Minutes

Corporate Governance Group
20th January 2021 at 7.15pm

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	Yes
Miss V Santomauro	Yes		

In attendance:

Kim Cole	Head of Governance and Monitoring Officer
Jessica Mann	Governance and Members Officer
Angela Mitchell	Audit, Insurance and Fraud Manager
Phil Myers	Financial Services Manager
Chloe Waight	Governance Business Officer
Trevor Wilson	Head of Finance

62 **DECLARATIONS OF INTEREST**

INFORMATION: There were no interests declared.

63 **MINUTES**

DECISION: The Minutes of the meeting of the Corporate Governance Group held on 19th November 2020 were approved as a correct record.

64 **PUBLIC QUESTION TIME**

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

65 **KEY FINANCIAL INDICATORS – 30TH NOVEMBER 2020**

INFORMATION: Members gave consideration to a report on the financial position of the Council up until 30th November 2020.

The net General Fund revenue budget for the year was reported as approximately £15.226m, whereas at the net expenditure for the year was £10.834m; this represented a positive variance of £232,000 when compared with the profiled budget of £11.066m. The variance was attributed to a combination of factors which included the impact of Covid-19 on the Council's income generation and the additional budgetary expenditure that had been required to help alleviate the impacts of this, as well as non-Covid related expenditure reductions against the budget, which included reduced fuel costs and processing costs associated with recycling materials as a result of capital fund investment towards such facilities.

Since the start of the pandemic, assessments of the financial impacts of Covid-19 on the Council had been requested by Central Government on a regular basis; the latest return was submitted on 11th December 2020. In the return, it was projected that the additional expenditure for 2020/21 amounted to £1.195m, and a large portion of this sum was in relation to the Fusion payment costs. It was added that a Government scheme was currently underway to help offset some of the costs associated with supporting leisure facilities managed by a third party, as the Council had with Fusion Lifestyle, and the Council was awaiting the outcome on its application. However, it was highlighted that the main financial impact of the pandemic was on income generation, which had seen a reduction of £2.347m expected for 2020/21.

It was forecast that £3.191m of Council Tax and £0.533m of Business Rates would not be collected during the year, although it was anticipated that the outstanding costs would be recovered across future years (e.g. through payment plans with residents and businesses). It was added that, in terms of support, the Government had provided £1.952m of emergency funding to the Council for the year, as well as providing a compensation scheme for losses from sales, fees and charges. With regard to the latter, two applications for compensation had since been submitted by the Council to the Government for a total of £699,919; the first of these payments had now been received at £411,365, but the outcome of the second application (for £288,554) was yet to be confirmed. A third and final application for the year was to be submitted in April 2021.

In respect of salaries, it was reported that the total budget for the year was £18.778m, with total expenditure on salaries for the year through to December 2020 at £12.544m. The positive variance of £69,000 was after allowing for the Efficiency Factor, which was £300,000 for the year. In terms of the Council's rental income, the budget for the year received from commercial and industrial properties was reported as £2.901m. The actual value of rents invoiced to the end of November was £2.445m against a profiled budget of £2.425m. As of 30th November 2020, all properties were occupied.

Members were informed that expenditure on capital projects was £13.723m against the updated Capital Programme of £39.154m. As at the end of November 2020, the main schemes on which expenditure had been incurred were highlighted as the Suffolk Waste Partnership investment (£1.228m), Manor Street Development (£6.470m), Horizon 120 (£3.971m) and Pedestrianisation (£0.887m).

With regard to collectable debits for the year, it was reported that the total Council Tax collectable debit was £97.92m, and the collection rate as at the end of November was 75.74% (£74.17m collected), which represented a decrease when compared with the rate of 77.15% achieved in previous year. The total Business Rates collectable debit for the year was reported as £26.39m, and the collection rate as at the end of November was 73.53% (£19.41m collected), which also represented a decrease when compared with the rate of 75.52% achieved in the previous year.

The amount of sundry debts owed to the Council was £4.325m; although this amount was significant, it was explained that this was due to a number of invoices being raised towards the end of November which were in relation to Essex County Council and a deposit for land at Horizon 120. Payment of the invoices was nonetheless expected in the usual timeframe of 30 days.

Lastly, Members were advised that the rate of return achieved on investment of the Council's balances and funds in the year to date was 0.32%. The dividend received or declared within the year was £440,633, which represented an annualised return of 3.47%. The market values of these pooled funds indicated that there was an unrealised net surplus in the principal sum of £0.111m. Although the fluctuations in the market values had had an impact on the funds, a positive valuation of £19.1m was achieved as of 30th November 2020.

Following the conclusion of the report, there followed a general discussion by Members. In response to a question raised by Councillor Miss Santomauro, it was agreed that a more detailed analysis of the sundry debts currently owed to the Council and how these compared with the levels achieved in the previous year, would be provided.

DECISION: Members accepted the report of the Key Financial Indicators as at 30th November 2020.

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.

66 **FRAUD UPDATE**

INFORMATION: Members gave consideration to a report which provided them with an overview of fraud in Local Authorities and the work being undertaken by staff at the Council in order to prevent and detect fraud. The report also provided a corporate policy on the use of Social Networking Sites for the purposes of Fraud Investigations, the policy of which clarified legitimate uses of social media to prevent misuse, as well as the circumstances under which such activities became targeted or covert surveillance that required authorisation under the Regulation of Investigatory Powers Act (RIPA) 2000.

