

# MINUTES OF AUDIT AND ETHICS COMMITTEE

29 MAY 2018

## PRESENT:

**Members of the Committee:** Mr P Dudfield (Chairman), Mr J Eves (Vice-Chairman), Councillors Butlin (substituting for Councillor Pacey-Day), Miss Lawrence (substituting for Councillor Lowe), McQueen (substituting for Councillor Roodhouse) and Mistry

**Officers:** Mannie Ketley (Head of Corporate Resources and Chief Financial Officer), Chris Blundell (Financial Services Manager and Deputy Chief Financial Officer), Chris Green (Corporate Assurance and Improvement Manager) and Veronika Beckova (Democratic Services Officer)

**In attendance:** Grant Patterson (Director – Grant Thornton) and Paul Harvey (Assistant Manager – Grant Thornton)

## 1. MINUTES

The minutes of the meeting held 27 March 2018 were approved and signed by the Chairman.

## 2. APOLOGIES

Apologies for absence from the meeting were received from Councillors Lowe, Pacey-Day and Roodhouse.

## 3. DRAFT STATEMENT OF ACCOUNTS 2017/18

The committee considered the report presented by the Financial Services Manager (Part 1 – Agenda Item 4).

A detailed presentation was given at the meeting by the Financial Services Manager and a copy is attached at Annex 1 to the minutes.

Representatives from Grant Thornton, the Council's appointed external auditor, were present at the meeting.

The committee was assured that this year's statutory deadline for production of draft accounts of 31 May will be met by the Council. Following the publication of draft accounts, the working papers will be refined by the Financial Services Team prior to Grant Thornton carrying out their audit from the first week of July. The committee is asked to submit any comments directly to the Financial Services Manager.

## RESOLVED THAT –

- (1) the Financial Services Team be thanked for their work; and
- (2) the summary of the Draft Statement of Accounts 2017/18 be noted.

**4. ANNUAL REPORT TOF THE CORPORATE ASSURANCE AND IMPROVEMENT MANAGER**

The committee considered the report presented by the Corporate Assurance and Improvement Manager (Part 1 – Agenda Item 5).

**RESOLVED THAT** – the report be noted.

**5. DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18**

The committee considered the report presented by the Corporate Assurance and Improvement Manager (Part 1 – Agenda Item 6).

A supplementary paper providing additional enhancements was circulated at the meeting by the Corporate Assurance and Improvement Manager and a copy is attached at Annex 2 to the minutes.

During the draft stage, the committee may submit any comments directly to the Corporate Assurance and Improvement Manager. The Senior Management Team will review the Annual Governance Statement 2017/18 prior to submission for approval by Council in July.

**RESOLVED THAT** – IT BE RECOMMENDED TO COUNCIL THAT the Annual Governance Statement 2017/18 be approved subject to the proposed enhancements and comments made by the committee.

**6. OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS**

The committee considered the report presented by the Corporate Assurance and Improvement Manager (Part 1 – Agenda Item 7).

Corporate Health and Safety

The Head of Corporate Resources and Chief Financial Officer has informed the committee that the Head of Environment and Public Realm is in process of reviewing the corporate health and safety structure. A revised structure is expected to be presented to the Senior Management Team in the near future.

**RESOLVED THAT** – the report be noted.

**7. MOTION TO EXCLUDE THE PUBLIC UNDER SECTION 100(A)(4) OF THE LOCAL GOVERNMENT ACT 1972**

**RESOLVED THAT** – under Section 100(A) (4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the grounds that they involved the likely disclosure of information defined in paragraphs 1 and 2 of Schedule 12A of the Act.

**8. WHISTLE BLOWING INCIDENTS – STANDING ITEM – TO RECEIVE ANY UPDATES**

There were no issues to report.

**9. FRAUD AND CORRUPTION ISSUES – STANDING ITEM – TO RECEIVE ANY UPDATES**

One case is being currently investigated by the Corporate Assurance and Improvement Manager.

