

**MINUTES** of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 1.00 pm on 31 July 2014 at Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN.

These minutes are subject to confirmation by the Committee at its next meeting.

**Elected Members:**

Mr Nick Harrison (Chairman)  
Mr W D Barker OBE (Vice-Chairman)  
Mr Denis Fuller  
Mr Tim Evans  
Mr Tim Hall

**Apologies:**

Mr Will Forster

**In Attendance**

Denise Le Gal, Cabinet Member for Business Services

Cheryl Hardman, Regulatory Committee Manager  
Kevin Kilburn, Deputy Chief Finance Officer  
Sue Lewry-Jones, Chief Internal Auditor  
Sheila Little, Director of Finance (Section 151 Officer)  
Verity Royle, Senior Principal Accountant – Management Accounting

**105/14 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

Apologies were received from Will Forster.

**106/14 MINUTES OF THE PREVIOUS MEETING: 29 MAY 2014 [Item 2]**

The Minutes were agreed as an accurate record of the previous meeting.

**107/14 DECLARATIONS OF INTEREST [Item 3]**

There were none.

**108/14 QUESTIONS AND PETITIONS [Item 4]**

There were none.

**109/14 RECOMMENDATIONS TRACKER [Item 5]**

**Declarations of Interest:**

None.

**Witnesses:**

Verity Royle, Senior Principal Accountant – Management Accounting

**Key points raised during the discussion:**

1. In relation to A35/13 (Council Tax collection rates), an update would be provided at the next meeting.
2. In relation to A9/14 (Officer Interests), the Vice-Chairman reported that he had reviewed the papers and the Chief Internal Auditor had done some further investigation and he was now satisfied that the process was effective.
3. In relation to A13/14 (Risk Register), the Senior Principal Accountant – Management Accounting said that this would be addressed under item 13.
4. In relation to A14/14 to A16/14 (Annual Governance Statement), the Chairman informed the committee that all the suggested amendments had been made.

**Actions/Further information to be provided:**

The recommendations tracker to be updated to reflect the discussion, as noted above.

**RESOLVED:**

That the recommendations tracker was noted and the committee agreed to remove the completed actions.

**Committee Next Steps:**

None.

## 110/14 COMPLETED INTERNAL AUDIT REPORTS [Item 6]

### Declarations of Interest:

None.

### Witnesses:

Sue Lewry-Jones, Chief Internal Auditor

### Key points raised during the discussion:

1. The Chief Internal Auditor introduced the report. She highlighted that four audits had reached an audit opinion of effective. The audit of Surrey Arts had found that significant improvement was needed and that the Communities Select Committee would be looking at this in September.
2. A Member queried how much money was involved in the audit of Surrey Arts. The Chief Internal Auditor confirmed that in financial terms this was not a big area. Musical instrument hire brings in £31,000 per year. Surrey Arts had recently moved to a new site, partly to generate more income. The service had asked for an audit to help it identify where to make improvements.
3. There was concern amongst Members that coordination and management support of Operation Horizon was not working well. The Chairman highlighted that Operation Horizon had replaced more roads during the year than the target 100km. He also pointed out that the cost was 55% more than had been budgeted. He did not feel that the reasons for this had been fully explained. The Chairman agreed to write a letter to the portfolio holder raising these concerns  
**(Recommendations tracker ref: R4/14).**
4. Members suggested that more clarity was required on who was undertaking what work on the Highways. The Chief Internal Auditor stated that the permit scheme was included in the Audit Plan this year and this report may address Members' concerns.
5. Officers informed the committee that residents in care homes were not consulted during the audit of Accounts Receivable. This was a review of central processes.
6. The Chairman queried the finding of Internal Audit that some improvement was needed on Capital Expenditure Monitoring and whether this finding differs from Grant Thornton amber finding in its Value for Money report. The Chief Internal Auditor felt that the findings were similar. The Deputy Chief Finance Officer suggested that amber is in line with 'some improvement needed'.
7. Members were concerned that the SEN Strategy had not been updated since 2012. The Chief Internal Auditor stressed that the audit opinion was that there had been some improvement to funding for residential provision. The SEN Strategy was a wider matter. Members queried why a consultant was necessary to undertake the remodelling of the Council's residential (maintained) school provision and when this work would be complete. The Chairman agreed to write a letter to the portfolio holder addressing these issues  
**(Recommendations tracker ref: R5/14).**

### Actions/Further information to be provided:

- i. The Chairman to write to the Cabinet Member for Highways, Transport and Flooding Recovery with regard to concerns about Operation Horizon.

