

## **BABERGH AND MID SUFFOLK DISTRICT COUNCILS**

Minutes of the meeting of the **JOINT AUDIT AND STANDARDS COMMITTEE** held in the Elisabeth Room - Endeavour House, 8 Russell Road, Ipswich on Monday, 30 July 2018

### **PRESENT:**

Councillor: Dave Muller (Chair)

Councillors:	Melanie Barrett	Michael Burke
	Michael Creffield	Derek Davis
	Jennie Jenkins	Lesley Mayes
	Suzie Morley	Mike Norris
	Andrew Stringer	Kevin Welsby

**In attendance:** Assistant Director – Corporate Resources (KS)  
Corporate Manager – Finance (ME)  
Corporate Manager – Internal Audit and Deputy Monitoring Officer (JS)  
Senior Financial Services Officer (SP)  
Senior Governance Support Officer (LS)  
Suresh Patel and Melanie Richardson (Ernst and Young LLP) were present for the Statements of Accounts and Auditor's Report (Minute No 72 refers)

**Apologies:** Tony Bavington  
Tom Burrows (Vice-Chair)  
Siân Dawson  
Frank Lawrenson  
John Levantis

### **1 SUBSTITUTES AND APOLOGIES**

### **2 DECLARATION OF INTERESTS**

Councillor Dave Muller declared a local non-pecuniary interest in Minute No 72 as a Trustee of the Mid Suffolk Citizens Advice Bureau (CAB).

### **3 JAC/18/1 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 14 MAY 2018**

The wording of Minute No 62.3 – third bullet point – was queried and it was agreed that the signing of the Minutes as a correct record would be put on hold pending clarification of this item.

#### **It was RESOLVED**

**That, subject to clarification if required to the wording of Minute No 62.3, the Minutes of the meeting held on 14 May 2018 be confirmed and signed as a correct record.**

#### **4 PETITIONS**

None received.

#### **5 QUESTIONS BY THE PUBLIC**

None received.

#### **6 QUESTIONS BY COUNCILLORS**

None received.

#### **7 JAC/18/2 STATEMENT OF ACCOUNTS 2017/18 AND AUDITOR'S REPORT**

7.1 Members had before them a covering report – Paper JAC/18/2 with Appendices B and C (Statements of Accounts 2017/18 for Babergh and Mid Suffolk respectively) which had been published with the agenda for the meeting, together with the following documents:-

- Appendix A to Paper JAC/18/2 – External Auditor's Joint Report for 2017/18 (circulated to Members on 25 July 2018 and published on the Council's website 26 July).
- Update to Joint Audit and Standards Committee setting out the changes to Statement of Accounts since the publication of Paper JAC/18/2 (circulated to Members at the meeting).

7.2 Suresh Patel, Associate Partner from the Councils' External Auditor, Ernst and Young LLP, together with Melanie Richardson, were present at the meeting.

7.3 Mr Patel began his introduction to the Auditor's report by informing the Committee that, for various reasons including the earlier deadlines this year, it would not be possible for the accounts to be signed off by 31 July. He made reference to the updated position as set out in Appendix A to Paper JAC/18/1 and to the adjustments which are still required to the Accounts, including in relation to CIL, the pensions liability estimate and, in Babergh's case, the valuation of Borehamgate. He confirmed that an unqualified audit opinion would be issued for both Councils.

7.4 In response to a question from Councillor Jenkins about possible penalties for late submission, Mr Patel explained that there was no financial penalty on the Councils, although they would be listed as not meeting the deadline. He added that approximately 10% of Councils across the country were in a similar position in this first year of the new arrangements.

7.5 Melissa Evans, Corporate Manager – Finance advised Members that future Narrative report facts would have more comparatives back to previous years like the planning approvals and other information such as % spent would be included for other items including Disabled Facility Grants (DFG's) in order to tell a fuller story. Narrative report General Fund pie charts will also include the previous year, for comparative purposes. More use would be made of pictures.

