

Draft minutes of a Special Somerset County Council Medium Term Financial Planning Audit Committee meeting, held at 2pm on 2<sup>nd</sup> February 2023 in the Luttrell Room, County Hall, Taunton, TA1 4DY.

**Committee members present:** Cllr Andy Sully (Chair) Cllr Mandy Chilcott, Cllr Peter Clayton, Cllr Habib Farbahi, Cllr Tim Kerley, Cllr Mike Lewis, Cllr Simon Carswell, Cllr Mike Caswell, Cllr Hugh Davies, Cllr Martin Lovell (as sub), Cllr Mike Stanton (as sub) Jennifer Whitten Independent committee member(virtual).

**Officers present:**

Jason Vaughan	Head of Finance and S151 Officer, Somerset County Council (SCC)
Pam Pursley	Risk Manager and Audit Committee Manager, SCC
Alan Sandford	Principal Investments Manager, SCC
Jill Byron	Monitoring Officer, South Somerset District Council (SSDC)
Paul Fitzgerald	S151 Officer, Somerset West and Taunton District Council (SW&T)
Donna Parham	Head of Corporate Finance and Deputy 151 Officer, SCC
Jonathon Hallows	Democratic Services Officer, SCC
Stephanie Gold	Senior Democratic Services Officer, SCC

**Agenda item 1: Apologies for absence**

Apologies for absence were received from Cllr Dean Ruddle (who had asked the Vice Chair Cllr Andy Sully to Chair the meeting in his absence) Cllr Lee Baker (substituted by Cllr Mike Stanton), Cllr Simon Coles (substituted by Cllr Martin Lovell) and Cllr Norman Cavill.

**Agenda item 2: Declarations of Interest**

There were no declarations of interest received from members.

**Agenda item 3: Minutes from the meeting held on 19<sup>th</sup> January 2023**

Members were advised that approval of the minutes of the previous meeting held on 19<sup>th</sup> January 2023 have been deferred to the next meeting.

**Agenda item 4: Public Question Time**

There were members of the public registered to speak.

**Agenda item 5: Somerset Council Audit committee terms of reference (Pages 9 - 18)**

Jill Byron, Monitoring Officer for South Somerset District Council (SSDC) presented the New Somerset Council Audit Committee Terms of Reference (TOR) and advised that this TOR had been developed in line with the most recently published CIPFA guidance. The following questions and comments were received and discussed with members -

- A member felt disappointed that this committee had not had any earlier involvement in the development of this Terms of Reference (TOR).
- Will this TOR be reviewed in the first 12 months? The Monitoring Officer, SSDC confirmed that this would be the case, as per the recommendation.
- What has changed since the previous CIPFA guidance was written? In response the monitoring officer advised that the latest guidance is more strategic than previous versions, and that the guidance is less focussed on operational audit committee best practice.
- Will Bad Debt still fall under the remit of this committee? The S151 Officer SCC advised that Bad Debt usually goes through Scrutiny and The Executive as part of the Councils Budget Monitoring updates.
- Do we have a training policy in development currently? The Monitoring Officer SSDC advised that this would be done in the future as per the recommendation. The S151 Officer SCC added that there is a need to do a full skills analysis of all audit committee members, including independent members.
- Should lead members or associates' members sit on this committee or be substitutes? The Monitoring Officer SSDC advised that CIPFA guidance suggests that the audit committee should be standalone, non-political and not a part of or linked to the Executive function.
- What route does this Terms of Reference to be approved? The Monitoring Officer SSDC informed the committee that this TOR will go to the next meeting of the Constitution and Governance committee for approval, and then on to Full Council as part of the adoption of the New Somerset Council Constitution.
- Why is there a 3-year term for independent members? The Monitoring Officer SSDC suggested that this term helps with continuity of membership during changing periods of office.
- Regarding Audit Committee substitutes, should they receive the same level of training as Audit committee members?
- Regarding work programming, should this be committee led? The S151 Officer recommended that work planning needs to be done collaboratively between members and officers. Members discussed page 12 item 3 Responsibilities of the Chair, regarding seeking to get permission from the committee via the chair, and some felt that this section may not be clear. The Monitoring Officer SSDC advised that the wording of this section could be reviewed and amended in necessary.
- A non-committee member online felt that the committee should be aware that there can be grey areas between audit and scrutiny functions.
- Regarding the number of independent members numbers and potential for remuneration, the S151 Officer SCC advised that this is following the new CIPFA guidance. Members discussed the need for skills audits to help with recruitment of Independent members.
- Regarding recommendations on number of members (15) and quorum (4), can this be reviewed? There is a need for consistency and alignment with other committees and members felt that with a committee of 15 members the quorum number of members should be 5.

Members of the Audit Committee voted to approve the New Somerset Council Terms of Reference with one suggested amendment to increase the quorum to 5 (a third of the total number of members).

