

Public Document Pack



Democratic Services
White Cliffs Business Park
Dover
Kent CT16 3PJ

Telephone: (01304) 821199
Fax: (01304) 872453
DX: 6312
Minicom: (01304) 820115
Website: www.dover.gov.uk
e-mail: democraticservices@dover.gov.uk

5 December 2018

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a meeting of the **GOVERNANCE COMMITTEE** will be held in the HMS Brave Room at these Offices on Thursday 13 December 2018 at 6.00 pm when the following business will be transacted.

Members of the public who require further information are asked to contact Jemma Duffield on (01304) 872305 or by e-mail at democraticservices@dover.gov.uk.

Yours sincerely

A handwritten signature in black ink, appearing to be "Nicky", written over a white background.

Chief Executive

Governance Committee Membership:

P G Heath (Chairman)
D Hannent (Vice-Chairman)
S F Bannister
B W Butcher
P I Carter
M I Cosin
M R Eddy

AGENDA

- 1 **APOLOGIES**
To receive any apologies for absence.
- 2 **APPOINTMENT OF SUBSTITUTE MEMBERS**
To note appointments of Substitute Members.
- 3 **DECLARATIONS OF INTEREST** (Page 4)

To receive any declarations of interest from Members in respect of business to be transacted on the agenda.

4 **MINUTES** (Pages 5 - 7)

To confirm the attached Minutes of the meeting of the Committee held on 27 September 2018.

5 **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 8 - 30)

To consider the attached report of the Head of Audit Partnership.

6 **TREASURY MANAGEMENT QUARTER 2 REPORT 2018/19** (Pages 31 - 47)

To consider the attached report of the Director of Finance, Housing and Community.

7 **ANNUAL GOVERNANCE ASSURANCE STATEMENT - ACTION PLAN UPDATE**
(Pages 48 - 53)

To consider the attached report of the Director of Governance.

8 **ANNUAL COMPLAINTS REPORT** (Pages 54 - 56)

To consider the attached report of the Director of Governance.

9 **REVIEW OF THE CONSTITUTION 2018 - SENIOR MANAGEMENT
RESTRUCTURE FROM 1 JANUARY 2019** (Pages 57 - 61)

To consider the attached report of the Director of Governance.

10 **EXCLUSION OF THE PRESS AND PUBLIC** (Page 62)

The recommendation is attached.

MATTERS WHICH THE MANAGEMENT TEAM SUGGESTS SHOULD BE
CONSIDERED IN PRIVATE AS THE REPORT CONTAINS EXEMPT
INFORMATION AS DEFINED WITHIN PART 1 OF SCHEDULE 12A OF THE
LOCAL GOVERNMENT ACT 1972 AS INDICATED AND IN RESPECT OF WHICH
THE PROPER OFFICER CONSIDERS THAT THE PUBLIC INTEREST IN
MAINTAINING THE EXEMPTION OUTWEIGHS THE PUBLIC INTEREST IN
DISCLOSING THE INFORMATION

11 **QUARTERLY INTERNAL AUDIT - EAST KENT HOUSING CONTRACT
MANAGEMENT** (Pages 63 - 64)

To consider the attached report of the Head of Audit Partnership (East Kent Audit Partnership).

Access to Meetings and Information

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.
- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is disabled access via the Council Chamber entrance and a disabled toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
- Agenda papers are published five clear working days before the meeting. Alternatively, a limited supply of agendas will be available at the meeting, free of charge, and all agendas, reports and minutes can be viewed and downloaded from our website www.dover.gov.uk. Minutes will be published on our website as soon as practicably possible after each meeting. All agenda papers and minutes are available for public inspection for a period of six years from the date of the meeting.
- If you require any further information about the contents of this agenda or your right to gain access to information held by the Council please contact Jemma Duffield, Democratic Services Officer, telephone: (01304) 872305 or email: democraticservices@dover.gov.uk for details.

Large print copies of this agenda can be supplied on request.

Declarations of Interest

Disclosable Pecuniary Interest (DPI)

Where a Member has a new or registered DPI in a matter under consideration they must disclose that they have an interest and, unless the Monitoring Officer has agreed in advance that the DPI is a 'Sensitive Interest', explain the nature of that interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a DPI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation permitting them to do so. If during the consideration of any item a Member becomes aware that they have a DPI in the matter they should declare the interest immediately and, subject to any dispensations, withdraw from the meeting.

Other Significant Interest (OSI)

Where a Member is declaring an OSI they must also disclose the interest and explain the nature of the interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a OSI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation to do so or the meeting is one at which members of the public are permitted to speak for the purpose of making representations, answering questions or giving evidence relating to the matter. In the latter case, the Member may only participate on the same basis as a member of the public and cannot participate in any discussion of, or vote taken on, the matter and must withdraw from the meeting in accordance with the Council's procedure rules.

Voluntary Announcement of Other Interests (VAOI)

Where a Member does not have either a DPI or OSI but is of the opinion that for transparency reasons alone s/he should make an announcement in respect of a matter under consideration, they can make a VAOI. A Member declaring a VAOI may still remain at the meeting and vote on the matter under consideration.

Note to the Code:

Situations in which a Member may wish to make a VAOI include membership of outside bodies that have made representations on agenda items; where a Member knows a person involved, but does not have a close association with that person; or where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position. It should be emphasised that an effect on the financial position of a Member, relative, close associate, employer, etc OR an application made by a Member, relative, close associate, employer, etc would both probably constitute either an OSI or in some cases a DPI.

Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 27 September 2018 at 6.00 pm.

Present:

Chairman: Councillor P G Heath

Councillors: B W Butcher
P I Carter
M I Cosin
M R Eddy
M J Holloway (as substitute for Councillor D Hannent)

Officers: Director of Governance
Head of Legal Services
Head of Finance
Accountant (Capital and Treasury)
Head of Audit Partnership (East Kent Audit Partnership)
Deputy Head of Audit Partnership (East Kent Audit Partnership)
Audit Manager (Grant Thornton)

17 APOLOGIES

There were apologies for absence received from Councillors S F Bannister and D Hannent.

18 APPOINTMENT OF SUBSTITUTE MEMBERS

It was noted that, in accordance with Council Procedure Rule 4, Councillor M J Holloway be appointed as substitute for Councillor D Hannent.

19 DECLARATIONS OF INTEREST

Councillor M I Cosin made a Voluntary Announcement of Other Interests (VAOI) by reason that her nephew was a Director at Grant Thornton (external auditors).

20 MINUTES

The Minutes of the meetings of the Committee held on 28 June 2018 and 30 July 2018 were approved as a correct record and signed by the Chairman.

21 REVIEW OF THE CONSTITUTION 2018 - COUNCIL QUESTIONS AND ANSWERS

The Director of Governance presented the report to the Committee. Members were reminded that the Governance Committee, at the request of Councillor M R Eddy at its meeting held on 28 June 2018, had recommended to the full Council a proposal to amend Council Procedure Rule 12 to make provision for written answers to questions asked on notice by Members at meetings of the full Council. The proposal was not adopted by the full Council at its meeting on 25 July 2018 due to concerns over its wording. The Leader of the Council and the Leader of the Opposition explored options for alternative wording which would achieve the intended aim.

RESOLVED: (a) That it be recommended to the Council that it amend Council Procedure Rule 12 of the Constitution of the Council to include the addition of a new rule 12.5 as follows:

“12.5 A Member raising a question under Council Procedure Rule 12.1 will be provided at the closure of the Council meeting with the written information prepared by officers as background to the relevant member of the executive’s verbal answer to the question. This written information will be made available to all other Members of the Council alongside the following week’s edition of the Members’ Weekly News.”

(b) That it be recommended to the Council that the amendment take place with immediate effect so as to enable its application at the meeting of the full Council to be held on 31 October 2018.

22 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Deputy Head of Audit Partnership (East Kent Audit Partnership) introduced the Quarterly Internal Update report to the Committee. There had been eight audits conducted and 10 follow-up reviews completed during the period.

Members discussed the Homelessness audit and the partially limited assurance opinion. It was recognised that expenditure for all Councils was increasing as a result of the increase of Homelessness. The length of stay in temporary accommodation was excessive in some circumstances and whilst evidence suggested some people were being moved out of temporary accommodation more quickly, there was a shortfall of permanent accommodation available. The Head of Finance reported that a number of projects were underway. Some properties had already been purchased and the Council was in the process of buying other units. A total of 63 new builds would be created in the William Muge and Snelgrove housing development by 2020.

It had been requested by the Committee at its meeting held on 28 June 2018 that a follow-up review be carried out of East Kent Housing – Safeguarding Children and Vulnerable Groups. The Deputy Head of Audit Partnership reported that the assurance opinion had been increased to reasonable and would be reported to the Committee at its meeting in December.

RESOLVED: That the report be noted.

23 GRANT THORNTON ANNUAL AUDIT LETTER 2017-18

The Audit Manager (Grant Thornton) presented the Annual Audit Letter to the committee. The letter summarised the key findings arising from the work Grant Thornton had carried out at Dover District Council for the year ended 31 March 2018.

RESOLVED: That the Annual Audit Letter be noted.

24 TREASURY MANAGEMENT QUARTER ONE REPORT 2018/19

The Head of Finance introduced the Treasury Management Quarter One Report 2018/19 to the Committee. The Council's investment return for the June quarter was 1.96% which outperformed the benchmark by 1.41%. The projected investment return was £20k better than the original budget estimate of £999k.

The Council remained within its Treasury Management and Prudential Code guidelines during the period.

RESOLVED: That the report be noted.

25 PROPERTY INVESTMENT REPORT

The Head of Finance presented the Property Investment Update to the Committee which had been requested by the Governance Committee at its meeting held on 30 July 2018. The Property Investment Strategy was approved by Council on 30 November 2016 and the update summarised the progress to date.

RESOLVED: That the report be noted.

26 EXCLUSION OF THE PRESS AND PUBLIC

It was moved by Councillor B W Butcher, duly seconded and

RESOLVED: That, under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the remainder of the business on the grounds that the items to be considered involved the likely disclosure of exempt information as defined in paragraph 1 of Part I of Schedule 12A of the Act.

27 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Director of Governance and Head of Audit Partnership introduced the report.

Members were advised that the Sandwich Historical Boatyard was now in the ownership of the Council. A new Commercial Solicitor had been appointed and a 9 point checklist had been implemented for staff in the Legal department for any future lettings of leases.

RESOLVED: That the report be noted.

The meeting ended at 6.36 pm.

Subject: QUARTERLY INTERNAL AUDIT UPDATE REPORT

Meeting and Date: Governance Committee – 13th December 2018

Report of: Christine Parker – Head of Audit Partnership

Decision Type: Non-key

Classification: Unrestricted

Purpose of the report: This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30th September 2018

Recommendation: That Members note the update report.

1. Summary

This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting.

2. Introduction and Background

- 2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to each member of Corporate Management Team, as well as an appropriate manager for the service reviewed.
- 2.2 Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.
- 2.3 An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.
- 2.4 Those services with either Limited or No Assurance are monitored, and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of Assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Annex 2 to the EKAP report.
- 2.5 The purpose of the Council's Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 2.6 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit

reports and follow-up reviews since the report submitted to the last meeting of this Committee.

