

<b>MEETING:</b>	Audit Committee
<b>DATE:</b>	Wednesday, 21 March 2018
<b>TIME:</b>	4.00 pm
<b>VENUE:</b>	Reception Room, Barnsley Town Hall

## MINUTES

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

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

There were no declarations of interest from Members in respect of items on the agenda.

### 59. MINUTES

The Committee received the minutes from the previous meeting, held on 17<sup>th</sup> January, 2018.

A question was raised in relation to minute 49, asking whether the recommendations had been completed, it was understood that these would be completed by the end of the financial year.

With regards to issues relating to the liquidation of Carillion, Members heard how issues had been resolved in order to ensure continuity of services, and there was nothing significant for the Committee to be aware of.

Questions were raised in relation to the preparation for the General Data Protection Regulations. Assurances were given that guides had been prepared, training packages compiled, and a more formal report on preparations would be added to a future agenda of the committee.

In relation to minute 55, it was noted that the General Data Protection Regulations were effective from 25<sup>th</sup> May, 2018 not 2017, which was a typographical error.

That, subject to the correction of the typographical error, the minutes of the meeting held on 17<sup>th</sup> January, 2018 were taken as read and signed by the Chair as a correct record.

### 60. 2018/19 BUDGET SETTING AND MINIMUM TERM FINANCIAL STRATEGY - UPDATE

The Service Director, Finance, introduced the presentation by outlining the policy changes impacting on the budget. These included the ability to raise Council Tax by 3% and implement the 1.5% precept for adult social care. Income from business rates had been confirmed as had Revenue Support Grant.

Members noted the NJC pay award of 2% in 18/19 and 19/20, and with greater increases for lower grade staff, which was materially different from previous assumptions. Also noted was the investment in 14 additional children's social

workers, and the financial pressures from demographics in excess of previous predictions, particularly in relation to looked after children, and the cost of out of borough placements.

Members questioned the reasons behind the increased costs in relation to looked after children. It was noted that this was broadly in-line with other comparable authorities, but there was a national upward trajectory in costs for responding to complex care needs. Members noted that this area was considered as part of the placement sufficiency strategy

The committee was made aware of the current position of the Medium Term Financial Strategy which was balance if all assumptions made held true. These assumptions included the delivery of foundation living wage for all BMBC workers, and £1.7m towards contractors paying the living wage. They also included the delivery of efficiency savings to the value of £4.4m in 2018/19, and limited investment in highways, children social care and housing.

Noted was the assumption that the collection rates for business rates and council tax remained stable, and that all Better Care Fund finance would be received by the council for adult social care. Members also noted the 1% reduction in housing rents.

A net budget of approximately £169m was noted. Members questioned whether there had been any significant changes to the Core, and whether this impacted on governance. Within the Core the only items of note were the delivery of previously agreed efficiencies, and the pay award. However it was suggested that if further savings were required in this area, this could have a greater impact.

The committee were apprised of the current situation with regards to reserves and balances. It was noted that additional capital receipts, improved final accounts due to underspend, and the new homes bonus had increased the balance to 78.1m. The previously approved capital investment of 55.4m reduced this to 22.7m.

Members noted that planned use of the remaining reserves, including transferring 6.5m to the contingency budget for Glassworks, 2m of investment in IT infrastructure, which had seen previously underinvestment, the purchase of a commercial site in Elsecar, and increasing the network coverage of superfast broadband. In addition to the capital investment, reserves had been earmarked to facilitate the accumulated deficit in relation to Special Educational Needs, and to respond to the changes in government policy in regards to debt.

Questions were raised relating to the 5m of overspend in relation to Special Educational Needs, and it was noted that this had been a complex area to manage. Members acknowledged that this was part of a national issue regarding the demand placed on Schools High Needs Block Funding.

With regards to the further 6.5m to the Glassworks contingency budget, it was noted that this was to bring back the contingency budget to 10m, following cost overruns. It was suggested that further overruns were less likely to be seen in the following

phase once relevant consultants were in place, but it was also noted that the delivery of the Glassworks remained a high priority for the Council.

