

# Finance & Audit Committee

Monday, 12 February 2024

19:30pm

## Present:

Cllr Gavin Larkins (Chair)  
Cllr Ektaveen Thandi (Vice-Chair)

Cllrs:                 Derek Ashenden  
                           Helen Ashenden  
                           Lee Croxton  
                           Aaron Elliott  
                           Jo Hart  
                           Samir Jassal  
                           Karina O'Malley

Pat Knight             Interim Assistant Director (Corporate Services)  
James Larkin         Head of Internal Audit & Counter Fraud Shared Service  
Alex Jarvis            Principal Accountant (Housing & Exchequer)  
Andrew Barnett       Principal Accountant (General Fund)  
Nikki Ashby           Counter Fraud Manager  
Ben Clarke             Committee Services Officer (Minutes)

## 44. Apologies for absence

An apology for absence was received from Cllr Dakota Dibben (Cllr Helen Ashenden substituted).

## 45. Minutes

The Chair advised that there was a typo in the minutes regarding the date of the previous meeting which the Committee Services Officer had amended prior to the start of the meeting.

The Chair requested an update on when the Statement of Accounts for 2019/20 would be signed as it was anticipated at the previous meeting that they would have been signed off by now.

The Principal Accountant (General Fund) had been in regular contact with the External Audit Manager from Grant Thornton; Grant Thornton were working through the last few remaining details and would hopefully be in attendance for the March Committee meeting to give an update.

The Interim Assistant Director (Corporate Services) explained that he was meeting with Paul Dosset from Grant Thornton and the Director (Corporate Services) on Wednesday to discuss the accounts. The Interim Assistant Director (Corporate Services) assured the Committee that work had progressed on the accounts since the meeting held in December 2023.

The minutes of the meeting on Thursday, 21 December 2023 were signed by the Chair.

#### **46. Declarations of Interest**

No declarations of interest.

#### **47. Treasury Management Strategy and Capital Strategy 2024-25**

The Committee considered the Treasury Management Strategy and associated Annual Investment Strategy and the Minimum Revenue Provision Policy for 2024/25 along with the Capital Strategy for 2024/25-2028/29. The two documents were represented at appendix one and set out how the Council operated a balanced budget. Members received training on Treasury Management in June 2023 which should assist them in understanding the documents.

The Principal Accountant (HRA & Exchequer) explained that as the external audit process of reviewing and certificating the 2019/20 Statement of Accounts had not yet been completed, the Statement of Accounts for subsequent years, 2020/21, 2021/22 and 2022/23 and the associated final accounts audit process also remained outstanding. Therefore, the figures included within the Treasury Management Strategy Statement and Capital Strategy were based on unaudited figures.

The Principal Accountant (HRA & Exchequer) further explained that to ensure the Treasury Management Strategy Statement remained reflective of the council's activity, delegated authority was sought for the Director (Corporate Services) to amend the Treasury Management Strategy for 2024/25 and the Capital Strategy for 2024/25 to 2028/29 as required.

#### **Treasury Management Strategy**

The Principal Accountant (HRA & Exchequer) took Members through the main sections of the Treasury Management Strategy and highlighted key points; the table of contents for the Strategy could be found on page 14 of the agenda.

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

- Paragraph 14.4, reviewing treatment of interest incurred on external borrowing, related to the Charter development. The Council had taken on loans to fund the development which it onward lends to Rosherville Development Company. However RPDL does not have any current income streams so for the duration of the development, the Council would pay the costs. Once the development was completed, the Council will refinance the debt and interest incurred which RPDL would then pay back over an agreed period of time. Until now, it had been assumed that it is a revenue cost which affects the MTFP ; we are currently reviewing this treatments with an external consultants to determine whether these costs can be treated as a long term debtor and held on the balance sheet There were a number of stages that needed to be followed first to ensure it was the right treatment
- The Principal Accountant (HRA & Exchequer) was due to sit with the Director (Corporate Services) next week to discuss the Councils forward projection, evaluations, and total cash position with regards to borrowing. There was potential to

fund current borrowing requirements from internal sources and then borrow further funds at a later date; if the current borrowing requirement could be reduced and external funding generated that would improve the Council's position