### **Agenda item 6: Treasury Management Strategy Statement 2023/2024 (Pages 19 - 110)**

Alan Sandford, Principal Investments Officer SCC presented the Treasury Management Strategy Statement 2023/2024 and the following comments and questions were received and discussed with members -

- The S151 Officer SCC advised that Appendix D Treasury Management Practices is out of date and will need to be rewritten. He suggested that this is rewritten immediately and will be brought back to this committee for approval at the March 2023 meeting.
- A member felt that it was difficult to read these papers in isolation, and that some parts overlap or contradict with other papers on this agenda.
- Regarding the graph re liability benchmarking, this is difficult to read due to there being no lower axis on the graph.
- A member felt now is not the time to increase yield, and that the base rate of 4% is still very low.
- Has this report been signed off by Head of Finance and Lead Member Finance?
- Regarding assurance on the level of debt from external auditors, the S151 Officer SCC assured members that the finance teams work closely with Grant Thornton UK LLP on this.
- Pg 109 regarding the Risk Management schedule, do these banks and buildings societies include the other District Councils or just Somerset County Council? The Principal Investments officer advised that this section needs to be updated as part of the update on the Treasury Management Practices for Somerset Council.
- One member felt concerned that approval of these papers is a matter of faith and trust, and that the committee does not understand the reports well enough to be able to give confident assurance.

There were no suggestions or amendments made by the Audit Committee regarding the Treasury Management Strategy Statement 2023/2023

### **Agenda item 7: Non-Treasury Management Investment Strategy 2023/2024 (Pages 111 - 168)**

Karen Watling, S151 Officer South Somerset District Council (SSDC) presented the Non-Treasury Management Investment Strategy 2023/2024 and the following comments and questions were received and discussed with members -

- Page 113 regarding flexibility of obtaining loaned finances, can we still use the Public Works Loan Board for regeneration projects?

- Is the number of investments in in table 3 consolidated? The S151 SW&T confirmed that this is the case.
- Page 132 regarding risk exposure, will this authority continue to use a 5/5 risk matrix. The S151 Officer SCC confirmed that it would.
- Regarding Opium Power Ltd and dividends, the interest rates seem to vary considerably? The S151 Officer SSCDC provided clarification but explained that due to confidentiality this paper does not contain all of the detail.
- With regard to page 117, the S151 Officer SW&T advised that valuation of investment properties are valued every year.

The Audit Committee voted unanimously to recommend approval of the Non-Treasury Management Strategy 2023/2024 to the Somerset County Council Executive and Full Council.

### **Agenda item 8: Capital Strategy for 2023/24 to 2025/26 (Pages 169 - 186)**

Donna Parham, Head of Corporate Finance and Deputy S151 Officer presented the Capital Strategy for 2023/23 to 2025/26 and the following comments and questions were received and discussed with members -

- Table 9 authorised limits of 1.1 billion but table 8 shows borrowing is higher than authorised limits, is that correct?
- Regarding ratio of borrowing to revenue – do we have any data to show comparisons here?
- A member felt that the level of borrowing and how much this impacts on revenue is very concerning.

There were no suggestions or amendments made by the Audit Committee regarding the Capital Strategy 2023/2024 to 2025/2026.

### **Agenda item 9: Flexible Capital Receipts Strategy 2022/23 and 2023/24 (Pages 187 - 192)**

Donna Parham, Head of Corporate Finance and Deputy S151 Officer SCC explained that this report also includes a revised Flexible Capital Receipts Strategy for 2022/2023 which had to be amended due to Minimum Revenue Provision legislation being changed soon after 2022/2023 strategy was approved by Full Council last year.

The following questions and comments were received and discussed with members -

- In response to a question regarding capitalisation downsides. Cllr Liz Leyshon, Lead Member for Finance advised that this is different to Flexible Capital receipts.
- Are we still going to achieve the 18.5 mil projected savings from Local Government Reorganisation? The Deputy S151 Officer and Head of Corporate Finance advised that there had been 16.5 million savings so far, and that this is detailed in the report that had been presented to the Scrutiny committee the previous day.
- One member felt that capital projects such as Decarbonisation of buildings are a Somerset Council priority and that there is a difficult balance to achieve here.

There were no suggestions or amendments made by the Audit Committee on the Flexible Capital Receipts Strategies for 2022/2023 and 2023/2024.

#### **Agenda item 10: Minimum Revenue Provision Statement 2023/2024 (Pages 193 - 196)**

Donna Parham, Deputy S151 Officer and Head of Corporate Finance SCC presented the Minimum Revenue Provision Statement 2023/2024, and the following comments and questions were received and discussed with members -

- There was a concern that there are lots of financial papers due back to various committees. Is this being managed; it could get very tricky for officers to track what is being done.
- Regarding interest only payments, how does payment of Minimum Revenue Provision work? The Deputy S151 officer explained that Minimum Revenue Provision is based on asset life.

There were no suggestions or amendments made by the Audit Committee regarding the Minimum Revenue Provision Statement 2023/2024.

#### **Agenda item 11: Audit committee work programme (Pages 197 - 198)**

Jason Vaughan, the S151 Officer, SCC provided the following updates and invited comments and questions from members -

- He would check if the appointment of new members (including independent) would be coming to this committee.
- The Treasury Managements Practice for Somerset Council as mentioned above at Item 6 (Appendix D) would be added to the work programme for the next meeting.
- Regarding Risk Management of Property Investments across all 5 councils, a member asked if this be coming to this committee as part of the new Somerset Council Risk Management update item. The Risk Manager SCC advised that she would look into this and provide a response at next meeting of this committee.

#### **Agenda item 12: Any other urgent items of business**

There were no other urgent items of business raised by the Chair.

[Meeting closed 4.28pm]