

Finance & Audit Committee

Tuesday, 13 October 2020

7:30pm

Present:

Cllr Gurbax Singh (Chair)
Cllr Sarah Gow (Vice-Chair)

Cllrs: Derek Ashenden
 Ejaz Aslam
 Dakota Dibben
 Nirmal Khabra
 Emma Morley
 Elizabeth Mulheran
 Tony Rice

Sarah Parfitt	Director (Corporate Services)
James Larkin	Head of Audit & Counter Fraud Shared Services
Anita Tysoe	Service Manger (Customer & Theatre Services)
Andrew Barnett	Principal Accountant (General Fund)
Alex Jarvis	Principal Accountant (HRA & Exchequer)
Ben Clarke	Committee & Scrutiny Assistant (Minutes)

66. Apologies for absence

No apologies of absence were received.

67. To sign the minutes of the previous meeting.

The minutes of the meeting on Tuesday, 21 July 2020 were signed by the Chair.

68. Declarations of Interest

Cllr Gow advised that she had sought legal advice with regard to declaring a non-pecuniary interest for item 5 of the agenda as she had been in contact with one of the complainants in her capacity as Ward Councillor. The advice given by the Deputy Monitoring Officer advised that there was no need to make a make a declaration of internet as no decision was being taken and the information was purely for noting by the Committee.

Cllr Rice declared an Other Significant Interest as an appointed Director of Rosherville Limited, the Council's Local Authority Trading Company.

69. Local Government & Social Care Ombudsman Annual Review Letter 2019/20

The Committee were presented with a copy of the Local Government & Social Care Ombudsman's Annual Review Letter for Gravesham.

The Service Manager (Customer & Theatre Services) informed the Committee that:

- For the year ending 31 March 2020, the LG&SCO received a total of 19 complaints or enquiries about Gravesham Borough Council services
- Of the 19 contacts, decisions were made for all of them, along with 2 complaints received in the previous financial year. The outcomes were as follows;
 - 9 of the contacts were referred back to Gravesham Borough Council as premature, i.e. the complaint process had not been concluded.
 - Advice was given for 3 contacts i.e. the matter was outside the Ombudsman's jurisdiction or there was an alternative route to deal with the issue.
 - 1 contact was incomplete or invalid
 - 8 contacts resulted in some form of enquiry or investigation by the Ombudsman; 4 were closed after initial enquiries; 3 were investigated but not upheld as there was no finding of mal-administration. 1 complaint was upheld on the basis of maladministration, but no injustice had been suffered. The complaint related to the enforcement of parking over dropped kerbs; a recommendation was received from the Ombudsmen that the Council should review its enforcement policy in relation to residents dropped kerb parking.

The remedy set by the Ombudsman was that Gravesham's Parking Enforcement Policy should be updated to reflect enforcement. This was duly updated by the Parking Services Manager and it was adopted by Cabinet on 11 November 2019

In response to a Member question regarding enforcement for parking over dropped kerbs, the Service Manager (Customer & Theatre Services) confirmed her understanding that the Council did not enforce against parking over dropped kerbs.

Cllr Elizabeth Mulheran congratulated officers for their hard work and only one of the 19 complaints being upheld by the Ombudsmen.

Resolved that the Committed noted the information contained within the report.

70. Audit & Counter Fraud Update - 1 April to 31 August 2020

The Committee were provided with a report that updated on the work, outputs and performance of the Audit & Counter Fraud Team for the period 1 April 2020 to 31 August 2020.

The Head of the Audit & Counter Fraud Shared Services guided Members through the report and highlighted key areas for Members consideration.

Under PM13a on page 51 of the report, the Head of the Audit & Counter Fraud Shared Services informed Members that as of today, the proportion of agreed assurance assignments that were delivered had increased from 5% to **29%**.

