

Minutes

Corporate Governance Group

24th October 2019



Present

Councillors	Present	Councillors	Present
P Euesden	Yes	R van Dulken (Chairman)	Yes
D Hume	Yes	D Wallace	Yes
H Johnson (Vice-Chairman)	Yes	T Walsh	Apologies
D Mann	Yes	Mrs L Walters	Apologies
Miss V Santomauro	Apologies		

In attendance:

Ian Hunt	Head of Governance and Monitoring Officer
Jessica Mann	Governance and Members Officer
Angie Mitchell	Audit, Insurance and Fraud Manager
Phil Myers	Financial Services Manager
Trevor Wilson	Head of Finance

Francesca Palmer BDO (External Auditors)

11 **MINUTES**

DECISION: The Minutes of the meeting of the Corporate Governance Group held on 25th July 2019 were approved as a correct record and signed by the Chairman.

12 **PUBLIC QUESTION TIME**

INFORMATION: There were no questions asked, or statements made.

13 **DECLARATIONS OF INTEREST**

INFORMATION: There were no interests declared.

14 **KEY FINANCIAL INDICATORS – 30th SEPTEMBER 2019**

INFORMATION: Members considered a report on key financial indicators which provided information on performance for the financial year to 30th September 2019.

Several key aspects of the report were highlighted to Members. The net General Fund revenue budget for the Council for the year was £14.539m, which represented a positive variance of £555,000 when compared with the anticipated budget of £7.328m. Members were advised that this variance had resulted primarily from the additional income of

£0.279m to the Council, of which was mainly comprised of planning application fees and an under spend on salaries. The total expenditure on salaries for the year to the end of September 2019 was £8.63m against the profiled budget of £8.84m. The positive variance of £210,000 allowed for £100,000 of the Efficiency Factor for the year; this under spend was largely attributed to the need for the appointment of further planning staff and the subsequent difficulties that had been encountered with the recruitment process.

Capital expenditure on projects was £2.301m as at the end of September 2019 against the updated Capital Programme of £11.603m, which included the estimated expenditure on Horizon 120, the Manor Street Development and I-Construct. It was also noted that the collection rates for both Council Tax and Business Rates were on course to achieve the year-end targets, whilst the level of sundry debts owed to the Council was £3.391m, of which £1.71m was in relation to Housing Benefit overpayments.

DECISION: Members accepted the report of the Key Financial Indicator as at 30th September 2019.

REASON FOR DECISION: To provide evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues that may arise.

15 **INTERNAL AUDIT UPDATE, INCLUDING PROGRESS AGAINST AUDIT PLAN 2019/2020**

INFORMATION: Consideration was given to a report which provided Members with an update on the progress against the Audit Plan and any other matters which affected the provision of the Internal Audit Service for the year 2019/20.

DECISION: Members noted the progress against the Internal Audit Plan 2019/20.

REASON FOR DECISION: The Public Sector Internal Audit Standards (PSIAS) required the Internal Audit activity to report functionally to the Corporate Governance Group, being the Committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.

The report provided an update on Internal Audit activity, and progress and performance against the approved Internal Audit Plan in accordance with the Corporate Governance Group role and the requirements of the PSIAS.

16 **ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31st MARCH 2019**

INFORMATION: Prior to the consideration of the main report, Members were provided with a brief update on the latest work undertaken by the Council's External Auditors (BDO) further to the last meeting of the Corporate Governance Group on 25th July 2019. It was confirmed that the accounts had since been finalised, with the final Audit Completion Report issued on 31st July 2019.

The key issues that had arisen in respect of the work conducted by BDO for the year ended 31st March 2019 were then summarised for Members. The additional fee of £1,500 proposed by BDO was also remarked upon, the fee of which related to the McCloud pension adjustments. It was added that discussions were still ongoing with the Council in regard to this matter.

DECISION:

1. The External Auditor's Final Audit Completion Report for the year ended 31st March 2019 was noted.
2. The External Auditor's Annual Audit Letter for the year ended 31st March 2019 was noted.

REASON FOR DECISION: That Members received and noted the Final Audit Completion Report and the Annual Audit Letter for the year ended 31st March 2019.

17 **TREASURY MANAGEMENT MID-YEAR REPORT 2019-20**

INFORMATION: Consideration was given to a report on the Council's treasury management activities. The Council's treasury management activities were regulated by statutory requirements and by a Code of Practice ("the Code") issued by the Chartered Institute of Public Finance. A key requirement of the Code was that, along with an annual strategy, the Council would also receive at least one mid-year report on its treasury management activities.

It was reported that capital expenditure and financing were forecast to be £11.603m, which represented a £18.738m reduction from what had been estimated originally under the Treasury Management Strategy Statement (TMSS). This slippage was attributed to a number of District Investment Strategy (DIS) projects (such as the Manor Street Regeneration and Horizon 120 projects) and as such, was largely reflected in the reduced amount of borrowing expected to be required in 2019/20.

