

Audit and Risk Committee

Minutes of the meeting held on 14 March 2023

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Present

Tristram Hilborn – in the Chair, Bill Dickson, Gail Harris, Paul Hayden, Matthew Shardlow, Nicky Talbot and Fran Whymark.

In attendance

Jason Brewster – Governance Officer, Faye Haywood – Head of Internal Audit, Mark Hodgson –Ernst & Young External Auditor, Emma Krelle – Director of Finance, Ellie Richards – Senior Accountant, John Packman – Chief Executive and Sara Utting – Senior Governance Officer.

1. Apologies and welcome

The Chair welcomed everyone to the meeting.

Apologies were received from Matthew Bradbury and Michael Scott.

The Chair thanked Matthew Bradbury for his excellent work as Chair and Vice-Chair of this committee.

Openness of Local Government Bodies Regulations 2014

The Chair explained that the meeting was being audio-recorded. All recordings remained the copyright of the Broads Authority and anyone wishing to receive a copy should contact the Governance Team. The minutes remained the formal record of the meeting. He added that the law permitted any person to film, record, photograph or use social media in order to report on the proceedings of public meetings of the Authority. This did not extend to live verbal commentary. The Chair needed to be informed if anyone intended to photograph, record or film so that any person under the age of 18 or members of the public not wishing to be filmed or photographed could be accommodated.

2. Introductions and declarations of interest

No additional declarations of interest were declared.

3. Items of urgent business

There were no items of urgent business.

4. Public question time

No public questions had been received.

5. Minutes of last meeting

The minutes of the meeting held on 29 November 2022 were approved as a correct record and signed by the Chair.

6. Investment Strategy and Performance Report 2022/23 and Draft Capital, Treasury and Investment Strategy 2023/24

The Director of Finance (DoF) introduced the report which detailed the Broads Authority's investment of surplus cash, including the investment principles adopted and performance during the eleven months to 28 February 2023 and the draft Capital, Treasury and Investment Strategy 2023/24.

The DoF highlighted the high cash balance, stated within table 1 of the Investment Strategy and Performance report, due to receipt of capital money from Defra in February. This money would remain in the instant access account as the intention was to utilise it before the end of March 2023.

As per the audit recommendation to diversify some of the Authority's investments, the DoF indicated that money had been deposited with the Debt Management Office to take advantage of their preferable interest rates for short (up to 6 month) periods.

The DoF explained that minor changes had been made to the Capital, Treasury and Investment Strategy document (Appendix 1 of the report) including changes to job titles and references to the Senior Accountant role (as per appointment in 2023).

The DoF highlighted that the revised Prudential Code required reporting against the prudential indicators to be performed at least quarterly and this would be included in the Finance, Performance and Direction report to the Authority from 2023/24.

The DoF confirmed that the use of an external advisor to assess whether the Authority should prepay a number of years' pensions contributions had proved valuable. The DoF requested member's advice on engaging a Treasury Management provider to help formulate the next investment strategy. If members were amenable, the intention was to investigate options over the summer and report findings in the autumn. The DoF was mindful that the Authority's current risk profile was low, with priority given to security of capital and liquidity, and this may have to be re-assessed as part of this exercise.

Members asked if investment advice could be sought that covered a range of risk profiles, there could be other low risk investment options that the Authority were not aware of. A member asked whether there were any opportunities to work with other National Parks or Local Authorities to commission this service, providing a larger pooled investment pot and reduced fees. The member clarified that they were not proposing a repeat of the client relationship that the Authority had previously with Broadland District Council's investment provider. Members were in agreement with the proposed investigation which they deemed a prerequisite to any future decision on this matter.

Nicky Talbot proposed, seconded by Fran Whymark and

It was resolved unanimously to recommend the Draft Capital, Treasury and Investment Strategy to the Broads Authority for approval.

7. Consolidated Income and Expenditure: 1 April to 31 January 2023 Actual and 2022/23 Forecast Outturn

The Senior Accountant (SA) presented the report which detailed actual income and expenditure for the ten month period to 31 January 2023, and a forecast of the projected expenditure at the end of the financial year (31 March 2023).

