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MINUTES OF A MEETING OF THE AUDIT COMMITTEE

Appointment Centre Room 10 & 11, Town Hall, Main Road, Romford
23 January 2024 (7.00 - 8.00 pm)

Present:

COUNCILLORS:

Conservative Group Keith Prince, Damian White and David Taylor

Residents' Group Julie Wilkes

Labour Group Jane Keane

**East Havering
Residents Group**

Apologies were received for the absence of Councillors David Godwin and Darren Wise.

Through the Chairman, announcements were made regarding emergency evacuation arrangements and the decision making process followed by the Committee.

117 **MINUTES OF THE MEETING**

The meeting minutes of the Committee held on 18 October 2023 were agreed as a correct record and signed by the Chairman.

118 **TREASURY MANAGEMENT STRATEGY STATEMENT**

The Committee were presented with The Treasury Management Strategy Statement (TMSS) report that was a part of the authority's reporting procedures as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management (TM) Code and its Prudential code (The CIPFA Prudential Code) for capital finance in local authorities.

The Treasury Management Strategy Statement sets out recently introduced changes to the legislative framework, which were generally designed to place restrictions on authorities' commercial activity.

It was explained that the report fulfilled the authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA TM Code/Prudential Code and Government Guidance, and it covered the following:

- The Borrowing and Investment Strategies
- Treasury Management and Prudential Indicators.
- The Borrowing and Investment Strategies
- Treasury Management and Prudential Indicators - there had been a change to the revised CIPFA TM Code and Prudential Code (2021) that would be reported upon in the 2023-24 TMSS. At the time of writing, the report on the capital programme had not been finalised and it was stated that the figures in the report may change before they are presented to Cabinet.

Officers reviewed other economic forecasts and found that there was a consensus that rates are trending down. Officers were in agreement that long term borrowing should be on shorter durations of between 2 and 5 years and then refinance on longer term durations when rates are expected to be lower. Officers are of a view that following further reductions in shorter duration PWLB rates since December the balance has shifted in favour of locking in some long term debt on short durations.

For the reasons set out above the Authority needs to maintain a prudent cash balance to allow it to cover the variability of expenditure. The extent to which borrowing would be required will depend on the movement in cash reserves, working capital, strength of the capital forecast and how much slippage might occur during each financial year.

It is sensible to plan on the basis of covering the inevitable month on month fluctuations in cash balances to avoid what would in effect be an unplanned, and therefore expensive, short-term overdraft. Based on analysis of the monthly cash variations then £40m has been established as an appropriate cash balance or liquidity allowance.

In response to Members enquiry, the Director of Resources and s151 Officer assured the committee of the confidence in terms of what was being proposed regarding the treasury management strategy changes compared to previous strategies. It was stated that it was still very prudent in terms of the approach. The committee noted that what was being proposed was further detail into the liability benchmark in terms of the minimum threshold of cash balances that the local authorities or councils should be maintaining Tertiary. It was stated that the team provided the Director with a weekly update that included an update in terms of lent money.

For the reasons set out in the report and its annexes Cabinet is recommended to agree:

- The Draft 2024/25 TMSS & AIS which will form part of the Budget Report to Cabinet on 7 February and Full Council on 28 February 2024.
- The revised prudential and treasury indicators set out in Appendix 2 and 3 of the report.
- The operational and authorised borrowing limits set out in tables 5 & 6 of appendix 2 of the report.

Under the Havering Scheme of Delegation Part 3 section 3.10.3 the s151 Officer functions are:

To manage the Council's loan debt, investments, and temporary investments, pension scheme and pension fund, insurance fund, act as registrar of loan instruments, manage all banking arrangements including numbers and types of accounts and arrange insurance of property and the selecting and accepting of tenders for insurance cover and related services which are considered to offer best value for the Council promoting good risk management practices at all times.

The Committee **considered, commented** and **noted** the report.

119 INTERNAL AUDIT PROGRESS REPORT

The Committee were presented with a report that advised on the work undertaken by the Assurance Service (internal audit and counter fraud) toward delivery of the 2023/24 audit plan, as at the end of December 2023 in support of the Audit Committee's role.

The Annual Audit Plan was presented to Audit Committee in April 2023. The plan was developed in line with the three themes (People, Place and Resources) outlined in the Havering Vision and Corporate Plan. Members are reminded that the 2023/24 audit plan was presented as a flexible plan, subject to review through the year to ensure that emerging risks are covered. Adjustments to the plan were made to allow for changes in the risk and operational environment in which the Council operates. The status of the 2023/24 Internal Audit Plan was reported in section 4 of the report.

The report supported the Head of Assurance's ongoing assurance opinion on the internal control environment and highlights key outcomes from internal audit and counter fraud work and provided information on wider issues of interest to the Council's Audit Committee.

The report detailed the following work undertaken by Internal Audit during quarter: LBH Systems, LBH Schools Audits, Counter Fraud Audit Work Housing cases, Status of Internal Audit Plan 2023/24, LBH Schools Audit Programme.

At the meeting relevant Officers were present to answer the questions of Members. In response to a Member question, the Committee received assurance that the CCTV contract is compliant.

The Committee **noted** the contents of the report.

Chairman

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