- With regards to the ratio of financing costs to net revenue stream getting higher year on year, the Principal Accountant (HRA & Exchequer) advised that she would review the figures again in her meeting with the Director (Corporate Services). Work was being undertaken to ascertain if a limit was needed which the costs could not exceed. The ratio divided total debt costs by income streams, but this also includes the principal repayments; when the Council repays higher amounts of principal the total debt cost increases and therefore negatively impacts the ratio. Those costs, in turn, caused the HRA costs to increase due to the repayment of significant historic debt. During 2024/25, Officers will be reviewing this indicator to ensure that it provides a true reflection of the Council's position and sound basis for year-on-year comparisons
- The increasing HRA debt held by the Council was incurred through the Charter development, the new leisure centre, and the new build housing schemes which all required borrowing, but they were all associated with income streams. Borrowing for developments that would produce income streams put the Council in a better position as the income stream would eventually cover the debt repayments. The Principal Accountant (HRA & Exchequer) recognised a Members concern of a media report advising that Gravesham had the third highest level of debt in the County but explained that it wasn't a fair comparison as not every district Council was a housing authority that carried historic debts. An exercise comparing the ratio of debt between Gravesham and neighbouring local authorities had not been conducted but it could be looked into for the future
- Regarding the table at 6.4, the actual gross debt was forecast, and it was based on forecasted capital spend and what was expected in 2024/25/26/27. The estimates were based on what the Council knew but it was suspected that the figures were higher than what would be spent; in 2023/24 the borrowing had been less than anticipated to date
- The significant increase from 2023/24 to 2024/25 was due to the Charter development being rephases; it was expected to be completed by now but due to the issues with the construction company, the majority of the associated debt was pushed into the next financial year
- There was no limit on what the Council could borrow as any limit was set by, and the responsibility of the Director (Corporate Services); HRA debt was considered manageable when it was incurred with a development that had an income stream and would cover the repayments. For example, the money borrowed to fund new housing developments, would be repaid by the rental income from those housing developments. If borrowing was carried out to complete non income stream making works such as housing repairs then there would be an issue as the Council would have to cover the repayments
- A credit default swap is a contract between two parties to protect against losses. The swap prices are taken into account by Link when determining suggested investment durations.
- With regards to the Charter, the desired rental income should be achieved and cover the repayments, but the development had to be finished and tenanted first. Rosherville would hold discussions nearer the time of completion on what levels of rent were appropriate for the development

The Chair noted that the Council was spending more on capital investments and requested that for future reports, updates be inserted into the table on the progress of those investments.

### **Capital Strategy**

The Principal Accountant (HRA & Exchequer) took Members through the main sections of the Capital Strategy and highlighted key points; the table of contents for the Strategy could be found on page 46 of the agenda.

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

- Aside from the Charter development, Leisure Centre and New Build and Acquisition programme there was nothing else in the capital programme being funded by external borrowing. There were four or five schemes in the Capital programme which accounted for 90% and a series of smaller schemes funded by internal resources which amounted to the remaining 10% of the programme
- The amount of Grants and Contributions funding has increased significantly in 24/25 and 25/26 due to the funding received from the successful Levelling Up Fund bid
- Every department within the Council had its own budget which was managed by a responsible officer within that department

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

- 1) The Treasury Management Strategy for 2024/25 as set out in Appendix 1 be agreed
- 2) 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 2024/25 and beyond in accordance with the Authority's Capital Programme with delegated authority given to the Director (Corporate Services) to amend as required
- 3) The Annual Investment Strategy for 2024/25 as set out in Section 15 of the Treasury Management Strategy Statement be agreed
- 4) The Capital Strategy for 2024/25-2028/29 set out in Appendix 2 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 20 February 2024
- 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 2024/25 and the Capital Strategy for 2024/25 to 2028/29 as required following successful completion of the 2019/20, 2020/21, 2021/22 and 2022/23 final accounts process or any process that is put in place by Government to deal with accounts not completed ahead of the backstop date

#### **48. Housing Revenue Account Budget Monitoring Report - Q3 2023/24**

The Committee was provided with the third quarter budget monitoring report for 2023/24 in relation to the Housing Revenue Account showing the position up to 31 December 2023. The Cabinet had also been provided with and discussed the budget monitoring report in January 2024.

The Principal Accountant (HRA & Exchequer) directed Members to page 62 which held an executive summary of the report.

The Principal Accountant (HRA & Exchequer) took Members through the report and highlighted key points; Members noted the information provided on:

- actual performance against the approved Revenue and Capital budgets for 2022/23, including known variances agreed or identified through budgetary control activity; and
- other key areas of financial performance that may have an effect on the Council's Medium Term Financial Strategy, Medium Term Financial Plan (MTFP), HRA Business Plan or Financial Statements.

