

Minutes

Governance and Audit Scrutiny Committee 21st July 2022 at 4.30pm



Present

Councillors	Present	Councillors	Present
P Euesden (Vice-Chairman)	Yes	T Walsh	Yes
D Hume	Apologies	Mrs L Walters	No
D Mann	Yes	D White	No
S Rehman	Apologies	J Wrench (Chairman)	Yes
Miss V Santomauro	No		

In attendance:

Suzanne Bennett	Corporate Director (Finance)
Mark Jarvis	Financial Services Manager
Jessica Mann	Governance and Members Officer
Angie Mitchell	Audit, Insurance and Fraud Manager
Phil Myers	Head of Finance

12 **DECLARATIONS OF INTEREST**

INFORMATION: There were no interests declared.

13 **MINUTES**

INFORMATION: The Minutes from the meetings of the Governance and Audit Scrutiny Committee which took place on 21st April 2022 and 30th May 2022 were approved.

14 **PUBLIC QUESTION TIME**

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

15 **KEY FINANCIAL INDICATORS AS AT 31ST MAY 2022**

INFORMATION: Members received a report on the performance of the Council in the current financial year through to 31st May 2022. Mr P Myers, Head of Finance, was invited to present the report.

Members were advised that net expenditure as of 31st May 2022 was £1.1million, which was £17,000 below the profiled budget. The total expenditure on salaries to the end of May was £3.2million, which was under the profiled budget by £52,000. It was highlighted that the Council had yet to receive the details of the national pay award from April 2022 and any budgetary impacts arising from this.

In respect of commercial rents, the number of units for let as at the end of May 2022 was 221 and the number of units that were occupied was 212, which represented an occupancy rate of 96%.

The expected spend on the capital programme for the year was currently £12.8million, which included estimated expenditure on: the Plaza Enterprise Centre at Horizon 120 of £4.3million; Manor Street development of £0.7million; town centre improvements of £0.8million; planned maintenance programme of £1million; ICT investment of £0.4million and play area refurbishments of £0.3million. The actual expenditure incurred to the end of May was £1.5million.

A total of £5.7million in capital receipts had been anticipated for the year, which included: right to-buy sales and VAT shelter savings from agreements with Eastlight Community Housing; the sale of serviced land plots at Horizon 120; and the sale of land assets which had been identified for potential residential development. The amount of capital receipts achieved to the end of May was £3.9million.

In terms of collectable rates, the total Council Tax collectable debit for the year was reported to be £108.7million. The collection rate as at the end of May was 20.8%, which compared to a rate of 20.6% for the same period last year. The total Business Rates collectable debit for the year was £42.4million. The collection rate as at the end of May was 21.0%, which compared to a rate of 19.4% for the same period last year. In terms of write-offs, a total of 107 write-offs had been authorised in relation to Council Tax. Regarding Business Rates, there had been a total of 8 write-offs. The value of sundry debts owed to the Council was £2.9million, of which £1.5million was in respect of Housing Benefit overpayments. The proportion of supplier payments made within 30 days was 97.8% against a target of 97%.

In respect of short-term investments, the average amount held was £48.4million, on which £56,000 of interest had been secured. Regarding pooled funds, the amount invested had been held at £19million. It was reported that dividend income from the majority of the funds was paid quarterly; therefore, the amount received up to the end of May was £29,000 only. As at the end of May 2022, the total value of all funds was £22.1million, which represented an unrealised gain of £3.1million.

DECISION: Members noted the report of the Key Financial Indicators as at 31st May 2022.

REASON FOR DECISION: To receive a suite of the key financial indicators of the Council on performance in the current financial year to 31st May 2022 and to evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues as and when they may arise.

16 **TREASURY MANAGEMENT ANNUAL REPORT 2021/22**

INFORMATION: Members considered a report which concerned the draft Treasury Management Annual Report for 2021/22. Mr M Jarvis, Financial Services Manager, was invited to present the report.

In terms of the external context, Members were advised that there had been a degree of volatility in the economic markets, which was due to a number of factors that included the continuing recovery from the coronavirus pandemic, the war in Ukraine and the impacts of the Cost of Living Crisis.

