

Minutes



Governance and Audit Committee

14th January 2026 at 7.15pm

Present

Councillors	Present	Councillors	Present
Councillor J Baugh	Yes	Councillor R Ramage	Yes
Councillor J Hayes (Vice Chairman)	Apologies	Councillor M Staines	Yes
Councillor P Heath	Yes	Councillor R van Dulken	Yes
Councillor A Hooks	Yes	Councillor L Walters	Apologies
Councillor L Jefferis	Yes	Councillor J Wrench (Chairman)	Yes
Councillor A Munday	Apologies	Councillor B Wright	Apologies
Councillor G Prime	Yes		

Officers in attendance:

Mark Jarvis – Financial Services Manager
Jessica Mann – Scrutiny Officer
Angie Mitchell – Audit, Insurance and Fraud Manager
Phil Myers – Head of Finance

Also in attendance:

Mark Twyford – KPMG LLP (from 8.18pm)

21 **DECLARATIONS OF INTEREST**

INFORMATION: There were no Interests declared.

22 **MINUTES**

DECISION: The Minutes of the meeting of the Governance and Audit Committee held on 8th October 2025 were approved as a correct record and signed by the Chairman.

23 **PUBLIC QUESTION TIME**

INFORMATION: There were no questions asked, or statements made.

24 **VERBAL UPDATE FROM KPMG ON PROGRESS OF THE AUDIT OF THE 2024/25 ACCOUNTS AND REPORTING**

INFORMATION: The Council's external auditors, KPMG LLP (KPMG), were due to provide a verbal for this item but were late in attending the meeting. As such, the update

from KPMG was provided at the end of the meeting. In the meantime, P Myers, Head of Finance, was able to update Members on the Council's position.

Members were advised that KPMG had hoped to be able to report on the 2024/25 accounts and their audit. KPMG were not currently able to report on the 2024/25 accounts for several reasons which they intended to address as part of their update. To meet with the backstop date of 27th February 2026, an additional meeting of the Governance and Audit Committee had been arranged on 10th February 2026 to allow KPMG to present their formal report on both the audit of the Council's accounts and its arrangements for value for money. Whilst the audit had progressed well, there had been some resourcing challenges within KPMG which had led to some delays. There had also been a need to undertake extended testing on the valuation of property and investment properties.

The process of the audit was to try and build back as much assurance over the Council's position due to previously disclaimed accounts in meeting the Government's backstop arrangements. While the aim was to gain as much assurance as possible, KPMG had previously explained to the Council that a disclaimed opinion would be received on the 2024/25 accounts as work on confirming opening balances had still to be undertaken.

An area where KPMG had raised some issues was asset valuations on property assets. This focused on the approach taken by valuers appointed by the Council, whereas KPMG had utilised their in-house experts to undertake their own verification and validation checks, leading to some differences in opinion between the two valuers which parties were attempting to resolve. This work, however, would not be able to be completed and allow the backstop date to be achieved for reporting so this matter will be carried over into the 2025-26 audit review.

It was added that the work completed thus far by KPMG in respect of the Council's 'Value for Money' arrangements had not revealed any issues and a positive opinion was anticipated as a result.

The Chairman welcomed M Twyford, Director at KPMG, who joined the meeting at 8.18pm and gave his apologies for the late arrival. M Twyford was invited to continue with the update on the progress of the audit of the Council's accounts following the conclusion of Agenda Item 10, 'Treasury Management Strategy for 2026/27.'

It was confirmed that a written update from KPMG on the progress of the audit would be provided at the next meeting of the Governance and Audit Committee on 10th February 2026 in order to meet with the deadline of 27th February 2026 for signing off the accounts. In terms of the progress of the audit, it was anticipated that the ISA¹ draft report would be completed imminently for review by Finance Officers before being circulated to Committee Members in advance of the meeting in February. In respect of testing, substantial progress had been made, although there were a small number of areas to complete around income testing. Work was also to be completed around related parties and accounts review.

A disclaimed opinion would be offered by KPMG in respect of the accounts which was in line with the report in the previous year. The disclaimer would be with regard to the opening balances, which had not been completed in the previous year's accounts, and the reserves position, as there had been several years where no audit opinion had been

¹ International Standards on Auditing

offered. A 'build back' area of work was due to be undertaken in respect of the Council's legacy reserves, for which some initial work had been already commenced with requirements identified. The final area of work which would receive a disclaimer was PPE² and Investment Property where the specialist valuation team engaged by KPMG had identified several areas of work needed to be completed within this area. One of the issues identified related to a query around the yield data for the valuation which was more limited than expected. The second issue regarded the DRC³ where the retained use of the Victoria Square development block was queried. In addition, following the introduction of the new IFRS 16 Audit Standard (which stipulated that leases were to be treated as assets), the valuation team had queried a number of points regarding the lease methodologies adopted by the Council and treatments of ongoing leases (e.g. Witham Leisure Centre). The final query identified by the valuation team was around the usage of income from car parks in valuations.

