

**AUDIT AND STANDARDS COMMITTEE**

29 July 2020

Minutes of the Audit and Standards Committee meeting held at the Remote Meeting on Wednesday 29 July 2020 at 6.30 pm.

Committee Members present: Councillors A.K. Jeeawon (Chairman), J. Barnes, Mrs M.L. Barnes, K.M. Harmer, L.M. Langlands, Rev H.J. Norton and R.B. Thomas.

Other Members Present: Councillor C.A. Madeley.

Independent Persons: Mrs Rose Durban and Mrs Jan Gray (in part).

Advisory Officers present: Executive Director (MJ), Assistant Director Resources, Finance Manager, Monitoring Officer (in part) and Democratic Services Officer.

Also present: 8 members of the public, via the YouTube live broadcast.

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AS20/12.     **MINUTES**

The Chairman was authorised to sign the Minutes, at a later date, of the meeting of the Audit and Standards Committee held on 22 June 2020 as a correct record of the proceedings.

AS20/13.     **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Mrs E.M. Kirby-Green, Dr Anthony Leonard, Executive Director and Mrs Sue Fellows, Independent Person.

AS20/14.     **DISCLOSURE OF INTERESTS**

Declarations of interest were made by Councillors in the Minutes as indicated below:

Harmer	Agenda Items 6 and 7 – Personal Interest in so far as she was in receipt of a Business Grant.
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**PART A     STANDARDS REPORTS**

**PART II – DECISIONS TAKEN UNDER DELEGATED POWERS**

AS20/15.     **LOCAL GOVERNMENT ASSOCIATION (LGA) - MODEL MEMBER CODE OF CONDUCT - CONSULTATION**

The Committee received the report of the Monitoring Officer (MO) which outlined the Local Government Association (LGA) consultation on an updated draft model Code of Conduct (CoC) and this Council's proposed response.

One of the outcomes of the Committee on Standards in Public Life's (CSPL) report into local government ethical standards was a recommendation that an updated model CoC be created, providing consistency across England and to reflect the common expectations of the public regardless of geography or tier. The LGA was tasked with creating an updated model CoC, in consultation with representative bodies of councillors and officers of all tiers of local government and launched a consultation which ran until 17 August 2020. Members and the Council's Independent Persons were invited to submit comments to the MO for inclusion in the report.

Following the close of the consultation and the issue of a final model CoC by the LGA, the Council could consider whether to adopt a new CoC, using the final LGA national model as a starting point. The model CoC aimed to be concise, written in plain English and be understandable to Members, officers and the public. It was designed to help set a framework for public and councillor interaction, emphasising the importance of civility. A copy of the model CoC was attached to the report, together with the Council's suggested response to the consultation questionnaire, which had been compiled in conjunction with the Council's three Independent Persons, for Members' consideration.

Members were given the opportunity to ask questions and the following points were noted during the discussion:

- Members agreed that the response to question 7a on page 19 of the report be amended in order to convey the treating of people with civility as a general term and more specifically to treat others with 'courtesy and respect';
- Members agreed to suggest removing the word 'excessive' from the sentence under the heading of 'Civility' on page 6 of the report, 'You should not subject individuals, groups of people or organisations to unreasonable or excessive personal attack';
- the obligation 'Not bullying or harassing any person' had been marked as 'To a moderate extent' in question 4 on page 18, as the protected characteristics as defined in the Equality Act 2010 had not been included in the definition; and
- Members agreed to change the three obligations in question 4 on page 18 marked as 'a moderate extent' to 'a great extent' and for comments to be included which addressed their concerns raised about the missing characteristics within the definitions.

Feedback from the questionnaire would help the LGA develop a final draft to be reviewed by the LGA's Executive Board before being presented to the next LGA General Assembly in the Autumn of 2020. A further report would be made to the Audit and Standards Committee in December 2020 when consideration would be given to the final model CoC and whether or not this Council should introduce a new CoC of conduct based on the model CoC.

**RESOLVED:** That: this Council's response to the LGA's consultation on the model Code of Conduct as set out at Appendix 2 to the report be agreed as amended and shared with East Sussex County Council.