As of March 2021, UK CPI was at 0.7%, but thereafter had steadily increased and was anticipated to be at 11% by Autumn 2022. The ultra-low interest rates at the start of the year had now increased to 75 basis points as at 31st March 2022 in order to help combat inflation.

As of the last quarter, there had been improvement in the credit position. In September 2021, the Council's treasury management advisors, Arlingclose, opted to extend the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days.

In respect of the local context, it was noted that the Council's Capital Financing Requirement (CFR), which was used to measure the level of borrowing required, was at £22.7million as of 31st March 2022. The level of internal borrowing had increased in the year by a net of £964,000 and this was due primarily to the capital activity of the Council (e.g. on the Manor Street development project).

In terms of borrowing, this remained unchanged in the year at £6million, which comprised two £3million loans on Lender Option, Borrower Option (LOBO) terms. It was highlighted that the loans were kept under regular review, given the possibility of refinancing or 'call in.' As of 31st March 2022, these loans had not been refinanced; however, work had taken place throughout the year by the Council, Arlingclose and the loan holder, to commence with this work. It was added that further details regarding the refinancing were to be provided in the upcoming mid-year report to the Committee.

By the end of the financial year, the overall amount of cash and investments had increased by over £18million from that held as of 31st March 2021, which was largely a consequence of the amount of Government funding in relation to Covid-19 and the Energy Rebate, but also due to an acceleration of planned capital receipts in relation to Horizon 120.

It was reported that there had not been any changes made to the Council's pooled funds. During 2021/22, the values in corporate bond and equity markets had regained the losses incurred due to the global pandemic and had since seen a significant increase compared to last year. As of 31st March 2022, net unrealisable gains were just over £2.9million, compared with £1.2million in the previous year. The return on the pooled funds was 4.34% and had exceeded the budget by £147,000. Given the improvement on the pooled fund returns, and further increases provided in the Medium-Term Financial Strategy of £120,000 and £30,000 in 2023/24 and 2024/25 respectively, the budget for 2022/23 assumed a £100,000 increase to the investment income.

Finally, in respect of compliance, the Council's S151 Officer reported that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Authority's Treasury Management Strategy.

DECISION: That the Treasury Management Annual Report for 2021/22 be submitted to Full Council.

REASON FOR DECISION: To provide the Committee with the opportunity to review the draft Treasury Management Annual Report for 2021/22 and, if appropriate, to recommend any changes or to provide comments before the report is considered by Full Council.

17 **STRATEGIC RISK REGISTER**

INFORMATION: Members considered a report which provided an overview of the review and updating of the Council's Strategic Risk Register as agreed by Cabinet at its meeting on 11th July 2022. Mr P Myers, Head of Finance, was invited to present the report.

Members were informed that the Register had been reviewed by Management Board, with the updated version having been considered at the Member Development Evening held on 26th May 2022. A few subsequent changes were made to the Strategic Risks as a result of the proposals made during the Development Evening, and were as follows:

- Risk 5 – Service and Project Delivery changed from D2 to C2
- Risk 7 – Return on Investments changed from C2 to D2
- Risk 8 – Emergency Planning changed from C1 to D1.

In response to a question that was raised by Councillor Walsh in relation to the adoption of the Local Plan, and the likely cost implications for the Council in terms of additional housing and new infrastructure, the Chairman suggested that this was a question best raised at the upcoming meeting of Full Council. However, Mr Myers agreed to raise the query with the Council's Planning team and report back to Councillor Walsh with any further information that could be provided.

DECISION: Members noted and endorsed the Strategic Risk Register and the Action Plans for managing the high rated risks.

REASON FOR DECISION: To provide the Committee with detail of the review and updating of the Council's Strategic Risk Register as agreed by Cabinet at its meeting on 11th July 2022.