Members queried the small amount of reserves remaining, and it was noted that this was in addition to the minimum working balance of 15m, and that should additional demand be placed on the budget, this would require de-prioritisation in other areas.

The Committee discussed the collection rate of council tax in some detail, and the likelihood this could be maintained given the increases. It was noted that rates were historically high in Barnsley, and that the policy on collecting debt had been recently reviewed to be more supportive to those in arrears. Also noted was the hardship relief scheme for the most vulnerable. It was suggested that the relatively static population of Barnsley could have a positive impact on collection rates.

Members noted that the financial position was balanced for the 2018/19 financial year, and stable for 2019/20, but that there was uncertainty from 2020 onwards. This was as a result of a number of factors including Brexit, devolution, changes to business rate retention, and the outcome of the local government fair funding review.

**RESOLVED:-**

- (i) that the Service Director, Finance, be thanked for the presentation; and
- (ii) the content of the report and presentation be noted.

**61. THE CORPORATE PLAN PERFORMANCE & FINANCIAL REPORT - QUARTER 3 - 2017/18**

The Strategic Finance Manager spoke to the item, which provided an update on the quarter 3 position.

The committee heard how the overspend within quarter 3 was in line with that of quarter 2. The position had improved quarter on quarter overall with reductions in overspend in Place due to measures being put in place coming to fruition earlier than expected, however the situation had deteriorated somewhat in People, with the impact of spending on adult social care and looked after children noted. The overspend of 1m was offset by a corporate underspend of 4m, which was largely due to savings on capital financing, where plans to de-risk interest rate exposure were expected to come to fruition in 2018/19. Consequently the authority had benefitted from low interest rates.

Approval had been sought to write off bad debt of £0.888m, of which £0.660m was from the General Fund and £0.228 from the Housing Revenue Account.

It was noted that the financial situation was greatly improved on the previous year where there had been £10m of service overspend in quarter 3, but that this overspend needed to be permanently corrected to avoid impacting on the medium term financial strategy.

Members questioned whether there was confidence that overspend was being managed correctly and the committee heard how robust plans were in place in each directorate to do so, but that these took time to deliver. It was noted that a further improved forecast was expected for quarter 4.

With regards to arrears the current position was just in excess of £29m, and Members heard how 38% of old trade debt had been collected at quarter 3 against a target of 40%. Council Tax collection rates were forecast at 95.97% against a stretch target of 96.4%, and Business Rate collection rates were forecast at 97.55% against a stretch target of 97.4%.

Members noted the revised borrowing strategy to actively de-risk the debt portfolio somewhat, in order to protect the Council from rising interest rates.

The Committee were made aware of details of 25 external funding bids to seek 80m. Members questioned the impact of Brexit on funding, and it was noted that access to funds such as ERDF and ESIF would be reduced, but that the Council would seek to maximise access to any source of external funds.

The Committee discussed the availability of land for housing, and it was noted that the Local Plan was expected to be adopted later in 2018 which would set targets for housing growth. Members questioned the sufficiency of supply in advance of the adoption of the Local Plan, and it was agreed to provide Members with detail of the current details of the 5 year deliverable housing land supply.

**RESOLVED:-**

- (i) That details of the 5 year deliverable housing land supply be circulated to Members;
- (ii) That the Strategic Finance Manager be thanked for the presentation; and
- (iii) That the content of the report and presentation be noted.

**62. EXTERNAL AUDIT PLAN 2017/18**

Amy Warner, Manager at KPMG, spoke to the item, noting that materiality for planning purposes had been set at 12million, with the level for misstatements set at 600,000.

The attention of Members was drawn to the significant risks highlighted in the report, which included the delivery of budgets, featured later on the agenda.

Questions were raised in relation to the revaluation model used in relation to assets, which was considered a risk. It was noted that this model was used by the majority of Councils, and CIPFA guidance recommended the use of 5 year cyclical model.

**RESOLVED** that the report be received.

**63. EXTERNAL AUDIT TECHNICAL UPDATE AND PROGRESS REPORT**

The committee received the report, previously circulated. This highlighted progress, and provided a technical update.

