

AUDIT AND GOVERNANCE COMMITTEE

THURSDAY, 20 OCTOBER 2022

PRESENT: Councillors Lynne Jones (Chairman), Julian Sharpe (Vice-Chairman), Gurpreet Bhangra, John Story and Simon Bond

Also in attendance: Councillor David Hilton, Councillor Ewan Larcombe and Councillor Helen Price

Officers: Mark Beeley, Emma Duncan, Ryan Stone, Steve Mappley, Adele Taylor and Andrew Vallance

APOLOGIES FOR ABSENCE

There were no apologies for absence received.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

RESOLVED UNANIMOUSLY: That the minutes of the meeting held on 22nd September 2022 were approved as a true and accurate record.

The Chairman commented on the action from the minutes, which was that the Executive Director of Resources would explore how audits could be shared with Members of the Committee.

Andrew Vallance, Head of Finance, confirmed that an area in Microsoft Teams had been created where audits would be shared, the invite to this team had been shared with Committee Members.

ANNUAL GOVERNANCE STATEMENT ACTION PLAN UPDATE

Emma Duncan, Director of Law, Governance and Public Health, said that the annual governance statement was usually considered with the annual statement of accounts. The governance framework was a document of policies and procedures which reported on the council's decision-making processes. The annual governance statement was monitored by the statutory officers group and discussion was around where action needed to be taken, based on the experience of officers. On the action plan, there were a number of recommendations which had been made. The report before the Committee showed the progress that had been made on these recommendations. Embedding the performance framework was a key issue which had come out of the peer review, along with areas like risk and procurement where improvements had been identified to ensure robustness. The main aim of the annual governance statement was to improve the governance culture within the council, there had been significant changes in the way decisions were made.

Councillor Story asked if the actions which had a target completion of this month, were all on track to be completed within this timeframe.

Emma Duncan confirmed that actions were on track to be completed, however there were some long term issues. For example, the scrutiny function would take a significant amount of time and was a long term project.

Councillor Bond commented on the launch of a procurement tool kit, he questioned whether the law had been broken by not having the tool kit.

Emma Duncan explained that the law had not been broken, the tool kit was designed to make procurement easier. The council had breached its own procurement rules earlier in the year and this tool kit would help to prevent this from happening in future, it acted as a line of defence to ensure the process was carried out properly.

Councillor Bhangra asked how RBWM was doing compared to other local authorities.

Emma Duncan said that there was a particular focus on governance at RBWM, ensuring that all officers were using the systems that were in place. The council was not fully there but it was closer than it had been previously. Considering other local authorities, Emma Duncan felt that RBWM could be considered mid table.

Councillor Sharpe asked to what extent governance was reliant on a system or on officers doing the right thing.

Emma Duncan said that RBWM was not reliant on officers just doing the right thing, systems were able to be tightened very easily if needed. These could ensure that officers followed the correct route and procedure.

The Chairman noted that many of the actions were listed as being complete by May 2023 and some, for example the proposal for a Scrutiny Officer, were subject to a growth bid for the 2023/24 budget and therefore would not be implemented until next May at the earliest.

Emma Duncan confirmed that this was correct, things like the job evaluation and other preparation work had been done for the Scrutiny Officer position. However, there were other competing growth bids and the council had to prioritise where money was spent.

Adele Taylor, Executive Director of Resources, added that the budget setting process would take place in February 2023, if the growth bid was part of the budget there was the ability for the officer to be in post not long after the budget had been passed by Full Council.

The Chairman said that the Property Company action plan was nearly complete, she asked if the Committee would have sight of the action plan.

Emma Duncan said that there was no reason why the action plan could not be circulated.

Adele Taylor added that the action plan for the Property Company had been taken to the Corporate Overview and Scrutiny Panel and would again be considered by that Panel at an appropriate time.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report identifying any specific matters which should be brought to the attention of Council or Cabinet.

COUNCIL TRUSTS REPORT

Emma Duncan said that the report was for the Committee's information on the operation of the councils' trusts. She was happy to take away any specific questions Members had on any of the trusts, if they could not be answered at the meeting.

Councillor Bond commented on the Flood Relief Fund, which held cash so that it could deal with an emergency. He asked if the Fund could pay out as much as was needed in an emergency.

Emma Duncan said that she understood this to be the case as this was the objective of the charity.

