

# Finance & Audit Committee

Tuesday, 11 September 2018

7:30pm

## Present:

Cllr William Lambert (Chair)

Cllrs: Lesley Boycott  
John Burden  
Gary Harding  
Karen Hurdle  
Shane Mochrie-Cox  
Peter Rayner  
Brian Sangha  
Robin Theobald

Kevin Burbidge	Director (Housing & Regeneration)
Sarah Parfitt	Assistant Director (Corporate Services)
Wale Adetoro	Assistant Director (Housing)
James Larkin	Head of Audit & Counter Fraud Shared Service (Chief Audit Executive)
Anita Tysoe	Service Manager (Customer & Theatre Services)
Darren Everden	Service Manager (IT Services)
Alexandra Jarvis	Principal Accountant (Housing & Exchequer)
Andrew Barnett	Principal Accountant (General Fund)
Ben Clarke	Committee & Scrutiny Assistant (Minutes)

## 71. To Elect a Chair for the Meeting

It was moved by Councillor John Burden and seconded by Councillor Shane Mochrie-Cox that:

**Cllr William Lambert be elected Chair of the Finance & Audit Committee for this meeting.**

On being put to the vote it was carried by a majority that Cllr William Lambert be duly elected Chair of the Finance & Audit Committee for the duration of the meeting.

## 72. Apologies for Absence

Apologies of absence were received from Cllr Lenny Rolles and Cllr Leslie Hills. Cllr Brian Sangha and Cllr Gary Harding subbed respectively.

## 73. Minutes

The Chair referenced point 68 of the minutes advising that an answer had been given as to who 'audits the auditors' addressing Members concerns.

The minutes of the meeting on Tuesday, 24 July 2018 were signed by the Chair.

#### **74. Declarations of Interest**

Cllr John Burden declared a non-pecuniary interest in respect of item 4.1 on age 67 of the report relating to the Older Persons Champion. It refers to Age UK and Cllr Burden is the Chair and Director of Age UK North West Kent.

#### **75. Annual Audit Letter 2017/18**

The Assistant Director (Corporate Services) apologised to the Committee as a representative of Grant Thornton was expected to be in attendance at the meeting; in her absence the Assistant Director (Corporate Services) would present the item and answer any questions.

Members were provided with a summary of the key findings arising from the work carried out by Grant Thornton LLP at Gravesham Borough Council for the year ended 31 March 2018, as set out in the 2017/18 Audit Fee Letter.

The Annual Audit Letter attached at appendix two to the report provides information on the following areas of work that have been completed for the year ended 31 March 2018:

- Auditing the 2017/18 financial statements
- Assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Value for Money Conclusion)

The Assistant Director (Corporate Services) stated that the Audit Findings were considered at the previous Committee meeting and was pleased to say that the auditors were able to give an unqualified opinion on the 27 July, ahead of the deadline. The letter confirms that the auditors were satisfied that GBC had put in place proper arrangements to secure its economy, efficiency and effectiveness in its use of resources.

Members thanked the officers for their hard work and dedication as the findings in the letter were positive and proved a job very well done.

**Resolved** that Members noted the findings and conclusions of the audit work undertaken during 2017/18.

#### **76. Local Government & Social Care Ombudsman Annual Review Letter**

The Service Manager (Customer & Theatre Services) provided Members with a copy of the Local Government & Social Care Ombudsman's Annual Review Letter for Gravesham.

The Service Manager (Customer and Theatre Services) advised that for the year ending 31 March 2018, the LG&SCO received a total of 19 complaints and enquiries about Gravesham Borough Council services. It was slightly higher than the previous year's number of 17; of the 19 complaints and enquiries, 8 were referred back to the Council for local resolution, 4 were closed after initial enquiries with the Council, advice was given to 4 complainants and 1 complaint was invalid. One investigation was undertaken with the Ombudsman's findings set out in Appendix 4.

The Service Manager (Customer & Theatre Services) advised that the comparison between other Kent Authorities was not included within the report but the full details of that could be found on the Ombudsmen website. An exercise, however, was conducted and it showed that GBC's performance is in line with the improved performance that Gravesham has seen over the last five years.

