

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Audit & Governance Committee **Date:** Monday, 13 February 2023

Place: Council Chamber - Civic Offices **Time:** 7.00 - 7.55 pm

Members Present: Councillors P Bolton (Chairman), T Matthews, B Vaz and S Heap

Co-opted Member Present: Mr A Jarvis

Other Councillors: Councillor J Philip

Officers Present: C Hartgrove (Interim Chief Financial Officer), L Kirman (Democratic Services Officer), S Marsh (Chief Internal Auditor) and S Linsley (Senior Auditor)

Officers Present (Virtually): A Hendry (Democratic Services Officer)

39. 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.

40. DECLARATIONS OF INTEREST

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

41. MINUTES

RESOLVED:

That the minutes of the meeting held on 28 November 2022 be taken as read and signed by the Chairman as a correct record.

42. MATTERS ARISING

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

43. AUDIT & GOVERNANCE COMMITTEE - WORK PROGRAMME

The Committee noted its Work Programme for 2022/23.

44. RISK MANAGEMENT

The Chief Internal Auditor, S Marsh introduced the risk report and highlighted three risks that been renamed to: increase in demand for housing assistance; failure to achieve carbon emissions targets; and failure to achieve regulatory/legal regulations.

The risk rating associated with 'Financial Resilience' had been reduced to C1 following the in balancing of the draft budget for 2023/24, and 'delays in issuing planning permission' had reduced to D3 as the backlog had been cleared and would no longer in feature in the corporate risk register.

Cllr Heap challenged the change in name of 'the climate emergency' to 'failure to achieve carbon emissions targets' and did not agree that this provided a more accurate term for measuring the outcomes within the Council's control.

Resolved:

The Committee reviewed and endorsed the risk register.

45. INTERNAL AUDIT PROGRESS REPORT

The Senior Auditor, S Linsley, presented the Internal Audit Monitoring Report and updated the Committee on the work completed by internal audit since the previous meeting.

Approval was sought to defer four audits: Qualis Commercial, Corporate Performance Indicators (PIs), Local Plan Delivery, and Climate Emergency from the 2022/23 Audit Plan due the additional demands placed on the team from unplanned work. She advised the Committee that one final audit report had been issued with substantial assurance on Section 106 agreements. The recommendation tracker contained eight recommendations that had passed their due date, none of these were high priority recommendations.

The project work on Health and Safety at North Weald Airfield was highlighted to the Committee. An update on the corporate fraud team and the progress against the annual governance statement were detailed in the report.

The Chief Internal Auditor, S Marsh, detailed that as St Albans City and District Council had joined the shared service with Epping, Broxbourne and Harlow, an External Quality Assessment of the Internal Audit Service would be carried out. This review would be undertaken by Gard Consultancy Services (GCS) in March 2023 and reported to this Committee in due course.

The Committee sought reassurance that a delay on Qualis Commercial audit was appropriate, due to the importance of Qualis to the Council. They were advised that there had been an audit of Qualis Management, the most active arm of the organisation and a draft report had been issued Confirmation was given that Qualis Commercial would form part of the audit plan for next year.

Resolved:

The Committee:

- (1) noted the summary of the work of Internal Audit and the Corporate Fraud Team for the period November 2022 to February 2023
- (2) approved the deferral of four audits
- (3) agreed the scope of the External Quality Assessment (EQA) of the Internal Audit service.

46. TREASURY MANAGEMENT POLICY AND PRACTICE

The Interim Chief Financial Officer, C Hartgrove, presented the report. The updated Treasury Management Policy reflected the requirements of the 2021 Treasury Management Code and was recommended for approval. The Committee were advised that the full set of Treasury Management Practices (TMPs) were being codified, and there was a new requirement to operate a set of Investment Management Practices (IMPs) which covered non-Treasury Management activity. A detailed report on TMPs and IMPS would be presented to the Committee in September 2023.

