

Minutes of the meeting of the **GOVERNANCE** Committee held at the Council Offices, Whitfield on Thursday 27 September 2012 at 6.00 pm.

Present:

Chairman: Councillor T J Bartlett

Councillors: M R Eddy
S J Jones
K E Morris
A S Pollitt
M A Russell

Also Present: District Auditor (Audit Commission)
Audit Manager (Audit Commission)

Officers: Director of Finance, Housing and Community
Director of Governance
Head of Audit Partnership (East Kent Audit Partnership)
Financial Services Manager
Team Leader – Democratic Support

229 DECLARATIONS OF INTEREST

There were no declarations of interest from Members.

230 MINUTES

The Minutes of the meeting of the Committee held on 14 June 2012 were approved as a correct record and signed by the Chairman.

231 FINANCIAL OUTTURN 2011/12

The Director of Finance, Housing and Community presented the Financial Outturn 2011/12 report to the Committee, advising Members that it needed to be considered in conjunction with the Statement of Accounts and the Annual Governance Report.

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

It was stated that the General Fund Balance for 2011/12 was projecting a surplus of £91,000 before carry forward requests of £58,000 were deducted. The underlying General Fund Balance was £2.25 million.

The Committee welcomed the news that the Director of Finance, Housing and Community was forecasting 100% recovery of the Council's deposit with Landsbanki following an announcement by the Winding Up Board that its anticipated recoveries exceeded the book value of the bank.

The key pressures for the Council's future finances were:

- Development and regeneration of the local economy;
- Localisation of Council Tax Benefit;

- Business Rates Retention Scheme;
- Welfare Reform and the transfer to Universal Credit;
- Potential further cuts in government funding;
- On-going impact of the economic climate; and
- Implications of the Localism Act.

In response to comments from the District Auditor that he recommended that the valuation of council houses be based on a figure for 31 March 2012 and not that used by the Council of 31 December 2011, the Director of Finance, Housing and Community stated that the valuation figure was reviewed on 31 March 2012 but that it was felt that the difference between the two valuations of approximately £4 million (averaging at £900 per council property) had no impact under accounting practices for capital assets on the financial outturn or the Council's financial standing.

Furthermore, it was felt that conditions in the housing market called into question the robustness of the 31 March 2012 valuation. The Council would continue to use the year end figure, subject to review each March to ensure that any change in valuation had no impact on the financial outturn or the Council's financial standing.

RESOLVED: That it be recommended to Cabinet:

- (a) That the report be received and noted.
- (b) That the Chairman of the Governance Committee be authorised to sign the Letter of Representation as set out in the Annual Governance report.

232 ANNUAL GOVERNANCE REPORT

The District Auditor presented the Annual Governance Report to the Committee and informed Members that he planned to issue an unqualified audit opinion. The Annual Governance Statement had been reviewed and found to be compliant with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework.

In terms of uncorrected uncertainties, in addition to the concerns over the valuation of council houses the District Auditor had also requested that the Council review and reconcile all soft loan debtor and creditor balances in the financial ledger to the supporting valuation schedules. It was estimated that the current soft loan creditor balances were underestimated by £328,000. The Director of Finance, Housing and Community emphasised that this did not call into question control of the creditors themselves but rather was a question of accounting treatment and reconciliation.

RESOLVED: That the report be received and noted.

233 STATEMENT OF ACCOUNTS 2011/12

The Financial Services Manager introduced the report, drawing Members' attention to the statement on heritage assets and the Council's decision to borrow £91 million at a fixed rate from the Public Works Loan Board over 30 years to fund a one-off payment to Central Government to end the subsidy arrangements for the Housing Revenue Account. The loan repayments would be lower than the subsidy paid to the Government making it a cost effective move.

The Committee was advised that the Audit Commission had awarded the Council an unqualified opinion in respect of the Statement of Accounts for 2011/13.

RESOLVED: (a) That the Director of Finance and his staff be thanked for their work in producing the Statement of Accounts.

(b) That the audited Statement of Accounts for 2011/12 be approved.

234 TREASURY MANAGEMENT YEAR END REPORT

The Director of Finance, Housing and Community presented the year end report on treasury management. It was stated that in-house investments of £5.5 million (30% of year end investments) achieved a return of 1.37%, which continued to outperform the benchmark. The £12.7 million (70% of year end investments) of investments managed by Investec on behalf of the Council also outperformed the benchmark with a return of 1.09%. The total interest earned of £355,000 represented a £50,000 improvement on the original budget projections.

