**Minutes of the Executive Committee**

**20th September 2019**

**CIPFA Offices, Mansell Street, London**

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

**The meeting was held as a private meeting for SDCT Executive members only.**

**In Attendance:** Simone Hines (President), Jo Wagstaffe (VP), Mark Dickenson (2nd VP), Angela George (Secretary), Steve Hearse, Jenny Poole, Alan Peach, Peter Stuart, Adrian Rowbotham, Simon Freeman, Clare Fletcher, Paul Deal, Karen Watling, David Stanley, Helen Smith.

1. **Apologies**: Ian Knowles, Sal Khan, Peter Catchpole.

**Goodbyes:**

Sally Marshall has advised that she is no longer the DCEN representative and will not be attending future SDCT meetings. A new DCEN representative will be advised in due course. Sally was thanked for her contribution to the SDCT.

**New Members:**

The Executive welcomed 3 new members to the Executive: Karen Watling (Norwich), David Stanley (Rushmoor) and Helen Smith (South Lakeland). There are currently 7 vacancies on the Executive Committee. A number of formal expressions of interest are awaited.

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

The minutes of the previous meeting of 7th June were agreed (on the SDCT website). Matters outstanding have been actioned or are on the current or future agendas.

1. **Resilience Index** (Joanne Pitt and David Caplan, CIPFA)

David Caplan and Joanne Pitt highlighted the work that had been carried out to date on developing the Resilience Index (slides on SDCT Website) and the changes that had taken place since the previous consultation, the responses to which had been mixed.

There were several queries from the Executive and some concern that the Index would still distort the position for some well managed authorities dependent on their current and future projected position, particularly in relation to any planned use of Reserves.

The current draft Index is available to members of the working group (Peter Catchpole for SDCT). It was agreed that any specific comments be fed back to Simone Hines and Peter Catchpole to feed into the working group which is meeting on 18th October. The final draft version is planned to be available to Treasurer Societies in mid-November followed by a public release in early December.

Joanne reported that the Financial Management Code would be available at the end of October.

**Action – Simone Hines and Peter Catchpole**

1. **Audit Review –** (Sir Tony Redmond and Gareth Caller)

Sir Tony highlighted the work that they are undertaking as part of the review (slides on SDCT website). He stressed the independence of the study and that he needs hard facts and evidence to back up any points that are made.

The Executive gave their feedback under each of the points requested with some of the key points being:

* Audit work need to be refocussed onto the important issues – currently there is too much focus and time spent on technical accounting issues (particularly capital valuations etc) and not enough focus on resilience. There appears to be a general agreement on this from the audit and local government sides.
* There is little discussion on the auditor VFM conclusion with it appearing in some cases to be little more than a ‘desktop’ exercise and so it’s use is questionable (albeit there is no desire to go back to any Use of Resources type exercise)
* The complexity of LG accounts is now an issue (Group accounts / commercial ventures etc)
* The transparency and understanding of accounts (by all stakeholders) is an issue and has been since the introduction of IFRS standards. The simplification of the accounts has been discussed many times over the past few years with little progress to date.
* Audit Committees – the effectiveness of these is questionable. This is largely because of the ‘impenetrability’ of the accounts.
* The CFO is not always at the top table and in a political climate their voice is not always welcome or heard. This links to increasing ethical pressures on the CFO.
* It would be considered a backward step if we reverse the new deadlines and take more time over the closure process. It needs to be as short and sharp as possible to enable the focus to be on resilience / budget issues.
* It was however recognised that the new deadlines place further pressure on the audit staff.
* The quality and experience of audit staff is an issue.

There was a general feeling that we have lost track of what we’re trying to achieve with the financial reporting and audit framework and that radical change will be required to refocus the work.

The Calls for Views will be open until 22nd November and Sir Tony Redmond is due to report his findings in March 2020. The Executive agreed to revisit the subject at their meeting on 11th October and feedback a summary of the main and additional points.

**Action – Ian Knowles**

1. **Local Authority Commercial Investment** (Aileen Murphie, Cameron Paton and Alex Burfitt, NAO)

Aileen Murphie introduced the study (slides on SDCT website) and asked for views from the Executive, both from those who have embraced the commercial agenda and those who have been more risk averse.

There was a constructive discussion. It was noted as part of the discussion (and which has been fed back to CIPFA as part of their consultation on the Prudential Property Investment guidance) that this type of activity has been undertaken by Local Government for very many years now, but the levels have increased substantially recently due to the impact of years of austerity cuts and also because of very low borrowing rates which was compelling authorities to consider the commercial investment routes.

The call for evidence is now closed but if anyone has any further views the NAO would be happy to receive it. Aileen agreed to feedback the results of the study at the 6th December meeting of the Executive.

