

Minutes

Governance and Audit Scrutiny Committee

28th October 2021 at 7.15pm



Present

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

In attendance:

Chris Fleetham Corporate Director
Jessica Mann Governance and Members Officer
Angie Mitchell Audit, Insurance and Fraud Manager
Phil Myers Head of Finance
Emma Wisbey Governance and Members Manager and Deputy Monitoring
 Officer

Steve Bladen BDO (External Auditors)

14 **DECLARATIONS OF INTEREST**

INFORMATION: There were no interests declared.

15 **MINUTES**

INFORMATION: The Minutes of the meeting of the Governance and Audit Scrutiny Committee held on 22nd July 2021 were approved as a correct record and signed by the Chairman.

16 **PUBLIC QUESTION TIME**

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

17 **KEY FINANCIAL INDICATORS AS AT 30TH SEPTEMBER 2021**

INFORMATION: Consideration was given to a report on the Council's Key Financial Indicators in the current financial year to 30th September 2021.

The net General Fund revenue budget for the year was £15.432million. As at 30th September 2021, the net expenditure recorded was £6.165million, which represented a

positive variance of £15,000. In respect of the financial impact of the Covid-19 pandemic, Members were advised that assessments were still being requested by the Government on a monthly basis, with the latest return having been submitted on 24th September 2021. The anticipated financial impact for the year was an additional expenditure of £0.664million and a reduced income of £1.142 million. It was highlighted that the Council was currently in receipt of a number of funding streams from the Government in order to help mitigate some of the financial pressures; these included monies from the National Leisure Recovery Fund to help support the Council's leisure operator, Emergency funding of £0.686 million and £0.177million of 'Contain Outbreak' funding. It was added that an application for the Government compensation scheme for losses from sales, fees and charges was submitted on 22nd October 2021.

Members were advised that the 'second quarter' financial information was being finalised in order to further assess the impact of the Covid-19 pandemic and to predict the Council's financial outturn position for the year. The outcome of this was to be included in the quarterly performance report which would be received by the Cabinet on 29th November 2021.

Expenditure on salaries at the end of September was lower than profiled by £0.103million after allowing for £0.150 million of the efficiency factor (£0.300million for the year). With regard to rental income received from commercial and industrial properties, the budget for the year was reported as £2.905million. The actual value of rents invoiced to the end of September was £2.274 million against the profiled budget of £2.256million. The total number of properties occupied as at 30th September was 215, with 6 units vacant.

The updated Capital Programme for the year was £37.893million, which included estimated expenditure on projects such as Manor Street Development; Enterprise Centre at Horizon 120; Horizon 120 infrastructure works; I-Construct of £1.506m; and Pedestrianisation of Braintree Town Centre of £1.078m. Actual expenditure for the year incurred to the end of September was £15.525million.

Further to a request received at the previous meeting of the Committee on 22nd July 2021, Members were advised that £17.543million of capital receipts were expected to be generated in the current financial year from a variety of sources: right-to-buy sales and VAT shelter savings under agreements with Eastlight Community Housing; the disposal of apartments at Victoria Square; the sale of serviced land plots at Horizon 120; and the sale of various plots of land held by the Council identified as sites for potential housing development. The amount of capital receipts accrued to the end of September was £17.137million, including £1.732million for a sale of land originally anticipated in the previous financial year.

Members were advised that the collection rate for Council Tax as at the end of September was 57.48% (£58.76million), which compared to a rate of 57.63% for the same period in the previous year. The collection rate in respect of Business Rates (National Non-Domestic Rates) was 51.57% (£19.77million), which compared to a rate of 54.90% for the same period in the previous year. It was highlighted that the collection rate for Business Rates had been impacted by the continuation of the Government's Expanded Retail and Nursery Rate Relief schemes.

There was £2.707million of sundry debts outstanding at 30th September 2021, of which £1.509million was in relation to Housing Benefit overpayments which is collected through payment plans. The proportion of supplier payments made within 30 days was 95.77%, which is down on the figure for the previous year. Members were advised of the new

integrated purchase order and payment system that was being introduced and would take some time to embed across the organisation.

Members were also provided with an update on the amount of Council Tax and Business Rate debt written-off and on the treasury management activities for the period ended 30th September.

DECISION: Members accepted the report of the Key Financial Indicators as at 30th September 2021.

REASON FOR DECISION: To receive a suite of the key financial indicators of the Council on performance in the current financial year to 30th September 2021. To evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues as and when they may arise.

