

EPPING FOREST DISTRICT COUNCIL AUDIT & GOVERNANCE COMMITTEE MEETING MINUTES

**Thursday 15 February 2024, 7.00 pm – 8:25 pm
Council Chamber - Civic Offices**

Members Present:	Councillors P Bolton, T Matthews, M Owen and J M Whitehouse
Other Councillors:	Councillors J Philip
Apologies:	Councillor B Vaz
Officers In Attendance:	Christopher Hartgrove (Interim Director Finance / Deputy 151 Officer (Shared Services)), Andrew Small (Strategic Director, Corporate and Section 151 Officer), Sarah Marsh (Head of Internal Audit - Internal Audit (Shared Services) / Corporate Fraud), Martin Crowe (Corporate Fraud Team Manager), Gary Woodhall (Team Manager - Democratic & Electoral Services), Sue Linsley (Senior Auditor), Julia Berry (Principal Accountant), Louise Baker (Internal Communications Assistant) and Pat Seager (Chairman's Officer)
Officers In Attendance (Virtually):	Therese Larsen (Democratic Services Officer)
Contractor (Virtually):	External Auditors: Ismaeel Buckus, Deloitte and Mohammed Ramzan Deloitte

[A RECORDING OF THIS MEETING IS AVAILABLE FOR REPEATED VIEWING](#)

26 WEBCASTING INTRODUCTION

The Team Manager for Democratic & Electoral Services, G Woodhall, 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.

27 DECLARATIONS OF INTEREST

Pursuant to the Council's Members' Code of Conduct, Cllr M Owen declared a personal interest in the following items of the agenda by virtue of his employer having dealings with Google. The Councillor had determined that his interest was non-pecuniary and he would remain in the meeting for the consideration of the items and voting thereon:

- Treasury Management Strategy 2024/25 including the Investment Strategy; and
- Capital Strategy 2024/25 – 2026/27.

28 MINUTES

Resolved:

That the minutes of the meeting held on 30 November 2023 be taken as read and signed by the Chairman as a correct record.

29 MATTERS ARISING

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

30 AUDIT & GOVERNANCE COMMITTEE - WORK PROGRAMME

The Committee noted its Work Programme for 2023/24.

31 AUDITED STATEMENT OF ACCOUNTS 2020/21

The Section 151 Officer, A Small, presented the audited Statement of Accounts for 2020/21. A Small informed the Committee that the draft Statement of Accounts were published on 9 September 2021, 6 weeks after the statutory deadline of 31 July 2021. This was caused by capacity issues in the Finance Team at the time, as well as the late audit of the 2019/20 accounts. Following long delays, the audit had now been completed and the final Statement of Accounts for 2020/21 were presented to the Committee for consideration. A Small thanked the Finance Team and the external Auditor for their efforts in getting the accounts audited.

The external Auditor highlighted the 'Key Messages' section of the report and stated that nothing significant had been found during the audit of the accounts for this year, which included the Covid pandemic. In addition, no significant weaknesses had been identified in the Annual Governance Statement.

In respect of the audit of the Accounts for 2021/22, the external Auditor stated that the aim was to submit a report to the Committee at its next meeting in March. Work was also progressing on the audit of the Accounts for 2022/23 so that everything would be up-to-date as soon as possible.

A Small added that the Government had recently launched a consultation on the backlog of unaudited accounts across the Local Government sector, and a raft of measures had been suggested. The Government wanted an opinion to be offered on all outstanding unaudited Accounts by the end of September. A Small would provide further detail on the consultation to the members of the Committee.

In response to a question from the Committee, the Interim Chief Financial Officer, C Hartgrove, confirmed that all the recommendations from the external Auditors were being examined by the Finance Team and many had been implemented some time ago.

A Small concluded that the external Auditors had offered an unqualified opinion on the accounts and the Committee was requested to adopt the Statement of Accounts for 2020/21.

Resolved:

- (1) That the audited Statutory Statement of Accounts for 2020/21 be adopted.

Action:

- (1) A Small to provide details of the Government consultation on measures to clear the backlog of unaudited Local Government Accounts to the members of the Committee.

32 RISK MANAGEMENT

The Strategic Director Corporate and Section 151 Officer, A. Small, highlighted that that at the time of writing there had been no material adjustment to the risk register.

The Committee were advised that the rating of the following risks had reduced: failure of waste contractor/service, compliance with social housing regulation, and delivering a Balanced Budget and Sustainable Medium-Term Financial Plan.

The Committee queried the wider impact on risk from a recruitment freeze, A Small advised that the recruitment freeze came out of budget process for 2023/24, this was not a blanket freeze, requests to fill vacancies were vetted to mitigate effects on services and risks whilst ensuring that a balanced budget was delivered.

The wording associated with FIN 003 'maintaining and improving VFM' would be amended as it was implicit that service delivery would protect taxpayers' interests in the delivery of services.

Resolved

The Committee reviewed and endorsed the risk register.

33 INTERNAL AUDIT PROGRESS REPORT

The Lead Auditor, S Linsley, presented the Internal Audit Monitoring Report and updated the Committee on the work completed by internal audit since the previous meeting. Progress against the audit plan was detailed, and the reduction in the overdue and high recommendations in the tracker was brought to the attention of the Committee.

M Crowe, Corporate Fraud Team Manager, presented the Whistleblowing Policy and highlighted that there had been no major revisions for this year and no whistleblowing reports had been received in the last 12 months.

The Anti-Fraud & Corruption Policy was presented by M Crowe, the policy is now aligned with the UK Government's Economic Crime Plan 2023/26, no major revisions had been required.

The Committee received confirmation that Qualis operated under the Council's policy in relation to services for property. Qualis activities external to the Council would be governed by their own Policies.

