

BRECKLAND COUNCIL

At a Meeting of the

GOVERNANCE AND AUDIT COMMITTEE

**Held on Wednesday, 28 July 2021 at 10.00 am in the
Breckland Conference Centre, The Anglia Room, Elizabeth House, Walpole Loke,
Dereham, NR19 1EE**

PRESENT

Cllr Bill Borrett (Chairman)
Cllr Robert Kybird (Vice-Chairman)
Cllr Jane James
Cllr Linda Monument

ALSO PRESENT

Cllr Sarah Suggitt - Executive Member for Planning, Leisure and
Contracts
Mr J. Plaskett - Independent Lay Advisor
Cllr Timothy Birt

In Attendance

Alison Chubbock - Assistant Director Finance (Section 151 Officer)
Ruth Tudge - Democratic Services Officer
Anton Bull - Procurement & Contracts Manager
Julie Britton - Democratic Services Officer

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34/21 MINUTES (AGENDA ITEM 1)

The Minutes of the meeting held on 24 June 2021 were confirmed as a correct record; subject to the following amendments:

Minute No. 28/21: Strategic & Annual Internal Audit Plan (pages 15 & 16 of the agenda pack):

- first sentence to read: “more details on...”
- 5th paragraph, final sentence to remove the words ‘this matter’ to read: “as the Committee preferred to have more assurance in this area, ~~this matter~~ further conversation would be had with the IT Manager”.
- 2nd sentence should have had an action against it for the appropriate Officer to follow up this request – “It was agreed, however, that a risk assessment would be carried out on this matter” (the Digital Strategy).

Referring to the last bullet point, and as it was in respect of the Strategic & Annual Audit Plan, the Chairman presumed it would be the Internal Audit Manager who should follow this up and would be informed accordingly.

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35/21 ACTIONS ARISING FROM THE MINUTES (IF ANY) (STANDING ITEM) (AGENDA ITEM 2)

As mentioned under Minute No. 34/21 the following action would be forwarded to the Internal Audit Manager for an update.

- 2nd sentence – It was agreed; however, that a risk assessment would be carried out on the Digital Strategy.

There were no other actions arising from the Minutes.

36/21 APOLOGIES (AGENDA ITEM 3)

An apology for absence was received from Councillor Clarke.

37/21 URGENT BUSINESS ((AGENDA ITEM 4)

None.

38/21 DECLARATION OF INTERESTS (AGENDA ITEM 5)

None declared.

39/21 NON-MEMBERS WISHING TO ADDRESS THE MEETING (AGENDA ITEM 6)

Councillor Sarah Suggitt and Councillor Timothy Birt were in attendance.

Councillor Suggitt, the Executive Member for Planning Leisure & Contracts was in attendance in her role as the Portfolio Holder for contract management.

40/21 TRAINING (STANDING ITEM) (AGENDA ITEM 7)

Alison Chubbock, the Assistant Director of Finance & S151 Officer reminded Members that the Treasury Management training had been discussed at the last meeting and she asked the Committee whether they would prefer face to face or virtual training.

Councillor Birt asked if he could participate in the training as a non-Member of the Committee.

The Chairman pointed out that this training would be open to all Members who expressed an interest, and it would be held face to face. A date had yet to be confirmed.

41/21 CONSTITUTION – CONTRACT PROCEDURE RULES (AGENDA ITEM 8)

Anton Bull, the Procurement & Contract Manager presented the report.

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Haywood**

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Members were being asked to consider proposed amendments to the Contracts Procedure Rules and the associated log of delegations to Officers.

The Contract Procedure Rules formed part of the Constitution and were about providing a framework to reduce risk in the Council's procurement process and to provide an open, fair and transparent way to procure goods services. The rules were there for a number of reasons, they protected the Council and Officers making those decisions and made it a fair process for suppliers – in compliance with Government processes.

This was a relatively routine update to the Contract Procedure Rules and there were no radical changes except for a couple of key points, one being the Audit report that came out in March as a result from the partnership split from South Holland and the UK's departure from the EU.

Councils were governed by the Public Contracts Regulations which in turn had previously been governed by the European Public Procurement Directive and these changes came about as a result from the departure from the EU (see section 3.0 and Appendix B of the report).

As a consequence to the changes to the Contract Procedure Rules, there were a number of subsequent changes required to the Officer delegations. Procurement matters were an Executive function and formed part of the Cabinet's responsibilities and to allow the effective working of procurement Cabinet had delegated a number of matters to Officers and those delegations needed to be updated as a result.

The Contract Procedure Rules were a subset of the Finance Procedure Rules but in the current version the numbering had gone slightly askew and therefore a tidying up exercise was required (see section 3.2 of the report).