SUMMARY OF WORK

- 2.7 There have been eight internal audit assignments completed during the period, which are summarised in the table in section 2 of the report.
- 2.8 In addition four follow-up reviews have been completed during the period, which is detailed in section 3 of the quarterly update report.
- 2.9 For the six month period to 30th September 2018, 114.99 chargeable days were delivered against the revised target of 242.89, which equates to 47.34% plan completion.

3 Resource Implications

- 3.1 There are no additional financial implications arising directly from this report. The costs of the audit work will be met from the Financial Services 2018-19 revenue budgets.
- 3.2 The financial performance of the EKAP is currently on target at the present time.

Appendices

Appendix 1 – Internal Audit update report from the Head of the East Kent Audit Partnership.

Background Papers

- Internal Audit Annual Plan 2018-19 - Previously presented to and approved at the 8th April 2018 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Contact Officer: Christine Parker, Head of Audit Partnership



INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP.

1. INTRODUCTION AND BACKGROUND

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30th September 2018.

2. SUMMARY OF REPORTS:

Service / Topic		Assurance level	No. of Recs.	
2.1	EKHR Apprenticeships	Substantial / Reasonable	C H M L	0 3 4 1
2.2	EKS ICT Procurement & Disposal	Reasonable	C H M L	0 0 7 0
2.3	EKS Housing Benefit Discretionary Housing Payments	Reasonable	C H M L	0 1 3 0
2.4	White Cliffs Countryside Partnership & Up on the Downs Landscape Scheme	Reasonable	C H M L	0 8 10 1
2.4	Project Management	Reasonable	C H M L	0 1 0 0
2.6	EKS Public Sector Network Compliance	Not Applicable	C H M L	0 4 1 0
2.7	Private Sector Housing & HMO Licensing	Limited	C H M L	0 8 7 0
2.8	East Kent Housing – Contract Management	Limited	C H M	5 3 0

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2.1 EKHR Apprenticeships – Substantial/Reasonable Assurance

2.1.1 Audit Scope

To ensure that the processes and procedures established by EKHR and the partner councils are sufficient to provide the level of control required to be in place regarding apprenticeships and training for partner councils. Especially concerning the administration of the apprenticeship levy that is required to be paid by the partner councils.

2.1.2 Summary of Findings

Since May 2017 all three Councils plus East Kent Housing have had to pay 0.5% of their monthly gross wage bill towards a new HMRC administered Apprenticeship Levy each month. The scheme has been introduced by the Government in an attempt to increase the number of apprenticeships in England by 3 million by 2020. HMRC collects the levy from large organisations, adds some government funding and then distributes the funds back to all organisations based on a formula which is made available to use solely on specific types of apprenticeship training. If the funds are not used within two years then the Government claws it back. As a consequence each Council has put in place an Apprenticeship Strategy or Apprenticeship Plan outlining what each Council intends to do in order to utilise the funds and meet Government targets. The Government have set a target of 2.3% of each Council's workforce to be apprentices by 2020. Performance figures have to be submitted to HMRC annually.

Dover District Council

Dover's apprenticeship target set in 2017 was to employ 18 apprentices by March 2020 in order to meet the 2.3% target set by the Government. As at August 2018 the Council had employed seven apprentices and was in the process of securing another eight in September 2018. The Council is therefore on target to meet the 2.3% target. The Council has contributed £42,285 towards the levy since May 2017 and has an apprenticeship levy balance of £39,874 available to utilise (at July 2018).

Canterbury City Council

Due to the size of the authority Canterbury's apprenticeship target set in 2017 was to employ 32 apprentices by March 2020 in order to meet the 2.3% target set by the Government. As at August 2018 the Council had employed one apprentice but was planning to enrol 12 existing staff members on ILM training from September 2018. If the Council achieves this, the Council will be 11 apprentices short of its apprenticeship target by the end of this financial year; however the transfer of the Marlowe to Trust will reduce the apprenticeship target. The Council has contributed £70,960 towards the levy since May 2017 and has an apprenticeship levy balance of £76,376 available to utilise (at July 2018).

Thanet District Council

Thanet's apprenticeship target was not specified in its Apprenticeship Strategy. EKHR have calculated that Thanet will need to have appointed approximately 38 apprentices by March 2020 in order to meet the 2.3% target set by the Government. However, the number of apprentices the Council need to appoint has reduced this year due to the TUPE transfer of staff from EK Services over to Civica. As at August 2018 the Council had employed one apprentice but was planning to enrol five new

apprentices in September based on a combination of appointing new apprenticeships and setting up eligible training for existing staff members. The Council therefore will need to appoint a further 32 apprentices by March 2020. The Council has contributed £90,262 towards the levy since May 2017 and has an apprenticeship levy balance of £97,383 available to utilise (at July 2018).

Management can place Substantial Assurance on the controls operating with EKHR and at Dover District Council and Reasonable Assurance on the controls in place at Canterbury City Council and Thanet District Council.

The primary findings giving rise to the Substantial and Reasonable Assurance opinions in this area are as follows:

- The governance arrangements put in place at Dover District Council to encourage and drive the uptake of apprenticeships are at a high enough level to ensure successful and sustainable outcomes;
- The EKHR Apprenticeships Policy and the roles and responsibilities contained within the policy are well documented;
- Payroll processes and manual checks undertaken within EKHR and by each of the councils are ensuring apprenticeship levy payments made monthly to HMRC are accurate, well documented and authorised; and
- All apprenticeships in place were supported by sufficient and secure documentation and the contractual arrangements in place were sufficient.

Scope for improvement was however identified in the following areas:

- Thanet District Council and Canterbury City Council need to re-visit their strategies and governance arrangements in place to ensure progress is sufficient to meet the Government apprenticeship target and to ensure Heads of Service (and EK Services) are actively encouraged to adopt more apprentices;
- There is a high probability that from May 2019 Canterbury and Thanet councils will not meet their apprenticeship targets that the Government will start to claw back significant levy funds each month currently available to each Council;
- All of the councils should report back quarterly at CMT level on the number of apprenticeships in place against the target and report to CMT on the funds available in the levy in order to ensure apprenticeships are being monitored.

2.2 EKS ICT Procurement & Disposal – Reasonable Assurance

2.2.1 Audit Scope

To ensure that the procedures and internal controls established by EK Services are sufficient to provide an effective, efficient, secure and economical ICT service to the three partner authorities of Canterbury CC, Dover DC and Thanet DC. An important aspect of this being to ensure that the controls over the administration of the procurement and the disposal of ICT equipment are robust.

2.2.2 Summary of Findings

EKS delivers ICT Services to the three partner Councils. Under this collaborative agreement EKS are tasked with obtaining quotes for procuring, supplying and installing ICT and telephone equipment and software whilst maintaining value for money and complying with Financial Procedure Rules and Contract Standing Orders.

EKS are also responsible for disposing of redundant equipment in a manner consistent with all statutory requirements such as data protection and waste disposal regulation; and certifying the removal or destruction of data from such equipment.

Sanitisation is the process of treating data held on storage media to reduce the likelihood of retrieval and reconstruction to an acceptable level. Some forms of sanitisation will allow you to re-use the media, while others are destructive in nature and render the media unusable.

There are a number of circumstances in which an organisation would want to sanitise storage media, for re-use, repair or disposal and destruction. In these cases the media, and therefore the authorities' data, may be outside its normal operating environment and is therefore subject to greater risk from a different set of users and from third parties.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- Roles and responsibilities for the procurement and disposal of ICT equipment are set out in the service level agreements.
- Clear instructions have been given to staff purchasing ICT equipment on behalf of the partner Councils.
- Procurement processes in place manage compliance with Contract Standing Orders.
- Hard drives are being appropriately wiped; although there is a backlog that requires sanitisation and these are being held securely.

Scope for improvement was however identified in the following areas:

- The asset management trail for ICT equipment has been protracted which has resulted in inconsistencies in asset management records as it was separated across two systems. Now that the asset register has been transferred to the current service desk system on which is also the purchasing module these inconsistencies should be addressed.
- All new assets purchased should be traceable from purchase through to asset registration and disposal, and the queries regarding new assets raised as part of this review should be resolved.
- Controls over removable media should be reviewed to ensure it takes into account new requirements under the GDPR.

2.3 EKS Housing Benefit Discretionary Housing Payments – Reasonable Assurance

2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to provide additional financial assistance to claimants who are already receiving Housing Benefit, and who are experiencing particular financial hardship with regard to paying the shortfall of housing rent by the evaluation of, and then approval or rejection of applications.

2.3.2 Summary of Findings

Discretionary Housing Payments (DHPs) are temporary top-up payments to assist people who have additional housing costs which are not being met by Housing Benefit or Universal Credit (UC) housing cost entitlement. The DHP fund is a limited amount determined and provided each year by Central Government (DWP).

The budget is closely monitored on a weekly basis by Civica as the councils may wish to fund any shortfall or take alternative action. Legislation limits this additional funding to 2.5 x the central government budget. DDC does not generally allocate any extra funds, unless very slightly overspent ?. ? TDC has also part funded the scheme in 2017/18. None of the councils have earmarked funds for DHP in 2018/19; however TDC has recently taken control of a large part (£275k) of the budget to target homelessness reduction and prevention.

The Civica benefits team currently has a target time of 20 working days to process a DHP claim; a new target time of 14 working days has been proposed in a revised DHP policy which is currently being discussed with the client authorities. Actual time taken is recorded on a spreadsheet and may be used in personal performance appraisals; however there is no requirement to report this performance to the client.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- Discretionary Housing Payments are made in accordance with the joint councils' policy and government guidance.
- The policy is reviewed annually and publicised on all council websites, except Canterbury.
- The same DHP application forms are available on all council websites.
- The budget is closely monitored on a weekly basis by Civica.
- Fifteen DHP applications were reviewed from 2017/18 and in the majority of cases; the reason and basis for the decision could be followed.
- Information about appeals is stored securely within the customer's record on CivicaW2/CivcaOR.

Scope for improvement was however identified in the following areas:

- More detailed information about the basis of the award decision and calculation method should be provided to the customer and saved in one place e.g. CivicaW2.
- Introducing a guide to 'expected household expenses' may offer more consistency when assessing DHP awards.
- Councils and Civica should ensure there is an agreed and published document retention schedule for services provided by Civica on behalf of the councils.

2.4 White Cliffs Countryside Partnership & Up on the Downs Landscape Scheme – Reasonable Assurance

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established in respect of the White Cliffs Countryside and the Up on the Downs Partnerships.

2.4.2 Summary of Findings

Up on the Downs Landscape Partnership Scheme

Up on the Downs was initially a £2.5 million four year Heritage Lottery funded project based in south-east Kent making a significant difference by working with local communities and partners to conserve and celebrate both the natural and built heritage in the scheme area.

A positive draft final evaluation report has been produced by the Countryside Training Partnership to review the “Up on the Downs” objectives and achievements over the last 10 years and also the legacy arrangements going forward that will be subject to partner funding.

