MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 3 FEBRUARY 2021 FROM 7.00 PM TO 8.40 PM

Committee Members Present
Councillors: Bill Soane (Chairman), Dianne King (Vice-Chairman), Rachel Burgess, Maria Gee, Angus Ross, Daniel Sargeant and Imogen Shepherd-DuBey

Other Councillors Present
Councillors: John Kaiser

Also Present
Madeleine Shopland, Democratic & Electoral Services Specialist
Helen Thompson, Ernst and Young
Michael Bateman, Children's Services Complaints Manager
Andrew Moulton, Assistant Director Governance
Daneet Penny, Customer Delivery Officer
Mark Thompson, Chief Account
Bob Watson, Assistant Director - Finance
Jackie Whitney, Service Manager Customer Services Operations

36. APOLOGIES

There were no apologies for absence.

37. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 23 November 2020 were confirmed as a correct record and will be signed by the Chairman at the next available opportunity.

Councillor Shepherd-DuBey questioned why the Treasury Management Report that had been considered by the Audit Committee at its November meeting had been changed prior to its consideration by the Executive. The Assistant Director Finance explained that the report presented to Executive was the same as that presented to Audit Committee and was attached as Appendix A to a covering report. The covering report of the Council’s Section 151 officer had included additional information as the Executive needed to be kept updated on the Council’s latest position. Councillor Gee was of the view that the report agreed by the Audit Committee was not the same as that considered by the Executive. She stated that an extra £1million had been offset against the finance costs which was a big change and the cost of debt per household would go from £7.52 to a benefit of £7.20. She went on to say that that the Treasury Management report was usually presented in February and did not come with a covering report. Councillor Shepherd-DuBey commented that part of the remit of the Audit Committee was to make recommendations about Treasury Management and that she felt that there had been a breach of the Constitution. The Assistant Director Governance clarified the Audit Committee’s remit, referring to 4.4.3.1 j) and k) of the Constitution. He confirmed that the Constitution had been complied with. Councillor King suggested that the process could be looked at for the future.

Councillors Gee and Shepherd-DuBey believed the report considered by the Executive had been amended and therefore should be presented to the Audit Committee again. The Assistant Director Governance commented that the Audit Committee had needed to seek assurance about whether the prudential indicators had been complied with or not. The

Committee were considering the Treasury Management Strategy 2021/24 that evening and recommending it for consideration at the February Council meeting.

Councillor Gee emphasised that the Committee had recommended that a particular version of the report be recommended to the Executive and this had not happened. The Assistant Director Finance reiterated that the report agreed by Audit Committee in November 2020 had been presented unamended to the Executive. He went on to explain why, in addition to the information approved by the Audit Committee, the covering report had contained more information around the Council's financial position. The Assistant Director Governance confirmed that it was entirely in accordance with the duties of the Council's Section 151 officer, that he brought relevant financial information to the attention of the Executive. Councillor Shepherd-DuBey stated that section 12.1.13.5 of the Constitution stated that '…the Chief Finance Officer shall provide a mid-year and annual report to the Audit Committee prior to being approved by Council, on the exercise of the treasury management powers delegated, treasury management performance and on any material departure from the code of practice' and that the report provided had not been the same as that which had been taken forward. She queried why the Monitoring Officer had permitted what she considered to a be an amended report, to be presented to the Executive. The Assistant Director Governance informed the Committee that there had been no breaches of the Constitution as the report agreed by the Committee had been presented in full to the Executive.

38. DECLARATION OF INTEREST

There were no declarations of interest submitted.

39. PUBLIC QUESTION TIME

There were no Public questions.

40. MEMBER QUESTION TIME

There were no Member questions.

41. FORMAL COMPLAINTS - QUARTER 3 SUMMARY

The Committee received the Formal Complaints – Quarter 3 Summary.

During the discussion of this item, the following points were made:

- The establishment of the Complaints Focus Group was starting to show results:
  - Early intervention and resolution of complaints, preventing unnecessary escalation.
  - Better reporting - resulting in a rise of early resolution cases reported, 52 in Q3 compared to 4 in Q2.
  - Directorate reps taking ownership to input into their services.
  - Progressing actions to address the insight.
- The Complaints Focus Group had established some of the key reasons that people complained; a lack of clear and accessible information about process and procedure and how this resulted in transparency issues around how decisions are made and; impact of social distancing rules and a knock-on effect on cold weather related complaints such as heating and other maintenance issues.
- The number of complaints received had increased by 32% compared with Q2. The rise in complaints for Q3 compared to Q2, was partly due to demand for Housing repairs over the winter. Covid restrictions and social distancing meant that

contractors had not been able to complete as many maintenance calls per day, which had led to some customer dissatisfaction.

