

Finance and Audit Scrutiny Committee

Minutes of the remote meeting held on Wednesday 11 November 2020 at 6.00pm, which was broadcast live via the Council's YouTube Channel.

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

Also present: Councillors Day (Leader of the Council) and Hales (Portfolio Holder for Business & Finance).

31. Apologies and Substitutes

- (a) there were no apologies for absence; and
- (b) there were no substitutes.

32. Declarations of Interest

There were no declarations of interest made.

33. Minutes

The minutes of the meeting held on 30 September 2020 were taken as read and signed by the Chair as a correct record.

34. Public and Press

Resolved that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following item by reason of the likely disclosure of exempt information within the paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

35. Executive Agenda (Confidential Items and Reports) – Tuesday 17 November 2020

The Committee considered the following non-confidential items with their confidential appendices which would be discussed at the meeting of the Executive on 17 November 2020. These were considered in private session because it was felt the financial details contained in the appendices could not be separated from the public consideration of the report.

Item 4 & 12 - Sherbourne Resource Park – Proposal to become a Partner Council

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

Item 6 & 14 – Creative Quarter: Spencer Yard

The Finance & Audit Scrutiny Committee recommended to the Executive that authority should be delegated to the Deputy Chief Executive (BH) in consultation with the Chair of the Finance & Audit Scrutiny Committee, the Leader of the Council and the Portfolio Holder for Finance and Business, to further investigate and look in detail at the proposed Heads of Terms included in Confidential Appendix 2. Given the Council's unanimous support of the Climate Emergency Action Plan, Members asked that detailed terms on the environmental standards of the proposals should be considered, and whether it was sensible to include environmental conditions into the lease. Members felt that the efficacy of those conditions was something the Programme Advisory Board should look at and monitor.

The Executive were required to vote on this because it formed a recommendation to them.

(The meeting resumed in public session.)

36. Executive Agenda (Non-Confidential Items and Reports) – Tuesday 17 November 2020

The Committee considered the following non-confidential item which would be discussed at the meeting of the Executive on 17 November 2020.

Item 9 - Significant Business Risk Register

The Finance & Audit Scrutiny Committee recommended to the Executive to review Environmental Risk 16 on the Risk Register, "Failure to meet the District's ambition to be carbon neutral within specified timeframes", to more clearly indicate if this risk referred to the ambition to become carbon neutral as a Council, District or both together. Members felt that as it stood, this was unclear and would benefit from being broken down into different aspirations and their risks, or making it more clear if it was an overarching risk for the whole programme.

The Executive were required to vote on this because it formed a recommendation to them.

37. Treasury Management Activity Report for the period 1 April 2020 to 30 September 2020

The Committee considered a report from Finance that detailed the Council's Treasury Management performance for the period 1 April 2020 to 30 September 2020.

The Council's 2020/21 Treasury Management Strategy and Treasury Management Practices (TMPs) required the performance of the Treasury Management Function to be reported to Members on a half yearly basis, in accordance with the Treasury Management Code of Practice.

Treasury Management could have a significant impact on the Council's budget through its ability to maximise its investment interest income and minimize borrowing interest payable, whilst ensuring the security of the capital.

The Council was reliant on interest received to help fund the services it provided. The latest (revised / post COVID-19) estimate for investment interest in 2020/21 was being revised during the budget setting process and was not available at the time of writing the report.

Initial estimates made for the Medium Term Financial Strategy for the impact of Covid-19 was that the overall reduction in the Gross Investment Interest would be in the order of £500,000, with £300,000 being borne by the Housing Revenue Account (HRA) and the net reduction to the General Fund being £200,000.

The interest paid to the HRA was based on the HRA's equated balances for the year and the interest rate earned on relevant investments. The reduction from the original budget was mainly due to increased capital spending reducing the equated balances, with a smaller impact of the Base Rate not increasing, as had been expected, on interest rates.

