

Finance & Audit Committee

Monday, 15 February 2021

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)
Lisa Nyon	Assistant Director (Corporate Services)
James Larkin	Head of Audit & Counter Fraud Shared Services
Andrew Barnett	Principal Accountant (General Fund)
Alex Jarvis	Principal Accountant (HRA & Exchequer)
Ben Clarke	Committee & Scrutiny Assistant (Minutes)

84. Apologies for absence

No apologies of absence were received.

85. Minutes

The minutes of the meeting on Wednesday, 11 November 2020 were signed by the Chair.

86. Declarations of Interest

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

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

87. Treasury Management Strategy and Capital Strategy 2021-22

The Committee considered the Treasury Management Strategy and associated Annual Investment Strategy and the Minimum Revenue Provision Policy for 2021/22 along with the Capital Strategy for 2021/22.

The Principal Accountant (HRA & Exchequer) advised that in relation to Treasury Management Reporting, the Full Council was required to receive reports and approve, as a minimum, 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 report
- An annual treasury report

The Principal Accountant (HRA & Exchequer) drew members attention to the key points contained within the Treasury Management Strategy.

In response to Members questions, the Principal Accountant (HRA & Exchequer) and the Director (Corporate Services) explained that:

- The majority of the Council's additional borrowing related to the financing of the Charter development and the New Homes Building Scheme; the Principal Accountant (HRA & Exchequer) agreed to provide a complete list of the projects that were being financed through the additional borrowing to Members
- The authorised limit for the Councils external debt was driven by the Councils borrowing activity; one of the reasons that the limit had increased from around £133 million in 2018/19 to £297 million in 2021/22 was originally due to the Council increasing the amount of borrowing to finance the Greenwich Transaction however, as referenced in the recent Full Council agenda, the Council had decided to withdraw from that deal. The limit being asked to be recommended by the Committee had remained the same as the Charter had taken the place of the Greenwich Transaction. The Charter developments figures weren't previously in the report as the deal was only agreed this year so in effect the two schemes swapped places, but the borrowing line was still being followed
- The Council is able to purchase properties outside of the Borough but purchases such as those could impact on other projects the Council were trying to deliver through PWLB funding. The Charter and the New Homes Building Scheme would not be able to be funded through PWLB funding should the Council buy what was considered to be investment assets outside of the Borough and the Council would have to rely on money from external markets. Borrowing from the PWLB was preferred as the funds were easier to obtain and the interest rates were preferential to other lenders. Due to those reasons, the Council were only looking at securing properties within the Borough so that other schemes would not be negatively impacted
- The Council currently held no investments outside of the UK but there was provision within the Treasury Strategy to invest in counterparties in external countries that met the correct criteria. However, there were very few opportunities available currently inside or outside the UK that would offer a high yield of return. The Multi Asset Fund Managers that Gravesham dealt with were able to place money in external countries as part of their investment strategy
- In response to a question concerning the CIPFA Financial Resilience Index classing Gravesham's external debt as the highest risk indicator, it was explained that the indicator only considered debt and did not taking into account any revenue income stream associated with the borrowing. If the Council only borrowed money to conduct maintenance work or for existing projects which did not generate an income stream, then that would be considered a high risk by the Council. Attention was drawn to the table at paragraph 14.2 of the report which set out the trend in the cost of capital against the net revenue stream to 2023/24
- With regard to the CIPFA Financial Resilience Index, one of the main reasons for the high indicator level was due to it including the HRA borrowing amount when the Council had to buy back the housing stock from central Government for £106 million

in 2012. Another factor was in relation to the St Georges Centre lease agreement that was in place. CIPFA produce the Index using figures taken from the Council's annual year end financial reporting to Government. Central Government had recognised that Councils resources had been redirected over the past year and therefore applied leniency in the submission of such returns for 2019/20. Consequentially, the Index for 2019/20 had been delayed and was expected to be released by the end of the month. The Director (Corporate Services) advised that once the Finance Team had analysed the findings it could be brought to the Committee

Moving on, the Principal Accountant (HRA & Exchequer) drew members attention to the key points contained within the Capital Strategy 2021-22.