7.6 Sue Palmer, Senior Financial Services Officer, took Members through the Changes to the Statements of Accounts, which related to the following as listed in the Update document:-

1. **Grant income**

A new description and table added for the Disclosure of Grants Received in Advance (MS/BDC)

2. **PV Panel – Feed in Tariff and heat incentive scheme income** Income had been netted off expenditure. Amended to increase both gross expenditure and gross income. Also re-stated 2016/17 amounts. (MS/BDC)

3. **Property Plant and Equipment – Stowmarket Middle School** Amendment to value of non-operational asset. The incorrect value had been used and was overstated by £845k. The asset value and revaluation reserve has been amended. (MSDC)

Sue Palmer also made reference to the District Valuer's over-valuation of Borehamgate Sudbury as an investment property. (BDC)

4. **Audit Opinion**

Updated from the Audit Results Report presented to Committee (including reference to Group Accounts). (MS/BDC)

5. **Pension Scheme**

Future liabilities and assets valued at 31 March 2018 updated to agree with adjusted Note 32 (pensions). (MS)

6. **Employers Pension**

Next year's employer's contribution updated to correct year. (MS)

7.7 During the course of the Committee's consideration of this matter, the following were also identified for correction, or to be followed-up in response to questions from Members:-

- Narrative report – the number of completed Neighbourhood Plans to be checked and amended if necessary.
- MSDC page 4 of Narrative report – net favourable variance to be amended to £3.797m to tie up with table on page 6.
- MSDC page 28 Note 6 – Councillor Burke asked why the depreciation etc figure had gone up from 6,291 in 16/17 to 9,395 in 17/18.
- MSDC page 52 – Note 23 – Councillor Stringer asked for more information about why the Members expenses had increased from £20k in 16/17 to £27k in 17/18.
- MSDC page 58 – Note 27 – CAB. Need to amend the wording to say that Councillor Muller has 'an interest' and not 'a controlling interest'.

- MSDC page 65 Note 32 – Councillor Burke asked why the Current service cost figure had increased from 1,871 in 16/17 to 3,043 in 17/18.
- More training will be put in place, following the unfortunate cancellation of a recent planned session.
- The deficit on the HRA (BDC) continues to be monitored through reports to Cabinet.

7.8 Mr Patel and the Assistant Director responded to a question about the degree of independence of the External Audit process by outlining the national procurement arrangements for the public sector audit appointments and its application to local authorities.

7.9 Before proceeding to the vote, the Chairman referred to an amendment which would be required to each of Recommendations 3.2 and 3.3 of Paper JAC/18/2, in view of the delay in finalising the Accounts as referred to above. Members would be asked to delegate authority to the Section 151 Officer in consultation with the relevant Chairman to approve the finalised versions of the Accounts.

**It was RESOLVED**

**(1) That the External Auditor's Joint Report as set out in Appendix A to Paper JAC/18/2 be approved.**

**(2) That the Section 151 Officer, in consultation with the Babergh Chairman of Joint Audit and Standards, be authorised to approve the final Statement of Accounts for 2017/18 for Babergh District Council as set out in Appendix B to Paper JAC/18/2, which will be amended to reflect the outcome of the audit.**

*(Note – only the four Babergh Members voting, all in favour)*

**(3) That the Section 151 Officer, in consultation with the Mid Suffolk Chairman of Joint Audit and Standards, be authorised to approve the final Statement of Accounts for 2017/18 for Mid Suffolk District Council as set out in Appendix C to Paper JAC/18/2, which will be amended to reflect the outcome of the audit.**

*(Note – only the seven Mid Suffolk Members voting, all in favour)*

**8 JAC/18/3 JOINT ANNUAL TREASURY MANAGEMENT REPORT - 2017/18**

8.1 Sue Palmer, Senior Financial Services Officer, introduced Paper JAC/18/3 and took Members through the key points which included the following:-

- Continuing uncertainty around the UK economy.
- The reasons for both Councils exceeding their daily bank account limit on one occasion each, as referred to in paragraphs 4.6 and 4.7 of the report.
- Short term debt – BDC increased by £6m, MSDC increased by £6.5m.

