

SWT Audit, Governance and Standards Committee - 4 February 2020

Present: Councillor Sue Buller (Chair)

Councillors Simon Coles, Janet Lloyd, Vivienne Stock-Williams,
Terry Venner, Habib Farbahi, Mrs Anne Elder and Bryn Wilson

Officers: Paul Fitzgerald and Marcus Prouse

Also Present: Councillor Marcus Kravis

(The meeting commenced at 4.30 pm)

64. Appointment of Vice-Chair

Councillor Buller proposed that Councillor Coles be appointed Vice-Chair for the duration of the special meeting in the absence of the Vice-Chair of the Committee. The proposal was seconded by Councillor Farbahi.

RESOLVED that Councillor Coles stand in as Vice-Chair of the Audit, Governance and Standards Committee for the duration of the meeting.

65. Apologies

Apologies were received from Councillors Lee Baker, Caroline Ellis, Dixie Darch and Sarah Wakefield.

Councillor Habib Farbahi substituted in place of Councillor L Baker.

66. Declarations of Interest

Members present at the meeting declared the following personal interests in their capacity as a Councillor or Clerk of a County, Town or Parish Council or any other Local Authority:-

Name	Minute No.	Description of Interest	Reason	Action Taken
Cllr S Coles	All Items	SCC & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr J Lloyd	All Items	Wellington & Sampford Arundel	Personal	Spoke and Voted
Cllr V Stock-Williams	All Items	Wellington	Personal	Spoke and Voted
Cllr T Venner	All Items	Minehead	Personal	Spoke and Voted

67. Public Participation

No members of the public had requested to speak on any item on the agenda.

68. **Draft Capital, Investment and Treasury Strategies 2020-21 to 2024-25**

This item was to consider the Draft Capital, Investment and Treasury Strategies 2020-21 to 2024-5.

The Chair invited the s151 Officer to introduce the reports. The purpose of the report was to inform members of the recommended strategy in relation to capital expenditure and financing, investments and treasury management activities. An early draft of the report had been provided to Audit, Governance and Standards Committee on 13 January 2020. Information contained within the strategies had now been substantially updated to reflect proposed budgets and capital programmes for 2020/21, which were to be presented to the Scrutiny Committee on 5 February, Executive on 10 February and Full Council on 19 February. 1.3 Previously separate strategies had been presented, however this report provided a holistic view of the Council's capital, investment and borrowing requirements meeting the requirements of statutory guidance issued by government in January 2018.

During the discussion of this item, Members made comments and asked questions which included:-

- Members drew attention to the differences between the early draft report deferred by the Committee on 13 January and the final report. The S151 Officer clarified the report had been updated since 13 January with the latest available information (e.g. the recommended HRA Business Plan).
- Members requested the governance structure chart for commercial investment decisions was included in the final report going to Council.
- Members requested that tables in the report should avoid wrapping over two pages if possible.
- Members queried on the risks of borrowing when income was less predictable. The S151 Officer confirmed he was comfortable that the planned growth of the Council's capital expenditure in the medium term was based on viable plans but confirmed the risk that delivering planned income targets was important to ensure servicing that debt remained affordable.
- Members sought clarification about the recent Public Works Loan Board (PWLb) rate raise and whether other sources of borrowing would be used. The S151 Officer clarified the advantages of PWLB and outlined alternative sources of borrowing such as other local authorities, banks, or capital markets (mainly pension/insurance funds)
- Members asked whether the Council had a dedicated team of officers that were looking at further grant opportunities such as the High St Fund. The S151 Officer confirmed that various officers across the Council pursue grant finding opportunities, albeit not structured as one single team.
- The S151 Officer confirmed a new accounting standard for leases applied from the 2020/21 accounts, with significant work required and planned to

analyse the implications. An update would be provided to Members in the mid-year report.

- Members discussed concerns around investments making a profit and whether tax implications had been considered. The S151 Officer confirmed that local authorities were not exposed to capital gains tax and holding properties for rental income, and legal advice had been obtained confirming holding investment properties is within the Council's legal powers.
- Members noted that the Chartered Institute of Public Finance and Accountancy (CIPFA) and Ministry of Housing, Communities and Local Government were concerned about borrowing for investment purposes and that any such activity should be proportionate.
- The Committee noted the requirement for the Constitution to be reviewed for completeness and further clarity on responsibilities for all aspects of the strategies included within the report.

RECOMMENDED to the Executive that;

- a) Recommended that the Council obtains specific tax advice as to whether all of, or some of, the investments the Council makes should be operated via a Local Authority Trading Company (LATC), and thus be subject to corporate taxes.
- b) Recommended that South West Audit Partnership's (SWAP) Financial Strategy Team be appointed to help review the Financial Strategy's Governance and work with the Council on an ongoing basis as required.
- c) Recommended that a clear distinction is made between the Treasury Strategy and Capital Strategy for the benefit of members and the public.
- d) Recommended that a clear distinction is made in future reporting between income generating investment and capital investments made to obtain service and social value.

(The Meeting ended at 6.45 pm)