

MINUTES
of the
AUDIT AND RISK COMMITTEE
held on 17 June 2020 at 7.18pm

Present:

Councillor N.M. Walsh (Chair)

Councillors D.J.R. Clark, P.H. Clark, N.A. Dudley. J.S. Lardge. J.M.C. Raven, M. Sismey and
M.D. Watson

1. Attendance and Apologies for Absence

The attendance of those present was confirmed. Apologies for absence had been received from Councillor E J Sampson.

2. Minutes

The minutes of the meeting on 20 May 2020 were confirmed as a correct record.

3. Declarations of Interest

All Members were reminded to disclose any interests in items of business on the meeting's agenda and that they should do so at this point on the agenda or as soon as they became aware of the interest. They were also obliged to notify the Monitoring Officer of the interest within 28 days of the meeting, if they had not been previously notified.

4. Public Questions

There were no questions or statements from members of the public.

5. Announcements

There were no announcements for the meeting.

6. Provisional Revenue Outturn 2019/20

The Committee received a report on the provisional revenue outturn position for 2019/20 which showed a projected overspend of £2.16 million, or 13.9%. The report included a list of key material variations that made up the overspend, the amount and the cause of each variation, and the actions recommended to manage each variation. For each affected service, action or variance, the report identified associated risks.

Members were told that although it had received to date additional Government funding of £1.8 million for Covid-19, the Council would need to adjust its financial planning. Documents addressing this would be provided to members over the coming months, including a report to the July Cabinet and Council on the Medium Term Financial Strategy (MTFS). The figures presented in the report did not yet reflect the provisional agreement reached among Essex authorities on the new Business Rate Pool, but it was estimated would give Chelmsford an extra £500,000 in business rate income.

Several lessons had been learned from the experience of the last few months, including the need to identify potential overspends earlier and to build some of those into the long-term budget.

In response to a question about the source and term of the intended borrowing of £5.6 million to fund the capital programme and to replace the sum transferred to the General Balance, the Committee was informed that it would be internal borrowing from reserves and that not having to borrow from an external source would result in a revenue saving. Asked whether the earmarked reserves should be used to meet the projected shortfall of £8.6 million, officers said that as part of the MTFS the Council was being recommended to transfer the £5.6 million referred to earlier to reserves to meet the loss of income and additional costs as a result of Covid-19.

Asked why the cost of providing temporary accommodation for homeless families had increased, members were told that it was difficult to forecast how many would need such accommodation and the number had not decreased as much as hoped. The Public Sector Landlord scheme through which much of the accommodation was provided was expensive and the new homelessness strategy included measures to provide housing in less costly ways.

RESOLVED that the provisional revenue position for 2019/20 and the actions associated with it set out in the report to the meeting be noted.

(7.21pm to 7.35pm)

7. Capital Programme Update and Provisional Outturn 2019/20

A report was submitted which detailed the capital expenditure incurred in 2019/20, updated the Committee on the approved Capital Schemes and variations in cost which had been identified at outturn and to date and provided an update on the approved Asset Replacement Programme for 2019/20 and 2020/21 to reflect variations in cost and timing which had been identified at outturn and to date.

The report concluded that:

- the total cost of the Capital Schemes was forecast to be a net £266k less than the latest approved budget of £144.822 million;
- there were some large schemes which had not been delivered against the originally agreed milestones due to circumstances outside of the control of the Project Officers;
- the 2019/20 Asset Replacement Schemes were £172k less than the latest approved budget. £129k of this variation was due to moving the budgets forward into 2020/21. The realignment of the asset replacement budgets into later years was favourable to the Council as it delayed the commitment of capital resources; and
- the 2020/21 Asset Replacement Schemes were forecast to be £134k more than the latest approved budget. The majority of this was due to the realignment of budgets from 2019/20.

During discussion of the report, the view was expressed that in the light of its current and likely future financial position the Council should review all of its major capital schemes to ensure that the programme was affordable and included only essential projects. Replying to those points, officers said that the Council was not committed to carrying out most of the schemes in the capital programme and they would not proceed until businesses cases for them had been considered and approved. The affordability of the capital programme was an issue that would be addressed by the Council when it considered the MTF5.

RESOLVED that the updated capital programme and provisional outturn for 2019/20 be noted.

(7.35pm to 7.42pm)

8. Internal Audit Annual Report for 2019/20

Members received a report which reviewed the work of the Internal Audit Service in 2019/20, examined the key themes identified across the Council, highlighted how responsive management had been in implementing recommendations, and reviewed the effectiveness of Internal Audit.

Members expressed their appreciation for the level of assurance achieved and noted that services' responses to audit recommendations had improved over the years, something for which staff were to be congratulated.

RESOLVED that the Annual Report on the Internal Audit Service for 2019/20 be noted.

(7.42pm to 7.53pm)

9. Audit and Risk Committee Annual Report for 2019/20

The Committee considered its Annual Report for 2019/20, submitted in accordance with the code of best practice recommended by the Chartered Institute of Public Finance and Accountancy.

RESOLVED that the Committee's Annual Report for 2019/20 be approved and submitted to the Council.

(7.53pm to 7.56pm)

10. Audit and Risk Committee Terms of Reference

The Committee considered a report outlining the review of its terms of reference which had been carried out in accordance with the Chartered Institute of Public Finance and Accountancy recommended practice.

Other than updating the terms of reference to reflect the change of the Committee's name to 'Audit and Risk Committee', there were no material changes from 2019.

RESOLVED that the terms of reference of the Committee be noted and confirmed.

(7.56pm to 7.58pm)

11. Work Programme of the Committee

The Committee was requested to consider its updated rolling programme of work.

It was noted that an additional meeting would be held on 25 November 2020 and that, as requested by Cabinet, an additional item on Modern Day Slavery would be included in the work programme and brought to the Committee on a date to be decided.

RESOLVED that the updated work programme of the Committee for 2020/21 be approved.

(7.58pm to 7.59pm)

12. Urgent Business

There was no urgent business for the meeting.

The meeting closed at 8.00pm

Chair