

BRECKLAND COUNCIL

At a Meeting of the

GOVERNANCE AND AUDIT COMMITTEE

Held on Thursday, 17 December 2020 at 10.00 am
Virtual meeting via Zoom

PRESENT

Mr W.P. Borrett (Chairman)	Mrs J. James
Mr R.G. Kybird (Vice-Chairman)	Mrs L.H. Monument
Mr H. E. J. Clarke	Mr J. Plaskett (Independent Lay Advisor)

Also Present

Mr T. Birt	Mrs S. E. Suggitt (Exec Member for Governance)
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In Attendance

Fiona Dodimead	- Internal Audit Director TIAA
Teresa Smith	- Democratic Services Team Leader
Julie Britton	- Democratic Services Officer
Alison Chubbock	- Chief Accountant (Deputy Section 151 Officer) (BDC)
Jason Cole	- Executive Manager People & Innovation
Ryan Pack	- Innovation and Change Business Partner

Chairman's Opening Remarks

The Chairman welcomed everyone to the meeting.

44/20 MINUTES (AGENDA ITEM 1)

The Minutes of the meeting held on 8 October 2020 were agreed as a correct record, subject to the following minor typographical errors being amended:

- Page 13 – Annual Report & Opinion 2019/20 (Minute No. 38/20) 5th paragraph - the word 'word' to be changed to 'work'; and
- Page 14 – Progress Report on Internal Activity (Minute No. 39/20) 3rd paragraph – the words 'for the' had mistakenly been added twice.

45/20 ACTIONS ARISING FROM THE MINUTES (IF ANY) (STANDING ITEM) (AGENDA ITEM 2)

In response to a question, Members were informed that there had been no feedback about the furlough status of the Law firm dealing with the Council's S106 Agreements.

46/20 APOLOGIES (AGENDA ITEM 3)

An apology for absence had been received from Councillor Grey.

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47/20 URGENT BUSINESS (AGENDA ITEM 4)

None.

48/20 DECLARATION OF INTERESTS (AGENDA ITEM 5)

None declared.

49/20 NON-MEMBERS WISHING TO ADDRESS THE MEETING (AGENDA ITEM 6)

Councillor Tim Birt and Councillor Sarah Suggitt.

Councillor Suggitt was in attendance in her capacity as the Executive Member for Governance.

50/20 TRAINING (STANDING ITEM) (AGENDA ITEM 7)

None.

51/20 STRATEGIC RISKS UPDATE (AGENDA ITEM 8)

As this report was part exempt, it was agreed that the public part of the report would be discussed separately, and the private and confidential appendix would be discussed at the end of the meeting under agenda item 16.

Councillor Birt said that he was having difficulty in justifying the qualification for the exemption as he did not believe that any of the report should be excluded from the press and public.

In response, the Chairman advised that he was satisfied the exempt report fulfilled the necessary criteria and as Chairman he was entitled to make that ruling.

Councillor Sarah Suggitt, the Executive Member for Governance, Jason Cole, the Executive Manager for People & Innovation and Ryan Pack, the Innovation & Change Business Partner were in attendance for this item.

The Executive Member for Governance apologised to the Committee for not including these Risk Registers at previous meetings. It had not been intentional and was an oversight and would not happen again.

Since previously reported, the strategic risks had been reviewed, updated and a number of risks had been added. The most notable risk was related to Covid, which had been included in response to the pandemic, but the Council continued to actively manage and mitigate to ensure that, the Council had been able to continue to operate and deliver services throughout the pandemic. This risk would remain in place whilst the pandemic was on-going.

The majority of the risks on the Strategic Register had been impacted by Covid and these implications had been reflected in the commentary attached to the report. In many cases this had not led to risks being raised into the 'red' category. It should also be noted that the Chief Executive vacancy risk had been dealt with under the operational staffing risks.

Currently the Chief Executive's duties were being completed by the two experienced Executive Directors as the Council continued to operate through the pandemic in the interim Place Based Management structure.

The Council had also successfully recruited to the statutory role of Head of Paid Services. Executive Briefings remained in place as well as the formal meeting structure between Executive Members and the Executive Officers.

The Executive Manager for People & Innovation also apologised to the Committee for the oversight and he was working to ensure that the Risk report would be brought to the meetings on a required basis in future.

The Chairman acknowledged their apologies and thanked them both particularly to the Cabinet Member for attending this meeting as this had been a matter of concern to the Committee.

The Innovation & Change Business Partner highlighted a number of risks for Members to note.