Councillor Bond said that he hoped Trustees were asking the right questions of charities, that benchmarking was done correctly and that the financial situation of each trust was secure.

Emma Duncan added that each body had an RBWM appointment, there was guidance shared with Trustees on what the role entailed. This could also be picked up as part of the induction process for new Members of the council in May 2023.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report.

RISK MANAGEMENT REPORT

Steve Mappley, Insurance and Risk Manager, said that the report was the usual update which was considered periodically by the Committee. Two risks had been removed, security and community problems arising from the actions of disenfranchised groups and the council's exposure to the Covid-19 pandemic. Following discussion with the Interim Chief Executive, the pandemic risk had been reinstated as a key risk. On the risk management audit, there would be a risk register refresh with senior managers in November, this would support what had been considered as the council's strategic risks. The risk management strategy had been rewritten, which considered the areas which the auditors had flagged. Risk management on Cabinet decision reports had been completed, a complete version of the risk register had been distributed to governance teams so that officers writing reports could refer to the register.

Councillor Sharpe asked if the risk on the financial implications of the adult social care reforms could now be removed as these reforms were no longer happening.

Adele Taylor felt that it was better to keep adult social care on the risk register, particularly as a significant portion of the budget was spent in this area and there was not yet any formal indication about changes to the reform timetable. If the reforms were delayed by a year, for example, there was a significant amount of work that would still need to be done.

Councillor Hilton, Cabinet Member for Asset Management & Commercialisation, Finance, and Ascot, said that the fear on adult social care was that the reforms could mean that the council needed to pick up a significant cost. The service was not static, the number of people coming into adult social care was increasing which created a budgetary risk. On Maidenhead regeneration, the council could shortly be entering into a Compulsory Purchase Order, which was again a significant risk. Once these were completed, the level of the risk could be changed.

Adele Taylor said that all risks were either reviewed on a monthly basis or at a frequency appropriate for the individual risk, as appropriate.

Councillor Sharpe felt that risks were being captured more cohesively than before.

The Chairman agreed, the report was understandable and clear. She understood that risks on the regeneration of Maidenhead were being reviewed, the Chairman asked if the council communicated with developers or the Property Company on these risks.

Adele Taylor said that the Property Company played a significant role in the regeneration project, risks were not a solo decision made by officers at the council.

The Chairman asked if there was input from private developers, particularly when considering the increases in interest rates and inflation.

Adele Taylor explained that the risk was currently more focused on the factors which the council had an influence over.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report.

MID-YEAR TREASURY MANAGEMENT REPORT 2022/23

Andrew Vallance, Head of Finance, said that the report outlined the mid-year treasury management performance, as required by the CIPFS treasury management code. On borrowing, the council had followed a strategy of taking out long term loans to combat the anticipated rise in interest rates. This could mean that there was no impact on the current years revenue account from the increased interest rates.

Councillor Hilton asked if the capital programme would be reviewed, considering the impact that the rise in interest rates would have.

Andrew Vallance said that he would make reference to this in the next agenda item, on next year's strategy.

Councillor Hilton noted that training would be provided by Arlingclose to Committee Members.

Andrew Vallance confirmed that Committee Members had received training from Arlingclose before the meeting, a training programme was scheduled which would allow training sessions to take place before Committee meetings. A training programme was also being arranged for next summer, after the election.

Councillor Story noted that there was a £20 million borrowing increase over the six month period, he asked if this was planned or unplanned.

Andrew Vallance explained that the type of borrowing was always under review, a decision had been made to borrow long term. The council had benefitted from short term rates for local authorities over the past few years, but borrowing had been spread over a number of years to distribute the risk.

Councillor Story followed up by asking what the expectation was from officers for the second half of the financial year. He asked if the £217 million borrowing figure would stay relatively level throughout the rest of the year.

For the second half of the year, Andrew Vallance said that RBWM had all of the borrowing which it needed. The level of borrowing would fluctuate by around £10 million or so, but not much more than that.

Councillor Sharpe asked what confidence officers had that interest rates would remain at a sustainable level.

Andrew Vallance said that officers did not expect the base rate to go significantly above 5%, as it should hit a ceiling.

Adele Taylor said that RBWM used Arlingclose as financial advisors, it was an unprecedented economic climate and therefore it was important that RBWM managed its cash flows effectively.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report and approved the mid-year Treasury Management Mid-Year Review Report 2022/23.

DRAFT TREASURY MANAGEMENT STRATEGY 2023/24

Andrew Vallance said that the increase in interest rates would have an effect on future years. If the interest rate stayed at 5%, the borrowing cost would increase from £4 million to £8 million. To provide reassurance, officers had factored half of this cost into the growth of the Medium Term Financial Plan. The capital programme would be reviewed to see which parts of the programme could slip to future years when the interest rate would be less. Members would see a draft capital programme as part of the draft budget which would be considered at Cabinet in November. High inflation and interest rates were likely to last longer than had initially been predicted by the Bank of England.

Adele Taylor said that there was a balance between forward borrowing to protect against rate changes and the cost of forward borrowing ahead of time. The capital programme needed to be reviewed regularly and assumptions tested.

Councillor Bond pointed out that there were three main risks which were all linked: inflation, interest rates and recession in the economy. It was a very uncertain environment, Councillor Bond asked if the capital review board was undertaking the review work. Councillor Bond felt that economic commentators were behind the curve on the rise in inflation, he hoped the same would not be true for interest rates.

Adele Taylor confirmed that the capital review board had responsibility for reviewing these items, which involved officers from across the council. The board was not a decision making body but brought together the officer expertise for decisions to be made at the appropriate level.

Councillor Hilton said that the liability benchmark was new, he asked if this could be explained to the Committee.

Andrew Vallance explained that it had been put in to show the risk if the council needed to borrow in the short term for cash flow purposes.

Councillor Hilton commented on some of the wording in the report which seemed to be contradictory. Adele Taylor confirmed that the wording would be reviewed and simplified.

ACTION – The Executive Director of Resources and the Head of Finance to review the wording on this section of the report.

Councillor Hilton asked if the additional £20 million which had been borrowed was included in the figures which were currently being discussed. He was informed that it had been factored in.

The Chairman asked if the review of capital schemes was designed to try and decrease the amount of capital spending. She felt that it was a risk to the council.

Andrew Vallance confirmed that it was. Adele Taylor said that capital cashflows needed to be reviewed so that they accurately reflected projects that were taking place, projects could change over time along with the viability.

The Chairman welcomed the draft strategy, it was useful and clear.

RESOLVED UNANIMOUSLY: That Audit and Governance Committee noted and commented on:

- i) **The Council's Treasury Management Strategy for 2023/24.**
- ii) **The Council's Prudential Indicators set out in Appendix C.**

DRAFT CAPITAL STRATEGY 2023/24

Andrew Vallance said that the main piece of work that had been undertaken on the strategy was to link it to the council's Corporate Plan, which had been adopted towards the end of last year. He welcomed any comments that Committee Members had on the strategy.

Councillor Sharpe said that he hoped that economic climate would stabilise in the coming months, which would give the council some assurance as to what the interest rate would be.

The Chairman asked about reviewing and monitoring of capital projects, sometimes there was a change to a project which meant that it became unviable or was not planned to achieve the outcomes expected.

Adele Taylor said that projects went through the gateway processes but this could be strengthened.

Councillor Hilton said that he welcomed the strategy at it started to link the Corporate Plan with the capital strategy, this needed to reflect the priorities and goals in the plan. Investments could then be focused on the areas which had been agreed.

The Chairman said that capital projects were risky, she asked how officers could be sure that projects were self-funded and gave realistic payback.

Andrew Vallance said that this was the main business of the capital review board. Service areas put forward their capital bids and the board discussed whether bids were aligned with the Corporate Plan.

Adele Taylor said that it depended on each business case, some capital schemes could be relatively small. The capital review board managed the process of capital projects.

Councillor Hilton said that in the past few years there had been significant slippage, partly caused due to Covid. There was not always the resource in place to deliver projects, he asked if this was a factor which was considered by the capital review board.

Adele Taylor said that if service areas requested capital, they also needed to consider the resources which were required to deliver it. This was part of the business case which was put to the capital review board for consideration.

RESOLVED UNANIMOUSLY: That Audit and Governance Committee noted and commented on:

- i) **The Council's Draft Capital Strategy for 2023/24 as set out in Appendix B.**

WORK PROGRAMME

The Chairman asked if there was any update on when the statement of accounts for 2020/21 would be considered.

Andrew Vallance said he was hopefully that they would be considered by the Committee at the next meeting in February 2023.

The meeting, which began at 7.00 pm, finished at 8.25 pm

CHAIRMAN.....

DATE.....