In response to questions from Members, the Head of Audit & Counter Fraud Shared Services and the Director (Corporate Services) explained that:

- With regards to the Apprenticeships Scheme, a review was being undertaken to put a policy in place to ensure the Scheme would be utilised effectively. Through that work, steps would be taken in the future to maximise the amount of work carried out

through the Scheme. The Scheme did not only apply to young people/school leavers, existing staff also had the opportunity to upskill. Management Team were keen to maximise the use of the apprentice levy, upskill the existing workforce and bring in new staff through the Scheme

- Apprentices had been very successful at the Council in the past; there were usually twelve or thirteen apprentices in post every year. Management Team were interested in addressing some of the concerns around employment opportunities in the current climate and a number of options were being reviewed. The Council will also look to help the local economy through Government schemes such as the Kickstart Campaign
- With regards to the two employees that falsified Covid-19 Shielding Letters, the Head of Audit & Counter Fraud Shared Services consulted with HR and a discussion was held on the amount of resources it would take to pursue disciplinary investigations for both staff members. It was decided that as they resigned immediately following notification of a pending investigation, the issue had been resolved and it was deemed not cost effective to spend a large amount of resources on completing the disciplinary investigation. The Head of Audit & Counter Fraud advised that these were isolated cases that appeared to be the work of two opportunists rather than the start of a wide scale problem within the council. The issue was quickly identified by HR due to the controls in place and the two individuals are no longer employed by the council.
- A data matching exercise is where the team took sets of data from various sources and inputted them into a database for comparison. The Cabinet Office ran the National Fraud Initiative (NFI) which took election data and compared it to addresses that were in receipt of the Single Person Discount. The database would flag up any addresses where there were multiple people living there over the age eighteen which assisted the team in finding possible fraudulent cases. KIN stood for the Kent Intelligence Network which was a network that was run by KCC, Medway Council and the district authorities within Kent; it was created through a successful funding bid to the DCLG. It is a fraud hub that the authorities use to run data matching to identify potential fraud and error within their areas
- All of the information in the report occurred after the start of Covid-19 and the national lockdown; there was one referral case of homelessness (page 48) which was rejected due to insufficient information to justify investigation. The team had a limited amount of resources to pursue investigations and sometimes the information received from the public wasn't enough to warrant an investigation, which was most likely what happened with the referral. Often the cases were reported out of hours and they did not leave any contact information to pursue follow up information and clarification

The Head of Audit & Counter Shared Services advised that the National Fraud Initiative was one of the biggest areas that the team worked on and a specific update on the work that stemmed from the most recently completed exercise would be submitted to the Committee at a future meeting.

Resolved that the information contained within the report was noted.

71. General Fund Budget Monitoring Report – Quarter One 2020/21

The Committee were provided with information on actual performance against the approved Revenue and Capital budgets for 2020/21, including projected variances agreed or identified through budgetary control activity.

The Principal Accountant (General Fund) directed Members to page 60 of the report which held an Executive Summary of the information in the report pertaining to the:

- General Fund – Revenue
- General Fund – Capital

Members were updated on other key areas of financial performance that may impact on the Council's Medium Term Financial Strategy, Medium Term Financial Plan, or Financial Statements.

Following questions for clarification, the Director (Corporate Services) and the Principal Accountant (General Fund) elaborated further on several key points within the report:

- **Parking Income: £1,019k adverse variance** – For districts Council of Gravesham size, income received from parking was a large income stream; prior to Covid-19, the total budgeted income stream relating to surface car parks was a little over £1.4 million. The Assistant Director (Corporate Services) added that it was hoped that the loss of income would be covered by the Local government income compensation scheme for lost sales, fees and charges. An update will be reported to the Committee in the next Budget Monitoring Report
- **Horn Yard and Market Square car parks** – Final negotiations were still ongoing for the proposed Charter development and there was no fixed date however it was anticipated for the purposes of budget monitoring that the car parks would be closed from September 2020.
- **3.11.8 – MTFP** – The Council received Government grant money totalling £130K to cover the administration costs for administering the business support grants to local businesses.
- **Land at Dering Way** – A master planning exercise was underway; the Director (Corporate Services) agreed to circulate an explanation of the £1.1 million spend on Dering Way within the General Fund Capital Programme
- **Parrock Street Resurfacing** – The Principle Accountant (General Fund) agreed to contact the lead officer and circulate an explanation as to why the Parrock Street Car Park resurfacing spend in the Capital Programme was £27K against a budget of just under £12K
- **Elizabeth Huggins Cottages** – Full Council approved the loan on 19 December 2019 but the Council had not issued the loan to EHC yet. There were a number of conditions that EHC had to adhere to in order to receive the loan which included obtaining and sharing all relevant quotes for the works, certain caps on costs and some requirements around financial analysis. The conversations were ongoing with EHC and no grant payments would be made until they had fulfilled the criteria agreed by Full Council

The Chair further explained that if there was another wave of Covid-19 related restrictions then the car parking income stream could be affected again as people would be working from home more and visit the Town less.

