

Minutes

Governance and Audit Scrutiny Committee

13th January 2022 at 7.15pm



Present

Councillors	Present	Councillors	Present
P Euesden	Yes	T Walsh	Yes
D Hume	Apologies	Mrs L Walters	Yes
H Johnson (Vice-Chairman)	Yes	D White	No
D Mann	Yes	J Wrench (Chairman)	Yes
Miss V Santomauro	No		

In attendance:

Kim Cole	Head of Governance
Jessica Mann	Governance and Members Officer
Angie Mitchell	Audit, Insurance and Fraud Manager
Phil Myers	Head of Finance

23 **DECLARATIONS OF INTEREST**

INFORMATION: There were no interests declared.

24 **MINUTES**

INFORMATION: Members were made aware of an update to the Minutes of the meeting of the Governance and Audit Scrutiny Committee on 28th October 2022. The update was provided by Ms Angela Mitchell, Audit, Insurance and Fraud Manager and related to Minute 18, 'Internal Audit Update' (Page 3) and was in response to a question that was raised about the stair-lift provision under the Disabled Facilities Grant (DFG) Audit.

Members were advised that DFGs did not follow the usual procurement rules as the contract for work was between the applicant and the contractor, not the Council. The DFG guidance was that applicants should obtain two quotes; however, as a result of the Covid-19 pandemic, it was considered appropriate to limit the number of people who were entering the homes of customers. As such, there were occasions where customers sought only one quote and this accepted. It was added that officers had seen a number of stair-lift DFG applications and were therefore familiar with what would be considered a 'reasonable' cost.

Officers did not agree with the recommendation that there be a "multi-disciplinary framework" introduced for stair-lifts in lieu of the direct competitive tendering currently undertaken. It was determined that there was no real benefit or improvement to using the

framework and that there was no indication that there had been any change which would warrant this to be reconsidered.

Further to the update, the Minutes of the meeting of the Governance and Audit Scrutiny Committee held on 28th October 2021 were approved as a correct record and signed by the Chairman.

25 **PUBLIC QUESTION TIME**

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

26 **KEY FINANCIAL INDICATORS AS AT 30th NOVEMBER 2021**

INFORMATION: Members gave consideration to a report on the Key Financial Indicators as at 30th November 2021. Mr Phil Myers, Head of Finance, was invited to present the report.

The net expenditure recorded for the period was £6.2million, which represented a positive variance of £676k. The main reason for the variance was due to an increase in income generated from the recycling material collected from households paid to the Council by the processing contractor.

The latest return to Government in respect of the estimated financial impact of Covid-19 was submitted on 26th November 2021. For the period up to the end of October, it was estimated that the Council had incurred additional expenditure of £418k, and suffered a reduction in fees and charge and other commercial income of £580k. An estimate for the year indicated additional expenditure of £574k and reduced income of £924k. The Council had received a number of sources of financial support: funds from the National Leisure Recovery Fund, received in 2020/21, part of which was carried over into 2021/22; Government emergency funding of £686k provided as part of the Local Government Finance Settlement for 2021/22, and £177k of Contain Outbreak funding. The Council had also submitted a claim for £108k to the Government's Income Compensation Scheme for losses from sales, fees and charges for the period April to June 2021.

In respect of salaries, the total budget for the whole year was £19.6million. Compared to a profiled budget of £12.9million, there was a positive variance of £154k after allowing for £200k of the Efficiency Factor (£300k for the year). Rental income in respect of commercial and industrial properties was also in a healthy position, with the actual value of rents invoiced to the end of November at £2.5million against a profiled budget of £2.4million, which represented a positive variance of £45k. In regard to leased units, occupancy levels were at approximately 98%, with a total of 217 units occupied and only four listed as vacant.

The updated capital programme for the year was £37.7million, which included estimated expenditure on strategic investment, such as for the Manor Street Development; Enterprise Centre at Horizon 120; Horizon 120 Infrastructure works; I-Construct, and the Pedestrianisation of Braintree Town Centre. Capital resources were also expected to be generated with £17.5million of capital receipts in the current financial year. As at the end of November, the amount of capital receipts accrued was £17.9million.