It was highlighted that other areas of testing were on track to be completed; these included: income statements, collection fund, balance sheet, cash balances and investment balances and journals testing.

25 **KEY FINANCIAL INDICATORS AND SECOND QUARTER FINANCIAL REVIEW FOR 2025/26**

INFORMATION: P Myers, Head of Finance, was invited to present a report which updated Members on the Key Financial Indicators (KFIs) for the financial period ending 30th November 2025 and the Second Quarter Financial Review and forecast budget outturn for 2025/26.

Second Quarter Financial Review

The forecast budget outturn for the period indicated an overall positive variance of £1.5 million and represented a slight increase compared with the previous quarter. Staffing expenditure was forecast to be under budget by £478,000 which was mainly from current vacancies. A relatively high number of vacancies existed in Sustainable Development (Planning and Landscape Services), Operations, and Governance. There were increased staffing costs in Environment (Building Control) where interim staff continued to be required to meet statutory requirements while permanent appointments were pursued. Other expenditure was forecast to be above budget by £306,000; this included additional expenditure in Asset Management (mainly property related); Finance and Operations. Within Finance, the net cost of Housing Benefit was projected to be higher due to an increase in the use of temporary housing accommodation by the Housing Service as a result of demand-led pressures. Operations forecast expenditure variances in transport and processing costs for recycling material, impacted by tonnages and contract pricing. ICT and Facilities was projecting an underspend, mainly in relation to ICT maintenance and the operating costs of Causeway House.

Income was forecast to be overachieved by £1.3 million, including £841,000 from treasury management interest and dividends. Other positive income variances included car parking, garden waste subscriptions, income from recycled materials and planning related income. Asset Management was projecting an adverse income variance, which was mainly from the Plaza (the Makerspace and casual lettings) and Victoria Square where units remained vacant.

² Property Planning Equipment

³ Depreciated Replacement Costs

Much of the in-year variance had been included within the planning for the 2026/27 budget and updating of the Medium-Term Financial Strategy.

In terms of the capital programme, the profiled amount for the year was £13.6 million. Actual expenditure for the first half of the year was £2.6 million with the main areas of spend being on a new community centre and 3G artificial grass pitch in Witham; town centre improvement works; housing grants (including for disabled facilities in homes) and property related expenditure. There was currently an underspend forecast of £861,000 which mainly related to the Causeway House refresh project, where planned works are being scaled back. Capital receipts totalled £2 million, which mainly included receipts from right-to-buy, plus VAT recovery and other property disposals through Eastlight Community Homes. There were also several pipeline receipts from residential sites and Horizon 120 that were still anticipated.

Key Financial Indicators

The in-year Council Tax collection rate as at 30th November 2025 was 74.3%, which indicated a decrease when compared with performance in the previous year. It was highlighted that this trend was in line with all councils in Essex, and that Braintree reported the highest collection rate at this point in the year. Monthly performance rates could also fluctuate, and the position was being kept under review. Conversely, Business Rate collection rate was higher than in the previous year at 73.3%, although these rates also fluctuate.

In respect of write-offs, the total number Council Tax write-offs authorised was 1,088 with a total value of £446,000. Debt Relief Orders and Individual Voluntary Arrangements (IVAs) accounted for the main reason for write-offs. A review of aged debt had also been completed which had led to write-offs where all means of recovery had been exhausted. The level of write-offs remained within the overall financial provision made and assumptions used when calculating the taxbase. The total number of authorised Business Rate write-offs were 44 with a net value of £130,000. As of 30th November, the amount of sundry debts owed to the Council was £2.7 million, of which £0.9 million was at invoice stage. The amount of Housing Benefit overpayments outstanding was £1.4 million.

The number of supplier payments made within 30 days was 7,036 or 98%; the target for 2025-26 was 98%. The number of lettable units for the commercial property portfolio was 273, which included offices and units at I-Construct, the Plaza, Victoria Square, the Braintree Enterprise Centre and Ignite House, and available space within Causeway House. The occupancy rate as at 30th November 2025 was 235 units, or 86%.

The average amount invested as short-term investments between April and the end of November 2025 was £71.6 million. The amount invested as at 30th November was £66.7 million. The amount invested in pooled funds comprising equity, property, and multi-assets remained at £19 million, with £605,000 of dividend income received or declared. The total value of the Council's fund holdings at 30th November was £24.3 million, which reflected a total unrealised gain of £5.3 million.

DECISION: Members noted the report of the Key Financial Indicators for the financial period ending 30th November 2025, and the Second Quarter Financial Review and forecast budget outturn for 2025-26.

