

BOROUGH OF KETTERING

MONITORING AND AUDIT COMMITTEE

Meeting held: 10th April 2019

Present: Councillor Jonathan West (Chair)
Councillors Anne Lee, Cliff Moreton, Paul Marks, Greg Titcombe

Also Present: Councillors Jim Hakewill and Mick Scrimshaw
Lisa Hyde (Executive Director)
Mark Dickenson (Head of Resources)
John Conway (Head of Housing)
Ola Oduwole (Interim Head of Democratic & Legal Services)
Dean Mitchell (Group Accountant)

Carly Hohn (Housing Solutions Manager)
Neil Harris (EY)
Mark Watkins (CWAS)
Anne Ireson (Committee Administrator)

18.MA.40 APOLOGIES

Apologies were received from Councillors Ash Davies, Jenny Henson and Michael Tebbutt,

It was noted that Councillor Cliff Moreton was acting as substitute for Councillor Tebbutt.

18.MA.41 MINUTES

RESOLVED that the minutes of the meeting of the Monitoring and Audit Committee held on 5th February 2019 were approved as a correct record and signed by the Chair.

18.MA.42 DECLARATIONS OF INTEREST

None

18.MA.31 INTERNAL AUDIT PLAN – APRIL 2019 TO MARCH 2020 (A1)

A report was submitted which:

- Considered the level and extent of internal audit coverage for the Council's activities as part of the Council's statutory obligation to undertake an adequate and effective internal audit of its accounting records and of its system of internal control;
- Described how this requirement had been approached and presented a draft internal audit plan of work for 2019/20 for consideration and approval by this Committee.

Mark Watkins was welcomed to the meeting. He explained that the Internal Audit Plan for 2019/20 provided flexibility to support the transition to a unitary authority if necessary, with audits already identified that were linked to the strategic risk register.

A total of 35 days had been allocated for emerging risks for Local Government Reorganisation. If reorganisation did not take place the 35 days would be allocated to other subject areas and reported back to this Committee on how these days would be used if necessary.

During debate it was noted that, with the agreement of the Head of Resources, the 35 days allocated for emerging risks could be carried forward to the next financial year, should Local Government Reorganisation not go ahead.

In response to a question regarding recruitment and retention in the period leading up to Local Government reorganisation, it was noted that this was being monitored, although there was no evidence that this was a problem.

Discussion was held on the history of CWAS (Coventry and Warwick Audit Services) and its role in making the Internal Audit function deeper, more searching and open. Mark Watkins explained that the organisation was non-profit making and its staff had extensive local government experience, with CWAS working exclusively for the public sector. It was important that the Council maintained a resilient audit function going forward. The Internal Audit Plan had been delivered each year and represented a significant improvement on years up to 2011/12, when CWAS was appointed through a tender process.

RESOLVED that the Audit Plan for April 2019 to March 2020 be agreed.

(During deliberation of the following report, Councillor Cliff Moreton declared a personal interest as a relative was employed by Price Waterhouse Coopers)

18.MA.32 EXTERNAL AUDIT REPORTS – FINANCIAL STATEMENTS AUDIT PLAN UPDATE (A2)

A report was submitted which presented the changes to the 2018/19 Financial Statements Audit Plan following interim audit and initial planning work.

Mr Neil Harris was welcomed to the meeting. It was noted there had been no significant findings. However changes to the original audit plan that were presented to the last meeting of the Committee were outlined as set out in the report. The outcome of work would be reported to the Committee at the July 2019 meeting.

Discussions were held on aspects of the audit which looked at the matrix and criteria for selecting investments to assess whether they were appropriate, stable and good practice. Mr Harris stated that there was a need to understand due diligence around the Commercial Strategy and decisions taken as part of a value for money conclusion, including what advice had been sought, received and whether decisions were appropriate. A level of audit materiality was now proposed, but at the time of the last report, the auditors were not in the position to do that.

A verbal update was given on the materiality threshold for 2018/19. The figure was noted as £1.01m based on 2% on the Council's gross expenditure. Materiality levels are set at 0.5% to 2%, of gross expenditure it has been set at the higher end because the Council has had a stable financial position. Performance materiality (the threshold set to the level of testing) had been set at £505,000, which was 50% of the materiality level. This was at the lower end because it was the first year EY are the Council's auditors. Any unadjusted difference of £50,000 or more would be reported back to the M & A Committee. EY would undertake the same kind of work as KPMG had done.

Councillor Jim Hakewill addressed the Committee under the Council's Right to Speak Policy raising concerns about the costs of commercialisation. He expressed surprise that the responsible portfolio holder was not present at the meeting to give an explanation, given public perception of investment in property to date.

Councillor Hakewill urged greater scrutiny against the matrix to ensure transparency in the decision-making process in relation to commercialisation, including fees and net value throughout the whole

process, citing examples where more information on the current position would be welcomed.

During discussion it was noted that there had been no additional costs in respect of auditing during 2017/18. Decisions the auditors needed to take would be in terms of recent acquisitions and the level of due diligence that had been taken. Auditors would then form a view and this would be reported to the Committee. However, it was felt that it might be appropriate to invite a portfolio holder to the Committee in future, as commercialisation would be an ongoing process.

It was noted that commercialisation was a broad responsibility across several portfolio areas and did not fall to one particular member of the Executive.

