

# Finance & Audit Committee

Monday, 13 February 2023

7:30pm

## Present:

Cllr Gurbax Singh (Chair)

Cllrs:           Derek Ashenden  
                  Dakota Dibben  
                  John Caller  
                  Gary Harding  
                  Samir Jassal  
                  Lyn Milner  
                  Emma Morley  
                  Brian Sangha

Lisa Nyon	Assistant Director (Corporate Services)
James Larkin	Head of Audit & Counter Fraud Shared Services
Ben Clarke	Committee Services Officer (Minutes)

## 31. Apologies for absence

Apologies for absence were received from Cllrs Sarah Gow (Vice-Chair) and Nirmal Khabra. Cllrs Brian Sangha and John Caller substituted respectively.

## 32. Minutes

The minutes of the meeting on Wednesday, 09 November 2022 were signed by the Chair.

## 33. Declarations of Interest

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

## 34. Treasury Management Strategy and Capital Strategy 2023-24

The Committee considered the Treasury Management Strategy, associated Annual Investment Strategy and the Minimum Revenue Provision Policy for 2023/24 along with the Capital Strategy for 2023/27.

The Assistant Director (Corporate Services) informed Members that CIPFA had updated their Prudential Code for local authorities and all local authorities had to be fully compliant with the revised code by 2023/24.

Unfortunately, the external audit process of reviewing and certificating the 2019/20 Statement of Accounts was still ongoing and due to the delay, both strategies in the report had been prepared with some uncertainty and may have to be amended once the 2019/20 external audit had concluded.

The Assistant Director (Corporate Services) directed Members to page nine of the report and outlined key headlines from the Treasury Management Strategy for 2023-24:

- A new third prudential indicator called Liability Benchmark (LB) had been added to the Treasury Management Strategy for 2023/24. The Council was required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum
- Section four highlighted the Capital Prudential Indicators for 2023/24 to 2025/26
- The capital expenditure net financing need for 2022/23 was £39 million
- Total external borrowing to the end of March 2023 is forecast to be £145 million .
- Future interest rates based on current predictions were listed in section eight of the report
- Affordability prudential indicators were listed in section fourteen of the report; they assessed the affordability of the capital investment plans
- A requirement of the new CIPFA code was to ensure that all Members of the local authority self-assessed their knowledge of treasury management; the Finance Team were in the midst of drawing up a self-assessment check list which would be distributed to all Members in due course.

The Assistant Director explained that a requirement of the CIPFA revised Prudential and Treasury Management Codes was to require all local authorities to prepare a capital strategy report setting out a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services. The document was attached at appendix two to the report.

The Assistant Director (Corporate Services) advised that there was an additional requirement to include a Capital Receipts Strategy and that this had been added at section 8 of The Capital Strategy.

The Assistant Director (Corporate Services) advised that the Treasury Management Strategy and the Capital Strategy were both being submitted to the next meeting of Full Council as an agenda item.

Following a Members request for clarification on the Members self-assessment of treasury management knowledge, the Assistant Director (Corporate Services) explained that once responses had been received from all Members then a treasury management training session specifically tailored to Members needs would be created.

The Committee Section were currently creating a Member Induction Plan for 2023/24 which would include training in all Council Business for the new and returning Members following the May election. The Treasury Management Training session as well as How Local Government Finance Works is to be included as part of that Induction Plan.

The Assistant Director (Corporate Services) reminded members that if they had any specific queries or needed clarification on any aspects pertaining to finance that they could contact herself or a member of the finance team.

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

- 1) The Treasury Management Strategy for 2023/24 as set out in Appendix 1 be agreed.
- 2) The Minimum Revenue Provision (MRP) calculation on all new capital expenditure as set out in Section 5 of the Treasury Management Strategy Statement be approved for 2023/24 and beyond in accordance with the Authority's Capital Programme with delegated authority given to the Director (Corporate Services) to amend as required.
- 3) The Annual Investment Strategy for 2023/24 as set out in Section 15 of the Treasury Management Strategy Statement be agreed
- 4) The Capital Strategy for 2023/27 set out in Appendix 2 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 21 February 2023.
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 2023/24 and the Capital Strategy for 2023/27 as required following successful completion of the 2019/20, 2020/21 and 2021/22 final accounts process.

### **35. Housing Revenue Account Budget Monitoring Report - Q3 2022/23**

The Committee was provided with third budget monitoring report for 2022/23 in relation to the Housing Revenue Account showing the position up to 31 December 2022. The Cabinet had also been provided with and discussed the budget monitoring report in January 2023.

The Assistant Director (Corporate Services) directed Members to page 12 which held an executive summary of the report.

Members noted the information provided on: -

- actual performance against the approved Revenue and Capital budgets for 2022/23, including known variances agreed or identified through budgetary control activity; and
- other key areas of financial performance that may have an affect on the Council's Medium Term Financial Strategy, Medium Term Financial Plan, HRA Business Plan or Financial Statements.

Members were informed that, following the forecasted outturn position at Q2, the Finance Team had been working closely with the Housing Team to respond to the forecasted position and bring the account to a more favourable position. At the end of Q3, the forecasted outturn position was now forecasting a draw down on the HRA reserve of circa £60k which was an improvement to the position reported in Q2.

### **36. General Fund Budget Monitoring Report - Q3 2022/23**

The Committee received the third budget monitoring report for 2022/23 in relation to the General Fund showing the position up to 31 December 2022. The Cabinet had also been provided with and discussed the budget monitoring report in January 2023

The Assistant Director (Corporate Services) directed Members to page 32 which held an executive summary of the report.