It was reported that the Council Tax collection rate as at the end of November was 75.7% (£77.5million collected), which was in line with the rate collected in the previous year. With regard to Business Rates, the collection rate at the end of November was 71.8%

(£27.3million collected), which compared to a rate of 73.5% for the same period last year. This reduction was attributed in part to the collection rate for 2021/22 having been impacted by the requirement to rebill accounts part way through the year to reflect the reduction in Covid reliefs from 100% for the period April to June, down to 66% for the remainder of the year, which had a subsequent impact on payment plans. It was added that recent statistics gathered indicated that the gap relating to Business Rate collection compared with last year had reduced.

There was a total of 584 write-offs of Council Tax in the year, with a value of £88k having been authorised in the year to 30th November: these included 142 in respect of the current year and 442 in respect of previous financial years. Further to a question raised about whether the rate of write-offs of Council Tax was higher than pre-Covid levels, Members were advised that the rate of write-offs in 2019 were of a similar value, although the numbers were lower.

The amount of sundry debts owed to the Council was reported to be £3.3million, of which £1.5million was in respect of Housing Benefit overpayments. In terms of other debts, there was approximately £1.8million owed to the Council which included a number of large invoices raised in November in respect of Operations.

The proportion of supplier payments made within 30 days was 96.32%. A new integrated purchase order and payment system was introduced from April 2021 and was currently still being embedded across the organisation. It was added that the target for this area of activity was being reviewed to take into account changes in services and working practices.

In respect of investments, the Council's investments of surplus monies totalled £63.9million as at 30th November. The Council's short-term investments had produced little yield due to the low interest rates that had been experienced. Much of the Council's investment to date had been with the Debt Management Office (DMO) and in various money market funds, which offered liquidity and a diverse investment portfolio. With regard to the Council's £19million of long-term investments in pooled funds, £442k of dividends had been received and represented an annualised return of approximately 3.5% as at the end of November.

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

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

INFORMATION: Members gave consideration to a report on the progress against the 2021/22 Internal Audit Plan. Ms Angela Mitchell, Audit, Insurance and Fraud Manager was invited to present the report.

Members were informed that to date, there had been no RIPA/IPA applications received in 2021/22. Since the last report to the Committee on 28th October 2021, the following audits had been completed:-

- Uniform System Security – Significant Assurance
- Safer Recruitment – Full Assurance
- Information Management – Significant Assurance
- Social Media – Significant Assurance
- Performance Management – Full Assurance
- Climate Change– Full Assurance

Members were advised that since the publication of the report, the Commercial Waste audit had also been completed with a Full Assurance rating. Further detail around this audit would be brought forward at the next meeting of the Committee.

In response to a question raised about the average waiting time for applicants for Disabled Facilities Grants (DFGs) and the current trends in respect of this, Members were advised that the audit was focused specifically on the robustness of the data collection methods and the presentation of the results to ensure there was accuracy. Ms Mitchell agreed to conduct some research into this trend and report back to the Committee.

DECISION: Members noted 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.

28 **PROCESS FOR THE APPOINTMENT OF EXTERNAL AUDITORS 2023/24 TO 2027/28**

INFORMATION: Members gave consideration to a report which detailed the Council's options in terms of appointing its external auditors for the period 2023/24 onwards. Mr Phil Myers, Head of Finance, was invited to present the report.

Under the Local Government Audit & Accountability Act 2014 ("the Act"), the Council was required to appoint an auditor to audit its accounts for each financial year. Previously, the Council had opted into the 'appointing person' national auditor appointment arrangements established by the Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23. It was added that 98% of Local Authorities opted in to the scheme at this time.

As the PSAA was now undertaking a procurement exercise for the next appointing period, the Council now needed to consider how it wished to procure its external auditor arrangements from 2023/24. As such, the Council had three options:-

- To appoint its own auditor, which required it to follow the procedure set out in the Act;
- To act jointly with other authorities to procure an auditor following the procedures in the Act, or;
- To opt in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person'. The body currently designated for this role was the PSAA.

Should the Council choose to opt in to the national scheme, there would still be a degree of consultation with the Council once the procurement process had been completed with the auditors identified.

It was highlighted that since the last audit contracts were awarded in 2017, many issues had arisen in respect of the local audit market which had led to the Government commissioning four independent reviews, which included Sir Tony Redmond's review of Local Authority financial reporting and external audit.