The likelihood of risk had been raised for the 3 financial risks within the report, the Medium-Term Financial Plan, the Business Rates Retention Scheme and Asset Portfolio, this had been in response to the wider economic situations. Equally, the likelihood of the cyber security risk had also been raised which was more reflective of the wider situation with local authorities around such security.

Members were then invited to ask questions.

The Chairman drew Members' attention to the private & confidential item and the matrix to the risks where further explanations had been included which would be easier for the Committee to follow.

The Vice-Chairman asked a question on the failure to deliver the Local Plan and Delivery Plan and suggested that this had been very much affected by the emerging Government Policy. He felt that the risk had increased but according to the matrix, the risk in respect of the Local Plan had remained the same. Members were informed that the reason that this risk had not been increased but the risk to the emerging Policy had been due to the conversations that he had been having with the Director of Planning & Building Control where it had been agreed that if there were issues with the emerging Policy there were still other options available to the Council in respect of the delivery of the Local Plan.

Councillor Birt mentioned the critical breach of ICT and the failure to maximise the income from the Council's investment portfolio. He had noted that the risks were the exact same on both matrices but felt that on the ICT security risk whether the Council had under-estimated the consequences and felt that it should be included in the critical impact area.

The Innovation & Change Business Partner felt that this was a fair comment around the impact of such a breach and he would be happy to pick this up with the Head of IT outside of this meeting.

Councillor Clarke agreed with the risks as set out in the report but as this

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<p>Committee met periodically, he asked if he could assume that if the risk levels changed that the Council had the flexibility to review and change those risks. Members were informed that Managers were asked to update their risks once every quarter and if there were any major changes, more than once in a quarter, the Managers were able to access the risk register and make an individual assessment, but he would be more than happy to provide the Committee with verbal updates on any significant changes to those risks to future meetings.</p>	RPack
<p>Mr Plaskett thanked the Officers for the updates on pages 25 to 30 of the agenda pack as this information provided clarity and had provided him with some assurance that these strategic risks were being monitored. He still had some minor issues with the action dates that suggested that they were not being looked at as no target dates had been set.</p>	
<p>Referring back to Councillor Birt's earlier point in respect of ICT, this had reminded him of the number of internal audit actions that had been outstanding on cyber security for more than a year and was concerned that the right level of commitment was not being provided.</p>	
<p>In terms of target dates, the Innovation & Change Business Partner said that he would, ahead of the February meeting, provide Members with a verbal update on revised target dates for the Committee's consideration. Equally on the cyber security audit issue, Members were informed that this matter would be discussed with the Auditors and IT and he believed that the Council was in a position to close down many of these risks. Members would be kept informed accordingly.</p>	RPack
<p>Councillor James referred back to risk in respect of the Local Plan. It stated quite clearly on page 29 of the agenda pack that this had therefore led to a rise in the risk likelihood yet referring to the matrix no changes had been made. The Innovation & Change Business Partner apologised as this risk should have been raised from a likelihood of a 2 to a 3 and would be amended accordingly.</p>	RPack
<p>The contents of the report were noted.</p>	
<p>Members then went into private session to discuss agenda item 16.</p>	
<p>52/20 <u>PROGRESS REPORT ON INTERNAL ACTIVITY (AGENDA ITEM 9)</u></p>	
<p>Fiona Dodimead, the Internal Audit Director (TIAA) presented the report and provided Members with a progress update.</p>	
<p>A great deal of work had been carried out in Quarter 3 but unfortunately due to the timing of the audits, the final report for this meeting had not been produced. This work would be reported at the next meeting.</p>	
<p>In terms of reporting, the assurance mapping had been concluded and this draft report would be presented to the Head of Internal Audit for review.</p>	
<p>The Corporate Governance & Procurement audit was in progress and was due to conclude over the next few weeks.</p>	
<p>In terms of Quarter 4, all audits had been scheduled, the resources had</p>	

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been assigned and all were due to be completed by the end of the financial year.

No questions were asked, and the report was otherwise noted.

53/20 ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2019-20 (AGENDA ITEM 10)

Alison Chubbock, the Chief Accountant presented the report.

This was the first of three reports for the Governance & Audit Committee to consider.

The annual report on the Treasury Management Service and Actual Prudential Indicators reported on the previous year's performance in 2019/20 and was a recommendation to Full Council.

This report would normally be brought to the Committee in the month of June but due to the pandemic the meeting had been cancelled and therefore some of the information contained within the report was out of date.

