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AUDIT COMMITTEE

23 JANUARY 2019

Present: Councillors Rankin (Chair), Levane (Vice-Chair), Charman and Berelson

Apologies for absence were notes for Councillor Chowney

41. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Chowney

42. DECLARATIONS OF INTEREST

None

43. MINUTES OF THE MEETING HELD ON 15 NOVEMBER 2018

RESOLVED – (unanimously) that the minutes of the meeting held on 15 November 2018 be approved.

44. TREASURY MANAGEMENT- MID YEAR REPORT 2018/9

The Assistant Director, Financial Services and Revenues presented a report that advises the Audit Committee of the Treasury Management activities and performance during the current year. It provides the opportunity to review the Treasury Management Strategy and make appropriate recommendations to Cabinet and Full Council to take account of any issues or concerns that have arisen since approving it in February 2018.

The Assistant Director, Financial Services & Revenues presented his report, he advised of an amendment to the report. The report should read that it's to Audit Committee and not CAP and Cabinet. The report should state that it is advising the Audit committee and not Cabinet.

Councillor's attention was drawn to report paragraphs 18 and 52.

Paragraph 18 dealt with the councils borrowing with Public Works Loan Board (PWLB). The PWLB is a statutory body that issues loans to local authorities and other specified bodies, from the National Loans Fund, operating within a policy framework set by HM Treasury. This borrowing is mainly for capital projects.

Paragraph 52 dealt with the Councils property fund. It was agreed in February 2017 that there could be an option for expanding investments into a property fund to the sum of £2million with the Churches, Charities and Local Authorities (CCLA). The CCLA manage investments for charities, religious organisations and the public sector. Currently there has been a good yield from this investment.

Issues were raised with the accessibility of the report. There is to be briefing sessions on Treasury Management on 30th January that will help Councillors understand better.

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There will also be a further 2 sessions during the next financial year. It was acknowledged that there are a lot of complex figures and calculations but that the Councillors weren't expected to be experts but rather give a lay perspective using common sense and ask advice from Officers as needed. The Audit Chair noted the comments about accessibility.

Councillor Charman proposed a motion to approve the report as set out in the resolution below, which was seconded by Councillor Levane.

RESOLVED (unanimously) that the Audit Committee agree the Mid Year report.

Reasons for Recommendations

The Code of Practice on Treasury Management requires, as a minimum, a mid-year review of the Treasury Management Strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved (February 2018). It is a requirement of the Code of Practice that the Mid-year review is considered by Audit Committee.

The Council has increased its levels of income generation and this entails new borrowing over potentially long periods, with consequent risks in terms of asset valuations, credit worthiness, cash and reserve fund availability. Such risks cannot be considered in isolation of all the issues facing the Council now and potentially in the future.

45. TREASURY MANAGEMENT, ANNUAL INVESTMENT STRATEGY AND CAPITAL STRATEGY 2019/20

The Assistant Director, Financial Services and Revenues presented a report that asks the Audit Committee to consider the draft Treasury Management Strategy, Annual Investment Strategy, Minimum Revenue Provision (MRP) Policy and Capital Strategy and make recommendations to Cabinet and Full Council as appropriate. He advised this is to ensure that there is an effective framework for the management of the Council's investments, cash flows and borrowing activities prior to the start of the new financial year.

The Council has some £46.7 million of debt (as at 1 January 2019), and investments which can fluctuate between £15m and £30m in the year. The level of debt is set to increase to some £78m by 2020/21.

There is a statutory requirement to determine, by Full Council, the Treasury Management Strategy Statement, Minimum Revenue Provision (MRP) Policy, Capital Strategy and Annual Investment Strategy prior to the start of the new financial year.

The report was set out in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management.

The Council is required to operate a balanced budget. Treasury management ensures that cash flow is adequately planned with cash being available when needed. Council's capital plans provide a guide to its borrowing needs. Management of investments, borrowing and cash flow remains crucial.

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The Chief Finance Officer advised that the Capital Strategy was a new requirement for 2019/20, and would be developed further through 2019/20 as the Councils Capital planning over the medium term (up to 20 years) is brought forward.

The report makes a number of recommendations which the Assistant Director, Financial Services and Revenues went through. These included recommending not increasing borrowing levels for 2019/20 until spending plans were determined and investing a further £3million with the CCLA. Decisions about the Councils future financial plans would need to go to Full Council for agreement should borrowing levels require amendment.

