



JOINT COMMITTEE – 28th March 2014

AGREEMENT TO DISSOLVE THE JOINT COMMITTEE - FINANCIAL GOVERNANCE ARRANGEMENTS

REPORT OF THE TREASURER AND THE DIRECTOR

1. Purpose of the Report

- 1.1 At a meeting held on 5th July 2013, Members approved a draft agreement to disband the Joint Committee and hand over responsibility for management of the Museum to Beamish Museum. Members also approved the decision to surrender the existing lease with Sunderland City Council dated 25th May 2001 in consideration of Durham County Council granting a new 50 year lease to Beamish Museum.
- 1.2 The purpose of this report is to provide an update on the agreement to disband the Joint Committee and to outline the financial governance arrangements relating to the accounting and auditing processes once the Joint Committee is dissolved.

2. Agreement to Dissolve the Joint Committee

- 2.1 Following the meeting held on 5th July 2013, the Constituent Authorities considered the Draft Agreement and agreed to submit a report to dissolve the Joint Committee (under the terms outlined in the Draft Agreement) at each of their respective Cabinet/Committee meetings.
- 2.2 The Secretary has confirmed that all but one of the Constituent Authorities have now formally approved the proposal to dissolve the Joint Committee on 31st March 2014.
- 2.3 As a result, Members will need to appoint a body to assume responsibility for the transitional arrangements relating to all financial accounting and audit issues as the Joint Committee will cease to exist after 31st March 2014. Members are recommended to approve that the Treasurer of the Joint Committee (Sunderland City Council) assumes responsibility for all transitional financial arrangements and compliance with the statutory

accounting timetable once the Committee is dissolved. Durham County Council will continue to be responsible for ongoing legal advice.

2.4 Sunderland City Council will be responsible for the following financial processes and procedures, which are outlined in greater detail in the remainder of the report:

- Closedown of the accounts for the financial year 2013/2014
- Production of the Revenue Outturn 2013/2014
- Completion and approval of the Annual Return (Subject to Audit) including the Annual Governance Statement before the 30th June statutory deadline
- Compliance with the date for Exercise of Public Rights (as notified by the Auditors)
- Ensuring all documentation is forwarded to the External Auditor by the audit date
- Completion and approval of the Annual Return before the 30th September statutory deadline

3. Closedown of Accounts 2013/2014

3.1 The Joint Committee is not a body corporate, it is a Joint Arrangement Not an Entity (JANE). The assets or liabilities, including any reserves, are therefore not owned by the JANE, they are actually owned under this arrangement by the Constituent Authorities.

3.2 The fixed assets including land, buildings and the permanent collection in its entirety will be leased to Beamish Museum under the terms of the 50 year lease and will be included on the Balance Sheet of Beamish Museum. All other assets and liabilities including debtors and creditors identified during the closedown process will be transferred to Beamish Museum.

3.3 Historically, all of the Joint Committee's cash transactions have been accounted for via Sunderland City Council's bank account as the Joint Committee does not have its own bank account. The cash balance as at 31st March 2014 may be a debit or credit balance depending upon the timing of receipts and payments that are made during the remainder of the financial year. The cash amount, once finalised, will be transferred to Beamish Museum.

3.4 As at 1st April 2013 the Joint Committee had a deferred liability of £189,436 relating to historic loans taken out by Sunderland City Council on behalf of the Museum. It's estimated that the Joint Committee will incur debt charges of approximately £14,000 for the financial year 2013/2014 in relation to this debt, resulting in an outstanding liability of £181,859, as at 31st March 2014.

- 3.5 As at 1st April 2013 the Joint Committee also had a deferred liability of £416,667 relating to an outstanding balance of an EIP loan which is being repaid over 15 years and is due to be repaid by 2025/26. The Joint Committee will incur debt charges of £47,771 for the financial year 2013/2014 in relation to this debt, resulting in an outstanding liability of £383,334, as at 31st March 2014.
- 3.6 The budget estimate approved by the Joint Committee on 15th March 2013 forecast a break-even position at the year end based on a contribution from reserves of £50,731. If the actual contribution from reserves for 2013/2014 is £50,731, then the Revenue Reserve would be reduced from £74,293 to £23,562.