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

- £3.8 million was budgeted for the replacement programme with a forecasted spend of £3.6 million; some elements of the programme would have been delayed or a saving. The Principal Accountant (HRA & Exchequer) agreed to look into the matter and circulate a response outside of the meeting
- Following a Members question, the Principal Accountant (HRA & Exchequer) agreed to circulate a response outside of the meeting advising if net zero requirements and biodiversity requirements had been assessed and budgeted into the new housing developments
- Regarding 3.5.3, where it said responsive it meant that if something was damaged in the Council's housing then the Council were obliged to repair it; material costs was a part of those repairs. A number of additional responsibilities had been placed on the Council, as a landlord, over the years and many things needed to be replaced when they were damaged increasing overall repair costs
- The Local Authority Housing Fund gave the Council £810K to provide accommodation for Ukraine and Afghan resettlement properties of which a certain number had to be bought by the Council
- A report was taken to Housing Services Cabinet Committee and Council in November 2023 requesting additions to the budget for Crescent House and Cable Wharf; Crescent House was easier to accomplish than Cable Wharf as there was an issue that if Cable Wharf was advertised by the developer the land couldn't be purchased for new builds. The Principal Accountant (HRA & Exchequer) was uncertain if Cable Wharf would be delivered in 2024/25
- Legal companies offering 'no win, no fee' cases targeted tenants and charged exorbitant fees; when a case was won against the Council, the legal fees amounted to 72% with 28% going to the tenant. To prevent those cases from happening in the future, the Repairs Team had worked well to promote services to report any issues in the Council's housing properties and tenants were encouraged to report issues as soon as they were noticed

- Historic debt stemming from Government requirements for the Council to buy housing was £106 million, an estimated £80 million was still outstanding which was to be repaid over seventeen years. Debt repayments were made for a large number of years, but the policy changed and the Council did not have the sources to pay off the required level of debt. Some elements of the debt needed to be refinanced but that was at a fixed rate of interest which meant that the debt wasn't subject to the rising interest rates. The £217K favourable variance at 3.7.1 outlined interest costs and the debt taken on for new build programmes

Members noted the information provided in the report.

#### **49. General Fund Budget Monitoring Report - Q3 2023/24**

The Committee was provided with the third quarter budget monitoring report for 2023/24, focusing on the period up to 31 December 2023.

The Principal Accountant (General Fund) directed Members to pages 80/81 which held an executive summary of the report.

The Principal Accountant (General Fund) took Members through the report and highlighted key points; Members noted the information provided on:

- actual performance against the approved Revenue and Capital budgets for 2023/24, including known variances agreed or identified through budgetary control activity; and
- other key areas of financial performance that may have an effect on the Council's Medium Term Financial Strategy, Medium Term Financial Plan (MTFP), or Financial Statements
- the in-year addition to the 2023/24 Capital Programme in relation to the Tech Hub Flexible Working Space.

The Principal Accountant (General Fund) fielded questions from the Committee and explained that:

- The reduction in cost for CCTV was due to changing technology for delivering the service, not reducing the scope of its activities.
- One Member expressed disappointment that the Civic Fountains had been decommissioned. The Principal Accountant (General Fund) explained that this was a service decision, and that the financial impact (a saving of £10k) was as set out in the report.
- The Council owned and operated its own refuse fleet of vehicles, and regularly set aside funds as part of a replacement programme. The £800k referenced in the Earmarked Reserves table was a reflection of current year plans for the service. The plan is reviewed on a regular basis and updated as part of the annual budget-setting process
- £1 million was allocated to the 'Public Access to the River' scheme in the capital programme at last year's Full Council budget setting meeting. River access maintained by the Council was being looked into however there were no immediate plans.
- Local authorities all around the Country faced similar financial pressures as the Council with regards to the rising cost of temporary accommodation. Government grant funding released over the last three to four years had been around £300K-

£400K and the Council's spend on temporary accommodation was significantly higher with the gap between funding and spend increasing every year. Despite the financial challenges, Council officers were proactive in looking for innovative ways to save money and deliver an efficient service. For example, the Council had recently created a Social Lettings Agency, designed to work with local landlords, thus reducing reliance upon nightly paid private accommodation.

Members noted the report.

## **50. Internal Audit Update**

The Committee was provided with a report that updated them on the work, outputs, and performance of the Internal Audit Team for the period 1 October 2023 to 31 December 2023.

Members were advised that attached at appendix two was the third and final update to be produced during 2023-24; ahead of the annual report; detailing the work undertaken by the Internal Audit Team between 01 October and 31 December 2023 and the progress made against the Q1-Q2 and Q3-Q4 workplans.

The Head of Internal Audit and Counter Fraud guided Members through the report and highlighted key headlines. An executive summary of the reporting period was listed on page 104 of the report.