**RESOLVED THAT** – the committee be updated on the outcome of the investigation at the next meeting.

**CHAIRMAN**

# Draft Statement of Accounts 2017/18

Audit and Ethics Committee

29<sup>th</sup> May 2018

Chris Blundell

Financial Services Manager and Deputy Chief Financial Officer



# Content

- Local Government Financial Reporting
- Narrative Report
- Core Statements
- What's left to do

# Local Government Financial Reporting

- Produce yearly financial accounts, following the CIPFA's Code of Practice on Local Authority Accounting (the Code)
- In-line with International Financial Reporting Standards (IFRS)
- But, subject to legislative governing what local authorities can and cannot do
- A number of statutory adjustments
  - Capital expenditure and financing
  - Pensions
  - HRA

# The Narrative Report

- Provides information about the key issues affecting the Council
- Similar to the Strategic report or Directors' report within company accounts
- New guidance this year on coverage
- Makes up a large proportion of the statements

# Narrative Report – General Fund Revenue

Portfolio	Revised Budget £'000	Actual £'000	Variance £'000	Proposed Carry Forwards to 2018/19 £'000	Net Variance £'000
Growth & Investment	3,229	3,303	74	231	305
Corporate Resources	1,619	1,481	(138)	9	(129)
Environmental & Public Realm	7,508	6,298	(1,210)	92	(1,118)
Communities and Homes	1,071	1,249	178	-	178
Executive Director	1,897	1,828	(69)	22	(47)
<b>Net Portfolio Expenditure</b>	<b>15,324</b>	<b>14,159</b>	<b>(1,165)</b>	<b>354</b>	<b>(811)</b>
Net cost of borrowing	628	455	(173)	-	(173)
Minimum Revenue Provision	1,476	1,438	(38)	-	(38)
Other corporate items	(1,860)	(2,036)	(176)	-	(176)
<b>Total Net Revenue Expenditure</b>	<b>15,568</b>	<b>14,016</b>	<b>(1,552)</b>	<b>354</b>	<b>(1,198)</b>

# Narrative Report – General Fund Revenue

## Key variances

- **Garden Waste Scheme** - generating income of £887,000, an additional £487,000 above the budgeted position.
- **Town Centre Improvements** - The budget for 2017/18 was largely underspent this year, but a £200,000 carry forward has been requested
- **Hall of Fame** - admission fees were lower than anticipated, which resulted in a shortfall on the expected ticketing income budget of £150,000.
- **Trade Waste** – an additional £130,000 against income budget
- **Salary underspends** - across various services

# Narrative Report – General Fund Revenue

## Key variances

- **Corporate Savings**- £200,000 target over-achieved by £22,000
- **Net Cost of Borrowing** - £90,000 surplus through prudent management of out investments. £80,000 exchange rate gains following sale in Icelandic bank assets
- **Benn Hall** – bark sales 61% higher than last year, contributing to a £30,000 favourable variance
- **Legal Service Income** – £60,000 income for legal work for 3<sup>rd</sup> parties
- **Cemeteries** – Income £70,000 higher than budget

# Narrative Report - Corporate Income and Reserves

	Revised Budget £'000	Actual £'000	Variance £'000
<b>Total Net Revenue Expenditure</b>	<b>15,568</b>	<b>14,016</b>	<b>(1,552)</b>
Revenue Support Grant	(511)	(511)	-
Retained Business Rates	(4,496)	(5,342)	(846)
Council Tax	(7,063)	(7,063)	-
New Homes Bonus Grant	(2,672)	(2,671)	1
Other Grants	(375)	(376)	(1)
Collection Fund Deficit	(356)	(356)	-
<b>Total Corporate Income</b>	<b>(15,473)</b>	<b>(16,319)</b>	<b>(846)</b>
Contribution to Carry Forward Reserve	-	354	354
Contribution to Budget Stability Reserve	264	264	-
Contribution to Business Rates Equalisation Reserve	-	846	846
Transfer from Earmarked Reserves	(120)	-	120
Transfer from GF Balances	(239)	(239)	-
<b>Total Transfers to and from Reserves and Balances</b>	<b>(95)</b>	<b>1,225</b>	<b>1,320</b>
<b>NET POSITION</b>	<b>-</b>	<b>(1,078)</b>	<b>(1,078)</b>