- ii. The Chairman to write to the Cabinet Member for Schools and Learning with regard to the SEN Strategy.

**RESOLVED:**

That the committee notes the report.

**Committee Next Steps:**

None.

**111/14 SOCIAL CARE DEBT [Item 7]**

**Declarations of Interest:**

None.

**Witnesses:**

Paul Carey-Kent, Strategic Finance Manager – Adult Social Care, Public Health & Fire

Toni Carney, Benefits & Charging Consultancy Team Manager

Jackie Knutton, Order to Cash Process Owner

Reem Burton, Lead Auditor

Sue Lewry-Jones, Chief Internal Auditor

Keith Witham, the Chairman of Adult Social Care Select Committee, had been invited to attend the meeting for this item. He was unable to attend but had sent his comments which were tabled and are attached as Annex A to the Minutes.

**Key points raised during the discussion:**

1. The Strategic Finance Manager introduced the report and highlighted the regular monitoring of social care debt levels by the Adult Social Care Select Committee.
2. Members expressed concern about the stalled improvement of the proportion of payments for social care collected by direct debit over the past couple of years. The Strategic Finance Manager explained that a lot of work was underway to raise the proportion, including the survey to understand why some clients do not want to use direct debit. The main issue was clients' desire for full control of their payment timings.
3. Officers were asked if giving alternative dates to pay for social care had been considered if income streams did not match up with the current dates. The Order to Cash Process Owner agreed that an alternative date could be considered. At present, the date is set at the 21<sup>st</sup> of the month. This allows for ten days notice of the direct debit and ensures that non-payments are recorded to roll into the next cycle. Another Member argued against this suggestion, highlighting that the Council is providing a service and should be able to be tougher about collecting payments. At present, the Council is spending too much time acting as a credit controller. The Strategic Finance Manager explained that the Council is not a commercial supplier and has a responsibility to provide social care even if the individual has not set up a direct debit. The committee agreed to request that the service to consider a second date to pay social care within the month (**Recommendations tracker ref: A18/14**).

4. A Member pointed out that, according to the Chairman of Adult Social Care Select Committee, levels of debt at Surrey County Council were not excessive compared to other local authorities. The Chairman identified that two local authorities had a higher proportion of service users paying by direct debit than Surrey. He asked that the service contact them to find out if any lessons could be learnt (**Recommendations tracker ref: A19/14**).
5. The Chairman asked about why service users are only given information about costs once they have already started receiving a service. This brings them into debt from the start. The Strategic Finance Manager agrees that this does cause difficulties and that the Rapid Improvement Event had addressed this issue. The Benefits & Charging Consultancy Team Manager explained that it was not always possible to financially assess a person before they start to receive a service. The Rapid Improvement Event had led to a 'pay for care conversation' before the start of service provision where possible.
6. The Benefits & Charging Consultancy Team Manager explained that the client group have fluctuating incomes and therefore do not want to commit to direct debits.
7. Members suggested that voluntary providers could be approached to ask for support in increasing the proportion of service users paying by direct debit, eg the Citizen's Advice Bureau. Also, it was suggested that incentives could be employed. The Order to Cash Process Owner informed the committee that these were recommendations on the Management Action Plan.
8. The Chairman stated that the committee would monitor performance against the Management Action Plan (**Recommendations tracker ref: A20/14**).

**Actions/Further information to be provided:**

- iii. The Strategic Finance Manager – Adult Social Care, Public Health & Fire to consider introducing a second date to pay social care within the month and report back to the committee.
- iv. Officers to identify best practice at the two local authorities which have a higher proportion of service users paying by direct debit than Surrey.

**RESOLVED:**

That the committee notes the debt position for Adult Social Care services.

**Committee Next Steps:**

The committee to monitor performance against the Social Care Debt Audit's Management Action Plan.

**112/14 STATEMENT OF ACCOUNTS 2013/14 [Item 8]**

**Declarations of Interest:**

None.