- Funding Circle returns continue to fall – BDC from 5.58% to 4.54%, MSDC from 5.7% to 4.63% (Appendix C). As previously advised, no further investments will be made in Funding Circle and future investments will prioritise security and liquidity over yield.
- Revised CIPFA Codes 2017 – changes from the 2011 Code will be incorporated into Strategies and monitoring reports with effect from 2019/20 including a widened definition of investments to cover non-financial assets, security and liquidity of investments continue to be prioritised and the introduction of a Capital Strategy alongside the Treasury Management Strategy.
- Correction to paragraph 2.1.1 of Appendix C – as reported in the External Auditor’s report, the Fair Value for Borehamgate Sudbury as an investment property has been reduced by the District Valuer, from £4m to £3.5m.

8.2 In response to questions from Members, the officers advised as follows:-

- Funding Circle – the longest investments are for 5 years – those for 3 years are coming to an end. The position is monitored and has no effect on the Councils’ borrowing ability.
- Borehamgate – it was confirmed that the District Valuer’s correction to his earlier valuation was affected by the rental income level (ie not the capital valuation).
- Regarding the Councils’ assessment of risk and the need for the Significant Risk Register to be up-to-date in advance of the Budget process, the new CIPFA guidance will be in place for next year and any adjustments to the Register will be reported to the Committee and the Cabinet.

8.3 At this point, the Chairman referred to the voting arrangements for the Recommendations in paragraph 3 of the report, with 3.2 and 3.3 to be voted on separately by Babergh Members and Mid Suffolk Members respectively.

**It was RECOMMENDED TO BOTH COUNCILS**

**That the Treasury Management activity for 2017/18 as set out in Paper JAC/18/3 and Appendices be noted. Further, that it be noted that performance was in line with the Prudential Indicators set for 2017/18.**

**It was RECOMMENDED TO BABERGH COUNCIL**

**That it be noted that Babergh District Council Treasury Management activity for 2017/18 was in accordance with the approved Treasury Management Strategy, and that, except for one occasion when the Council exceeded its daily bank account limit with Lloyds by £120k, as mentioned in Paragraph 4.6 of Paper JAC/18/3, the Council has complied with all the Treasury Management Indicators for this period.**

*Note – only the four Babergh Members voting, all in favour*

**It was RECOMMENDED TO MID SUFFOLK COUNCIL**

**That it be noted that Mid Suffolk District Council Treasury Management activity for 2017/18 was in accordance with the approved Treasury Management Strategy, and that, except for one occasion when the Council exceeded its daily bank account limit with Lloyds by £79k, as mentioned in Paragraph 4.7 of Paper JAC/18/3, the Council has complied with all the Treasury Management Indicators for this period.**

*Note – only the seven Mid Suffolk Members voting, all in favour*

**9 JAC/18/4 NON-SALARY EXPENSES 2017/18**

9.1 Members were asked to review the information in Paper JAC/18/4 with a view to identifying whether any further information or explanation was required. The Corporate Manager – Finance confirmed that 50% of Professional Subscriptions is payable by the Council.

9.2 Councillor Stringer referred to the increase in Councillors' expenses (which was included in the Statement of Accounts). Katherine Steel, Assistant Director, Corporate Resources, will respond outside the meeting.

**It was RESOLVED**

**That, having reviewed the contents of Paper JAC/18/4, no further explanation or information is required and the information contained in the report be noted.**

**10 JAC/18/5 CODE OF CONDUCT COMPLAINTS MONITORING REPORT**

10.1 John Snell, Deputy Monitoring Officer, introduced Paper JAC/18/5 and drew Members' attention to the information in paragraph 4 of the report, which set out the volume and nature of complaints received.

**It was RESOLVED**

**That the Code of Conduct Complaints monitoring information contained in Paper JAC/18/5 be noted.**

**11 JAC/18/6 FORWARD PLAN**

**It was RESOLVED**

**That the Committee Forward Plan set out in Paper JAC/18/6 be noted.**

The business of the meeting was concluded at 10.45 a.m.

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Chair