

AUDIT & GOVERNANCE COMMITTEE

29 November 2022 at 10.00 am

Present: Councillors Clayden (Chair), Chapman (Vice-Chair), Brooks, Chace, Gregory (Substitute for Bennett), Oliver-Redgate and Wallsgrove

459. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Bennett, Goodheart, Oppler and Stanley.

460. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

461. MINUTES

The Minutes of the meeting held on 29 September 2022 were approved by the Committee. These would be signed at the end of the meeting.

462. ITEMS ON THE AGENDA THAT THE CHAIRMAN OF THE MEETING IS OF THE OPINION SHOULD BE CONSIDERED AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCE

The Chair confirmed that there were no urgent matters for this meeting.

463. PUBLIC QUESTION TIME

The Chair confirmed that no questions had been submitted for this meeting.

464. INTERNAL AUDIT PROGRESS REPORT

The Chair welcomed Iona Bond, Senior Audit and Counter Fraud Manager, from Southern Internal Audit Partnership (SIAP), who then presented the progress report to the Committee. She explained it was the same standard report presented at the previous Committee meeting, and that it was progressing well. A further update was provided that under Section 7, three further Terms of Reference had now been issued, and there were only two further remaining for Quarter 3, which should be issued in the near future. There were no further changes to report to Committee.

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The Chair then invited Member questions. SIAP were thanked for their clear and informative report. It was asked whether under Section 7, on improving the wellbeing of Arun, was Homelessness and Housing Advice scoped within the Plan? The Senior Audit and Counter Fraud Manager from SIAP confirmed that the Homelessness and Housing Advice Audit was scheduled for Quarter 4, and they would be looking to scope this in January.

The Committee noted the report.

465. RISK MANAGEMENT FRAMEWORK

Upon the invitation of the Chair, the Interim Group Head of Finance and Section 151 Officer presented the report to the Committee. She explained the Council's existing Risk Management Policy Statement and Strategy had been reviewed and as a result a new Risk Management Framework had been developed. It was impossible to remove all risk, which could result in lost opportunities, however the Council needed to understand the risks faced and take appropriate mitigation if a risk was above the accepted level. To help with the understanding of the risk score a fundamental difference in the new approach was that the risks were now shown as gross and after mitigations and controls had been applied, which gave a clearer view of the residual risk. Management and Members could then decide if additional controls/mitigations were necessary and whether they were value for money. She updated that the Risk Management training for the Senior Management Team and some other managers had recently taken place.

The Chair then invited Member questions. A question was asked regarding Housing Repairs, and whether this may be influenced by the ruling on mould. The Chair explained this would come under the remit of the Housing & Wellbeing Committee.

Members thanked the Interim Group Head of Finance and Section 151 Officer and the Finance & Risk Manager for such an excellent report, which was thorough and transparent.

The recommendation was Proposed by Councillor Chace and Seconded by Councillor Gregory.

The Committee

RESOLVED

That the Audit and Governance Committee adopts the Risk Management Framework as set out in Appendix 1 of this report and authorises the Interim Group Head of Finance & Section 151 Officer to make minor amendments.

466. CORPORATE RISK REGISTER

Upon the invitation of the Chair, the Interim Group Head of Finance and Section 151 Officer presented the report to the Committee. She explained that the new style Corporate Risk Register had now been completed. This was a living document that would be reviewed by the Corporate Management Team at the Performance Board on a monthly basis, together with Performance Indicators and Budget Monitoring. The Corporate Risk Register was summarised on page 49. She highlighted that there were a significant number of red risks, which was partially due to the very dynamic economic conditions in which the Council was operating, with the high level of inflation affecting existing contracts and projects, the pay award, cost of living crisis and labour shortages.

There were no questions from Members.

The recommendation was Proposed by Councillor Oliver-Redgate and Seconded by Councillor Wallsgrove.

The Committee

RESOLVED

That the new Corporate Risk Register be adopted.

467. TREASURY MANAGEMENT - MID-YEAR REVIEW REPORT 2022/23

Upon the invitation of the Chair, the Interim Group Head of Finance and Section 151 Officer presented the report to the Committee. She explained that following on from the previous two reports one of the mitigations in relation to the additional expenditure due to inflationary pressures, was that the higher interest rates were resulting in increased investment income that the Council were receiving on balances. The report stated that at the end of Quarter 2, the annual budget had already been exceeded with receipts of £500k against a whole year budget of £370k. This allowed the Council some flexibility for the current year, however this would not be sufficient to balance the increase in expenditure in future years. The Interim Group Head of Finance and Section 151 Officer explained how dynamic the economic outlook currently was. The Council was holding more cash than anticipated which was as a result of Covid-19 grants that had yet to be repaid and other government initiatives which were funded up front like the energy rebates. Arun was currently outperforming the benchmark which was set at 1.22%, as Arun was at 1.58%. Arun held £5m in the CCLA property fund which was returning 3.77%; and £2m in the multi asset fund - CCLA Diversified Fund which was returning 3.09%

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The Chair then invited Member questions. One Member asked about investments in areas that may have potential human rights concerns. The Interim Group Head of Finance and Section 151 Officer explained that investments were made based on the credit worthiness of the financial institution. This was based on credit ratings which was essentially the ability to repay any loans. Going forward this would be looked at more widely to ensure information regarding human rights concerns were considered.

The Chair highlighted that the Council had received £500k in interest. He noted that Arun paid £600k per year in interest for the Public Works Loan, and that it was close to a negative spend on interest across the Council.

The recommendation was Proposed by Councillor Chace and Seconded by Councillor Gregory.

The Committee

RECOMMEND TO FULL COUNCIL that

- 1) the actual prudential and treasury indicators for 2022/23 contained in the report be approved;
- 2) the treasury management mid-year review (this report) for 2022/23 be noted;
- 3) the treasury mid-year activity for the period ended 30 September 2022, which has generated interest receipts of £500,000 (1.58%) year to date, against a budget of £370,000 (0.84%) for the full year, be noted.

468. WORK PROGRAMME

The Committee noted the Work Programme.

(The meeting concluded at 10.21 am)