

Confirmed



Minutes of a Meeting of the **Audit and Governance Committee** held in the Conference Room, Riverside, on **Monday, 12 December 2022 at 6:30pm**

Members of the Committee present:

Councillor Linda Coulam, Councillor Louise Gooch, Councillor Geoff Lynch, Councillor Mick Richardson, Councillor Ed Thompson

Other Members present:

Councillor Edward Back, Councillor Maurice Cook

Officers present: Laura Fuller (Audit Manager), Sandra Lewis (Head of Digital and Programme Management), Siobhan Martin (Head of Internal Audit Services), Brian Mew (Chief Finance Officer & Section 151 Officer), Stacey Ransby (Performance & Risk Officer), Alli Stone (Democratic Services Officer), Julian Sturman (Specialist Accountant – Capital and Treasury Management), Nicola Wotton (Deputy Democratic Services Manager)

1 Apologies for Absence

Apologies for absence were received from Councillor Cooper, Councillor Cloke and Councillor Smith-Lyte.

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

On the proposal of Councillor Coulam, seconded by Councillor Gooch it was by a unanimous vote

RESOLVED

That the Minutes of the Meeting held on 12 September 2022 be agreed as a correct record and signed by the Chairman.

4 Capital Strategy 2023/24 to 2026/27

The Committee received report **ES/1371** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources, concerning the Capital Strategy for 2023/24.

Councillor Cook introduced the report which gave a high level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of services in East Suffolk. The report also detailed how associated risks were managed and any implications for future financial sustainability.

Councillor Cook summarised the areas included in the capital strategy and drew the Committee's attention to the section concerning governance which ensured that schemes which would generate or save income were prioritised. Councillor Cook stated that treasury decisions were reviewed daily to ensure the best value, and at present the Council's cost of borrowing was less than income received on investment. Councillor Cook also highlighted that the Council had now contributed 110% to the Suffolk pensions scheme, and so payments could now be reduced, and savings made.

Councillor Coulam referred to point 2.1.3 of Appendix A concerning HRA expenditure and asked why this was so high in 2023/24 compared to the following years. Councillor Cook confirmed that this reflected known project dates, and so this increase was likely due to projects such as the Felixstowe village which would be commencing in the next year.

The Chairman commented on the considerable spend coming up in the next financial year in the District's towns, on coastal protection and the conversion of the Councils vehicles to more energy efficient fuel. The Chairman was pleased to see so much investment in the local area.

There being no further questions, on the proposal of Councillor Richardson and seconded by Councillor Coulam it was by a unanimous vote

RESOLVED

That having reviewed and commented on the Capital Strategy 2023/24 to 2026/27 the Audit and Governance Committee recommends it to Full Council for approval.

5 Treasury Management Strategy Statement for 2022/23 & Treasury Management Investment Strategy for 2022/23

The Committee received report **ES/1372** of Councillor Edward Back, Assistant Cabinet Member for Resources. Councillor Cook introduced the report which set out the Council's Treasury Management Strategy Statement for 2022/23 and Treasury Management Investment Strategy for 2022/23.

Councillor Cook summarised the Treasury Management Strategy Statement and drew the Committee's attention to the sections in the report which summarised the indicators the Council used to manage risk and the economic and interest rate forecast from the Council's treasury management advisors. Councillor Cook reported that as of November, the Council held £65.65 million of loans and £131.34 million of investments. Councillor Cook drew the Committee's attention to Appendix C which

provided details of the investment portfolio and had been included following a request by the Committee.

Councillor Gooch referred to Appendix C and asked how inter-authority lending was managed. Councillor Cook confirmed that the investments were rated and the Council only lent to authorities within a certain rating. Investments were monitored daily and if ratings changed then officers would consider any issues which might arise. All inter-authority transactions were subject to a government guarantee and when one of the authorities the Council had lent to was in financial difficulties, the Council had received all payments due. Officers confirmed that the Council was minimising loan terms due to the volatility of interest rates which was why most of the loans shown were for short periods of time.

The Chairman commented on the use of having details of who the Council lent to which allowed the Committee to keep a closer eye on the situation. The Chairman also commented on the volatility of interest rates and agreed that it made sense to keep loan terms short, especially considering the Council's own plans for investment.

There being no further questions, on the proposal of Councillor Gooch and seconded by Councillor Coulam it was by a unanimous vote

RESOLVED

That having reviewed and commented upon the Treasury Management Strategy Statement and the Treasury Management Investment Strategy for 2023/24, the Audit and Governance Committee recommends it to Full Council for approval.

6 Corporate Risk Management Update

The Committee received report **ES/1373** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources, and Councillor Edward Back, Assistant Cabinet Member for Resources. Councillor Cook introduced the report which provided an update on Corporate Risk Management. Risk management was part of good governance and the Council had embedded mechanisms to identify and escalate risks if necessary to the Corporate Risk Register. The management team had recently held a risk management session with the Council's external advisors where they had reviewed and challenged existing risks and any that may not have been identified. The session confirmed the Council had a good approach to risk.