Members noted the information provided on: -

- actual performance against the approved Revenue and Capital budgets for 2022/23, including projected variances agreed or identified through budgetary control activity; and
- other key areas of financial performance that may have an impact on the Council's Medium Term Financial Strategy, Medium Term Financial Plan (MTFP) or Financial Statements.

Members were informed that the forecasted outturn position was circa £1.5m which was due to an increase in homelessness (temporary accommodation) costs, energy prices and the staff pay award negotiated by unions. A table identifying the summary position was at 3.12.1 of the report; it showed that the level of Working Balances at year-end was £9.51m which included the General Fund Reserve of £3.25m and the Minimum General Fund Balance of £2m .

In response to a Members question concerning where money to fund temporary accommodation would be raised should the costs continue to increase, the Assistant Director (Corporate Services) advised that as this was a statutory responsibility and the council has to duty to respond to the demand. Funding for this expenditure comes from the councils working balances. Extra budgetary provision for this expenditure has been included in the draft budget for 2023/24, however the ongoing costs are unknown, and it was also unknown what support if any would be coming from Central Government to help with this expenditure in the future.

### **37. Internal Audit Update**

The Committee were provided with a report which updated them on the work, outputs and performance of the Internal Audit Team for the period 1 October 2022 to 31 December 2022.

Members were advised that attached at appendix two was the third and final update to be produced during 2022-23, ahead of the annual report; detailing the work undertaken by the Internal Audit Team between 01 October and 31 December 2022 and the progress made against the Q1-Q2 and Q3-Q4 workplans.

The Head of Internal Audit and Counter Fraud Services guided Members through the report and highlighted key headlines. An executive summary of the reporting period was listed on page 56 of the report.

The Head of Internal Audit and Counter Fraud Services advised that only one review had been finalised due to the recruitment process delaying the Audit Managers ability to quality control.

The Head of Internal Audit and Counter Fraud Services guided Member to the key performance indicators on page 62 of the report and gave updated figures (as of 13.02.2023) for the 'Proportion of agreed assurance reviews':

- a) Delivered – 56%
- b) Underway – 17%

The Head of Internal Audit and Counter Fraud Services further added that there were no changes to the agreed Internal Audit Plan and in this period, there were no actions outstanding more than six months after the scheduled implementation date

In response to a Members concern regarding the amber flag for planning obligations, the Head of Internal Audit and Counter Fraud Services explained that that area was a potential risk for all local authorities and it hadn't been reviewed in some time. The issue was not that Planning Officers didn't know how to process section 106 agreements; it was just noted that following a restructure a number of new staff had been hired who hadn't been involved in processing section 106 agreements as of yet. In addition, the process for the agreements as also involves Legal and other consultees such as Leisure.; Amber shouldn't be seen as a bad opinion for the service, it just means that some improvements were required to attain a green opinion. Members were assured that actions had been agreed with the Planning Service to address the issues identified and were being dealt with expediently

### **38. Counter Fraud Update**

The Committee were provided with a report which updated them on the work, outputs and performance of the Counter Fraud Team for the period 1 October 2022 to 31 December 2022.

Members were advised that attached at appendix 2 was the third and final update to be produced during 2022-23, ahead of the annual report, detailing the work undertaken by the Counter Fraud Team between 01 October and 31 December 2022 in relation to the agreed workplan.

The Head of Internal Audit and Counter Fraud Services guided Members through the report and gave an update for each section. An executive summary of the reporting period was listed on page 74 of the report.

### **39. Internal Audit Charter Review**

The Committees approval was sought for the Internal Audit Charter.

The Head of Audit & Counter Fraud Shared Services Manager explained that following the annual review, it had been determined that the existing charter met all the requirements of PSIAS and that no amendments were necessary, with the exception of an updated structure chart which was attached at appendix one. A copy of the charter was provided at Appendix 2 for Members' approval for 2023-24.

**Resolved** that Members approved the Charter presented at appendix two.

### **40. Internal Audit & Counter Fraud Strategy 2020-2024**

The Committee was provided with a report that updated them on progress against the Internal Audit & Counter Fraud Strategy 2020-2024 made by the team during 2022-23 to date. A review had been conducted and progress against the strategic objectives outlined in the report were detailed in appendix two.

The Head of Internal Audit and Counter Fraud Services apologised to Members as some of the yellow highlights had been left in the report.

In response to a number of Members questions, the Head of Internal Audit and Counter Fraud Services explained that:

- The Head of Internal Audit and Counter Fraud Services line manager was the Section 151 Officer, but Counter Fraud were an independent team and functionally has a reporting line to the Chief Executive and the Chair of Finance & Audit Committee. The Team maintained their independence from Council Services and were not influenced internally or externally. If a concern was raised by a senior officer or regarding a senior officer then it would be dealt with outside of any spheres of influence completely independently
- The work of internal audit is directed to the highest areas of risk within the council and the Head of Internal Audit & Counter Fraud consulted all services on their perceived risks as part of an independent assessment used for formulate the internal audit plan, which would be presented at Marchs meeting of the Finance & Audit Committee.
- Surveys were issued at the end of 2021-22 that identified that some Council services were unaware of the service Counter Fraud offered and the team had been working on making themselves more well known to officers.
- Fraud awareness formed a key part of the counter fraud plans, the first of which was introduced for 2022-23, and sessions have taken place across a number of services giving them an introduction to counter fraud and services available before team sessions around the types of fraud in their service and prevention measures. Members had previously had fraud awareness training sessions and a new session would be included as part of the Member Induction Plan
- Last year two surveys were circulated to officers, one for internal audit and the other for counter fraud; internal audit received eight responses and counter fraud received 52 responses

### **Close of meeting**

The meeting ended at 20:04pm.