

Audit and Accounts Committee: Minutes

Date: 5th March 2021

Time: 10:00am – 18:25pm

Place: Virtual Meeting

Present: Councillors I Bates (substituting for Cllr D Wells), P Hudson, M McGuire, T Rogers (Vice Chairman), M Shellens, (Chairman public session only), J Williams and G Wilson

Officers: Gillian Beasley (Chief Executive), Christine Birchall (Head of Communications), Dawn Cave (Democratic Services Officer), and Fiona McMillan (Monitoring Officer)

Public part of the meeting only: Tony Cooper (Assistant Director Property) and Tom Kelly (Head of Finance)

307. Apologies for Absence Declarations off Interest

Apologies were presented on behalf of Councillor D Wells. There were no declarations of interest received.

308. Exclusion of Press and Public

The Chairman explained that the Committee had received legal advice on whether the report could be considered in public, prior to the meeting. He sought Members' views on whether consideration of the County Farms Audit Management Action Plan, which summarised Mazars' 31 recommendations for the County Farms service, could be considered in public session. The legal advice had been that this was one item that may be considered in the public domain.

Each Member of the Committee gave their views on the matter, and on being put to the vote, the majority of Members resolved to consider that part of the report in public session.

The meeting was adjourned for a short period so that the relevant appendix to the report could be published on the County Council's website.

Tony Cooper, Assistant Director Property, and Tom Kelly, Head of Finance were welcomed to the meeting, as the relevant officers who would be responsible for the implementation of the Action Plan.

The Chairman referred to the considerable press and media interest in this matter, but directed Members to restrict their comments to the items raised in the County Farms Audit Management Action Plan.

Nigel Layton of Mazars, set out the background to the audit. He advised that Mazars had been instructed following an Extraordinary meeting of the Audit & Accounts Committee on 23 December 2020. At that meeting, it had been agreed that the Chief Executive would appoint an independent auditor to complete the investigation into Manor Farm, as the Chief Internal Auditor was unable, due to sickness, to complete the internal audit into this matter. At the time of their appointment, it had been stressed to Mazars that the timetable was extremely tight and non-negotiable. Mr Layton advised that he had not repeated much of the detailed audit work undertaken as part of the Internal Audit or fact checking, but he had reviewed the work performed and the evidence contained. Additional actions carried out by Mazars included a full email review and additional interviews. Mr Layton thanked all employees, past and present, who had contributed to the process, the Chief Executive Gillian Beasley, the Monitoring Officer Fiona McMillan, and the Internal Audit team for providing requested information quickly. The final report from Mazars had been presented to the Chief Executive on 22 February 2021, and covered three principal sections: (i) the Manor Farm tenancy; (ii) Code of Conduct and disciplinary issues; (iii) recommendations relating to the County Farms service.

In terms of the wider context of the audit, the Chief Executive advised that on 15 January 2019, the Chairman of the Audit & Accounts Committee, Councillor Mike Shellens, had received a formal request from Councillor Lucy Nethsingha to review the process leading to the award of the tenancy of Manor Farm to Councillor Hickford, and the subsequent decisions made around that tenancy. She further advised that the request was made after the Leader of the Council required Councillor Hickford to be identified at a meeting of General Purposes Committee on 18 December 2018 as a tenant of the property Manor Farm in relation to a prudential borrowing request for a house extension. It was agreed at an early stage that Internal Audit would conduct the investigation. During that audit, concerns were raised around processes and practices within the County Farms team, including compliance. The first draft of the Audit report was completed in June 2019, but because this had highlighted financial concerns, the matter was referred to the Police on 4 July 2019. At that point all audit work had stopped.

On 5 March 2020, the Police had confirmed that they would be closing their investigation with no further action and this was confirmed on 29 April 2020. Audit work was able to recommence once written notification had been received from the Police, although there were delays in the summer, initially due to the Chief Internal Auditor being called on to cover issues arising out of the Covid-19 pandemic, and then through dealing with challenges to the processes from Mr Hickford's solicitors. After this time, the Chief Internal Auditor undertook two fact checking exercises. A report on progress was presented to the Audit & Accounts Committee on 24 November 2020.

