

MAIDSTONE BOROUGH COUNCIL

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

MINUTES OF THE MEETING HELD ON MONDAY 13 NOVEMBER 2023

Attendees:

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| Committee Members: | Councillors Cox (Chairman), Bartlett, Coulling, Forecast, Harper, Jones, Kimmance, Knatchbull and Titchener |
| Visiting Members: | Councillor Perry |

41. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Trzebinski.

42. NOTIFICATION OF SUBSTITUTE MEMBERS

There were no Substitute Members.

43. URGENT ITEMS

The Chairman stated that he had accepted the following as urgent items and updates, as these contributed to those items under consideration:

- Item 19 – Statement of Accounts 2021/22, alongside two urgent updates, provided by Grant Thornton; and
- Three urgent updates to Item 17 – Treasury Management Strategy 2023/24 Mid Year Review.

44. CHANGE TO THE ORDER OF BUSINESS

The Chairman stated that he intended to take Item 12 – External Audit and Item 19 – Statement of Accounts 2021/22 together due to the related subject matter. Item 17 – Independent Member, would be taken after Item 18 – Treasury Management 2023/24 Mid Year Review, in case the Committee wished to enter into closed session to discuss the exempt appendix to Item 17.

45. NOTIFICATION OF VISITING MEMBERS

Councillor Perry was present as a Visiting Member for Item 12 – External Audit, Item 13 – Annual Governance Statement Update and Corporate Code of Governance Refresh, Item 19 – Statement of Accounts 2021/22 and Item 21 – Exempt Appendix to Item 17 – Independent Member.

46. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

47. DISCLOSURES OF LOBBYING

Councillor Kimmance stated that he had been lobbied on Item 17 – Independent Member.

48. EXEMPT ITEMS

RESOLVED: That all items be taken in public, unless any Member of the Committee wishes to discuss Item 21 – Exempt Appendix to Item 17 – Independent Member, in which case the Committee would enter into closed session due to the possible disclosure of exempt information, for the reasons specified having applied the public interest test.

49. MINUTES OF THE MEETING HELD ON 25 SEPTEMBER 2023

RESOLVED: That the minutes of the meeting held on 25 September 2023 be approved as a correct record and signed.

50. ANY QUESTIONS ON NOTICE FROM LOCAL RESIDENTS

There were no questions from Local Residents.

51. ANY QUESTIONS ON NOTICE FROM MEMBERS

There were no questions from Members.

52. COMMITTEE WORK PROGRAMME 2023/24

RESOLVED: That the Committee Work Programme be noted.

53. EXTERNAL AUDIT AND STATEMENT OF ACCOUNTS 2021/22

The Director of Finance, Resources and Business Improvement briefly introduced the item, stating that the Council's 2021/22 accounts had now been audited by Grant Thornton. The relevant teams at Grant Thornton and the Council were thanked for their work in supporting the audit.

In response to questions, Ms Sophia Brown of Grant Thornton stated that:

- The formal audit opinion would be issued later in the week once the remaining closing procedures were completed;
- Since July 2023, the Property, Plant and Equipment (PPE) valuations for temporary housing accommodation had been uplifted by £4.9 million after the required information was provided in October 2023; the revised IAS 19 report showed an overall reduction in the Council's net pension liability of just under £7.5 million, and the heritage asset valuation had been increased by £2.9 million; and
- The adjustments made to the PPE, heritage assets and pension liability were balanced sheet related adjustments only.

The joint Value for Money report was still being produced for the 2021/22 and 2022/23 financial years. As Grant Thornton were focused on issuing the formal

opinion on the statement of accounts for 2021/22, the report would not be available until the new year.

In response to the delay in receiving the statement of accounts for 2021/22, the Committee requested that Grant Thornton provide further information on how they intended to complete future audits, with a particular focus on valuations, by the end of the calendar year if possible. This could include the lessons learnt in providing assurance to the authority that finalised accounts would be provided by any deadline imposed by Central Government.

The Cabinet Member for Corporate Services was requested to highlight the context to finalising the Council's accounts to the Full Council.

RESOLVED: That

1. The audited Statement of Accounts for 2021/22 be approved;
2. The following be noted:
 - a. The external auditor's Audit Findings Report; and
 - b. The Letter of Representation.

54. STATEMENT OF ACCOUNTS 2021/22

RESOLVED: That the item be considered alongside Item 12 – External Audit.

55. ANNUAL GOVERNANCE STATEMENT UPDATE AND CORPORATE CODE OF GOVERNANCE REFRESH

The Director of Strategy, Insight and Governance introduced the report, stating that progress had been made on all actions identified for improvement within the Annual Governance Statement (AGS). This included reviewing the Council's Policy Advisory and Overview and Scrutiny Committee arrangements and the provision of Member training on various topics. The changes to the Corporate Code of Governance were highlighted as tracked changes within the document at appendix B to the report.