The Head of Internal Audit and Counter Fraud guided Members to the key performance indicators on page 113 of the report and gave updated figures (as of 13.02.2023) for the 'Proportion of agreed assurance reviews':

- 9a) Delivered – 65%
- 9b) Underway – 5%

The Head of Internal Audit and Counter Fraud advised that no updates had been received from the lead officers for the two actions outstanding more than six months after the scheduled implementation date.

The Head of Internal Audit and Counter Fraud fielded questions from Members and explained that:

- The whistleblowing status action had been looked into; the Whistleblowing Policy had been reviewed and it was going through the approvals process in line with Constitutional requirements having been submitted to Management Team before progressing to the relevant Committee. The remaining actions to be completed all depended on the approvals process being finished.. Legal Services were being consulted on the approval process.
- The Head of Internal Audit and Counter Fraud had requested an update from the Service Manager who was responsible for the two actions that were outstanding after six months but had received nothing back. Management Team were aware of the outstanding actions as they received quarterly reports.

The Chair asked that the relevant Service Manager responsible for the outstanding actions attend the next Committee meeting to explain why the actions had not been implemented.

Members noted the report.

## 51. Internal Audit Charter Review

The Committees approval was sought for the Internal Audit Charter.

The Head of Internal Audit & Counter Fraud explained that following the annual review, it had been determined that the existing charter met all the requirements of PSIAS and that no amendments were necessary, with the exception of an updated structure chart at Appendix One of the document.

The Head of Internal Audit & Counter Fraud advised that due to updates to the Global Internal Audit Standards, which were released on 09 January 2024 and would be effective from January 2025, this would subsequently lead to changes to PSIAS. Based on what was shown in the new Global Standards, changes to the Charter would be necessary for 2025-26.

A copy of the charter was provided at Appendix 2 for Members' approval for 2024-25.

**Resolved** that Members approved the Charter presented at appendix two.

## 52. Counter Fraud Update

The Committee were provided with a report with an update on the work, outputs and performance of the Counter Fraud Team for the period 01 October 2023 to 31 December 2023.

Members were advised that attached at Appendix 2 was the third and final update to be produced during 2023-24; ahead of the annual report, detailing the work undertaken by the Counter Fraud Team between 01 October and 31 December 2023 in relation to the agreed workplan.

The Head of Internal Audit and Counter Fraud guided Members through the report and gave an update for each section. An executive summary of the reporting period was listed on page 140 of the report.

The Head of Internal Audit and Counter Fraud advised that the report demonstrated the shared service was still good value for money.

Members noted the report.

## 53. Internal Audit & Counter Fraud Strategy 2020-2024

The Committee was provided with a report that updated them on progress against the Internal Audit & Counter Fraud Strategy 2020-2024 made by the team during 2023-24 to date.

The Strategy set out three strategic objectives:

- Aligned priorities
- Effective Staff
- Positive Impact



A review had been conducted and progress against the strategic objectives was outlined in Appendix Two. There were no increases to the current costs to the Council.

The Head of Internal Audit and Counter Fraud advised that due to the Councils involvement in the Medpay review pilot, the team was unable to dedicate resources to a new strategy to cover the period post 2024. Alongside this, changes to the Global Internal Audit Standards, which were released on 9 January 2024 and will be effective from January 2025, meant changes to the requirements for the Councils strategy. Due to that it was proposed that the existing strategy was extended to cover 2024-25, during which time the team would conduct a thorough review and prepare a new strategy that would be effective from April 2025.

**Resolved** that Members approved the proposal to extend the current 2020-2024 strategy to cover the period April 2024 to March 2025.

#### **54. Exclusion of the public**

The Chair moved and it was agreed, that pursuant to Section 100A(4) of the Local Government Act 1972 that the public be excluded from any items included in Part B of the agenda because it was likely in view of the nature of business to be transacted that if members of the public were present during those items, there would be disclosure to them of exempt information as defined in Part 1 of Schedule 12A of the Act.

#### **55. Fraud Risk Register**

The Committee were presented with the outcomes of an independent assessment of the Councils fraud risks and a newly created fraud risk register for 2024-25.

The Head of Internal Audit and Counter Fraud took Members through the report and highlighted key points.

Members had their questions answered by the Head of Internal Audit and Counter Fraud and the Counter Fraud Manager.

The Chair praised the work of Counter Fraud Team and asked that when the next iteration of the report was submitted to Committee, the top five risks be highlighted to Members in a table for presentational purposes.

**Resolved** that Members endorsed the assessments undertaken by Counter Fraud.

#### **Close of meeting**

The meeting ended at 20:40pm.