# Narrative Report – General Fund Revenue

	£	£
<b>General Fund Balance at 1<sup>st</sup> April 2017</b>		2,230,000
Supplementary budget approvals	(239,000)	
Actual underspend to the end of 2017/18	1,078,000	
<b>Amount to be added balances</b>		<b>839,000</b>
<b>GF balance at 31<sup>st</sup> March 2018</b>		<b>£3,069,000</b>

- On 25<sup>th</sup> June Cabinet will consider the year-end finance and reporting report

# The Narrative Report - Business Rates and the Collection Fund

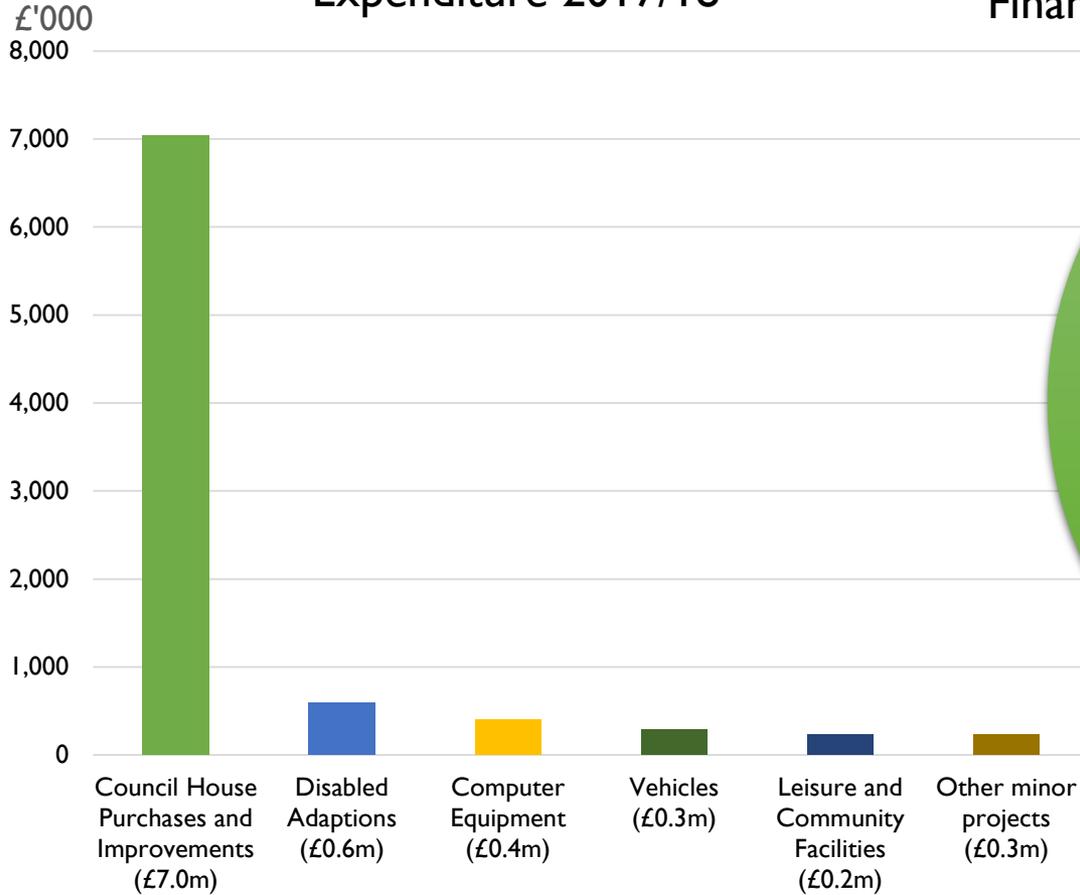
- For 2017/18 council budgeted to receive **£4.496m**, but actual business rate income was lower
- RBC share of **Actual** business rates income collected - deficit of **£1.055m**
- Due to a delay in the VOA bringing properties on to the rating list and increase in the appeals provision.