White Cliffs Countryside Partnership

The WCCP was launched in 1989 and has evolved over the years to carry out long term management of land across Dover, and Folkestone & Hythe districts. Going forward the function and objectives of the WCCP will be determined by the levels of funding that it is able to secure from partner organisations and grant facilities that it may be able to bid for in the future.

Management can place Reasonable Assurance on the system of internal controls in operation. However there is the need to review working practices to ensure that they are being delivered in an efficient and cost effective manner. This is being driven forward by the Natural Environments Manager who has recently taken over the running of this service.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- The WCCP puts on around 400 events for all ages across the districts each year to support its objectives of making wildlife and landscape accessible to everyone.
- Regular reporting to the steering group is undertaken in respect of the projects that are being carried out.
- Back office functions are in place that include income processing and reconciliation routines but there is now the opportunity to review the processes and make them efficient and remove the need for keeping paper records.

Scope for improvement was however identified in the following areas:

- The Natural Environments Manager has inherited ongoing issues with putting in place a revised partnership agreement and a memorandum of understanding (these issues were highlighted during the last audit in 2014). They are also developing a new business plan to help move the partnership forward and evolve over the next five to 10 years as well as obtaining sufficient funding to deliver expected service requirements.
- Staff should to be reminded about the requirement to fully complete documentation for events, volunteer sessions and guided walks.
- The back office functions need to be reviewed to remove duplicate handling of paperwork and to embrace the use of technology to assist them in the day to day processes.
- Once the data retention schedule has been revised and agreed then an exercise needs to be carried out to dispose of any documentation and records that are

outside of the retention period and then regular exercises should be timetabled to keep this up to date. (i.e. over 20 years of event paperwork)

- Volunteers that are handling data on behalf of the WCCP need to be trained on GDPR requirements to ensure that are complying with them.
- A local firm of printers are used for the printing of leaflets and brochures and have been for several years so there is the need to ensure that by continuing to use them the WCCP is complying with contract standing orders and financial procedure rules. This also gives the opportunity to look at how the advertising of events is carried out and if it is still reaching its target market or if other ways of advertising could be used.

2.5 Project Management – Reasonable Assurance

2.5.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council adopts best practice in the identification, evaluation and cost effective control of project risks to ensure that all projects are delivered on time, on budget and that all relevant project objectives are achieved

2.5.2 Summary of Findings

Project management is the discipline of initiating, planning, executing, controlling, and closing the work of a team to achieve specific goals and meet specific success criteria. A project is a temporary endeavour designed to produce a unique product, service or result with a defined beginning and end undertaken to meet unique goals and objectives, typically to bring about beneficial change or added value. The temporary nature of projects stands in contrast with business as usual, which are repetitive, permanent, or semi-permanent functional activities to produce products or services. In practice, the management of these two systems is often quite different, and as such requires the development of distinct technical skills and management strategies.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- Overall, the Council has a reasonably good track record of delivering projects on time, within budget and ensuring that all relevant project objectives are achieved.
- The Council has a clear 'Guide to Project Management for Dover District Council' which was approved by CMT and is available to staff on the intranet, together with the following templates: Project brief; Milestone log; and Risk log.
- The '*Guide to Project Management for Dover District Council*' provides guidance on what a project is, whether or not the guide should be followed for 'small' projects and the steps to be taken when undertaking a project.
- The Guide and associated templates are easy to locate on the Council intranet, and is therefore considered to have been adequately communicated to staff.
- CMT is the management board responsible for the approval, monitoring and management of all projects and receives updates approximately every two months.

- These updates provide reasonable notification to CMT of any delays, overspends, non-achievement of milestones, or additional (previously unforeseen) risks on individual projects.
- The Council maintains appropriate databases of all projects.

Scope for improvement , was identified in the following areas:

- Whilst there is approved documentation which should be used for each project (i.e. templates for project applications, update reporting, risk logs, post implementation review etc.) compliance testing of a sample of projects failed to find this documentation in place for some of the projects examined.
- There was inadequate evidence that all relevant projects are formally authorised by the management board following the submission of a detailed business case for some of the sample examined.
- Some of the links within the 'Guide to Project Management for Dover District Council' to supporting documents/templates (e.g. the costs spreadsheet and the feasibility study) do not work.

2.6 EKS Public Sector Network Compliance – An assurance is not applicable for this work

2.6.1 Audit Scope

This review is to provide options regarding the risks and costs associated with complying with the PSN requirements for June 2018.

2.6.2 Summary of Findings

The Public Services Network (PSN) is a secure private Wide-Area Network (WAN) which enables secure interactions between connected Local Authorities and organisations that sit on the pan-government secure network infrastructure. Government requirements are designed to defend against common threats such as opportunistic hackers and abuses of business processes, while remaining proportionate and aligned with wider business goals.

Canterbury City Council, Dover and Thanet District Councils are local authorities that have to connect to the PSN so that they can receive benefits data from the DWP, GCSX email, DVLA information, Justice information and Police data for various business units.

Scope for improvement was identified in the following areas:

- Patch management of third party software is the biggest issue that needs to be addressed to enable the authorities to be PSN compliant.
- EK Services, who are responsible for delivering ICT services to the authorities, need to engage at a senior level to ensure that the councils are aware of the patch management risks and issues and the priority within the day to day services that they need to be given.
- The service level agreements do not currently reflect the relevant priority of patch management work sufficiently. This also raises a new risk since the relationship with Civica has been established.

2.7 Private Sector Housing & HMO Licensing – Limited Assurance:

2.7.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council works with landlords and tenants to ensure the legal standards for housing are met.

2.7.2 Summary of Findings

Legislation (The Housing Act 2004) is in place to ensure that houses in multiple occupancy comply with prescribed standards and that the tenants have decent living conditions. The Council has powers to act on landlords that fail to comply with the legislation. Revised legislation is coming into effect from 1st October 2018 that will ensure even higher standards of living conditions for tenants both within the building and also externally. There are currently forty-five licenced HMOs within the district.

The primary findings giving rise to the Limited Assurance opinion in this area are as follows:

- The M3 system isn't being fully utilised and holds incomplete records when compared to the paper records for each HMO license. In the near future the Uniform system is to replace M3 and if the data was moved across to it now it would not be accurate or up to date.
- The paper register and website list for HMO's are not up to date and do not show the same information. In addition there are inconsistencies between both of these and the M3 system.
- There were inconsistencies in the license fees that have been approved and that are being shown on the Council website for 2018/19. (Management have now confirmed that they have addressed these issues following discussions with Accountancy.)
- A review of working practices across the whole of Private Sector Housing should be carried out to ensure that future processes being carried out are smarter, efficient and timely and also ensure that senior officers are able to carry out their duties without being burdened with unnecessary administration. Fully utilising the M3 system (and the Uniform system at some point in the future) for diary dates for actions and requests (i.e. for inspections, gas safety certificates, reminders that current licenses are due to expire) etc. would assist in a smarter way of working.
- Succession planning needs to be considered for the Private Sector Housing function. Currently the team are struggling to deliver the day to day functions. Conditions are put on a license to rectify issues that impact on the living conditions of those living in the property; they will have an expected time frame for completion and then an inspection should be carried out to sign off the works as they have been completed. This is an area of weakness as follow up inspections are not being carried out and having reviewed a sample of paper files and the M3 records there is a lack of information on M3 in respect of supporting documentation for each license and the other annual documentation that has to be provided by the license holder as part of the license conditions.

Effective control was however evidenced in the following areas:

- When applications for HMO's are received there are processes that are followed to ensure that they are being consistently applied in accordance with legislation.

Although the processes could be revised for smarter and more efficient ways of working.

- All premises are visited prior to the HMO license being issued for each property.
- The guidance information available on the Council's website regarding HMO's is comprehensive and links to government guidance. It should be noted that the application forms are in the process of being revised and updated to reflect changes in the legislation from 1st October 2018.
- When issues arise in respect of sub standard properties officers have the knowledge to be able to deal with these in a timely manor.

Management Response

There are 48 licenced HMO's with another two pending applications. The only paper records held are the actual applications as this generates a lot of paperwork including plans.

Generally there is no inconsistency between the paper register and list of HMO's on the web. However there was one record on the register which had not been removed and one on the web list which had not been removed. All other records are held on M3. In future all applications are being scanned in and put on M3.

The Licence fees issue was caused by a minor error in the Fees and Charges report received annually by Cabinet. It will be amended for the 2019/20 report.

2.8 East Kent Housing; Contract Management – Limited Assurance

- 2.8.1 This item is restricted and not for publication by reason that it contains information which is exempt by virtue of the provisions of Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972. Information relating to financial or business affairs of any particular person (including the Authority holding the information); financial or business affairs includes contemplated as well as current activities. To be discussed after the exclusion of the press and public.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

- 3.1 As part of the period's work, four follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations previously made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. Those completed during the period under review are shown in the following table.

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
a)	Phones, Mobiles and Utilities	Substantial/ Reasonable	Substantial/ Reasonable	C	0	C	0
				H	0	H	0
				M	3	M	0
				L	1	L	0
b)	Licensing	Reasonable	Substantial	C	0	C	0
				H	1	H	0
				M	2	M	0

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
				L	0	L	0
c)	East Kent Housing – Safeguarding Children & Vulnerable Groups	Reasonable /Limited	Reasonable	C	0	C	0
				H	4	H	0
				M	0	M	0
				L	0	L	0
d)	East Kent Housing – Complaints Monitoring	Reasonable	Reasonable	C	0	C	0
				H	2	H	0
				M	2	M	1
				L	3	L	0

- 3.2 Details of each of the individual high priority recommendations outstanding after follow-up are included at Annex 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 Officer and Members of the Governance Committee.

The purpose of escalating outstanding high-risk matters is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

4.0 WORK-IN-PROGRESS:

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: ICT PSN review, Council Tax Reduction Scheme, VAT, Bank Rec and Capital, ICT Procurement & Disposals, and Building Control.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2018-19 Audit plan was agreed by Members at the meeting of this Committee on 8th April 2018.
- 5.2 The Head of the Audit Partnership meets on a quarterly basis with the Section 151 Officer to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments have been made to the plan during the course of the year as some high profile projects or high-risk areas have been requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Annex 3.

6.0 FRAUD AND CORRUPTION:

- 6.1 There were no other new or recently reported instances of suspected fraud or irregularity that required either additional audit resources or which warranted a revision of the audit plan at this point in time.

7.0 INTERNAL AUDIT PERFORMANCE

- 7.1 For the six month period to 30th September 2018, 114.99 chargeable days were delivered against the revised target of 242.89, which equates to 47.34% plan completion.
- 7.2 The financial performance of the EKAP is currently on target at the present time.
- 7.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has improved on the range of performance indicators it records and measures.
- 7.4 The EKAP introduced an electronic client satisfaction questionnaire, which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service. Current feedback arising from the customer satisfaction surveys is featured in the Balanced Scorecard attached as Annex 4.