Councillor Dearing raised the issue of the Council's investments in equity funds, which had underperformed in the first quarter. Councillor Dearing reminded Members of the commitment to modifying investments to become more environmentally, socially and governance-friendly. He therefore welcomed the details of the ongoing review of the investments, but was concerned that the review was not included on the Committee's work programme and asked if that was an omission.

In answer to the points raised by Councillor Dearing, the Portfolio Holder for Finance and Business, Councillor Hales, having spoken to Councillor Bartlett, the Chairman of the Finance & Business Programme Advisory Board (PAB), advised that these would be included in the PAB's work programme as soon as possible.

Councillor Wright asked that Members were cautious in terms of conducting the review, given the amount of change and uncertainty at this time.

The Chair thanked the Principal Accountant for his attendance and for the work he had done in terms of the Treasury Management, which the Chair felt was very secure and gave a good level of assurance.

Resolved that the report be noted.

38. Managing Securities in Council Contracts Update Report

The Committee considered a report from Finance that provided an update to Members on the progress being made in managing securities within contracts, following the report to Finance and Audit Scrutiny Committee in November 2018. The last update report was reported in November 2019.

Following the difficulties encountered three years ago, when one of the Council's contractors ceased to trade, a review was undertaken by the Council's Internal Audit Section entitled "The Assigning of Parent Company Guarantees and Other Types of Securities to Council Contracts". This review was reported to the Finance & Audit Scrutiny Committee in March 2018.

Reports on the progress in implementing the recommendations within that report were presented to the Committee in November 2018 and 2019. The current report gave a further update on those recommendations. The

recommendations and progress to date were detailed in Appendix 1 to the report.

The Appendix showed that significant progress had been made since the original report in March 2018. The notable changes were:

- The financial standings of all contractors was now actively monitored using "Credit Safe".
- Credit checks continued to be carried out for new contracts and renewals, now using Credit Check.
- In addition to Credit Check, the Accountants would review contractors for high value or high risk contracts.
- Contract Management Training was being rolled out; this included a section on securities.
- Alongside the update to the Code of Procurement Practice, supporting guidance was available to officers.
- WCC Legal services had advised upon and assisted with updating the guidance and new contract templates.
- Further reviews of the Procurement function were proposed, including a review by Internal Audit of the Council's approach to contract management.

Resolved that the report and appendix be noted.

39. **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 the 2020/2021 Municipal Year 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.

At its meeting in September, the Committee asked for an update at each meeting on the revised Audit Plan, so they were aware of its progress. This was attached as Appendix 2 to the report for information.

At the Joint Scrutiny Committee earlier this year, a small Group of Councillors (Davison, Grey, Milton, Nicholls and Margrave) agreed to draft a process for considering Executive items at Scrutiny. This work resulted in

the process attached at Appendix 3 to the report, which had been shared with all Councillors and tested ahead of this meeting. The proposal would be to put this in place and review at the March 2021 meeting, before formally requesting Council adds this to the scrutiny procedure rules.

The Chair and the Head of Finance advised Members that the Base Budget report would be available for Members' consideration at the Committee meeting in December, with the final budget report due to be presented to Members in February 2021.

In terms of the Interim Internal Audit Progress briefing note, Councillor Illingworth was delighted to see the update and wished to congratulate officers for the reassuring report. Members noted that the report had been written before the second national lockdown announcement had been made, and asked if this would now impact on the Audit Plan. If this was the case, Members were entirely understanding of the situation and asked that the Audit and Risk Manager would inform Members of any subsequent changes needed to the Audit Plan. The Head of Finance was satisfied that the Audit Plan should be able to go ahead as presented in the briefing note, as officers had now been working from home for a number of months, and from that point of view, not much would have changed.

Resolved that

- (1) the report be noted; and
- (2) the Base Budget report be added to the Committee's work programme for December.

40. **Executive Agenda (Non-Confidential Items and Reports) – Tuesday 17 November 2020**

The Committee considered the following non-confidential item which would be discussed at the meeting of the Executive on 17 November 2020.

Item 3 – Fees and Charges

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

(The meeting ended at 7.12pm)

CHAIR

9 December 2020