However...

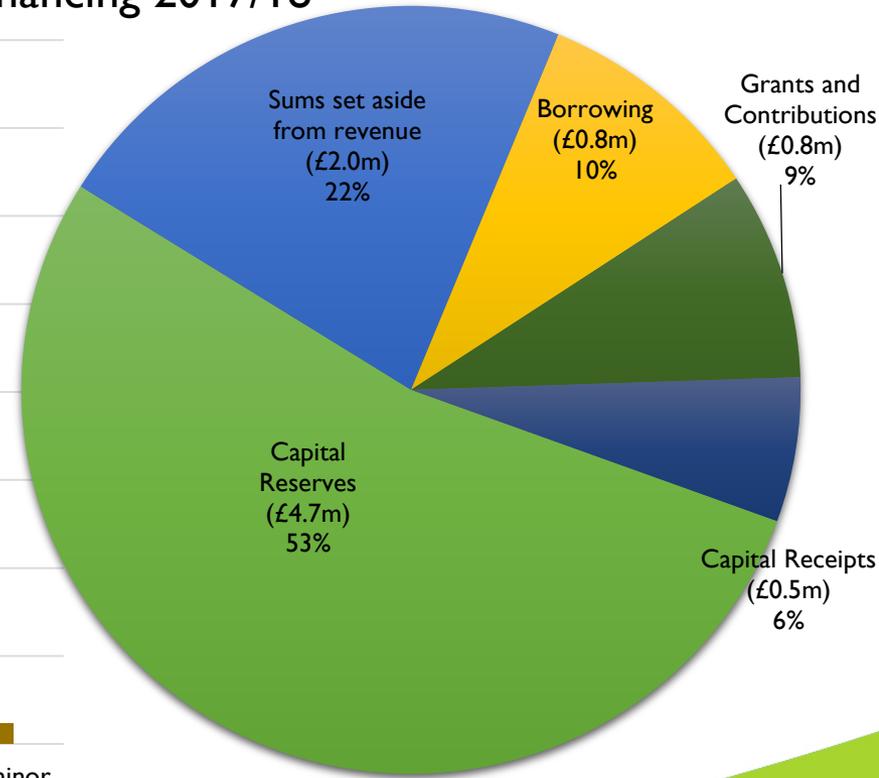
- Parts of the financial statements have to be prepared on the basis of budgeted business rates income, which results in an actual surplus of **£846,000**
- Statements propose this is transferred to the Business Rates Equalisation reserve.
- The actual 2017/18 deficit will be charged to the GF in 2019/20 as part of budget setting.
- This deficit will be completely offset by a contribution from the business rates equalisation reserve, which will include the **£846,000** mentioned above.

# The Narrative Report - Capital

### Expenditure 2017/18



### Financing 2017/18



# The Narrative Report - Housing Revenue Account

	Revised Budget £'000	Actual £'000	Variance £'000
Expenditure	16,745	10,703	(6,042)
Income	(18,094)	(17,973)	121
Net cost of HRA Services	(1,349)	(7,270)	(5,921)
Corporate items	1,484	7,270	(5,786)
Surplus (-) / Deficit for year	135	-	(135)

- In overall terms HRA revenue balances remained unchanged with a total of £1.431m at 31<sup>st</sup> March 2018.
- Expenditure variance mainly relates to diverting the £4.9m VRP
- The corporate items variance represents the additional transfer to Capital Investment Balances

# Core Statements

**Movement in Reserves** - shows the movement the different reserves held by the Council, analysed into 'usable reserves' and other 'unusable reserves'

