

# Finance & Audit Committee

Monday, 14 February 2022

7:30pm

## Present:

Cllr Gurbax Singh (Chair)  
Cllr Sarah Gow (Vice-Chair)

Cllrs: John Caller  
Dakota Dibben  
Samir Jassal  
Nirmal Khabra  
Jordan Meade  
Emma Morley  
Frank Wardle

Lisa Nyon	Assistant Director (Corporate Services)
James Larkin	Head of Internal Audit & Counter Fraud Shared Services
Andrew Barnett	Principal Accountant (General Fund)
Alex Jarvis	Principal Accountant (HRA & Exchequer)
Ben Clarke	Committee Services Officer (Minutes)

## 135. Apologies for absence

Apologies for absence were received from Cllr Derek Ashenden and Cllr Elizabeth Mulheran. Cllr Frank Wardle and Cllr John Caller substituted respectively.

## 136. To sign the minutes of the previous meeting.

The minutes of the meeting on Wednesday, 10 November 2021 were signed by the Chair.

## 137. Declarations of Interest

Cllr Gow declared an Other Significant Interest as an appointed Director of Rosherville Limited, the Council's Local Authority Trading Company.

## 138. Treasury Management Strategy and Capital Strategy 2022-23

The Committee considered the Treasury Management Strategy and associated Annual Investment Strategy and the Minimum Revenue Provision Policy for 2022/23 along with the Capital Strategy for 2022/26.

The Principal Accountant (HRA & Exchequer) advised that in December 2021, CIPFA updated the Treasury Management and Prudential Codes however, Local authorities were not expected to reflect any changes required under the revised codes within their 2022/23 codes. Full implementation of the changes under the revised codes would be required for 2023/24.

The Principal Accountant (HRA & Exchequer) directed Members to page 17 of the report and guided Members through the key points of the Councils Treasury Management Strategy for 2022-23.

The Assistant Director (Corporate Services) directed Members to page 49 of the report and guided Members through the key points of the Councils Capital Strategy for 2022-26.

A question was raised as to whether the Community Engagement Strategy, which covered 2021-24, should be referenced in the Key Documents section on page 52 of the Capital Strategy

The Assistant Director (Corporate Services) advised that this could be referenced with the Committee's agreement. The Committee agreed for the inclusion of this reference to the Capital Strategy prior to submission to Full Council.

**Resolved** that Members recommended to Full Council that:

1. The Treasury Management Strategy for 2022/23 as set out in Appendix 2 be agreed
2. The Minimum Revenue Provision (MRP) calculation on all new capital expenditure asset out in Section 5 of the Treasury Management Strategy Statement be approved for 2022/23 and beyond in accordance with the Authority's Capital Programme
3. The Annual Investment Strategy for 2022/23 as set out in Section 15 of the Treasury Management Strategy Statement be agreed
4. The Capital Strategy for 2022/26 as set out in Appendix 3 be agreed
5. Delegated authority be given to the Director (Corporate Services), in consultation with the Chair of the Finance and Audit Committee, to amend the prudential and treasury indicators as necessary as a result of the budget approved by Full Council on 22 February 2022.
6. Delegated authority be given to the Director (Corporate Services), in consultation with the Chair of the Finance and Audit Committee, to amend the Treasury Management Strategy for 2022/23 and the Capital Strategy for 2022/26 following successful completion of the 2019/20 and 2020/21 final accounts process.

### **139. Housing Revenue Account Budget Monitoring Report - Q3 2021/22**

Members were presented with the Housing Revenue Account Budget Monitoring Report - Q3 2021/22. The Committee noted that as at 31 December 2021, the forecasted spend against the original budget for the Housing Revenue Account (HRA) reflected a net favourable variance to the original budget of £15K. The Principal Accountant (HRA & Exchequer) advised that it was a significant improvement on quarter two, which saw an adverse variance of some £417K.

The Principal Accountant (HRA & Exchequer) directed Member's attention to page 68 of the report, which held an executive summary for the following areas:

- HRA (Revenue)
- Housing Capital

Members were updated on other key areas of financial performance that may impact on the Council's Medium Term Financial Strategy, Medium Term Financial Plan, or Financial Statements.

A question was raised regarding the adverse variance for garage income of £57k at 3.8.2 of the report. The Principal Accountant (HRA & Exchequer) advised that the adverse variance was due to the New Build Scheme utilising a number of garage sites that are being redeveloped for other purposes. During the 2022-23 budget setting process, this had been reviewed so that the garages that were left in the Borough would form part of the budget. Moving forward, there are not expected to be any large adverse variances against this budget line.

#### **140. General Fund Budget Monitoring Report - Q3 2021/22**

Members were presented with the General Fund Budget Monitoring Report - Q3 2021/22. The Committee noted that there was a forecasted favourable variance of just under £600K for the General Fund for 2021-22.

The Principal Accountant (General Fund) directed Member's attention to page 86 of the report, which contained an executive summary for the following areas:

- Revenue
- Capital

Members were updated on other key areas of financial performance that may impact on the Council's Medium Term Financial Strategy, Medium Term Financial Plan, or Financial Statements.