Following the Ombudsmen comments on the one case where he found the Council at fault, concern was raised that Gravesham were becoming an authority too rigid in its application of policy without proper consideration and discretion applied to wider circumstances that may affect decisions. In the case that was upheld, the policy at Gravesham was followed correctly but it was clear that more time needed to be spent with the applicant and her assessment be based on her individual needs, the process for housing applications should be more 'people led' than 'paper led'.

The Assistant Director (Housing) stated that the findings were correct and an apology and financial redress was awarded. He further elaborated that the Housing department does rely on medical advisors in terms of guidance for applications but in that case the occupational report was disregarded by the medical advisor. The medical advisor was not convinced that the applicant had been properly assessed. Following the ombudsman report, measures have been taken to review every case when a medical report is received; taking into account what the advisor says as well as other any other factors that relate to the individual case. The policies used provide guidance but there is always discretion and consideration of an individual's circumstances. Ultimately the decision still lies with the Council, so in future everything will be considered fairly on a case by case basis to determine an application's merit.

Following a question regarding measurement of Ombudsmen cases to other similar local authorities, the Service Manager (Customer & Theatre Services) advised that unfortunately GBC do not see the content of the inquiries that are made to the Ombudsmen. The Council can only view the details of those where they have contacted the Council for information. However, it was also mentioned that all information is kept about GBC's own cases and that most inquiries are usually related to Council Housing (homelessness, housing allocations, housing benefit, improvement services) followed by Benefits & Tax. In years past, the Council would receive 3-5 complaints, upheld by the Ombudsmen but those numbers haven't been seen in more recent years due to the updated robust complaints procedure and the work carried out in conjunction with the Ombudsman's recommendations for effective complaint handling.

The Assistant Director (Corporate Services) added that Gravesham operates many things that other authorities do not such as a Housing Stock, a Waste Collection Service and a Repairs and Maintenance Service. They are all public facing services which could lead to more personal interactions between the Council and members of the public.

Concern was raised by a Member over the medical advisors and if they were actually specialists in the areas that they were providing advice on. The Assistant Director (Housing) responded to the query advising that the company the Council uses is made up of a pool of different medical practitioners with a variety of specialisms. If the Council is not happy with a report or advisor, they can ask for a specialist response.

The Chair thanked the officers for an informative update.

## 77. Budget Monitoring Report - Q1 2018/19

Members were provided with information on actual performance against the approved Revenue and Capital budgets for 2018/19, including known variances agreed or identified through budgetary control activity. Members were also updated on 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 Principal Accountant (General Fund) advised that it is the first budget report of the 2018/19 financial year for the period 01 April to 30 June 2018 and directed Members attention to Page 58 of the report. It was a detailed one page executive summary that highlighted and explained the main points from the report regarding:

- General Fund (Revenue)
- General Fund (Capital)
- HRA (Revenue)
- Housing Capital

The Principal Accountant (General Fund) and the Principal Accountant (Housing & Exchequer) elaborated further on their respective fields outlined in the executive summary:

### **General Fund**

- At the end of Quarter One there is projected underspend for the year of £135,370. Movements affecting the forecast position against the original budget for the year in the main pertain to continued implementation of Bridging the Gap activity
- The acquisition of the Wickes site, as part of the second tranche of acquisitions, produced a favourable variance of £377K in-year, and a projected full-year income rental stream from 2019/20 onwards of £511K
- The HR Shared Service produces a saving of £23K and adds some additional non-financial benefits such as greater resilience for both Medway and Gravesham
- With regard to the St Georges Centre, there is a permanent loss of £195K from basic rental income with an adverse variance of £146K in 2018/19, derived from the strategic decision taken by the council to enter into agreement to redevelop the St George's Shopping Centre
- The Garden Waste Collection Service produced a £70K favourable variance due to a continued expansion of the subscription service during 2018/19 and increased charges implemented from 1 April 2018
- With regard to the Kent Business Rates Pilot scheme for 2018/19, the council anticipated receiving £250K from the Financial Sustainability Fund established through the pilot. Following the latest business rates monitoring across Kent, a healthy position is projected and therefore a further £150K is being recognised from that fund. Both figures are being applied directly to working balances
- For the first quarter to 30 June 2018, actual staffing spend was £113K lower than budgeted
- The table on page 64 of the report shows that the forecast working balances as at 30 June 2018 is £7.3 million; it is comprised of three elements: the minimum General Fund balance, the additional General Fund reserve and the forecast Useable Working Balances
- The total earmarked reserves for the General Fund as at 01/04/2018 was £7.498 million and it is forecasted to be £7.885 million by 31/03/2019