Members of the Committee were reminded that this meeting was looking at the ground rules for ongoing scrutiny. Transparency in decision-making would be looked at as part of the process, including balancing the commercial confidentiality aspects against transparency and keeping the matrix under review.

Members felt that a full list of land and building assets should be kept updated on the Council's website. It was noted that it was intended to be updated as part of the final accounts process. It was acknowledged that the Property Investment Strategy 2017 recommended quarterly reports. Members were advised that a quarterly report had not been given as there were no acquisitions to report.

In conclusion to the discussion on commercialisation, Mr Harris confirmed that any variation to the scale fee would be discussed with management and brought back to the Committee.

RESOLVED that the Monitoring and Audit Committee receive a summary of the updates to the audit plan following the external auditor's initial planning work.

18.MA.33 KEY UPDATES: COMMERCIAL INVESTMENT MONITORING (A3 ii)

A report was submitted which provided an overview of the Council's Property Investment Strategy and commercial property acquisitions. The report was supplemented by a presentation at the meeting which provided an overview of the Council's Property Investment Strategy, which incorporated all of the parameters which were agreed by the Asset Management Board and against which individual investment opportunities were assessed.

It was noted that the report and presentation represented the start of the process.

The Executive Director provided an overview of the Property Investment Strategy, and the Head of Resources provided an overview of individual acquisitions and a portfolio update for 2017/18, which had been reported to the Committee in July 2018, when it was agreed that the Committee would receive 6-monthly updates. An explanation was given as to how the three acquisitions in 2017/18 had been assessed, using the matrix.

Two acquisitions had been made in 2018/19 – the RCI building and Kingfisher House. The budget for 2019/20 was outlined and it was noted that officers were comfortable with the position to date.

Councillor Hakewill addressed the Committee under the Council's Right to Speak Policy, suggesting changes to the way information was presented and other ways income might be generated. He also questioned what financial responsibilities might apply if an investment property became vacant and asked what training had been given to members of the Asset Management Board.

It was noted that in relation to transparency, the Council had learned from prior experience and acknowledged there was a need to better balance commercial sensitivity with transparency in future acquisitions. It was important to establish the Council as a credible partner in the market and decision-making should be kept to a group of members.

Although there had been no specific training for members, it was noted that when the matrix was developed, members of the Asset Management Board had received the benefit of external expertise to assist in building the matrix. In terms of financial responsibilities the Council would remain liable for business rates on a vacant property it owned. The Property Management service was shared with Corby and the in-house team was used in respect of lettings, the cost of which did not form part of the capital spend.

The view was expressed that, as the government grant could not be increased, a political choice had been made to use commercial investment as an income stream rather than raising Council Tax. The Commercialisation Strategy, which had been approved at the last meeting of the Executive Committee, covered other opportunities of raising income going forward. It was felt that commercialisation was just one tool that could be used to deliver a balanced budget.

Mr Neil Harris, in answer to a question, stated that other local authorities had looked at airports, shopping centres and direct investment in local business. It was noted that the Council kept a record of all testing through the matrix, including where an investment had been turned down.

It was felt that the matrix should be kept under review to favour local investment in the Borough or Northamptonshire as a whole. In relation to reporting to members, it was noted that the monthly Durable Budget reports to Executive provided details of property acquisitions.

The Chair thanked Councillor Hakewill for his attendance.

The following actions arising from the key update were **agreed**:-

- Information on property acquisition should be made available to members as soon as possible to increase transparency
- Training for members in commercialisation and investment should be looked into
- A further report should be brought to the Committee at the end of July 2019 on commercial activity during the first quarter of 2019/20
- The Chair would write a letter inviting one or more of the Board Members to the next meeting.

RESOLVED that the progress the Council continues to make with its Property Investment Strategy be noted.

18.MA.34 KEY UPDATE: HOMELESSNESS/VOIDS (A3i)

The Head of Housing and the Housing Solutions Manager attended the meeting and delivered a presentation on Homelessness/Voids.

It was noted that there was an upward trend in approaches for accommodation through Keyways, with 150 new applications per month being made. To date there were 741 households registered, 400 of which had been assessed as having an urgent housing need. Although there had been a backlog in processing applications, progress was now being made and it was anticipated the backlog would be eliminated by mid-May with all applications dealt with within four weeks.

Members noted the challenging background and trends in relation to temporary accommodation, which had not been helped by the closure of Wellington House. A programme of acquisition of temporary accommodation was underway with a further 21 units acquired.

Discussion was held on nightly rates charged for temporary accommodation and it was noted that families were rarely placed in nightly B & B, but were instead allocated self-contained, furnished accommodation.

Members expressed concern about the number of families per week requiring temporary accommodation and the causes were discussed,

the main reason being because people had lost a tenancy in the private rented sector.

The Head of Housing and Housing Solutions Manager were thanked for their attendance and presentation.

RESOLVED that the presentation be noted.

18.MA.35 KEY PERFORMANCE INFORMATION BOOKLET (A4)

Members received and noted the Key Performance Information Booklet. One question was raised in relating for planning for a major event with the potential for a major impact on the authority.

18.MA.36 WORK PROGRAMME

The Work Programme was submitted to the Committee for consideration. The following reports would be brought to future committees:-

- Commercial Investment Monitoring – Update (July)
- Voluntary Sector SLA Monitoring (May)
- Annual Governance Statement (May)
- Internal Audit Review (May)
- Air Quality Report (May)

(The meeting started at 7.00 pm and ended at 8.52 pm)

Signed
Chair

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