**Comprehensive Income and Expenditure** - shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents

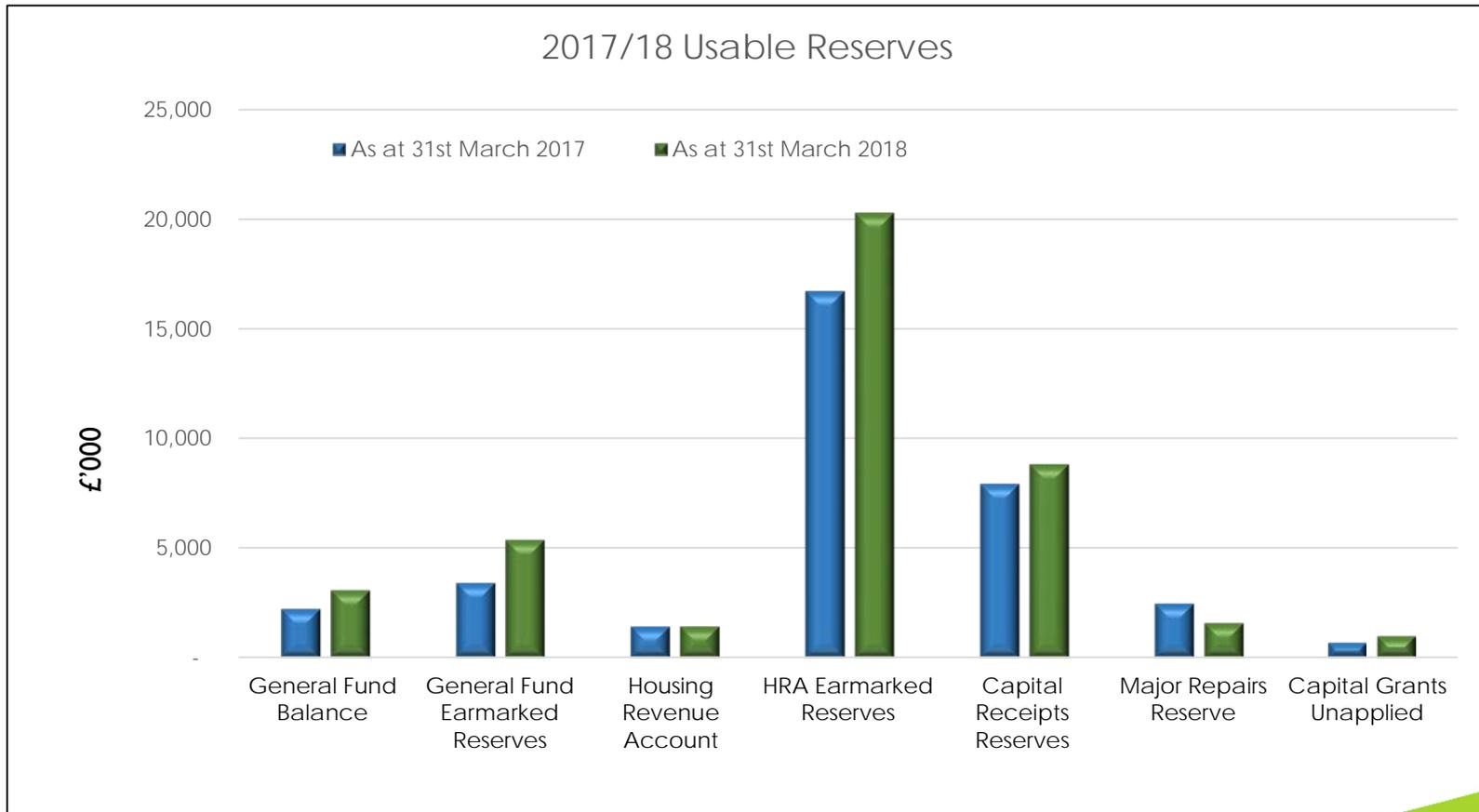
**Balance Sheet** – snapshot of the value of our assets and liabilities. Net assets matched by reserves held by the Council

