

Minutes

Governance Committee

6th September 2017



Councillors	Present	Councillors	Present
J Abbott	Apologies	Mrs J Pell	Yes
M Dunn	Apologies	R Ramage	No
J Elliott (Chairman)	Yes	Miss V Santomauro	Yes
A Hensman	No	Miss M Thorogood	Yes
D Hufton-Rees	No	R van Dulken	Yes
G Maclure	Apologies	Mrs L Walters	No

In attendance:

Lesley Day Audit, Insurance & Risk Manager
Chris Fleetham Corporate Director
Chloe Glock Governance Business Officer
Tracey Headford Performance and Improvement Manager
Phil Myers Financial Services Manager

Kevin Suter Ernst & Young (External Auditors)
Jo Wardle Ernst & Young (External Auditors)
Alex Rafalowicz-
Campbell Ernst & Young (External Auditors)

11 **MINUTES**

DECISION: That the Minutes of the meeting of the Governance Committee held on 29th June 2017 be approved as a correct record and signed by the Chairman.

12 **PUBLIC QUESTION TIME**

INFORMATION: There were no questions asked, or statements made.

13 **DECLARATIONS OF INTEREST**

INFORMATION: The following interest was declared:

- Councillor van Dulken declared a Non-Pecuniary Interest in Agenda Item 5 – ‘First Quarter Performance Management Report 2017-18’ as Deputy Cabinet Member for Environment and Place.

14 **FIRST QUARTER PERFORMANCE MANAGEMENT REPORT 2017-18**

INFORMATION: It was reported that as at the end of the first quarter, five projects had been completed and a further 55 projects were on track and progressing well.

Eleven performance indicators had achieved or exceeded target, four had missed target by less than 5% and three had missed target by more than 5%. The performance indicators that had missed target by less than 5% related to the tonnage of waste not recycled, the percentage of waste recycled, the time taken to process housing benefit claims and the collection of business rates. In terms of the performance indicators that had missed target by more than 5%, these were in relation to the number of visits to leisure facilities, including participation levels for the under 16's, and the number of passenger journeys by the Community Transport scheme.

Members received an update on the performance indicators in respect of the tonnage of waste not recycled and the percentage of household waste recycled, following confirmation from Essex County Council it was reported that the percentage of household waste sent for reuse, recycle and composting had now achieved target and was no longer an amber indicator, achieving a total of 54.69% against the target of 53.5%. There was no change to the tonnage of waste not recycled.

In respect of financial performance, there was an overall positive variance for the year of £543,000 (3.8%) projected against the budget. Income was projected to be overachieved by £629,000; with an overall overspend of £86,000 forecast on Staffing and Other Expenditure.

The First Quarter projected variance, along with last year's outturn, would be used to inform a review undertaken by managers to identify potential cost reductions or additional income which could assist in reducing the current anticipated budget shortfall of £0.5million in 2018/19.

Clarification was sought on the participation levels at the Leisure facilities in both Halstead and Witham, during the closure of the Braintree Swim and Fitness centre and it was reported that the participation levels at Halstead and Witham Leisure facilities were as expected as at the end of July and both sites had seen an overall increase in participation levels in comparison to last year.

DECISION: That Members noted the report.

15 **KEY FINANCIAL INDICATORS – 31ST JULY 2017**

INFORMATION: Members considered a report on Key Financial Indicators which provided information on performance for the financial year to 31st July 2017.

DECISION: That the report of the Key Financial Indicators as at 31st July 2017 was 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.

16 **INTERNAL AUDIT – ACTIVITY REPORT FOR THE PERIOD TO 16TH AUGUST 2017**

INFORMATION: Members were provided with details of and outcomes from the audit assignments completed during the period 13th June 2017 to 16th August 2017. This included for each assignment, the key controls covered, number of recommended action points and their priority, audit opinion and brief details of the high priority recommendations (if applicable).

Members also considered an update on the Reportable Recommendations.

DECISION: That the activity report for the period 13th June 2017 to 16th August 2017 was accepted.

REASON FOR DECISION: To advise Members of the audit assignments completed for the period 13th June 2017 to 16th August 2017.

17 **STATEMENT OF ACCOUNTS 2016-17 AND THE EXTERNAL AUDITOR'S AUDIT RESULTS REPORT**

INFORMATION: Consideration was given to the Statement of Accounts 2016-17 and the External Auditor's Audit Results Report.

