

Finance and Audit Scrutiny Committee

Minutes of the remote meeting held on Wednesday 19 August 2020 at 6.00pm, which was broadcast live via the Council's YouTube Channel.

Present: Councillor Nicholls (Chair); Councillors: Bartlett, J Dearing, R Dickson, Grey, Heath, Illingworth, Jacques, Luckhurst, Syson and Wright.

Also present: Councillor Hales (Portfolio Holder for Business & Finance); Councillor Grainger (Portfolio Holder for Culture & Neighbourhood) and Councillor Day (Leader of the Council).

12. Apologies and Substitutes

- (a) there were no apologies for absence; and
- (b) Councillor Jacques substituted for Councillor Tracey.

13. Declarations of Interest

There were no declarations of interest made.

14. Minutes

The minutes of the meeting held on 27 May 2020 and of the Joint Meeting of the Finance and Audit Scrutiny Committee and the Overview and Scrutiny Committee held on 29 July 2020 were taken as read and signed by the Chair as a correct record.

15. Audit Progress Report

The Committee received a report from Finance bringing forward a report from the Council's external auditors.

The audited Statement of Accounts were due to be signed off by the Finance & Audit Scrutiny Committee on 19 August. With the current working arrangements, there had been some delays to the completion of the audit. This was discussed more fully within the Audit Progress Report from the External Auditors attached as Appendix 1 to the report.

Members were reminded that under the latest Accounts and Audit Regulations, the normal deadline for the Council's audited Statements of Accounts to be signed off was 31 July. Members had been updated previously on how the regulations had changed for this year, with the deadline now being 30 November. However, it was still the intention of the Council and the auditors to keep to the original deadline as far as possible, as previously reported. Recently, it had been intended to be reporting the audited Statement of Accounts and the Auditor's Audit Findings Report to this Committee on 19 August.

Recent discussions with the external auditors had confirmed that it would not be possible. The reasons for this delay largely related to problems with

the current virtual and home working arrangements. Some elements of the audit were still best considered in a face to face, office environment.

The external auditors had submitted the Audit Progress Report. This detailed some of the elements of the audit that still remained to be completed. It also provided some details about some of the problems encountered with the current audit.

Whilst the audit was not complete, the auditors had not raised any significant concerns with the draft accounts. Also, they were not expecting to encounter any problems as they completed their work.

Overall, the auditors estimated that the audit would take an additional 10 days to complete. All parties were very keen for the work to be completed as soon as possible, certainly before the end of August. The Audit Findings Report was expected to be issued in early September. This would then be reported to the Committee at the end of September.

With this delay to the audit, the Council was still in a very strong position compared to many local authorities. In some cases, the 2018/19 Accounts remained unsigned. Some authorities were expecting their audit to progress towards the 30 November deadline.

Mary Wren and Grant Patterson both attended the meeting to represent Grant Thornton and outlined the planned Audit and what work had been completed.

In answer to questions from Members, Mr Patterson and Ms Wren, representing Grant Thornton, the Council's external auditor, advised that:

- In line with the Royal Institute of Chartered Surveyors (RICS) guidance, most valuers had issued material uncertainty disclosures within their valuation reports and the Council made reference to this within its financial statement. Mr Thornton emphasised that it was essential to make full disclosures of these in the Council's financial statement.
- Whilst the financial statement would present the valuation as at the end of March 2020. However, the external auditors were reviewing if any further information became available since then that might impact on the valuation of those property assets. It was also important to note that there were different methods of valuations, such as building or market valuations. The market valuations presented a greater difficulty because there had not been a lot of market activity.

In the interest of openness, Mr Patterson advised Members that there was an issue worth mentioning to do with the pension fund, of which Mr Patterson was the auditor. MHCLG had published the remedy to McCloud, and there was work being done at a national level currently to see what the impact of that might be.

Councillor Illingworth was comfortable with the report presented to Members and the progress made, and expressed his thanks to both the Council's external auditors and officers for the way they worked together remotely during peculiar circumstances.

It was proposed by Councillor Grey, seconded by Councillor Wright and

Resolved that the report and appendix be noted.

16. Treasury Management Activity Report for the period 1 October 2019 to 31 March 2020

The Committee received a report from Finance that detailed the Council's Treasury Management performance for the period 1 October 2019 to 31 March 2020.

The Council's 2019/20 Treasury Management Strategy and Treasury Management Practices (TMP's) required the performance of the Treasury Management Function to be reported to Members on a half yearly basis.

The "Risks" section in the report highlighted the sudden impact of an event such as Covid-19 and the importance to protect investments whilst still trying to get the best possible returns on those investments. The performance during 2019/20 was better than expected in the budgets and it also compared well against the benchmark, with the exception of the equity funds which were well under the Council's budget.

In response to further questions at the meeting the Principal Accountant explained that:

- when referring to "borrowing for housing", it was meant the Council's borrowing for the purpose of new housing developments, be it buying of land or building; and
- there was no risk on a large housing loan the Council had previously taken out as it had been taken prior to 1 April 2020.

Councillor Wright emphasised that any decision to divest which would cost the Council a significant amount of money would need to be carefully considered, especially during the current circumstances. He reminded Members that the Council was accountable to the public in explaining any decisions which would bring a financial loss.

