

## **AUDIT COMMITTEE**

### **Minutes of a meeting of the Audit Committee held on Wednesday 31 January 2024 at 6.00 pm in Council Chamber, Third Floor, Southwater One, Telford TF3 4JG**

**Present:** Councillors A D McClements (Chair), E Davies, S J Reynolds, P Thomas, W L Tomlinson and C R Turley

**In Attendance:** M Brockway (Interim Director: Finance & Human Resource), A Lowe (Director: Policy & Governance), J Clarke (Senior Democracy Officer (Democracy)), T Drummond (Principal Auditor), P Harris (Finance Manager - Corporate & Capital Finance), R Montgomery (Audit & Governance Lead Manager), E Rushton (Group Accountant) and Wykes (Team Leader - Climate Change & Sustainability)

**Apologies:** Councillors G H Cook

#### **AU28      Declarations of Interest**

None.

#### **AU29      Minutes of the Previous Meeting**

A query was raised regarding the 2021 Audit and during the meeting it had been discussed that this was due to be completed by the end of January 2024. The minutes were recorded as “outstanding audits would be completed before the end of the current financial year”. It was requested that the minutes be amended to reflect that the Audit for 2021 be completed by the end of January 2024.

The amendment “completed by the end of January 2024” was proposed and seconded.

**RESOLVED** – that the minutes of the meeting held on 23 November 2023 be confirmed and signed by the Chair subject to “outstanding audits would be completed before the end of the current financial year” being replaced by “the receipt of the Audit Report 2021 by the end of January 2024”.

#### **AU30      Treasury Management Member Training**

A training session was received by Members from Link Group in relation to Treasury Management which looked at the Treasury Management Framework, economic outlook, balance sheet and capital financing requirements, investments and borrowing.

#### **AU31      2023/24 Treasury Management Update Report and 2024/25 Treasury Management Strategy**

The Finance Manager and the Group Accountant presented the 2023/24 Treasury Management Update Report and 2024/25 Treasury Management Statement.

Members had received a training session which gave the background to treasury management.

The report updated Members on treasury management activities during 2023/24 and detailed the Treasury Management Strategy recommended to be adopted for 2024/25. During the year, the Council had met the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. It set out the Council's treasury portfolio borrowing and indebtedness and the latest financial projections which, as well as providing key services and facilities to residents in the Borough, helped to support front line services. This was in line with the capital plans and the approved capital programme. Advice was regularly taken from Link who remained mindful of security, liquidity and yield in order to be safe and secure when investing.

The Treasury Management Strategy set out the parameters the Council had to abide by. It highlighted the borrowing required during 2024/25 together with future years, which was in line with the capital programme and investment strategy. At 31 December 2023, borrowing was £350.7m and investments at £29.6m meaning an overall indebtedness of £321.1m. Market environments had been difficult with interest rates climbing throughout 2023.

The Council has increased its external financing requirements in recent years to include investment in NuPlace which provides high quality homes for rent from a reliable landlord, mainly at market rent levels and has enabled brownfield sites to be brought back in to use. The council has also expanded the Property Investment Portfolio (the PIP) to attract and retain jobs for local people and to provide other regeneration benefits for our residents. These investments would bring long term capital growth which would strengthen the Council's balance sheet as well as generating revenue returns well in excess of the associated loan repayment charges.

In 2023/24, a number of the Equal Instalment of Principal (EIP) and Annuity PWLB loans had matured and 1 new PWLB loan for £5m had been taken out. Alongside this, short term borrowing had been used to fund short term cash flow requirements.

The strategy for any investments would be to minimise investments in order to reduce counterparty risk and to reduce net interest costs as longer-term borrowing rates would tend to be greater than the amounts earned on new investments. The Council would look to lengthen investment periods, where cash flow permitted, to achieve higher interest rates within acceptable risk parameters. No new leasing arrangements had been taken out prior to 31 December 2023.

During the debate some Members welcomed the report and recognised the sound financial footing and careful management of risk adopted within the Council.

**RESOLVED to RECOMMEND TO FULL COUNCIL that:**

- a) **by way of vote, approve the Treasury Strategy 2024/25, including the Annual Investment Strategy, together with the Minimum Revenue Provision Statement, which will apply from 2023/24 onwards and Treasury Management Prudential Indicators; and 2023/24 Treasury Management Update Report and 2024/25 Treasury Management Strategy;**
- b) **the treasury management activities to 31st December 2023 be noted; and**
- c) **the Treasury Management Policy Statement be noted.**

**AU32      2021/22 Audit Progress Update**

Grant Thornton, External Auditors, gave a verbal update on the 2021/22 Audit Progress.