S Linsley presented the Local Code of Governance for approval by the Committee. This was an annual review to ensure it remained fit for purpose and complied with the framework. Changes had been made to reflect the Corporate Plan and adopted Local Plan. Progress made against the Annual Governance Statement and actions taken were detailed in the report.

Resolved:

That the Committee:

1. Noted the summary of the work of Internal Audit and the Corporate Fraud Team for the period November 2023 to February 2024
2. Recommended the revised Anti-Fraud and Corruption Strategy to full Council for approval.
3. Noted the revised Whistleblowing policy
4. Approved the Code of Corporate Governance.

34 AUDIT AND GOVERNANCE COMMITTEE EFFECTIVENESS UPDATE

S Marsh, Head of Internal Audit presented the Audit and Governance Committee effectiveness and provided an update on the action plan included in the 2022/23 report. The skills and knowledge exercise would be carried out after the local elections in May 2024, and this would then be linked to the training programme. Specific areas where the Committee's remit and assurance provision needed greater clarification were detailed with relevant assurances.

Resolved:

That the Committee noted the effectiveness update.

35 TREASURY MANAGEMENT QUARTER 3 UPDATE 2023/24

C Hartgrove, Deputy 151 Officer presented the Treasury Management, Q3 of 2023/24 update, which had been prepared in accordance with CIPFA's Treasury Management in the Public Services: Code of Practice (the CIPFA Code 2021 Edition).

During the period April to December 2023 the borrowing position borrowing had increased by £11.9 million to £293.5 million, and the investments had significantly increased by £79.3 million to £93.4 million, this was driven by the capital receipt from the disposal of land an North Weald Airfield.

Service and commercial investment held by the Council included: Qualis and Home Assistance service loans which had increased to £54.3 million, at 31 December 2023; the commercial property balance sheet value was £148.5m with rental income at £6.4 million, as at 31 March 2023; and the Qualis investment loan of £30 million.

The Section 151 provided assurance that the Treasury Management activities undertaken during year fully complied with the CIPFA Code of Practice, and compliance with all indicators had been achieved.

The Committee raised specific queries and were advised that:

- there was an annual assessment of the value of Council owned commercial properties, and risks associated with Qualis loans were independently assessed each year.
- Capital receipts could only be used as capital, but interest raised from capital was considered as a revenue.

Resolved:

That the Committee noted the report.

36 TREASURY MANAGEMENT STRATEGY 2024/25 - INCLUDING INVESTMENT STRATEGY

C Hartgrove, Deputy section 151 Officer presented the Treasury Management Strategy for 2024/25 which included the Investment Strategy, and highlighted the recent North Weald Airfield capital receipt which had minimised the need to borrow and would allow the repayment of some short-term loans and increased the available resources for investment.

Borrowing and Investment had taken place against with high interest rates although there were indications that interest rates had peaked.

The Council held £293.5 million external borrowing details of all outstanding borrowing from the Public Works Loans Board (PWLB) and other Local Authorities were detailed. The Council's need to borrow for the capital programme would continue to rise, although the actual borrowing would remain below the Capital Financing Requirement (CFR).

Treasury Management investments had risen to £93.4m, professional advice was to continue with a cautious approach to approved counterparties as specified in the report. Treasury Management indicators would be reported back to this Committee through the year.

The draft investment strategy was presented, and service and commercial investments were detailed. It was highlighted that in relation to proportionality, i.e the extent to which expenditure planned to meet the service delivery objectives of the Council was dependent on achieving the expected net profit from investments over the lifecycle of the MTFP, would remain below 20%.

The Committee asked for clarity on several points and were advised that:

- The £88m capital receipt will be utilised for the benefit of the Council, the long-term strategy would be developed, the receipt could be utilised to reduce future borrowing and consideration would need to be given for the repayment of short term loans.
- Three types of loan were available from the PWLB, equal instalment of principle (EIP), annuities and maturity loans. The Council held mainly EIP loans which were considered the most appropriate for borrowing for assets. The Qualis loan was a maturity loan, and this had been built into the business case.
- The Capital Finance Requirement (CFR) was a mechanism to contain borrowing to asset acquisition and reflected the capital programme, this would increase as the capital programme spend increases, and prevented long term borrowing to underpin the revenue position.
- The liability benchmark trajectory included in the Capital Strategy 2024/25 showed a reduction over the period to 2026/27.

Resolved:

That the Committee recommended both the draft Treasury Management Strategy 2024/25, and the draft Investment Strategy 2024/25 to full Council for approval.

37 CAPITAL STRATEGY 2024/25 - 2026/27

C Hartgrove, Deputy Section 151 Officer presented the Capital Strategy for 2024/25 to 2026/27, and advised the Strategy set out the Capital Programme for the General Fund and Housing Revenue Account, as recommended by Cabinet on 5th February 2024.

The large capital programme had a planned expenditure £65.3 million in 2024/25, and a total of £142.5 million over the next three years to 2026/27. The delivery was expected to be achieved with a reduced level of borrowing. The Council's Section 151 Officer had concluded the programme is "prudent, affordable and sustainable". Wider topics considered in the strategy included Asset Management, Treasury Management, Service Investments, Commercial Investments, Financial Guarantees, and the way in which professional capacity is maintained through the development and maintenance of knowledge and skills and the selective use of professional advisors.

The Minimum Revenue Provision Statement for 2024/25 (MRP) remained unchanged from that adopted by the Council.

The Committee commented that detail relating to the capital receipt from North Weald was not included in table 3.2 of report.

Resolved:

That the Committee recommended the Capital Strategy 2024/25 to 2026/27), including reconfirming the draft Minimum Revenue Provision (MRP) Statement 2024/25 to full Council for approval.