In response to Members questions, the Principal Accountant (HRA & Exchequer) and the Director (Corporate Services) explained that:

- As part of the Corporate Service projects, £37K would be invested in an MOT lane for Brookvale as the Council had wanted to be able to conduct MOT's on its own vehicle fleet. Once the workshop was set up with the MOT lane, this service could also be offered as part of Rosherville's trading activities to the public which would be expected to provide efficiencies and benefits for both the Council and Rosherville
- In response to a question regarding value for money with the New Build and Acquisition Programme (page 81), it was explained that, in many cases, developments took place on small parcels of land which may have other considerations to resolve, such as access or gradient issues. For example, the house built at Barr Road required a roadway to access the property to be built which increased the overall project cost. The land developed on Barr Road had been previously affected by anti-social behaviour; it was expected that the development would therefore provide other benefits for the area.
- The Principal Accountant (HRA & Exchequer) agreed to glean more information regarding the new build and acquisition projects from the Housing Strategy Manager and circulate the information to the Committee

Resolved that the Finance & Audit Committee recommended to the Full Council that:

- 1) The Treasury Management Strategy for 2021/22 as set out in Appendix 2 be agreed
- 2) The Minimum Revenue Provision (MRP) calculation on all new capital expenditure asset out in Section 5 of the Treasury Management Strategy Statement be approved for 2021/22 and beyond in accordance with the Authority's Capital Programme
- 3) The Annual Investment Strategy for 2021/22 as set out in Section 14 of the Treasury Management Strategy Statement be agreed
- 4) The Capital Strategy for 2021/22 as set out in Appendix 3 be agreed
- 5) 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 23 February 2021

- 6) Delegated authority be given to the Director (Corporate Services), in consultation with the Chair of the Finance and Audit Committee, to amend the Treasury Management Strategy for 2021/22 and the Capital Strategy for 2021/22 following successful completion of the 2019/20 final accounts process.

88. Key findings arising from The Redmond Review

The Committee were asked to consider and note the key findings arising from an independent review by Sir Tony Redmond into the oversight of local audit and the transparency of local authority financial reporting.

The Assistant Director (Corporate Services) gave a brief overview of the findings to the Committee and directed Members attention to the key recommendations listed at page 84 of the report:

- Raising of audit fees
- Moving the deadline for final accounts completion back to 30 September
- Making public sector accounts more meaningful to the general public
- The appointment of an official body to co-ordinate all stages of the audit process
- Strengthening of governance arrangements

In response to a question asking if the recommendations had any direct impact on Gravesham, the Assistant Director (Corporate Services) advised that it would not have a direct impact. Government had dedicated a pot of £15 million to help local authorities implement the recommendations, which would be worked on by MHCLG with CIPFA and would include revising standard templates if appropriate; the Council would be fed new information as and when it became available.

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

89. Housing Revenue Account Budget Monitoring Report - Q3 2020/21

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

The Principal Accountant (HRA & Exchequer) directed Members to page 90 of the report which held an Executive Summary of the information in the report pertaining to the:

- HRA (Revenue)
- Housing 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.

The Principal Accountant (HRA & Exchequer) fielded questions from the Committee and explained that:

- In response to a question concerning vacant posts, it was explained that within the HRA account there had been a number of vacant posts for several years; in

proposing the budget for 2021/22, the Finance Team had worked closely with the Director (Housing & Operations) and the Assistant Director (Housing) to identify the vacant posts which were not considered to be needed in the future resourcing of the service, with a provision made to allow the Housing Team to undergo a restructure to better deliver the services they needed. The Principal Accountant (HRA & Exchequer) assured the Committee that the posts removed were not significant to service delivery as they tended to relate to long term vacancies, which were not expected to be needed in the future structure.

- It was confirmed that the table on page 103 of the report identified figures in the millions
- The Council's insurance policy with Zurich was due to expire in June 2020; originally it was the intention of the Council to move forward with a different provider and the council was working with the Local Government Mutual to establish if it was able to provide sufficient cover. However due to Covid-19 and delays in information coming forward from the Local Government Mutual, the Council was not able to procure these services as planned and it was therefore agreed to extend the existing contract with Zurich for two years to 2022. With regards to other suppliers, options are limited as Zurich is the only insurance provider that would cover all types of policies; the other option was to have different suppliers for different policies. The Finance Team would revisit the insurance policy and the best way forward for procurement in 2022.

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

90. General Fund Budget Monitoring Report - Q3 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 108 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.

In response to a question regarding what the Decriminalization (General) specific reserve was, the Principal Accountant (General Fund) explained that it related to Parking Enforcement Services. Funds for that activity were ringfenced to that activity and any surplus could not be generated to top up the General Fund budget; it is expected that the Decriminalization function would operate to a balanced budget position over a three-year period, with any surplus reinvested to fund things such as new equipment. This is what is scheduled to take place in the next financial year.

