

# Public Document Pack

## AUDIT COMMITTEE

13 JANUARY 2022

Present: Councillors Rankin (Chair), Battley (Vice-Chair), K Beaney, Chowney and Sinden.

### **133. APOLOGIES FOR ABSENCE**

Councillor Battley gave apologies for lateness.

### **134. DECLARATIONS OF INTEREST**

None received.

### **135. MINUTES OF THE LAST MEETING**

**RESOLVED** – that the minutes of the meeting held on 18<sup>th</sup> November 2021 be approved as a true record.

### **136. DRAFT TREASURY MANAGEMENT, ANNUAL INVESTMENT STRATEGY AND CAPITAL STRATEGY 2022/23**

The Chief Finance Officer presented a report to consider the draft Treasury Management Strategy, Annual Investment Strategy, Minimum Revenue Provision (MRP) Policy and Capital Strategy and make recommendations to full Council as appropriate. This is to ensure that there is an effective framework for the management of the Council's investments, cash flows and borrowing activities prior to the start of the new financial year.

The Council is expected to have some £64.06 million of external debt (as of 31 March 2022), and investments which can fluctuate between £15 million and £30 million in the year. The level of debt is set to increase to some £90.4 million by 2023/24.

The Council seeks to minimise the costs of borrowing and maximise investment income whilst ensuring the security of its investments. The Council continues to make substantial investments in property, housing and energy generation initiatives, and this will continue to involve the Council taking on additional borrowing.

A question was raised regarding the Homes England grant funding for the Bulverhythe housing development and the associated financial risks if planning permission is not granted. In response the Chief Finance Officer said that if planning permission was granted but the Council did not proceed with the project the Council may be liable to repay the grant. However, if planning permission was refused the Council would not have to repay the grant.

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In response to a question regarding the revised net cost of the 2021/22 Capital Programme the Chief Finance Officer said this was partly down to over optimism on project start dates, with some projects slipping into the following year. Some capital expenditure has been revised down as the Council is planning to use a capital receipt to fund some future schemes.

The Chair noted that there are a variety of schemes requiring financing in the 2022/23 Capital Programme, with some debate around the level of risk and merit of individual projects. The Chief Finance Officer noted that the Audit Committee are being asked to agree that the Capital Programme is affordable and manageable within the Council's current strategies. Approval of the recommendations is not necessarily an endorsement of the merits of individual schemes.

### **RESOLVED (by 4 votes for, to 1 against):**

Audit Committee recommends to Cabinet and full Council that:

A. The Council approve the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy, Annual investment Strategy and the Capital Strategy.

B. The strategies listed are updated as necessary during 2022/23 in the light changing and emerging risks and the Council's evolving future expenditure plans.

C. The Financial Rules and the Financial Operating Procedures of the Council are reviewed and revised as necessary to meet the requirements of the Code of Practice.

Reasons:

1. The Council seeks to minimise the costs of borrowing and maximise investment income whilst ensuring the security of its investments. The Council continues to make substantial investments in property, housing and energy generation initiatives, and this will continue to involve the Council in taking on additional borrowing.

2. The sums involved are significant and the assumptions made play an important part in determining the annual budget. The CIPFA Treasury Management Code of Practice (2017 Edition), previously adopted by the Council, was released to take account of the more commercialised approach being adopted by councils and the enhanced levels of transparency required. The Code has represented best practice and helps ensure compliance with statutory requirements.

3. The Council has the ability to diversify its investments and must consider carefully the level of risk against reward against a background of historically very low interest rates. Investments can help to close the gap in the budget in the years ahead and thus help to preserve services, assist in the regeneration of the town, provide additional housing and enhance the long term sustainability of the town. However, over reliance

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on such income streams would involve taking unnecessary risks with the future of the Council and its ability to deliver statutory services.

### **137. CHIEF AUDITOR'S SUMMARY AUDIT AND RISK REPORT**

The Chief Auditor presented a report to inform the Audit Committee of the key findings from the National Fraud Initiative Data Matching Exercise (NFI) - 2020/21.

The purpose of the data matching exercise is to prevent and detect fraud, whilst also identifying potential errors caused by duplicate payments made to suppliers.

The NFI data matching exercise is conducted every two years and compares computer records held by Hastings Borough Council with data from organisations such as the Department for Work and Pensions (DWP), National Health Service, Companies House and other local authorities.

The Chief Auditor informed the Committee that following the exercise the overall assessment was 'A – Good'. Recommendations have been put forward and accepted, with implementation going very well.

A question was raised regarding the high number of matches in the Creditors section. The Chief Auditor said that many of the matches were regarding addresses or similar information, rather than duplicate payments. Out of 431 matches 10 duplicate payments were identified.

The Chief Auditor confirmed that the Council has always been able to recover the money from duplicate payments, with a good amount of money already recovered from the payments identified in the 2020/21 exercise.

The Chair raised the issue of consultant fees and the Chief Auditor confirmed that this will be looked into as part of a HR audit.

A question was raised regarding the reputational risk of duplicate payments. The Chief Auditor said that as this is a two-year exercise there is a risk that suppliers could share that they have been overpaid by the Council, and this is why there is a recommendation that more frequent testing is undertaken in the future. The Chief Finance Officer also confirmed that there will be refresher accuracy training for accountancy staff.

### **RESOLVED (unanimously):**

That the Audit Committee accepts the report.

Reasons:

To monitor levels of control within the organisation.

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(The Chair declared the meeting closed at 7.13pm)

# Minute Annex

## Managing Director Decision Notice



In accordance with Rule 26.22 of the Constitution the Managing Director (having carried out a prior risk assessment) made the decision to hold the Audit Committee meeting on 13<sup>th</sup> January 2022 virtually.

The following decision was made in accordance with emergency powers granted to the Managing Director to implement the decisions made at that Audit Committee meeting in consultation with Councillors Rankin, Battley, K Beaney, Sinden and Chowney.

The reasons for the decisions are set out in the Audit Committee minutes for that date.

### Item 1

**Report:** Draft Treasury Management, Annual Investment Strategy and Capital Strategy 2022/23

**Report Author:** Peter Grace, Assistant Director, Financial Services and Revenues (Chief Finance Officer)

**Decision Type:** Regulatory Committee

### Decision:

**Audit Committee recommends to Cabinet and full Council that:**

**A. The Council approve the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy, Annual investment Strategy and the Capital Strategy.**

**B. The strategies listed are updated as necessary during 2022/23 in the light changing and emerging risks and the Council's evolving future expenditure plans.**

**C. The Financial Rules and the Financial Operating Procedures of the Council are reviewed and revised as necessary to meet the requirements of the Code of Practice.**



**The Councillors present voted to approve the recommendations in the report by 4 votes in favour, to 1 against.**

**Item 2**

**Report:** Chief Auditor's Summary Audit and Risk Report

**Report Author:** Tom Davies, Chief Auditor

**Decision Type:** Regulatory Committee

**Decision:**

- 1. That the Audit Committee accepts the report.**

**The Councillors present voted unanimously in favour to approve the recommendations in the report.**

Signed



Jane Hartnell  
Managing Director  
Hastings Borough Council