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Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Tuesday, 22 September 2015 at 6.00 pm.

Present:

Chairman: Councillor P G Heath

Councillors: D Hannent
S J Jones
A S Pollitt
G Rapley
M Rose

Also Present: Emily Hill, Grant Thornton
Lisa Robertson, Grant Thornton

Officers: Director of Governance
Director of Finance, Housing and Community
Director of Environment and Corporate Assets
Deputy Head of Audit Partnership (East Kent Audit Partnership)
Democratic Support Officer

18 APOLOGIES

An apology for absence was received from Councillor M J Holloway.

19 APPOINTMENT OF SUBSTITUTE MEMBERS

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

20 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

21 MINUTES

The Minutes of the meeting of the Committee held on 18 June 2015 were approved as a correct record and signed by the Chairman.

22 PARKING UPDATE

The Director of Environment and Corporate Assets presented the Parking Update Report to the Committee. At the meeting of the committee on 15 June 2015, Members resolved to receive an update detailing what improvements had been implemented with regard to Car Parking and PCNs.

RESOLVED: Members agreed to note the report.

23 MEMBER AND PUBLIC PARTICIPATION AT COMMITTEE MEETINGS

The Director of Governance presented the report to the Committee which set out the preferred approach for member and public participation at meetings of the Cabinet and Committees of the Council. An amended recommendation providing

more detail on the changes required as a result of the preferred approach was distributed to Members at the beginning of the meeting.

Having consulted with the Leader of the Council and the Leader of the Main Opposition Group after the Annual General Meeting of the Council in May 2015, a hybrid option was developed which would allow for Cabinet to receive the Notice of Forthcoming Key Decisions on its monthly agenda which would give it the opportunity to identify any future agenda items that would be the subject to pre-decision scrutiny. Members of the public would be able to speak to the item on the scrutiny agenda and Members would be able to ask questions at the scrutiny meeting if permitted to do so by the committee.

Councillors A S Pollitt and S J Jones believed the recommendation went against the spirit of the original Motion and that Option 4a would achieve a more democratic approach by allowing councillors the opportunity to participate at meetings of the Cabinet, to which members of the public were entitled to attend.

It was moved by Councillor A S Pollitt and duly seconded that Option 4a of Annex 1 of the report be recommended to Council.

On being put to the vote and with there being an equality of votes, the Chairman used his casting vote and the motion was LOST.

It was moved by Councillor D Hannent and duly seconded that the Governance Committee recommend to Council:

- (a) That Member and public participation be enhanced by the Executive including the Notice of Forthcoming Key Decisions on its monthly agenda and through this process identify future agenda items of public interest that would be subject to pre-scrutiny.
- (b) That Member and public participation be enhanced by including on the agenda of the appropriate Scrutiny Committee key decisions subject to pre-scrutiny, which would enable Members and the public to speak to the agenda item and Members, where permitted being able to ask questions at the scrutiny meeting.
- (c) That the Director of Governance develop and submit any necessary amendments to the text of the Constitution to a future meeting of the Governance Committee and the Council for approval.

RESOLVED: That it be recommended to Council that:

- (a) That Member and public participation be enhanced by the Executive including the Notice of Forthcoming Key Decisions on its monthly agenda and through this process identify future agenda items of public interest that would be subject to pre-scrutiny.
- (b) That Member and public participation be enhanced by including on the agenda of the appropriate Scrutiny Committee key decisions subject to pre-scrutiny, which would enable Members

and the public to speak to the agenda item and Members, where permitted being able to ask questions at the scrutiny meeting.

- (c) That the Director of Governance develop and submit any necessary amendments to the text of the Constitution to a future meeting of the Governance Committee and the Council for approval.

In accordance with Council Procedure Rule 18.5 Councillors A S Pollitt and S J Jones requested that their vote against the motion be recorded.

24 TREASURY MANAGEMENT YEAR END REPORT

The Director of Finance, Housing and Community introduced the Treasury Management Year End report to the Committee. The Committee was advised that the Council's in-house investments (approximately £6m or 32% of total investments) and investments with the investment managers, Investec (approximately £12.9m or 68% of total investments) outperformed their benchmark. The total interest received for the year was £276k, which meant that income for the year was £12k approx. better than the £264k budget.

Investec had withdrawn from the segregated fund market at the end of June 2015 and funds held with Investec were brought back in-house. The Council's Gilt holding of £1.9 million was transferred from Investec to Kings and Shaxson with the remainder of the Investec funds repaid in cash on 30 June 2015 totalling £11 million approx. This was held in the Council's Natwest SIBA account whilst the treasury management strategy was reviewed.

