**Minutes of the Executive Committee**

**11th October 2019**

**CIPFA Offices, Mansell Street, 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, Jenny Poole, Adrian Rowbotham, Simon Freeman, Paul Deal, David Stanley, Ian Knowles.

**Also:** Nicola Morton (LGA) for item 4 and Part B

**Part A - Private Executive Business**

1. **Apologies**: Peter Stuart, Alan Peach, Peter Catchpole, Helen Smith, Clare Fletcher, Sal Khan.

**Goodbyes:**

Unfortunately, Karen Watling who joined the Executive at the previous meeting, has now resigned as she is leaving Norwich.

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

The minutes of the previous meeting of 20th September were agreed with some minor amendments. The meeting was held as a private meeting of the Executive and the minutes are now on the SDCT website. Matters outstanding were considered further below:

* **Audit Issues**

Following further discussion, Ian will respond to the Redmond Review on the issues of concern to SDCT by 22nd November.

There is a PSAA meeting scheduled for 23rd October where concerns regarding additional fees being sought from auditors would be raised.

It was noted that there was also a consultation on Internal Audit; responses to which were due by 11th October.

**Action Ian Knowles**

* **Prudential Investments / Commercialism / Borrowing**

The Executive discussed the response received from CIPFA to the SDCT Response to the CIPFA Draft Guidance – Prudential Property Investment. It was considered that the concerns raised in the SDCT original response to the guidance largely remained.

The Executive also discussed the unexpected and material increase in PWLB rates announced on 9th October and the reasons for and implications thereof (discussed further under Part B)

* **Resilience Index**

The next working group is meeting on 18th October. As previously notified, it is anticipated that the final draft version is planned to be available to Treasurer Societies in mid-November followed by a public release in early December.

1. **Member Issues**

The Executive discussed the following:

* Website and Communications – Communications to be considered further.
* Member Update – Terry Collier’s membership of the Executive was approved
* Advisor Areas / Constitution update - these had been updated and were on the website

1. **LGA Variation Review (Nicola Morton)**

Nicola Morton (LGA) gave a presentation on the LGA’s work on explaining the variation in unit costs in children’s services (presentation on SDCT website) and the results which showed that over 70 per cent of the variation can be explained by factors outside of local authority control.  There was a discussion about how this methodology could be applied to other services.

[Click here](file:///C:\Users\CatherineL\Desktop\CSC%20Slides%20for%20SDCT.PPTX) to view the presentation slides.

1. **Any other business** – Date of AGM – decided to leave at 10th January 2020. Agenda to be discussed at the next meeting.

**Part B – Main Meeting**

**In attendance (in addition to Executive members);** Nicola Morton (LGA), David Aldous (NAO), Andrew Chappell (PSAA), Lisa Quinn (Link), Liz Jackson (Grant Thornton)

1. **Audit Issues Update**
   1. **NAO (David Aldous)**

David reported on the new Code of Audit Practice (Presentation slides on SDCT Website). The Executive discussed the key issues including the changes proposed to the VFM conclusion in terms of commentary and timing.

The consultation will run until 22nd November and is available on the NAO Website [www.nao.org.uk](http://www.nao.org.uk).

**Action – Ian Knowles to respond to consultation on behalf of SDCT**

Aileen Murphie offered her apologies for the meeting but sent an update on the following:

* The SDCT focus group that the NAO ran for their study on Local Authority Commercial Investment was very helpful. The study is going well and is heading for publication in December. Aileen will present the full findings at a future SDCT meeting.
* In terms of recently published NAO work, the NAO have reported on Brexit and medical and social care :<https://www.nao.org.uk/report/exiting-the-eu-supplying-the-health-and-social-care-sectors/>

The conclusions are that the Department has done a great deal of work to prepare for a no-deal exit. It identified several high-risk areas and took steps to fill gaps in the information it held, for example on the reliance of supplies on the short Channel crossings. It worked effectively with stakeholders in the medicines industry to understand the challenges they face in the event of a no-deal exit and to address them, for example by providing additional warehouse capacity.