The SA reported that as of 31 January the overall position was a favourable variance of £37,306 from the profiled budget. Since the report the financial position as of 28 February had been prepared and there was a favourable variance of £905,800 from the profiled budget. The reason for the increase was due to the receipt of £1.2 million capital money from Defra and the SA explained that expenditure would increase considerably to ensure this settlement money was spent before the end of March 2023. The SA confirmed that, with the exception of the Defra capital money, the underlying position from January to February remained unchanged.

The report was noted.

8. Additional National Park Funding

The Chief Executive (CE) introduced the report which provided information on the new National Park (NP) funding announced by Defra on 1 March 2023. The CE gave a presentation that contained:

- The initial email communication, issued to all Authority staff and members, announcing this new Defra funding.
- The Change Control Notice (CCN) that had been issued by Defra (since the report was written).
- A summary of the increasing costs faced by the Authority when delivering National Park objectives.
- Draft criteria for assessing how the Authority could utilise this new funding for consideration by members.

The CE explained that this Defra funding was unexpected and totalled £4.4 million distributed equally between 10 NPs, including the Broads Authority.

The CCN was issued when Defra released the £440,000 of new funding to the Authority and stipulated Defra's conditions for how this money could be utilised. The CE highlighted the key conditions:

- It should be used as a contribution to support the increasing costs of fulfilling the statutory purposes of the grant recipient.
- To be associated with costs arising in 2022/23.
- For the avoidance of doubt this additional grant amount is intended to support the costs associated with the undertaking of NP purposes and may not be used to support costs incurred in relation to the navigation functions.

The first key condition, the CE summarised, was an acknowledgement by Defra of the inflationary pressures that all NPs were experiencing. The CE explained that Defra had also provided a covering email that detailed this extra funding and confirmed the flat cash settlement for NP funding 2023/24. The CE highlighted that the associated press

announcements of this new NP funding made no reference to the fact that NP funding had not changed in the last 5 years which equated to a cut in funding in real terms over this period.

Regarding the second key condition, the late announcement by Defra meant that the Authority did not expect to receive this money until the beginning of April.

The CE acknowledged that the final key condition, albeit not ideal given the rising costs associated with navigation, was to be welcomed for the clarity that it brought.

The CE then highlighted some of the increasing costs faced by the Authority. The main cost was staffing that accounted for 65-70% of the Authority's total costs. Staffing costs had increased by 4.2% more than the 2% budgeted for in 2022/23 and the expectation was for a similar pay settlement for 2023/24.

Raw materials, although the majority were purchased for navigation purposes, were still relevant to the NP function and had increased during 2022/23. Similarly, fuel and utilities had increased with the latter increasing above inflation. Other costs were increasing, such as the cost of the planning system, which the Authority was heavily reliant upon, had increased by 10% during this period.

The CE surmised that these items were indicative of the rising cost based faced by the Authority and needed to be borne in mind when considering this additional funding.

Given the unexpected nature of this additional funding and the short notice, the Management Team had not had an opportunity to fully consider its implications. The CE asked members to help determine how best to use this money, especially given that the Authority was unlikely to receive this type of offer in future. To help members consider uses for this money the CE provided 3 suggested criteria.

1. Look at future rising costs – e.g. potential pay settlement.
Increase earmarked reserves to protect budget in future years.
2. Spend/invest to save and develop ability to raise additional income.
Increase capacity to bid for additional funding.
3. Support delivery of strategic objectives
Earmarked reserves for biodiversity recovery and responding to the challenges of climate change.

Members welcomed this additional Defra funding and were keen for the Authority to make full use of this funding. Members believed the suggested criteria were all valid and provided a good basis for framing a discussion on utilising this new money.

A member noted the ongoing funding constraints and inflationary pressures faced by the Authority and believed it needed to adapt to these circumstances to avoid significant impacts to its delivery capability. With this in the mind they suggested using this additional funding to invest in training and systems to make the Authority more efficient.