Councillor Cook summarised the red risks on the register which related to the cost of living crisis, inflation, risks associated with imports and the Port of Felixstowe, flood risk and coastal erosion.

The Chairman referred to the red risk concerning the finances and increases in inflation and asked whether this should be red due to the good management in this area by officers and the Committee. Councillor Cook commented that this was a very cautious approach, due to constant daily changes in this area. Officers stated this was a red risk not because it was being poorly managed, but because the parameters were changing so frequently, and the risk had a high impact and likelihood of occurring. The mitigation measures the Council had were proving to be robust, but this was a very volatile area.

Councillor Gooch referred to the green risk concerning contracts and partnerships and asked if there was a risk in this area from the energy costs that businesses were having to take on, especially in leisure. Councillor Cook confirmed that this issue was captured in the red risk on cost of living and inflation, and the green risk was more to do with how contracts were managed.

Councillor Coulam commented on the risks concerning coastal erosion which were red, as opposed to the risk concerning on oil deposits on Gunton beach which was now green, and asked if these should be the same. Councillor Cook commented that the red risk reflected the unknown severity and quantity of tidal surges and other issues along the coast. Regarding Gunton beach, this would hopefully be reducing going forward. Officers commented that there had been significant surveys and investigations on Gunton beach, which meant that there was better understanding of the risk.

The Chairman referred to the amber risk for St Peters Court which was classed as low risk whilst still being non-compliant. Officers commented that this was due to the low likelihood of issues arising, but that the issue would be very significant if it did occur. Work had taken place to identify a programme of works, a report on this was due which would provide further clarification on the level of risk. The Chairman asked that this risk be reworded to make this clearer.

There being no further questions, on the proposal of Councillor Coulam and seconded by Councillor Richardson it was by a unanimous vote

RESOLVED

That having commented on the corporate strategic risks from the Council's current Corporate Risk Register, governed and monitored by Corporate Governance Group, the Audit and Governance Committee notes its contents.

7 Revised Internal Audit Plan 2022/23

The Committee received report **ES/1374** of Councillor Cook, Cabinet Member with responsibility for Resources, and Councillor Back, Assistant Cabinet Member for Resources. Councillor Back introduced the report which summarised the amendments to the internal audit plan 2022/23 due to new risks and changing resources. The use of consultants or partner Council resources to cover some audit work had been considered but was not felt to be a viable option at present.

The Head of Internal Audit commented that it was normal for an internal audit plan to change through the year due to risks changing. The Head of Internal Audit drew the Committee's attention to the deferrals in the report, which would be raised with officers in January/February when the next years plan was discussed. Work in housing had been deferred to allow all the changes in this area to be concluded. The Head of Housing was supportive of audit work taking place in this area. There were also deferrals in the IT area, and there had been difficulty in recruiting a new auditor to focus on IT issue and in engaging contractors for this work. There was a risk that this area had not been covered for several years, and although there were not any anticipated issues it was key that this area be looked at as soon as possible. The Head

of Internal Audit confirmed that enough work had been done to issue and audit opinion and that she was well supported by the Cabinet and Senior Officers in examining any area necessary.

The Chairman commented that the work of internal audit was very important in keeping down external audit fees. The Chairman appreciated the issues the team had faced and asked that internal audit keep working to find support for the IT audit position. The Chairman referred to the change of Chief Executive and asked that the Head of Internal Audit keep the Committee updated on how processes were working with the new Chief Executive. The Chairman asked that internal audit team look at how parking management was working now that this had been in place for a year, and when the LATCo had been in place for a year this should also be looked at. The Chairman thanked the audit team for their work.

Councillor Gooch asked if the key for the table on the plan could be moved to the start, and if time frames for work could be included where information was available.

There being no further questions, on the proposition of Councillor Gooch and seconded by Councillor Thompson it was by a unanimous vote

RESOLVED

That having commented upon the revisions made the Audit and Governance Committee approve the Internal Audit Plan 2022/23.

8 Internal Audit Reports Recently Issued

The Committee received report **ES/1375** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources, and Councillor Edward Back, Assistant Cabinet Member for Resources. Councillor Back introduced the report, which provided details of internal audit reports recently issued. An effective audit opinion had been issued.

There being no questions, on the proposition of Councillor Richardson, seconded by Councillor Thompson it was by a unanimous vote

RESOLVED

That having commented upon the attached Internal Audit reports, the Audit and Governance Committee notes their contents:

- Disabled Facilities Grant Certification 2022/23 (Relating to the 2021/22 financial year)

9 Audit and Governance Committee's Work Programme 2022-23

The Committee reviewed its Forward Work Programme. The Chairman commented on the programme for the March meeting and asked Officers to see if any of this work could be moved.

10 Exempt/Confidential Items

On the proposal of Councillor Richardson, seconded by Councillor Coulam it was by a unanimous vote

RESOLVED

That under Section 100A(4) of the Local Government Act 1972 (as amended) the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

11 Exempt Minutes

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

12 Internal Audit Status of Actions

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

13 Internal Audit Reports Recently Issued (Exempt)

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The meeting concluded at 7.51pm.

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Chairman