4. Reserves

- 4.1 As at 1st April 2013 the Joint Committee held the following Usable Reserves:

	£
Revenue Reserve	74,293
Capital Development Reserve	281,798
Joint Store Sinking Fund	9,000
Total	365,091

If the Joint Committee produced a deficit for the year of £50,731 as referred to at 3.6 above, the Revenue Reserve would be reduced to £23,562.

- 4.2 It has previously been agreed to commit an amount of £238,474 from the Capital Development Reserve to fund capital expenditure and this amount will be transferred to Beamish Museum. It is intended that any surplus balances on Usable Reserves as at 31st March 2014 will be used to pay off the outstanding historical debt of the Joint Committee referred to at 3.4 above as this will reduce the amount of annual debt charges payable by Beamish Museum.

5. Annual Return and Accounts Timetable 2013/2014

- 5.1 The Joint Committee is required to produce an Annual Return prepared in accordance with proper practices in relation to the accounts summarising their annual activities at the completion of each financial year end, in accordance with the Accounts and Audit Regulations 2003, as amended. It will therefore be necessary to produce a final Annual Return for the period 1st April 2013 to 31st March 2014. The Annual Return (Accounts) and all associated documentation and correspondence will be completed by Sunderland City Council.

- 5.2 The Joint Committee's accounts must be approved by Sunderland City Council (as the body designated to approve the accounts) by 30th June 2014. The Annual Return will also include an Annual Governance Statement signed off by Sunderland City Council to acknowledge that the governance requirements have been properly followed during the financial year.
- 5.3 The External Auditors (BDO LLP) can only commence the audit once the Annual Return (Subject to Audit) has been approved by Sunderland City Council and the appropriate statutory notice of inspection of the Annual Return has been given to the residents of Tyne and Wear.
- 5.4 The Statutory Notice of the audit of the accounts consists of two requirements. The first requirement is that a Notice must be advertised in an appropriate form 14 days before the period of inspection is to commence. The second requirement is that the period of inspection must span 20 working days as set out in the published Notice. During the inspection period the residents of Tyne and Wear have the right to inspect the accounts and financial records of the Joint Committee and can raise issues with the auditor if they so wish. The audit date (determined by the auditor) follows the end of the period of inspection and it is on this date that the residents of Tyne and Wear can raise any objections to the accounts.
- 5.5 The external auditors must complete their audit and the Audited Annual Return must be approved by Sunderland City Council before the statutory deadline of 30th September 2013 in accordance with the smaller relevant bodies' regulations.

6. Recommendations

6.1 Members are requested to:

- approve that the Treasurer of the Joint Committee (Sunderland City Council) assumes responsibility for all transitional financial arrangements and compliance with the statutory timetable once the Committee is dissolved as detailed at paragraph 2.3;
- note the financial processes and procedures that will be carried out by Sunderland City Council during the transitional period as shown at paragraph 2.4;
- approve the transfer of fixed assets and all other assets and liabilities to the Balance Sheet of Beamish Museum, following the

completion of accounts closedown, as detailed at paragraph 3.2

- approve the transfer of the cash balance to Beamish Museum, as detailed at paragraph 3.3;
- note the position regarding the deferred liability of the Museum as outlined at paragraphs 3.4 and 3.5;
- approve the proposal to transfer the remaining balances of Usable Reserves to Sunderland City Council to reduce outstanding debt, as detailed at paragraph 4.2;
- note the requirements of the statutory timetable for the completion of the Annual Return and Accounts, and the role of Sunderland City Council as the signatory.

Sonia Tognarelli
Treasurer

Richard Evans
Director