## **PART B      AUDIT REPORTS**

### **PART II      DECISIONS TAKEN UNDER DELEGATED POWERS**

#### **AS20/16.      TREASURY MANAGEMENT REPORT - 2019/20 OUTTURN**

Cabinet had approved the Council's 2020/21 Investment Strategy in February of this year; this required regular reports to be presented to the Audit and Standards Committee (A&SC) on the Council's treasury management activities. Investment activity was also reported to Members through the monthly Members' Bulletin. In managing its treasury management activities, the Council followed the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The report provided an update on a number of areas as follows:

- The Council had investments in call and deposit accounts with major financial UK institutions. The Council had also invested £8m in Property Funds.
- The Council held £23,839m of investments at 31 March 2020. The total income from investments was estimated at £508,000 (subject to audit); the average rate of return was 1.76%.
- As at 31 March 2020, the Council had taken out £11,979m of borrowing and the overall Capital Financing requirement was £15,788m.
- The Council maintained an under-borrowed position this year, which meant that the Capital Financing Requirement was not fully funded with loan debt. Instead the Council managed its cash flow by using reserves and balances. This strategy was prudent because investment returns had remained low and the counterparty risk associated with placing investments was minimised.
- The Council's cash position was managed to ensure that enough cash was available to meet capital plans and other cash flow requirements. To date this had been sourced via a combination of borrowing from the Government, through the Public Works Loan Board (PWLb) and utilising the Council's cash resources.
- The Council had invested in the regeneration of Rother through its Property Investment Strategy (PIS) and the draft income out turn from these non-Treasury Investments was provided within the report.
- The Council had not made any further property purchases since the last report to A&SC on 18 May 2020. The budget for rental income from all investment properties was £1,939,750, made up of £975,670 for the existing assets and £964,080 for properties purchased through the PIS. The draft outturn for 2019/20 was £1,689,786, which was a shortfall of £249,964 and equated to a gross return of 5.72%. After allowing for borrowing costs, the properties procured as part of the PIS generated an expected return of 2.71%.
- In the final quarter of 2019/20, the COVID-19 pandemic hit the UK and had a severe impact across all sectors on an unprecedented worldwide basis. Whilst not impacting the outturn for 2019/20, there

were implications for the Council's treasury activities in the current financial year.

- The Council had received over £1.7m of additional funding in response to the crisis and had also paid out £24.5m in support grants to small businesses.

Members were given the opportunity to ask questions and the following points were noted during the discussion:

- the investment portfolio detailed in the report included two deposit accounts that had since matured. Members were to be provided with an up-to-date position by email after the meeting;
- the Council was submitting regular returns to the Government regarding spend and income during the COVID-19 pandemic and had projected a gross loss of £3m. Government support of just over £1m had been received so far. Indications suggested that additional financial support from the Government in relation to lost income had been announced but the details were yet to be confirmed; and
- property purchases and income generated from them was below budget due to timing issues associated with the length of time to negotiate such deals.

The Council's current treasury management and investment strategies remained robust in managing the Council's cash funds. The investment environment for treasury activities remained difficult and was further exacerbated by the uncertainty over BREXIT and, to a lesser extent, the outbreak of the Coronavirus. The Treasury Management Strategy would be reviewed by officers and discussed with Members in due course.

**RESOLVED:** That the report be noted.

(Councillor Harmer declared a personal interest in this matter in so far as she was in receipt of a Business Grant and in accordance with the Members' Code of Conduct remained in the meeting during the consideration thereof).

#### AS20/17. **STATEMENT OF ACCOUNTS 2019/20**

In accordance with the Accounts and Audit Regulations 2003, the Council's accounts were required to be approved by the Council, or its delegated Committee, each year. The report of the Executive Directors discussed the main issues affecting the Council's draft Statement of Accounts and provided a full commentary on the core financial statements. The full statement would be circulated to Members when available.

At the time of writing the report, the Council's external auditors, Grant Thornton, were in the early stages of their work on the accounts for 2019/20. Grant Thornton would report on the outcome of their work later in the year in line with the revised national timescales. The draft accounts included a Narrative Report and the Annual Governance Statement approved by the Committee at its meeting on 18 May 2020

(Minute AS19/51 refers), which in accordance with the Committee resolution had been updated for the impact of COVID-19 on the Council's finances. The Code of Practice had required no major changes in the presentation of the accounts.

The Assistant Director Resources led Members through the draft Statement of Accounts and drew out the salient points.

It was noted that overall, the balance sheet showed that the financial position of the Council remained sound with an adequate amount of reserves in place to meet short term needs. The Pensions Fund liability of £17.85m was a long term financial assessment of a possible shortfall based on its current performance and therefore no immediate action was required. The net worth of the Council had increased by £15.2m and the useable cash resources of the Council had increased by £0.6m.

