

Minutes

Governance Committee



30th June 2016

Councillors	Present	Councillors	Present
M Dunn	Yes	Miss V Santomauro	Yes
J Elliott (Chairman)	Yes	Miss M Thorogood	Yes
J Goodman	Apologies	R van Dulken	No
D Hufton-Rees	No		

Councillor P Schwier was also in attendance.

In attendance:

Tracey Headford	Performance and Improvement Officer
Trevor Wilson	Head of Finance
Lesley Day	Audit, Insurance and Fraud Manager
Phil Myers	Financial Services Manager
Adam Hill	Governance Service Apprentice
Chloe Glock	Governance and Members Officer
Ian Hunt	Head of Governance

1 MINUTES

DECISION: That the Minutes of the meeting of the Governance Committee held on 23rd March 2016 be approved as a correct record and signed by the Chairman.

2 PUBLIC QUESTION TIME

INFORMATION: There were no questions asked and no statements made.

3 DECLARATIONS OF INTEREST

INFORMATION: There were no interests declared.

4 FOURTH QUARTER AND ANNUAL PERFORMANCE MANAGEMENT REPORT 2015-16

INFORMATION: Members were informed that all but three of the Council's 42 projects in the Annual Plan had been completed as of the end of the year but that these were on course for completion. At the end of the year, twelve performance

indicators had exceeded target, and five had missed target by more than 5%. Members praised the Council for having 39 projects on target.

The Council had not met the recycling performance targets for the year, and a number of actions had been put in place to encourage recycling in areas with a low recycling rate.

The processing of minor planning applications within timescales was not achieving the intended target at the end of the year. This was due to an above-average turnover of staff which had placed increased demand on the service. This was being monitored closely. The number of passenger journeys on the Council's Community Transport scheme had not met target for the year. This was partly due to the shopper bus service, run by Essex County Council, being pulled.

The number of empty homes in the District returned to use had not met target. A total of 73 homes were returned to use over the year, against a target of 75. Members raised concern around this with regard to the issue of homelessness. The Council had levied charges on just over 200 properties which had been "long-term empty", a period defined as in excess of two years, and this was intended not as an income stream but to get properties back into use. It was agreed that the issue of empty homes would be brought back to the next meeting of the Committee.

Regarding the Mi Community programme, Members were informed that, out of 21 projects, 14 had been completed, with the remaining seven not being completed within their targeted timescales. These seven were being monitored and were likely to be completed, and one of these seven projects required planning permission. Members were advised that there had been a higher number of complaints than usual, with the majority in relation to the Operations Service. It was agreed that the cause of these complaints would be investigated with the intention of making a recommendation to Council to allow the portfolio holder responsible to look into it.

DECISION: Members noted and endorsed the report.

5 **KEY FINANCIAL INDICATORS – 31ST MAY 2016**

INFORMATION: Members considered a report on Key Financial Indicators which provided information on performance for the financial year to 31st May 2016. The net General Fund revenue budget for the year was £13.108million. The net expenditure incurred for the two months to 31st May was £2.934million. This represented a positive variance of £81,000 compared to the profiled budget of £3.015million, with the majority being due to the over-achievement of income, and it was anticipated that the positive variance would increase.

Members were advised that no dividends were due to be received in the first two months of the year in respect of the investment of £12million in three equity funds and one property fund. The market value of these pooled funds showed an unrealised net decrease in the principal sum of £91,126 as at 31st May 2016. It was anticipated that this decrease would continue by some 4% following the UK's decision to leave the European Union in the recent referendum.

It was agreed that Members were to be informed in writing of the proportion of individuals who had received Housing Benefit who were not making the required repayments to the Council.

DECISION: That the report on the Key Financial Indicators as at 31st May 2016 be accepted.

REASON FOR DECISION: To provide evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues that may arise.

6 INTERNAL AUDIT ACTIVITY REPORT FOR THE PERIOD TO 31ST MAY 2016

INFORMATION: Members were provided with details and outcomes from the audit assignments completed during the period 11th March to 31st May 2016.

Two reported recommendations had been completed, and two were given extended deadlines to August 2016, with both of these concerning Human Resources.

DECISION: That the activity report for the period 11th March to 31st May 2016 be accepted.

REASON FOR DECISION: To advise Members of the audit assignments completed for the period from 11th March to 31st May 2016.