18 **INTERNAL AUDIT UPDATE, INCLUDING PROGRESS AGAINST INTERNAL AUDIT PLANS 2021/22 AND 2022/23**

INFORMATION: Members considered a report which detailed the progress and performance against the Internal Audit Plans for 2021/22 and 2022/23. Ms A Mitchell, Audit, Insurance and Fraud Manager (the Audit Manager), was invited to present the report.

It was reported that the proportion of planned work was affected by the following factors:

- A significant proportion of the Audit Manager's time was spent on insurance work, and some time also spent on fraud work. In 2021/22, the insurance related work included the re-tender of three areas of insurance cover which required significant resource input. The insurance service was currently working on the 2022 Insurance Renewal, and also a high claim caseload;
- The Audit Manager reviewed the Risk Management Policy and Strategy;
- The Audit Manager was in the process of reviewing Fraud related policies, and;
- Additional ad-hoc advice and consultancy services had been provided in the areas summarised in Appendix 1 to the report.

It was confirmed that there were no RIPA/IPA applications in 2022/23 or to the date that the report was produced.

DECISION: Members noted the progress and performance of the Council against the Internal Audit Plans 2021/22 and 2022/23.

REASON FOR DECISION: The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit activity to report functionally to the Governance and Audit Scrutiny Committee, being the committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.

The 2021/22 Internal Audit Plan was approved by the Governance and Audit Scrutiny Committee on 22nd July 2021, and the 2022/23 Internal Audit Plan would be presented to the Governance and Audit Scrutiny Committee on 21st July 2022. The report provided Members with an update on the Internal Audit activity, and progress and performance against planned work and any other matters affecting the provision of the Internal Audit Service. This was in accordance with the Governance and Audit Scrutiny Committee role and the requirements of the PSIAS.

The report also provides an update on Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) applications made by the Authority.

19 **INTERNAL AUDIT ANNUAL REPORT 2021/22**

INFORMATION: Members considered a report on the work of the Council's Internal Audit function for 2021/22 and the rationale for the resulting audit opinion on the overall adequacy and effectiveness of the Council's framework of internal control, risk management and governance. Ms A Mitchell, Audit, Insurance and Fraud Manager, was invited to present the report.

Members were advised that the conclusion from the 2021/22 work was that the Council's system of internal control, and the internal control environment, were generally adequate with improvement required in some areas. A total of twenty-eight audit reviews conducted in 2021/22 resulted in a 'Full or Substantial' assurance opinion. Two reviews were assessed as 'Limited Assurance' at the time of the audit fieldwork; although the Council was awaiting completion of management responses, positive action was anticipated to resolve the weaknesses identified.

There were ongoing actions from the previous year's audits, and the Council continued to work with management towards resolving these, and the Corporate Management Team would review progress of implementing outstanding recommendations. The conclusion of the External Auditor review relating to 2019/20 and subsequent years was currently pending, and the outcome of their work and any implications was to be reviewed once this has been completed.

It was noted that the Council's response to Covid-19 led to inevitable changes to the usual control framework. As part of this, the Council's exposure to risk, loss and fraud was considered. Internal Audit continued to operate and provide assurance and advice as required during this period, and Internal Audit plans continued to reflect potential risk areas.

DECISION: Members noted and accepted the Internal Audit Annual Report 2021/22.

REASON FOR DECISION: The Public Sector Internal Audit Standards require the Head of Internal Audit to deliver an annual internal audit report and opinion that can be used by the organisation to inform its Annual Governance Statement.

INFORMATION: Members gave consideration to a report on the Annual Governance Statement (the Statement) for 2021/22. Mr P Myers, Head of Finance, was invited to present the report.

The annual review of the Council's governance, risk management and internal control arrangements was undertaken to support the production of the Statement. The review process included obtaining assurances from senior managers; reviewing the Council's governance framework against the best practice framework as devised by CIPFA and SOLACE; updating the Local Code of Corporate Governance, and reviewing all External Audit and Inspection report and Internal Audit reports.

During the report, it was highlighted that the Council's governance arrangements had been impacted in 2021/22 by the outbreak of the coronavirus pandemic, with modifications required to be introduced, much of which continued into 2021/22. For example, an active role in the Essex Local Resilience Forum (LRF) was maintained throughout which contributed to the wider LRF response and recovery programmes; this included a system of enhanced management with a structure based on strategic and tactical arrangements, and individual services were responsible for the operational delivery of the Covid response (e.g. public health measures).