18 **INTERNAL AUDIT UPDATE, INCLUDING PROGRESS AGAINST 2021-22 INTERNAL AUDIT PLAN**

INFORMATION: Consideration was given to a report on the internal audit activity of the Council, in addition to the progress and performance against planned work and any other matters which affected the provision of the Internal Audit Service. The Chairman invited Angela Mitchell, Audit, Insurance and Fraud Manager to present the report.

The 2021/22 Internal Audit Plan was approved by the Governance and Audit Scrutiny Committee on 22nd July 2021; since this date, the following audits had been completed:-

- BACS System
- Payroll Shared Service
- Business Support Grants
- Disabled Facilities Grants
- Landlord Safety Checks
- Commercial Rents
- Local Authority Covid 19 Compliance & Enforcement Grant

Members were advised that since the publication of the report, an additional audit had been completed in respect of 'Information Management.' The full detail pertaining to the audit work would be relayed to Members at the next meeting of the Committee.

Reference was also made to insurance related work, which included the re-tender of three areas of insurance cover that required a significant resource input. Although the tender was unplanned, it was in response to the former insurer deviating from the Long Term Agreement and imposing significant premium increases.

In response to a question raised by a Member which regarded the stair-lift provision in under the Disabled Facility Grant (DFG) Audit and whether it provided value for money, Members were advised that an update on progress would be provided at the next meeting of the Committee, following the determination of management responses.

DECISION: Members note the progress and performance against the 2021/22 Internal Audit Plan.

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

19 **TO RECEIVE THE EXTERNAL AUDIT PLAN 2020-21**

INFORMATION: Members received a report which summarised the work that the external auditors, BDO LLP, proposed to undertake in respect of the Council for the 2020/21 financial year.

It was highlighted that in terms of audit fees, BDO had indicated that a request for additional fees would be made to the Council in order to reflect the changes in audit scope and depth that were linked to current audit requirements for property assets and pensions liability valuation work, as well as to meet the extra reporting requirements on the use of resources under the new National Audit Office Code of Audit Practice that came into effect from 1st April 2020. A separate fee was to be charged for undertaking work to provide the Housing Benefit Subsidy certification based on an estimate of work required for 2020/21, although the proposed amount had yet to be confirmed. It was added that the fees might be subject to further variation should additional unplanned work be required.

DECISION: The External Audit Plan 2020/21, together with the proposed audit fees, was noted.

REASON FOR DECISION: To advise Members of the coverage of the External Audit Plan for 2020/21 and the associated costs of the external audit.

20 **TO APPROVE THE STATEMENT OF ACCOUNTS FOR THE FINANCIAL YEAR 2019/20**

INFORMATION: Members considered a report in respect of the Statement of Accounts for the financial year 2019/20. The report was presented by Phil Myers, Financial Services Manager, and Steve Bladen, BDO External Auditor, respectively.

Members were advised that a draft set of Statement of Accounts was originally signed on 30th June 2020 by Chris Fleetham, Corporate Director as representing a “true and fair view” of the Council’s financial position at the reporting date, and of its income and expenditure for the year ended 31st March 2020. The accounts were made available for public inspection between 17th August 2020 and 28th September 2020. No requests to inspect the accounts were received during this time. A revised Statement of Accounts was then issued on 30th November 2020 and published on the Council’s website. Whilst still in draft format, the accounts included changes that had been agreed with the External Auditor based on the audit work that had been completed at that time.

The Council’s External Auditor, BDO LLP, commenced their final audit of the Council’s accounts on 6th July 2020. Completion of the audit report was significantly delayed; however, it was noted that BDO had indicated in their report that they anticipated issuing an unmodified opinion on the financial statements. An emphasis of matter was to be included in the opinion relating to the valuation of property, plant and equipment and investment property due to a material uncertainty included in the valuation report issued by the Council’s valuer. Members were advised that this issue was not unique to the Council and reflected the general advice given to professional valuers by the Royal Institute of Chartered Surveyors (RICS) for property valuations undertaken during the

Covid-19 pandemic. The Audit Completion Report highlighted three unadjusted errors, which were not intended to be adjusted for in the final published accounts as the amounts concerned were considered to be immaterial, and there was no overall impact on the General Fund balances.

Members were advised of proposed increase of £29,000 in audit fees charged for the year, with a further £1,100 additional charge on work undertaken in relation to the Housing Benefit subsidy claim. Subject to the outcome of a review by both management and the Public Sector Audit Appointments Limited (PSAA) of the proposed scale fee increase, the additional costs would need to be reflected in the current year's outturn budget position.

Further to the report, it was agreed that recommendation four be amended slightly to add "in consultation with the Corporate Director (Finance)" at the end.

