

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee:	Audit & Governance Committee	Date:	Monday, 17 January 2022
Place:	Council Chamber - Civic Offices	Time:	7.00 - 8.20 pm
Members Present:	I Hadley (Chairman), S Heap and B Vaz,		
Members Present Virtually	M Owen		
Other Councillors:	J Philip		
Co-opted Member Present:	Mr A Jarvis (Vice-Chairman)		
Apologies:	R Morgan		
Officers Present:	S Marsh (Chief Internal Auditor), S Linsley (Senior Auditor), A Small (Strategic Director Corporate and 151 Officer), C Hartgrove (Interim Chief Financial Officer) and N Cole (Corporate Communications Officer)		
Officers Present Virtually:	G Woodhall (Team Manager - Democratic & Electoral Services),		

33. Webcasting Introduction

The Chairman made a short address to remind everyone present that the meeting would be broadcast live to the internet, and would be capable of repeated viewing, which could infringe their human and data protection rights.

34. Declarations of Interest

There were no declarations of interest made pursuant to the Council's Members' Code of Conduct.

35. Minutes

Resolved:

That the minutes of the meeting held on 22 November 2021 be taken as read and signed by the Chairman as a correct record.

36. Matters Arising

There were no matters arising from the minutes of the previous meeting which warranted further discussion.

37. Audit & Governance Committee - Work Programme

The Committee noted its Work Programme for 2021/22.

38. Internal Audit Progress Report.

The Chief Internal Auditor, S Marsh, presented the Internal Audit Monitoring Report which included an update on progress of the 2021/22 Plan. The priorities for the rest of the year were being assessed to determine whether the Plan could be completed. She advised the Committee that the audit of Procurement and Contracts had been given a moderated assurance. The Audit tracker showed there was a high number of overdue recommendations, although a successful IT disaster recovery exercise had been carried out in the preceding week. Internal Audit had continued to work across a range of business areas including: the corporate purchase card project, risk management, and providing checks and assurance for Covid 19 business grants. The Annual Governance Statement had been presented at a previous meeting and the report detailed progress on this. Discussions were ongoing with Harlow Council for a potential shared service for the Corporate Fraud Team to investigate tenancy fraud starting with right to buy applications.

The Committee received additional details on IT disaster recovery and confirmation that the Council was in an improved position, back up was on the cloud and core services could be prioritised in the event of a major failure.

Resolved

The Committee:

- Noted the summary of the work of Internal Audit and the Corporate Fraud Team for the period November 2021 to January 2022.
- Agreed that no changes were required to the Local Code of Governance'
- Reviewed the progress of actions taken to address issues identified in the 2020/21 Annual Governance Statement.

39. Risk Management Report

The Section 151 Officer, A. Small, highlighted that there had been one material adjustment to the housing capital finance risk, which had decreased due to the review of the HRA business plan. There were two high risks: The Local Plan and Climate Change.

The Committee queried the measure of outcomes associated with economic development, Cllr Philip advised that measurements especially relating to footfall, were difficult and costly, and that the expectation of a financial contribution to the town centre management post from town and parish councils would be a good measure of value.

Sarah Marsh detailed to the Committee that historically there had been low assurance around business continuity, this was addressed and systems had been put in place, but these needed to be reviewed and streamlined.

Resolved

The Committee reviewed and endorsed the risk register and confirmed no new or emerging risks needed to be referred to the officer Risk Management Group.

40. Treasury Management Strategy (including Investment Strategy) 2022/23

The Strategic Director Corporate and Section 151 Officer, A Small, set the context and the relationship between the Treasury Management Strategy, Capital Strategy

and the Council's budget. The Interim Chief Financial Officer, C Hartgrove introduced the Draft Treasury Management Strategy and Investment Strategy 2022/23 and advised the Committee that the overriding position for the year ahead was a further rise in borrowing activity as the Council continued to roll out its capital investment plans and very limited investment activity. As at 31 December 2021 the Council held £265.606m borrowing offset by £24.978m in Treasury Investments. The Council's Capital Financing Requirement (CFR), which reflected the Council's underlying need to borrow, was rising to meet the needs of the Capital Programme, the estimated actual borrowing would remain below the CFR. The total PWLB borrowing was £234.606m and short-term borrowing from other local authorities was £31.0m, a full breakdown of loans was provided in the report. Cash available and potential returns for investments were both low and were expected to remain low for the duration of the strategy. There was a minimum investment balance of £12m as the core strategy to maintain liquidity.

At the 31 December 2022, £24.978m was held in investments this included an outstanding balance of £4.650m from Qualis, a breakdown of investments was provided in the report. A cautious approach was being taken in relation to investment counterparties and limits, as advised by Arlingclose. Treasury Indicators were detailed in the report and these would be reported to this Committee as per the work programme. The Investment Strategy provided detail on wider investments including commercial investments.