It was reported that the review provided overall assurance that the Council's governance arrangements had remained suitable for purpose, despite the modifications that had arisen in light of the ongoing pandemic. Furthermore, there had been no significant detriment on the Council's ability to deliver its services. In terms of the future risks to the Authority, the Council faced several areas of significant change that would require consideration and action as appropriate in 2022/23 and the medium-term. The "significant" issues included the cost of living and inflationary pressures on the cost of services, continued uncertainty regarding Central Government funding of Local Government, the outstanding review of the Council's financial resilience as per CIPFA's Financial Management Code introduced in 2020/21, and the development of the Council's new agile and flexible working policy.

In conclusion, the Council had strong governance arrangements in place which protected the Council's interests and provided the necessary assurance for residents and stakeholders. Steps would be taken by the Council to address the matters identified above to further enhance its governance arrangements.

Further to the report, several questions were raised by Members. In response, the following points were made:

- Mrs S Bennett, Corporate Director (Finance), agreed to provide an update to the Committee as and when appropriate on the development of the Council's new agile and flexible working policy.
- In response to a question raised by Councillor Walsh, which regarded the number of complaints that had been received in respect of Councillors, Ms A Mitchell, Audit, Insurance and Fraud Manager, advised that such information was likely to be included within the upcoming Monitoring Officer report that was due to be presented to the Committee at its next meeting in October 2022.

DECISION: The Annual Governance Statement for 2021/22 was approved, prior to it being signed by the Chief Executive and the Leader of the Council.

Authority was delegated to the Head of Finance to make any required amendments to the Annual Governance Statement prior to its submission with the Statement of Accounts.

REASON FOR DECISION: To evidence that the Council had conducted a review of the effectiveness of its system of internal control for 2021/22, and to ensure that the Annual Governance Statement for 2021/22 is correct and for the Leader of the Council and the Chief Executive to sign.

21 **INTERNAL AUDIT PLAN 2022/23**

INFORMATION: Members considered a report on the Council's Internal Audit Plan (the Plan) for 2022/23. Ms A Mitchell, Audit, Insurance and Fraud Manager, was invited to present the report.

Members were advised that the Public Sector Internal Auditing Standards (PSIAS) required the Chief Audit Executive to 'establish risk-based plans to determine the priorities of the Internal Audit activity, consistent with the organisation's goals.' In line with these standards, the plan should take account of the organisation's risk management framework and be reviewed and adjusted as necessary in response to changes in the Council's business, risk, operations, programmes, systems and controls, and should:

- Give the 'Chief Audit Executive' (CAE) sufficient evidence to provide an annual audit opinion on the Council's framework of governance, risk management and internal control based on the outcome of planned work;
- Use existing sources of assurance where possible; and
- Demonstrate how internal audit work is linked to the Council's objectives and significant risks, and therefore provide relevant assurance.

It was highlighted that the Plan would be reviewed on an ongoing basis throughout the year, and external resources would be enlisted to assist with its completion in respect of specialist areas of work.

Further to a question that was raised previously by Councillor Walsh, included within the Plan was 'Follow Up Reviews,' which stipulated that all Limited Assurance reports (below) would be followed up and evidence of implementation of high and medium priority recommendations from previous years would be reviewed:

- Contract Management (2019/20)
- Manor Street (2019/20)
- Housing Application Document Verification (2019/20)
- Contract Management – Major Contracts (2020/21)
- Managers Self Service (2021/22)
- Project Realisation of Benefits (2021/22).

DECISION: Members endorsed the Internal Audit Plan process and draft Internal Audit Plan for 2022/23.

REASON FOR DECISION: To ensure there is an Internal Audit Plan for 2022/23 which complies with the Public Sector Internal Audit Standards.

The meeting commenced at 4.30pm and closed at 6.00pm

Councillor J Wrench
(Chairman)