

# CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Meeting held on Monday, 26th September, 2022 at the Council Offices, Farnborough at 7.00 pm.

## **Voting Members**

Cllr P.J. Cullum (Chairman)

Cllr A. Adeola  
Cllr M.S. Choudhary  
Cllr A.H. Gani  
Cllr Christine Guinness  
Cllr Nem Thapa  
Cllr S. Trussler  
Cllr Jacqui Vosper

## **Non-Voting Member**

Mr Tom Davies – Independent Member (Audit)

Apologies for absence were submitted on behalf of the Vice-Chairman (Cllr Jessica Auton, Cllr K. Dibble and Cllr Sarah Spall.

Cllrs C.P Grattan and Mara Makunura attended the meeting as Standing Deputies.

## **12. MINUTES**

The Minutes of the Meeting held on 26th July 2022 were agreed and signed as a correct record of the proceedings.

## **13. INTERNAL AUDIT - AUDIT UPDATE**

The Committee received the Audit Manager's Report No. AUD2211, which: provided an overview of the work carried out by Internal Audit in Quarters 1 and 2 to date; a progress update on the 2022/23 Audit Plan; a schedule of work expected to be delivered in Quarters 2 and 3; and, an update on the outstanding audit issues from previous financial years, focusing on specific high risk issues that appeared not to be progressing.

Appendix A to the Report gave details of two high risk issues which had a lack of progress. The Head of IT, who had responsibility for implementing these actions, was in attendance to provide the Committee with an update on progress to date. The Head of IT gave a presentation on the two areas within Application Patch Management, as highlighted in Appendix A and answered Members' questions.

The Committee noted that, in the Audit Manager's opinion, the other high risk issues set out in Appendix B were progressing sufficiently and that appropriate action was being taken to address them.

**RESOLVED:** That the Committee

- (i) note the audit work carried out in Quarters 1 and 2 to date;
- (ii) note the update to the expected deliverables for Quarters 2 and 3;
- (iii) note the outstanding high risk audit issues and engagement by the Services to address them; and
- (iv) note the assurance given by the Head of IT on the two high risk issues of Application Patch Management.

#### **14. REVIEW OF SCRAP METAL AND STREET TRADING LICENSING FEES**

The Committee considered the Head of Operational Services Report No. OS2216 which outlined the background and current fees for the Scrap Metal and Street Trading licensing regimes and sought approval for a proposed new fee scale, as set out in Appendix A to the Report.

In common with many other local authorities, the Council had forecasted a funding gap over the Medium Term Financial Strategy period. A Savings and Transformation Programme was already in place with the Council working on a number of cost reduction and income generation workstreams to mitigate the financial sustainability risk outlined in the Medium Term Financial Strategy. Heads of Service were in the process of reviewing their services to ensure costs were minimised and that income from fees and charges took into account issues of cost recovery. It was noted that the current fee structure for these regimes did not separate the administration and enforcement costs, as required by the Provision of Services Regulations 2009.

In respect of scrap metal dealers, and having reviewed the Council's current costs against some recent changes in structure and process, it had been found that the fees no longer accurately reflected the cost of administering the regime. It was proposed that fees should be amended to achieve full cost recovery, as far as the Council was able to, in accordance with legislation. The proposed new fee scale was set out in Appendix A (Table 1) to the Report with the recommendation to be implemented from 1st October 2022.

In respect of street trading, the Council's costs had been reviewed against some recent changes in structure and process, and it was found that the current fees and fee structure no longer accurately reflected the cost of administering the regime. Members noted that both the current and proposed fees were generally below those of neighbouring authorities. The comparison with neighbouring authorities was set out in Appendix B (Table 2). Some authorities appeared to include the cost of rent of the pitch itself where on Council land (e.g. town centres). Rushmoor charged separately for the rent of any land which was owned by the Council and, therefore,

the proposed fees covered only the element of street trading consent. It was proposed that fees should be amended for the on-going service to achieve full cost recovery as far as the Council was able to in accordance with associated legislation. The proposed new fee scale was set out in Appendix A (Table 2).

The Report set out the difference that the proposed fees were likely to make to the budget for the remainder of the financial year and the following financial year, based on current applications (Appendix C (Table 2)).

The Committee noted that, before varying changes to the fees, legislation required local authorities to give notice to current licence holders and publish a notice in a local newspaper advertising the proposed changes and giving a reasonable period for representations to be made. It was proposed that the Council should allow a period of 28 days for representations and, if there were no significant representations received within that period, that the proposed new fees should be implemented with effect from 1st December 2022.