Attachments

- Annex 1 Summary of High priority recommendations outstanding after follow-up.
- Annex 2 Summary of services with Limited / No Assurances
- Annex 3 Progress to 30th September 2018 against the agreed 2018/19 Audit Plan.
- Annex 4 Balanced Scorecard of performance indicators to 30th September 2018.
- Annex 5 Assurance statements

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<i>None this Quarter</i>		

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED			
Service	Reported to Committee	Level of Assurance	Follow-up Action Due
Inward Investment	December 2017	Reasonable/Limited	Work-in-Progress
Homelessness	September 2018	Substantial/Limited	Spring 2019
Private Sector Housing & HMO Licensing	December 2018	Limited	Spring 2019

PROGRESS AGAINST THE AGREED 2018-19 AUDIT PLAN.

DOVER DISTRICT COUNCIL:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2018	Status and Assurance Level
FINANCIAL SYSTEMS:				
Capital	10	10	0.24	Work-in-progress
Bank Reconciliation	5	5	0.24	Work-in-progress
VAT	10	10	2.86	Work-in-progress
RESIDUAL HOUSING SYSTEMS:				
Homelessness	10	20	18.19	Finalised – Substantial/Limited
Housing Allocations	10	0	0	Budget used for the Homelessness review
GOVERNANCE RELATED:				
GDPR, FOI and Information Management	15	15	0.31	Work-in-progress
Anti-Fraud & Corruption Assurance Mapping	10	10	2.16	Work-in-progress
Complaints Monitoring	10	10	0	Quarter 4
Risk Management	10	10	0	Quarter 4
Corporate Advice/CMT	2	2	3.5	Work-in-progress throughout 2018-19
s.151 Meetings and support	9	9	6.11	Work-in-progress throughout 2018-19
Governance Committee Meetings and Reports	12	12	7.18	Work-in-progress throughout 2018-19
2019-20 Audit Plan Preparation and Meetings	9	9	0.89	Quarter 4
SERVICE LEVEL:				
Safeguarding Children & Vulnerable Adults	10	10	0	Quarter 3
Private Sector Housing & HMO Licensing	10	10	15.70	Finalised - Limited

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2018	Status and Assurance Level
Food Safety	10	10	0.35	Quarter 4
Pest Control	10	0	0.18	Postponed to accommodate b/fwd work
Events Management	10	0	0	Postponed to accommodate b/fwd work
Local Plan, MTFP and Corporate Plan	10	0	0	Postponed to accommodate b/fwd work
Building Control	12	12	0.18	Work-in-progress
Uniform iDox – Post Implementation Review	13	13	0.22	Work-in-progress
White Cliffs Countryside & Up on the Downs	12	12	9	Finalised - Reasonable
Waste Management & Street Cleansing	15	15	0.22	Work-in-progress
OTHER				
Liaison with External Auditors	1	1	0.07	Work-in-progress throughout 2018-19
Follow-up Work	15	15	13.94	Work-in-progress throughout 2018-19
FINALISATION OF 2017-18- AUDITS				
Car Parking & PCNs	5	30	0.44	Finalised - Reasonable
Creditors & CIS			9.86	Finalised - Reasonable
Licensing			1.72	Finalised - Reasonable
Income			8.92	Finalised – Substantial/Reasonable
Project Management			3.45	Finalised - Reasonable
Grounds Maintenance			8.79	Finalised - Reasonable
Coastal Management				
Days over delivered in 2017-18	0	-7.11	0	Completed
TOTAL	255	242.89	114.99	47.34% as at 30th September 2018

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2018	Status and Assurance Level
Planned Work:				
CMT/Audit Sub Ctte/EA Liaison	4	4	2.22	Work-in-progress throughout 2018-19
Follow-up Reviews	4	4	4.71	Work-in-progress throughout 2018-19
Repairs & Maintenance	30	30	0.27	Quarter 3
Void Property Management	20	20		Quarter 3
Tenant Health & Safety	20	20	0	Quarter 4
Contract Monitoring	17	17	26.50	Finalised - Limited
Performance Management	15	15	2.05	Work-in-progress
Welfare Reform	10	10	0.18	Quarter 3
Resident Involvement	10	10	0.18	Quarter 3
Service Level Agreements	10	10	0	Quarter 4
Finalisation of 2017-18 Work-in-Progress:				
Days under delivered in 2017-18	0	10.94	0	Allocated
Complaints Monitoring	0	0	0.36	Work-in-progress
GDPR & Information Mngmt.	0	0	4.14	Finalised - Reasonable
Leasehold Services	0	0	1.15	Finalised – Reasonable
Tenancy & RTB Fraud Prevention	0	0	14.05	Work-in-Progress
Property Services Action Plan	0	0	8.14	Finalised - Reasonable
Responsive Assurance Work:				
Contract Management supplementary work	0	0	4.74	Finalised
Single System Planned Maintenance Module	0	0	0.18	Finalised
Total	140	150.94	68.87	45.63% as at 30-09-2018

EKS, EKHR & CIVICA:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2018	Status and Assurance Level
EKS & Civica Reviews:				
Housing Benefits Assessment	15	15	0.18	Quarter 3
Housing Benefit Testing	15	15	7.20	Quarter 3
Housing Benefits – DHPs	15	15	16.14	Finalised - Reasonable
Debtor Accounts	20	20	0.34	Quarter 3
ICT – Network Security	15	10	0.32	Quarter 4
ICT – PSN Review	0	5	16.11	Finalised – N/A
ICT – PCI-DSS Compliance	15	15	0	Quarter 4
KPIs	5	5	0.10	Quarter 4
EKHR Reviews:				
Payroll	15	15	0	Quarter 4
Apprenticeships	15	15	15.53	Finalised - Reasonable
Absence Management	15	15	0.19	Quarter 3
Other:				
Corporate/Committee	8	8	3.85	Work-in-progress throughout 2018-19
Follow up	7	7	4.18	Work-in-progress throughout 2018-19
Days under delivered in 2017-18	0	47.79		Allocated as below
Finalisation of 2017/18 Audits:				
Housing Benefit Testing			6.82	Finalised – N/A
Payroll			4.96	Finalised - Substantial
Employee Allowances & Expenses			1.28	Finalised - Reasonable
ICT – Procurement & Disposal			14.92	Finalised - Reasonable
Council Tax Reduction Scheme			9.92	Finalised - Substantial
Total	160	207.79	102.03	49% at 30-09-2018

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Original Budget</u>
	Quarter 2		Reported Annually		
Chargeable as % of available days	87%	80%	<ul style="list-style-type: none"> • Cost per Audit Day 	£	£300.38
Chargeable days as % of planned days			<ul style="list-style-type: none"> • Direct Costs 	£	£385,970
CCC	48%	50%	<ul style="list-style-type: none"> • + Indirect Costs (Recharges from Host) 	£	£10,530
DDC	47%	50%	<ul style="list-style-type: none"> • - 'Unplanned Income' 	£	Zero
F&HDC	41%	50%	<ul style="list-style-type: none"> • = Net EKAP cost (all Partners) 	£	£396,500
TDC	44%	50%	<ul style="list-style-type: none"> • Saving Target (10% of 2016-17) 	£34,620	10%
EKS	49%	50%			
EKH	46%	50%			
Overall	45%	50%			
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> • Issued 	30	-			
<ul style="list-style-type: none"> • Not yet due 	20	-			
<ul style="list-style-type: none"> • Now due for Follow Up 	30	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Target</u>
	Quarter 2				
Number of Satisfaction Questionnaires Issued;	29		Percentage of staff qualified to relevant technician level	76%	75%
Number of completed questionnaires received back;	8 (ICT Issue in Q1) = 15%		Percentage of staff holding a relevant higher level qualification	37%	38%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	14%	N/A
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Good' or better • That the audit was worthwhile. 	100%	100%	Number of days technical training per FTE	1.03	3.5
	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	37%	38%
	100%	100%			

Definition of Audit Assurance Statements & Recommendation Priorities

Assurance Statements:

Substantial Assurance - From the testing completed during this review a sound system of control is currently being managed and achieved. All of the necessary, key controls of the system are in place. Any errors found were minor and not indicative of system faults. These may however result in a negligible level of risk to the achievement of the system objectives.

Reasonable Assurance - From the testing completed during this review most of the necessary controls of the system in place are managed and achieved. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Scope for improvement has been identified, strengthening existing controls or recommending new controls.

Limited Assurance - From the testing completed during this review some of the necessary controls of the system are in place, managed and achieved. There is evidence of significant errors or non-compliance with many key controls not operating as intended resulting in a risk to the achievement of the system objectives. Scope for improvement has been identified, improving existing controls or recommending new controls.

No Assurance - From the testing completed during this review a substantial number of the necessary key controls of the system have been identified as absent or weak. There is evidence of substantial errors or non-compliance with many key controls leaving the system open to fundamental error or abuse. The requirement for urgent improvement has been identified, to improve existing controls or new controls should be introduced to reduce the critical risk.

Priority of Recommendations Definitions:

Critical – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation’s ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

High – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

Medium – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

Low – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.

Subject:	TREASURY MANAGEMENT QUARTER 2 REPORT 2018/19
Meeting and Date:	Governance – 13 December 2018 Cabinet – 4 January 2019 Council – 30 January 2019
Report of:	Mike Davis – Director of Finance, Housing & Community
Portfolio Holder:	Councillor Mike Connolly – Portfolio Holder for Corporate Resources and Performance
Decision Type:	Non-Key Decision
Classification:	Unrestricted

Purpose of the report: To provide details of the Council's treasury management for the quarter ended 30 September 2018 (Q2) and an update of activity to date.

Recommendation: That the report is received.

1. Summary

- 1.1 The Council's investment return for the period to September was 2.02% (annualised), which outperformed the benchmark¹ by 1.28%. Interest and dividends income achieved for the period was £548k; the year-to-date (YTD) budget is £500k. The Council's projected investment return for 2018/19 is £1,173k, which is £174k better than the original budget estimate of £999k. This improvement is due to additional funds being invested in pooled investment funds, as detailed below.
- 1.2 The Council has remained within its Treasury Management guidelines and has complied with the Prudential Code guidelines during the period.

2. Introduction and Background

- 2.1 CIPFA (the Chartered Institute of Public Finance and Accountancy) issued the revised Code of Practice for Treasury Management in November 2011; it recommends that members should be updated on treasury management activities at least twice a year, but preferably quarterly. This report therefore ensures this council is implementing best practice in accordance with the Code.
- 2.2 Council adopted the 2018/19 Treasury Management Strategy (TMS) on 7th March 2018 as part of the 2018/19 Budget and Medium Term Financial Plan.
- 2.3 In order to comply with the CIPFA code referred to above, a brief summary is provided below and Appendix 1 contains a full report from the Council's Treasury Management Advisors, Arlingclose.

¹ The "benchmark" is the interest rate against which performance is assessed. DDC use the 3 month London Inter-Bank Bid Rate or LIBID, as its benchmark, which was 0.74 at the end of the quarter.