There was concern expressed on how the three Ps of People, Planet and Profit, as part of triple bottom line accounting, would be presented to Members, and how these would be evaluated against financial considerations.

In response the Director of Strategy, Insight and Governance stated that:

- The Council had to comply with the 'best value' duty, and therefore took into account multiple considerations in making decisions, not just financial, such as equalities, sustainability and biodiversity. The reports presented to Members contained this information within a sign-off section, to supporting Members in weighing the options available in making a decision;
- Decisions are made in line with the Council's priorities and budget, such as the 1000 Affordable Homes Programme;

- Triple bottom line accounting was under development after having been agreed by the Committee in July 2023 as part of the AGS and would ensure that all of the relevant information was provided to decision-makers. Once produced, the framework would be presented to the Corporate Services Policy Advisory Committee before a decision was made by the Cabinet.

It was hoped that the framework would be in place for the 2024/25 Municipal Year.

The Head of Finance further emphasised that triple bottom line accounting aimed to make reports more transparent. The example of social value in procurement was given, as once the value was defined, its consideration as part of decision-making would be more transparently represented.

The Committee expressed support for triple bottom line accounting in considering the possible impacts of a decision. A briefing was therefore requested on the usage and evaluation of triple bottom line accounting ahead of a future meeting.

RESOLVED: That

1. The update on progress with the current Annual Governance Statement Action Plan, at appendix A to the report, be noted; and
2. The updated Local Code of Corporate Governance, at appendix B to the report, be approved.

Note: Councillor Knatchbull left the meeting at 7.11 p.m.

56. INTERNAL AUDIT PROGRESS REPORT 2023/24

The Head of Mid Kent Audit introduced the report which provided an update on the progress made on the Internal Audit Assurance Plan (the Plan) for 2023/24, and stated that:

- Mid Kent Audit had experienced resource challenges but had made some progress in recruiting to vacant positions. A contractor had been engaged to support the plan's delivery and would likely continue to provide support, although the service would stay within its financial budgets;
- As outlined in the annual audit report, some of the follow-up actions had been paused to the resource constraints; these had since been resumed, with Mid Kent Audit working closely with the Council's Corporate Leadership Team (CLT) to review the progress made on the actions raised. It was emphasised that it would take time to fully embed the new working processes;
- The outstanding actions were shown in the table at point 20 of appendix 1 to the report, with work ongoing with both the Corporate and Wider Leadership Teams to address the outstanding matters, including how and when they would be resolved. This included providing quarterly information updates to both teams; and
- The majority of the audit work brought forward from the last financial year had been completed, with management responses awaited ahead of the

final reports being issued. There was a significant number of ongoing audits due for completion by the end of the year, with all work to be included within the Annual Audit Opinion for 2023/4.

Attention was briefly drawn to the outcomes of the facilities management audit, which continued to be monitored.

During the discussion, several Committee Members questioned the robustness of the measures in place to address the issues identified through the facilities management audit and the prioritisation of audit work. In response, the Head of Mid Kent Audit stated that:

- The Committee would continue to be informed of any high priority recommendations arising from the audit work plan;
- The Head of Property and Leisure had been in post less than a year, with many of the recommended actions arising from the facilities management audit being progressed. The service was in a stronger position since the audit took place, and work continued to produce a formal contract between the Council and Fidum, replacing the previous agreement in place. It was emphasised that the Council had not been fully exposed prior to this;
- An update would be shared with the Chairman and the Committee on the plan in place from the facilities management audit and any outstanding actions, via email;
- Efforts would be made to complete all of the audits scheduled within the five-year rolling programme, but that this may not be possible given the resources available. In prioritising the workload, they would have discussions with the Section 151 Officer and Chief Executive, with many considerations to be taken into account, such as the risk assessments attached to each audit, the volatility of the service and transactional volumes and values, as some areas had not been audited. Those discussions would likely take place over the next six to seven months. A specific number of audit to be completed before an annual audit statement could be delivered.

RESOLVED: That the work completed so far on the 2023/24 Audit and Assurance Plan be noted.

57. BUDGET STRATEGY - RISK ASSESSMENT UPDATE

The Director of Finance, Resources and Business Improvement introduced the report, stating that there had been no major changes since the previous update was provided to the Committee. There was a significant overspend on temporary accommodation, with a budget gap of £925,000 identified for the 2024/25 municipal year but good progress was being made on closing the gap. The risks relating to the capital and affordable housing (AH) programmes were highlighted within the report.