**Witnesses:**

Nikki O'Connor, Finance Manager – Assets & Accounting  
Sheila Little, Director of Finance

Andy Mack, Engagement Lead – Grant Thornton  
Kathryn Sharp, Senior Manager – Grant Thornton  
Guy Clifton, National Value for Money Lead – Grant Thornton

### **Key points raised during the discussion:**

1. The Finance Manager – Assets & Accounting introduced the report and highlighted that it was the earliest that audited reports had been brought to committee. A final review had been undertaken by the Grant Thornton technical team in the past 12 hours which had led to a number of changes. The amended pages were tabled and are attached as Annex B to these Minutes. The amendments did not change the outturn position of the Authority or the bottom line of any of the primary statements.
2. The amendments were explained to the committee. Two additional notes had been agreed relating to the Cash Flow Statement – Notes 40 and 41, these provided additional details on material items contained within the cash flow statement. In addition, changes had been made to the cash flow statement itself in relation to the collection fund adjustment. This was a late change to the accounts due to delays in the receipt of business rate figures from the borough and district councils. This adjustment had been incorrectly omitted from the version of the cash flow statement distributed to members previously. Note 12 had been restated to show the write-off of Academy Schools as impairment rather than de-recognition.
3. The original Note 38 had tried to restate the 2012/13 position according to the new version of IAS19. It had been decided to remove the restated figures and not to try to make them comparable to the 2013/14 figures.
4. Members queried whether it would be helpful to add a Note explaining that the Council is paying interest on Academy moneys that it no longer owns. The Finance Manager – Assets & Accounting agreed that there was an ongoing cost to the council of borrowing for capital expenditure on academy buildings but that this borrowing could not be separately identified as capital borrowing for specific schemes does not occur. Borrowing is done in line with the Treasury Strategy. This approach was not unique to Surrey County Council and occurs across local government.
5. Members asked if the delay in certification of completion of the audit would prevent the accounts from being signed off following the meeting. The Grant Thornton Engagement Lead explained that there were two stages to closing an audit. Firstly, the approval of the accounts, then the certification of completion of the Audit. It was common practice to wait for September when the assurance statement in respect of the authority's Whole of Government Accounts consolidation pack is issued.
6. The term 'componentisation' was queried. The Finance Manager – Assets & Accounting explained that land was not depreciated at all. A material item within a building would be depreciated at a different rate to the property itself. Separate components within our asset register would be created for these different components.
7. A Member highlighted that some staff would appear in both Note 28 and Note 29 and that these weren't completely distinct categories.
8. The Chairman queried who approved the exit payment to the former Strategic Director for Adult Social Care. Officers confirmed that the Chief Executive approved this payment.

9. The Chairman queried how the level of provision of bad debt was decided. The Finance Manager – Assets & Accounting explained that a number of methodologies were applied to decide the provision of bad debt, dependent on the nature and age of the debt.
10. The Chairman asked if it was necessary to retain the Equal Pay provision of £1.5m and if it was possible that there would still be claims. The Finance Manager – Assets & Accounting agreed that the time set for claims ended on 31 March 2013 but explained that the high profile case in Birmingham had led to an extension to the time allowed for claims. In addition, recent rulings on the minimum wage meant that it was considered appropriate to retain the provision at present.
11. The Chairman stated that he was content with dealing with the firefighters' pensions relating to injury awards as a contingent liability rather than as a specific provision.
12. Grant Thornton's Engagement Lead stated that it was a high quality set of Statements and that the streamlining and decluttering had contributed to the achievement of the shorter timeframes. Grant Thornton was happy with the provisions and contingent liability assumptions. The Statements were not in Plain English but were well-presented within the constraints of International Financial Reporting Standards which were inherently technical in nature. The hard work that had been put into bringing forward the timetable for signing off audited accounts was praised. He pointed out that Surrey had volunteered to bring forward the timetable but by 2017/2018 the date for all local authorities to approve their accounts is proposed to be brought forward to 31 July.
13. The Engagement Lead informed the committee that he expected to issue an audit opinion by early August. His original intention had been to sign the opinion by Thursday 31 July and the short delay was due to the need to complete some final internal reviews. Grant Thornton would work with the Council to bring forward the timetable for 2014/15 with a view to achieving a July opinion and this would include a review of the firm's own internal review processes to ensure these are as effective as possible.
14. A Member complained that the late amendments had made the accounts difficult to understand and scrutinise. The Engagement Lead stressed that the amendments had not been fundamental to the accounts and were simply about accurate disclosure.
15. The Chairman queried the finding that initial working papers provided to support the revenue figures did not agree to the financial statements. The Finance Manager – Assets & Accounting explained that while the figures in the financial system were correct, they were not exporting to Excel properly for Grant Thornton testing. A way of manually working around this had been found and a less manual solution would be investigated for the future. The Senior Manager from Grant Thornton agreed that they were satisfied with the figures provided.
16. A Member queried the amber findings on two issues regarding internal controls. The Finance Manager – Assets & Accounting explained that the NBV issue with the asset register would be reconciled and had they more time it was likely that this could have been resolved before the end of the audit. The management response is stated in the Action Plan on page 271 of the agenda papers.