In response to a Member question on what was meant by "fact checking", it was confirmed that this related to checking with the relevant stakeholders the

sections of the report that related to them, to confirm whether or not they were factual.

The final report had been due in December 2020, but was not completed due to the illness of the Chief Internal Auditor. Following this, the Committee had met on 23 December 2020, and as outlined by Mr Layton, had appointed Mazars, to complete the audit. The Chief Executive paid tribute to Nigel Layton and Katie Miles of Mazars for their cooperation and the speed of the work undertaken.

It was agreed that each of the 31 recommendations would be considered in turn, and Nigel Layton of Mazars would be asked to introduce each item.

Each recommendation is summarised in large font below, the full recommendations can be found at [Hyperlink to Action Plan \(31 recommendations\)](#)

Recommendation 1: carry out a comprehensive review of team policies and procedures, and introduce formal written process documentation for all key processes. This should include establishing clear approval requirements for financial decisions. Mr Cooper confirmed that this process was already underway, and that some of the policies and procedures had already been undertaken and completed.

Members indicated that they were happy with this recommendation and reassured by Mr Cooper's comments. A Member asked Mr Layton if he had reviewed the structure of the team, and whether there were the right number of people with the right skills. Mr Layton commented that this was a matter for Mr Cooper to determine. He believed that the team was competent, but the processes and procedures needed addressing.

Recommendation 2: there should be a strategic review of the County Farms Estate which should be approved by the relevant Committee. Mr Cooper confirmed that an updated Strategy had been considered and approved by Commercial & Investment Committee in February 2020, and there were ongoing reviews and policy development. It was also confirmed that the Farm Management Plans, which governed how the Farms Estate was managed, in respect of aspects of size, composition of holdings, etc, had been put on hold, but would be completed by the end of the year.

Recommendation 3: that a set of KPIs (Key Performance Indicators) be introduced to assist the effective measurement of team performance both within Strategic Assets and where appropriate, as part of the corporate performance reporting.

. It was confirmed that the recommendation had been agreed by management, and that any reservations related to the appropriateness of

corporate KPIs for a farm management system, and the importance of both officers and tenants understanding the KPIs. It was confirmed that this was a matter for Commercial and Investment (C&I) Committee. A Member asked if the completion date for this action, currently listed as September 2021, could be brought forward. Mr Cooper stressed the importance of selecting the most appropriate KPIs, and that the team was committed to bringing these forward, and this would be reported to C&I Committee.

Recommendation 4: Undertake a data cleanse of property data, followed by an exercise to compare these property listings to those on the County Farms list. County Farms should be included as active users of the new property asset management system currently being procured. This recommendation was accepted by management, and it was recommended that the timeline for the new property asset management system be communicated to Audit & Accounts Committee when known. A Member commented that completion prior to Summer 2022 would be good.

Recommendation 5: Each County Farm should be assigned a unique property code, and transactions should be assigned to the relevant farm on ERP Gold (the Council's primary financial system). A Member asked why this had not been done previously. Officers advised that ERP Gold had only been introduced relatively recently.

Recommendation 6: all invoices raised by County Farms for 2018/19 and 2019/20 should be checked and reconciled with the Rental Agreement Spreadsheet. There was a query on the level of undercharging and overcharging in respect of rents. Mr Layton advised that this was identified as an area for management to review. The Chairman asked if there was now greater confidence in the accuracy of invoicing policies and actions. Mr Cooper confirmed that an historic review had been carried out and there would be a single master spreadsheet going forward, and he was confident that this would result in minimal, if any, errors. Errors which had arisen were likely to have resulted from two processes operating in parallel, i.e. the Spreadsheet and ERP Gold. Ultimately, it would be desirable to have rents and property matters running on a Property System which interfaced directly to ERP Gold to produce invoices. It was confirmed that rents of other properties within the Council's portfolio, i.e. other than County Farms, were also being reviewed. It was confirmed that the completion date for this work was April 2021, and this was regarded as a priority.

Recommendation 7: set up "subscriptions" for each tenant, to enable invoices to be raised automatically using ERP Gold. It was confirmed that "subscriptions" referred to recurring invoices, where appropriate, for each tenant. The completion date was identified as June 2021, but it was envisaged that this action may be completed prior to that date.

