

Minutes of the Audit and Accounts Committee meeting held on Monday, 29 March 2021 in Virtual Meeting - Zoom Webinar, Basingstoke and Deane Borough Council at 6.30 pm

Members of the Audit and Accounts Committee in attendance: Councillor R Gardiner (Chair), Councillor O Cubitt, Councillor G Falconer (Vice-Chair), Councillor A Freeman, Councillor P Harvey, Councillor G James, Councillor K Taylor, Councillor I Tilbury, Councillor N Robinson and Councillor J Vaux

Also present : Cabinet Member for Regeneration and Property, Councillor J Izett

64/20 **Apologies for absence and substitutions**

There were no apologies for absence or substitutions.

65/20 **Declarations of interest**

There were no declarations of interest.

66/20 **Urgent matters**

There were no urgent matters.

67/20 **Minutes of the meeting held on 25 January 2021**

Some members raised in relation to item 57/20 of the minutes the reference to the £10M should be expanded to reflect other points made at the meeting. The Executive Director of Corporate Services agreed to produce some draft wording which would then be circulated to the Committee.

The minutes of the meeting held on the 25 January 2021 were confirmed as a correct record.

68/20 **Recommendation Tracker**

The Chair confirmed that there were no outstanding items in the recommendation tracker.

Resolved: The Committee notes the recommendation tracker.

69/20 **External Audit Planning Report for 2020/21**

Maria Grindley from EY introduced the report which presented the planning document which would form the basis of the external audit that they would carry out on the Council's accounts for the financial year 2020/21.

The Committee discussed the report and made the following comments:

- Questioned the increase to the audit fee and whether internal audit could

carry out some of the work instead as a cost saving. EY explained that they were required to carry out the work as it formed part of their assurance that the items had been properly accounted for, however, they did also review the reports produced by internal audit.

- Reference was made to the materiality threshold where it was requested that items over £50,000 be reported to the Committee. EY confirmed that they could not audit to the level of £50,000 but if they did happen to find something they would report it but it did not ensure that they had found everything at that level.
- Clarification was sought on the additional work that had to be carried out which had resulted in an increased fee. The Executive Director of Corporate Services advised that Officers had challenged the fee and it had been referred to PSAA.
- Questioned partnership risks and whether the potential risks for New River and the Leisure Park could be reviewed and whether EY reviewed the fiduciary duty that the Council had towards public money. EY advised that the value for money conclusion was no longer carried out as following NAO guidance they reviewed specific areas and it hadn't yet been confirmed what areas would be covered.
- Queried the Property fund valuation of land and buildings and whether the money invested from the treasury management fund remained ring-fenced. EY advised that the Council should follow accounting standards in relation to the investment. The Executive Director of Corporate Services confirmed that the investment was no longer a treasury management activity as the funding had been moved following Council approval and instead it was classified as other investment activity and monitored separately.

Councillor Cubitt requested that it be minuted that she had raised the issue previously and during the meeting that she felt that the greatest risk to the accounts were the Council's major projects, Manydown and the Leisure Park. The projects involved significant sums of money which were outside the normal scope of council activity and she felt that she had a fiduciary duty to ensure that the council was running the projects as required and that she had concerns about both projects.

The Executive Director of Corporate Services advised that internal audit independently reviewed the controls and risks to the council's projects which were reported to the Committee. A report had also been circulated to the Scrutiny Committee which described how major projects were monitored and the various boards and mechanisms in place. A further report identifying the issues and risks on each of the projects would be provided to Performance Panel and Scrutiny Committee on a regular basis. Both the Scrutiny Committee and Performance Panel could 'call-in' a specific project they required further information. It was not the role of the Audit and Accounts Committee to look at specific project issues.

The Committee were advised that internal audit were currently reviewing the governance arrangements of the Leisure Park and Basing View projects.

Resolved: The Committee notes the report.

70/20 **Proposed Property Strategy 2021-2025 Briefing By The Council's Property Consultants**

The Head of Property and Assets introduced Nigel Golder, Katie Kopec and Jack Tompkins from Jones Lang LaSalle (JLL), the council's appointed property advisers, who provided a presentation to the Committee on the council's proposed Property Strategy 2021-2025.

The Committee discussed the presentation and made the following comments:

- Sought the advisors opinion of what the direction of travel should be for the Council. JLL responded that the Council had a good spread of capital and income risk, a long term revenue position with strong stability and there was no need to panic following the effects of the pandemic. Part of the strategy would be to address the management intensity of the assets and whether they played an important role on a social economic basis or through direct revenue return for Basingstoke. The long stock issue and ESG position needed to be reviewed. The Council could also look at regeneration projects to further diversify the portfolio.
- Was there a geographical or overconcentration risk that of all the investments tended to be located in and around Basingstoke. JLL advised that Basingstoke was large enough to invest in and it allowed the Council to have the ability to regenerate or have control or interests over major sites. It also allowed the Council to fill any gaps and further future proof Basingstoke in order to build resilience.
- Was the Council possibly excluding potential purchasers by keeping long term rents instead of selling them outright. JLL responded that it depended on supply and demand and that work was currently underway to evaluate specific sites and the benefits and negatives of granting a long or short lease.
- Stated that local authorities were unable to move as quickly as other private companies and questioned whether the new strategy would have the same flexibility to work within a framework but still have the freedom to make deals. JLL responded that they would outline a five year strategy so that the Council could be competitive in the market place and clear on the end goals. The Executive Director confirmed that a funding options paper for the property fund was being produced.
- The Committee would like to review the funding paper at a future committee meeting.
- Questioned how and when the Council could factor in post Covid opportunities. JLL advised that analysis was currently underway of the sector and internationally of places that were further out of the pandemic. Basingstoke could potentially take advantage of new models and ways of

working such as hubs.

