

TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

MINUTES

Monday, 23rd September, 2024

Present: Cllr R I B Cannon (Chair), Cllr M R Rhodes (Vice-Chair), Cllr T Bishop, Cllr J Clokey, Cllr M A J Hood, Cllr J R S Lark and Cllr B A Parry

Virtual: Councillors M D Boughton, S A Hudson, W E Palmer and K B Tanner participated via MS Teams and joined the discussion when invited to do so by the Chairman in accordance with Council Procedure Rule No 15.21.

PART 1 - PUBLIC

AU 24/35 NOTIFICATION OF SUBSTITUTE MEMBERS

There were no substitute members.

AU 24/36 DECLARATIONS OF INTEREST

There were no declarations of interest made in accordance with the Code of Conduct.

AU 24/37 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 22 July 2024 be approved as a correct record and signed by the Chairman.

AU 24/38 LOCAL AUTHORITY PROPERTY FUND

Members received a presentation from Kelly Watson, Head of Local Government Relationships for CCLA on the Local Authority Property Fund. CCLA was a commercial private limited company and its clients were owners indirectly through their investments. Particular reference was made to property investment returns since 1996, the outlook of UK interest rates, a comparison of property to other asset classes in terms of income return and growth and capital growth.

In terms of the Local Authority Property Fund, Members noted the asset allocation, tenant quality, historical distributions and discrete performance of the fund.

MATTERS FOR RECOMMENDATION TO THE CABINET**AU 24/39 TREASURY MANAGEMENT UPDATE AND MID-YEAR REVIEW
2024/25**

The report of the Director of Finance and Transformation provided an update on treasury management activity undertaken during April to July of the current financial year. A mid-year review of the Treasury Management and Annual Investment Strategy for 2024/25 was also included in the report.

A full list of investments held on 31 July 2024 was attached at Annex 1 to the report and a copy of the lending list at Annex 2. In terms of cash flow and core cash investments, £991,640 was earned in interest to the end of July, which was higher than the original estimate for the same period. The increase reflected the interest rate having been maintained at 5.25% for longer than anticipated, providing the Council with favourable investment opportunities. During the period 1 April 2024 to 30 June 2024, the £4.22m investment in property funds generated dividends of £40,320 which represented an annualised return of 3.21%, compared to 3.63% in 2023/24.

The Lothbury Property Trust had been terminated on 30 May 2024 after negotiations to merge the fund were unsuccessful. To date, the Council had received three payments totalling £853,850 of its initial investment. The remaining assets were expected to be sold by December 2024. Distributions would be made as and when assets sales had concluded, and dividends paid from income generating assets.

Members were advised that the Council had operated within the treasury limits and prudential indicators set out in the Annual Investment Strategy and in compliance with the Council's Treasury Management Practices and the Prudential and Treasury Indicators were attached at Annex 4 to the report.

The parameters to limit the Borough Council's exposure to investment risks were summarised in Annex 5. There were no changes to the current approved risk parameters proposed at this time. However, future consideration would be given to the inclusion of borrowing and debt rescheduling in anticipation of the future needs of the Council.

RECOMMENDED*: That the following be commended to Council:

- (1) the action taken in respect of treasury management activity for the period April to July 2024 be endorsed; and
- (2) the existing parameters intended to limit the Council's exposure to investment risks, as set out at Annex 5 to the report, be retained.

***Referred to Cabinet**

AU 24/40 RISK MANAGEMENT

The report of the Management Team provided an update on the risk management process and the Strategic Risk Register (SRR). An update in respect of the Zurich Risk Management Review which was presented to Members in January 2024 was also provided. The SSR was considered to be a 'live' document and was updated, as often as was required, by the Management Team.

In July 2024, there were 4 risks categorised as 'red' as summarised below:

- Achievement of Savings and Transformation Strategy
- Failure to agree a Local Plan
- Implementation of the Agile software system
- Contract/Contractor Procurement.

Members were advised at the last meeting that Management Team had undertaken a review of all the risks contained within the Strategic Risk Register with a view to achieving a more streamlined version, highlighting only the strategic risks to the Council over the one to two year horizon.