The Vice Chair, Mr Jarvis raised concerns about the Audit and Governance Committee recommending the Treasury Management Strategy and Capital Strategy 2022/23 to 2026/27 for approval to Cabinet due to the complexity of the documents, he suggested that there should be wider deliberation and that this was not part of the governance role. The Section 151 Officer, A Small, detailed the report aimed to provide a complete oversight in relation to the strategy for investments and capital expenditure for comment and reaffirmed was not approval for individual spending decisions. He advised that the Treasury Management Strategy and Capital Strategy were governance documents that brought together and set out the risk of the accumulated decisions of Cabinet and Council into one place and as such it was appropriate that this was put before the Audit and Governance Committee. The reports were prepared by professional officers and whilst the Section 151 Officer as the strategic lead on the Council's finance was content with the documents, the Committee should decide if they were reassured by the advice of officers. Cllr Philip advised that full Council approved the Strategies and this Committee made a recommendation to Council, and the Chair could ask the Constitution Working Group to confirm that the Treasury Management and Capital Strategy should come to this Committee.

Tony Jarvis reaffirmed his position and advised his reservations remained due to the complexity of these strategies, as a consequence he would abstain from the vote on the recommendation to approve the Treasury Management and Capital Strategies to Cabinet.

The Chair stated that he was assured that the content of the report was suitable to be referred to full Council for decision, and other members of the Committee supported that view.

The committee was further advised that :

- Short term borrowing from other local authorities was repaid at a fixed date and the figures in this report were accurate as at 31 December 2021.

- Maturity dates for all PWLB Loans were detailed in the report. The only variable rate loan of £31.8m would mature on 28 March 2022. This would be refinanced through short term borrowing as interest were rates extremely competitive. This would be regularly reassessed in line with the overall strategy, risk and professional advice from Arlingclose the Councils' treasury management advisors.
- There had been an increase in increase in borrowing , there was not a quantum associated with the amount of debt that was critical, but each individual spending decision took account of the affordability, security and risk associated within that to guard against default.

Resolved:

The Committee:

1. Approved that a briefing session be offered to members on the Treasury Management Strategy, including Investment Strategy and Capital Strategy,
2. Considered and recommended the draft Treasury Management Strategy 2022/23 for approval to Council,
3. Considered and recommended the draft Investment Strategy 2022/23 for approval to Council, and
4. Agreed that delegated authority be given to the Section 151 Officer, in consultation with the Chairman of the Committee, to make any necessary late adjustments to the financial information, as necessitated by finalisation of the Budget for 2022/23, prior to presentation of the final draft Strategy to Council on 24 February 2022.

41. Capital Strategy 2022/23 to 2026/27

The Chief Financial Officer, C Hartgrove, introduced the Capital Strategy 2022/23 to 2026/27, and highlighted a correction to paragraph 2.3.4 of the report. The CFR is expected to increase by £69.5m and not £42.9m.

The Councils' current and emerging programme was a large programme and covered the General Fund and the Housing Revenue Account. There was a planned spend of £93.6m in 2022/23 and a total of £293m over the five year period to 2026/27. The delivery of the programme would require increased external borrowing, forecast to rise over the next three years to £487.7m in 2025. Wider topics considered in the Capital Strategy included the Council's approach to Asset Management, Treasury Management, Service Investments, Commercial Investments, Financial Guarantees, and the way in which professional capacity was maintained through the development and maintenance of knowledge and skills, and the selective use of professional advisors.

The Minimum Revenue Provision (MRP) 2022/23 policy, remained unchanged, this ensured the Council acts prudently in setting aside funds to meet the repayment of the principal on loans taken out on the General Fund.

The Committee's attention was drawn to the comments of the Section 151 Officer, who was satisfied that the proposed Capital Programme was prudent, affordable and sustainable.

Tony Jarvis confirmed that he had reservations due to the complexity of these Capital Strategy and as a consequence he would abstain from the vote on the recommendation to approve this to Council.

The Committee sought clarity on the repayment and affordability of loans and were advised that affordability indicators were included, to give assurance that the interest could be covered. Since the initial maturity loans that were taken out for the housing Revenue Account a large proportion of the borrowing was in equal instalments of principal (EIP) loans and the principal would be paid back over the course of the loan. The MRP was a statutory requirement to make provision in the annual budget to repay outstanding debt.

Resolved:

The Committee:

1. Considered and recommended the Capital Strategy 2022/23 to 2026/27 to full Council for approval to Council,
2. Considered and recommended Minimum Revenue Provision Statement (MRP) 2022/23 for approval to full Council,
3. Agreed that delegated authority be given to the Section 151 Officer, in consultation with the Chairman of the Committee, to make any necessary late adjustments to the financial information, as necessitated by finalisation of the Budget for 2022/23, prior to presentation of the final draft Strategy to Council on 24 February 2022.

42. Any Other Business

No other business was raised for consideration by the Committee.

43. Exclusion of Public and Press

The Committee noted that there was no business which necessitated the exclusion of the public and press from the meeting.

CHAIRMAN