Councillors Syson and Nicholls congratulated the Principal Accountant and the Accountancy team for managing to a very performance under difficult circumstances.

17. 2019/20 Annual Treasury Management Report

The Committee considered a report from Finance that presented the Council's a Treasury Management activities during 2019/20.

The Council was required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. The report met the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code). The report covered the Council's performance for the whole of 2019/20, which was attached as Appendix A to the report.

The Treasury Management Strategy for 2019/20 and the Council's Treasury Management Practices, in accordance with the Code of Practice for Treasury Management, required that the Treasury Management function reported on

its activities during the year by no later than 30 September in the year after that being reported on. This date remained in place despite COVID-19.

During 2019/20, the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the year (approved by the Chairman and Group Leaders on 25 March and confirmed by Council on 20 May 2020);
- a mid-year (minimum) treasury update report (Finance & Audit Scrutiny Committee 12 November 2019); and
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, the Council received a half-yearly treasury management update report for the second half of 2019/20 and which was elsewhere on the agenda.

The regulatory environment placed responsibility on members for the review and scrutiny of the Treasury Management Policy and activities. This report was, therefore, important in that respect, as it provided details of the outturn position for treasury activities and highlighted compliance with the Council's policies previously approved by Members.

The Council had complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Finance & Audit Scrutiny Committee before they were reported to the full Council.

Member training on treasury management issues was undertaken during the year on 26 November 2019 in order to support Members' scrutiny role.

Consideration of the Council's Treasury Management activities was within the remit of the Finance & Audit Scrutiny Committee on behalf of full Council; consequently, it was appropriate to report the Council's annual performance directly to this Committee.

The report followed the format used in the Treasury Management Strategy Plan presented to the Chairman and Group Leaders on 25 March (and confirmed by Council on 20 May 2020), and commented, where appropriate, on the Council's actual performance against what was forecast in the Strategy Plan as well as, in certain instances, latest forecasts. The Council was also required to comment on its performance against its Annual Investment Strategy for the year.

The Council had announced that it was to seek to divest from fossil fuels at the earliest opportunity; no later than the end of 2025, and ideally by the end of 2022. However, given the very significant losses incurred by the two equity funds since the COVID-19 outbreak, it could be very costly to divest by the earlier date as any losses would be charged to the General Fund revenue account in that financial year.

The Council might consider varying its investment vehicles or counterparty limits, however, this would alter the potential credit and liquidity risks.

In response to further questions at the meeting the Principal Accountant, the Head of Finance and the Portfolio Holder for Finance explained that fossil fuels investments and the financial impact of divesting from them would be a matter for the Council to determine. The Accountancy team would keep monitoring this on a six-monthly basis and present any further issues to the Committee. The real issue was that any revenue loss would be charged to revenue, which was a concern given the current budget deficit. This would be an area for the new Programme Advisory Board for Finance to consider.

18. **Review of Work Programme and Forward Plan & Comments from the Executive**

The Committee considered a report from Democratic Services that informed the Committee of its work programme for 2020/2021 Municipal Year (Appendix 1) and of the current Forward Plan.

The work programme as attached at Appendix 1 to the report should be updated at each meeting to accurately reflect the workload of the Committee.

Two of the five main roles of overview and scrutiny in local government were to undertake pre-decision scrutiny of Executive decisions and to feed into policy development.

If the Committee had an interest in a future decision to be made by the Executive, or policy to be implemented, it was within the Committee's remit to feed into the process.

The Forward Plan was actually the future work programme for the Executive. If a non-executive Member highlighted a decision(s) which was to be taken by the Executive which they would like to be involved in, that Member(s) could then provide useful background to the Committee when the report was submitted to the Executive and they were passing comment on it.

Resolved that the report be noted.

19. **Executive Agenda (Non-Confidential Items and Reports) – Monday 24 August 2020**

The Committee considered the following non-confidential item which would be discussed at the meeting of the Executive on Monday 24 August 2020.

Item 9 - WDC Post Covid Recovery Strategy – Back to the Future

The Finance & Audit Scrutiny Committee supported the recommendations in the report.

Item 8 - Quarter 1 Budget Report

Members noted that whilst the report was a snapshot in time and still work in progress, there had been a significant impact on the Council's budget, showing a considerable deficit which needed to be addressed. The underlying deficit issue prior to Covid 19 had been exacerbated by the loss of income due to Covid 19. The Committee acknowledged that the Council had a legal requirement to set a balanced budget, which had to take

priority. With that in mind, Members felt that there were difficult decisions and choices to be made, for example how to fulfil the Council's Climate Emergency Action Plan in the changed financial situation it now faced.

The Committee wished to comment to the Executive about the desirability of including a wider group of Members when it came to reviewing what the Council would do in terms of the proposed savings or alternatives and the impact they might have. The Committee agreed with the Portfolio Holder for Finance and Business that there were some choices to be made by the Council in order for it to be able to set a balanced budget in February 2021. As a result, Members suggested arranging a different meeting involving a larger number of, or all, Councillors, where they could consider the savings options and the income generating options, so that the right choices were made for residents, based on cross-party support and collaboration.

(The meeting ended at 7.22pm)

CHAIR

30 September 2020