REASON FOR DECISION: To receive a suite of the Council's Key Financial Indicators on performance to 30th November 2025, and to provide detail of the Second Quarter Financial Review and forecast of budget outturn for 2025-26. To evidence good practice in actively monitoring financial performance.

26 INTERNAL AUDIT UPDATE

INFORMATION: A Mitchell, Audit, Insurance and Fraud Manager, was invited to set out a report which provided a summary of the internal audit activity, progress and performance against planned work and any other matters which affected the provision of the Internal Audit Service for 2025/26.

Members were advised that the following audits had been completed since the last progress report to the Governance and Audit Committee on 8th October 2025:-

- Local Council Tax Support – Full Assurance
- Climate Performance – Significant Assurance
- Civil Contingencies Act - Significant Assurance
- Mandatory Staff Training - Significant Assurance
- Plaza Operations – Limited Assurance

There were no IPA or RIPA applications in 2025/26 to the date of the report.

DECISION: Members noted the progress against the 2025/26 Internal Audit Plan.

REASON FOR DECISION: The report provided Members with an update on the Internal Audit activity, progress and performance against planned work, and any other matters affecting the provision of the Internal Audit Service. This was in accordance with the oversight and reporting arrangements identified in the Internal Audit Charter. The report also provided an update on Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) applications made by the Authority.

27 FRAUD UPDATE

INFORMATION: A Mitchell, Audit, Insurance and Fraud Manager, presented a report which provided Members with an overview of the fraud risks affecting Local Authorities, the work undertaken by staff in this respect and details of legislation pertinent to the management of fraud risks.

It was highlighted that there was no up-to-date, reliable estimate available of the total scale of economic crime, although assessments of UK Public Sector losses ranged from £39.8 billion and £58.5 billion, or between £55 billion and £81 billion. The National Crime Agency National Strategic Assessment 2025 reported that fraud now represented 41% of all criminal activity. The scale of the economic crime threat in both the public and private sectors continued to grow, with fraudsters constantly evolving their techniques, and further challenges arising from changes in the public sector landscape (e.g. budget reductions, service remodelling and integration, and Government policy changes).

In their 2025 Fraudscape document, CIFAS had reported a 1% increase in cases filed to their National Fraud Database for the first six months of 2025, with a continued prevalence of identity fraud. Areas of "high fraud" identified included identity fraud in 59% of cases. Consequently, the Council had included an ID verification audit within the

current year's Internal Audit Plan, the work for which had now been allocated and was due to commence shortly. Other areas of high fraud included misuse of facilities, account takeovers, false applications and insider threats.

The Council had provided the following training for staff to support them to prevent and detect fraud: Regulation of Investigatory Powers Act (RIPA) Applications and Authorisation training in March 2022; Verification of Identity Documents training in April 2022; Authorised Officer training in November 2022; general Fraud Alert and Audit and Fraud training for staff, and; e-learning courses were available to all staff regarding Information Security, Cyber Crime, Cyber Security, etc.

DECISION: Members noted the report.

REASON FOR DECISION: The *Audit Committees: practical guidance for local authorities and police* (CIPFA, 2022) advised that the audit committee should have oversight of the arrangements for managing the risks of fraud and corruption, providing assurance that they are fit for purpose. The report provided Members with an overview of the fraud risks affecting Local Authorities, and the work undertaken by staff, including the Audit Insurance and Fraud, and Revenues and Benefits teams, in this respect.

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STRATEGIC RISK REGISTER

INFORMATION: P Myers, Head of Finance, presented a report which regarded a review and update of the Council's Strategic Risk Register (the Register). The presentation of the report to the Governance and Audit Committee formed part of a wider process which supported the Council in maintaining robust risk management arrangements across the delivery of its Corporate Strategy and ensuring that the organisation remained fit for the future.

The Strategic Risk Register formed a key part of the Council's overall approach to risk management, which also included:-

- Operational (service) risk registers
- Risk registers for major projects
- Business continuity planning; and
- Emergency planning.

Strategic Risks were reviewed in accordance with the current Risk Management Policy and Strategy. The Register also identified current controls and additional actions to mitigate risks.

Members were reminded that on 8th September 2025, all Members of the Council were invited to attend a session on the Council's Register as part of the ongoing Member Development Programme, during which they had the opportunity to question Senior Members and officers in respect of the strategic risks identified at that time. Following the session, the updated Register was approved by Cabinet at the meeting held on 27th November 2025.