The recommendations that had emerged from the reviews were now under examination by Government with a clear indication that significant reforms would follow, such as the establishment of a new audit regulator. The situation had been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explored innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges had also increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.

In regard to the issues highlighted, the PSAA's approach to procurement was designed to help address concerns by:-

- Ensuring that the procurement exercise brought fees into line with the audit work;
- Encouraging companies to bid for an appropriate size of work using an increase in the total number of lots and a reduction in size of the largest lots;
- The inclusion of one or two lots specifically targeted at encouraging new entrants, such as through joint arrangements with experienced suppliers, and;
- Promoting audit quality through the adoption of an 80/20 weighting towards quality and price respectively, as compared to the previous process which applied a 50/50.

The recommended approach of the Council was therefore to opt in to the national auditor appointment scheme, as recommended by the Corporate Director (Finance) and in light of the view of the Local Government Association (LGA).

DECISION: The Committee agreed to put forward the following recommendations to Full Council:-

1. That the Council approves the decision to accept Public Sector Audit Appointments' (PSAA's) invitation to opt into the sector-led option for the appointment of external auditors for the five financial years commencing from 1st April 2023; and
2. That the Council approves a delegation to the Council's Responsible Finance Officer (S151 Officer), in consultation with the Cabinet Member for Finance and Corporate Transformation, to consider and, if appropriate, to make representation on behalf of the Council to a proposed external auditor appointment by the PSAA.

REASON FOR DECISION: The Committee was asked to consider the options for procuring the external auditors and to agree the preferred approach for recommendation to Full Council as set out.

INFORMATION: Members gave consideration to a report on the Council's draft Treasury Management Statement (TMS), prior to its consideration by Full Council. Mr Phil Myers, Head of Finance, was invited to present the report. Before the commencement of the report, Members were advised that the figures provided in the Strategy were provisional and would be updated to reflect the Cabinet's final budget recommendations to Full Council. It was not expected that any significant changes to the Strategy as currently drafted would be made.

Members were informed that the Capital Financing Requirement (CFR) had increased due to an anticipated increase in borrowing as part of the agreed financing for a number of strategic capital projects. This increased borrowing requirement was currently being met through internal borrowing, which has the effect of reducing investment balances. From 2022/23, external borrowing was projected to increase in line with the long-term financing proposals for the Manor Street regeneration and Horizon 120 Enterprise Centre projects. The decision as to whether to commit to this additional borrowing was to be kept under review in light of prevailing forecasts of cash balances and interest rates.

With regard to the Council's Borrowing Strategy, it was reported that the Council currently held £6million of loans, and borrowing was expected to increase from 2022/23. Additional borrowing might also be incurred to pre-fund future years' requirements on the basis that this did not exceed the Council's own authorised limit for borrowing. It was also noted that Public Works Loan Board (PWLB) loans were no longer available to Local Authorities who planned to buy investment assets primarily for yield, and this would be a key consideration for the Council on future capital investment projects.

The Council currently held £6million of Lender's Option, Borrower's Option (LOBO) loans. Due to the current low interest rate environment, it was unlikely that the lender would exercise their options. The Council continued to keep under review opportunities to re-finance these loans.

The budget for investment income in 2022/23 was £809k, and a significant portion of this was expected from the Council's long-term pooled funds. With an increase in prudential borrowing anticipated in 2022/23, interest costs were forecast to rise; however, the actual increase in cost in 2022/23 would be subject to the timing of any new borrowing and the actual rate of interest incurred at the time.

DECISION: The Governance and Audit Scrutiny Committee considered the draft Treasury Management Strategy for 2022/23 and recommended its submission to Full Council. The Committee did not wish to propose any amendments to the Strategy or provide any comments or observations in advance of Full Council.

REASON FOR DECISION: The Council had adopted the Code of Practice for Treasury Management in Public Services published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which required the Council to approve a Treasury Management Strategy before the start of each financial year. A draft strategy was attached to this report for the 2022/23 financial year. The Strategy would be included as part of the Budget report to be considered by Full Council on 21st February 2022.

The Council's Constitution required that prior to consideration by Full Council, the draft Treasury Management Strategy was reviewed and scrutinised by the Governance and Audit Scrutiny Committee.

The meeting commenced at 7.15pm and closed at 8.20pm.

Councillor J Wrench
(Chairman)