

Finance and Audit Committee

Monday, 17 February 2020

7.30 pm

Present:

Cllr Gurbax Singh (Chair)

Councillors: Derek Ashenden
 Ejaz Aslam
 John Caller
 Dakota Dibben
 Sarah Gow
 Nirmal Khabra
 Emma Morley
 Tony Rice

Note: Councillor Jordan Meade was also in attendance.

Sarah Parfitt Assistant Director (Corporate Services)
James Larkin Head of Audit & Counter Fraud Shared Service
Andrew Barnett Principal Accountant (General Fund)
Alexandra Jarvis Principal Accountant (Housing & Exchequer)
Carlie Simmonds Committee Services Manager

34. **Cllr Colin Caller**

The meeting observed a minutes silence as a mark of respect for Cllr Colin Caller who had recently passed away.

35. **Apologies for absence**

An apology for absence was received from Cllr Elizabeth Mulheran and Cllr Emma Morley attended as her substitute.

Cllr John Caller attended in place of Cllr Colin Caller.

36. **Minutes**

The minutes of the meeting on Wednesday 13 November 2019 were signed by the Chair.

37. **Declarations of Interest**

Cllrs Sarah Gow and Tony Rice together with the Assistant Director (Corporate Services) declared an Other Significant Interest in agenda items 5 (Treasury Management Strategy Statement & Capital Strategy 2020-21), 8 (General Fund Budget Monitoring Report - Q3 2019/20) and 9 (Audit & Counter Fraud Update - Q3 2019-20) in that they have been appointed as Directors of Rosherville Limited, the Council's Local Authority Trading Company.

38. Treasury Management Strategy Statement & Capital Strategy 2020-21

The Committee considered the Treasury Management Strategy, associated Annual Investment Strategy and the Minimum Revenue Provision Policy for 2020/21 along with the Capital Strategy for 2020/21.

The Principal Accountant (Housing & Exchequer) advised that this was the second year of the revised reporting requirements introduced by CIPFA's 2017 Prudential and Treasury Management Codes in that all authorities must prepare a Capital Strategy.

Members were informed that the Capital Strategy will be presented separately however it had intrinsic links to the Treasury Management Strategy of the Council.

The Principal Accountant (Housing & Exchequer) advised that, in relation to Treasury Management Reporting, the Full Council was required to receive and approve, as a minimum, the following three main reports each year, which incorporated a variety of policies, estimates and actuals:-

- Prudential and treasury indicators and treasury strategy;
- A mid-year treasury management; and
- An annual treasury report.

The above reports were required to be adequately scrutinised before being recommended to Full Council therefore it was the role of the Finance and Audit Committee to scrutinise these reports.

The Principal Accountant (Housing & Exchequer) drew Members' attention to the key points contained within the Treasury Management Strategy and Capital Strategy for 2020/21.

Members were informed that the Council currently uses Link Asset Services as its external treasury management advisors. Link Asset Services had provided the Council with a summary on the economic background which was attached at Appendix One of the report and had been taken into consideration when developing the Treasury Management Strategy and Capital Strategy for 2020/21.

The Committee was informed that both strategies were complexed documents and would be regularly updated.

In relation to Treasury Management, the Committee asked whether there were any key and/or new indicators that the Committee should be focussing on.

The Principal Accountant (Housing & Exchequer) highlighted both 'commercial activities' and 'the Council's borrowing need' as key areas of focus. The Assistant Director (Corporate Services) advised that any amendment to either area would require approval by Full Council at the appropriate time therefore Members would be provided with the opportunity to consider each area in its own right prior to any decisions being made that could affect the Council in respect of commercial activity or borrowing need beyond that already included in the draft budget.

Resolved that the Finance & Audit Committee recommends to the Full Council that:-

1. the Treasury Management Strategy for 2020/21 as set out in Appendix 2 be agreed;

2. delegated authority be given to the Director (Corporate Services), in consultation with the Chair of the Finance and Audit Committee, to amend the prudential and treasury indicators as necessary as a result of the budget approved by Full Council on 25 February 2020;
3. the Minimum Revenue Provision (MRP) calculation on all new capital expenditure as set out in Section 5 of the Treasury Management Strategy Statement be approved for 2020/21 and beyond in accordance with the Authority's Capital Programme;
4. the Annual Investment Strategy for 2020/21 as set out in Section 14 of the Treasury Management Strategy Statement be agreed;
5. and the Capital Strategy for 2020/21 as set out in Appendix 3 be agreed.

39. Development of the Corporate Risk Register 2020-2021

Further to minute 30 (13.11.2019), the Committee was informed that the Risk Management Strategy sets out the approach adopted by the Council for identifying, evaluating, managing and recording risks to which it would be exposed.

The Principal Accountant (Housing & Exchequer) advised that a review of the Strategy was carried out annually and where necessary, it was updated to reflect any changes in the Council's approach to managing strategic risk. The Risk Management Strategy had been reviewed and no updates or amendments were required.

A draft copy of the Corporate Risk Register for 2020-2021 had been presented to Members, Management Team and Senior Officers for review. The following new risks had been identified for possible inclusion:-

- **Investment Risk** - given the value of the investments and the authority's reliance upon the rental and investment income;
- **Shared Service Risk**- risk related to being involved in shared services;
- **Civil Risk** - i.e. flooding, major disaster; and
- **Non-delivery of key developments** - impact on the Council of not driving development in the Borough.

The Risk Identification and Analysis Assessment document was presented at Appendix III of the report for Members' information. It detailed all risks that had been considered when producing the draft 2020-2021 Corporate Risk Register together with the outcome of the assessment.