**Cash Flow** - shows the changes in cash and cash equivalents of the Council during the reporting period

# Core Statements - Movement in Reserves

2017/18	General Fund (GF) Balance £000	Housing Revenue Account (HRA) £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Balance at 31 <sup>st</sup> March 2017	(5,639)	(18,124)	(7,921)	(2,463)	(689)	(34,836)	(126,970)	(161,806)
Movement in reserves during 2017/18								
Total Comprehensive Income & Expenditure	384	(7,398)	0	0	0	(7,015)	(8,269)	(15,283)
Adjustments between accounting basis & funding basis under regulations	(3,184)	3,806	(881)	884	(300)	325	(325)	0
(Increase) or Decrease in 2017/18	(2,800)	(3,592)	(881)	884	(300)	(6,689)	(8,594)	(15,283)
Balance at 31 <sup>st</sup> March 2018 carried forward	(8,439)	(21,716)	(8,802)	(1,579)	(989)	(41,525)	(135,564)	(177,089)

# Core Statements - Movement in Reserves



# Capital Receipts

**Closing balance** of £8.8m, increased by £881k, split:

- £6.6m HRA
- £2.2m GF

## **In-year**

- 25 right to buy sales, generating £2.1m
- £500k spent on housing, have to spend within 3 years or pay to govt plus interest!
- Repaid £840k to the national housing receipts pool
- £100k of receipts from other bits of land and vehicles

# Core Statements - Comprehensive Income and Expenditure

	Exp £'000	Inc £'000	Net £'000
Growth and Investment	5,975	(2,531)	3,443
Environment and Public Realm	15,334	(10,223)	5,111
Communities and Homes – General Fund	3,556	(2,193)	1,364
Communities and Homes - HRA	7,921	(17,972)	(10,051)
Corporate Resources	18,645	(17,216)	1,429
Executive Directors Office	2,194	(337)	1,856
<b>Cost of services</b>	<b>53,625</b>	<b>(50,474)</b>	<b>3,151</b>
Other operating expenditure			2,987
Financing and investment income and expenditure			2,443
Taxation and Non-Specific Grant Income and Expenditure			(15,596)
<b>(Surplus) or Deficit on provision of services</b>			<b>(7,015)</b>
(Gains) or Losses on hedging instruments			-
(Surplus) or Deficit on revaluation of property, plant & equipment			(81)
Downward valuation of financial instruments			(5,580)
Re-measurements of the net defined benefit liability			(2,608)
<b>Other comprehensive income and expenditure</b>			<b>(8,269)</b>
<b>Total comprehensive income and expenditure</b>			<b>(15,284)</b>

# Balance Sheet

31 <sup>st</sup> March 2017 £000		Notes	31 <sup>st</sup> March 2018 £000
229,490	Property, Plant & Equipment	18	237,803
21,753	Heritage Assets	25	22,519
695	Investment Property	19	723
370	Intangible Assets		470
11,834	Long Term Investments	39	20,829
1,066	Long Term Advances	27	52
208	Long Term Debtors	28	163
<b>265,416</b>	<b>Long Term Assets</b>		<b>282,559</b>
33,560	Short term Investments	39	27,856
76	Assets Held for Sale less than 1 year	20	120
171	Inventories		201
5,195	Short Term Debtors	28	5,887
12,386	Cash and Cash Equivalents	30	17,723
<b>51,388</b>	<b>Current Assets</b>		<b>51,786</b>
(19,668)	Short Term Borrowings	39	(38,082)
(9,462)	Short Term Creditors	29	(9,209)
(1,058)	Short Term Provisions	43	(1,504)
<b>(30,188)</b>	<b>Current Liabilities</b>		<b>(48,795)</b>
(82,109)	Long Term Borrowing	39	(61,509)
(40,174)	Net Pension Liability	37	(40,646)
(1,521)	Capital / Revenue Grants Receipts in Advance	17	(3,329)
(1,006)	Long Term Provisions	43	(2,976)
<b>(124,810)</b>	<b>Long Term Liabilities</b>		<b>(108,460)</b>
161,806	Net Assets		177,091
(34,836)	Usable reserves	MIRS	(41,527)
(126,970)	Unusable reserves	MIRS	(135,564)