DECISION: That Members:-

- 1) Received and noted the External Auditor's Audit Completion Report on the 2019/20 Accounts;
- 2) Approved certification of the Letter of Representation by the Corporate Director (Finance);
- 3) Approved the Council's Statement of Accounts for the financial year 2019/20, subject to any changes that might be necessary once the audit had been completed and a final Audit Completion Report has been issued, and;
- 4) Delegated authority to the Chair of the Governance and Audit Scrutiny Committee to approve any final changes to the published audited Statement of Accounts 2019/20 in consultation with the Section 151 Officer or Corporate Director (Finance).

REASON FOR DECISION: To approve the Statement of Accounts for the financial year 2019/20, having due regard to the External Auditor's Audit Completion Report.

21 **TO RECEIVE THE TREASURY MANAGEMENT MID-YEAR REPORT 2021-22**

INFORMATION: Members gave consideration to the mid-year report on the Council's treasury management activities. The mid-year report provided an update on economic and market conditions and how these impacted on treasury management.

Members were advised that as a result of a more positive credit outlook, Arlingclose Ltd, the Authority's treasury management advisors, had increased the maximum duration limit for all recommended counterparties from 35 days to 100 days.

On 31st March 2021, the Authority's cash and investments totalled £38.11million, with borrowing of £6.00million. With low official interest rates reducing returns on investments, the strategy adopted was to maintain borrowing and investments below their underlying levels in order to reduce risk; this had resulted in internal borrowing of £15.84million as of 31st March 2021.

Members were advised of the recent publication by HM Treasury of further guidance which provided more detail and clarification around the definition of an "investment asset primarily for yield", which if undertaken would preclude a local authority from borrowing

from the Public Works Loan Board (PWLB). In addition to this, revisions were also made to the terms and conditions applicable to loans obtained from the PWLB which extended the settlement time for a new loan from two to five working days. In terms of existing borrowing, the Authority continued to hold £6 million of Lender's Option Borrower's Option (LOBO) loans. An initial assessment of the LOBO loans by Arlingclose indicated that there were potential restructuring opportunities (through a negotiated settlement) with the lender; the risks, benefits and potential restructuring savings were currently being assessed.

For the period April to September 2021, it was reported that investment balances averaged £55.77million with the highest amount held being £73.48million. Investment balances had been elevated again during the first half-year by Government funding for business rate reliefs and grants. As at the end of September 2021, £68.43million had been invested, but this was expected to reduce significantly towards the end of the current financial year; such that this could result in the requirement to refinance some of the existing internal borrowing with new external loans. The amount of interest earned on short-term investments in the six-month period to end of September was £5,141, which represented an annualised return of 0.03%.

Members were informed that having received the quarterly dividends that were outstanding at the time the report was written, the total amount of income from pooled funds for the period April to September was £423,539, which represented a current return of 4.45%. The improved market sentiment in the past six months was reflected in the valuation of the funds which, as at the end of September, had an overall valuation of £21.29million and represented an unrealised gain of £2.29million.

Members were advised of an error within the benchmarking table on page 129 of the Agenda, in relation to "Income Return" under "All Clients" and the figure for "Total Return" under "Similar LAs." which the Head of Finance would amend prior to the report being submitted to Full Council.

Members were informed that all treasury management activities undertaken during the first half year complied fully with the CIPFA Code of Practice and the approved Treasury Management Strategy.

It was reported that revised codes and guidance notes had been issued by CIPFA in draft form; and a period of consultation on their proposed changes would follow and was due to end on 16th November 2021. The changes proposed related to the Prudential Code and Treasury Management Code of Practice. It was added that the former Ministry for Housing, Communities and Local Government (MHCLG) had published a policy paper in July which outlined the ways it felt that the current capital finance framework was failing and the potential changes that could be made. The actions announced included greater scrutiny of Local Authorities and particularly those engaged in commercial practices; an assessment of governance and training; a consideration of statutory caps on borrowing; further regulations around Minimum Revenue Provision (MRP); and ensuring that regulations enforced guidance from CIPFA and the new PWLB lending arrangements.

In terms of outlook, it was noted that Arlingclose were expecting Bank Rate to rise in 2022 which they considered to be driven by both the Bank of England's desire to move away from emergency interest rate levels and fears of inflationary pressure.

DECISION: The Governance and Audit Scrutiny Committee recommended that the Treasury Management Mid-Year Report for 2021/22 be submitted to Full Council.

REASON FOR DECISION: The Council has adopted the Code of Practice for Treasury Management in Public Services published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which requires the Council to receive at least one mid-year report on its treasury management activities.