**Action – Agenda item for 6th December**

Aileen also drew attention to the NAO’s ongoing strategic review. The new Comptroller & Auditor General and head of the National Audit Office has launched a comprehensive **Strategic Review** to shape and inform the NAO’s future strategy. They are consulting widely with stakeholders for thoughts across the various areas, e.g. how should they express their strategic purpose given the breadth of their role, what long-term risks to vfm should they be looking at, managing stakeholder relationships and so forth. Given the body of work on local government, how new their engagement with the sector is and the importance of their relationship with treasurers.

The NAO’s public consultation is now live:[https://bit.ly/2lDQh7e](https://eur03.safelinks.protection.outlook.com/?url=https%3A%2F%2Fbit.ly%2F2lDQh7e&data=02%7C01%7CAileen.Murphie%40nao.org.uk%7C0416ab06c1b04425acdf08d73ab45c17%7Ce569c7b06dfc42b89b6a2cfc414d4f8c%7C0%7C1%7C637042418624952898&sdata=GpKN8QA8fAFhHyUef4iDbSsadzWoriJlkgHu2fmb6Bo%3D&reserved=0). All thoughts would be gratefully received.

**Action – to be discussed at the next meeting of the Executive on 11th October**

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

Nicola Morton (LGA) gave a presentation (on SDCT website) on the outcome of the Spending Round 2019:

The LGA has been actively lobbying in advance of a Spending Review since the start of the 2019 under the CouncilsCan campaign and held 8 roundtables with govern departments and local government;

* LGA lobbying immediately prior the 2019 Spending Round included letters to the Chancellor, and Secretaries of State for MHCLG, DFE, DHSC, and meetings with relevant departments on the pressures facing local government.
* The Chancellor announced a £3.5 billion package for 2020/21 which included £2.9bn of Core Spending Power (CSP) and £.07 billion for SEND.  The CSP increases are made up of
	+ £1 billion social care grant
	+ £0.5 billion Adult Social Care precept
	+ £1.1 billion 2% general referendum principle
	+ £0.3 billion business rates and RSG
* Increase to the Public Health Grant and NHS contribution to the Better Care Fund are additional to this
* In addition, £650 million of grant for social care in 2019/20 will continue in 2020/21, as well as the Improved Better Care Funding
* Money was also announced for homelessness, building safety, air quality and others
* 75% Business Rates Retention and the Fair Funding Review have been postponed until 2021/22
* The 2019/20 75% Business Rates Retention pilots will come to an end as planned in April 2020.  The 100% combined authority pilots with a ratified devolution deal with continue in 2020/21.

The LGA understands that as far as existing funding streams are concerned the Government has heard the call for certainty and stability.

They are hoping that the Government will publish a technical consultation on the 202/21 settlement shortly, with a provisional settlement in line with Hudson.

The future of current funding streams including the New Homes Bonus will be considered as part of the 2020 Spending Review.  Nicola reminded SDCT Exec of reference to a review of the New Homes Bonus in the technical consultation on the settlement in summer 2018.

Nicola summarised the LGA’s response to the Spending Round 2019 as welcome against estimated pressures of £2.6 billion in 2020/21 but there are longer term issues to resolve

LGA work in advance of the 2020 Spending Review includes:

* Updating the funding gap
* Publication of the survey on how local authorities had dealt with funding reductions
* Business rates avoidance – a survey is with local authorities at the moment.
* Variation in spend work
* Commissioned work on an E-commerce levy
* A publication on capital
* A few more roundtables with central government – invites will go out soon including to SDCT Exec.
* Plus much more

The Business Rates Steering Group will meet again in October.

1. **Prudential Borrowing and Commercialisation**

A detailed response to the Draft CIPFA Guidance on Prudential Property Investment was submitted by the SDCT. (on the SDCT Website). This has been considered by CIPFA and a detailed response to the points has been received (on website) together with the latest version of the guidance with the final version due to be released in November. The general details in the latest version have not significantly changed and we therefore still have major concerns about the potential impact of this document. The SDCT will continue to communicate with CIPFA to represent the views of our members.

**Action – Adrian to report back any further developments.**

1. **CIPFA COP – Invitation to Comment**

A response to the ITC had been prepared by David Stanley and circulated to the Executive (on SDCT Website). Any further feedback should be passed directly to David following which it would be submitted to CIPFA by the 27th September deadline.

**Action – David Stanley**

1. **Any Other Business**

It was noted that delays were occurring in the Housing Benefit Audit and the implications of this.

1. **Date of Next Meeting**

**11th October 2019 – CIPFA Offices, Mansell Street 10am (Private); 11am (Open session)**