The 'red' risks continued to be:

- Achievement of Savings and Transformation Strategy
- Failure to agree a Local Plan
- Implementation of the Agile software system
- Contract/Contractor Procurement.

During discussion, the Chair reminded Members that they could request the lead officer for each 'red' risk to attend a meeting of the Audit Committee. Members expressed an interest in hearing about the risks associated with failure to deliver a Local Plan.

A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to the Committee were set out in Annex 2 of the report.

The findings of the Risk Management Health Check undertaken by Zurich Risk Management had been reported to the Audit Committee in January 2024. An update on the progress in addressing the recommendations identified for improvement were set out in Annex 3 of the report. Consideration had been given to a process for increasing visibility of risks across services and the Director of Finance and Transformation had been designated as the officer Risk Champion. In terms of a Member Risk Champion, it was agreed that this falls within the purview of the Chair of the Audit Committee as their responsibility was to oversee risk management.

RECOMMENDED*: That

- (1) the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as RED, be noted;
- (2) the lead officer for the Local Plan be requested to attend the next meeting of the Audit Committee should the risk remain RED;
- (3) the progress towards the delivery of recommendations from the Zurich Risk Management Review, be noted; and
- (4) the Chair of the Audit Committee be appointed as the Member 'Risk Champion'.

Referred to Cabinet*AU 24/41 PROGRESS WITH RECOMMENDATIONS FROM AUDITOR'S ANNUAL REPORT (VALUE FOR MONEY) 2022/23**

The report of the Management Team provided an update on the progress in addressing the recommendations made in the 2022/23 Auditor's Annual Report.

On 25 September 2023, the Committee received a copy of the Auditor's Annual Report for 2022/23 and noted that two significant weaknesses had been identified by Grant Thornton relating to performance management and procurement under the heading 'Improving economy, efficiency and effectiveness'.

In addition to the recommendations made in respect of the two significant weaknesses, Grant Thornton also made four improvement recommendations. These related to transformation, workforce strategy, the re-formatting of the Strategic Risk Register and the integration of financial reporting and performance data. A list of key recommendations and improvement recommendations was attached at Annex 1 to the report.

RECOMMENDED*: That

- (1) Annex 1 to the report be reviewed and, if appropriate, any further updates provided, be incorporated; and
- (2) the actions and commentary set out in Annex 1 to the report, be endorsed.

***Referred to Cabinet**

AU 24/42 LOCAL AUDIT BACKLOGS - NATIONAL TIMETABLE

The report of the Director of Finance and Transformation provided an update on the timetable for audits following receipt of a letter from the new Minister of State for Housing, Communities and Local Government, Jim McMahon CBE, attached at Annex 1 to the report. Members noted that the Minister intended to lay secondary legislation when parliamentary time allowed to provide backstop dates as detailed in paragraph 1.2.2 of the report.

RESOLVED: That the slight change to the timetable for backstop dates for the sign off of local authority accounts, be noted.

MATTERS SUBMITTED FOR INFORMATION**AU 24/43 INTERNAL AUDIT AND COUNTER FRAUD UPDATE**

The report provided an update on the work of both the Internal Audit and the Counter Fraud functions.

AU 24/44 GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATE

The report of the Director of Finance and Transformation introduced a progress report on the audit of the 2023/24 accounts and updated on emerging national issues and developments from the external auditor Grant Thornton.

AU 24/45 EXCLUSION OF PRESS AND PUBLIC

The Chairman moved, it was seconded and

RESOLVED: That as public discussion would disclose exempt information, the following matters be considered in private.

PART 2 - PRIVATE**AU 24/46 INSURANCE CLAIMS HISTORY**

(LGA 1972 Sch 12A Paragraph 3 – Financial or business affairs of any particular person)

The report of the Director of Finance and Transformation informed Members as to the nature and volume of liability and property damage insurance claims submitted for the year ended 31 August 2024.

The meeting ended at 9.35 pm