Mr Plaskett, the Independent Lay Advisor, had noticed on page 40 of the agenda pack, although very logical and clear, that one of the EU procurement thresholds was still showing on the table - £75,000 up to EU Procurement Threshold - and asked if this should be removed.

Councillor Monument queried the wording on page 39 of the agenda pack under the heading Competition Requirements and felt that under section 9.1.3 some wording had been crossed out by mistake. Also on page 38, she queried the term 'call-off' under section 8.2.3.

Members were informed that a 'call-off' was a term that was used in relation to the Framework Agreement. The Procurement & Contracts Managers explained that he had removed the term 'standing lists' as they had now become Framework Agreements, an explanation was then provided.

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Councillor Birt referred to page 32 of the agenda pack under 1.1.1 and felt that the word 'are' in that sentence should be changed to 'have'. He appreciated that the 'economically advantageous contribution' had stemmed from the Public Contracts Regulations but when it mentioned 'economically' did that mean the UK economy or Breckland's economy and asked how this was going to be measured and should it be termed as 'financially' rather than 'economically'. He also asked if the Council would be/could be excluded from awarding a contract to someone that was using tax evasion and exploitative labour. He felt that some of these matters had been partially addressed under the evaluation criteria on page 42 of the agenda pack, but they did not provide any terms of reference as to what the evaluation criteria might be to be able to exclude such a bidder from the process.

A final and most significant point raised by Councillor Birt was in respect of environmental issues. He had noticed that there was no sign of any carbon emissions counting/assessments that was crucial since the Council had signed up to its Climate Emergency declaration.

In response to the first point, the Procurement & Contract Manager said that he would get this wording corrected. In respect of the most economically advantageous tender, further detail could be found on such matters in the Public Contracts Regulations. Within these regulations all matters required such as financial, economic, environmental matters, as well as delivery and aftersales service were all taken into account when building a contract within the Procurement Team. The criteria had to be agreed and the supplier would have to be informed accordingly for openness and transparency.

The Public Services thresholds and the supplier selection process were then highlighted.

An updated Procurement Strategy would be brought to a future Committee meeting in due course, and this would include such matters as carbon management and environmental issues.

Picking up on the Procurement Strategy, and whilst not in currently in place, Councillor James asked if the Contract Procedure Rules would have to come back to this Committee as she had noticed on page 43 of the agenda pack there was reference to shortlisting and pre-qualification processes but no mention of a Procurement Strategy.

Members were informed that the Procurement Strategy would need to go through the appropriate approval processes to the Corporate Management Team (CMT) to review followed by Cabinet and possibly this Committee too.

The Chairman had found this very interesting but was concerned about it being too complicated as sometimes the hoops that

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Councils made companies jump through were far too onerous and therefore proper value for money could not be gained.

Subject to the aforementioned amendments being made, it was

RESOLVED that:

1. the proposed amendments to the Log of Delegations to officers relating to contracts, detailed in Appendix A of the report, be approved; and
2. the proposed amendments to the Contracts Procedure Rules, detailed in Appendix B of the report, be approved; and

RECOMMEND to **Full Council** that:

3. the Constitution be amended in accordance with Appendix B of the report and so that the Contract Procedure Rules are inserted after the Financial Management Standards.

42/21 CIPFA FINANCIAL MANAGEMENT (FM) CODE (AGENDA ITEM 9)

Alison Chubbock, the Assistant Director of Finance & S151 Officer presented the report that provided Members with an update on the CIPFA Financial Management (FM) Code and the progress against the Code to date for information.

This Code had recently been designed to support good practice in financial management standards. An analysis had been carried out by the Finance Team and the red, amber, green (RAG) rating showed that this Council was doing well against this Code in most areas but there was room for some improvement. Referring to page 55 of the agenda pack, a summary of the actions that the Finance Team would take over the coming months to bring the Council up to a 'green' performance in all areas were highlighted.

On page 54 of the agenda pack, Councillor James pointed out spelling errors under 'J' and 'O' on Appendix A.

The Chairman was pleased to note that this Council broadly conformed with the new Code and looking at the areas that were highlighted on the 'RAG' rating he felt there were no major structural concerns in terms of performance. As one of the few local authorities that did not have any net borrowing needs to fund, he imagined that compared to some authorities, this Council was at less risk. In terms of the timetable, he asked if this report would either have to be approved by this Committee or be recommended to Full Council for approval.

Members were informed that approval was not required at this stage, but for the current financial year 2021/22 this would form part of the audit of accounts that this Committee would be asked

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to approve, and Ernst & Young the Council's External Auditors, would audit progress against this Code.

The report and progress against the CIPFA FM Code was otherwise noted.

43/21 UN-AUDITED STATEMENT OF ACCOUNTS 2020-21 (AGENDA ITEM 10)

Alison Chubbock, the Assistant Director of Finance & S151 Officer presented the report for Members comments and information.