The Principal Accountant (General Fund) fielded questions from Members and explained that:

- The Lower Tier Services Grant and Services Grant had been combined (the MTFP in Appendix two outlined this) with a total projection in 2022/23 of around £337k. In the current year, the Lower Tier Services grant is around £130k.
- Parking income reported an adverse variance, largely due to the continuing effects of the Covid-19 pandemic and changes in the previous behaviour of service users e.g. reduced commuter activity due to working from home, and fewer visitors to the town centre. The two car parks Horn Yard and Market Place Park had already been removed from the current and ongoing budget due to redevelopment, and thus no income was expected from these two sites. The remaining car parks and the ongoing trends of customer behaviour towards using the car parks would be monitored as part of the budget review process, with a clearer picture known when budget-setting next commences in September/October 2022.
- With regard to the Waste Freighter Replacement Reserve; the long term expectation was that in a few years, Government grant funding would become available to assist in the transition of freighter replacement, however nothing has been announced as yet. The budget was approved for the replacement of the waste freighters and as and when external funding was confirmed this would also be factored in.
- The St George's Arts Centre/Creative Hub opened on 14 December 2021 and the financial impact of the Hub in the current financial year was anticipated to be minimal.

Income and expenditure for the Hub would be monitored and reported on as with any other budget line, with the operational aspects of the Hub considered by the Community & Leisure Cabinet Committee.

- As a general principal, the Finance Team do not budget for external funding unless there is a high degree of certainty that the funding is to be received. The ongoing costs of the Hub will continue to be monitored, and it is expected that there will be some income generated through customer events and activities. This information will all be factored into the next cycle of budget-setting due to commence in September/October 2022.
- As a further general point, Officers across the Council are encouraged to look for grant funding to support initiatives wherever possible. In recent years, as is the trend moving forwards, it is more common for specific grant funding for services to be made available rather than general grants spanning across Council services. However, some of the funding sources secured by officers would generally only last a few years, and thus it is important to always consider the longer-term impact of decisions on Council finances.

### **141. Internal Audit & Counter Fraud Update 3**

The Committee were provided with an update on the work, outputs and performance of the Internal Audit & Counter Fraud Team for the period 01 October to 31 December 2021.

The Head of Internal Audit & Counter Fraud Shared Services advised that the report at Appendix 2 was the third and final update for 2021-22, prior to the annual report; detailing the work undertaken by the Internal Audit & Counter Fraud Service between 01 October and 31 December 2021 and the progress made against the annual workplan. Section seven of the update report contained details of the proposed amendments to the agreed plan, which were submitted for Member's approval.

The Head of Internal Audit & Counter Fraud Shared Services gave Members a brief run through of each section of the update report.

Members' attention was directed to page 123-124 of the report, and they were informed that unfortunately, due to a fault with the reporting software, a breakdown on the number of cases closed was unable to be provided in individual areas. A new fraud management system will be going live in March 2022 and has inbuilt reporting tools. The Internal Head of Audit & Counter Fraud Shared Services was able to provide a breakdown of the financial savings achieved by the counter fraud team as that information was recorded separately.

The Head of Internal Audit & Counter Fraud Shared Services updated Members on the figures for proportion of agreed assurance assignments as of today:

- 13a – 57% delivered
- 13b – 24% underway

The Head of Internal Audit & Counter Fraud Shared Services also drew Members attention to the table relating to actions more than six months overdue and pointed out that although outstanding as of 31 December 2021, updates from the relevant services confirmed that these had since been implemented.

**Resolved** that Members approved the amendments to the agreed workplan as detailed in section 7 of appendix 2.

## **142. Internal Audit & Counter Fraud Charter Review**

The Committee were presented with the Internal Audit Charter for approval.

The Head of Audit & Counter Fraud Shared Services explained that officers within Internal Audit and Counter Fraud had now been moved to designated roles and there was no formal requirement for the activity of the counter fraud team to be included in the Charter. It was therefore necessary for changes to be made and it was also identified that there may be opportunity to make the links to the individual standards much clearer. Accordingly, a complete refresh of the Charter was undertaken. The sections within the Charter now align with the relevant standards, which are also noted within the headings, and the document had been updated to focus on internal audit activity in line with those requirements.

The Head of Internal Audit & Counter Fraud Shared Services advised that the Charter would be uploaded to the Council intranet.

**Resolved** that Members approved the Charter presented at Appendix 2.

## **143. Internal Audit & Counter Fraud Strategy 2020-24 Progress Review**

The Committee were provided with an update on progress against the Audit & Counter Fraud Strategy 2020-2024 made by the team during 2021-22 to date.

The Head of Audit & Counter Fraud Shared Services explained that a review had been conducted and progress against the strategic objectives was detailed in Appendix 2. As part of the annual review, the strategy had also been refreshed to take into account the way the Internal Audit and Counter Fraud activities were now delivered following the change from multi-disciplinary working to designated roles. The refreshed strategy could be found at Appendix 3.

The 2021 refresh resulted in significant changes being made to the introduction to the strategy to make the roles of each team and the activities they would deliver much clearer. The services mission statement was updated to incorporate the aims of the counter fraud activity as well as that of internal audit. There were no changes made to the strategic objectives, however, the fourth statement under the objective 'Positive Impact' was updated to add more clarity around the partnership working that may be undertaken.

In response to a Members question, the Head of Internal Audit & Counter Fraud Shared Services advised that the report being submitted to Cabinet for the cessation of shared Revenue & Benefits Service was completely separate from this report. The Strategy related only to the Internal Audit & Counter Fraud Service.

**Resolved** that Members approved the changes to the strategy that have been outlined in Appendix 3 as part of the 2021 refresh.

### **Close of meeting**

The meeting ended at 20:08pm.