17. In response to a question about schools which are excluded from the council's balance sheet, the Finance Manager – Assets & Accounting highlighted Note 14 which was not yet a requirement for inclusion but is likely to become so.
18. The Director of Finance informed the committee that she would not sign the letter at Annex C of the report until after the committee meeting. She also confirmed that the amendments to the accounts reported at the meeting did not require any changes to the letter.
19. The Director of Finance paid tribute to the team who had worked on the Statement of Accounts for outstanding performance throughout the process. The committee endorsed this praise.
20. The Director of Finance expressed her disappointment that the accounts would not be signed off immediately following the meeting. She informed the committee that there would be discussions on lessons learnt following the last-minute recommendations from Grant Thornton. For example, the technical review of the accounts happened later than it should have done. The Engagement Lead from Grant Thornton agreed that there had been excellent project management at the council. He stated that he was very impressed with the council's achievement in bringing forward the accounts timetable so significantly, which reflected very well on all in the finance team. He was willing to explore with the council ways to improve the process for next year. This would include reviewing Grant Thornton's arrangements for sign off including around project management and resilience.

**Actions/Further information to be provided:**

None.

*The committee agreed to consider **Item 9: Surrey Pension Fund Accounts 2013/14 and Grant Thornton External Audit Findings Report** before taking decisions on both Item 8 and Item 9.*

**113/14 SURREY PENSION FUND ACCOUNTS 2013/14 AND GRANT THORNTON EXTERNAL AUDIT FINDINGS REPORT [Item 9]**

**Declarations of Interest:**

None.

**Witnesses:**

Phil Triggs, Strategic Manager – Pensions & Treasury

Alex Moylan, Senior Accountant

Sheila Little, Director of Finance

Andy Mack, Engagement Lead – Grant Thornton

Kathryn Sharp, Senior Manager – Grant Thornton

Guy Clifton, National Value for Money Lead – Grant Thornton

**Key points raised during the discussion:**

1. The Strategic Manager – Pensions & Treasury introduced the report.
2. The Strategic Manager – Pensions & Treasury agreed that the cross-reference to Note 24 under Note 4 should be to Note 25. This would be amended.



3. A Member pointed out that IAS 19 refers only to local authority accounts and not to the pension fund accounts. He suggested that the reference be removed or changed.

**Actions/Further information to be provided:**

None.

**RESOLVED:**

- i. That the Committee APPROVES the 2013/14 Pension Fund financial statements as attached in Annex A to the report.
- ii. That the Committee NOTES the content of the External Audit Findings for Surrey Pension Fund Report as attached in Annex C to the report.
- iii. That the Committee identified no issues that need to be referred to Cabinet in relation to the external auditor's conclusions and recommendations.
- iv. That the Committee AUTHORISES the Director of Finance to sign the representation letter, as set out in Annex D to the report, on the authority's behalf.

**Committee Next Steps:**

None.

*The committee then returned to **Item 8: Statement of Accounts 2013/14** to consider the recommendations.*

**RESOLVED:**

- i. That the Committee APPROVES the 2013/14 Statement of Accounts as attached in Annex A to the report, subject to authorising the Director of Finance in consultation with the Chairman of the Audit & Governance Committee to make further minor amendments, for publication on the council's website and in a limited number of hard copies.
- ii. That the Committee NOTES the contents of the 2013/14 Audit Findings Report as attached in Annex C to the report.
- iii. That the Committee APPROVES the officer response to recommendations of the external auditor.
- iv. That the Committee NOTES the Director of Finance's letter of representation, as set out in Annex C to the report.
- v. That the Committee identified no issues in the Audit Findings Report that should be referred to Cabinet.

**Committee Next Steps:**

None.

**114/14 EXTERNAL AUDIT REPORT ON VALUE FOR MONEY FOR SURREY COUNTY COUNCIL [Item 10]**

**Declarations of Interest:**

None.

**Witnesses:**

Guy Clifton, National Value for Money Lead – Grant Thornton

**Key points raised during the discussion:**

1. Grant Thornton's National Value for Money Lead introduced the report and highlighted the amber findings for one aspect of financial control. This was an impressive result with only one area rated amber and 39 areas rated as green. He informed the committee that Grant Thornton's national report on value for money would be published after the completion of value for money reports for all the local authorities audited by the company.
2. The committee debated the finding of amber as a result of issues resulting from the capital programme position. Members argued that it is very difficult to avoid re-profiling capital expenditure over the medium to long-term. Grant Thornton was asked whether many of the local authority clients had achieved green in this area. The National Value for Money Lead stated that in his view the finding was fair. A national approach to moderation of the RAG rating system was employed to ensure consistency across all clients. It was suggested that the potential for slippage could be reflected in capital profiling. He could not advise on the findings for other local authorities yet as Surrey had followed a faster timetable this year but that the timetable for completion of other reports is the end of September 2014.

