROUND PAPERS**

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

**20. CORPORATE INVESTIGATION UNIT - ANNUAL PERFORMANCE INFORMATION**

The work of the Corporate Investigation Unit underpins the Council's commitment to a zero tolerance approach to fraud, theft, corruption (including bribery), or any other financial irregularity committed against the Council.

The Director of Finance and IT submitted **Document "I"** which presented the annual performance information, as required by the Committee and provided assurance that the Council's counter fraud arrangements were effective.

Members sought further clarification in relation to the 201 referrals to the Corporate Investigation Unit which were directly in relation to the COVID-19 grant schemes. It was advised that only one case was required to be referred to the Government's National Intelligence Service.

In response to a Members question it was reported that prosecution proceedings would only be issued where there was sufficient and admissible evidence to provide a realistic prospect of conviction and where the prosecution was in the public interest.

It was reported that the Corporate Investigation Unit concluded **291** investigations in the financial year ending 31<sup>st</sup> March 2021 with **151** concluded investigations relating to the COVID 19 grant schemes. The remaining concluded investigations, some of which were raised prior to the global pandemic, largely followed the national pattern of tackling issues in relation to 4 main types of fraud; Council Tax, Disabled Parking (Blue Badge), Social Housing Tenancy Fraud and Business Rates.

#### **Resolved-**

**That the Committee notes the extensive activities carried out by Corporate Investigation Unit to prevent, detect and deter instances of fraud, theft, corruption or any other financial irregularity affecting the Council as detailed in Document "I".**

#### **21. WEST YORKSHIRE PENSION FUND (WYPF) AUDITED REPORT AND ACCOUNTS FOR 31 MARCH 2021**

The Director of West Yorkshire Pension Fund submitted **Document "J"** which presented the West Yorkshire Pension Fund Audited Report and Accounts for 31 March 2021 and provided a summary of West Yorkshire Pension Fund's financial position at the end of the year, and key financial activities during the year ended 31 March 2021. The accounts had been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs
- Latest Pensions Statement of Recommended Practice
- International Financial Reporting Standards (IFRS), as amended for the UK public sector

Members were informed that:

- the value of the Fund as at 31 March 2021 was £16.33 billion, a net increase of £3.11 billion, and an increase of 23.5% from £13.21 billion as at 31 March 2020. The increase in value confirmed that the WYPF had recovered the value wiped off its assets as a result of the financial impact of the Covid-19 pandemic. The pandemic remained and this made the future more uncertain, however the WYPF performance in this uncertain time was reassuring.
- The latest actuarial valuation update as at 31 March 2019 determined that WYPF funding level was 106%, an improvement of 12% from the 2016 valuation of 94%. The latest actuarial funding update for March 2021 shows funding level of 108.0% (2020 105.6%), this was good news for the fund, employers and members.
- The deadline for publication of WYPF's accounts was 1 December 2021. Work on the accounts was impacted by Covid-19 and home working arrangements, however the Service was confident that the WYPF final audited accounts by the deadline of 1 December 2021 would be delivered.
- WYPF continued to have a positive net cash flow.

Members sought further clarification in relation to table A of the report with regards to the reduction in the number of Members transferring their pension savings to WYPF; the relationship of the Fund to the Northern Pool; investment in relation to property; staffing resources, AVC contributions and payments, the administration of other Funds and the impact on WYPF's cost management and the McCloud judgement.

A Member made a comment in relation to investment relating to fossil fuel and the need to take swifter action.

#### **Resolved-**

**That the West Yorkshire Pension Fund Audited Report and Accounts for the 2020/21 year (Document "J") be considered and approved.**

**Action: Director of West Yorkshire Pension Fund**

## **22. DRAFT AUDIT COMPLETION REPORT - WEST YORKSHIRE PENSION FUND TO YEAR ENDING 31 MARCH 2021**

The External Auditor submitted **Document "K"** which reported on the Draft Audit Completion Report (ACR) for the West Yorkshire Pension Fund for the year ending 31 March 2021 which summarised the audit conclusions.

It was reported that there was outstanding work in relation to IT General controls which was expected to be completed in the coming weeks; External Audit had not

yet completed their comparison of the revised Pension Fund financial statements (within the Statement of Accounts of the Council) with the revised Pension Fund financial statements within the Pension Fund's Annual Report; the review and agreement of some non-material notes within the financial statements; and the standard audit closure and review procedures, including the review of final financial statements and consideration of post balance sheets events.

**Resolved –**

**That the report (Document “K”) be noted.**

## **23. 2020-21 DRAFT STATEMENT OF ACCOUNTS**

The Director of Finance and IT submitted **Document “L”** which presented the Council's 2020-21 draft statement of accounts. These accounts were subject to approval from external audit.

