

<b>MEETING:</b>	Audit Committee
<b>DATE:</b>	Monday, 2 July 2018
<b>TIME:</b>	2.00 pm
<b>VENUE:</b>	Meeting Room 1, Barnsley Town Hall

## MINUTES

**Present** Councillors Richardson (Chair), Barnard and Lofts together with Independent Members - Ms D Brown, Mr S Gill, Mr P Johnson and Mr M Marks

### 12. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

Councillor Lofts declared a non-pecuniary interest in Minute No 13 'Draft Statement of Accounts 2017/18' in view of his membership of the Local Pensions Board.

### 13. DRAFT STATEMENT OF ACCOUNTS 2017/18

Referring to Minute No 5 of the meeting held on the 6<sup>th</sup> June, 2018, the Service Director Finance submitted his report on the draft Statement of Accounts 2018 consideration of which had been deferred at that meeting to enable Members to have more time to consider issues raised in detail.

Members then asked a series of questions, including a series of written questions submitted by an Independent Member who was unable to attend this special meeting, and answers were provided where appropriate. Where this was not possible due to the lack of information at the meeting, these would be addressed in writing by the Service Director.

Arising out of the ensuing discussion, the following matters were amongst those raised:

- There was a discussion of the Performance Indicators that had been developed and aligned to the priorities within the Corporate Plan and particular reference was made to the 25 red priorities for the 'People Achieving their Potential' priority. In response to specific queries the Service Director commented that whilst the links to the individual quarterly performance reports did not include information for Quarter 4 (largely because of the timing issues involved in producing that information), this would, nevertheless, be included within the final report. In addition, the report would include short commentaries on performance and on the action taken to tackle any underperformance identified
- Members noted the disparity between the gross expenditure in 2016/17 within the Core Services Directorate as outlined within the Comprehensive Income and Expenditure Statement. The reasons for this were briefly referred to but a detailed explanation would be provided by the Service Director Finance in writing
- It was noted that the Statement of Accounts was 'Code' compliant and details of the requirements thereof could be provided at a future training course. A digital copy of the Code could also be provided

- There was a discussion of the Net Revenue Expenditure for 2017/18 and particularly as this related to the Core Services Directorate, the inclusion of Asset Management within that Directorate and the impact of PFI payments which had resulted in the net surplus within that budget head
- Arising out of the above, there was a discussion of the Council's position with regard to PFI and BSF costs and to the legally binding contracts that were in place. The Authority was looking to possibly re-finance the PFI borrowings given the current position with interest rates. Further information would be provided in due course
- Referring to the Balance Sheet as at 31<sup>st</sup> March, 2018 and in response to specific questioning, the Service Director outlined the difference between Local Authority and Company accounts and made particular reference to the preparation of and rationale for Group accounts.
- Arising out of the above, reference was made to the 'Assets under Construction' which related to the purchase of land and buildings details of which were outlined within notes to the accounts
- Reference was made to the Retirement Benefit Obligations and to the ways in which the accounts were prepared and assumptions made. It was noted that in relation to funding arrangements, assets exceeded liabilities and the reasons for this were referred to. Arising out of this, particular reference was made to investments made and to the improvements of the fund consequent upon Brexit. It was noted that the Authority was examining ways of how improvements in investments could be protected
- It was reported that the link within the accounts relating to NPS Barnsley was not working correctly and this would be rectified. Arising out of this, there was a discussion of the use of external links and to the Authority's stance on this
- In response to questioning, the Service Director Finance stated that he would provide additional information on the way in which NPS Barnsley dealt with Pensions within their accounts and on any liabilities for the Authority arising therefrom
- Reference was made to the Unfunded Liabilities: Discretionary Benefits Arrangements in relation to the Pension Assets and Liabilities which could, in part relate to historic issues and the previous allocation of 'added years' to enhance pension entitlement. It was noted, however, that this was no longer permitted and that such arrangements had ceased approximately 10 years ago. Further information on this would be provided
- The Service Director would provide additional information regarding the potential liabilities of the ongoing CPO Compensation Claim relating to the acquisition of land at Carlton Marsh
- Questions were asked in relation to any potential difficulties likely to be encountered in relation to the Glassworks Scheme as detailed within earmarked reserves within the Capital Programme. It was noted that a procurement scheme was currently being undertaken, however, the reserves element had no correlation with the overall cost of the scheme. Further information on the scheme and costs involved would be available at the end of the Summer
- Referring to the Trading Operations and particularly in relation to Building Services, it was noted that the deficit related to Facilities Management. The Strategic Finance Manager was to examine how this was dealt with within the accounts in the future