# Cash Flow Statement

31 <sup>st</sup> March 2017 £'000		Notes	31 <sup>st</sup> March 2018 £'000
46,562	Net surplus or (deficit) on the provision of services		7,015
(26,423)	Adjustment to surplus or deficit on the provision of services for noncash movements		8,587
(6,128)	Adjust for items included in the net surplus or deficit on the provision of services that are investment and financing activities		(3,322)
13,940	Net Cash flows from Operating Activities	31	12,280
(26,825)	Net Cash flows from Investing Activities	32	(6,397)
8,262	Net Cash flows from Financing Activities	33	(546)
(4,623)	Net increase or (decrease) in cash and cash equivalents		5,337
17,009	Cash and cash equivalents at the beginning of the period	30	12,386
12,386	Cash and cash equivalents at the end of the reporting period	30	17,723

- **£5.5m increase in cash as shown on the balance sheet**
- **We purchased the CIPFA toolkit this year**
- **Moved to indirect method**

# What's left?

- Before 31<sup>st</sup> May
  - Proof reading!
  - Rounding errors
  - Cross-checking tables
- By 31<sup>st</sup> May
  - draft statements published
  - Electronic copy sent to the committee
- Before the Audit
  - Refining working papers
  - Any feedback from the committee is welcome

**AUDIT & ETHICS COMMITTEE 29 MAY 2018****AGENDA ITEM 6: ANNUAL GOVERNANCE STATEMENT****SUPPLEMENTARY INFORMATION FOR MEMBERS**

The draft AGS presented in your agenda packs is the very first iteration of the document. The Council is required to publish a draft version of the AGS by 31<sup>st</sup> May, which is then subject to review, formal approval and publication by 31<sup>st</sup> July in line with the timetable for the annual accounts.

The draft AGS has now been reviewed by the Head of Corporate Resources and Chief Finance Officer, and a number of enhancements to the first draft will be made.

The Committee has the option of requesting to review the AGS again, prior to its submission for formal approval, or, if it is satisfied with the proposed changes in addition to any others which the Committee wishes to see, to pass the recommendation that “the Committee recommends to Council that the AGS be approved”.

The proposed enhancements are primarily intended to provide further examples of outcomes where the Council demonstrated its effectiveness against the various governance principles during the course of the year. The main changes are as follows:

1. To add under Principle B three further examples of where openness and stakeholder engagement led to successful outcomes:
  - Consultation in relation to the future management and operation of allotments; and
  - Consultation with residents in relation to the Brownsover Medical and Community Centre.
2. To add under Principle C that the decision to merge the Benefits team with the Housing Options team was driven by the social benefits that joined up service delivery can bring to customers in terms of homelessness prevention and financial inclusion.
3. Under Principle C, to highlight the Blue Bell wood project which has seen volunteers coming together to enhance the space, delivering environmental benefits.
4. Under Principle C, to highlight the outcomes of the family weight management programme and the Play/ On Track service.
5. Under Principle D, to outline the new Medium Term Financial Strategy, the new HR Strategy and Asset Management Strategy and to summarise the key principles within them. This will include the realignment of training material with the new corporate values and behaviours framework.
6. Under Principle D, to outline the outcomes of the homelessness early intervention project.
7. Under Principle F, to emphasise how, through the new Medium Term Financial Strategy, the Council is managing the uncertainty around the future of business rates and the potential financial impact by taking steps to prepare for the possible outcomes.

In addition, there are a number of further amendments as follows:

1. Under Principle A at the bottom of page 5, to add that training has been provided to five additional managers to increase the number of officers available to undertake corporate fraud investigation work.
2. Under Principle G on pages 15-16, to add that the programme of internal audit work now includes governance and ethics related audits.
3. Under Principle A at the bottom of page 6, Action 2 will be removed. This is because the information security training has been rolled out to all staff, the Information Board has now been formed, and the procedure for reporting breaches of the General Data Protection Regulations has been implemented. The text will be amended accordingly.
4. Under Principle F, to add that there is planned mandatory training on risk management on July 4<sup>th</sup> for all members of the Corporate Management Forum.