*At this point the Chief Executive arrived for **Item 12: Annual Report of Surrey County Council**. The Chairman suggested that Item 12 be taken at this point. The committee would then return to Item 10.*

**115/14 ANNUAL REPORT OF SURREY COUNTY COUNCIL [Item 12]**

**Declarations of Interest:**

None.

**Witnesses:**

David McNulty, Chief Executive

Sheila Little, Director of Finance

Verity Royle, Senior Principal Accountant – Management Accounting

**Key points raised during the discussion:**

1. The Senior Principal Accountant introduced the report. She explained that it was very different to the previous year. An extensive exercise had been undertaken to look at what other corporate bodies do for their Annual Report and to produce an Integrated Report. The intention had been to sign off the report following the meeting but this cannot happen until the Accounts are signed off.
2. The Chief Executive gave the Leader of the Council's apologies for not being in attendance as he had been called away. He thanked officers for their work on the report.
3. Members agreed that the Annual Report was a vast improvement from the previous versions.

4. It was suggested that the table showing senior officers by salary band on page 493 of the committee papers bears little resemblance to the table in the Statement of Accounts. The Senior Principal Accountant explained that there are two different requirements regarding this disclosure: the Transparency Code and the CIPFA Code of Practice. A note is included on page 494 of the committee papers. It was suggested that Table 11 be re-titled to show these are current Members.
5. It was pointed out that the Member allowances table on page 495 of the committee papers only included existing Members and not those who had stood down at the 2014 elections and received some payment before they left. The table therefore implies that existing Members have had a sharp increase in allowances. The Senior Principal Accountant explained that a large number of Members had stood down at the last election. Including them all would have distorted the figures and made the list extremely long.
6. Members asked how the information in the report would be publicised. The Chief Executive responded that a good communications strategy was in place and that we are engaging with residents using different mechanisms. Residents are encouraged to access information online.
7. It was suggested that the Fairer Funding message was getting repetitive and would turn residents off. The Chief Executive explained that that the Leader is focussed on the way that Surrey is funded. This includes public sector partners such as Health and the Police. Historical methods of funding do not reflect the reality of life in Surrey. It would be remiss of the Council not to draw attention to this. While services are becoming more efficient and unit costs are going down, demand is increasing and grant levels are falling. The Chairman suggested that facts and figures from this report could be supplied to Surrey MPs. The Chief Executive agreed that we need to keep reminding the Surrey MPs that the current funding mechanisms put Surrey at a significant disadvantage. He also stressed that without proper investment in Surrey, it was difficult for the county to play its part in the economic recovery. The Chairman went on to suggest that the Annual Report talks about the past but misses out the future financial challenges. The Chief Executive accepted the point.
8. A Member asked if the council was monitoring borough and district council local plans, given the impact of additional housing on the local infrastructure. The Chief Executive assured the committee that the council was working closely with borough and district councils on the impact. He felt that there was a good understanding about the impact on school place planning amongst officers. However, the county council continues to draw attention to difficult competing pressures.
9. In response to a question about the impact on budgets of bad weather, the Chief Executive informed the committee that recovery following the floods was still ongoing. There was an overall impact on assets. However, the new approach to highways resurfacing had meant that there was less damage to roads that had recently been resurfaced. It was necessary to focus attention on long-term changes to flood defences.

*The Chief Executive left at 3.45pm.*

10. The Senior Principal Accountant informed the committee that the next steps are to publish the Annual Report on the Council website once the Accounts are signed off. Communications will tweet that that the Report is available. There will be a limited number of printed copies. Some Members carry copies with them to share with stakeholders. It was suggested that other Members could also do this. The Chairman suggested that officers have a further discussion with Communications about how else the report could be advertised eg through Surrey Matters (**Recommendations tracker ref: A21/14**).

**Actions/Further information to be provided:**

None.

**RESOLVED:**

That the committee NOTES and ENDORSES the Annual Report for the authority..

**Committee Next Steps:**

None.