The Councillors asked questions about borrowing. The working arrangements with the PLWB. It was discussed how the PLWB interest rates could vary and given that base rates may increase in autumn. It was important that income streams were secure as some loans will be paid back over the course of 50 years.

Councillors asked questions about reserves. There was a minimum level of reserves set at £6m for 2018/19. The minimum level for 2019/20 would maintain at the same levels. It was increased in 2018/19 due to commercial property acquisition. Currently the commercial property has been doing well as the number of tenants in those properties has been maintained. There is currently £8million in earmarked reserves but this is restricted for funds such S106s and the Disabled Facilities Grant. The Councillors asked if there was data showing the difference between non-restricted reserves and restricted reserves. Currently there isn't one as legally there isn't a division between the two types of reserves.

Councillors raised points about the accessibility of the reports again. The Assistant Director, Financial Services and Revenues responded that there will be more training and briefing sessions for Councillors. Further Guidance from CIPFA was being awaited.

Councillor Charman proposed a motion to approve the report as set out in the resolution below, which was seconded by Councillor Berelson.

RESOLVED (unanimously) that the Audit Committee recommends to Cabinet and full Council that:

- 1. The Council approve the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy, Annual Investment Strategy, and the Capital Strategy.**
- 2. That the strategies be updated as necessary in 2019/20 in the light changing and emerging risks, the Council's evolving future expenditure plans, along with further expected guidance on the Codes of Practice and government regulations.**
- 3. That the Financial rules and the Financial Operating Procedures of the Council are reviewed and revised (as necessary) to meet the new requirements of the Code.**

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4. That the Investment Policy includes the use of CCLA's Diversified Income Fund with a limit of up to £3m being invested within it (£5m in total with CCLA)

Reasons for Recommendations

The Council seeks to minimise the costs of borrowing and maximise investment income whilst ensuring the security of its investments. The Council continues to make substantial investments in commercial property, housing and energy generation initiatives, and this will continue to involve the Council in taking on additional borrowing.

The sums involved are significant and the assumptions made play an important part in determining the annual budget. The CIPFA Code of Practice (2017 Edition), adopted by the Council last year, was released to take account of the more commercialised approach being adopted by councils and the enhanced levels of transparency required. The Code represents best practice and helps ensure compliance with statutory requirements.

The Council has the ability to diversify its investments and must consider carefully the level of risk against reward against a background still of historically low interest rates. Investments can help to close the gap in the budget in the years ahead and thus help to preserve services, assist in the regeneration of the town, provide additional housing and enhance the long term sustainability of the town.

46. CHIEF AUDITORS SUMMARY AUDIT AND RISK REPORT

The Chief Auditor presented a report to inform the Audit Committee of the key findings from the Credit Card audit.

Procurement patterns had changed and some purchases could not be done through BACS but only through a credit card payment. The council currently has 11 credit cards which have a relatively small spending limit on each. There is a need for more detailed records for each credit card transaction as some were lacking the detail required and so potentially conceal whether or not the purchase was for valid business purposes.

Overall the quality of the Audit assessment was good. Most controls were in place and working effectively although some improvements could be made. There could be better policy guidance for the use of credit cards.

Councillors asked for feedback from a previous highlighted issue cash and card expenditure for helping with the resettlement of Syrian refugees in the borough. Previously there had been greater cash expenditure than expected. Analysis and interviews were conducted and the majority of transactions were now done through credit card. Cash was only being used for subsistence items.

Councillor Levane proposed a motion to approve the report as set out in the resolution below, which was seconded by Councillor Charman.

RESOLVED (unanimously) that the Audit Committee accepts the report.

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Reasons for Recommendations

To monitor levels of control within the organisation.

47. NOTIFICATION OF ANY ADDITIONAL URGENT ITEMS (IF ANY)

- **S106 Spreadsheets**- Cllr Charman used this item to raise about the S106 spreadsheets. Councillors have been after data about S106s for a number of months. The spreadsheets were being updated and would be available to Councillors soon. A draft report has been prepared but there were still questions over 2 amounts that were being investigated and are expected to be resolved soon. There had been a delay due to staff sickness, budget preparations and other work priorities. Moving forward there would be regular meetings between relevant officers to keep this data up to date. The S106 data will be looked at to see if the funds can be used to help with fixing issues within the borough - subject to the restrictions on the funds.

(The Chair declared the meeting closed at. 7.00 pm)

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