Several members were enthusiastic about using these funds to extend the Authority's capability to secure external income, with a member noting the potential to gain an income up to 7 times that required to fund the initial bid. A member wanted to know about working in partnership with other relevant bodies to secure external funding. The CE responded that, as a member of the National Parks Partnership, this provided a huge amount of money across all NPs. The Landscape Recovery project was an example of working with various partners across the Broads to secure new funding. The CE also highlighted ongoing work to secure funding from Natural England (Peat recovery), Department of Transport (Electrifying the Broads) and a possible replacement for Water, Mills and Marshes (WMM) funding Mental Health Challenges.

A member asked how the Authority could expand its capacity to secure external income. The CE replied that a quick win was to convert existing short-term contract resource onto a more permanent basis. The CE explained that previous attempts to sub-contract bid writing to external resource had failed due to the specialist knowledge required to access the relevant grants. The Authority's approach for CANAPE and WMM had provided a successful blueprint for new initiatives. The Director of Finance (DoF) added that another lesson learnt was where bid writers had the potential to transfer to a new project then their existing role would be back-filled.

A member requested more detail about the earmarked reserves. The DoF responded that at the end of financial year 2022/23 a new Medium-Term Financial Planning reserve would be created. This discrete reserve would act as a placeholder until plans on how to utilise this money had been finalised. The DoF noted that spending this money solely on NP objectives posed some challenges; for example, spending on new finance software would benefit the Authority as a whole, including navigation.

A member was keen to spend the majority of the money on strategic objectives such as Farming in Protected Landscapes and working with land managers on the Biodiversity Net Gain strategy. They did not rule out bidding for external funding and proposed focusing on National Lottery funding (in light of Treasury sourced funds being ineligible for match funding). They also wondered whether any of the Authority's planned cost cutting measures would be revisited in light of this additional funding.

Members were less keen with the idea of ring-fencing the funds for use in future years. Members felt this approach could be perceived to imply that the Authority's financial challenges were not significant or urgent and might prejudice future funding offers from Defra.

The CE thanked members for their contributions and summarised their contributions ahead of full Authority 17 March 2023:

- Investigate changes to improve the Authority's efficiency and reduce its costs e.g. investments in software.
- Use new money to improve existing work associated with securing external funding and facilitate more of it.

- Spend money wisely and in a timely fashion (without putting undue pressure on staff).

The DoF confirmed that new funding of £3,000 under the Access For All programme had been received for 2022/23.

The CE introduced another very late announcement from Defra for new funding relating to the Biodiversity Net Gain (BNG) strategy. This strategy, as from November 2023, requires Local Planning Authorities (LPAs) to approve a biodiversity net gain plan for development work before it can start. To reflect this new requirement, and the resulting extra work Defra had provided £26,807 to the Authority for 2022/23. Unlike other LPAs, who could transfer this 2022/23 money into 2023/24, Defra had indicated that the Authority needed to account for this money in the current financial year.

The CE explained that given that LPAs were only informed of the new BNG requirements in recent weeks, it would be impractical to justify spending on BNG in 2022/23. The CE, on behalf of the DoF, asked for member's views on two proposed methods for securing this funding:

1. Liaise with Defra to secure the ability, as offered to other LPAs, to transfer BNG funds allocated in the current financial year for use on BNG spending in 2023/24.
2. Account for the BNG funds in 2022/23 and demonstrate an ongoing commitment for 2023/24 thereby enabling the funds to be transferred to an ear-marked reserve for use in 2023/24.

Members were supportive of any action undertaken by the DoF to correctly account for the allocated BNG funds and prevent this funding being lost to the Authority.

The Chair thanked the CE and DoF for their report and presentation especially given the short notice.

The report was noted.

9. Finance Strategy and Policy updates

The Director of Finance (DoF) introduced the report which detailed the latest results from the ongoing programme of finance documentation reviews.

Counter Fraud, Bribery and Corruption Strategy

The DoF summarised changes to this strategy (shown in Appendix 1 of the report with latest updates highlighted as tracked changes) as being updates to job titles, risk registers and committee names. The strategy had been reviewed by the Management Team, Internal Audit and the Monitoring Officer and any further amendments had been incorporated into the document shown in Appendix 1 of the report). The DoF confirmed that this updated strategy would require approval from the Audit and Risk Committee.

A member indicated that the new section 3 entitled "Who does this Strategy apply to" failed to include members. The DoF agreed to update this section to include a reference to members.

Matthew Shardlow proposed, seconded by Gail Harris and

It was resolved unanimously to approve the updated Counter Fraud, Corruption and Bribery Strategy.

Advertising and Sponsorship Policy.

The DoF summarised changes to this policy (shown in Appendix 2 of the report with latest updates highlighted as tracked changes) as being the adoption of a new accessibility compatible template, updates to success to date (section 8) and amendments to terminology (section 9) following the UK leaving Europe. The strategy had been reviewed by the Management Team, the Head of Communications and the UK Director of Communications and any resulting changes had been incorporated into the version shown in Appendix 2 of the report.

A member thanked the DoF for her efforts on these reviews.

The report was noted.

10. Internal Audit Strategic and Annual Plans 2023/24

The Head of Internal Audit (HoIA) presented the report which covered the Internal Audit Charter, Internal Audit Strategy and the Annual Internal Audit Plan 2023/24. The HoIA explained that the first two documents were formal documents that were required to be reviewed each year to fulfil the Public Sector Internal Audit Standards (Appendices 1 & 2 in the attached report). These reviews had been completed and not much had been changed since last year.

The HoIA discussed the Annual Internal Audit Plan 2023/24 (Appendix 3) that, following discussions with senior management, a review of the strategic risk register and considering the objectives for the year ahead, indicated four audit areas where an opinion would be provided at year end: Corporate Governance and Risk Management, Key Controls and Assurance Framework, Procurement and Port Marine Safety Code (PMSC). The PMSC, due to the associated health and safety risks, was timetabled for review every three years.

Appendix 3 also highlighted two areas (Asset Management and Cyber Security and Disaster Recovery) for future consideration.

The HoIA introduced a new element of Internal Audit, an assurance mapping, which had been recommended by the 2022/23 External Quality Assurance of the Internal Audit function. This exercise had been performed for the top 2 highest scoring strategic risks and the results shown in Appendix 4 of the report.

A member asked about the “limited” assurances for IT Audits performed in 2011/12 and 2013/14. The HoIA confirmed that since that time, the IT team had demonstrated that the identified risks had been mitigated and the recommended controls adopted. Furthermore, no significant new risks had been identified since and, as a result, there had been no need to re-audit these areas. The HoIA indicated that if they were to re-audit the relevant areas the expectation was that they would achieve a “reasonable” assurance.

Fran Whymark proposed, seconded by Nicky Talbot and

It was resolved unanimously to approve the Internal Audit Charter 2023/24, the Internal Audit Strategy for 2023/24 and the Annual Internal Audit Plan for 2023/24.

11. External Audit

The Director of Finance (DoF) introduced the report which contained the Audit Results report for 2021/22. Since the report was issued, the External Auditor had submitted the Annual Audit Letter 2021/22 and this had been circulated to members and had been published on the Authority's website: [Broads Authority Annual Audit Letter for the year ended 31 March 2022 \(broads-authority.gov.uk\)](https://broads-authority.gov.uk)

The report was noted.

12. Implementation of Internal Audit Recommendations: Summary of progress

The Senior Accountant (SA) introduced the report summarising progress in implementing Internal Audit recommendations arising from audits performed during 2020/21, 2021/22 and 2022/23. The SA highlighted the "substantial" audit opinion achieved by Key Controls and Assurance and confirmed that the final audit result had now been received with no changes. The SA indicated that the two Key Controls and Assurance recommendations were expected to be completed before the end of May 2023.

The report was noted.

13. Recommendations from external review into formal complaint

The Monitoring Officer (MO) introduced the report which detailed the response to the VWV Solicitors independent review into a formal complaint raised by Cllr Fuller regarding the handling of two minor planning applications. The MO explained that feedback regarding the recommendations and actions detailed in this report had also been sought from the Task and Finish Group (Paul Hayden, Greg Munford and Michael Scott) and this information had been emailed to members of the Audit and Risk Committee.

The MO explained that there were 3 key conclusions:

1. Review the delegation of planning matters to ensure clarity on what should be determined by officers and what should be referred by them to committee. And, most importantly, to provide a means to resolving disputes/questions about what should be called in.
2. Establish an easy to find single point of reference for the Authority's Governance documentation. And to create a process whereby this documentation was periodically reviewed and any resulting improvements incorporated.

3. Convert the reactive Hearings Committee into a Standards Committee that would have a proactive focus on training and guiding members and officers on the Member Code of Conduct and other governance matters such as the protocol on member and officer relations.

The MO explained that a mature organisation should be able to tolerate and indeed thrive on differences of opinion whilst maintaining focus on its core purpose and objectives. Rightly or wrongly a great deal of energy and effort had been expended on two relatively minor planning decisions at Haddiscoe Cut. The intention was to enable the Authority's members, officers and stakeholders to raise concerns or suggest improvements to the Authority's governance without having to resort to external reviews or investigations.

The intent of the proposed governance changes were:

- To develop processes to resolve planning call in questions.
- To receive governance improvement suggestions and issues, review them and present them to the Audit and Risk Committee at least once a year or more regularly if required.
- To establish a Standards Committee that would actively champion high standards of member conduct, recognising that this would entail working with members. This committee would also be responsible for formally determining any breaches of the Member Code of Conduct.

The MO thanked the Task and Finish Group for their feedback. The MO felt that the points raised by this group had now been addressed except with regard to considering contentious delegation issues across the Authority and not solely within planning. The MO explained that he believed there was a clear conceptual difference between planning call ins and other officer delegations. Planning decisions involved an element of judgement and discretion as dictated by National and Local Planning Policies. So, there should always be provision for less clear or more controversial planning decisions to be referred to committee. In contrast other officer delegations are wholly functional for example, who can buy a piece of equipment or what is the spending threshold (above which requires committee approval).

The member, who raised the point about widening the scope of disputed delegations, clarified this matter by stating that the context was with regard to a situation when the Chief Executive (CE) and Chair of the Authority could not reach an agreement regarding a delegation. In contrast to other National Parks, the Authority's Scheme of Delegation (SoD) granted the CE sole discretion in determining delegations, rather than take a contentious decision to committee. The intention, the member explained, was to spread the decision-making responsibility in this exceptional circumstance.

The MO indicated that he would be happy to consider examples from other National Parks when reviewing the Authority's SoD. The MO added that if an officer was required to make a decision that might potentially be outside the SoD then, under section 5 of the Local

Government and Housing Act 1985, the MO would have to report this matter to the Authority.

The CE indicated that he was happy for the SoD to be reviewed as proposed to identify any gaps and inconsistencies that may need to be addressed. This review would be an ideal opportunity to consider the scenario raised and propose any improvements necessary. The member confirmed that, following their written feedback, this had been their intention.

The MO explained that next steps were detailed in the appendix to the report. The first item would be to draft the terms of reference for the Standards Committee for review by all members of the Authority, before bringing them to this committee.

The MO confirmed that the Audit and Risk Committee would be asked to track progress on this matter and, where required, to approve the outputs.

The Chair thanked the MO for this report and welcomed the opportunity this presented to improve the Authority's governance processes.

Bill Dickson proposed, seconded by Matthew Shardlow and

It was resolved unanimously to delegate responsibility to the Chief Executive and Monitoring Officer to take all steps necessary to implement the recommendations in accordance with the plan at appendix 1, reporting back to this committee on progress as necessary.

14. Corporate Risk Register - review

The Senior Governance Officer (SGO) introduced the report which provided the latest version of the Corporate Risk Register (CRR) with changes marked since the previous meeting. The SGO confirmed that the CRR had been updated to include the risk score matrix which indicated how the red, amber and green ratings were derived. The SGO confirmed that, since the last meeting, no new risks had been added or existing risks deleted and highlighted that the scores for risks 2, 5 & 8 had decreased.

The report was noted.

15. Other items of business

There were no items of urgent business for consideration pursuant to Section 100B (4) (b) of the Local Government Act 1972.

16. Formal questions

There were no formal questions of which notice had been given.

17. Date of next meeting

The next Audit and Risk Committee meeting would be on **Tuesday 25 July 2023** at Yare House, 62-64 Thorpe Road, Norwich, commencing at 10.00am.

The meeting ended at 11:40am.

Signed by

Chair

DRAFT