*The committee then returned to **Item 10: External Audit Report on Value for Money for Surrey County Council** to consider the report and recommendations.*

**Key points raised during the discussion:**

3. The Chairman stressed that borrowing had been at year-end to address funding peaks and troughs. The end of the year is the most difficult time as grants have been spent and Council Tax has all been collected. The National Value for Money Lead agreed that the borrowing was precautionary and at an advantageous interest rate.
4. The committee debated whether to refer the amber finding to Cabinet for consideration. It was agreed that it was not serious enough to pass to Cabinet and officers outlined how they would address the finding. The Chairman requested that the Director of Finance bring a report to committee following the Rapid Improvement Event on the capital programme (**Recommendations tracker ref: A22/14**).

**Actions/Further information to be provided:**

The Director of Finance to bring a report to committee following the Rapid Improvement Event on the capital programme.

**RESOLVED:**

That the committee NOTES the contents of the Value for Money Report.

**Committee Next Steps:**

None.

## 116/14 TREASURY MANAGEMENT OUTTURN REPORT 2013/14 [Item 11]

### **Declarations of Interest:**

None.

### **Witnesses:**

Phil Triggs, Strategic Manager – Pensions & Treasury

Alex Moylan, Senior Accountant

Sheila Little, Director of Finance

### **Key points raised during the discussion:**

1. The Strategic Manager – Pensions & Treasury introduced the report.
2. In response to a query, the Strategic Manager – Pensions & Treasury stated that the council had a long-term relationship with Capita as its treasury management advisor. The contract is up for review shortly. There are not many alternatives in the market but they would be looked at in the short-term.
3. The Strategic Manager – Pensions & Treasury informed the committee that the recent loss of the UK's AAA credit rating had not had significant impact UK Gilt yields and therefore little impact on the rates of interest that the council would pay for new Public Works Loans Board debt.
4. The Director of Finance informed the committee that given predictions for the financial climate over the next year, the Cabinet would be holding an informal workshop to broadly steer treasury management strategies early on in the budget-setting process.

*Tim Hall left at 4.28pm.*

### **Actions/Further information to be provided:**

None.

### **RESOLVED:**

- i. That the committee NOTES the content of the Treasury Management Annual Report for 2013/14; and
- ii. That the committee ADOPTS the revised Treasury Management Risk Register.

### **Committee Next Steps:**

None.

## 117/14 LEADERSHIP RISK REGISTER [Item 13]

### **Declarations of Interest:**

None.

### **Witnesses:**

Verity Royle, Senior Principal Accountant – Management Accounting

### **Key points raised during the discussion:**

1. The Senior Principal Accountant confirmed that there had been few changes to the Leadership Risk Register from the previous meeting.

### **Actions/Further information to be provided:**

None.

**RESOLVED:**

- i. That the committee NOTES the content of the Leadership Risk Register; and
- ii. That the committee identified no matters to draw to the attention of others.

**Committee Next Steps:**

None.

Meeting ended at: 4.35 pm

---

**Chairman**

Dear Nick,

I have checked my diary and its going to be unlikely I can make it at 1pm on 31st July, sorry.

When the Committee last discussed the level of Social Care Debt the committee felt that SCC's levels of debt were not excessive when compared with other local authorities. It was commented that raising invoices in a timely fashion had a greater positive impact on the Directorate's budget than the small amounts of debt that were considered to be non-recoupable.

Also, the Cabinet Member said he felt the Rapid Improvement Event had greatly improved business processes, and that the Directorate was better equipped to track social care debt. He highlighted the fact that people were informed of the costs they were accruing far earlier than previously, and that this enabled a better means of managing social care debt.

We simply decided to monitor the situation by receiving a further update on Income/Debt in Adult Social Care Directorate in 12 months