- 2.4 Members are asked to note that in order to minimise the resource requirements in producing this report, Arlingclose's report has been taken verbatim. Treasury advisors generally use a more journalistic style than is used by our officers, but in order to avoid changing the meaning or sense of Arlingclose's work, this has not been edited out.

3. **Economic Background**

- 3.1 The report attached (Appendix 1) contains information up to the end of September 2018; since then we have received the following update from Arlingclose (in italics). Please note that any of their references to quarters are based on *calendar years*:

“Main points since September:

- i. Brexit: UK and EU have agreed the Withdrawal Agreement, which is legally binding, on separation issues and the financial settlement. On 12th December UK MPs will vote on the deal. Uncertainty remains given continuing opposition to the proposed deal.*
- ii. UK GDP: Q3 GDP (July to September) was estimated at 0.6%, the strongest quarterly growth since Q4 2016. This was driven by a strong summer, particularly July, but some signs of weakness emerged for September. Longer-term economic growth remained subdued.*
- iii. Inflation: CPIH 2.2% and CPI 2.4% in October, both the same as in September.*
- iv. Labour market: Unemployment rose slightly to 4.1%. Wage growth increased to 3.2%, the fastest pace since 2008, suggesting upward pressure on domestic inflation.*
- v. Bank of England: MPC voted to keep Bank Rate at 0.75% in November. The Inflation Report hinted that the pace of further rate rises would need to be increased if Brexit goes smoothly. Growth forecasts were downgraded for 2018 and 2019.*
- vi. Financial market volatility continued – concerns on trade wars, increases in US interest rates and weakening global growth among the drivers.”*

4. **Annual Investment Strategy**

- 4.1 The investment portfolio, as at the end of September 2018, is attached at Appendix 2. Total balances held for investment and cash-flow purposes were £50.3m, decreasing to £49.8m at the end of October (see Appendix 4). The decrease reflects normal cash-flow fluctuations arising from the timing of 'major preceptor' payments, which are made over twelve months, while the Council Tax receipts that fund them typically come in over the ten months to January and then decline. Additionally, a further PWLB loan instalment was paid at the end of September 2018 of £2.35m.
- 4.2 As at 30 September 2018, the Council's investment portfolio totalled £48m (see Appendix 2). Cashflow funds were lower than anticipated (£2.3m at 30 September 2018) as £8m was invested in the CCLA Diversified Income Fund and a further £4m was invested in the Investec Diversified Income Fund during the quarter. It is proposed that the additional income generated from these additional investments is transferred to the Special Projects reserve to support future funding for projects.
- 4.3 Cashflow funds have since decreased slightly (to £1.8m at 31 October 2018) due to normal cashflow fluctuations. Short term borrowing will be used to cover fluctuations in the cash flow requirements as required, instead of holding excess funds in call accounts.

5. **New Borrowing**

- 5.1 As at 30 September 2018 the Council did not anticipate rescheduling any of its long term debt. However, since that time, the Council received notification that KA Finanz were proposing to sell their LOBO (Lender Option Borrower Option) loan portfolio, and the Council was invited to submit a bid to repurchase its £3m LOBO from them. The LOBO was held at an interest rate of 4.75% and had 25 years remaining on the loan. An assessment of the long term costs of the LOBO compared to alternative borrowing options was undertaken and a bid of £3.6m was submitted to the auction process. This bid was successful and work is underway to complete the transaction.
- 5.2 The refinancing of the LOBO will be initially financed from DDC cashflow. It is not proposed to undertake new long term borrowing to offset this at this time. However, short term borrowing may be undertaken to cover any shortfalls in cashflow.
- 5.3 The Council's borrowing portfolio is attached at Appendix 3. A £3 million short term loan was taken out with Bristol City Council on the 27 September 2018 to cover a temporary short fall in cash flow monies. This was repaid on the 31 October 2018.

6. **Debt Rescheduling**

- 6.1 At this time it is not of benefit to the Council to consider any further rescheduling of its long-term debt.

7. **IFRS Statutory Override**

- 7.1 IFRS 9 requires certain investments to be accounted for at fair value through profit and loss, which would potentially have introduced "more income statement volatility" that could have impacted on budget calculations. Basically, movements in the fair value would have impacted the CIES and result for the year, even where investments were being held for the long-term, such that expected 'buy-in' costs for pooled funds (including impact of stamp duty for property funds) and other short-term fluctuations would have had to be recognised at the balance sheet date, even though there would be no intent to sell them, i.e. these short-term capital losses were unlikely to be realised when eventually sold.
- 7.2 MHCLG consulted on a potential statutory overrides relating to the IFRS 9 Financial Instruments accounting standard from 2018/19, as mentioned in Appendix 1. Following the consultation, MHCLG have decided to implement a statutory override for fair value movements in pooled funds for at least five years until 31st March 2023. This enables the ring-fencing of £2m in the Dover Regeneration & Economic Development reserve to cover such fluctuations to be removed, releasing the funds and making them available for future projects.

8. **Compliance with Treasury and Prudential Limits**

- 8.1 The Council has operated within the Prudential Indicators in compliance with the Council's Treasury Management Practices.

9. **Corporate Implications**

- 9.1 Comment from the Section 151 Officer: Finance have produced this report and have no further comments to add. (DL)

9.2 Comment from the Solicitor to the Council: The Head of Legal Services has been consulted during the preparation of this report and has no further comment to make.

9.3 Comment from the Equalities Officer: This report does not specifically highlight any equality implications, however in discharging their duties members are reminded to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>

10. **Appendices**

Appendix 1 – Arlingclose treasury management report for quarter two

Appendix 2 – Investment portfolio as at 30 September 2018

Appendix 3 – Borrowing portfolio as at 30 September 2018

Appendix 4 – Investment portfolio as at 31 October 2018

11. **Background Papers**

Medium Term Financial Plan 2018/19 – 2021/22

Contact Officer: Stuart Groom, extension 42072

Treasury Management Report Q2 2018/19

Introduction

In March 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.

The Authority's treasury management strategy for 2018/19 was approved at a meeting on 7 March 2018. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Authority's treasury management strategy.

Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management Code of Practice but has yet to publish the local authority specific Guidance Notes to the latter. In England MHCLG published its revised Investment Guidance which came into effect from April 2018.

The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority will be producing its Capital Strategy later in 2018-19 for approval by full Council.

External Context

Economic background: Oil prices rose by 23% over the six months to around \$82/barrel. UK Consumer Price Inflation (CPI) for August rose to 2.7% year/year, above the consensus forecast and that of the Bank of England's in its August *Inflation Report*, as the effects of sterling's large depreciation in 2016 began to fade. The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 2.9% providing some evidence that a shortage of workers is providing support to wages. However, real wages (i.e. adjusted for inflation) grew only by 0.2%, a marginal increase unlikely to have had much effect on households.

The rebound in quarterly GDP growth in Q2 to 0.4% appeared to overturn the weakness in Q1 which was largely due to weather-related factors. However, the detail showed much of Q2 GDP growth was attributed to an increase in inventories. Year/year GDP growth at 1.2% also remains below trend. The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%.

Having raised rates in March, the US Federal Reserve again increased its target range of official interest rates in each of June and September by 0.25% to the current 2%-2.25%. Markets now expect one further rise in 2018.

The escalating trade war between the US and China as tariffs announced by the Trump administration appeared to become an entrenched dispute, damaging not just to China but also other Asian economies in the supply chain. The fallout, combined with tighter monetary policy, risks contributing to a slowdown in global economic activity and growth in 2019.

The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.

Financial markets: Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the net change in gilt yields was small. The 5-year benchmark gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The increase in Bank Rate resulted in higher money markets rates. 1-month, 3-month and 12-month LIBID rates averaged 0.56%, 0.70% and 0.95% respectively over the period.

Credit background: Reflecting its perceived higher risk, the Credit Default Swap (CDS) spread for non-ringfenced bank NatWest Markets plc, rose relatively sharply over the period to around 96bps. The CDS for the ringfenced entity, National Westminster Bank plc, has held steady below 40bps. Although the CDS of other UK banks rose marginally over the period, they continue to remain low compared to historic averages.

The ringfencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc - is complete, the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) is progressing and will need to be completed by the end of 2018.

There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ringfencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&P and to Aa3 from A1 by Moody's.

Our treasury advisor Arlingclose will henceforth provide ratings which are specific to wholesale deposits including certificates of deposit, rather than provide general issuer credit ratings. Non-preferred senior unsecured debt and senior bonds are at higher risk of bail-in than deposit products, either through contractual terms, national law, or resolution authorities' flexibility during bail-in. Arlingclose's creditworthiness advice will continue to include unsecured bank deposits and CDs but not senior unsecured bonds issued by commercial banks.

Local Context

On 31st March 2018, the Authority had net borrowing of £39m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.18 Actual £000
General Fund CFR	42,923
HRA CFR	74,134
Total CFR	117,057
Less: Usable reserves	(66,899)
Less: Working capital	(11,034)
Net borrowing	39,124

The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 30th September 2018 and the change during the period is show in Table 2 below.

Table 2: Treasury Management Summary

	31.3.18 Balance £000	Movement £000	30.9.18 Balance £000	30.9.18 Rate %
Long-term borrowing	83,292		83,292	
Short-term borrowing	2,223	1,897	4,120	
Total borrowing	85,515	1,897	87,412	3.40%
Long-term investments	25,564	12,436	38,000	
Short-term investments	17,410	(7,410)	10,000	
Cash and cash equivalents	3,417	(1,118)	2,299	
Total investments	46,391	3,908	50,299	2.02%
Net borrowing	(39,124)		(37,113)	

After carrying out a review of the Council's long term financial position it was decided to invest an additional £12m into long-term investments during in the quarter, comprising a further £4m in the Investec Diversified Income fund and £8m in the CCLA Diversified Income Fund.

Borrowing Strategy during the period

At 30th September 2018 the Authority held £87.4m of loans, as part of its strategy for funding previous years' capital programmes. This is an increase of £1.9m since 31st March 2018, consisting of a £3m temporary loan for cashflow purposes, less a £1.1m repayment on the 'HRA' PWLB loan. Outstanding loans at 30th September are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.18 Balance £m	Movement £m	30.9.18 Balance £m	30.9.18 Weighted Average Rate %
Public Works Loan Board	82,515	(1,103)	81,412	3.35
Banks (LOBO)	3,000	0	3,000	4.75
Local authorities (short-term)	0	3,000	3,000	0.80
Total borrowing	85,515	1,897	87,412	

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

In keeping with these objectives, no new borrowing for capital financing purposes was undertaken. This strategy enabled the Authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. A short term loan was taken out on the 28th September for one month to cover cash flow fluctuations.

With short-term interest rates remaining much lower than long-term rates, the Authority considered it to be more cost effective in the near term to use short-term loans instead.

As the Authority has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark, which also takes into account usable reserves and working capital.

LOBO loans: The Authority continues to hold £3m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the period.