- The General Fund Capital Programme on page 67, sets out a table which shows the combine programme 2018/19 working budget of £31.8 million; summary comments for each scheme are located from page 67-69
- Page 69-70 shows tables that were introduced to give Members information on Capital Resources and Capital Funds being held by GBC

Further to the comments on page 64 regarding homelessness, concern was expressed by a Member that the homelessness situation is not being dealt with properly in Gravesham and the wording needed to be reviewed to show a more favourable outlook on dealing with homeless people. It was suggested that the planning team is potentially frustrating works required to ensure HMO licencing at a facility in Edwin Street, which could result in those being helped currently being turned out onto the street.

The Assistant Director (Housing) gave a detailed response to the Committee on the robust work being carried out to help house homeless people in conjunction with the Homelessness Act and the various homeless Charities and organisations around the Borough.

The Director (Housing & Regeneration) advised that he would look into the planning issue that was discussed, after the meeting.

Essential repairs for the Civic Centre were questioned and Members felt that motion sensor should be looked into for the Civic Centre so that at night the lights aren't left on constantly resulting in a waste of money.

The Director (Housing & Regeneration) explained that Dipna Pattni is looking at energy efficiency issues in the Council housing stock as well as for Civic buildings; she is in talks with the Property Department about that issue who advise it is planned for the future. He added that it was also being instilled in staff to think more about energy savings, including turning off all lights when they aren't in use as they do in their own homes. The Assistant Director (Corporate Services) committed to providing a response to the Member query outside of the meeting.

In response to concern raised over the purchase of Wickes, the Assistant Director (Corporate Services) advised that the location of the Wickes site is the most crucial aspect as it is so close to Town and other prominent Council sites. The freehold can be bought for one pound in the future which would provide the council with uninterrupted rights to the site and therefore control on the use of that site moving forward.

## HRA

- As at 30 June 2018 the forecast reflects a saving of £837k due to variances within Supervision and Management, Repairs and Maintenance and Capital Finance against the Original Budget
- The position at Q1 is expecting the HR to make a contribution to the general reserves of some £710K instead of drawing from it
- With regard to Vacancy Management, the HRA staffing budget for 2018/19 incorporated a vacancy allowance of £100k for the year but for the first quarter to 30 June 2018, actual staffing spend was a further £85k lower than budgeted. That produced an £85K favourable variance
- A £750K favourable variance was reported for Repairs & Maintenance, it was a continuation of the efficiencies and savings that were delivered in 2017/18 whilst still

providing an equitable service that meets the council's objectives as a landlord as well as managing tenant's expectations

- As at 30 June 2018 the usable working balances for the HRA is £3 million which is forecasted to be maintained through the year
- The HRA Business Plan reflects the current and future financial spend profiles identified in the recent Stock Condition Survey produced by Penningtons in July 2018. It also reflects future forecasts of the New Build Programme beyond the existing three year scheme based on the current assumption of the sale of 30 Council Houses per annum
- The Housing Capital programme for 2018/19 is £14,425,330 of which £13,463,240 relates to HRA capital schemes and £962,090 relates to non-HRA capital schemes
- The council continues its commitment to build new homes with £5,406,780 allocated for that purpose, the details of those works that are completed are listed on page 75 and the new build programme on page 76 of the report
- With regard to Treasury Management, a full list of internally managed investments held by the Council as at 30 June 2018 can be found at Appendix 4 of the report