The draft accounts had been presented to Ernst & Young (E&Y) the Council's External Auditors for audit and it also included the Annual Governance Statement. Once it had been audited, this Committee would be asked to approve both the accounts and the Annual Governance Statement hopefully at the September meeting if E&Y had completed their audit work.

The Accounting Policies had been approved at the February meeting, since then there had been some minor changes and these could be found at section 1.2 of the report.

The main message for Members was that these were very unusual accounts, in unusual times and many of the comparisons to prior years looked very different. This had been mainly due to the Government grants for Covid of over £50m that the Council had received and given out to businesses and Government grants that had off-set lost income from business rates through the retail, hospitality & leisure discounts that were still held in the Council's accounts.

There was a new note, note 31 in the accounts that tried to explain those oddities and that note had been referenced throughout the Statement to try and point people in the right direction should they read them. The balance sheet on page 87 of the agenda pack was the main area of focus and this had been explained in the report. Short term creditors, short-term debtors, cash and bank and the Council's Reserves were all showing unusual balances.

Another couple of areas covered was the Pensions Liability. The Assistant Director of Finance reiterated that this was not a cash deficit it was an accounting balance based on actuary assumption and due to the CPI being higher and the discount rate being lower was the reason that this figure had changed why this had changed so tremendously. The Council's cash payments were only affected by the triennial review that would take place in March 2022 and was the only issue that had a cash impact on these. The second area to highlight was the usable Reserves that had increased by nearly £11m but this was not a real increase as approximately £6m of it was the Government compensation to off-set lost business rates and a great deal of the other money was in respect of grants that the Council was still holding to pay to businesses. These had all been paid out by the end of June, but they were still

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included in the accounts at the end of March.

Another matter that was brought to Members' attention that had not been included in the report due to timing issues was the formal objection to the Accounts that had been received. This objection related to the treatment of a single £10k grant payment to one organisation under the Small Business Grants Scheme. The Assistant Director of Finance was confident with the accounting treatment and the individual grant had been correct, but this would mean that E&Y would be carrying out a full independent review and would be reporting back on this matter to the Committee as part of their audit.

Councillor Monument asked for clarification that unusable reserves could include funds being held on the short-term but had been paid out because when looking at the figures some did not add up, but clearly, that meant that unusable Reserves had been used.

The Assistant Director of Finance apologised for the confusion as she meant useable Reserves had increased by £11m. Unusable Reserves were not used in terms of spend; however, the balances did change, and this year it had been due to the pension deficit increasing.

Mr Plaskett had quite a few questions to ask but was aware that some had already been explained. He was confused about the Government grant situation as it made looking at the accounts very difficult compared to previous years.

The questions and subsequent responses have been listed below:

On page 68, Mr Plaskett asked if the major reduction in both the budget and actual against Place compared to 2019-20 could be explained.

Members were informed that the current year included just under £2m of Government grant income for the additional restrictions grant that was why the figure looked unusual. The grant income came in and then was sent out.

On the same page, under the contributions to and from reserves, there was a £10m credit compared to a £1m credit in a previous year.

This was related to Government grants and was mainly in respect of the £6m held for business rates and £2m for the additional restrictions grants.

Just general question on Government grants, Mr Plaskett guessed that the money that the Council had received from the Government had to be passed on to service users or repaid?

Also on page 69, he was always surprised to see £14m for fees,

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charges and miscellaneous, the third largest grouping of expenditure without any explanation of the major elements of it. He felt that these should be identified and value the key proportions of that £14m.

In terms of the grant questions, the monies that was not paid to service users would have to be paid back to Government if not spent except for the grants received for business rates as this was for lost income. The additional restrictions grant monies had been fully paid out to service users and therefore would not have to be paid back and by spending it by a certain date it made the Council eligible to receive another £900k in grant funding. In terms of the £14m, this covered all miscellaneous items that was not already mentioned such as planning, enforcement income and income from the Anglia Revenues Partnership, and at the time South Holland DC. The Assistant Director of Finance & S151 Officer agreed that it would be possible to include some of these headlines in that particular Note.

On page 74 of the agenda pack under the heading Cash Flows, Mr Plaskett asked for an explanation in respect of the increase in cash & cash equivalents, £8.5m compared to £5m. It was explained that this had increased due to Government grants, but it had not increased as much as the other Council balances such as the £11m in Reserves and this was due to Capital spend in respect of the new waste vehicles and equipment.

On page 84 of the agenda pack, he asked why there was an 18% reduction in Strategy & Governance Directorate and what was included in other income and expenditure of £23.17m. Members were informed that the Strategy & Governance included the £950k Broadband contribution. The other income & expenditure was a local government accounting adjustment and was everything that the Council reversed in out of the accounts. The difference between this year and last year was mainly due to the Government grants.

