



Minutes of the Executive Committee –

Held on 7th June 2019

Grant Thornton Offices, Finsbury Square, London

SDCT Website: www.cipfa.org/partners/society-of-district-council-treasurers

In Attendance: Simone Hines (President), Mark Dickenson (2nd VP), Angela George (Secretary), Steve Hearse, Ian Knowles, Jenny Poole, Alan Peach, Peter Stuart, Simon Riley, Adrian Rowbotham, Simon Freeman, Clare Fletcher.

Also: Nicola Morton (LGA), Lisa Quinn, Nikki Ulyatt and Naz Miah (Link), Paul Dossett (Grant Thornton), Sarah Howard (GT and CIPFA), Andrew Chappell (PSAA).

1. **Apologies:** Jo Wagstaffe (VP), Sal Khan, Homira Javadi, Paul Deal, Peter Catchpole, Karen Watling
Also: Sally Marshall (DCEN), Aileen Murphie (NAO), Joanne Pitt (CIPFA).

Goodbyes:

Jill Penn has now formally resigned from the Executive and has started her new position at the Office of Police and Crime Commissioner in Norfolk.

Simon Riley also announced that he would be starting a new position as Director of Financial Services at Derby City Council and so this would be his last meeting of the Executive.

The Executive passed on their thanks to both Jill and Simon for their contributions to the work of the Executive.

New Members:

The Executive welcomed 3 new members to the Executive: Clare Fletcher (Stevenage) who was present at the meeting, together with Peter Catchpole (Fenland), and Karen Watling (Norwich) who had given apologies.

2. **Minutes of Previous Meetings and matters arising**

The minutes of the previous meeting of 12th April were agreed (*on the SDCT website*).

Matters outstanding have been actioned or are on the current agenda.

It was noted that Mark Dickenson had been elected to the position of the 2nd Vice President position.

3. **Business Rates, Fair Funding and Spending Review updates**

Business Rates:

There have been no meetings of the Steering Group since the last Executive meeting. Alan Peach and Nicola Morton had attended a recent Systems Design Working Group. It was noted that the papers to the meeting on the alternative were complicated. The LGA is currently commissioning an alternative model and this should be available to member

authorities shortly. Mark Dickenson reported that the work on Tier Splits had concluded with no agreed solution between the Districts and Counties.

Simone reported that the SDCT's position was that it concurred with the DCN view (and others) that a delay to the introduction of the new systems were preferable given the current position and timescale difficulties. The County Council network is in favour of going ahead.

Nicola reported that:

- Matt Hancock had announced Public Health would be staying with Local Governments. The LGA are continuing to lobby for PH to be included in BR noting that the impact would be that the sector would keep more BR growth.
- The Treasury Select Committee is undertaking a review of business rates; focussing on Businesses and the High Street. The LGA's Chair of its Resources Board gave oral evidence to the Committee this week
- Noted that pilot authorities need to contact MHCLG about the error in the BR Pilots guidance to see if they are eligible for any additional funding.

Fair Funding:

There have been no further meetings of the Fair Funding Working Group since the last meeting although one is anticipated in the next 2 weeks. Nicola reported that the meeting would include a discussion on the Area Cost Adjustment.

Spending Review:

Peter reported that he had dialled into a meeting with MHCLG and HMT last week to discuss the impact of delays on local Authority budgets and timescales. Members again had highlighted the importance of certainty to the sector given that councils will be setting budget over the summer and decisions needed to be made now given the long lead in of some of the changes that might be necessary if a negative impact was experienced. There was currently no further information on any of the funding streams including NHB.

Nicola Morton reported that the LGA is continuing its series of roundtables on various services in conjunction with MHCLG. Unfortunately the SDCT had been unable to take part in the Waste roundtable as it clashed with this meeting. The next roundtable is on 24th June and the SDCT have been allocated 2 places.

Action – 2 representatives required for 24th June

Nicola gave an update on work the LGA is doing in advance of the Spending Review and thanked authorities for contributing to the recent LGA survey. Executive asked for more detail on this work to be presented at the next meeting.

Action – Nicola Morton to arrange.

4. The Future of Public Audit – Paul Dossett, Grant Thornton

Paul gave a presentation (attached) on the current scrutiny and issues faced by the Audit profession both in the private and public sectors. In terms of public audit, there had been a recommendations from Sir John Kingman that the current Regulatory system is too disparate and suggesting a single regulatory body (NOT the Audit Commission). The feeling from GT is that audit is at a crossroads and decisions need to be made on what we want the future of audit to look like.

There was a wide ranging discussion from those present on the issues facing audit and the impact on the public sector. It was agreed that it was not all about driving down costs but that Audit must be of sufficient quality and add value to the organisation. The general feeling from the SDCT was that reporting VFM at the same time as the Accounts was helpful to local authorities and should not be changed due to lack of audit resources.

It was agreed that the current focus of the audit (particularly asset valuation and IFRS disclosures) which is heavily driven by the regulators does not add sufficient value to the organisation.