I hope these comments will help the Audit and Governance Cttee

regards  
keith

Keith Witham  
Chairman, Adult Social Care Select Committee

This page is intentionally left blank



Cash Flow Statement

2012/13 £000		2013/14 £000
-2,240	Net surplus (-) / deficit on the provision of services	<b>185,354</b>
-131,439	Adjustments to net surplus / deficit on the provision of services for non-cash movements	<b>-259,634</b>
-15,872	Adjustments for items included in the net surplus / deficit on the provision of services that are investing and financing activities	<b>-42,427</b>
<b>-149,551</b>	<b>Net cash flows from operating activities</b>	<b>-116,707</b>
134,291	Purchase of property, plant & equipment, and investment property	<b>216,876</b>
-6,284	Proceeds from the sale of property, plant & equipment	<b>-2,934</b>
4,118	Movement in short-term and long-term investments	<b>-30,025</b>
8,330	Other receipts & expenditure from investing activities	<b>1,802</b>
<b>140,455</b>	<b>Net cash flows from investing activities</b>	<b>185,719</b>
3,632	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	<b>5,906</b>
1,136	Repayment of short-term and long-term borrowing	<b>73,851</b>
	Receipts of short-term and long-term borrowing	<b>-42,079</b>
<b>4,768</b>	<b>Net cash flows from financing activities</b>	<b>37,678</b>
<b>-4,328</b>	<b>Net increase (-) / decrease in cash &amp; cash equivalents</b>	<b>106,690</b>
-109,791	Cash & cash equivalents at the beginning of the reporting period	<b>-114,119</b>
-114,119	Cash & cash equivalents at the end of the reporting period (Note 17)	<b>-7,429</b>

The cash flows from operating activities in 2013/14 include interest received of £5.038m (2012/13, £2.412m) and interest paid of £21.624m (2012/13, £16.698m).

## Notes to the Accounts

### Note 12: Property, plant & equipment - movements during 2013/14

	Land and buildings £000	Vehicle, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total property plant & equipment £000
<b>Cost (revalued)</b>							
<b>Balance at 01/04/13</b>	<b>1,316,421</b>	<b>71,557</b>	<b>645,886</b>	<b>4,575</b>	<b>36,353</b>	<b>53,661</b>	<b>2,128,453</b>
Additions*	64,088	4,043	80,577		10,302		159,010
Donations		44					44
Revaluations recognised in the Revaluation Reserve	89,895	31					89,926
De-recognition - other		-6,592					-6,592
Reclassifications	-1,139						-1,139
Assets reclassified (to)/from Assets Held for Sale	-1,063				7,887		6,824
Other Movements in assets and valuation	65		24,312			-24,377	
<b>At 31/03/14</b>	<b>1,468,267</b>	<b>69,083</b>	<b>750,775</b>	<b>4,575</b>	<b>54,542</b>	<b>29,284</b>	<b>2,376,526</b>
<b>Accumulated Depreciation and Impairment</b>							
At 01/04/13	-405,005	-45,250	-394,127		-4,091		-848,473
Depreciation charge	-35,884	-6,181	-35,048				-77,113
Impairment losses recognised in the Revaluation Reserve	-11,498						-11,498
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-21,702		-1,112				-22,814
De-recognition - other		6,517					6,517
<b>Impairment - academies</b>	<b>-104,399</b>	<b>-127</b>					<b>-104,526</b>
Reclassifications							
Assets reclassified (to)/from Assets Held for Sale							
<b>At 31/03/14</b>	<b>-578,488</b>	<b>-45,041</b>	<b>-430,287</b>		<b>-4,091</b>		<b>-1,057,907</b>
<b>Net Book Value</b>							
<b>at 31/03/13</b>	<b>911,416</b>	<b>26,307</b>	<b>251,759</b>	<b>4,575</b>	<b>32,262</b>	<b>53,661</b>	<b>1,279,980</b>
<b>at 31/03/14</b>	<b>889,779</b>	<b>24,042</b>	<b>320,488</b>	<b>4,575</b>	<b>50,451</b>	<b>29,284</b>	<b>1,318,619</b>

\* These amounts include assets acquired under PFI schemes (see note 36 for additional details) and excludes de-minimus capital expenditure and revenue expenditure funded from capital under statute.

## Notes to the Accounts

	Land and buildings £000	Vehicle, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total property plant & equipment £000
<b>Cost (revalued)</b>							
<b>Balance at 01/04/12</b>	<b>1,265,864</b>	<b>70,976</b>	<b>593,288</b>	<b>4,480</b>	<b>36,206</b>	<b>31,165</b>	<b>2,001,979</b>
Additions*	41,370	6,155	52,598	282		33,107	133,512
Donations		21					21
Revaluations recognised in the Revaluation Reserve	17,235	12					17,247
De-recognition - disposals	-3,070	-5,607			-117		-8,794
Reclassifications	288				-288		0
Assets reclassified (to)/from Assets Held for Sale	-5,266			-187	552		-4,901
Other Movements in assets and valuation						-10,611	-10,611
<b>At 31/03/13</b>	<b>1,316,421</b>	<b>71,557</b>	<b>645,886</b>	<b>4,575</b>	<b>36,353</b>	<b>53,661</b>	<b>2,128,453</b>
<b>Accumulated Depreciation and Impairment</b>							
At 01/04/12	-332,671	-44,201	-363,276	0	-4,056	0	-744,204
Depreciation charge	-37,743	-6,360	-29,739	0	0	0	-73,842
Impairment losses recognised in the Revaluation Reserve	-4,052						-4,052
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-4,336		-1,112				-5,448
De-recognition - disposals	701	5,311			11		6,023
<b>Impairment - academies</b>	<b>-27,584</b>						<b>-27,584</b>
Reclassifications	-9				9		0
Assets reclassified (to)/from Assets Held for Sale	689				-55		634
<b>At 31/03/13</b>	<b>-405,005</b>	<b>-45,250</b>	<b>-394,127</b>	<b>0</b>	<b>-4,091</b>	<b>0</b>	<b>-848,473</b>
<b>Net Book Value</b>							
<b>at 31/03/12</b>	<b>933,193</b>	<b>26,775</b>	<b>230,012</b>	<b>4,480</b>	<b>32,150</b>	<b>31,165</b>	<b>1,257,775</b>
<b>at 31/03/13</b>	<b>911,416</b>	<b>26,307</b>	<b>251,759</b>	<b>4,575</b>	<b>32,262</b>	<b>53,661</b>	<b>1,279,980</b>

