

# STEVENAGE BOROUGH COUNCIL

## AUDIT COMMITTEE MINUTES

Date: Monday, 3 February 2020

Time: 6.00pm

Place: Shimkent Room, Daneshill House, Danestrete

**Present:** Councillors: Maureen McKay (Chair), John Gardner (Vice-Chair), Sandra Barr, Stephen Booth, Laurie Chester, Lizzy Kelly and Graham Lawrence.  
Geoff Gibbs (Independent Co-opted Member).

**Start / End Time:** Start Time: 6.00pm  
End Time: 6.39pm

### 1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillor Dave Cullen.

There were no declarations of interest.

### 2 MINUTES - 12 NOVEMBER 2019 AND 27 NOVEMBER 2019

It was **RESOLVED** that the Minutes of the meetings of the Audit Committee held on 12 November 2019 and 27 November 2019 be approved as correct records and signed by the Chair.

The Chair announced that a presentation on the progress of the Council's ICT Strategy would be submitted to the next meeting of the Committee to be held on 17 March 2020.

In respect of Minute 3 of the meeting of the Committee held on 27 November 2019, it was noted that an appropriate senior officer in the Regeneration Team would be invited to a future meeting in the summer of 2020 to provide an update on the financial risks associated with the Queensway LLP.

In terms of the 2018/19 external audit, the Assistant Director (Finance & Estates) advised that Ernst & Young had 5 outstanding queries. Due to priority work on the Council's budget for 2020/21, she had been unable to respond to these queries, but would do so during February 2020, thereby enabling the Statement of Accounts to be signed off.

The Assistant Director (Finance & Estates) commented that Hertfordshire CFO's would be collectively writing to the Public Sector Audit Appointments (PSAA) regarding clarification about EY's move to for a 30 September deadline for 2019/20 audit of accounts from the 31 July for audit sign off of the accounts. It was the CFO's preference that if the Finance Team were required to publish their unaudited

accounts by the end of May each year, it would be backward step to wait until the end of September for the accounts to signed off.

### **3 ANNUAL TREASURY MANAGEMENT STRATEGY INCLUDING PRUDENTIAL CODE INDICATORS 2020/21**

The Assistant Director (Finance and Estates) presented a report which would be recommended to Council at its meeting on 26 February 2020 seeking approval of the Treasury Management Strategy 2020/21 including its Annual Investment Strategy and the prudential indicators.

The Assistant Director (Finance & Estates) advised that, as at 31 December 2019, cash balances were £63.03Million, and were forecast to be £50.70Million as at 31 March 2020. She referred to the Projected Investment Balances chart set out in Paragraph 4.3.3 of the report, and the chart in Paragraph 4.3.6, which showed the allocation of forecast reserves as at 31 March 2020. She reported that there had been no breaches of treasury counter party limits during 2019/20.

The Assistant Director (Finance & Estates) stated that it was proposed to increase the maximum level of long term (invested for longer than 12 months) investments from £10Million to £20Million when cash balances were higher than £30Million. This was to enable greater flexibility to use opportunities to invest longer term when forecast balances are expected to be higher due to the timing of expenditure.

The Assistant Director (Finance & Estates) explained that the Operational boundary was the limit beyond which external debt was not normally expected to exceed and in most cases would be similar to the Council's Capital Financing Requirement (CFR). It was recommended that the operational borrowing limit was increased to:

- accommodate continued uncertainty regarding the release of GD3 LEP monies and the cost of relocating the Bus Station, an essential requirement to progress the SG1 regeneration phase of the town centre;
- accommodate uncertainty regarding the timing of significant land sales;
- reflect the identified borrowing requirement in the capital strategy;
- reflect the capital programme financing requirement including capital receipts and the uncertainty of when these receipts may materialise; and
- reflect the valuation of the finance lease of Queensway properties in the town centre.

The Assistant Director (Finance & Estates) commented that the Authorised limit for external debt had in turn been increased and was a control on the maximum level of borrowing. This represented the legal limit to which the Council's external debt cannot exceed. The revised Authorised limit was set out in the table at Paragraph 4.5.5 of the report.

The Assistant Director (Finance & Estates) drew attention to Paragraph 4.8.4 of the report, where the Council's treasury advisors had forecasted the Bank of England

base rate to increase to 1.0% in March 2021. However, the Bank of England had subsequently agreed to the base rate increasing by 0.75% in March 2021, with a projected further 0.25% increase in June 2021. She added that the Housing Revenue Account Business Plan's existing loans had an average interest rate of 3.38%, based on £202.674Million of borrowing.

The Assistant Director (Finance & Estates) concluded by referring to the UK Sovereign rating and investment criteria. If there was a negative reaction to Brexit, then it was possible that credit rating agencies could downgrade the sovereign rating for the UK from the current level of AA (or equivalent). The Council's investment criteria only used countries with a rating of AA- or above. As at 23 January 2020, the UK current Sovereign rating was AA. The UK rating would be exempt from the sovereign rating investment criteria, and so in the event that the UK was downgraded below AA-, it would not impact on the Council's ability to invest with UK institutions. Other investment criteria would be considered in this event to ensure security of funds for the Council.

In response to Members' questions, the Assistant Director (Finance & Estates) replied:

- The Treasury Management Strategy contained sufficient flexibility to allow borrowing to fund the Bus Station Re-location project should Growth Deal 3 funds be not forthcoming, however this would have a financial impact to be addressed elsewhere;
- It was anticipated that the second phase of the Queensway scheme would commence in Spring 2021; and
- There was an update on cash balances held and although projected £50.7Million at year end, the Assistant Director (Finance and Estates) pointed Members to the Final Capital Strategy report which showed in a chart that higher balances were required to be held now for the Housing Revenue Account (HRA) as HRA balances reduce close to minimum balances in the middle of the HRA Business Plan. In addition a proportion of the balances relate to provisions and third party balances.

The Assistant Director (Finance & Estates) acknowledged Members' requests for additional general audit training and a further session on treasury management. She commented that she intended to arrange an All Member training session on Financial Risks in late March/early April 2020, to ensure that Members were fully aware of the challenging General Fund position going forward, which the Committee welcomed.

At a Member's request, the Assistant Director undertook to consider the inclusion of trends in risk management in the year end Risk Management report.

The Chair asked for an item to be included on the Committee's Work Plan for 2020/21 in respect of the allocation of Section 106 monies.

It was **RESOLVED**:

1. That the Treasury Management Strategy 2020/21 be recommended to the Executive and Council for approval.
2. That the draft prudential indicators for 2020/21 be approved.
3. That the minimum revenue provision policy be approved.
4. That an increase to the maximum level of long term (invested for longer than 12 months) investments from £10Million to £20Million when cash balances are higher than £30Million be approved.

**4 URGENT PART 1 BUSINESS**

None.

**5 EXCLUSION OF PUBLIC AND PRESS**

It was **RESOLVED**:

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in paragraphs 1-7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to information) (Variation) Order 2006.
2. That Members considered the reasons for the following reports being in Part II and determined that the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

**6 PART II MINUTES - AUDIT COMMITTEE - 12 NOVEMBER 2019**

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 12 November 2019 be approved as a correct record and signed by the Chair.

In the previous Committee Minutes there was reference to a CIPFA report on the assessment of models for the Council to provide a Corporate Landlord function. The Assistant Director (Finance & Estates) advised that she would be preparing a briefing note for Members on this matter.

**7 URGENT PART II BUSINESS**

None.

**CHAIR**