As there had been instances of Local Authorities issuing Section 114 notices recently, a rating had been included of all English Local Authorities which identified the likelihood of issuing a Section 114 notice. This was based on an

authority's expenditure versus reserve levels, with the Council ranked 237 of 333, highlighting its relatively secure position.

In response to questions, the Director of Finance, Resources and Business Improvement confirmed that the relevant teams within the Regeneration and Place directorate were working to identify further opportunities to source properties and mitigate the cost of providing temporary accommodation, with it being noted that there were few opportunities to secure such properties given high property values. Work was underway to calculate the precise level of subsidy required to support the AH programme through opening the Housing Revenue Account, as without the subsidy the programme would yield a negative return for the Council.

RESOLVED: That the risk assessment of the Budget Strategy as provided at Appendix A to the report, be noted.

58. FRAUD AND COMPLIANCE TEAM REPORT 2022/23

The Interim Head of Mid Kent Revenues and Benefits Partnership introduced the report and stated that the partnership between the Council, Swale and Tunbridge Wells Borough Councils had been in place since 2016. The Fraud and Compliance Team (the Team) had now returned to working solely on detecting fraud and error, mainly through reviewing both the Council Tax discounts being applied and the properties missed from the Council Tax and Business Rates list. Table 1 of the report demonstrated that the partnership had generated income and savings of just over £860,000 across the 2022/23 financial year.

In response to a question, the Head of Mid Kent Revenues and Benefits Partnership explained that savings from the '*New Homes Bonus – properties confirmed as occupied*' in Table 1, followed the Team's review into unoccupied properties to identify any that had since been occupied and should be paying Council Tax. This was then reported to the Finance Team ahead of its submission of paperwork for the New Homes Bonus.

The Committee expressed support for the work undertaken by the service.

RESOLVED: That the contents of the report be noted.

59. TREASURY MANAGEMENT 2023/24 MID YEAR REVIEW

The Finance Manager introduced the report which provided an updated of the Treasury Management up to 30 September 2023.

Specific attention was drawn to the report's appendices and the urgent updates provided, with it stated that:

- Appendix A outlined the Council's investments, which totalled £15.17 million and were held in money market funds to maintain flexibility in accessing the monies when required. The investment income saved was £370,000 as opposed to £150,000, with £4 million held in short-term loans with other Local Authorities, and £5 million held in long-term loans with the Public Works Loan Board.

The Council's commitment to borrowing £80 million had been included in the appendix, with the first £40 million to be available from 13 February 2023. The funds would be used to repay the short-term loans, with the remainder to be held until required to support the Capital Programme;

- Appendix B outlined the Treasury Management indicators, with no indicators having been breached by the Council; and
- Appendix C included in a new Prudential Indicator, the Liability Benchmark, which compared the Council's existing loans against its future need for loan debt. It was noted that the Council was liable for an additional borrowing requirement from 2026/27, and the key included within the appendix was explained.

In response to questions, the Finance Manager stated that liability benchmark demonstrated the Council's 'Loans CFR' which took into account the authority's need to borrow and its existing assets that required financing; but did not necessarily represent the amount being borrowed for that time. The Director of Finance, Resources and Business Improvement emphasised that the graph demonstrated the borrowing scheduled up to 2026 alongside when the Council would need to borrow again; consideration would be needed at that time, particularly to interest rate levels should they still be high.

RESOLVED: That

1. The position of the Treasury Management Strategy as at 30 September 2023 be noted; and
2. No amendments to the current procedures were necessary as a result of the review of activities in 2023/24.

60. INDEPENDENT MEMBER

The Director of Finance, Resources and Business Improvement introduced the report, outlining the selection and interview processes undertaken. Two references would be required before an appointment could be made, and as only one had been received the Committee was recommended to defer its consideration of the matter.

The Committee entered into closed session as it wished to discuss the information contained within the exempt appendix to the report.

RESOLVED: That the public be excluded from the meeting for the following item of business due to the likely disclosure of exempt information for the reasons specified having applied the public interest test.

Head of Schedule 12A and Brief Description

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| Item 21 – Exempt Appendix to Item 17 – Independent Member | 1 – Information Relating to an individual |
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The Committee asked questions on whether Members from other Local Authorities could be chosen, the applicant's previous work history and the quality of the references provided.

In response, the Director of Finance, Resources and Business Improvement outlined the reference process in further detail, in reassuring the Committee that a good level of information would be provided. The Head of Audit confirmed that Members from other authorities could not be appointed as Independent Members.

The Committee supported deferring the matter and requested that an update be provided at the next meeting, returning to open session at 8.34 p.m.

RESOLVED: That the matter be deferred.

61. DURATION OF MEETING

6.30 p.m. to 8.34 p.m.