Recommendation 8: charge interest on all debts, in line with the rate specified in the relevant tenancy agreement. It was noted that this was not agreed by management, owing to the special factors to be considered when dealing with farm tenancies within the county, such as weather, delays to grants, etc. Management believed that there should be greater flexibility, and interest should only be charged where appropriate. One Member commented that whilst understanding the special factors around farming, in the interest of fairness, the Council should demonstrate that it was treating all tenants the same. A framework and parameters needed to be set. Another Member agreed, observing that there was diversification within the County Farms portfolio i.e. there were a number of rural/commercial businesses that were not farming businesses, which meant that those businesses were not affected by weather, grant delays, etc. It was suggested that it might be more appropriate to have different policies for different categories of tenant. Another Member noted that the Council already charged interest where tenants were regularly late with their rent, and that a new system would be introduced by July, and it would be more appropriate to wait and see what that was. Officers agreed that there was a need for consistency, but a flexible approach needed to be taken, as sometimes businesses were not well run, or sometimes there were extenuating circumstances such as illness or other matters beyond the control of the tenant. The suggestion of categorisation was reasonable, but the key issue was that all decisions were recorded and documented. The County Farms team took a broader view, taking account of longer term tenant value, and that approach had been endorsed by C&I Committee, but it was agreed a framework needed to be agreed. It was confirmed that there was an existing right to charge interest on tenancies.

Recommendation 9: develop and implement a formal policy on debt management, and review records management and record retention processes to ensure records are retained and accessible in line with Council requirements. Mr Cooper confirmed that this action was almost complete. A Member asked if this modification of the debt management procedure should be implemented more widely. Mr Kelly advised that there was a wide diversity of debt situations across the Council, and this was a necessarily bespoke approach taken by the Farms team within the broader corporate framework. Any escalation of action, e.g. legal proceedings, were always carried out in close collaboration with the budget holder. Mr Cooper advised that debt was recorded on ERP Gold, but the actual management of the debt on the ground was undertaken by the County Farms team. He agreed to come back to Audit & Accounts Committee with the precise mechanics of that process. Action required.

Recommendation 10: A policy on tenancy advertisement should be formalised and documented, and where holdings are small or in valuable business locations, the County Farms team should consider advertising in non-agricultural arenas, to attract a wider range of potential tenants and businesses. All farms tenancies

which are available for reletting should be advertised on the open market as standard, to demonstrate that best value is achieved for its land, and that fair and transparent tenancy award processes are in place. In response to a Member question on when it may be appropriate to not advertise, Mr Cooper used the example of a farm that had recently been added to the County Farms portfolio. As the process of advertising and identifying a suitable tenant for that farm would take time, a short term tenancy had been agreed until October, so that the farm could be cropped and kept in good condition. However, such instances were relatively uncommon – the default position was to advertise widely.

It was confirmed that management agreed partly with the recommendations, but not the proposal to advertise in non-agricultural arenas, as it was seen to be desirable to stick to proven methods of advertising, rather than a scattergun and potentially more expensive advertisement campaign, especially if there was no benefit in that approach. A Member observed that the recommendation did not propose a scattergun approach, but targeted marketing for specific tenancies, to increase the range of applicants. He also noted that existing tenants should be assessed in the same way as other applicants. The Chairman suggested that there may be merit in testing the targeted advertising proposal on a few tenancies, and Mr Cooper confirmed that advertising was already being reviewed, to reflect that some sites were appropriate for rural businesses, not just farms. It was agreed that the management response would be amended to reflect this. **Action required.**

It was confirmed that any variation from the normal process with regard to advertising farm tenancies would have to be agreed by the Assistant Director Property. It was also confirmed that Manor Farm Manor Farm was let on a commercial tenancy and not an agricultural one.

Recommendation 11: The application form for tenancies should be amended to include any associations, links to the Council, or close personal relationships with officers or Members of Cambridgeshire County Council to be disclosed. A Member asked if it was necessary for the Council to consider a unilateral ban on any Member or officer entering into any commercial arrangement with the Council, including Farm tenancies, to avoid issues experienced with Manor Farm. Whilst agreeing that a “zero tolerance” approach would ensure that these issues did not arise again, Mr Layton commented that an alternative approach was to seek more levels of approval if a Member or officer sought to enter into a commercial arrangement with the Council, i.e. through the relevant Committee. The latter approach would ensure a degree of flexibility was maintained, but would introduce a far more detailed approval process.