\* These amounts include assets acquired or replaced under PFI schemes (see note 36 for additional details) and excludes de-minimus capital expenditure and revenue expenditure funded from capital under statute.

## Notes to the Accounts

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	Restated 2012/13 £000	<b>2013/14 £000</b>	Restated 2012/13 £000	<b>2013/14 £000</b>
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<i>Cost of Services:</i>				
- current service cost	45,631	<b>67,840</b>	9,700	<b>11,300</b>
- past service cost	-1,437	<b>-456</b>		
- (gain)/loss on settlements	-4,008	<b>-17,232</b>		
<i>Financing &amp; Investment Income &amp; Expenditure</i>				
- other operating expenditure (trading services)	1,141			
- net interest on the net defined benefit liability		<b>27,736</b>	18,100	<b>19,900</b>
- interest cost	74,834			
- expected return on scheme assets	-58,988			
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>57,173</b>	<b>77,888</b>	27,800	<b>31,200</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>				
<b>Remeasurement of the net defined benefit liability comprising:</b>				
- return on plan assets (excluding the amount included in the net interest expense)		<b>-59,189</b>		
- actuarial gains and losses arising on changes in demographic assumptions		<b>42,018</b>		<b>11,000</b>
- actuarial gains and losses arising on changes in financial assumptions		<b>-12,009</b>	45,200	<b>18,200</b>
- other experience		<b>96,439</b>	-100	<b>-100</b>
- actuarial (gains) and losses	89,042			
<b>Total remeasurement of the net defined benefit liability</b>	<b>89,042</b>	<b>67,259</b>	45,100	<b>29,100</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>146,215</b>	<b>145,147</b>	72,900	<b>60,300</b>
<b>Movement in Reserves Statement:</b>				
- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	-57,173	<b>-77,888</b>	-27,800	<b>-31,200</b>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
- employers' contributions to the scheme/ retirement benefits paid direct to pensioners	55,524	<b>59,317</b>	12,061	<b>13,557</b>

## Notes to the Accounts

### Note 40 - Cash Flow: Adjustments for Non-Cash Movements

2012/13		2013/14
£000		£000
-84,973	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	-109,088
67,585	Employer's pensions contributions and direct payments to pensioners payable in the year	72,874
158	Deferred Income in respect of PFI schemes	166
-73,842	Charges for depreciation & impairment of non-current assets	-77,187
-2,230	Amortisation of intangible assets	-2,331
-16,053	Revaluation losses on property, plant & equipment	-42,091
-27,584	Impairment of academies	-104,526
-7	Contributions to provisions	-3,639
656	Net gain/loss on sale disposal of property, plant & equipment	528
-40,974	Movement in creditors	19,684
2,841	Movement in third party balances	2,822
-92	Movement in inventories	-141
40,667	Movement in debtors	-17,824
1,618	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,466
21	Donated asset adjustment	44
118	Finance lease repayment	59
652	Movement in Capital Receipts in Advance	-450
<u>-131,439</u>		<u>-259,634</u>

### Note 41 – Cash Flow Statement: Purchase of property, plant & equipment

2012/13		2013/14
£000		£000
117,444	Purchase of Property Plant & Equipment	145,655
-	Purchase of Investment Property	28,048
975	Purchase of Intangible Assets	746
15,872	Revenue Expenditure Funded from Capital Under Statute	42,427
<u>134,291</u>		<u>216,876</u>

This page is intentionally left blank