Treasury Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the six-month period, the Authority's investment balance ranged between £45.9 and £50.3 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.18 Balance £000	Net Movement £000	30.9.18 Balance £000	30.9.18 Rate of Return %
Banks & building societies (unsecured)	383	366	749	0.13
Government (incl. local authorities)	17,410	(7,410)	10,000	0.75
Money Market Funds	3,034	(1,484)	1,550	0.66
Other Pooled Funds:				
- Short-dated bond funds	8,000	0	8,000	0.85
- Strategic bond funds	5,900	100	6,000	4.42
- Property funds	5,744	256	6,000	4.36
- Multi asset income funds	5,920	12,080	18,000	4.07
Total investments	46,391	3,908	50,299	

The balance of the other pooled funds at 31.3.18 includes accounting adjustments of £436k for unrealised losses, which were included at year-end for statutory reporting purposes (and separately reversed out through a non-useable reserve, as permitted). These have been excluded from the balance at 30.9.18, as the pooled funds are longer term investments and no loss is expected by the time of sale. Therefore the Q2 movement on other pooled funds represents the removal of the unrealised losses to restate the funds at book value, as well as an increased investment in the respective funds of £12m.

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

In furtherance of these objectives, and given the increasing risk and falling returns from short-term unsecured bank investments, the Authority has diversified into more secure and higher yielding asset classes. During the quarter a further £12m was invested in longer term investments. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking - Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2018	3.63	AA-	15%	34	-0.23
30.09.2018	4.49	AA-	59%	74	2.15
Similar LAs	4.28	AA-	56%	88	1.41
All LAs	4.38	AA-	60%	37	1.25

*Weighted average maturity

The Authority's £38m of externally managed pooled funds generated an average total return of 1.13%, comprising a 3.89% income return which is used to support services in year, offset by a 2.75% capital loss (which is unrealised and does not affect the Council's budget at this time). Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed. In light of their performance and the Authority's latest cash flow forecasts, investment in these funds has been increased. A further £12m has been placed in multi-asset funds during the quarter. The Investment with the Investec Diversified Income has been increased to £10m (from £6m) and a new multi-asset fund was opened with the CCLA and £8m was deposited on the 20th September.

MHCLG consulted on statutory overrides relating to the IFRS 9 Financial Instruments accounting standard from 2018/19. The consultation recognised that the requirement in IFRS 9 for certain investments to be accounted for as fair value through profit and loss may introduce "more income statement volatility" which may impact on budget calculations. The consultation proposed a time-limited statutory override and sought views whether it should be applied only to pooled property funds. The Authority responded to the consultation which closed on 28th September.

Non-Treasury Investments

The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially to generate a profit.

On 30 November 2016 Council approved the Property Investment Strategy. This approved investing up to £200m in commercial and residential property, either directly or through a property company, primarily in order to increase economic regeneration and also to generate returns.

In March 2017 Cabinet approved the transfer of garages, shops and land from the HRA to the General Fund, the transfer was forecast to deliver circa £286k net income for the General Fund. For the financial year 2017/18 a net income of £295k was achieved, this level is forecast to be exceeded in 2018/19 once the letting of the Aylesham shops is completed.

In September 2017 the purchase of the freehold of the B&Q retail warehouse at White Cliffs Business Park, Dover, was completed as the first acquisition under this initiative. After allowing for annual costs including borrowing (based on PWLB over 40 years) and management, the resulting retained income is forecast to be £268k per annum, a net return of 1.6%.

In December 2017 a second site, Whitfield Court, was purchased. The site is located in the White Cliffs Business Park and the Council want to ensure the long term stability of the area. The site is a multi-let business park comprising 14 office and light industrial units totalling 45,636 sq. ft. After allowing for annual costs including borrowing (based on PWLB over 40 years) and management, the resulting retained income is forecast to be £120k per annum, a net return of 2.65%.

In April 2018 the purchase of the freehold of the former Co-op building, Castle Street, Dover was completed. At that time the site was proposed to be demolished and converted into car parking for the area. In July 2018 Cabinet approved a proposal to bring into temporary use the former Co-op building as a Mean-While space to provide an area to support community activities and to enable entrepreneurs and new businesses to market test their products/services. Options for the long term future of the site continue to be developed by officers for future consideration by Members.

Treasury Performance

The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	Actual £000	Budget £000	Over/ under	Actual %	Benchmark %	Over/ under
Interest Received	1,173	999	174	2.02	0.74	1.28
Interest Payable	2,886	2,884	2	3.40	3.40	0

Compliance

The Chief Finance Officer reports that all treasury management activities undertaken during the quarter complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 8 below.

Table 7: Debt Limits

	H1 Maximum £m	30.9.18 Actual £m	2018/19 Operational Boundary £m	2018/19 Authorised Limit £m	Complied?
Borrowing	87.4	87.4	333	338.5	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Table 8: Investment Limits

	30.9.18 Actual	2018/19 Limit	Complied?
Any single organisation, except the UK Government	£10m	£8m per bank	✓
Any group of organisations under the same ownership	0	£16m per group	✓
Negotiable instruments held in a broker's nominee account	0	£15m	✓
UK Government	0	Unlimited	✓
Unsecured investments with building societies	0	£8m	✓
Pooled Investment Funds	£38m	£10m per fund	✓
Operating bank	£0.7m	£20m	✓
Money Market Funds	£1.5m	£10m per fund	✓

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.9.18 Actual	2018/19 Target	Complied?
Portfolio average credit rating	4.46	6	✓

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing excluding deposits due back < 3 months.

	30.9.18 Actual	2018/19 Target	Complied?
Total cash available within 3 months	£2.3m	£8m	✓

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal was:

	30.9.18 Actual	2018/19 Limit	Complied?
Upper limit on fixed interest rate exposure	£87.4m	£300m	✓
Upper limit on variable interest rate exposure	0	£90m	✓

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	30.9.18 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	£4m	25%	0%	✓
12 months and within 24 months	£3.5m	50%	0%	✓
24 months and within 5 years	£7.5m	50%	0%	✓
5 years and within 10 years	£15m	100%	0%	✓
10 years and above	£57.3m	100%	0%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 365 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2018/19	2019/20	2019/21
Actual principal invested beyond year end	0	0	0
Limit on principal invested beyond year end	£30m	£30m	£30m
Complied?	✓	✓	✓

Outlook for the remainder of 2018/19

Having raised policy rates in August 2018 to 0.75%, the Bank of England's Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon.

The MPC has a definite bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. While policymakers are wary of domestic inflationary pressures over the next two years, it is believed that the MPC members consider both that (a) ultra-low interest rates result in other economic problems, and that (b) higher Bank Rate will be a more effective weapon should downside Brexit risks crystallise and cuts are required.

Arlingclose's central case is for Bank Rate to rise twice in 2019. The risks are weighted to the downside. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Ca:	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Downside risk	0.00	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

The view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.

In-house as at 30/09/18**APPENDIX 2**

Organisation	Type of investment	Current rating	Issue Date	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Options available <i>Duration</i>
<u>In-house Investments - Portfolio:</u>								
Close Brothers	Fixed term deposit		18/07/2018	18/01/2019	0.800	5,000,000	UK - Gov 'A'	184 days
Plymouth City Council	Fixed term deposit		06/09/2018	10/12/2018	0.700	5,000,000	UK - Gov 'A'	95 days
<u>In-house investments - Long Term</u>								
CCLA Property investment Fund			30/06/2017		4.36%	3,000,000	UK - Gov 'AA'	5 Years +
CCLA Property investment Fund			31/07/2017		4.37%	3,000,000	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund			15/12/2017		4.57%	6,000,000	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund			15/12/2017		4.42%	6,000,000	UK - Gov 'AA'	5 Years +
Payden and Rygel			28/02/2018		0.85%	8,000,000	UK - Gov 'AA'	2 Years +
Investec Diversified Income Fund			01/08/2018		4.57%	2,000,000	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund			03/09/2018		4.57%	2,000,000	UK - Gov 'AA'	5 Years +
CCLA Diversified Income Fund			20/09/2018		3.06%	8,000,000	UK - Gov 'AA'	5 Years +
						48,000,000		
Total Portfolio						48,000,000		

Cashflow:**Call Accounts/MMF (as at 30/9/18)**

		Rate
Global Treasury Fund (Goldman Sachs Money Market Fund)	349,106	0.64%
Standard Life Investments (Money Market Fund)	1,201,000	0.67%
Natwest SIBA	709,318	0.15%
Santander	502	0.05%
Bank of Scotland	5,011	0.40%
HSBC Business Acc	0	0.00%
Barclays	34,150	0.00%

Total Cash flow	2,299,086
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Total Portfolio and Cashflow	50,299,086
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Interest Type	Date Loan Taken Out	Date Loan Matures	Repayment Dates	Loan Number	Principal Balance 01-Apr-18	Interest Rate %	Principal To Be Repaid 2018/19	Principal Balance 31-Mar-19	Annual Interest 2018/19	Lender	Type of loan
Fixed	02/10/1997	02/10/2057	APR-OCT	479961	1,000,000	6.75		1,000,000	67,500	PWLB	Principal due on Maturity
Fixed	28/05/1997	28/05/2057	MAY-NOV	479542	2,000,000	7.38		2,000,000	147,500	PWLB	Principal due on Maturity
Fixed	23/08/1946	23/06/2026	JUNE-DEC	131582	379	2.50	45	379	9	PWLB	Equal Instalment of Principal (EIP)
Fixed	27/09/1946	27/06/2026	JUNE-DEC	131583	71	2.50	8	71	2	PWLB	Equal Instalment of Principal (EIP)
Fixed	16/11/2001	30/09/2026	SEPT-MAR	486237	1,000,000	4.75		1,000,000	47,500	PWLB	Principal due on Maturity
Variable	16/12/2002	16/12/2042	JUNE-DEC	N/A	3,000,000	4.75		3,000,000	142,500	KA Finanz AG Bank	Repayable if called by Bank
Fixed	26/03/2012	26/03/2042	SEPT-MAR	499853	78,514,340	3.18	2,222,582	76,291,758	2,479,225	PWLB	Annuity
Fixed	28/09/2018	31/10/2018			0	0.80	3,000,000	0	2,170		Short term loan for cash flow purposes
					85,514,790		5,222,635	83,292,208	2,886,407		<i>Sub-total</i>
Fixed	01/05/2012	01/11/2027	MAY-NOV		78,386	0.00	8,710	69,676	0	Lawn Tennis Association	Interest free
					85,593,176		5,231,344	83,361,884	2,886,407		

In-house as at 31/10/18

APPENDIX 4

Organisation	Type of investment	Current rating	Issue Date	Maturity date	Market yield %	Book cost	Government	Options available
<u>In-house Investments - Portfolio:</u>								
								<i>Duration</i>
Close Brothers	Fixed term deposit		18/07/2018	18/01/2019	0.800	5,000,000	UK - Gov 'AA'	184 days
Plymouth City Council	Fixed term deposit		06/09/2018	10/12/2018	0.700	5,000,000	UK - Gov 'A'	95 days
<u>In-house investments - Long Term</u>								
CCLA Property investment Fund			30/06/2017		4.360	3,000,000	UK - Gov 'AA'	5 Years +
CCLA Property investment Fund			31/07/2017		4.370	3,000,000	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund			15/12/2017		4.570	6,000,000	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund			15/12/2017		4.420	6,000,000	UK - Gov 'AA'	5 Years +
Payden and Rygel			28/02/2018		0.850	8,000,000	UK - Gov 'AA'	2 Years +
Investec Diversified Income Fund			01/08/2018		4.570	2,000,000	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund			03/09/2018		4.570	2,000,000	UK - Gov 'AA'	5 Years +
CCLA Diversified Income Fund			20/09/2018		3.060	8,000,000	UK - Gov 'AA'	5 Years +
						48,000,000		
						48,000,000		
							Total Portfolio	
						48,000,000		

<u>Cashflow:</u>	Call Accounts/MMF (as at 31/10/18)	Rate
	Global Treasury Fund (Goldman Sachs Money Market Fund)	349,106 0.66%
	Standard Life Investments (Money Market Fund)	963,000 0.69%
	Natwest SIBA	468,132 0.20%
	Santander	502 0.05%
	Bank of Scotland (BOS)	5,017 0.65%
	HSBC Business Acc	0 0.00%
	Barclays	34,150 0.00%
	Total Cash flow	1,819,907
	Total Portfolio and Cashflow	49,819,907

Subject: ANNUAL GOVERNANCE ASSURANCE STATEMENT – ACTION PLAN UPDATE

Meeting and Date: Governance Committee – 13 December 2018

Report of: David Randall, Director of Governance

Classification: UNRESTRICTED

Purpose of the report: To update the Governance Committee on progress with the Annual Governance Assurance Statement action plan.