A Member asked what would happen if a County Farms tenant decided to become a Councillor. Another Member commented that a unilateral ban would be fundamentally unfair, noting that there had in the past been a County Councillor, the late John Eddy, who had also been a County Farms tenant, and that tenancy had been without issue. Other Members also

expressed concerns, noting that more broadly, there were many precedents of Councillors renting Council houses or being leaseholders for sheltered housing. All Members agreed that a more nuanced approach to protecting the Council with regard to commercial arrangements with Councillors and officers needed to be taken, probably involving approval by the relevant Committee, and that this would be more desirable than a blanket ban. It was suggested that best practice by peer authorities should be explored, and appropriate policy implications should be considered by the relevant Committee.

Recommendation 12: to encourage a more diverse range of businesses, it is recommended that the County Farms team provide two versions of the application forms and budget forecast forms etc.; one for agricultural use and one for other business proposals. It was confirmed that there was no specific form for applications for continuing tenancies: these were made currently on the single form for all tenancy applications. The form allows for both agricultural and non-agricultural businesses.

Recommendation 13: evaluation criteria should be reviewed and aligned with the criteria which are made public to applicants on the Council's website, to consistently and transparently reflect the ways in which applicants will actually be evaluated. "Lifestyle" applicants should not be dismissed. The requirement not to sub-let should be stated in the advertisement. The current evaluation process should be amended with the greatest weighting placed on the financial criterion, given the Council's budgetary position. Where tenancy applications are contingent on e.g. extensions or other inward investment into a holding, the estimated costs and impacts of this must be taken into account in the evaluation of the tenancy, offset against the applicant's proposed rent amount. Mr Layton commented that the basic aim of this recommendation was to introduce more rigor into the selection process. Management had agreed to review the current process, but with regard to the greater weighting placed on the financial criterion, it was noted that the Council had a growing range of non-financial policies which also needed to be considered with regard to applications, e.g. climate change and social value. It was confirmed that "lifestyle" applicants related to non-agricultural applicants with a strong residential focus plus a rural business or hobby.

Noting the reference to prospective tenancies being contingent on extensions, etc, it was also noted that there was no reference to the necessary permissions, where applicable, e.g. planning permission, and a Member suggested that this should be included where it was a consideration. Mr Cooper commented that it was very unusual for planning or substantial investment to be required at an early stage, and that where a tenancy was contingent on planning permission or significant investment, it would be

referred to either the County Farms Working Group or C&I Committee, as appropriate.

There was a discussion on the emphasis in the Audit recommendation on financial return. A number of Members agreed that there needed to be an element of flexibility to factor in issues such as social value and climate change. Mr Cooper advised that there was already a scoring system for applicants, but this needed to be improved. The current approach was to award tenancies to the highest rent, if the proposal was sustainable and the business plan was viable. Any departures from this policy should be determined through the appropriate Member forum i.e. either the County Farms Working Group or C&I Committee.

Recommendation 14: whilst rental levels should be realistic and achievable based on the planned use of the farm, there should be an option to introduce competitive bidding. This was accepted by management, and Mr Cooper confirmed that the process had been reviewed.

Recommendation 15: A formal process should be introduced for succession tenancy applications. These should not be below the market rate. A Member asked what would happen if no applicant met the threshold for the farm – would the threshold be reconsidered. Mr Cooper advised that other options for the tenancy would be considered, rather than lowering the threshold.

Recommendation 16: the practice of offering succession tenancies where there is no legal requirement to do so (i.e. for anything other than AHA [Agricultural Holdings Act 1986] tenancies) should be ceased, and when farms come up for renewal, they should be advertised on the open market as standard. Mr Cooper advised that Management did not agree with this recommendation, as it slightly contradicted previous recommendations. C&I Committee had agreed a succession policy in its strategic review. C&I Committee had explored this issue in detail, and a number of Members suggested that the decision on this issue sat with that Committee, and any recommendation to review this policy should be put to that Committee. It was noted that the incidence of succession tenancies was relatively rare, and any such incidences would be fully documented, and any such applications considered against other bids. Following a detailed discussion on this matter, the majority of Members indicated that they were content with the recommendation, and that Mr Cooper should continue to use his discretion to consider succession tenancies in line with the approach agreed by C&I Committee.

Recommendation 17: legal advice should be taken on the interest rates currently used in tenancy agreements, and consideration given to lowering the Default Interest Rate in any new tenancies

granted, to reflect present low interest rates and ensure that such rates are enforceable. It was confirmed that this action was not agreed by management. It was noted that the Council can already lawfully charge 8.1% interest for other debts. The Farms team had successfully recovered amounts owed under legal proceedings at 9% in the past. Mr Kelly commented he was unaware of any cases where 9% interest had actually been charged, and that he was happy to liaise with auditors and legal colleagues to resolve this issue, and this was agreed. Action required.

Recommendation 18: equivalent to the Delegated Authority form used at Peterborough to be introduced to document approval of new leases. This recommendation was not agreed by management, as it was considered that the processes pertaining to property in Peterborough were substantially different to those relating to County Farm tenancies, and that there were already individuals identified with sufficient levels of authorisation – the key issue was documenting approval. It was agreed that if there were any special circumstances, e.g. tenancies offered to Members or officers, these processes needed to be escalated and Members involved through the appropriate processes. It was noted that this recommendation was contingent on the outcome of Recommendation 11, i.e. the approach taken to commercial arrangements between the Council and Members or officers.

Recommendation 19: formal guidance to officers within the County Farms team about the rent review process is produced, in line with RICS (Royal Institute of Chartered Surveyors) guidance. This recommendation was agreed by management, and it was noted the rent review processes would reflect appropriate guidance from RICS, CAAV (Central Association of Agricultural Valuers) and other relevant practice to ensure that tenancies offered commercially acceptable and attractive terms. The use of indices was questionable, as the increase in CPI (Consumer Price Index) in recent years was significantly below the increase in agricultural rents in the county.

The meeting adjourned for lunch.

Recommendation 20: Introduction of a Rent abatement policy. This recommendation had been agreed by management.

Recommendation 21: The County Farms Capital Investment Procedure should be updated to require evaluation of the cost of the scheme against the expected rental price increase on the open market. This is agreed by management, and proposed approach is supported by Internal Audit. The Council should be assured that the improvement(s) funded by the investment will lead to an uplift in rental value for the property on the open market, which is

equivalent to or greater than the monthly cost of the Improvement Charge, and this should be formally recorded for each investment. This recommendation, which effectively tightened up existing procedures, was agreed by management, subject to the establishment of a revised Improvement Charge process that was cost effective in relation to investment values. It was noted that the target date for this action was May 2021.

Recommendation 22: The County Farms Capital Investment Procedure should be updated in relation to the production of Business Cases at an earlier stage and inflationary uplifts for Improvement Charges. Management agreed with the recommendation on Business Cases, but not in relation to inflationary uplifts for Improvement Charges, as inflation was not a direct factor in this process.

Recommendation 23: County Farms should not accept retrospective requests to fund works carried out by tenants. Management accepted this recommendation.

Recommendation 24: Legal advice should be sought regarding repayment of Improvement Charges when tenants leave earlier than anticipated. Initial advice indicated that where a tenant finishes their tenancy early, the remaining debt was enforceable through the Courts. Mr Cooper observed that generally these types of improvements resulted in an increase in the value of the asset that would accrue to the Council beyond the life of the tenancy. Therefore it was not expected that the tenant would pay the full cost of improvements.

Recommendation 25: Improvement charges should be recorded on the Rental Agreement Spreadsheet. The County Farms team should maintain a record of investments and improvement charges agreed on each property over time. This was agreed by management and had been completed.

Recommendation 26: apply and maintain records of Improvement Charges, separate to rent, and reflect such charges separately on rent review spreadsheets. This was agreed by management and had been completed.

Recommendation 27: a clear housing standard should be established, as this was a key control over refurbishment processes, and ensured equity between tenants, and clarity for officers. It was clarified that “clear housing standards” meant, as a minimum, the “Decent Homes Standard” as set out in government legislation. This would be presented to the County Farms Working Group. It was confirmed that there was an expectation that when a tenancy finished, the property was

left in a similar condition as when the tenant moved in. A Member was pleased to note the reference to an uplift for existing tenants.

Recommendation 28: implement a clear division of duties with regards to tender review. The architect may advise whether any bids should not be accepted due to not meeting the technical requirements, but officers must make the decision on award of any procurement in line with agreed delegations. Mr Cooper confirmed that this was within the existing policy, but had been tightened up.

Recommendation 29: Final proposed specifications should be assessed against the County Farms Standard and any variations should have initial approval recorded by a manager. This had been agreed by management and completed.

Recommendation 30: If the OFR (Outcome Focused Review) report was not retracted, the detail of the financial proposals made in the report should be scrutinised by Finance. It was noted that the OFR had been superseded by the strategic review considered by C&I Committee in 2020. It was noted that there was a query over the deliverability of the 4% income target. A Member commented that it was important that Audit & Accounts Committee had overview of this OFR. Mr Kelly advised that there were currently no active OFRs across Council, and that the wording was not current – as previously advised, the findings of the OFR had been superseded by the strategic review that C&I Committee had agreed in 2020. There were issues in relation to policy decision and implementation for Commercial & Investment Committee to monitor. A Member acknowledged this point, but noted that Audit & Accounts Committee should have the opportunity to review this matter to ensure that the issues highlighted had been addressed. Mr Kelly reiterated that there was no active review of the OFR, as it had been superseded by the strategic review, but there would be numerous items in the action plan that Audit & Accounts Committee would continue to have an active interest in, and along with C&I Committee, would play a role in reviewing policies.

Recommendation 31: Future OFRs or equivalent service review processes should incorporate review of key processes relating to income generation and/or expenditure minimisation. A Member expressed concerns about “informal reviews”, and stressed that it was vital that all reviews were documented and kept on file. Mr Cooper commented that he agreed with the recommendations for recordkeeping for the Council’s own corporate processes, and the only discrepancy related to the comments on rent maximisation.

The Chairman thanked all those involved in consideration of the 31 recommendations.

In relation to the County Council Appendix 2 “Review of County Farms Procedures and Processes Action Plan (Audit Recommendation1)”, it was noted that this was a wide-ranging review of policies and procedures, and the scope of this forward looking plan went beyond the 31 recommendations. It was suggested that this should be made clear in the preamble when this document was published. It was also suggested that references to specific individuals e.g. “Cllr Goldsack, Chair of C&IC” should just refer to the role (i.e. C&IC Chairman) rather than individuals, and that a number of changes to target dates, etc, needed to be updated. The Committee confirmed that this document should be published on the website with the meeting documents once it had been updated.

The Committee reconsidered the exclusion of Press & Public before reviewing the remainder of the report, and each Member gave their views. It was resolved, by a majority:

to agree that the press and public be excluded from the meeting on the grounds that the report contained exempt information under Paragraphs 1, 2 & 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed: information relating to any individual, information which is likely to reveal the identity of an individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information).

Before the press and public were excluded, the Chairman commented that this had been a long and troubling project, and for two years he had continually been seeking the report’s conclusion. He was extremely grateful to the Chief Executive for using her authority to ensure that the report could be considered by the existing Committee. He had been frustrated as the process had been so slow, and it was now known that this was partly due to the Police taking so long to investigate the case. Throughout the process he had sought complete transparency, and there had been widespread Press speculation regarding allegations of bullying and undue influence. As a result of the vote, and the fact that the remainder of the report would not be considered in public session, he felt the only course open to him would be resign as Chairman of the Committee with immediate effect. He would remain a Member of the Committee. He paid tribute to Councillor Rogers who had been an enormous support throughout the process, and who as Vice-Chairman, would chair and oversee the rest of the meeting.

Councillor Rogers took the chair, and thanked the public and press for their attendance. The Monitoring Officer confirmed that those County Councillors who were not Committee Members could continue to observe the meeting, but were not entitled to copies of the confidential reports. Councillors Bailey, Batchelor, Dupré, Goldsack, Harrison, Jenkins, McDonald and Nethsingha, stayed in the meeting and observed all or part of the confidential session.

The meeting closed to the public.