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

91. Audit & Counter Fraud Update - Q3 2020-21

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 September 2020 to 31 December 2020

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

Under PM13a and PM13b on page 154 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 52% to **63%**
- The proportion of agreed assurance assignments that were underway had increased from 19% to **26%**

The Head of the Audit & Counter Fraud Shared Services advised that the figures increases were positive and showed that the team were getting back on track.

The Head of the Audit & Counter Fraud Shared Services advised that there were six Recommendations still outstanding more than six months after the scheduled implementation date, one of which fell under his responsibility but that would be addressed in agenda item 11.

The Chair noted the recommendations still outstanding but informed the Committee that he had received assurances from the Director (Corporate Services) that they were all in hand and there was nothing to raise concern.

Resolved that the information contained within the report was noted.

92. Audit & Counter Fraud Charter Review

The Head of the Audit & Counter Fraud Shared Services presented the Audit & Counter Fraud Charter for approval.

The Head of the Audit & Counter Fraud Shared Services advised that a full review of the charter had been undertaken and it had been determined that no amendments were required as it remained fit for purpose.

Resolved that Members approved the Charter presented at Appendix Two.

93. Audit & Counter Fraud Quality Assurance & Improvement Programme Review

The Head of the Audit & Counter Fraud Shared Services sought the Committees approval for the Audit & Counter Fraud Shared Service Quality Assurance & Improvement Programme for 2021-22.

The Head of the Audit & Counter Fraud Shared Services advised that the QAIP had been reviewed and was considered to continue to meet the requirements and would therefore continue to be in place for the coming financial year, subject to the following proposed amendment:

- The target for performance measure PM9 be removed and made an information only item

The Head of the Audit & Counter Fraud Shared Services explained that the target was having a negative impact on the team's health & wellbeing as the target made officers feel that they could not take part in some of the Council's health & wellbeing initiatives due to the impact it could have on their 'chargeable time'. Members were assured that staff would continue to record how their time was spent and Members would continue to receive the outturn against the measure and would also be furnished with details of the amount of time spent on audit and counter fraud activity.

Resolved that Members approved the QAIP presented at Appendix 2 for use in 2021-22.

94. Anti-Fraud & Corruption Strategy

The Head of Audit & Counter Fraud Shared Service sought the Committee's endorsement to the proposed Anti-Fraud & Corruption Strategy prior to presentation to Cabinet for approval.

Following, CIFAS publication of the Fighting Fraud and Corruption Locally Strategy 2020, which outlined that there were now five pillars of activity, the Head of Audit & Counter Fraud Shared Service reviewed the Anti-Fraud & Corruption Strategy and found it to be out of date. The Head of Audit & Counter Fraud Shared Services advised that he took inspiration from other Local Authorities strategies and combined aspects of them to create the new Strategy for Gravesham. The new Strategy attached at Appendix Two had been designed to incorporate the five pillars of activity outlined in the new best practice as well as reflecting the Council's approach to combatting fraud and corruption.

The Head of Audit & Counter Fraud Shared Services advised that the Strategy would be renamed the Counter Fraud & Corruption Strategy at the upcoming Cabinet meeting.

The Head of Audit & Counter Fraud Shared Services fielded questions from the Committee and explained that:

- The success of the Strategy was measured by the information that was submitted to the Committee through the audit & counter fraud update reports; the reports revealed the actions undertaken by the service to combat fraud and gave updates from the National Fraud Initiative
- For a member to report a case of suspected fraud anonymously they could do so through online forms via the Council website; the forms asked for as much information as possible and did not require the person to give their personal details. If a member of the public emailed the team but wanted to remain anonymous, then the team would see their email address, but their personal information would go no further; there were cases where the public had created alternative email addresses to report fraud. In addition, there was also a fraud hotline which could be used anonymously
- As each case received was assessed based on the level of information provided, if the team had the personal details of the person making the allegation then an officer may contact them in order in order to gain as much information as possible. The more basic the information received the more difficult it was to progress the case and the team only directed their resources to where it was felt there was the highest chance of success

Following a request from a Member, the Head of Audit & Counter Fraud Shared Services agreed to review the wording before the report was submitted to Cabinet and add in the points he had raised about the public being able to contact the team anonymously.

The Chair thanked the Head of Audit & Counter Fraud Shared Services for the report which he found to be very informative and implored Members to contact the Fraud Team if they needed to raise any issues; contact details were listed on page 200 of the report.

Resolved that Members endorsed the Counter Fraud & Corruption Strategy document for presentation to Cabinet for approval.

Close of meeting

The meeting ended at 20:46pm.