Recommendation: That the report be noted

1. Introduction and Background

1.1 The Annual Governance assurance statement contains a list of actions which need to be completed during the year. This report contains a list of progress to date.

2. Identification of Options

2.1 Option 1 - Committee accept and note the update report.

2.2 Option 2 - The report is not accepted

3. Evaluation of Options

3.1 Option 1 is the preferred option as it provides an update on progress against agreed governance actions.

4. Resource Implications

No new resource implications.

5. Appendix 1

6. Background Papers

Annual Governance Assurance Statement 2017/8

Contact Officer: David Randall, Director of Governance and Monitoring Officer, ext. 2141

Governance Assurance Statement Action Plan – 2018/2019 Update

Action Description	Evidenced by	At 1 December 18
The corporate plan to be been kept up to date and any necessary update is published	Corporate plan is up to date and published on the website	Yes - Full review after 2019 elections
The Constitution and Code of Conduct are subject to an annual review and updated where applicable	The constitution has been reviewed and changes and amendments are agreed by the Governance Committee and Council	<p>Ongoing for 2018/19</p> <p>Review of Constitution 2018: General and Admin Amendments (Delegations) and Financial Procedure Rules and Budget and Policy Framework Report to Governance Committee on 26 June 2018 and Council on 25 July 2018</p> <p>Review of Constitution 2018: Council Questions and Answers Report to Governance Committee on 27 September 2018 and Council on 31 October 2018</p> <p>Review of Constitution 2018: Senior Management Restructure – resultant changes to responsibilities and delegations Further report will be required to the Governance Committee and Council in early 2019.</p>
Business Plans prepared and published for each division	Business plans for the forthcoming year completed and returned to Corporate Services.	2018/19 Business Plans are in place for key services. The new Heads of Service structure from 1 January 2019 will necessitate a further review of the business plans and alignment with the new corporate plan.

Action Description	Evidenced by	At 1 December 18
Quarterly performance reports all reviewed by Cabinet and Scrutiny.	Performance reports published on the website.	Yes published on the DDC website – Performance Monitoring
	Performance reports reviewed by Cabinet and Scrutiny as per minutes published on the Website.	Q1 and Q2 for 2018/19 have been considered by Cabinet and Scrutiny (P&P)
Audit reports reviewed quarterly by Governance Committee and follow up reviews undertaken where the audit review show the expected levels of assurance had not been achieved.	Agreed high risk recommendations following audit reviews are followed up in a timely manner by management	<p>Ongoing. 22 high risk recommendations were reviewed as part of follow up audits during Q1 and Q2 of 2018/19. 20 had been implemented at the time of the follow up audit, 2 were outstanding:</p> <ol style="list-style-type: none"> 1. A high risk recommendation following an audit of Planning Applications, Income and s106 Agreements identified the need for a data retention schedule for the service which clearly stated how long the various types of documentation should be retained. The Council's Data Protection Officer has worked with Divisional Management and a data retention schedule is now in place. 2. A high risk recommendation following an audit of the Council's Land Charges function related to the production and publication of the annual statement for 2018. Land Charges are currently working with Finance to complete this statement as part of a review of the fee structure. <p>Senior management remain comfortable with the governance structures in place such as performance management reporting and risk management activities which provide additional assurances for the Council.</p>

Action Description	Evidenced by	At 1 December 18
	Quarterly audit reports covering audit reviews and follow up reviews are received by Governance Committee	Ongoing. Received in June, and September by the Governance Committee for 2018/19
Governance Committee have received reports on the progress of formal service complaints against the Council and lessons learned from those complaints.	Governance committee review progress on all formal service complaints at least half yearly. Reports published on website.	Ongoing. Report to Governance Committee on 13 December 2018.
Alleged breaches of the Members' Code of Conduct by District, Town and Parish Councillors are considered by the Monitoring Officer in a timely manner.	Breaches of the Member Code of Conduct have been considered by the Monitoring Officer throughout the year.	Ongoing. All complaints are considered by the Monitoring Officer in a timely manner. Two cases that were referred for investigation were complex and took a long time to be properly investigated. Changes have been introduced to the procedures to ensure better monitoring of this stage.
Audit undertake their annual review of the effectiveness of systems of internal control.	Audit have completed their annual review of the system of internal control and the results are built in to their annual report	Yes, Report included as part of the Annual Internal Audit Report to Governance Committee on 26 June 2018
Governance Framework reviewed and any amendments approved.	All amendments approved by the Governance Committee and Council.	Ongoing - No changes to the latest version of the Corporate Governance Local Code since its adoption by Governance Committee on 29 June 2017 and Council on 19 July 2017. However the Senior Management Restructure will result in some changes to responsibilities within the code. Further report will be required to the Governance Committee and Council in early 2019.
The provision for clawback of MMI insurance claims is reviewed and is adequate.	MMI provision is as per the MMI annual statement	Provision remains adequate.

Action Description	Evidenced by	At 1 December 18
Officer Training Plan Developed	<p>Corporate Training Needs agreed and training plan delivered.</p> <p>ILM Training delivered for middle and senior management</p> <p>Induction Training for new starters.</p>	<p>Ongoing - A Corporate Training Plan was produced for 2018/19.</p> <p>The Director of Governance and Head of Legal Services are working with the Council's EKHR Business Partner to finalise the development a Learning and Development Framework for the Council to be introduced in 2019. As part of this a new tranche of the Institute of Learning and Management level 3 (Diploma) qualification is being introduced for a number of team leaders and middle managers.</p> <p>Induction training continues to be delivered for all new starters.</p>
Corporate Information Governance	Periodic review of the corporate information and security governance framework and policies for East Kent.	Ongoing - The East Kent Information Governance Group has met quarterly during 2018. It has monitored the Council's PSN compliance, ensured GDPR preparedness, reviewed information governance incidents/data breaches and considered trends and effective mitigation. Where appropriate it will make changes to enhance the corporate information governance and security framework
General Data Protection Regulations (GDPR)	<p>Generic and service specific privacy notices are published on the Council's website</p> <p>Information Asset Registers and Retention Schedules are in place for all services</p>	<p>Ongoing – the Generic Privacy Notice was published and in place for the introduction of GDPR on 24 May 2018. 18 service specific privacy notices have been published and the remaining 10 are currently being developed.</p> <p>Completed - A retention schedule is in place for all council services.</p>

Subject:	ANNUAL COMPLAINTS REPORT
Meeting and Date:	Governance Committee – 13 December 2018
Report of:	David Randall, Director of Governance
Decision Type:	Non-Key
Classification:	Unrestricted

Purpose of the report: This report documents the number of complaints dealt with through the corporate complaints process for the financial years 2016/17 and 2017/18.

Recommendation: That the report be noted.

1. Summary

This report highlights the number of complaints received for each service provided by the Council, for the financial years 2016/17 and 2017/18, and indicates where the number has risen or decreased.

2. Introduction and Background

- 2.1 The Council has a two stage corporate complaints process. The first stage is for the relevant department to respond. If the complainant remains dissatisfied they can request a stage 2 review by Corporate Services. The Local Government & Social Care Ombudsman provides an independent free service for the public if they are unhappy with the way in which a local authority (not town or parish council) has dealt with an issue. The Ombudsman would normally require the matter to have been through the Council's complaints process first.
- 2.2 In the 2017/18 financial year there was an increase in the number of complaints relating to Environmental Protection. The figures show that of the 12 complaints received 9 related to Fixed Penalty Notices (FPNs) and 3 were in respect of noise nuisance. Whereas in the 2016/17 financial year 1 was in respect of enforcement and 2 related to noise nuisance. I have been advised that for the 2016/17 financial year 87 FPNs were issued whereas 1792 were issued in the 2017/18 financial year. The increase in the number of complaints therefore has a direct correlation to the number of FPNs issued. None of the complaints were upheld.
- 2.3 The 2017/18 financial year also saw an increase in the number of complaints relating to planning enforcement. However, only one complaint was upheld and this was due to an administrative error which caused a delay in the decision to the complainant. To date for this financial year, 2018/19, it appears that the number of complaints is reducing.
- 2.4 It has been noted that the number of complaints relating to Parking Services has reduced and it is believed that this is due to the operational staff taking more responsibility for dealing with complaints.

2.5 The number of complaints for the current financial year to date has been reviewed but as yet there appears to be no increases or obvious trends to report. This will be fully reported at year end.

2.6 Of the complaints received by the Local Government and Social Care Ombudsman, seven detailed investigations were carried out, and decisions issued in the 2017/18 financial year. One of these complaints was upheld and it related to administrative failings during the processing of a community grant (this is logged as a 2016/17 complaint). The Council apologised for the delay and compensation was awarded in respect of the time and trouble taken by the complainant. A number of lessons have been learnt and new procedures put in place as a result of this complaint.

3. **Resource Implications**

3.1 None.

4. **Appendices**

Appendix 1 – Summary of complaints received during 2016/17 and 2017/18.