- Some members would not like to see residential opportunities pursued only because they were an easier option.
- Some Members felt that smaller assets shouldn't be disposed of only because they were management heavy as they also provided a lot of benefits to the borough as a whole.
- Questioned whether pursuing more residential opportunities was a viable option. JLL advised that it was predicted to be the biggest investment sector over the next 20 -30 years and that residential investment provided regeneration, long-term income and had attributes to produce capital.
- Queried credit quality and the percentage of the portfolio that JLL would any concerns over. JLL advised that it was not viewed as a high risk portfolio and estimated that it was 80% secured and 20% with some vulnerability to market volatility

The Cabinet member advised that they would not rule out the sale of freeholds but it depended on the individual circumstances.

Resolved: The Committee notes the report.

71/20 **Property Investment Strategy - Annual Property Plan 2020/21 Quarter 3 Report**

The Asset Manager introduced the report which presented the Committee with the Property Investment Strategy Quarter 3 update.

The Committee discussed the report and made the following comments:

- Questioned what the improvements would be following the proposed introduction of a new reporting format. The Asset Manager advised that the new report would be introduced in first quarter of the new year and would contain further more granular portfolio performance detail, benchmarking and information on asset management
- Councillor Cubitt requested that it be minuted that the page in the report referring to the property investment portfolio fund should remain.
- Queried the valuation of the Veolia site. The Asset Manager advised that it had been valued in relation to the existing ground lease.

Resolved: The Committee notes the report.

72/20 **Summary Of Investment Income And Property Aged Debt 2020/21**

The Executive Director for Corporate Services introduced the report which provided a summary of investment income budgets for the year and the latest forecasts against those budgets as at the end of quarter three.

Resolved: The Committee notes the report.

73/20 **Treasury Management Quarter 3 Monitoring Report 2020/1**

The Head of Financial Services introduced the report which showed the activity within the council's treasury management function from 1 April 2020 up to 31 December 2020 and included forecasts for the year ending 31 March 2021.

The Executive Director of Corporate Services advised that the Council was currently holding a significant value of cash in liquid form and would be looking to invest upwards of 28 million in the coming months on a short term basis and one option would be to loan to other local authorities as there was no risk and the Council wasn't currently earning anything on the money.

The Committee discussed the report and made the following comments:

- Members queried that following the decrease in the CCLA fund what was the officer's current view on the investment. The Head of Financial Services advised that it still remained a good long term investment fund as part of the overall diversified portfolio and it would continue to increase and decrease over the investment period.
- Concern was expressed that the CCLA fund value had decreased.

Resolved: The Committee notes the report.

74/20 **Viewing of Social Networking Sites**

The Legal Services Manager introduced the report which provided the Committee with a summary of the viewing of individuals' social networking sites in an investigatory capacity for the period 1 January to 28 February 2021.

Resolved: The Committee notes the report

75/20 **UK GDPR - Notification of Data Breaches reported to the ICO**

The Chair introduced the report which informed the Committee that one serious breach had occurred since the last report which had been reported to the ICO.

The Committee resolved that, due to the confidential nature of the information to be discussed, the committee passed a resolution that, by virtue of paragraph 1 of Schedule 12A of the Local Government 1972, the public be excluded from the meeting.

Resolved: The Committee notes the report.

76/20 **Internal Audit Progress Report (January-March 2021)**

The Senior Auditor introduced the report which informed the Committee of the work completed by the Internal Audit Team during the period January to March 2021 and the current position with all audit recommendations.

Resolved: The Committee notes the report.

77/20 **Internal Audit Plan 2021/22**

The Chief Internal Auditor introduced the report which presented the Committee with the planned audit work for 2021/22 and the Internal Audit Charter to the Committee for approval.

The Chief internal auditor advised that they would be carrying out additional work on the governance arrangements for the Manydown project and that business grants would be included in the Local Tax audit.

Resolved: The Committee approves the:

- Internal Audit Plan 2021/22
- Internal Audit Charter 2021/22

78/20 **Review of the Corporate Risk Register**

The Chief Internal Auditor introduced the report which presented the committee with the current status of the corporate risk register.

Resolved: The Committee notes the report.

79/20 **Audit and Accounts work programme**

The Chair introduced the work programme and gave a brief overview of the items that would be included on the agenda for the upcoming meetings.

The meeting ended at 8.45 pm.

Chairman