Members were advised that the Council's Capital Financing Requirement (CFR) represented a measure of what the Authority could potentially justify for borrowing in order to meet its capital expenditure requirements. As at the end of the financial year, the CFR was expected to be lower than what had originally been predicted under the original TMSS at £14.951m, although this was nonetheless higher than the CFR at the start of the year; this being due to an amount of internal borrowing for the Horizon 120 project. Whilst the CFR was expected to increase, it was not anticipated that this would have an immediate impact on the Minimum Revenue Provision (MRP) charge to revenue as this project was still in the development stage, and it was still expected to generate capital receipts from the sale of serviced land plots. In respect of borrowing and other long-term liabilities, it was reported that there were no changes expected to external borrowing, although finance lease liabilities were expected to reduce in line with contracted annual payments.

With regard to investment activity, investments had averaged £64.403m with a peak of £71.414m for the period 1st April 2019 to 30th September 2019. The current forecast was that investments would average around £60m for the year, which was higher than the amount that had been originally assumed in the TMSS at £41m. It was anticipated that these balances would reduce in the medium-term as the programme for the District Investment Strategy progressed. Two new Money Market Fund (MMF) accounts had also been opened; these were the CCLA Public Sector Deposit Fund and a short-term fund with Federated Prime. It was explained that the accounts were opened as the Council's cash balances were higher in the year and there had, as such, been a need to increase the range of counterparties available. Also, as both of the funds selected were domiciled in the UK, this action was also in line with the advice given by Arlingclose regarding preparing for a potential "no-deal" Brexit, and any subsequent short-term liquidity issues

that could arise from non-UK domiciled funds. Members were advised that on 8th October 2019, an additional £1m had been invested in the Kames Diversified Fund, and that a further £1m would be invested in mid-November, subject to the outcome of a further review at that time.

In respect of investment returns, it was stated that the overall return to 30th September 2019 was £681,044, or 2.11%. Dividends from long-term pooled funds were paid quarterly and subject to variation, and up to the end of September, amounts received or declared were £491,766, or 5.45%. The budget for investment income was £996,000 and it was currently expected that this would be overachieved by £157,000 to give a projected income of £1.153m. At the present time, changes in the market value of the Council's long-term pooled fund investments were unrealised and would have no effect on the General Fund revenue account until such time that the investments were sold. As at 30th September 2019, the overall valuation of funds was £19.456m, which represented an unrealised gain of £1.456m.

The Council's investments compared favourably in terms of overall income return, although the total return was lower than the average, and this reflected the recent volatility experienced in equity markets. With regard to non-treasury investments, it was reported that the Council held direct property investments with a market value of £36.303m; these comprised industrial land and units, shops, offices and other commercial property. For the period 2019/20, the net rental income was expected to be in excess of £2m, which represented a return of approximately 6%. Further income was also generated from non-commercial property, such as through the mixed usage of Causeway House. As at 31st March 2019, the amount outstanding on the Council's loans provided for service reasons was £0.325m. It was explained that a mortgage loan of £0.047m had now been repaid early and a further loan of £0.200m was expected to be repaid in November; this would leave two loans outstanding which were being repaid in monthly instalments.

Lastly, reference was made to the continued volatility in the treasury gilt market, and also the recent action taken by the Government to increase Public Works Loan Board lending rates to local authorities by 1%. It was reported that Arlingclose expected gilt yields to remain at lower levels for the foreseeable future, and volatility would continue to generate longer-term opportunities for future borrowing by the Council when the need arose for this.

DECISION: Members recommended that Cabinet accepted the Treasury Management Mid-Year Report 2019/20, prior to its submission to Full Council.

REASON FOR DECISION: The Council has adopted the CIPFA Code of Practice for Treasury Management in Public Services which required the Council to receive at least one mid-year report on its treasury management activities. This report was to be considered first by the Corporate Governance Committee before being recommended on to Cabinet and then Full Council.

18 **MONITORING OFFICER'S REPORT ON STANDARDS**

INFORMATION: Members received a report which provided an update on the function of the Member Standards Framework for the period 2018/19 in respect of the Member Induction Code of Conduct and Interests.

DECISION: That Members:-

1. Noted the Annual Report for 2018/19.
2. Noted the Council's position regarding the good practice as set out in the Local Government Ethical Standards A Review by the Committee on Standards in Public Life (January 2019).

REASON FOR DECISION:

To comply with provisions Article 10, Chapter 1 of the Council's Constitution.

To be aware of the Council's position in respect of the good practices identified by the Committee on Standards in Public Life.

The meeting commenced at 7.18pm and closed at 8:32pm.

Councillor R van Dulken
(Chairman)