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

It was reported that the key financial implications as at 31 March 2021 from the draft 2020-21 statement of accounts were:

- Covid – The accounts for the financial year 2020-21 reflected the nature of the activity that had been undertaken to respond to the pandemic but also to continue to provide essential services. The financial pressures of the increased and new activity were supported by substantial additional Government grant and other funding, meaning that the additional Covid related costs and losses were mitigated in the financial year 2020-21.
- Useable reserves (excluding Capital Grants Unapplied) stood at £299.4m (Council £256.5m, and Schools £42.9m), compared to £238.9m at the end of 2019-20, representing a £60.5m increase in total useable reserves. The main reason for the increase was Covid related, with the Council holding Covid grants received but not yet spent (including Collection fund related funding) at 2020-21 year end, with the expectation that these will be fully used in 2021-22. Unallocated reserves were £10.7m, and General Fund reserves stood at £15m. The General Fund Balance was held in accordance with statute; the purpose was as a safety net against unexpected variations in the Council's annual expenditure – this was £1.2 billion as shown in the cost of services in the Comprehensive Income and Expenditure Statement. Earmarked reserves were held to protect against specific risks and commitments.
- The Council spent £63.9m on long term assets, as part of its Capital Programme.
- The Council held £38.3m of grants provided by external public sector bodies, which would be used in the future to finance the

Capital Programme. £4.8m from the sale of property was both received and used to fund capital spend during the 2020-21 year.

- The Council had £698.8m remaining of borrowing for past spend on capital investment. £154m of this borrowing was in the form of contractual Private Finance Initiative liabilities. £3.5m mainly related to miscellaneous historical debt. £205.3m was temporarily borrowed from the Council's own cash held in earmarked reserves, reducing interest payments. The remaining £336m was actual borrowing from the Public Works Loan Board and LOBO'S (Lender Option Borrower Option – long term loan).
- Against the £698.8m of borrowing, the Council had £1,022m 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.
- The 2020-21 balance sheet value of the Council's non-current assets (including current assets held for sale) was £1,022m. This had decreased by £8.7m from the 2019-20 value of £1,030.7m. Capital enhancements to the value of £49.3m were made to these assets during 2020-21 and Assets to the value of £16.5m were disposed of during the year. Also Non-current assets were depreciated by £33.824m during 2020-21
- The Council's estimated pension fund deficit had increased to £1,254.6m, based on an estimate made in accordance with accounting rules. The overall defined benefit obligation had increased and this had been primarily due to a re-measurement of the fair value of assets following actuarial losses caused by changes in financial assumptions.
- 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 2020-21 with a deficit position for both Business Rates and Council Tax. The Council's own share was a £29m deficit on Business Rates, with the Government holding a £30m deficit. The significant Collection Fund deficit for 2020-21 had arisen largely in relation to reductions being applied to business rates. These reductions reflected central government's support for businesses, in response to the COVID-19 pandemic, by awarding expanded retail discounts and nursery reliefs, meaning that less rates were billed and therefore collectable in 2020-21. The business rates reductions were funded by central government through Section 31 Grants. The compensation was not included in the Collection Fund but was reimbursed to the Council through the General Fund account. Further relief was provided by central government through the '75% Tax Income Guarantee compensation scheme' which compensated councils for 75% of council tax and business rates irrecoverable losses. The compensation funded by S31 grants, was not included in the

Collection Fund, but was reimbursed to the Council's general fund which included £2.546m towards Council Tax losses and £4.582m for Business Rates losses.

Members sought further clarification in relation to the pension fund deficit and the estimation made in accordance with accounting rules and the position relating to the Council's net revenue budget. They were advised that the deficit was not, in the context of the Council's revenue budget, significant.

In response to a Member's question it was reported that the underspend highlighted in the net revenue budget was mainly due to vacancies not being filled.

**Resolved -**

**That the financial results from the 2020-21 Draft Statement of Accounts detailed in Document "L" be noted.**

#### **24. THE CIPFA FINANCIAL MANAGEMENT CODE**

CIPFA issued its Financial Management Code which aimed to drive financial management improvements and consolidate good practice in local authorities in October 2019. The Code would come fully into effect from 2021/22. Compliance with the Code would be the responsibility of not just the Director of Finance & IT but also the corporate leadership team and elected members (including the Governance and Audit Committee).

The Director of Finance and IT submitted **Document "M"** which highlighted the requirements of the Financial Management Code, how the Council currently met those requirements and further improvements or actions which may be implemented.

**Resolved-**

- (1) That the contents of the CIPFA Financial Management Code be noted.**
- (2) That the self-assessment against the Code requirements be noted.**
- (3) That the further improvements and actions which will be made in order to demonstrate that the Council continues to satisfy the requirements of the Code, and strengthens assurance even further be agreed.**

**Action: Director of Finance and IT**

#### **25. ANNUAL GOVERNANCE STATEMENT 2020-2021**

The Director of Finance and IT submitted **Document “N”** 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 2020-21 to accompany the Council’s Statement of Accounts.

Members pointed out that paragraph 4 of Appendix 1 relating to significant governance issues relating to Children’s Services needed updating.

**Resolved-**

**That subject to updating paragraph 4 of Appendix 1 the Committee authorise the Leader of the Council and the Chief Executive to sign the final Annual Governance Statement 2020-2021 (Appendix 1 to Document “N”), on behalf of the Council, to accompany the Statement of Accounts 2020-2021.**

**Action: Director of Finance and IT**

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