Members were advised that as part of the National Fraud Initiative (NFI), the Council undertook data matching exercises. It was highlighted that the Pan Essex Compliance and Counter Fraud Scheme performed monthly data matching of a number of data sets from Local Authorities across Essex; Braintree District Council was one of 14 Councils who participated in this matching exercise. Since March 2018, the Council had employed a Data Matching Officer within the Revenues and Benefits Team whose role was to upload data and review the results. It was added that the Council also subscribed to LoCTA, a Local Authority based data sharing system for tracing debtors and minimising fraud with integrated access to other data sets (e.g. from Companies House and the Land Registry.)

DECISION: Members noted the report and approved the Use of Social Networking Sites for Investigations Corporate Policy.

REASON FOR DECISION: The Corporate Governance Group functions include monitoring the effectiveness of the Council's risk management procedures, the internal control environment and counter fraud and corruption arrangements.

The Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive to periodically report significant risk and control issues, including fraud risks. The PSIAS also require the function, as part of Internal Audit Risk Management activity, to evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.

The report summarised fraud risks affecting the public sector, and approaches taken by the Council to address those risks, and presented a Corporate Policy on investigations using social media to guide staff conducting such investigations.

67 **DRAFT TREASURY MANAGEMENT STRATEGY 2021/22**

INFORMATION: Members considered a report on the Council's draft Treasury Management Strategy for 2021/22. The Council had adopted the Chartered Institute of Public Finance and Accountancy's 'Treasury Management in the Public Services: Code of Practice 2017 Edition' (the CIPFA Code) which required the Council to approve a Treasury Management Strategy before the start of each financial year. A draft strategy was presented covering the period 2021/22 to 2024/25.

It was reported that the Capital Financing Requirement (CFR) was projected to increase due to planned expenditure on a number of strategic investment projects which had not been fully financed, and thus led to an increase in borrowing requirements. This increased requirement was expected to be met through a combination of external and internal borrowing. The current and projected level of external borrowing was expected to increase from its current position of £6m to approximately £18m over the next few years. With regard to internal borrowing, this was projected to increase significantly to £21.98m in the current year and then reduce over the medium-term to £0.62m.The reasons for this profile were attributed to large-scale projects such as the Horizon 120 Infrastructure Project, where the primary source of funding was from the future sale of serviced land plots.

Members were advised that the draft Strategy also established the framework for a potential alternative strategy in the form of a 'liability benchmark' to show the lowest risk level of future borrowing. Under the alternative strategy, the borrowing requirement for the Council was minimised to a level of £10m at each year-end; as such, no new external borrowing would be required over the medium-term period, with the requirement instead met by existing debt for the period 2021/22 and 2022/23. However, this approach would require a significant reduction in investments held in long-term pooled funds, which would have an overall adverse impact on the General Fund revenue account.

In respect of the Council's borrowing strategy it was likely to be more cost effective in the short-term for the Council to use internal resources, or to borrow short-term loans. This strategy would be kept under review in conjunction with the Council's treasury management advisors, Arlingclose Ltd. Sources of potential new borrowing included the Public Works Loan Board (PWLB), the capital markets, and Local Authorities. It was noted that the PWLB had recently revised their lending policy, and that as a result their lending rates to Local Authorities had reduced by 1%; and although this was welcome news, this reduction was conditional on Local Authorities not borrowing purely for yield as part of their medium-term plans.

In respect of the Council's investment strategy, it was reported that in the current year, the level of investment balances would average approximately £61m; this amount had been elevated by the coronavirus measures introduced by Government which included the Authority providing financial assistance to businesses, Council taxpayers and other individuals during the pandemic. The forecast for the period 2021/22 was for a significant reduction of investment balances to approximately £36m, before increasing again over the medium-term.

With regard to approved investment counterparties, it was noted in previous years, an aggregate limit had existed on money market funds; going forward, it was proposed that this limit would be removed, although this was subject to an individual fund limit of £5m. It was also added that the coronavirus pandemic had seen market rates, including those offered by the Debt Management Office, become negative.

In terms of the financial implication on investment income, the budget had been reduced in 2021/22 to £0.709m; which reflected a forecast reduction in cash balances; an expectation that dividend income would still need to recover following the impact of the pandemic; and that there would be a continuation of very low interest rates. The Council's proposed revenue budget for 2021/22 includes a drawdown from the Treasury Management reserve of £0.350m in order to offset the anticipated reduction in dividend and interest income. The amount of interest to be paid was forecast to increase over the medium-term to an additional £0.352m per annum by the end of March 2025, which reflected the expected increase in external borrowing required for major capital investment projects. This additional expense which would be charged to the General Fund revenue account was to be met by the income generated from the respective projects.

Further to the conclusion of the report, there followed a general discussion by Members during which consideration was given as to whether the Committee would like to propose any amendments, comments or observations for the Cabinet Member for Finance and Performance Management to take into account when presenting the final Treasury Management Strategy to Cabinet and Full Council. Although areas for clarification in respect of the report were raised by Members, these were subsequently addressed by officers during the meeting and no such proposals to the Cabinet Member were made.

In response to a request by the Chairman that the data tables within the report included an initial 'forecast' column as a way of easing the comparison of data at different stages of the year, Members were reminded that they would receive a mid-year and year-end report which would provide comparisons between the different stages of the Council's treasury management process.

DECISION: That the Corporate Governance Group:-

1. Reviewed the draft Treasury Management Strategy; and

2. Gave consideration to whether the Group would like to propose any amendment or provide comments or observations for the Cabinet Member for Finance and Performance Management to take into account when presenting the final Treasury Management Strategy to Cabinet and Full Council.

REASON FOR DECISION: The Council's Constitution requires that prior to consideration by Cabinet and Full Council, the draft Treasury Management Strategy is reviewed and scrutinised by the Corporate Governance Group.

The meeting commenced at 7.15pm and closed at 8.38pm.

Councillor R van Dulken
(Chairman)