- Actions produced from the Complaints Focus Group were
  - to ensure that there was clear guidance on what was considered a complaint and how this might differ from unhappiness with a decision;
  - Tenant Services to request regular updates from contractors on maintenance call outs and for any delays to be communicated early to manage tenant expectations more effectively;
  - A log had been developed in Children's Services so that learning from complaints could be recorded.
- Lockdown had had an effect on complaint numbers and services had been affected differently. Complaint numbers had steadily increased with the easing of the first lockdown, despite the second and third lockdowns.
- Complaints relating to services within Resources and Assets, Place and Growth and Children's Services made up a third of all complaints received.
- The Children's Services Complaints Manager informed the Committee of complaints received under the Children's Act under Q3. 12 complaints had been received under the Children's Act statutory Children's Services complaints process. 3 of these were considered to be out of scope, 4 complaints were resolved following discussions with service users and 5 received formal Stage 1 responses. During Q3 there had been 3 Stage 2 complaints and 3 Stage 3 panels. 22 formally received compliments had been received during the period, an increase on Q2.
- The Service Manager Customer Services Operations indicated that the Complaints Focus Group was progressing actions to address the insight highlighted under 4 headings:
  - Current environment;
  - Poor behaviours;
  - Lack of customer connection;
  - Lack of process management.
- The priorities for the next quarter were as follows:
  - Better recording of complaints, for both formal and early resolution cases.
  - Rebranding of complaints ethos and information into a *'Voice of the Customer'* theme – internal and external.
  - Redrafting and branding of the complaints policy, including clearer definitions around what is a service request versus a complaint.
  - New online complaint webpage and form designed to give the customer all the information they need in one place.
  - Better triaging of complaints received via the online form, before being directed to the appropriate team.
  - Clearer internal communication around how to deal with complaints, using the directorate reps and improved tools to help teams.
  - Training on how to deal with complaints, including the right communication methods, promotion of empathy and using plain English when writing responses. that under the
- Councillor Shepherd-DuBey asked what the difference was between Stage 1, 2 and 3 complaints, and how they progressed from stage to stage. The Service Manager Customer Services Operations outlined the different stages. The complainant could request for their complaint to be escalated.
  - Early Resolution - an officer from the service area concerned would have a discussion with the customer.
  - Stage 1 – an investigation of the complaint and a formal written response sent by the relevant team leader or manager.

  - Stage 2 – an independent investigation on behalf of the Assistant Director or Director by the Customer Relations Team.
  - Stage 3 – referral to the Local Government & Social Care Ombudsman or a Review Panel in the case of social care complaints.
- Councillor Shepherd-DuBey asked whether complaints were received via letter and was informed that they were mostly received via email or verbal but that some letters were received.
- Councillor Sargeant noted that the number of complaints being escalated to the Ombudsman was increasing over time. He asked whether there was a particular trend that was causing this. He also noted that of the 9 complaints escalated to the Ombudsman in Q3, 3 were still under review, and questioned when the Committee would be informed of the outcome of these. The Service Manager Customer Services Operations stated that during the first lockdown the Ombudsman had closed and had not reopened until June, so they had had a backlog once they had reopened which the investigators were slowly working through. In terms of those still outstanding, the next quarter report would report on those which had since been resolved.
- Councillor Gee commented that the report was easy to understand.

RESOLVED: That the Formal Complaints – Quarter 3 Summary be noted.

42. TREASURY MANAGEMENT STRATEGY 2021/24

The Assistant Director Finance presented the Treasury Management Strategy 2021/24.

During the discussion of this item, the following points were made:

- The report formed part of the Council's budget setting process and was forward looking.
- In the prudential limits it was the Council's parameters for borrowing and investing by the Finance Treasury Team that the Committee was asked to review.
- The style of presentation had changed to make the report less technical and more easy to read.
- Members were informed that an addendum of some additional changes had been circulated.
- He commented that the series of ratios of financing costs to net revenue streams detailed on page 59 of the agenda had also been amended. They were now 1.03%, 0.36% and 0.30%. The first one (1.03%) was based on a firm recommended budget to Council and the other two were based on the indicative budget and would be revised and reviewed prior to the following year's Medium Term Financial Plan.
- The Assistant Director Finance highlighted the following key changes to the Strategy which were to enhance the options available to the treasury team for daily management of cash funds, short term investing and borrowing.
  - The option to be able to open a deposit account, with our transactional bank provider which will increase capacity to invest money in the short term (increase liquidity), particularly during current times of cashflow uncertainty.
  - To increase the money market (liquid funds) limit from £5million to £10million which will increase capacity to invest money in the short term (increase liquidity), particularly during current times of cashflow uncertainty.
  - The option to issue a local authority bond to raise borrowing as an alternative to traditional markets such as PWLB.