The Committee was advised of alternative options and the risks and legal implications associated with the proposals.

**RESOLVED:** That

- (i) approval be given to the proposed Scrap Metal Dealer Fees, as outlined in Report No. OS2216, to take effect from 1st October 2022; and
- (ii) approval be given to consultation in accordance with legislation in respect of the proposed Street Trading Fees and, should no significant representations be received, the proposed fees take effect from 1st December 2022.

**15. ANNUAL STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT OPINION - UPDATE NO. 2**

The Committee received the Executive Head of Finance Report No. FIN2231 which informed Members of audit progress for the Council's Statement of Accounts for 2019/20 and the provision of the audit opinion since the Committee's meeting on 26th July 2022. The Report also provided an update on the outlined timetable for the audit of the 2020/21 and 2021/22 Financial Statements.

It was noted that the external audit opinion for the 2019/20 accounts was expected in October 2022. The accounts had been updated in respect of asset valuation differences which required review by external audit and consideration of the updated Going Concern Note and cashflow forecast. This would impact on the timing of the external audit for the 2020/21 and 2021/22 accounts as opening and closing balances would need to be restated in light of adjustments made to the 2019/20 accounts.

The Committee was advised that, with three years of active accounts, the complexity and workload of the Finance Team had increased. Over the coming months, the Finance Team would review the way in which the financial system was configured to reduce reliance on manual reconciliations and for the financial system to produce

reports and supporting notes. It was noted that, subject to further discussions, it was likely that the 2021/22 accounts would not be audited in the current financial year.

During discussion, it was agreed that it would be useful for the Committee to have an in-depth meeting with the external auditor as soon as was possible.

**RESOLVED:** That

- (i) the Annual Statement of Accounts and External Audit Opinion Update Report No. FIN2231 be noted; and
- (ii) the impact on the outline timetable for the external audit of the 2020/21 and 2021/22 Statement of Accounts approval of the 2020/21 and 2021/22 Statement of Accounts and receiving the Audit Opinion be noted.

#### **16. ANNUAL GOVERNANCE STATEMENT - UPDATE**

The Committee received the Audit Manager's Report No. AUD2212, which gave details of work carried out towards the implementation of the actions defined in the Annual Governance Statement, which had been presented to the Committee in March 2022.

**RESOLVED:** That the Audit Manager's Report No. AUD2212 be noted.

#### **17. TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2021/22**

The Committee received the Executive Head of Finance Report No. FIN2232, which set out the main activities of the Treasury Management and Non-Treasury Investment Operations during 2021/22. The Committee was also advised that Prudential Indicators for the 2021/22 financial year had been updated for all treasury management and non-treasury activity during 2021/22.

It was noted that the Council's Treasury Team continued to concentrate on the security of investments, taking due regard for the returns available. The return on treasury management activity was in line with the revised budget for 2021/22. Pooled funds had proved to be robust and had performed well given the wider economic downturn as a result of Covid-19. Increased levels of borrowing meant that the Treasury Team continually reviewed the Borrowing Strategy, weighing up interest rate levels and the risk of refinancing. During the 2021/22 financial year, short-term interest rates had remained low and were forecast to remain low. However, borrowing levels had increased, raising refinancing risk. Levels of borrowing would be continually reviewed to mitigate refinancing risk.

The Committee was advised that, as at 31st March 2022, total borrowing was £100 million, a decrease of £2 million from that as at 31st March 2021. The decreased level of borrowing had been offset by reduced interest rates of borrowing. This had resulted in interest cost of borrowing decreasing by £83,000 compared with 2019/20 costs.

The Council's non-treasury investments risk exposure at 31st March 2022 was £155.1 million, of which £91.6 million had been funded via external loans. It was noted that the rate of return across all the Council's investments had been variable. However, the aggregate rate of return on all the Council's investments had been in line with the estimated return for 2021/22 due to the cost associated with commercial property being clarified during the financial year and the impact of Covid-19.

**RESOLVED:** That the Executive Head of Finance Report No. FIN2232 be noted.

18. **WORK PROGRAMME 2022/23**

**RESOLVED:** That the Committee's programme of future work be noted.

19. **DAVID STANLEY - EXECUTIVE HEAD OF FINANCE**

On behalf of the Committee, the Chairman thanked David Stanley for his service to the Council and wished him well in his new role as Deputy Chief Executive and Section 151 Officer at Cotswold District Council.

The meeting closed at 8.35 pm.

CLLR P.J. CULLUM (CHAIRMAN)

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