In response to a question regarding the projected overspend of £3.36 million, the Director (Corporate Services) confirmed that the council held working balances of some £10m; the shortfall of some £3 million would be covered through the use of working balances.

A Member raised several questions concerning the Climate Change reserve of £500K and where the deciding line was with regard to spending decisions that had already been made on capital purchases and new spending decisions being made that were influenced by the need for the Council to go carbon neutral by 2030. The Director (Corporate Services) explained that the £500k reserve was intended to be used as seed funding to achieve the council's carbon neutral ambitions; in some areas, such as housing, the nature of the works to maintain properties from capital provisions in the future are likely to include activity which contributes to this.

Due to the Council having a balanced Medium Term Financial Plan (MTFP) in February 2020, the Director (Corporate Services) explained that the Council was in a stable financial position currently even taking into account the likely financial impacts of Covid-19. The longer term financial sustainability of the council will all be taken into consideration when the budget setting process is started; the Councils 2021/22 budget will be presented to Members at Full Council in February 2021.

The Committee commended officers for their hard work during a very difficult quarter.

Resolved that the Committee noted the information contained within the report.

72. Housing Revenue Account Budget Monitoring Report – Quarter One 2020/21

The Committee were provided with information on actual performance against the approved Revenue and Capital budgets for 2020/21, including projected variances agreed or identified through budgetary control activity.

The Principal Accountant (General Fund) directed Members to page 60 of the report which held an Executive Summary of the information in the report pertaining to the:

- HRA – Revenue
- HRA – Capital

Members were updated on other key areas of financial performance that may impact on the Council's Medium Term Financial Strategy, Medium Term Financial Plan, or Financial Statements.

In response to a question regarding how the Vacancy Management was constituted, the Principal Accountant (HRA & Exchequer) agreed to circulate an answer to Members after the meeting.

Resolved that the Committee noted the information contained within the report.

73. Redmond Review Update

The Committee were informed of the publication of the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (the Redmond Review) and to summarise the key recommendations made.

The Director (Corporate Services) informed the Committee that whilst the review was expected to report in March 2020, the document setting out the findings of the review was

actually released on 8th September 2020. The full findings of the review could be found through the below link:

<https://www.gov.uk/government/publications/local-authority-financial-reportingand-external-audit-independent-review>

The review set out a total of 23 recommendations which were reproduced at Appendix Two to the report for Members information.

The Secretary of State for Housing, Communities and Local Government, the Rt Hon Robert Jenrick MP, will now consider the findings and recommendations. Further updates on the Redmond Review will be brought to the committee in due course.

The Chair queried if the recommendations that stemmed from the report were similar to what the Council already had in place or they were entirely new.

The Director (Corporate Services) confirmed that the recommendations made by the review would be new recommendations for the MHCLG to consider; the recommendations primarily focused around external audit regulations and the creation of a new body, the Office for Local Audit and Regulation (OLAR), to deliver coordinated oversight and regulation of local external audit. They also focused on the quality and supply of the external audit service by expanding the pool of audit firms that could bid for local audit work thus increasing competition. With regards to how it would affect the Council, there were a few arrangements which the Finance & Audit Committee and Full Council would need to consider if the recommendations were pushed forward. These include the recommendation for annual reporting to Full Council of local audit outcomes and consideration of Independent Members to support the Finance & Audit Committee. The Director (Corporate Services) assured the Committee that they would be apprised of any further updates to the review and the recommendations at future Committee meetings.

Resolved that the Committee noted the information contained within the report.

Close of meeting

The meeting ended at 20:33pm.