

REPORT TO: Audit and Corporate Governance
Committee

30 April 2019

LEAD MEMBER: Lead Cabinet Member for Finance

LEAD OFFICER: Interim Executive Director - Corporate Services

Issues arising from previous meetings

Purpose

1. At the last meeting of this Committee, a member of the Committee stated that a few questions had been asked at the 31 July meeting of the Committee and that no answers had been provided.
2. The answers provided below cover questions raised at both the July and March meetings of this Committee.

Recommendations

3. That the answers provided are debated and, if found satisfactory, noted.

Reasons for Recommendations

4. To conclude the issues arising from previous meetings.

Issues Arising

5. Question – How is the Council responding to the introduction of IFRS 9, 15 and 16?
6. Response – IFRS 9 Financial Instruments – Two particular areas of potential difficulty have been highlighted with IFRS 9, collective investment schemes and the need to consider impairments on loans to subsidiaries. The Council does not currently use collective investment schemes and so this is not a concern. The Council does have a substantial loan to Ermine Street Housing (ESH), however the value of the properties owned by ESH exceeds the value of the loans and there is no expectation of default. This is illustrated by the ESH business plan, presented as part of the budget papers in February 2019, showing that the 277 properties acquired for £46.56m had increased in value to £50.10m.
7. Response – IFRS 15 Revenue from Contracts with Customers. The original briefing note that generated the question stated that the impacts “for most entities...are likely to be immaterial”. Discussions within the finance team have confirmed that this is the case and implementation of IFRS 15 will have little effect.
8. Response – IFRS 16 Leases. The implementation of this standard will have a more significant impact, but this has been delayed for a year. A working group will be

established to identify and evaluate leases, so the Council will be able to implement the requirements of IFRS 16 when necessary.

9. Question – Will the need to comply with Making Tax Digital (MTD) cause the Council any problems?
10. Response – The MTD date for local authorities has been moved back from April to October 2019. To comply with MTD it is necessary to have a compatible financial ledger system in place and the T1 system is listed by HMRC as being a compliant system. Therefore, no significant difficulties are anticipated although to test this a trial run will be scheduled before October.
11. Question - The Council's investments as at 30 September 2018 included £16.5m with other local authorities, please provide an analysis.
12. Response – see table below

Council	% Rate	Duration in days	Principal (£'000)
LB Bexley	0.70	7	3,500
Hull City	0.82	167	2,000
Bury MBC	1.00	361	2,500
Bury MBC	0.80	181	1,000
Coventry City	0.73	103	2,000
Coventry City	0.83	225	3,000
Coventry City	0.80	206	2,500

Background Papers

No background papers were relied upon in writing of this report.

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