**RESOLVED** that the report be received.

#### **64. AUDIT COMMITTEE WORK PLAN 2017/18 AND 2018/19**

The Committee received a report providing the indicative work plan for the Committee for its proposed scheduled meetings for the remainder of the 2015/16 municipal year. It was noted that the item deferred from the previous meeting on Health and Safety Resilience was scheduled to be received by the Committee in April, 2018.

**RESOLVED** that the core work plan for meetings of the Audit Committee be approved and reviewed on a regular basis.

#### **65. EXCLUSION OF THE PUBLIC AND PRESS**

**RESOLVED** that the public and press be excluded from the meeting during consideration of items 66 and 67 because of the likely disclosure of exempt information as defined by Paragraph 7 of Part I of Schedule 12A of the Local Government Act 1972 as amended, subject to the public interest test.

#### **66. INTERNAL AUDIT ACTION PLAN 2018/19**

The Head of Internal Audit introduced the item, referring to the report previously circulated.

Assurances were given that the level of resource available was in line with that seen in previous years. The reduction of the team by a single full time post reflected the reduced income from external sources, and therefore internal activities were not affected.

The attention of Members was drawn to the balance of output from the work; 15% of work in relation to providing advice, whereas 85% would result in issuing a formal assurance report.

The spread of governance themes covered by the plan was noted, as was the number of chargeable days per full time equivalent officer, which benchmarked positively against comparators.

The Committee considered the detail of the plan, as contained within in appendix 2 of the report. Noted were a number of assignments linked to risk areas discussed earlier in the meeting. These included ensuring systems and processes within finance were working efficiently and effectively as possible, and also included a focus on procurement. The plan contained an assignment to consider SEND decision

making. Members also noted the governance review of Future Council 2020, and a project/programme management review of Information Technology (IT).

In light of the significant investment in IT planned, and the digital strategy for the Council, the committee discussed the role of Audit. It was noted that members of the Audit Team were involved in the Digital First Board, and that a significant part of the plan was devoted to the digital agenda.

**RESOLVED:-**

- (i) That the indicative Internal Audit Plan, 2018/19, be approved, acknowledging the need for the Head of Internal Audit to exercise his professional judgement during the year to apply the Plan flexibly according to priority, risk and resources available; and
- (ii) That the Audit Committee receives quarterly monitoring reports from the Head of Internal Audit to demonstrate progress against the plan including information where the Plan has materially varied from that originally agreed.

**67. CORPORATE ANTI-FRAUD TEAM 2018/19 PLAN AND STRATEGY**

The Head of Internal Audit spoke to the report, which had been previously circulated. The attention of Members was drawn to the areas of activity within the plan, which highlighted the increasing emphasis in recent years on avoiding fraud. However, it was noted that if evidence suggested fraud had occurred then resources would be deployed appropriately.

Members heard how the centralised response to the National Fraud Initiative had been very successful in ensuring all data matches were investigated, and accordingly 100 days had been set aside in the plan.

Assurances were given to the Committee in relation to the 3 person team that the investment in this area more than paid for itself, and it was noted how details of successful prosecutions had been publicised within the local press.

Members noted the efforts to launch an internal Corporate Anti-Fraud Group, harnessing key individuals, to share collective experience and expertise.

Attention was drawn to the Corporate Anti-Fraud Team Strategy, as appended to the report, and as part of publicising the issue and ensuring a Council wide response, online training had recently been reviewed.

Members heard of the changes to fraudulent activity; with fraud now tending to be digital and online. Work with IT and Information Governance continued in respect of this. The Committee also acknowledged the heightened potential for fraud due to the increased proportion of external procurement, and the balance required to ensure appropriate levels of control whilst not hampering efficiency.

**RESOLVED:-**

- (i) That the Corporate Anti-Fraud Team plan 2018/19 and supporting strategy be agreed, acknowledging the need for the Head of Internal Audit to apply the plan flexibly, allowing for planned proactive/detective days to be diverted to reactive investigation work as required; and
- (ii) That the Audit Committee receives regular monitoring reports to demonstrate progress against the plan including information where the plan has materially varied from that originally agreed.

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Chair