The risks that had generated a "High Risk" score and were above the Council's strategic risk tolerance level had been included in the 2020-2021 Corporate Risk Register. The Principal Accountant (Housing & Exchequer) advised that those risks were:-

1. On-going financial viability of the Council;
2. Changes in national priorities and legislation;
3. Organisational Capacity/resilience;
4. Universal Credit;
5. Cyberattack resulting in data breach or corruption of data;
6. Investment Risk.

A draft copy of the 2020-2021 Corporate Risk Register was attached at Appendix IV of the report for Member's consideration.

The Committee was informed that progress made against the actions in relation to each risk recorded in the Register will be monitored quarterly and presented to the Committee via a half yearly report.

The Committee requested that the Lower Thames Crossing be considered for inclusion in the 2020-2021 Corporate Risk Register as it will be resource hungry on the Council and will have both a positive and negative impact on the Borough.

The Assistant Director (Corporate Services) advised that she will arrange for the Lower Thames Crossing to be assessed as a risk. If it generates a "High Risk" score then it will be included within the Register. If not, reference will be made to it via the 'Changes in national priorities and legislation' risk.

Resolved that the draft version of the Corporate Risk Register that has been developed for 2020-21, be presented to Cabinet for formal approval subject to the Lower Thames Crossing being considered for inclusion.

40. Housing Revenue Account Budget Monitoring Report - Q3 2019/20

Further to minute 32 (13.11.2019), the Committee received the third budget monitoring report for 2019/20 in relation to the Housing Revenue Account showing the position up to 31 December 2019.

The Committee noted the information provided on:-

- actual performance against the approved Revenue and Capital budgets for 2019/20, including known variances agreed or identified through budgetary control activity; and
- other key areas of financial performance that may impact on the Council's Medium Term Financial Strategy, Medium Term Financial Plan, HRA Business Plan or Financial Statements.

The Committee was advised that the Council will continue to maintain robust budgetary control actions to ensure good financial governance and respond to the pressures on the Council's finances.

Resolved that the contents of the report be noted.

41. General Fund Budget Monitoring Report - Q3 2019/20

Further to minute 31 (13.11.2019), the Committee received the third budget monitoring report for 2019/20 in relation to the General Fund showing the position up to 31 December 2019.

The Committee noted the information provided on:-

- actual performance against the approved Revenue and Capital budgets for 2019/20, including known variances agreed or identified through budgetary control activity; and
- other key areas of financial performance that may impact on the Council's Medium Term Financial Strategy, Medium Term Financial Plan or Financial Statements.

The Committee was advised that the Council will continue to maintain robust budgetary control actions to ensure good financial governance and respond to the pressures on the Council's finances.

The Committee noted that there were two items in relation to The Woodville that had been carried forward from 2018/19 (market café equipment and the introduction of a second till/redesign of the counter at Spotlites café). Concern was expressed that if the second till/redesign of the counter at Spotlites café had already been installed then no improvement had been experienced by those Members who had recently used the café.

The Assistant Director (Corporate Services) advised that she would request an update on the above and would circulate it to the Committee outside of the meeting.

With regard to the Public Works Loan Board (PWLB) increasing its cost of borrowing, the Committee asked what impact this will have on the Council. The Principal Accountant (Housing & Exchequer) advised that the Council will need to carefully consider and plan where future funding will be sourced from as the PWLB will be the lender of last resort. The Council was currently liaising with Link Asset Services.

Resolved that the contents of the report be noted.

42. Audit & Counter Fraud Update - Q3 2019-20

Further to minute 27 (13.11.2019), the Committee was provided with an update on the work, outputs and performance of the Audit and Counter Fraud Team for the period 1 October to 31 December 2019. This would be the last of three updates to be produced for 2019-20. The Committee will be receiving the annual report, detailing all work undertaken during 2019-20, in June 2020.

The Head of Audit & Counter Fraud Shared Services advised that four reviews had been finalised within quarter three and drew Members' attention to section 4.4 of the appendix which highlighted that, due to staff shortages, minor changes had been made to the plan to compensate therefore, as of 1 January 2020, the net loss was approximately 46 days (30 in relation to Audit and 16 in relation to Fraud) from the original resource budget of 703 days for Gravesham. It had been agreed that the planned review of 'Constitution Maintenance' would be removed from the plan due to the fact that the Constitution had just been through a thorough review and therefore represented a very low risk compared to other areas. The removal of this review would account for 10 of those lost days and it was hoped that the remaining balance would be recovered elsewhere.

The Head of Internal Audit & Counter Fraud Shared Service also drew Members' attention to section 6 of the appendix and advised that, as at 17 February 2020:-

- performance measure A&CF10 (Proportion of productive time spent on Assurance/Consultancy work) was at 73%;
- performance measure A&CF11 (Proportion of productive time spent on proactive/reactive counter fraud work) was at 27 %;
- performance measure A&CF12A (Proportion of agreed assurance assignments: **Delivered**) was at 58%; and
- performance measure A&CF12B (Proportion of agreed assurance assignments: **Underway**) was at 31%.

Resolved that the contents of the report be noted.

43. Audit & Counter Fraud Charter Review

The Committee was informed that the Public Sector Internal Audit Standards (Standards) state that the Internal Audit Charter must be periodically reviewed and presented for approval. The current Charter in place was approved by the Finance and Audit Committee on 12 March 2019.

A full review of the Charter had now been undertaken and whilst there were no fundamental changes to the content, it was proposed that a minor change be made to the last paragraph of Section II to reflect compliance with the General Data Protection Regulations (GDPR).

A copy of the Charter was attached at Appendix Two of the report with the amendments highlighted for ease of reference.

Resolved that the Charter presented at Appendix Two of the report be approved.

Close of Meeting

The meeting ended at 8.19pm