22 **MONITORING OFFICER ANNUAL REPORT**

INFORMATION: Members received a report which provided an update on the functioning of the Member Standards Framework for the period 2020/21. The Chairman invited Emma Wisbey, Deputy Monitoring Officer, to present the report.

Members were informed that under the Localism Act 2011, the Monitoring Officer was the proper Officer for the discharge of the Council's functions, including the assessment and determination of complaints made in respect of the Code of Conduct (the Code) as adopted by Braintree District Council (the Council) and the Code of Conducts as adopted by all Parish and Town Councils in the Braintree District.

As part of the governance activities for the year, the Monitoring Officer had conducted a substantive review of the Council's Constitution and associated governance arrangements. The review was undertaken in consultation with the Developing Democracy Group and the Governance and Audit Scrutiny Committee (previously the Corporate Governance Group) before being approved by Council as its Annual General Meeting in April 2021. A series of training sessions were to be provided by the Monitoring Officer and a programme of sessions would be set down in 2021/22. It was intended that the training sessions would introduce and explain the various provisions of the Constitution and, fundamentally, embed the Constitution throughout the Council. The dates for the training sessions were to be confirmed at a later date.

Members were advised that under Section 28(7) of the Localism Act 2011, it was a statutory requirement for the Council to have an Independent Person (IP) appointed to discharge the statutory role in relation to any complaints received by the Council under the Code. At the Annual General Meeting on 19th April 2021, the Council appointed its Independent Person together with a Reserve Independent Person for a period of three years with the provision to extend each term by one year if necessary. It was reported that Mrs Mary Ball had been appointed as the IP, with Miss Layla Crow appointed as the Reserve. Those appointed would support the Monitoring Officer in the consideration of Code complaints; a number of meetings had already occurred.

In respect of complaints, the Monitoring Officer was the Proper Officer for receiving complaints in respect of Member conduct, which included the conduct of District, Parish and Town Councillors. Under the Localism Act 2011, the Council was required to have in place arrangements for dealing with allegations that Councillors had failed to comply with the Code and also to investigate and determine those allegations. Complaints which related to the failure to declare a Disclosable Pecuniary Interest, or a breach of a Councillor's requirement to register interests, could not be dealt with by the Council and were instead referred to Essex Police as such matters were classed as criminal offences under the Localism Act 2011. It was confirmed that no such referrals were made to Essex Police during 2020/21.

During the year 2020/21, Members were advised that the Monitoring Officer had received a number of formal complaints which had been considered and determined. The key concerns that had been raised through the Code complaint process related to the

appropriateness of individual Councillors' actions at meetings or on social media. A number of the complaints received during the year were rejected as they did not fall within the remit of the Monitoring Officer; for example, if they did not relate to a conduct issue or were motivated by malice or 'tit for tat.' One complaint was formally withdrawn by the Complainant, and two were resolved through the informal resolution process. For the year 2020/21, no matters were referred to the Standards Sub-Committee and no formal investigations were commenced. It was emphasised that the assessment of complaints was treated confidentially by the Monitoring Officer until the completion of any investigation.

Another large area of upcoming work was in relation to the Model Code of Conduct. Following the National Model Code of Conduct being approved by the Local Government Association (LGA) in December 2020, small revisions were made by the LGA in January 2021 and May 2021; following this, detailed guidance was issued by the LGA in October 2021. The Council was now in the process of reviewing the Model Code of Conduct and would be bringing forward details for the Governance and Audit Scrutiny Committee's consideration at a later date. Alongside the Developing Democracy Group, the Committee will also be required to determine whether the Council wishes to adopt the new Model Code of Conduct, with or without local modification and will be required to make its recommendation to Council. It was anticipated that this will come forward for determination in early 2022.

Finally, it was reported that no applications for dispensation by District or Parish Councillors had been made to the Monitoring Officer during 2020/21. In accordance with the provisions of the Localism Act 2011, the Monitoring Officer was also required to establish and maintain a Register of Interests for all District Councillors. Members were advised that no issues had emerged during 2020/21 in respect of the Member Register of Interests.

DECISION: Members noted the Annual Report for 2020/21.

REASON FOR DECISION: The report provides an update on the functioning of the Member Standards Framework for the period 2020/21. The Monitoring Officer is the proper officer for the discharge of the Council's functions under the Localism Act 2011, including the assessment and determination of complaints made in respect of the Code of Conduct (the Code) as adopted by Braintree District Council (the Council) and the Code of Conducts as adopted by all Parish and Town Councils in the Braintree District.

The meeting commenced at 7.15pm and closed at 8.44pm.

Councillor R van Dulken
(Chairman)