On page 85 of the agenda pack, Mr Plasket asked for the meaning of re-measurement of the net defined benefit liability/asset to be explained. In simple terms, the Assistant Director of Finance & S151 Officer explained that this was in respect of the pension adjustments but then drew attention to the bottom of the table under actuarial (gains)/losses on pension assets/liabilities where the bigger variants of pensions were held and the remeasurement of the defined benefit liability/asset was always a smaller movement and tended to be similar each year.

On the following page, page 86 of the agenda pack under the unusable Reserves, this figure had reduced by £25m in one year and had consequently reduced the Total Reserve figure and he asked if this was primarily due to pensions. Members were informed that primarily this was in respect of pensions but equally there had been a reduction in the Re-valuation Reserve as some of the Council's assets had reduced in value. It also held the

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Collection Fund Adjustment Account, and the way the accounting worked on Business Rates was explained.

On the table on page 109 of the agenda pack, Mr Plaskett had noticed that the equity securities had not been itemised this year and many of the items listed had increased significantly and asked for those differences from one year to another to be explained. Members were informed that these were where the pension fund assets in the pension fund scheme were held that stemmed directly from the actuary, it was not monies that the Council had invested. Monies had been taken from equity securities and no assets were held there anymore which was why there was nothing shown in that part of the table, but holdings had increased in infrastructure and general equities instead.

Referring to page 124 of the agenda pack, Mr Plaskett was confused as to why the £10m cash under deferred Capital Receipts Reserve had not been received for the Capital Assets. The Assistant Director of Finance & S151 Officer explained that these were finance leases on some of the investment properties that the Council held and the way the accounting worked for these was explained.

On pages 130 and 131, the gross investment in the lease totals were slightly different and at the very top of page 151 there was a word missing under Note 3.

Mr Plaskett thanked the Chairman for allowing him to ask so many questions and to the Assistant Director of Finance & S151 Officer for her responses.

Councillor Monument referred to page 79 of the agenda pack and asked if 'unit site' was just a simple spelling mistake and should be 'unit size'.

Councillor Birt asked how long the objection to the accounts would take before it was completed as he was concerned how much this was going to cost. He also asked if the Council published who received these £10k grants as he wondered how someone would know to be able to make such a challenge. Another concern raised was in respect of some people electing to pay NNDR instead of Council Tax on second homes who had received such grants that could be subject to challenge.

In terms of timescales, the Assistant Director of Finance & S151 Officer said that a progress meeting had been arranged with E&Y and therefore the objection to the accounts should not take long to finalise and a day rate would be charged. The advice had been not to publish grants paid out for commercial/personal sensitivity reasons and believed that the objector would have managed to gain such information from the accounts of the beneficiary. In response to the latter concern, some second home/holiday home owners had registered to pay business rates instead of Council Tax and therefore would have been eligible for the grant; however,

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there had been new consultations received to tighten regulations so that a property could only be registered for business rates with certain criteria and had been recognised by the Government that this could potentially be an issue.

On page 130, it was noted that the word 'debtor' should be 'debt', to read: ".....in future years whilst the 'debt' remains outstanding".

Under the Collection Fund on pages 140 and 141 the reason that some figures had been blacked out was that Council Tax did not apply to some of those lines. For example, the 4th line down was NNDR income and therefore the Council Tax column had been blacked out and would never contain a number. As it did not present very well this would be looked at again next year.

The Chairman picked up on the point about the allocation of Government Grants to businesses. He felt that the key issue to note was that it was not a political decision for the Accounts Team to decide who would or would not receive such a grant it had been the Council's responsibility to grant as many grants as it could in line with Government guidance. All had been carried out in an exemplary manner and was the reason for the receipt of a further tranche of money from the Government in order to further support Breckland's businesses.

On page 89, Mr Plaskett had noticed a purchase of short term and long-term investments where in 2019/20 the Council had spent £123m and asked for an explanation. Members were informed that this was not a 'real' purchase and was in respect of a number of short-term overnight investments.

The Chairman felt that the Accounts demonstrated the amount of Central Government support the Council had received throughout the Covid crisis and as a result, this authority had come out the other side financially unscathed. He also mentioned the Officers involved and the exemplary way they had managed the Council throughout the pandemic.

RESOLVED that the un-audited Statement of Accounts and the Annual Governance Statement for 2020-be noted.

44/21 WORK PROGRAMME (AGENDA ITEM 11)

The Work Programme was noted.

45/21 NEXT MEETING (AGENDA ITEM 12)

The arrangements for the next meeting on Thursday, 30 September 2021 at 10am in the Anglia Room were noted.

The meeting closed at 11.00 am

CHAIRMAN