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

RESOLVED: That the report be received.

25 TREASURY MANAGEMENT QUARTER ONE REPORT 2015/16

The Director of Finance, Housing and Community introduced the Treasury Management report for Quarter One advising the Committee that the Council had remained within its Prudential Code guidelines during the period. As at 30 June 2015, the Council's in-house investment portfolio totalled £15.9m which included some of the funds from Investec following their withdrawal from the segregated fund market. As a result, deposit limits with the Council's operating bank were exceeded and had therefore breached the Treasury Management Strategy Statement.

The Director of Finance, Housing and Community would submit a revised Treasury Management Strategy to the next Full Council meeting for approval. This would enable the in-house team to manage all the Council's investments within the new counterparty limits.

The Council's investment return for the quarter was 0.52%, which outperformed the benchmark by 0.16%.

RESOLVED: That the report be received.

26 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Deputy Head of Audit Partnership (East Kent Audit Partnership) introduced the Quarterly Internal Audit Update Report. There had been seven audit reports undertaken during the period and were classified as providing assurance levels as set out below:

Substantial Assurance level:

- East Kent Services (EKS) - Housing Benefit Appeals
- East Kent Services (EKS) - Housing Benefit Discretionary Housing Payments

Reasonable Assurance level:

- EKS – PC and Laptop Controls
- EKS – ICT File Controls and Back-ups
- East Kent Housing (EKH) – Contract Standing Order Compliance
- Your Leisure

Concerns were raised by Members surrounding the Reasonable Assurance level awarded to Your Leisure and in particular the lack of documentation providing proof of the correct liability insurance. In response to a query from Councillor S J Jones who suggested inviting Your Leisure to a future meeting of the Governance Committee, the Director of Governance reminded Members that the remit and function of the Governance Committee was to ensure effective internal audit and internal control arrangements.

In addition, Housing Benefit Quarterly Testing was completed although an assurance level was not applicable.

There had been two follow-up reviews undertaken during the period:

- EKS – Customer Services
- EKS – ICT Change Controls

The assurance level for EKS – ICT Change Controls had been revised to provide a Reasonable Assurance level. Members were encouraged by this review and acknowledged the work EKS had put in to improve the service.

RESOLVED: That the report be noted.

AUDIT FINDINGS REPORT

Ms L Robertson of Grant Thornton presented the Audit Findings report which highlighted the key matters arising from the audit of financial statements for the year ended 31 March 2015.

A verbal update to the report was given to the Committee. The audit work on Valuations was now complete and the auditors were happy with their findings. The

audit review opinion on Cash Flow was still outstanding although this would be reported to the Director of Finance, Housing and Community within the week.

Grant Thornton were working with the Council to prepare for the earlier statutory deadline to sign off audit opinions, which was moving to 31 July in 2017/18. They were working together to identify ways to de-clutter the financial statements and how to make small step by step changes to ensure a transitional approach to the move of the sign off.

The opinion on the Council's Financial Statement and the conclusion on Value for Money were unqualified.

RESOLVED: That the report be noted.

28 FINANCIAL OUTTURN REPORT 2014/15

The Head of Finance, Housing and Community presented the Financial Outturn 2014/15 report to the Committee, advising Members that it needed to be considered in conjunction with the Statement of Accounts and the Audit Findings report.

The report set out an explanation of the outturn and financial standing of the Council, details of changes to the accounts and a condensed version of the information included in the accounts.

The key points of the report highlighted to Members were:

- The General Fund was £304k in surplus for the year and balances had been maintained at over £2.8m;
- No funds had been drawn down from the District Regeneration & Economic Development Reserve (which had been renamed 'HRA Transfer Reserve');
- HRA balances had been increased by over £2m (incl. earmarked);
- The capital and major revenues projects had stayed within budget, although resources for further projects remained limited;
- No new borrowing had been undertaken; the Council had complied with the Prudential Code and its own Treasury Management policies.

RESOLVED: That the report be received and noted.

29 STATEMENT OF ACCOUNTS

The Director of Finance, Housing and Community presented the report on the Statement of Accounts 2014/15.

The auditors, Grant Thornton, had awarded the Council an unqualified opinion in respect of the Statement of Accounts for 2014/15 and were pleased with the accounts and the work of the team considering the shortness of staff throughout the year. Members also thanked the officers for their work in compiling the accounts.

- RESOLVED: (a) That the Statement of Accounts for 2014/15 be approved and signed by the Chairman of the Committee.
- (b) That the Committee authorise the Chairman to sign the Letter of Representation.

The meeting ended at 7.06 pm.