

## GOVERNANCE & AUDIT COMMITTEE

Minutes of the meeting held on 30 November 2022 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

**Present:** Councillor Kerry Boyd (Chair); Councillors Duckworth, Garner, Hopkinson, Leys, Shrubbs, Towning and Whitehead

**In Attendance:** Councillor Yates

### 1. APOLOGIES FOR ABSENCE

Apologies received from Councillors Braidwood and Pat Moore. Councillor Yates was present as a substitute for Councillor Pat Moore.

### 2. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 3. MINUTES OF PREVIOUS MEETING

Councillor Shrubbs proposed, Councillor Duckworth seconded and members AGREED to approve the minutes of the meeting held on 28 September 2022.

### 4. AN UPDATE ON CORPORATE PROPERTY ISSUES

Mark Peace, Interim Director of Property, introduced the update making the following key points:

- The council has 727 non-housing assets in its property portfolio, across 338 different sites
- The current rental income is approximately £2.2 million per annum. The estimated current market rent value of the council's portfolio is closer to £3.14 million. The Property Team are currently prioritising rent reviews so that the rental income moves closer to current market values. Two additional Interim Estate Surveyors focusing on income and a Compliance Officer, have been recruited this year
- There is a historic backlog of repairs and maintenance and statutory compliance, as the team has been under-resourced. Condition and cost surveys have been commissioned for all 54 public toilets and several other buildings. A further 20 surveys have been commissioned from January 2023 for other properties
- The budget for repairs and maintenance in 2022/23 was £115,000. It's estimated that for 2023/24, the projected costs of required work will be £1.138 million
- 125 properties require Energy Performance Certificates (EPC). 82 Priority 1 EPCs have been commissioned, with the remainder to be commissioned by the end of January

Following the update, members engaged in discussion and the following points were made:

- Concern about gap between current rental income and current market values
- Members raised a point about tenants who have not been paying rent as a result of rent reviews not being carried out. It was clarified that this impacts more on the

service charges of leaseholders who have not renewed their leases rather than general rent charges

- The procurement process for the survey of 54 public toilets has been completed. The outcomes can be used to inform future decisions about individual sites
- Members asked when the Condition and Cost surveys would be completed. Officers provided estimates on when they are due back surveys for several areas
- It was also requested by the chair that the committee be provided an update in around 9 months

Councillor Towning proposed, Councillor Yates seconded and members AGREED:

*“That the Governance & Audit Committee notes, and makes comments on as appropriate, this update.”*

## **5. ICT SECURITY UPDATE**

Dan Evans, Head of ICT was unable to give his update, due to illness, so this item will be deferred to the next meeting. However, Chris Blundell was provided some notes he shared with the committee:

- The additional risks from home working, as compared to, in office working are related to possibilities such as equipment being left unlocked, non-staff having sight of the screen, and the security of home wi-fi
- Controls have been put in place to combat these scenarios including Citrix and Okta for password management
- Awareness training will be provided to staff in order to prepare them for possible threats

## **6. QUARTERLY INTERNAL AUDIT UPDATE REPORT**

Simon Webb, Deputy-Head of Internal Audit of East Kent Audit Partnership provided his report with the following key points:

- Substantial assurance has been made in the areas of HMO and Selective Licensing
- When it came to payroll, the salary bill is a large area of expenditure but substantial assurance had been achieved
- Reasonable assurance had been concluded in the areas of digital / cloud computing
- Reasonable assurance had also been achieved in the areas of waste vehicle fleet management
- It was highlighted that in October 2021, the areas of rent reviews, EPCs and lack of KPIs achieved only a limited assurance, however Mr Webb was pleased to see strides are being made with the plans laid out earlier in the meeting
- Cash collection was highlighted as limited assurance, which was still the same after the follow up
- When it came to the progress made under the subject of the 2022-23 Internal Audit Plan, 40.75% of the plan has been completed, which is below the half year target, however following up on this, on this exact day, 64% of the plan has been achieved in comparison to the 66% target for 8 months showing some healthy progress

Following the report, members engaged in discussion and the following points were made:

- Members requested further detail on reviews of electoral registration and election management

- It was asked what the control measures are for cash collection. There was a new contract in place for cash collection and there were issues with the quality of information that was being provided by the contractor. However, the ticket information has now been provided and a reconciliation exercise is being undertaken, but the pace of this exercise is constrained by staffing restrictions
- In regards to food safety, there has been positive improvements to the approval of members
- Members followed up under the topic of HMO which achieved substantial assurance, it was then asked what actions were taken in this regard, officers assured members that figures can be provided on this matter to provide further context

Councillor Yates proposed, Councillor Leys seconded, and members AGREED:

*“An update be provided when it comes to the subject of cash collection for the next Governance and Audit meeting.”*

Councillor Leys proposed, Councillor Hopkinson seconded and members AGREED:

*“That the report be received by Members and;*

*That Members consider (where appropriate) requesting an update from the relevant Director/s to the next meeting of the Committee in respect of any areas identified as still having either limited or no assurance after follow-up”*

## **7. RISK MANAGEMENT**

Chris Blundell, Deputy Chief Executive Officer and Section 151 Officer provided his report with the following key points:

- Mr Blundell went into detail about how the risks are presented in a table format and how the risks are scored overall, something that was brought to the committee at the previous Governance and Audit meeting
- The risk scores that have reduced included Covid-19 and Political Stewardship
- Some of the new risks that have presented themselves include EPCs, Net Zero Strategy and the Manston Road Depot building

Following the report, members engaged in discussion and the following points were made:

- Members brought up the table itself and perhaps the possibility of a key or legend in the future
- The risk relating to Homelessness was brought up as it was presented the possibility of TDC bidding on properties being auctioned by KCC
- It was explained that TDC were not approached regarding properties being auctioned by KCC, further discussions would have been had if this had been the case
- There is also currently no money in the acquisitions budget as it's mainly committed to new build properties
- When it comes to disposing of housing stock overall by other organisations or housing associations, there is the risk of acquiring poor performing properties
- It was suggested that an update be provided in the future regarding the Manston Road Depot

Councillor Duckworth proposed, Councillor Shrubbs seconded and members AGREED:

*“To approve the review of corporate risks and discuss annexed risks.”*

8. **MID YEAR REVIEW 2022-23: TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY**

Chris Blundell, Deputy Chief Executive Officer and Section 151 Officer provided his report with the following key points:

- This paper was presented to the Cabinet in September
- At the midway point of the current financial year, TDC had £20 million of external borrowing, £169,000 has been paid off
- Investment balances are high at £57 million, thanks partially to the Level Up grant
- There was a minor breach on the investment limit of £6 million towards one investment at any one time. The interest received was put on the investment balance rather than coming straight to TDC. It was done again on the 1<sup>st</sup> July and 4<sup>th</sup> July which caused some small excess

Following the report, members engaged in discussion and the following points were made:

- Members asked about the repercussions of the investment breach and Mr Blundell went into further detail about it and explained how even though this is a minor breach, it would be presented to the committee all the same
- Members also asked if they could see the investments are themselves, Mr Blundell offered to bring them to the next committee

Councillor Hopkinson proposed, Councillor Yates seconded, and members AGREED:

*“Notes, and makes comments on as appropriate, this report and annexes;*

*Recommends this report and annexes, including the prudential and treasury indicators that are shown and the proposed changes to the 2022-23 Treasury Management Strategy Statement, to council for approval”*

9. **DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2023-24**

Chris Blundell, Deputy Chief Executive Officer and Section 151 Officer provided his report with the following key points:

- Over the next 3 years £92 million will be split towards the HRA and the General Fund
- £30 million will be associated with regeneration works
- The HRA will target fire safety and improvements towards tower blocks
- The sources of the funding come from various grants and the Level Up fund
- This report which is currently a draft will be presented to Cabinet in January and council in February for overall approval

Following the report, members engaged in discussion and the following points were made:

- Members brought up that the requirements for expenditure by the Housing and Property teams, in comparison to the commitments being brought on
- TDC are also looking at disposing some of the surplus assets that are no longer needed by the council which can be invested back into stock

- Concerns were raised regarding the reports section regarding ethical investment, further elaboration was requested
- £2 million has been placed on 3 months and 6 months in a social bond
- Questions were asked if ethical investments were sustained via legislation. Some of it is statutory and some are guidance to show that things have been considered before investments placed

Councillor Duckworth, Councillor Leys seconded and members AGREED that:

*“Notes, and makes comments on as appropriate, this report and annexes, including each of the key elements listed below:*

- a. The Capital Plans, Prudential Indicators and Limits for 2023-24 to 2025-26, including the Authorised Limit Prudential Indicator;*
- b. The Minimum Revenue Provision (MRP) Policy;*
- c. The Treasury Management Strategy for 2023-24 to 2025-26 and the Treasury Indicators;*
- d. The Investment Strategy for 2023-24 contained in the Treasury Management Strategy, including the detailed criteria;*
- e. The Capital Strategy for 2023-24;*
- f. The Non-Treasury Investments Report for 2023-24.*

*Recommend this report and annexes, including each of the key elements listed above, to council for approval”*

Meeting concluded: 8:42pm