7 INTERNAL AUDIT ANNUAL REPORT 2015/16

INFORMATION: Members were informed of the yearly report required by the Public Sector Internal Audit Standards. Members were advised that there had been no applications over the year for covert surveillance with regard to the Regulation of Investigatory Powers Act. Members were also informed of four reported Information Security Policy breaches within the last year.

There had been 20 Corporate Quality and Compliance Reviews in the past year, with the past 12 months being the final period in which these reviews would take place as a result of cuts to the Council's budget. There were no instances of whistleblowing in 2015/2016, and no Suspicious Activity Reports were submitted by the Money Laundering Reporting Officer (Head of Finance) to the Serious Organised Crime Agency during the year.

It was concluded by the Audit, Insurance and Fraud Manager that assurance could never be absolute and that not all risks and assurances relating to the Council's key business management, governance or service delivery processes during the year had been reviewed. However, the annual audit opinion was one of adequate assurance which meant that there was a sound system of internal control adequately designed to meet the Council's objectives, and controls were generally being applied.

The cumulative total overpayments for 2015/2016 where sanctions were applied and resolved was £331,426.03. Thirty-five administrative penalties and 44 cautions, the lowest form of sanction, were issued, and 18 prosecutions were completed. The

decision of which sanction to enforce was dependent on a number of factors, including health, age, value of fraudulent overpayment and reason for overpayment. From 1st September 2015, the Housing Benefit Fraud element was compelled to be transferred over to the Department for Works and Pensions alongside one of the Council's Fraud Investigators, with fraudulent overpayments no longer being investigated by the Council internally.

DECISION: That the Internal Audit Annual Report for 2015/2016 be accepted.

REASON FOR DECISION: To accept the Internal Audit Annual Report for 2015/2016 in support of the Annual Governance Statement.

8 **ANNUAL GOVERNANCE STATEMENT 2015/16**

INFORMATION: In 2009, the Council's Audit Committee adopted the Local Code of Corporate Governance.

Members were informed of the work ongoing in order to meet each Core Principle, and that the Council's Data Quality Policy was to be reviewed and revised as appropriate during 2016/17. Members would be recruited for the Independent Remuneration Panel by November 2016.

Members were informed of the Review of Effectiveness of the Governance Framework. Both in-year and year-end review processes had taken place. In-year review mechanisms included:

- Annual report by the Corporate Director (Section 151 Officer) on the robustness of the budget and the adequacy of balances
- Updates of the Constitution were agreed by the Council: Members Allowances scheme in December 2015 and Contract Procedure Rules in February 2016
- The work programme of the Overview and Scrutiny Committee included numerous reviews, as did its Task and Finish Groups
- Review of complaints referred to the Standards Sub Committee during the year, of which there were none
- The Governance Committee's review of the Council's risk management framework and internal control environment
- External auditors' reviews of the Council's accounts, ensuring the proper conduct of financial affairs, concluding that the Whole of Government Accounts and Value for Money arrangements for 2014/15 were undertaken satisfactorily; and
- A positive Annual Audit Letter for 2014/15 was received from the External Auditor

The year-end review included:

- Signed assurances from Senior Managers that key elements of the control framework were in place during the year; and
- The Audit, Insurance and Fraud Manager's Annual Report for 2015/16 concluded a satisfactory opinion on the overall adequacy and effectiveness of the Council's risk management systems, internal control and governance processes

DECISION:

1. To agree the updated Local Code of Corporate Governance as detailed in Appendix A of the Agenda; and
2. To agree the Annual Governance Statement for 2015/16, as detailed in Appendix B of the Agenda, for signing by the Leader of the Council and the Chief Executive.

REASON FOR DECISION: To evidence that the Council has conducted a review of the effectiveness of its system of internal control for 2015/16 and to ensure that the Annual Governance Statement for 2015/16 is correct and in order for the Leader of the Council and the Chief Executive to sign.

11 **STRATEGIC RISK MANAGEMENT**

INFORMATION: Members were reminded that the Council reviews its Strategic Risk Register twice a year, with the latest review having been undertaken by Cabinet Members and the Corporate Management Team in January 2016. This was reported to Cabinet on 21st March 2016. The number of strategic risks identified continued to be nine, seven of these above the Risk Tolerance Line, meaning that they required active management. The implications of the UK's decision to vote to leave the European Union included the possibility that the level of risk may well increase, and this was being monitored.

DECISION: Members noted and endorsed the Strategic Risk Register and the Action Plans for managing the high-rated risks.

REASON FOR DECISION: For Members of the Governance Committee to be assured that the Council's strategic and operational risks with a high risk rating are being actively managed.

12 **OPERATIONAL RISKS**

INFORMATION: Members were advised that there had been 69 risks identified in total, 68 risks having been identified for the previous year, with 13 of these over the Tolerance Line.

Members were informed that discussions were ongoing with the management of Tabor Academy regarding an outstanding payment of £90,000 owed to the Council in relation to a Joint Use Agreement (JUA), and that finding the persons responsible had been difficult. Further to this, payment was required from a contractor to rectify defects at the Braintree Swimming Centre concerning pool tiles. Members were also informed that a new contractor had been appointed for grave digging, and it was hoped that this would lower the risk in this area.

DECISION: Members noted the updated status of the Council's Corporate Operational Risks.

REASON FOR DECISION: To demonstrate that the Council regularly updates the operational risks which may affect the achievement of service objectives and actively manages them as appropriate.

13 **CORPORATE INFORMATION ASSET RISKS**

INFORMATION: Members were advised that the compilation of an Information Asset Risk Register is not mandatory but was considered to be one of best practice in relation to the Council's information governance and assurance framework. The Register had been compiled and included data source, information held, access controls, categories of information held and method of data transmission, and all individual risks were given a rating.

Assessing the risk rating of individual information assets involved evaluating two factors: the impact to the organisation should the information asset be threatened and the likelihood of the risk being realised, taking into account a number of factors. Any risk ratings falling above the tolerance line would require an action plan to be produced in order to mitigate the risk. There were no risk ratings above the tolerance line.

It was agreed that a copy of the Corporate Information Asset Risk Register would be circulated to Members of the Committee. Members were reminded of the sensitive and confidential nature of this Register.

DECISION: Members noted the compilation of the Corporate Information Asset Risk Register.

REASON FOR DECISION: To demonstrate that the Council applies best practice in relation to the Council's information governance and assurance framework.

14 **TREASURY MANAGEMENT ANNUAL REPORT 2015/16**

INFORMATION: The Treasury Management Strategy Statement (TMSS) was approved by the Council in February 2016 as part of the overall Budget and Council Tax setting for the forthcoming financial year. The treasury management position acknowledged two loans totalling £6million owed by the Council. These loans were taken out for capital purposes when the Council was still in control of housing stock in the District. A further £1million was owed to Essex County Council as a result of funding given to the Council in relation to the Local Authority Mortgage Scheme (LAMS).

It was noted that uncertainty persisted ahead of the outcome of the US presidential election and also the consequences of the UK referendum on membership of the European Union. The Bank Rate remained at 0.5% for its eighth consecutive year as of March 2016. Members were reminded of the Council's decision to approve borrowing limits within the TMSS, including an Operational limit to cover potential borrowing and other liabilities. For 2015/16, the Operational borrowing limit was set at £11million. An Authorised limit was also set which could not be breached without prior Council approval. This was set at £15million for 2015/16, and was increased to £25million for 2016/17.

Over the 2015/16 year, cash balances for investment averaged £45.99million, an increase on the previous year of £7.47million, and operated within a range of daily totals of between £35.52million and £55.50million. During 2015/16, £159million of

investments were made by the Council, with £150.69million having matured or sold. Interest and dividends earned on investments was £694,000, equating to an overall average rate of return of 1.51%. The annual return on pooled funds stood at 4.84%. An increase to the amount held in equity funds was being considered going forward, with other investment directions being explored, and borrowing was to be utilised. The Council's investment strategy had not been amended as a result of reported changes to credit ratings, but daily updates regarding this were being monitored.

DECISION: Members decided to recommend to Cabinet the acceptance of the Treasury Management Annual Report 2015/16 prior to its submission to Full Council.

REASON FOR DECISION: To recommend to Cabinet before submission to Full Council with the benefit of any proposed changes or comments from the Governance Committee.

13 **FORWARD LOOK – TWELVE MONTHS TO MARCH 2017**

INFORMATION: Members were reminded of a Member Training event concerning Members' understanding of the Statement of Accounts which had been scheduled for 8th September 2016. Members were also informed that the Council was required to appoint its own external auditors for 2018/19, and a report was due on this in either September 2016 or January 2017.

DECISION: Members noted the report schedule for the 12-month period to March 2017.

REASON FOR DECISION: To agree the work and reports which will be undertaken and presented to the Governance Committee over the coming 12 months.

The meeting commenced at 7.15pm and closed at 8.49pm.

Councillor J Elliott
(Chairman)