However, there remains a significant amount to do before 31 October, in particular to ensure that:

* + government has a full picture of preparedness across the supplier base;
  + sufficient cross-government freight capacity is in place; and
  + social care providers such as nursing homes are fully prepared.
  + In the event of a no-deal exit, the Department would be working in a highly uncertain environment and operating all the elements of its plan would be a hugely demanding task.
* There are implications locally for the health and social care sectors in the event of a no deal Brexit.
* In terms of upcoming work, they have a report underway on **waste crime and its costs** and on **local transport**, concentrating on local bus services.
* Lastly they had their local government reference panel meeting at the start of the month consulting the sector about their upcoming programme.
  1. **PSAA (Andrew Chappell)**

Andrew gave an update on the key issues including:

* There were 208 audit opinions not given by 31 July 2019. As of 30 Sept, 151 remain

Andrew considered that there were three reasons which were broadly equally split:

* + Auditor resourcing
  + Authority issues (quality of accounts and working papers)
  + Technical issues taking time to resolve.

He stated that PSAA were fully aware of problems this creates for authorities and were working with all parties to best resolve. But he considered there was no one problem, and no one solution. The Advisory Panel which meets on 23 October – (Ian Knowles attends for SDCT) will be discussing the issue and possible solutions.

* Next Local Audit Quality Forum (our support to the sector on helping audit committees to improve) is on Monday 25th November. Very pleased the event is full.
* Participating in the consultations on the Code of Audit Practice and the Redmond Review – Would encourage all to contribute

Following queries from the Executive of several instances of Audit firms requesting additional fees without prior consultation, Andrew said that he would provide information on the fee variation process.

[Click here](file:///C:\Users\CatherineL\Desktop\PSAA%20fee%20variation%20process%20final.pdf) to view the PSAA fee variation process.

1. **Advisor Reports**- None
2. **Reports and Updates from External Bodies**
   1. **Link Asset Services (Lisa Quinn)**

Lisa circulated a full update.The most pressing issue was the increase in the PWLB lending rate which had come out of the blue on 9th October.

[Click here](file:///C:\Users\CatherineL\Desktop\Link%20Asset%20Services%2011th%20October%202019.docx) to view the Link Asset Services update.

* 1. **Grant Thornton (Liz Jackson)**

Liz gave an update on current GT initiatives including the Financial Foresights report that had been produced in association with Cipfa.

* 1. **LGA (Nicola Morton)**

Nicola gave an update on other current LGA Initiatives not previously mentioned including:

* Municipal Bonds Agency and PWLB Rate Increase
* Brief on Queens Speech
* Spending Review and Settlement deadline issues (MHCLG wish to achieve Hudson Review Recommendation of 5th / 6th December)
* Business Rates Avoidance Survey
* Business Rates Steering Group – nothing new to report.
* Fair Funding – Nothing new to report

1. **Alex Skinner (MHCLG)**

Alex provided an update on the outcomes of the spending review, which saw a £2.9bn increase in resources made available to local government, equivalent to a 4.3% real terms increase. He then set out next steps on the technical consultation, including issues relevant to districts: negative RSG, NHB and £5/2% flexibility. Looking to the longer term he ran through the main changes in local government finance over the next year: business rates retention, the fair funding review, another spending review and business rates revaluation. Given the backdrop, Alex encouraged members to engage and provide feedback. Members asked if MHCLG could come to the December meeting to discuss the alternative model.

Members then asked about the recent change to PWLB lending rates. Alex explained that this was a Treasury decision and returned rates to those available in mid-2018. Members set out the impacts of the change on their ability to undertake projects, especially regeneration and housing. The change affected the value for the money case and some were now unlikely to go ahead. Alex set out that the PWLB was kept under review and that the department would welcome evidence on the impact of the change. That could then be used to inform the position going forward.

**Action – Simone to obtain evidence from Districts and feedback the impact of the PWLB increase to LGA / MHCLG**

1. **Any Other Business** – None
2. **Date of Next Meetings:**

* **6th December 2019 - 10am CIPFA Offices, Mansell Street, London (Private)**

**11.30am (Open Session)**

* **10th January 2020 AGM – 10am to 4pm, CIPFA Offices, Mansell Street.**