Sarah Howard reported that CIPFA / LASAAC are considering the issue of streamlining of accounts and this may assist in moving the focus of the audit. It is anticipated that the CIPFA/LASAAC Code Board will consider proposals for inclusion in formal consultation during the summer of 2019 for possible inclusion in the next version of the Code for 2020/21. It's likely that proposals for streamlining, including alteration to the Code can be implemented over a two year period.

The EY situation was also discussed whereby the delay in signing off the audits of the 19 authorities affected would have significant impacts on the resources of those authorities. A member reported that it was not just EY clients that were affected by this and that they had been notified that they would not have their authority signed off by the end of July either (GT client). Whilst it was reassuring that assurance had been given that authorities affected would not be penalised by the late sign off, it was considered a retrograde step to push back the date of the audit to allow the auditors to address their resource issues – local authorities had worked very hard to change their processes to allow an earlier closedown and had relied on being able to move onto other important work streams.

It was agreed that this issue should be revisited at a future meeting.

Action – the audit issue to be discussed again at the next meeting of the Executive.

5. Audit Update

5.1 NAO Update

The NAO had given apologies for the meeting. Ian Knowles advised of an NAO Advisory Group on 28th May that unfortunately no-one had been able to attend.

It was noted that the NAO had recently announced that they would be conducting a study on local authority commercial investment given the recent various announcements on the subject, and the society looked forward to inputting into that study.

Ian also reported on the consultation response to the Code of Audit Practice that he had submitted on behalf of the SDCT (on SDCT website). This is an important consultation which will help to inform the future direction and focus of work by local auditors. In the light of the discussion in the previous item, he suggested that if anyone had any further points they would like to make, that they should let him know and he would ensure they were fed back to the NAO.

Action – Further points on the Code of Audit Practice to be fed back to Ian.

5.2 PSAA (Andrew Chappell)

Andrew touched on the Cardiff Business School report which had been fully reported at the last meeting. The report reviews PSAA's first appointing person audit procurement exercise, and it and the resulting action plan is on the PSAA website and would help shape PSAA's work for this contracting period.

He acknowledged that the current difficulties experienced by audit firms in resourcing the audits were very unfortunate and PSAA were working with EY on the problem and responding to press queries.

PSAA's next Local Audit Quality Forum is on 10 June at the LGA's HQ in Smith Square, London. The theme will be practical help for Audit Committee Chairs, members and those that support them, recognising that there are likely to be many new members following the elections.

6. Advisor Reports

6.1 Prudential Borrowing and Commercialisation

Adrian had attended the last CIPFA Treasury and Capital Management Panel on 20th May. The draft guidance is still causing significant concern and comments (circulated to the Executive) had been fed back to CIPFA. It is anticipated that it will come out for wider consultation in the near future.

Following the discussion at the last meeting on a specific issue where the guidance conflicts with legal advice obtained by an authority, Jill Penn had discussed this with Rob Whiteman. It was agreed that the Sector should work together on this and it be discussed at the next ALATS meeting.

Action – Adrian to report back any further developments. Simone to add to the agenda for the next ALATS meeting.

6.2 CIPFA Pensions Panel

Jenny reported that Hymans were facilitating a review of governance structures for the Local Government Pension Scheme which will be discussed at the July Scheme Advisory Board. She also reported on the McCloud judgement and the court ruling that public service pension benefits may need to be amended back to 2014 as a result of age discrimination. Relevant disclosures need to be made in the 2018/19 accounts. She would report back when the position was known.

Action – Jenny to report back any further developments

6.3 Financial Management Code / Index

Simon reported that this was still being developed and that the CIPFA Board for a decision may be in Sept /October. He felt that the work was moving in the right direction but was not there yet. Simon said that he was willing to continue this work on behalf of the SDCT for a period despite leaving the Executive and would report back to a future meeting.

Action – Simon Riley to report back any further developments.

7. Reports from External Bodies / Sponsors

7.1 Link (Lisa Quinn)

Lisa circulated a note of the key issues (attached), including:

- Business Rates
- IFRS16 – CIPFA have confirmed a 12 month deferral but stress to keep the momentum going.
- Monitoring of Fund Investments
- IFRS9 / Impairment / Expected Credit Loss - main issues for audit.

7.2 LGA (Nicola Morton)

Nicola reported:

- The LGA Mutual is now open
- The Municipal Bond Agency is being redesigned
- It was noted that the LGA are reviewing their LGA Inform content (spider charts). Feedback is requested by 21st June.

8. Any Other Business

8.1 CIPFA Conference Workshop – Date and Agenda

The date for the workshop has been agreed for Tuesday 9th July at 15.10 to 16.10.

The subject would be Financial Management and Commerciality in Districts – What Next?

The speakers would be Simone Hines, Adrian Rowbotham and Ian Knowles who are currently working up the detailed presentation.

Adrian Rowbotham raised the issue of the SDCT potentially holding a register of commercial interests to assist other Districts when setting down the commercial route. It was agreed this would be explored further.

Action – Simone, Ian and Adrian

9. Date of Next Meeting

- 9th July at 15.10, CIPFA Conference, Birmingham