Each risk was assessed initially at the Inherent (uncontrolled) state and then reassessed taking into account the controls that had been put in place, giving a residual risk score. For the current Register, ten of the twelve risks remained above the Risk Tolerance Line and therefore required active risk management. It was noted that the residual 'risk' score

in respect of the Medium-Term Financial Strategy and Financial Resilience risk (Risk 1) had increased due to the Government's commitment to progress a review of the funding system and full reset of business rate retention ahead of the Local Government Finance Settlement for 2026/27.

DECISION: Members noted and endorsed the Strategic Risk Register.

REASON FOR DECISION: The report provided detail of the review and update of the Council's Strategic Risk Register as agreed by Cabinet at its meeting on 27th November 2025.

29 TREASURY MANAGEMENT STRATEGY FOR 2026/27

INFORMATION: M Jarvis, Financial Services Manager, was invited to present a report which summarised the contents of the Council's draft Treasury Management Strategy (the Strategy) for 2026/27, which formed a key component of the Council's financial governance and set the position and criteria for the Council to undertake its treasury management activities.

The Council's Treasury Management Advisors, Arlingclose, forecast that inflation would decrease to the Bank of England's target of 2%. As a consequence, Arlingclose also anticipated that interest rates would reduce as well. In the first quarter of 2026, one rate reduction from 3.75% to 3.5% was expected, followed by another in the second quarter to 3.25%.

In respect of the local context, the Capital Financing Requirement (CFR) measured the underlying need to borrow for capital purposes, although actual borrowing might differ. As at 31st March 2025, the CFR was £25.57 million; however, by the end of March 2026, this amount was expected to reduce considerably to £17.31 million. The main reason for this was that in prior years, the Council had invested substantially into Horizon 120, where the expenditure was due to be funded by generation of capital receipts. Following the most recent sale of plots 5, 6, 7 and 8 at the site, the net receipts were being used along with that received in relation to Phase 2 to reduce the CFR. Throughout the remainder of the Medium-Term Financial Strategy (MTFS) period, the Council was not expecting to borrow in order to fund the Capital Programme. As such, the CFR was expected to decline as internal debt was repaid through the Minimum Revenue Provision (MRP).

In respect of borrowing, the Council currently held £4.6 million in loans which were refinanced in 2022 and was reducing by £400,000 each year. New borrowing was not expected to be required over the short-term based on current plans. Should the Council need to borrow in future, short and long-term loans from a variety of potential sources would be considered, including the Public Works Loan Board (PWLB), the capital markets and local authorities.

Significant investments were being maintained which included income received in advance of expenditure, plus cash-backed balances and reserves. It was anticipated that the Council's average investment balances would reduce, mainly due to funding for the Capital Programme.

For the 2026/27 financial year, the Council had budgeted investment income of £3.1 million, which was based on an average investment portfolio of £84 million. This projection reflected an anticipated return of 3.3% on short-term investments and 5% on the Council's pooled fund holdings. Interest payable on current borrowing was £113,000 per annum and

£70,000 in relation to the premium repayment in respect of refinanced LOBOs (Lender Option Borrower Option).

There were no amendments proposed in respect of the Strategy further to the presentation of the report.

DECISION: That the Committee:-

- 1) Considered whether it wished to propose any amendments to the strategy or provide any comments or observations for the Cabinet Member for Finance, Resources and Performance to take into account when presenting the final Treasury Management Strategy to Full Council; and
- 2) Approved the draft Treasury Management Strategy for 2026/27 (subject to any amendments) and recommended its approval by Full Council.

REASON FOR DECISION: The Council had adopted the Code of Practice for Treasury Management in Public Services published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which required the Council to approve a Treasury Management Strategy before the start of each financial year. The Strategy was to be included as part of the Budget report to be considered by Full Council on 16th February 2026. The Council's Constitution required that prior to consideration by Full Council, the draft Treasury Management Strategy was reviewed and scrutinised by the Governance and Audit Committee.

30 GOVERNANCE AND AUDIT COMMITTEE DRAFT PROGRAMME OF WORK 2026/27

INFORMATION: A Mitchell, Audit, Insurance and Fraud Manager, presented a report which detailed the draft programme of work for 2025/26 for the Committee. Members were requested to consider the programme of work and to recommend any additions, and to identify any training needs to enable them to effectively discharge their duties.

A typographical error was noted in respect of page 96 of the Agenda, which regarded the meeting of the Committee to be held on 10th February 2026. It was clarified that the Monitoring Officer's report, which was due to be presented at the meeting related to the period 2024/25, not 2025/26.

Members were also advised that training was currently being planned in relation to the Statement of the Accounts.

DECISION: Members agreed to the Governance and Audit Committee programme of work for 2025/26 and identified any training needs to enable them to effectively discharge their duties.

REASON FOR DECISION: The Governance and Audit Committee received a draft programme of planned work for the coming year.

The meeting commenced at 7.15pm and closed at 9.17pm.

Councillor J Wrench
(Chairman)