- In relation to the underspend on the Better Care Pooled Account, it was noted that this was largely around the receipt of one off grants last year and that plans were in place which would address that deficit
- An assurance was given that in relation to the Treasury Management Overview the Authority, unlike some authorities, was not investing in inappropriate schemes. The Authority did not invest purely for commercial gain
- A previous report to this Committee some time ago had outlined the Authority's position with regard to the repayment of debt which, unless there was some significant reason for it, was over a 50 year time period
- In relation to the Capital Programme Monitoring Overview and Asset Expenditure, information was provided in relation to Non BMBC Assets which was largely in relation to disabled facilities grants for the improvement of homes.
- It was noted that in relation to sources of Capital Finance, EU structural funding was now reducing – further information on this could be provided
- Information was provided about the current position in relation to Business Rates Appeals
- An explanation was provided about surplus assets which largely related to properties that were no longer required for service delivery purposes but which might be used at some future date or put up for sale
- There was a discussion of the demise of Independent Living at Home (Barnsley) Ltd the services of which had now been brought back into the Council
- In relation to the Cash Flow Statement, information was provided about the arrangements in place for borrowing from other Local Authorities. The Service Director confirmed that this was an existing long term arrangement for funding cash flow and was only used for short term arrangements which never exceeded 12 months in duration. Information about the scheme and the Authorities involved was publicly available
- There was a detailed discussion of the operation of the Collection Fund, the assumptions made in relation to collection rates (which was currently 95%) and how this was distributed to the precepting bodies. It was noted that collection rates were currently higher than assumed additional funds collected were written down against budgets for future years
- The Service Director commented that in relation to the value which was realistic to be taken from long term borrowing, he was aware of the capital financing requirement and was aware of up and coming borrowing needs. An opportunity was taken, therefore, to set/fix borrowing so that certainty was built into the budget going forward
- Information had been submitted to Committee previously detailing the position with regard to the treatment of debt and this could be re-submitted in the future. The Service Director commented that a forensic analysis was undertaken of the type and nature of the debt and of how long that had been outstanding and a view was then taken of the level to be set in relation to the impairment of outstanding debt
- In response to specific questioning, the Service Director stated that he would provide a more detailed breakdown of the depreciation and impairment calculation
- In relation to carry forward leave, the Service Director commented that this was routinely monitored and the policy of the Authority of allowing 5 days carry

forward (to be used by the end of May) was adhered to. There was an element of discretion, however, to exceed this in certain limited and restricted circumstances. There was no correlation between outstanding carry forward leave and staff reductions as a result of financial restrictions

- There was a discussion of the reduction in the revenue budget and to the impact this had on service delivery. Whilst the majority of services had continued (though not all) there had been a significant reduction in some areas in the level of the services provided. Going forward, it was likely that the next round of financial reductions would see further services cut altogether
- It was noted that to date no queries had been received to the accounts during the public consultation period which was currently ongoing

**RESOLVED:-**

- (i) that the Service Director Finance and his Team be thanked for their hard work and dedication in producing the accounts;
- (ii) that the work that has taken place to prepare the Authority's Draft 2017/18 Statement of Accounts on an International Financial Reporting Standards basis be noted; and
- (iii) that the finalised Statement of Accounts 2017/18 be submitted to the next meeting of the Audit Committee to be held on 20<sup>th</sup> July, 2018.

.....  
Chair