The Committee received confirmation that there was no foreign exchange risk

Resolved:

The Committee:

- (1) recommended the updated Treasury Management Policy Statement for approval by full Council
- (2) considered and commented on the proposed approach to the development of updated Treasury Management Practices (TMPs) and new Investment Management Practices (IMPs) in accordance with recommended good practice.

47. TREASURY MANAGEMENT STRATEGY (INCLUDING INVESTMENT STRATEGY) 2023/24

The Interim Chief Financial Officer, C Hartgrove, presented the draft Treasury Management Strategy including Investment Strategy 2023/24, for consideration by the Committee.

The report presented an overall rise in borrowing activity as the Council rolled out the capital investment plans and detailed the service and commercial activities of the Council. It was noted that borrowing and investment was set against increasing interest rates. At 31 December 2022 the Council had £267.2m in external borrowing offset by £16m in Treasury investments, excluding an outstanding working capital loan to Qualis of 4.75m. The Capital Financing Requirement (CFR) had increased due to the Capital Programme, it was highlighted that the actual borrowing would remain below the CFR. The outstanding borrowing with the PWLB was £232.2m and short-term borrowing from other Local Authorities was £35m.

The cash available for investment remained low. A minimum investment balance of £15m was the core strategy recommended to maintain liquidity, this had increased from £12m due to inflation, cash volatility and cost of living government packages in the revenues system.

Treasury Management Investment were detailed in the report and totalled £20.8m. After professional advice from Arlingclose, it was proposed to maintain a cautious counterpart list. Treasury Management indicators were detailed, and these would be reported to the committee.

The Investment Strategy provided detail on the wider service and commercial investments. Gross service investments at 31 March 2022 were £29.9m, including £29.5m in Qualis loans, and Commercial Property investments had a net book value of £162m, with a further investment loan of £30m to Qualis. The new code had strengthened the concept of proportionately and the Council's reliance on investment

income in context as a proportion of gross service expenditure would remain below 20%.

Resolved:

The Committee recommend the Treasury Management Strategy 2023/24, and the draft Investment Strategy 2023/24 to full Council for approval.

48. CAPITAL STRATEGY 2023/24 TO 2025/26

The Interim Chief Financial Officer, C Hartgrove presented the report and outlined that the draft Capital Strategy (2023/24 to 2025/26) incorporated the requirements of CIPFA's 2021 updated Prudential Code. The Committee were asked to note a correction to the report in Table 6 Prudential Indicator: Gross Debt and the Capital Financing Requirement (CFR), the CFR for 2025/26 budget should read £455.1m and not £453.7m as printed in the agenda.

The Strategy set out the Council's draft five-year Capital Programme for its General Fund and Housing Revenue Account (as approved by Cabinet in February 2023) This included planned spending of £92.6m in 2023/24 and a total of £212.3m over the next three year to 2025/26. The required increase in borrowing would reach £411m by March 2026.

The Committee's attention was drawn to the conclusion of the Council's Section 151 Officer, A Small, that the Programme was "prudent, affordable and sustainable" as required by the Code.

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 that professional capacity was maintained through the development and maintenance of knowledge and skills and the selective use of professional advisors.

Mr A Jarvis expressed concern on the large sum that would be used for Qualis investments. Cllr Philip advised that there had been no change in the planned level of investment with Qualis and that the draw down on these loans must be for the regeneration of the district. He confirmed that Cabinet had looked in detail at the Capital Programme and determined was for the benefit of the district before agreeing the budget. C Hartgrove confirmed that the programme was reprofiled and a spike was expected this year due to the approval of the Local Plan. He also advised that none of the PWBL loans were debt for yield loans and the Section 151 officer must provide assurance on that. Cllr Heap supported the approach taken in the strategy and local investment in regeneration.

Mr A Jarvis refrained from voting on this item.

Resolved:

The Committee recommend the Capital Strategy 2023/24 to 2025/26 for approval to full Council.

49. ANY OTHER BUSINESS

No other business was raised for consideration by the Committee.

50. EXCLUSION OF PUBLIC AND PRESS

RESOLVED:

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

CHAIRMAN