External Audits for 2021/22 and 2022/23 were currently running and were a priority from January until the end of the financial year. It was hoped that the 2021/22 Accounts would be signed off during the coming week. There were some significant changes to the 2021/22 accounts in relation to the classification of investment properties. The CIPFA code defined that assets held solely for the purpose of capital appreciation should be classified as investment properties. Telford & Wrekin's assets relating to the PIP and Nuplace are held for regeneration and development purposes and are not held solely for income or capital appreciation. This means that they had to be reclassified as plant, property and equipment. There would be no change in the value of the assets, they will just be reclassified on the balance sheet.

The 2022/23 External Audit had identified that capital grant income had been included as service income instead of below the line. This would be noted as an adjustment and, although it was a big movement, it did not affect the bottom line.

The delay in finalising the 2022 accounts (which was a national issue within the audit sector impacting more than 90% of local authorities) meant that the triennial valuation of the pension liability published in March 2023, needed to be reflected in the accounts. This was a further adjustment that needed to be made, increasing the pension liability by £15m on the balance sheet.

Final technical reviews of the narratives would be undertaken and it was anticipated that an unmodified, unqualified audit of the 2021/22 accounts would be signed off. Once this had been completed, the plan was to move onto the 2022/23 audit and the Value for Money (VFM) reports.

### **AU33      Introductions to KPMG**

KPMG, External Auditors for 2023/2024 Accounts introduced themselves to the Committee.

Planning for the 2023/24 audit of accounts was being undertaken with an Audit Plan to be finalised by the end of March 2024. Risk assessments and work plan walk throughs were booked in ready for the work to begin.

### **AU34      Internal Audit Activity & Update to Internal Audit Charter 2024/2025**

The Principal Auditor and the Audit & Governance Lead Manager presented the Internal Audit Activity Report and an update on the Internal Audit Charter 2024/25.

The report provided an update to Members on the progress made against the 2023/24 Internal Audit Plan and recent work undertaken by Internal Audit.

During the reporting period, ten reports were issued two being red (Poor), six yellow (Reasonable) and two green (Good). A follow up of the Direct Payments (Adults) audit would take place in February 2024 with a follow up on the Muxton Primary School audit in March 2024.

Since the meeting in November, the audit on Direct Payments (Children) had been followed up and had improved to a yellow (Reasonable) grading. Recommendations had been implemented, together with changes to policies and procedures, but there had not yet been enough test cases to assess the position and a further follow up would take place in July 2024 and it was expected that the grading would improve to green.

Child Arrangement Orders had been followed up and changed to amber. It was moving in the right direction. It had only been two months since the final report had been issued and the policies and procedures were still being implemented. A further follow up would take place in March 2024 and it was hoped the grading would show further improvement.

In relation to progress against the 2023 Audit Plan approved in May 2023, nineteen Audits had taken place with a further five in progress. Twelve audits had been deferred or removed due to requests from service areas, lack of audit resource or due to unplanned audits which needed to be completed.

Some of the unplanned work undertaken was to review the stock levels at Telford Theatre and to review evidence relating to the CSE Independent Inquiry Action Plan.

Work continued on commercial contracts with eight academies and two Town Councils accessing Internal Audit services. Internal Audit would continue to look for opportunities to expand their commercial offer.

The Audit Committee Terms of Reference required annual approval of the Internal Audit Charter. For 2024/25, the Charter defined the internal audit activities, purpose and responsibilities and it set out the public sector internal audit standards. It set out the internal objectives which were to review the effectiveness of governance and risk management and control processes of the Council. It would also undertake independent assurance which may include financial, performance, compliance, system security and information governance assignments.

Internal Audit had been externally assessed by CIPFA and received a favourable report which supported the Council's values.

During the debate some Members considered the importance of comparing previous gradings against the current position in order to see progress being made.

**RESOLVED – that:**

- a) **the information contained in respect of the Internal Audit Planned Work undertaken between 1 November 2023 and 31 December 2023 and unplanned work to date be noted; and**
- b) **the revised Internal Audit Charter 2024/2025 be approved.**

**AU35      Telford and Wrekin Council Becoming Carbon Neutral and Plastic Free Update**

The Team Leader: Climate Change & Sustainability presented the report which gave details regarding the Council becoming Carbon Neutral and Plastic free.

Tackling climate change was one of five priorities set out in the current Council Plan with the Council making a commitment to reduce its carbon emissions to net zero by 2030. An interim target of 70% by 2027 had been set as a priority in the Corporate Delivery Plan.

Through its partnerships, the Council was also playing a part in helping the wider borough achieve the same target. A commitment had also been made to remove single-use plastics from the Council's operations and replacing them with sustainable alternatives.

The Council had achieved an overall reduction of 60% in CO2 emissions from a baseline of 2018/19. This was considerably ahead of the 36% reduction based on a straight-line year on year reduction. Particular highlights included an overall reduction of 14% in gas usage across the Council's operational estate, the awarding of £683,370 from the Office of Zero Emission Vehicles (OZEV), On-Street Residential Charge Point (ORCS) fund for the installation of 70 EV charge points across 21 Council car parks. In addition, the borough had been awarded an indicative amount (£1,020,000) by OZEV to increase

the number of on-street EV charge points. The Council continues to switch to low emission vehicles across its fleet. An additional 6 electric vehicles for the Highways and Enforcement Team, two electric minibuses for Arthog (funded through our municipal investment) and a vehicle for Libraries. The publication of the Council's Climate Change supplementary planning document (SPD) setting out guidance on sustainable new build for developers had also taken place since the last update to Audit Committee.

Environment Scrutiny Committee had recently met to look at how to manage and mitigate the impact of climate change such as flooding, heatwaves and extreme events and how it could support the emergency planning process.

During the debate, some Members welcomed the report. It was asked if the Council was looking at carbon emissions as a total and did that include the Council's sub-contractors. Other Members raised whether there was any work ongoing, in conjunction with developers within the borough, on retrofitting or installing green saving devices in developments.

The Team Leader: Climate Change & Sustainability explained that fleet and business mileage was being considered and that it was important to consider how every pound was spent and how major contracts could become more sustainable. He confirmed that the adopted supplementary planning document looked at the installation of solar panels and ev charging points on new buildings. Work was being undertaken with local developers on the local plan process.

**RESOLVED that update on Telford and Wrekin Council Becoming Carbon Neutral and Plastic Free be noted.**

**AU36      Updated Position of the Annual Governance Statement (AGS) Action Plan 2022/23**

The Audit and Governance Lead Manager presented the updated position of the Annual Governance Statement (AGS) Action Plan 2022/23 which gave details of the progress on the implementation of the actions from the 2022/23 statement.

Progress was being made in implementing the actions identified in the 2022/23 plan.

The following areas had been identified for the 2024/25 Action Plan:

- A refresh of the Workforce Strategy
- Directors Workforce Plans
- Employee Engagement Group

Apprenticeships within the Council had been recognised by the Department of Education in relation to the variety of posts, starting rates and low drop out rates. A new Leadership and Management Programme had been established to develop team leader and management skills within the organisation.

**RESOLVED** – that the contents of the Annual Governance Statement (AGS) Action Plan 2022/23 be noted.

**AU37      Strategic Risk Register & Updated Risk Strategy**

The Audit and Governance Lead Manager presented the Strategic Risk Register & Updated Risk Strategy.

The report detailed the current corporate risks faced by the Council and the mitigation it had put in place to manage the risks. It also provided an update on the Council's Risk Management Strategy. The purpose of the strategy was to assist the Council in effectively managing potential opportunities and threats to the Council achieving its objectives.

With regard to the Strategy, this was a revamp of the previously agreed document and incorporated best practice, aims and objectives and risk appetite. The risk management process was underpinned by additional governance, risk management and responsibility.

The Monitoring Officer asked Members to consider an additional recommendation which gave the Monitoring Officer and the S151 Officer delegated power to amend the risk strategy to make it a workable document.

**RESOLVED** – that:

- a) the contents of the Corporate Risk Register be noted;
- b) the updated Risk Management Strategy be approved; and
- c) delegated authority be granted to the Monitoring Officer and the S151 Officer to make the relevant amendments to the Risk Strategy.

The meeting ended at 8.11 pm

**Chairman:** .....

**Date:**            Date Not Specified