The Collection Fund balance was in surplus for the year by £1.9m; this balance was made up of both Council Tax and Business Rates. For Council Tax, the Fund was in surplus by £0.471m as at 31 March 2020, with East Sussex County Council entitled to the majority of this amount. For business rates, the Fund was in surplus by £1.452m, with the Government receiving the highest amount followed by this Council.

The Movement in Reserves statement showed the movement in the year on the different reserves held by the Council (analysed into 'useable' and 'unusable'). The deficit of £2.428m on the provision of services line showed the true economic cost of providing the Council's services.

The Balance Sheet showed that overall the financial position of the Council remained sound, however the COVID-19 pandemic looked likely to exacerbate the financial pressure on the Council in the current financial year. It was therefore essential that in the medium term, the Council continued to deliver the target savings set out in the Medium Term Financial Strategy in order for the Council to continue to balance its budget.

Members had the opportunity to ask questions and the following points were noted during the discussion:

- £1m fund for art-based projects in a development planned for Beeching Road, Bexhill was to be funded by money from the South East Local Enterprise Partnership during 2020/21 and therefore did not feature in these financial accounts;
- if the Council agreed to the establishment of a Town Council for Bexhill-on-Sea, the Council would incur set-up costs, but would seek to recover these from the Town Council's first year precept including election costs;
- the Section 31 grants referred to on page 47 of the report was a compensatory grant paid by the Government to local authorities for loss of income in relation to extended reliefs and exemptions on business rates; and

- implementation of the Human Resources module of the ERP system had been delayed due to issues with managing the multiple schemes for annual leave within the Council. Alternatives were being considered and it was confirmed that the financial and payroll modules had been delivered on time.

On behalf of the Committee, the Chairman thanked the Assistant Director Resources and his team for their hard work in producing the Statement of Accounts and for their management of the Council's finances.

**RESOLVED:** That the Council's draft 2019/20 Statement of Accounts be noted.

(Councillor Harmer declared a personal interest in this matter in so far as she was in receipt of a Business Grant and in accordance with the Members' Code of Conduct remained in the meeting during the consideration thereof).

AS20/18. **WORK PROGRAMME**

Consideration was given to the Work Programme which contained details of the reports to be considered by the Audit and Standards Committee meetings until March 2021.

**RESOLVED:** That the Work Programme, attached at Appendix A, be agreed.

**CHAIRMAN**

The meeting closed at 7.46pm

## AUDIT AND STANDARDS COMMITTEE

<b>WORK PROGRAMME 2020 – 2021</b>	
<b>DATE OF COMMITTEE</b>	<b>SUBJECT</b>
<b>Monday 28 September 2020</b>	<p><b>Part A – Standards Reports (none scheduled)</b></p> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Annual Governance Report 2019/20</li> <li>• Internal Audit Report to 30 June 2020</li> <li>• Internal Audit Plan Update</li> <li>• Treasury Management Report</li> <li>• Risk Management Update</li> </ul>
<b>Monday 7 December 2020</b>	<p><b>Part A – Standards Reports</b></p> <ul style="list-style-type: none"> <li>• Code of Conduct Complaints Monitoring</li> <li>• Local Government Ombudsman Complaints Monitoring and Annual Review 2019-2020</li> <li>• LGA Model Code of Conduct</li> </ul> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Annual Audit Letter 2019-20</li> <li>• Internal Audit Report to 30 September 2020</li> <li>• Internal Audit Plan Update</li> <li>• Risk Management Update - TBC</li> <li>• Treasury Management Report</li> </ul>
<b>Monday 22 March 2021</b>	<p><b>Part A – Standards Reports (none scheduled)</b></p> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Audit Progress Report and Sector Update</li> <li>• Grant Thornton – External Audit Plan 2020-21</li> <li>• Internal Audit Report to 31 December 2020</li> <li>• Internal Audit Plan 2021-22</li> <li>• Review of Internal Audit 2020-21</li> <li>• Annual Governance Statement</li> <li>• Annual Property Investment Update</li> <li>• Treasury Management Update</li> <li>• Accounting Policies 2020-21</li> <li>• Annual Risk Management Update</li> </ul>
<b>ITEMS FOR CONSIDERATION</b>	
<ul style="list-style-type: none"> <li>• Appointment of the Audit Independent Person – post recruitment process</li> </ul>	