The Council continued to adopt a risk minimisation approach to investments and with the exception of UK government and semi-nationalised bodies the duration of investment was kept to a maximum of 3 months.

Overall, the Council was comfortable with the level of returns achieved given the current economic climate and the risk management approach adopted.

RESOLVED: That the report be received and noted.

235 TREASURY MANAGEMENT QUARTER ONE REPORT

The Director of Finance, Housing and Community presented the Quarter 1 treasury management report to the Committee. It was stated that in-house investments of £6.6 million (34% of total investments) and those investments managed by Investec of £12.8 million (66% of total investments) during the quarter were currently outperforming their benchmark. The total interest earned of £73,000 was in line with the budget for the period.

The Council continued to adopt a risk minimisation approach to its investments and remained within Treasury Management and Prudential Code guidelines during the quarter.

RESOLVED: That the report be received and noted.

236 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Head of Audit Partnership (East Kent Audit Partnership) presented the quarterly internal audit update report setting out the work undertaken since the last report. The Committee was advised that 5 audits had been completed during the quarter, resulting in 3 Reasonable assurances (Waste Management, East Kent Housing – finance and ICT controls and East Kent Housing – tenant health and safety) being issued. The remaining two audits (East Kent Services – Quarterly Benefit Testing) were of a nature for which an audit assurance rating was not applicable. An additional 1 follow-up review had also been completed during the period and 4 further audits were in progress.

A total of 63.55 chargeable days of audit (21.18%) had been delivered against a planned target of 300 days during the quarter. As of the end of August 2012 the number of chargeable audit days delivered had increased to 113 days, although this was still below target. It was expected that with the filling of the vacant auditor post the report for quarter 3 would be closer to target.

Members welcomed the reasonable assurance for the Waste Management audit and emphasised the importance in managing cultural change.

- RESOLVED: (a) That the update report be received and noted.
- (b) That Councillor S J Jones be provided with a copy of the action plan in respect of the Waste Management audit.
- (c) That the Committee receive an update on the implementation of health and safety maps at its next meeting.

237 ACCESS TO INFORMATION PROCEDURE RULES

The Director of Governance presented the revised Access to Information Procedure Rules to the Committee.

The Committee was advised that The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 had come into force on 10 September 2012 and represented a fundamental change in the law. As a consequence it was necessary for the Council to amend its Constitution to reflect the new legal requirements.

An important feature of The Regulations removed the rules permitting private meetings of the Cabinet to be held although it was still possible to exclude the press and public from a public meeting of the Cabinet considering exempt business as long as 28 days notice had been given of the intention to do so.

RESOLVED: That it be recommended to the Council:

- (a) That it be noted that the Access to Information Procedure Rules incorporated within the Council's Constitution will need to be amended.
- (b) That the Director of Governance be requested to submit a revised text for the Access to Information Procedure Rules to a future meeting of the Governance Committee and the Council.
- (c) That the amendments to the Constitution set out in Appendix 1 relating to Strategic Management Team be adopted subject to the following revised text to replace the word "of" with "or" being included:

"The purpose of the Leadership Forum is therefore to

- facilitate discussions on general or particular issues or enable clarification of matters between Leader, the Chief Executive, members of the

executive, members of the Corporate Management Team"

238 RULES FOR SUBSTITUTES ON THE PLANNING COMMITTEE, REGULATORY FUNCTION COMMITTEES AND OTHER COMMITTEES

The Director of Governance presented the report reviewing the arrangements for appointing substitutes. The purpose of the proposals was to introduce increased flexibility in the use of substitutes while still retaining knowledge and expertise where appropriate.

Members broadly welcomed the proposals on the grounds that increased flexibility in the substitution rules would allow those with specific expertise or ward interests to substitute on committees for in response to items on the agenda. It was acknowledged that the amended arrangements for substitutions would need to be used responsibly to reduce the risk of any challenges to decisions.

RESOLVED: That it be recommended to the Council:

- (a) That Council Procedure Rule 4 (3) be deleted and a new Council Procedure Rule 4(3) be adopted as follows:

"For each committee, with the exception of the Cabinet, the Council will allow the same number of substitutes in respect of each political group as that group holds ordinary seats on that committee."

- (b) That the Governance Committee be requested to review the impact of this change in twelve months.

The meeting ended at 7.53 pm.