5. **Background Papers**

File C23/5 – Complaints

Contact Officer: Sue Carr, Corporate Services Officer

Summary of Complaints received during 2016/17 and 2017/18

Service	1 April 2016 to 31 March 2017				1 April 2017 to 31 March 2018				Increase/ Decrease
	Stage 1	Stage 2	LGO	Total	Stage 1	Stage 2	LGO	Total	
Anti-Social Behaviour				0	1		1	2	+2
Building Control	1	1		2				0	-2
Benefits	6	1		7	7	4		11	+4
Community	1		1	2				0	-2
Council Tax	26	1		27	26	2	1	29	+2
Customer Services	7			7	6			6	-1
Environmental Protection	1	1	2	4	5	5	2	12	+8
Environmental Health - Licensing	2			2	2	1		3	+1
Finance				0	1			1	+1
Governance				0		1		1	+1
Housing Options	3	2		5	4	3		7	+2
Parks & Open Spaces		1	1	2		1		1	-1
Parking Services	6	5	2	13	2	4		6	-7
Private Sector Housing		1		1	1	2		3	+2
Planning	1			8	3	7	1	11	+3
Planning Enforcement				1	2	3	3	8	+7
Property Services	3	3		6	3	2	1	6	-
Regeneration				0	1			1	+1
Revenues	2			2				0	-2
Waste Services	13	1		14	14	2		16	+2
Total	72	23	8	103	78	37	9	124	+21

Subject:	REVIEW OF THE CONSTITUTION 2018 – SENIOR MANAGEMENT RESTRUCTURE FROM 1 JANUARY 2019
Meeting and Date:	Governance Committee – 13 December 2018 Council – 30 January 2019
Report of:	Director of Governance (Monitoring Officer to 31 December 2018) Solicitor to the Council (Monitoring Officer from 1 January 2019)
Classification:	UNRESTRICTED

Purpose of the report: Article 15 of the Constitution requires the Monitoring Officer to conduct regular reviews of the Constitution. A report in June /July 2018 considered general and administrative amendments. However, following the completion of the Senior Management Restructure which has effect from 1 January 2019 it has been necessary to undertake further changes.

Article 15, paragraph 15.02(a) requires that amendments to the Constitution will only be approved by Council (or its committees) after consideration of the proposal by the Governance Committee.

Article 15, paragraph 15.02 (d) enables proposed changes to the Constitution relating to the amendment of the title of an officer to be approved by the Monitoring Officer.

Part 3, Section 6, Sub section A Paragraph 12 of the Constitution allows for the Scheme of Officer Delegations (Part 3, Section 6) to be amended from time to time by the Council.

Recommendation:

Governance Committee

- (a) That it be recommend to Council that the proposed changes in the Review of the Constitution – Senior Management Restructure from 1 January 2019, specifically relating to Article 12 – Officers, Part 3 Section 6, Sub Section C (Scheme of Officer Delegations) that relate to Council functions, Part 7 Management Structure and Part 10 Proper Officer Appointments be approved and incorporated into the Council’s Constitution, issue no. 22.
- (b) That it be recommend to Council that the proposed changes in the Review of the Constitution 2018, specifically relating to Part 3, Section 6, Sub Section C (Scheme of Officer Delegations) that relate to executive functions be approved.

(Note: The Leader of the Council will be asked separately to approve any changes relating to executive functions but the Council is asked to approve the Scheme of Officer Delegations in its totality in the event that there has been an erroneous misclassification of functions.)

Council:

- (a) That the proposed changes in the Review of the Constitution – Senior Management Restructure from 1 January 2019, specifically relating to Article 12 – Officers, Part 3 Section 6, Sub Section C (Scheme of Officer Delegations) that relate to Council functions, Part 7 Management Structure and Part 10 Proper Officer Appointments be approved and incorporated into the Council’s Constitution, issue no. 22.
- (b) That the proposed changes in the Review of the Constitution 2018, specifically relating to Part 3, Section 6, Sub Section C (Scheme of Officer Delegations) that relate to executive functions be approved.

(Note: The Leader of the Council will be asked separately to approve any changes relating to executive functions but the Council is asked to approve the Scheme of Officer Delegations in its totality in the event that there has been an erroneous misclassification of functions.)

1. Introduction and Background

- 1.1 Article 15 of the Council’s Constitution makes provision for the regular review of the Constitution by the Monitoring Officer on an annual and ad-hoc basis. This report forms the fourth report as part of the Review of the Constitution 2018 and deals specifically with changes resultant from the Senior Management restructure, in particular the removal of the Director of Governance post from 1 January 2019, the redistribution of functions and the appointment of the Solicitor to the Council as the Monitoring Officer from that date.
- 1.2 Since the introduction of the first version of the Constitution in 2002, the Council has revised the Constitution twenty one times. The Review of the Constitution 2018 - Senior Management Restructure from 1 January 2019, which has been undertaken by the Director of Governance / Monitoring Officer in conjunction with the Solicitor to the Council and the Democratic Services Manager, will be the twenty-second revision resulting in the proposed draft version 22.
- 1.3 The focus for the Review of the Constitution 2018 - Senior Management Restructure from 1 January 2019 has been as follows:
 - (a) Removal of reference to the Director of Governance and the re-distribution of his functions.
 - (b) Where appropriate re-designating functions from the Director of Governance to the Monitoring Officer
 - (c) Amendments to the scheme of officer delegations to reflect the new Head of Service titles roles and responsibilities and reporting lines; and
 - (d) Other resultant job title changes within the Constitution.

Whilst undertaking this review of the Constitution, the opportunity has been taken to make the following additional changes:

- (e) Inclusion of descriptors for the Senior Information Risk Owner (SIRO) and Data Protection Officer (DPO) in Part 2, Article 12;
- (f) Inclusion of an additional reason for granting a contract extension in Contract Standing Orders in Part 4. This recognises that The Public Contracts Regulations 2015 contain explicit provisions on variations to existing contracts and that number of contracts now have the provision for contract extension.

2. **Approval of Amendments to the Constitution**

2.1 The changes to the Constitution come in three types – changes requiring Executive approval, changes delegated to the Director of Governance/Monitoring Officer to approve and changes requiring Council approval.

2.2 The details of the changes are set out below.

(a) Removal of reference to the Director of Governance and the re-distribution of his functions.

2.3 The Council at its meeting held on 31 October 2018 approved:

- (a) The reduction of Chief Officers from the Corporate Management Team to the Chief Executive and two Strategic Directors with effect from 1 January 2019
- (b) The re-distribution of functions between the Chief Officers who form the Council's Corporate Management Team with effect from 1 January 2019.
- (c) Designated Harvey Rudd as the Council's Monitoring Officer with effect from 1 January 2019.

2.4 As a result of these changes from 1 January 2019, the Director of Governance although still an employee of the Council to 31 March 2019, is no longer a Chief Officer and no longer a member of the Corporate Management Team. The Solicitor to the Council becomes the Council's Monitoring Officer from 1 January 2019.

2.5 These changes have also resulted in some re-alignment of functions and responsibilities of the Council's Chief Officers and these have been reflected in Part 2, Article 12, Part 7 Management Structure and Part 10 Proper Officer Appointments. In addition the Scheme of Officer Delegations in Part 3 Section 6, Sub Section C that relate to Executive and Council functions have also been amended to reflect the re-alignment and the change of reporting lines.

(b) Re-designation of functions from the Director of Governance to the Monitoring Officer

2.6 There are numerous references to the Director of Governance in the current Constitution. Many of these interchangeably refer to his role and responsibilities as Monitoring Officer, so where appropriate that change has been made, referring to the statutory role and hopefully future proofing somewhat, as unless there is a change of legislation, the Monitoring Officer role will continue, whoever is fulfilling the role in the future.

(c) Amendments to the Scheme of Officer Delegations to reflect the new Head of Service titles roles and responsibilities and reporting lines

2.7 Changes to job titles are delegated to the Director of Governance/Monitoring Officer to approve. However the Council's approval of the re-distribution of functions between the Chief Officers who form the Council's Corporate Management Team from 1 January 2019, has also required the reformatting of the Scheme of Officer Delegations and the change of officer delegation in a small number of cases. These relate to the Strategic Director Corporate Services, the Solicitor to the Council, or the

Head of Governance taking delegations previously assigned to the Director of Governance. These changes do not grant new delegated powers, but redesignate those already agreed by Council or the Executive.

- 2.8 Although the full Council is only responsible for delegations relating to Council functions, it is asked to approve the scheme of officer delegations in its totality in the event that there has been an erroneous misclassification of functions.

(d) Other resultant job title changes within the Constitution

- 2.9 Changes to job titles are delegated to the Director of Governance/Monitoring Officer to approve.
- 2.10 The main name change that is not addressed elsewhere in the report, relate to the Financial Procedure Rules (Part 4, Rules of Procedure) where the reference to the Head of Finance has been amended to the Head of Finance and Housing.

e) Inclusion of descriptors for the Senior Information Risk Owner and Data Protection Officer

- 2.11 The Senior Information Risk Owner (SIRO) and Data Protection Officer (DPO) have been appointed by the Executive and Council. Reference to their roles has been added to Part 2, Article 12 – Officers of the Constitution.

f) Contract Standing Orders

- 2.12 The Public Contracts Regulations 2015 contain explicit provisions on variations to existing contracts and a number of contracts now have the provision for contract extension. As a result Paragraph 14 – Extension and Other Variations to Existing Contracts has an additional reason added for granting a contract extension at 14.22 and 14.2.3.

3. Identification of Options

- 3.1 Option 1: To approve the changes proposed as part of the Review of the Constitution 2018 - Senior Management Restructure from 1 January 2019 as submitted.
- 3.2 Option 2: To not approve the changes as part of the Review of the Constitution 2018 - Senior Management Restructure from 1 January 2019 as submitted.
- 3.3 Option 3: To approve in part the proposed changes as part of the Review of the Constitution 2018 - Senior Management Restructure from 1 January 2019.

4. Evaluation of Options

- 4.1 Option 1 is the preferred option as it enables the efficient operation of the authority to continue.
- 4.2 Option 2 is not the preferred option as it will significantly impede the day-to-day operation of the authority as the Constitution will no longer reflect the approved Chief Officer structure and will not be able to operate as a definitive reference for officers.
- 4.3 Option 3 is not recommended as it will not be possible for the Governance Committee or the Council to make any significant changes to the proposals at their meeting. Should members be minded to pursue this option they would need to instruct the Monitoring Officer as to their wishes and require him to report to future meetings of the Governance Committee and the Council.

5. Resource Implications

There are no resource implications arising from the Review of the Constitution.

6. **Appendices**

Governance Committee:

Appendix 1 – Draft track change Constitution of the Council (Version 22) (electronic version of the agenda only)

7. **Background Papers**

Draft Constitution of the Council (Version 22)

Local Government Act 2000 and the regulations made under that Act

Contact Officers: Rebecca Brough, Democratic Services Manager, ext. 2304

David Randall, Director of Governance and Monitoring Officer, ext. 2141

Harvey Rudd, Solicitor to the Council and Monitoring Officer, ext. 2321

DOVER DISTRICT COUNCIL

GOVERNANCE COMMITTEE – 13 DECEMBER 2018

EXCLUSION OF THE PRESS AND PUBLIC

Recommendation

That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting for the remainder of the business on the grounds that the item(s) to be considered involve the likely disclosure of exempt information as defined in the paragraph of Part 1 Schedule 12A of the 1972 Act set out below:

<u>Item</u>	<u>Report Title</u>	<u>Paragraphs Exempt</u>	<u>Reason Exempt</u>
11	Quarterly Internal Audit – East Kent Housing Contract Management	3	Information relating to financial or business affairs of any particular person (including the Authority holding the information).

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted