

**Minutes of a meeting of Audit Committee
held on Tuesday, 28th November, 2023
from 7.00 pm**

Present: S Hicks (Chairman)

L Carvalho

R Clarke

M Cornish

Absent: Councillors R Bates, J Belsey and C Cherry

Also Present: Councillor Cooke

The Committee agreed that Councillor Cornish would take the role of Vice-Chairman for the duration of this meeting, in the absence of Councillor Bates.

1. TO RECEIVE APOLOGIES FOR ABSENCE.

Apologies were received from Councillors J Belsey, Bates and Cherry.

2. TO RECEIVE DECLARATIONS OF INTEREST FROM MEMBERS IN RESPECT OF ANY MATTER ON THE AGENDA.

None.

3. TO BE AGREED BY GENERAL AFFIRMATION THE MINUTES OF THE PREVIOUS MEETING HELD ON 18 SEPTEMBER 2023.

The Committee agreed the minutes and they were signed by the Chairman.

4. TO CONSIDER ANY ITEMS THAT THE CHAIRMAN AGREES TO TAKE AS URGENT BUSINESS.

None.

5. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2024/25 TO 2026/27.

Louise Duffield, Director of Resources and Organisational Development introduced the item noting that it is an annual statement to be recommended to Council for approval as part of the budget setting process.

Joseph Saville, Adur & Worthing Councils provided further context, noting that the strategy follows an approach of low risk, security and pursuing yield. The paper at Agenda Item 6 bears out that this strategy has the right approach. He noted a recommendation to introduce Lloyds Bank on the corporate market list of approved counterparties, and in terms of Environmental, Social and Governance factors this is an ongoing process with a focus on divesting of unwanted investments as the market develops.

Members discussed the potential for a higher risk investment approach. Currently, high-yield short-term investments are secured when cashflow can be predicted. However as the Council is a collection authority with a highly variable balance, higher risk investments present the possibility of losing capital investment.

In response to a Member's query, the Director agreed to provide further clarity on the figures presented in the report relating to p.12 and p.24 (the 2023/24 estimate and general funding). Confirmation was also given on the specified investment limits with other Local Authorities.

Discussion was held on the Environmental, Social and Governance factors. Members expressed a wish to strengthen the ESG commitment within the strategy to match what has been proposed in other work around sustainability. Officers agreed to review this for a future meeting. Discussion also focused on the continuing need to explore suitable new places to invest based on their ESG policies, as well as the need to divest from inappropriate money market funds.

The Chairman took Members to a vote on the recommendations, which were agreed with 4 in favour.

RESOLVED

The Audit Committee considered the draft Strategy, provided any feedback it felt appropriate, and recommends to Council for approval:

- (i) the proposed Treasury Management Strategy Statement (TMSS) for 2024/25 and the following two years,
- (ii) the Annual Investment Strategy (AIS) and the Minimum Revenue Provision Statement (MRP) as contained in Sections 4 and 2.3 respectively of the report;
- (iii) the proposed amendments to the specified and non-specified investment appendices;
- (iv) the Prudential Indicators contained within this report.

6. REVIEW OF TREASURY MANAGEMENT ACTIVITY 1 APRIL - 30 SEPTEMBER 2023.

The Director of Resources and Organisational Development introduced the report, acknowledging the proactive working arrangements with Adur and Worthing to carry out short term investments. Treasury Management in-person training is also proposed for Members and will be scheduled in Spring 2024.

The Chairman took Members to a vote on the recommendations, which were agreed with 4 in favour.

RESOLVED

The Committee considered the report, provided appropriate comment and endorsed the contents of the report and its appendices to Full Council.

7. INTERNAL AUDIT ANNUAL REPORT 2022/23.

The Director of Resources and Organisational Development introduced the report, highlighting the positive working relationship with Mazars and the move away from cyclical audits in favour of focus on areas for improvement and development.

Juan Fosco, Mazars provided additional context, noting that two audits relating to ICT have been reprofiled into this year's plan due to capacity restraints. Both are now being delivered at the fieldwork stage. He confirmed that specialists will be assigned to audits where required, including those relating to ICT asset management and IT assurance.

Discussion was held on the timescales to complete the outstanding recommendations on cyber security, which have been put back to 2024. It was confirmed that the Council has been working with the Cabinet on best practice, alongside Mazars recommendations. It is also being actively managed by the Director, People & Commercial Services and the external security provider in the lead up to a contract expiry.

The Chairman took Members to a vote on the recommendations, which were agreed with 4 in favour.

RESOLVED

The Committee received and endorsed the report, providing comments as appropriate.

8. CAPITAL STRATEGY 2024/25-2027/28.

The Director of Resources and Organisational Development introduced the strategy noting two new items are included: the Centre for Outdoor Sports which is now an approved scheme, and the commitment to working with Central Government to access funds by match funding for the Local Authority Housing Fund. This allows the Council to plan for an increase in temporary accommodation. A proposal to create a contingency reserve of £500,000 has also been included as part of the budget setting process.

Discussion was held on the risk around Section 106 funds which are agreed and not yet received. The Committee also sought reassurance that the Q1 and Q2 outcomes are in line with profile targets for these quarters. It was noted that whilst figures will change, it is actively managed and is a realistic estimation on when funds will be allocated.

A question was received in advance of the meeting regarding the additional costs of the food waste programme and other uncommitted expenditure at St Johns Park and Brooklands Park. In response, the Director drew attention to the Parks Masterplan which was presented to a recent Scrutiny Committee. For project to be in the Capital Programme, it needs to be fully funded with an approved business case. Section 106 funds can start to be collected and once all funds are available it can be moved into the delivery stage. Regarding the food waste trial and how it is collected, the budget provides provision for both.

Clarification was provided on the Martlets Temporary Urban Park, which is funded by the UK Shared Prosperity fund. Discussion was also held on the Local Authority Housing Fund for temporary accommodation which is in two phases. It relates to two Government bids, both of which the Council has applied for. In order to spend the funds, the process is underway to identify properties available to purchase that will meet the needs of residents.

The Chairman took Members to a vote on the recommendations, which were agreed with 4 in favour.

RESOLVED

The Committee considered the draft Strategy, provided appropriate feedback and recommends the Strategy for approval by Council at the meeting of 28th February 2024.

9. STRATEGIC RISKS 2023-24

The Director of Resources and Organisational Development introduced the report, noting that the District Plan and Cyber Security remain listed as ongoing risks. Financial Independence has been added as an additional strategic risk, with details provided on the landscape in which the Council is operating and the proposed mitigations.

Discussion was held on the timescales to address identified risks, noting that some elements of the strategic risks are either out of the Council's control or are ongoing. A separate operational risk log is also maintained and reviewed by the Chief Executive. The Committee considered the inflation risk, noting that the capital market is a difficult place to operate due to financial risk and labour and material shortages. A Working Group considering the budget has been looking at inflation risks from a capital point of view and although there are a number of inflation pressures, it was noted that the Council is a well-managed Local Authority and in a better treasury management position than many neighbouring Authorities.

The Chairman took Members to a vote on the recommendations, which were agreed with 4 in favour.

RESOLVED

The Committee

- (i) Considered and endorsed the Strategic Risks for 2023-24 and management plans set out at Appendix A; and,
- (ii) Considered and endorsed the Mid Sussex District Council Strategic Risk Management Policy, as set out at Appendix B providing any feedback it deems appropriate to Cabinet.

10. AUDIT COMMITTEE WORK PROGRAMME 2023/24.

Louise Duffield introduced the report with the recommended programme of work for the remainder of the financial year.

The Chairman took Members to a vote on the recommendation which was agreed unanimously.

RESOLVED

The Committee noted the contents of the report and approved the Work Programme as set out in paragraph 7 of the report.

11. QUESTIONS PURSUANT TO COUNCIL PROCEDURE RULE 10.2 DUE NOTICE OF WHICH HAS BEEN GIVEN.

None.

The meeting finished at 7.47 pm

Chairman