Members' attention was drawn to Appendix A. The Chief Accountant advised that some of this information was out of date, but more recent information could be found in one of the reports being considered later on in the agenda.

In summary, Breckland Council had complied with all the requirements in 2019/20, no limits had been breached and no borrowing had been undertaken.

Attention was drawn to Appendix B, on page 48 of the agenda pack.

The capital spend table at section 2.2. showed an actual spend of £4.5m against the budget of £6.4m. This was mainly due to grant funded projects that were continuing in the current year. On page 49, the table showing the actual cash balance compared to the Council's expected, under section 3.4 of the report, showed a figure of almost £24m compared to estimates of £19m and this was partly due to below budget capital spend and due to differences in balances on debtors and creditors.

The report was otherwise fairly factual, and no questions were asked.

RECOMMEND to Full Council that:

- 1) the actual 2019/20 prudential indicators within this report be approved; and
- 2) the Treasury Management stewardship report for 2019/20 at Appendix B and Appendix C of the report be noted.

54/20 TREASURY MANAGEMENT MID YEAR REPORT 2020-21 (AGENDA ITEM 11)

The Chief Accountant advised that this report, reported on the activity for the current year thus far.

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The main area to note was the lack of investment returns. Although the interest rate was 0.1% the Council was struggling to get anymore than 0.01% hence the very low returns.

The Council also had much higher balances of cash than expected mainly due to the Government grants of which over £30m had been paid to the Council from the start of April 2020 to deliver grants to small businesses, retail, hospitality and leisure facilities. Many balances had to be kept for a short period of time that had proved difficult to find investment counterparties particularly when the Government DMO started to charge negative interest rates for any balances held for less than a week. However, on occasion, deposits had to be placed with the Debt Management Office (DMO) at a negative interest rate (i.e. the Council was charged to place the funds) but the total cost to date was approximately only £50. The Chief Accountant was pleased to inform Members that since then, the Council had managed to open a few more accounts and therefore funds were no longer being placed at negative rates.

The Council also took the little discretion it had on the Policy and had a £6m balance with one local authority where limits were normally £5m just through to February to help manage some of the excess cash in the short term.

Appendix A of the report contained the commentary from the Council's Treasury Advisors that was more up to date in comparison to the previous report.

During the year, the Capital Programme had been amended and some of the projects had been moved into the next financial year as part of the approved budget mainly due to pressures on staff and resourcing in respect of the pandemic earlier in the year.

Councillor Kybird, the Vice Chairman of the Governance & Audit Committee asked if there were any risks in placing monies with other local authorities. Members were informed that lending with other local authorities was classed as very low risk due to them legally having to pay back all its debts.

The Chairman hoped the Council had not invested its cash in the two authorities that were having issues around their financial stability. Members were informed that it had not.

Councillor Birt drew attention to page 64 of the agenda pack in particular the capital expenditure by Service. He had noticed a great deal of variance that the Council was moving around particularly under Commercialisation and Place and he wondered what confidence the Council had in these figures and how much this might change as it moved forward.

The Chief Accountant advised that this was the best estimate at the time, and she agreed with Councillor Birt that these numbers would most probably change particularly with the larger value projects. However, at the time of writing these were best estimates of the time frame as was dependent on so many factors going into the new year such as local

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lockdowns and enhanced restrictions, all would have impact and was difficult to predict.

The mid-year report and information on treasury activity was otherwise noted.

55/20 TREASURY MANAGEMENT POLICY & STRATEGY 2021-22
(AGENDA ITEM 12)

The Chief Accountant presented her final report which outlined the Treasury Management Policy & Strategy for 2021-22.

The recommendations to Full Council were highlighted.

The report was a little earlier than usually reported and the reason for this was explained.

Page 69 of the agenda pack under section 1.5 provided Members with a detailed summary of the key issues and changes made to the policies and strategies. It was noted that the only changes that had been made were the numbers in the tables in respect of the Council's draft budget.

The Chairman asked if seeing this report earlier would cause any detrimental effects to the Council. The Chief Accountant explained that no detrimental effects would be caused in terms of the Policy itself the only potential change was that draft budget figures were being used; therefore, when the mid-year report was discussed at the Governance & Audit Committee in December next year there could be slightly larger variances compared to the final budget figures.

Additionally, the Chairman asked if there were any particular risks that the Committee should be considering bearing in mind the year that the Council had just had. It was explained that the main risk was the lack of ability to place monies anywhere without negative interest rates but as the majority had been resolved this should not be classed as an issue going forward.

The Vice-Chairman asked a question about the process in extending or using the Council's overdraft of £2m. Members were informed that as part of this Policy, if approved by the Committee and the Full Council, no formal approval was needed to use it; however, it would be signed off by herself as the Chief Accountant & Deputy S151 Officer before it was implemented and she would need to be confident that it was the best value for money compared to borrowing from, for example, the Public Works Loan Board (PWLB).

Councillor James asked a question under section 1.4 of the report where it stated that an extension to the current arrangement was being negotiated and asked if this was in the context of the pandemic. The Chief Accountant explained that this had nothing to do with Covid, it was about the contractual arrangements coming to an end. There were very few people who offered this service and, as a consequence, the Finance Team had been liaising with the Council's Procurement Team to extend the current contract with Link Asset Services, the Council's external Treasury Management Advisors.

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Mr Plaskett, the Lay Advisor to the Committee asked the following questions:

On page 69, under section 1.5 of the report, it stated that the Council had a borrowing need for 2020-21 but he had noticed somewhere else in the report that there was no borrowing requirement for this year. The Chief Accountant explained that this one of the oddities of the reporting on the Prudential Indicators and explained that in numbers the Council did have a borrowing need against its capital but because the Council had balances in its banks of reserves it was called internal borrowing. In other words, the Council was able to fund the short term need to pay off the capital over the next three years for its internal balances.

Under table 1, there was a huge amount of capital expenditure under Commercialisation and Mr Plaskett asked if this was in respect of waste collections discussed at a previous meeting. The Chief Accountant agreed that it was a big increase than normal but the main reason for that was in respect of the two large externally funded power projects - £14m Homes England grant for power at Thetford and just over £2m for power at Snetterton also grant funded. The waste vehicles and equipment had been shown under the Place directorate. On table 2, it was explained that the very last line that showed the net financing need for the year, was reducing due to the Council repaying the borrowing from internal balances.

On page 73, on table 3, Mr Plaskett did not understand the figures and asked for these to be explained. Members were informed that this table linked to back to the very first question that Mr Plaskett had asked. This was the number that had to be calculated for the borrowing need for Capital purposes, the number at the bottom of the table was the Capital Financing Requirement and because it was a positive number, in theory, this meant that the Council did not have enough money to finance the Capital Programme; however, it did have enough due to it being paid off in Revenue over the years.

Table 7 on page 75, there was a typing error on the finance leases under 31/03/2020, one figure too many.

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The Chairman thanked Mr Plaskett for his questions and felt that these large projects for the power at Thetford and Snetterton were very exciting and were projects that the Council had been championing for a long time. He was pleased to finally see the evidence of them both appearing in the budgets going forward.

After being duly proposed and seconded, it was

RECOMMENDED to Full Council that the following be approved:

- 1) **The Treasury Management Strategy 2021-22 to 2023-24 at Appendix A;**
- 2) **The Minimum Revenue Provision (MRP) statement contained within Appendix A which sets out the Council's policy on MRP;**
- 3) **The Prudential & Local Indicators and limits contained within Appendix A (Tables 1-11);**

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4) The Investment Strategy 2021-22 (Appendix B) and the detailed criteria included in Appendix B1; and

5) The Treasury Management Policy at Appendix B2.

56/20 WORK PROGRAMME (AGENDA ITEM 13)

It was noted that the Call-in for Non-Key Officer Decisions recommendation had been removed from the Council report at the Full Council meeting on 10 December and would be brought back to the Governance & Audit Committee in February for further discussion. This item had already been added to the next Work Programme.

The Work Programme was otherwise noted.

57/20 NEXT MEETING (AGENDA ITEM 14)

The arrangements for the next meeting on Thursday, 11 February 2021 at 10am were noted.

58/20 EXCLUSION OF PRESS AND PUBLIC (AGENDA ITEM 15)

RESOLVED that under Section 100(4)(A) of the Local Government Act 1972, the press and the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 and 4 of Schedule 12A to the Act.

59/20 APPENDIX 2 FOR STRATEGIC RISKS UPDATE (AGENDA ITEM 16)

Members were informed that following earlier conversations with the Directors, it had been suggested that the risk be lowered to a one and moved to an operational risk.

Members were asked to vote on whether this risk should be retained as a strategic risk, and it was

RESOLVED that the risk be moved to an operational risk and be removed from the Strategic Risk register.

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The meeting closed at 11.00 am

CHAIRMAN