Members were advised that a draft set of Statement of Accounts were signed on 30th May 2017 by the Corporate Director which was ahead of the statutory date of 30th June. Whilst there had been no changes to accounting policies for 2016/17, the Council had applied the new requirement to present the financial statements on the basis of how resources were managed and reported internally, rather than using the previously prescribed set of service headings. This change also introduced a new note to the accounts, the Expenditure and Funding Analysis, which reconciled how resources were controlled internally against budget and ultimately chargeable to General Fund balances, with the position reported in accordance with generally accepted accounting practices. These presentational changes had also required restatement of elements of the 2015/16 comparators.

The Council's External Auditor, Ernst & Young LLP (EY), commenced the audit of the accounts in July 2017; the findings from the audit were set out in the report. It was anticipated that the auditor would issue an unqualified opinion on the accounts.

Members were informed that the statutory deadline for publication of the audited Statement of Accounts was 30th September 2017.

Members passed on their thanks to the staff of the Council for their continuous efforts and performance in achieving the high quality services recognised by this report.

DECISION: That Members agreed:

1. To receive and note the External Auditor's Audit Results Report for the year ended 31st March 2017.
2. To approve certification of the Letter of Representation by the Corporate Director and Chair of the Governance Committee.
3. To approve the Council's Statement of Accounts 2016/17.

REASON FOR DECISION: To comply with the Accounts and Audit Regulations that Members approve the Council's Statement of Accounts with the benefit of the External Auditor's report to the Governance Committee.

18 TREASURY MANAGEMENT ANNUAL REPORT 2016-17

INFORMATION: The Council's treasury management activities were regulated by statutory requirements and by a Code of Practice ("the Code") issued by the Chartered Institute of Public Finance (CIPFA). One of the key requirements of the Code was that the Council should receive at least one mid-year report on its treasury management activities.

The Treasury Management Strategy Statement (TMSS) for the 2017/18 financial year was originally approved by Council at its meeting held on 22 February 2017.

As part of the mid-year report an updated economic and market commentary was provided.

Members were updated on the following:

- The capital programme for 2017/18 was currently expected to be £6.897million, which was £4.722million lower than set out in the TMSS. This reduction was mainly due to a number of schemes within the broad plans of the District Investment Strategy still being subject to a business case and formal approval.
- The updated capital expenditure and financing plans show £356,000 of unfinanced expenditure relating to the replacement vehicles which would be met from "internal borrowing".
- It was projected that at 31st March 2018, the Capital Financing Requirement would be £8.817million, compared to borrowing expected of £9.861million. Members were advised that this excess borrowing was due to legacy debt.
- For the period April to end July 2017, investment balances had averaged £52.696million, although these were projected to reduce to £39.285million by the end of the current financial year. An additional £1million had been added to the M&G Extra Income Fund (an equity fund) taking the total invested in long-term pooled funds to £15million, the maximum currently permitted under the TMSS.
- The overall investment return to the end of July was £315,825 or 1.79% (annualised). In addition, the market value of the Council's investments in long-term pooled funds was £16.412million, representing an unrealised gain of £1.412million.
- There had been some minor changes to counterparty duration limits in light of the potential restructuring of some UK banks. New European Union regulations were likely to change the future status of Money Market Funds, and the second

Markets in Financial Instruments Directive (MiFID II) would mean that from early January 2018, local authorities would automatically be treated as retail clients for certain investments unless they opted-up to be treated as professional clients.

Members were advised that following the UK vote to leave the EU there was still a great deal of uncertainty, and whilst inflation was expected to rise further in the coming months exceeding the Government's target, it was likely that interest rates would continue to remain low for the foreseeable time.

DECISION: That Members agreed:

1. To recommend to Cabinet acceptance of the Treasury Management Mid-Year Report 2017/18 prior to its submission to Full Council.
2. To note the intention of the Corporate Director (Finance) to opt-up to professional status for the Council in dealing with investment counterparties.

REASON FOR DECISION: The Council has adopted the CIPFA Code of Practice for Treasury Management in Public Services which requires the Council to receive at least one mid-year report on its treasury management activities. This report is to be considered first by the Governance Committee before being recommended on to Cabinet and then Full Council.

To note the intention to maintain the Council's classification as professional client for regulated investment activity.

19 **FORWARD LOOK – TWELVE MONTHS TO OCTOBER 2018**

INFORMATION: Consideration was given to a schedule of routine audit and accounts reports and governance reports which would be presented to the Governance Committee during the forthcoming 12 months. Ad-hoc reports would be presented to the Committee as required.

DECISION: That the Governance Committee report schedule for the next 12 month period was noted.

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

The meeting commenced at 7.15pm and closed at 8.37pm

Councillor J Elliott
(Chairman)