- Councillor Burgess asked about the net benefit from borrowing figure, which represented a change in Treasury Management reporting. At previous Committee meetings Members had been told that the net cost of borrowing was £7.52 per taxpayer, but now the cost of borrowing created a net benefit of £13.64. She questioned what relevance the treasury investment income had to the cost of borrowing. The Assistant Director Finance commented that it had moved to £13.64 because when the Treasury Management Mid Year report had been produced it was only taking out the cost of borrowing and the cost of borrowing was based on the budgeted costs of debt finance within the budget. The amount that had come in from the invest to save and income generation projects had been extracted. The whole impact effects of those projects had not been included. A more realistic position would be to show not just the amount of money that the projects had generated to offset the debt financing cost, but the whole benefit to the Council. Providing more information provided a fuller, more transparent picture of the Council's situation.
- It was prudent to offset the treasury investments because there were two potential budget lines within the Treasury department: the cost of borrowing and the return on investment. When establishing the net cost of borrowing, the money received from investments, invest to saves and regeneration projects was taken off. The net credit that these projects generated were also shown.
- Officers were providing a picture of the actual impact of borrowing on the taxpayer.
- Councillor Burgess commented that in the past the Committee had been provided with a summary of external borrowing, internal borrowing and also a total borrowing figure. She questioned why the presentation of this had changed and if the total borrowing figure was rising up to £678m by 2023/24. The Assistant Director Finance commented that in terms of supporting the Capital Programme it was the level of borrowing that the Council would be moving to but that this figure also included internal borrowing.
- With regards to the investment strategy Councillor Burgess asked how the Finance Team assessed the risk of negative interest rates in terms of likelihood and the impact that it would have and was informed that Officers tried to avoid using negative interest rates hence the request to increase the amount that could be put into money market funds.
- Councillor Burgess asked if there was a limit to how low the Council's instant access cash balances could fall. The Assistant Director Finance indicated that the Council had a managed cash flow position and Officers sought to set a daily balance that left approximately between £100,000-200,000 for any emergency transactions. It was based on the liquidity of funds.
- Councillor Sargeant praised the presentation of the report. With regards to the asset value, debt levels and repayment profiles, he questioned what valuation methods had been used for assets. The Assistant Director Finance commented that the asset value was shown as per the balance sheet. The Chief Accountant added that in terms of asset value, the balance sheet had been used and the capital programme for the next 3 years added to give the £1.4billion of asset value. Assets included investment properties which were reviewed every year at market value, and schools and roads which were valued on replacement cost. The increase over the 3 years was mirrored by an increase in an investment in the Capital Programme. Members were reminded that if the Council tried to sell some of the assets and realise a capital receipt for them, it would potentially be a higher value. For example, with land you could potentially get planning permission which would boost the value of the asset.

- Councillor Gee suggested that the total borrowing figures were now slightly different due to changes made. Officers agreed to look at this.
- Councillor Gee asked about the financing cost and net revenue stream that was predicted last year compared to this year. She questioned whether the basis for calculating this had changed between this year and last year. She asked whether income from treasury investments had been included in the previous year's calculation, and if the housing, economy and local regeneration had also been included. The Assistant Director Finance indicated that the calculation had changed this year. The annual financing costs were £2.1million but the gross level of expenditure that was divided by had changed. The net revenue streams were the amount estimated to be met from Government grants and taxpayers. The gross revenue expenditure was part of a balanced budget. The Council set a budget which was offset where the expenditure equalled the income.
- Councillor Gee commented that it would have been helpful to redo the calculation for the previous year. She asked what income was under housing, economy and local regeneration. It was noted that this was money coming in from the regeneration projects. Rental income was used to partly repay financing costs.
- Councillor Gee questioned the inclusion of rental income. The Assistant Director Finance explained how the CIPFA Code had been complied with.
- Councillor Gee queried how the numerator had changed.
- With regards to the benefit per Band D property, Councillor Gee questioned whether the cost of managing properties, the cost of commercial investment or treasury investment and the direct cost of staff, were included. The Assistant Director Finance stated that the Treasury team were funded by the Medium Term Financial Plan.
- The Chief Accountant agreed to provide a breakdown of realisable and non-realisable assets.
- In response to a question regarding the investment portfolio, the Assistant Director Finance indicated that part of this was included in housing, economy and local regeneration and also in commercial investments. Councillor Shepherd-DuBey commented that the Council should not be investing in properties outside of the Borough. The Assistant Director Finance stated that the Government policy on investing outside a local authority area had been amended and the Council was in compliance with this amendment.

RESOLVED: That

1) the Committee supports this report including the changes included in the addendum contained within the supplementary agenda, and recommend it to Executive on 18 February 2021. (Executive will then be asked to recommend the report to Council);

2) the Treasury Management Strategy including the amendments as set out in Appendix A including the following additional appendices, be approved;

    - Prudential Indicators (Appendix B)
    - Annual Investment Strategy 2021/22 (Appendix C)
    - Minimum Revenue Provision (MRP) policy (Appendix D)

3) the Committee note the cumulative financial impact on the Council of its borrowing activities equates to a net benefit for the taxpayer per band D of £13.64 at end of 2021/22 and noting the net benefit increase to £62.86 at the end of 2023/24.