The officers fielded questions from Members of the Committee:

- The conversion of the Kings Farm Estate Office to a 4 bed wheelchair home has been completed and the tenant moved in at the start of September; the property helps overcome all the problems the gentleman faces as a wheelchair user and has a large garden for him
- Referencing 5.7.2 of the report, the sale of 30 Council Houses per annum does relate to Right-To-Buy sales. At the request of Members, an updated HRA Debt Repayment Profile would be circulated by email to Members

The Committee was delighted to see that the work from one of the cross parking scrutiny sub-groups had directly led to savings being made and efficiency increasing within the Repairs and Maintenance Service.

## **78. Audit & Counter Fraud Update**

Members were provided with an update on the work, outputs and performance of the Audit & Counter Fraud Team for the period 1 April 2018 to 31 July 2018.

The Head of Audit & Counter Fraud Shared Services stated that the report at Appendix 2 is the first of three updates to be produced during 2018-19; detailing the work undertaken by the Audit & Counter Fraud Team between 01 April and 31 July and the progress made against the annual work plan.

The Head of Audit & Counter Fraud Shared Services reported that all of the remaining audits from 2017-18 have now been finalised and the team is making good progress with the current year work plan. Due to sickness, a vacancy and the flexible retirement of one employee that was unknown at the time the original budget was calculated, 67 days have been lost from the original projection of 660 days. A new officer will be start at the beginning of October and she will be able to hit the ground running as she has worked with the Audit & Counter Fraud Shared Service before.

The Head of Audit & Counter Fraud Shared Services outlined the current position to some of the performance figures in Section 5 of the report:

A&CF10 – proportion of time spent on assurance & consultancy work 59%

A&CF11 – proportion of time spent on counter fraud work 41%

A&CF12 – 20% of work plan completed and 16% Underway

A&CF17 – 61% Proportion of recommended actions implemented by agreed date

As per section 6 of the report there are no plans to request changes to the agreed work plan at this time. The resource situation is being monitored continually to see if the lost time can be recovered through other means, Revisions to the plan may become necessary but in that event, Members will be provided with a full explanation and approval sought..

Lastly, section 7 on page 109 of the report details the status of the recommendation follow up and in response to a request from the Committee in June, there is now more detail in relation to the recommendations still outstanding. In addition there is a second table on page 117 that details recommendations that are still outstanding more than six months after their scheduled implementation date. The relevant services have provided written responses but Officers are also in attendance to answer any questions Members may have.

The Director (Housing) and the Head of Audit & Counter Fraud Shared Services fielded questions from Members:

- With regard to the petty cash management on page 96/97 the incident was very isolated and picked up almost immediately; following the review the procedures have been tightened up greatly and it shouldn't be repeated
- *Arrangements should be put in place to monitor conditions made when determining planning applications* – The planned implementation date was 31 July 2014; the actual action was agreed by a former officer who then left the Council and more recently the focus has been more on addressing the applications themselves. Historically, GBC had their own Building Control Team that they would use to check but STG are currently being contacted to see if they can provide assistance on the matter. Unfortunately it was not given sufficient attention but now it will be dealt with as a high priority and officers are working to a new deadline date of 31 December 2018
- Planning conditions need to be reasonable and enforceable and monitored to ensure compliance. The monitoring and actual enforcement are different issues. If a condition is breached then enforcement action can be taken, but the conditions are needed as generally make an otherwise unacceptable application supportable; the Council's use of conditions are therefore required and valid. The Director (Housing) added that the standards conditions are being reviewed with Medway Council
- GBC are looking into the condition process and are trying to steer away from the use of pre-commencement conditions however often information is first required from the developers to accomplish that

**Resolved** that Members noted the outputs and performance of the Audit & Counter Fraud Plan for Gravesham for the period 1 April 2018 to 31 July 2018 as detailed at Appendix two.

**Close of meeting**

The meeting ended at 8:34pm.