

Minutes

Governance Committee



29th June 2017

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

In attendance:

Freddey Ayres	Governance and Members Apprentice
Lesley Day	Audit, Insurance & Risk Manager
Chris Fleetham	Corporate Director
Chloe Glock	Governance Business Officer
Ian Hunt	Head of Governance
Phil Myers	Financial Services Manager
Trevor Wilson	Head of Finance

1 **MINUTES**

DECISION: That the Minutes of the meeting of the Governance Committee held on 22nd March 2017 be approved as a correct record and signed by the Chairman.

2 **PUBLIC QUESTION TIME**

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

3 **DECLARATIONS OF INTEREST**

INFORMATION: There were no interests declared.

4 **KEY FINANCIAL INDICATORS – 31ST MAY 2017**

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

Members were advised of an error in the report in respect of the figure “42825” as detailed in the ‘Pooled Funds: Sum Invested & Market Valuation’ graph in appendix B, which was subject to a formatting error and should read as “31/03/17”.

DECISION: That subject to an amendment put forward by the Head of Finance, the report on the Key Financial Indicators as at 31st May 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.

5 **INTERNAL AUDIT – ACTIVITY REPORT FOR THE PERIOD TO 12TH JUNE 2017**

INFORMATION: Members were provided with details of and outcomes from the audit assignments completed during the period 11th March 2017 to 12th June 2017

DECISION: That the activity report for the period 11th March 2017 to 12th June 2017 was accepted.

REASON FOR DECISION: To advise Members of the audit assignments completed for the period from 11th March 2017 to 12th June 2017.

6 **INTERNAL AUDIT ANNUAL REPORT 2016-2017**

Members were informed of the yearly report required under 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 that there had been a total of 4 information security incidents. 3 malware incidents had occurred but no authority data was lost. The other incident involved a letter being sent to the wrong address due to an error in the software system.

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.

DECISION: That the Internal Audit Annual Report for 2016/2017 was accepted.

REASON FOR DECISION: To accept the Internal Audit Annual Report for 2016/2017 in support of the Annual Governance Statement.

7 **CORPORATE OPERATIONAL RISKS**

INFORMATION: Members were advised that the current review had identified 75

operational risks of which 11 were above the risk tolerance line and each of these has a management plan to mitigate them.

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.

8 TREASURY MANAGEMENT ANNUAL REPORT 2016-17

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 TMSS approved in February 2016, had reflected the following circumstances:

- A fully funded capital programme, financed largely from capital receipts including those generated from arrangements with Greenfields Community Housing (GCH).
- The availability of cash balances for investment – the forecast was that these would remain significant (circa average £46 million) and fairly stable over the medium-term.
- No new borrowing would be required other than via lease type arrangements for vehicles and plant.
- Diversification and maintaining a longer-term view on investments to counter credit risks and the continuing low interest rate environment

It was noted that at the 31 March 2017, the Council had net investments of £38.920 million, consisting of mainly cash-backed revenue and capital reserves, an increase from the previous year of £2.754 million. Also reflected in the net amount is £8.147 million of balances and provisions for the Collection Fund i.e. monies collected as council tax and business rates, of which around 70% is held on behalf of the Government and the Major Precepting Bodies.

It was also noted that The Council's Capital Financing Requirement (or CFR) increased in the year by a net £701,000. This was comprised of an increase of £1.187 million as part of the capital spending for 2016/17, which was unfinanced and effectively met from internal borrowing, partially offset by a reduction of £486,000 as sums were set aside as repayment of past investment on "invest to save" projects and annual repayments of finance lease obligations. At 31 March 2017, the CFR was £9.130 million, compared to actual debt of £10.201 million. Excluding finance lease obligations and the liability relating to the match funding provided by Essex County Council for the Braintree Local Authority Mortgage Scheme, the underlying difference between borrowing and the CFR was £1.071 million – the historical over borrowing is reflected in the cash balances.

It was reported that cash balances managed during the year 2016/2017 increased from that originally forecast peaking at over £60 million before reducing back down, and averaging £51.75 million over the year. This was due to a result of re-profiling

of capital programme spending, a revenue underspend (and overachievement of income) against budget, and a general increase in reserves, particularly those relating to capital which included £2.718 million being the Council's share of the growth element of the Community Housing and Investment Partnership (CHIP) Fund.

Members were advised that funds had typically been placed with UK and Non-UK banks and building societies. Due to the higher level of cash balances and a review of performance, the opportunity was taken to increase the amount invested for the long-term in Pooled Funds with £2 million divided equally between the Threadneedle UK Equity Fund and a new M&G fund, the UK Income Distribution Fund, taking the overall amount invested in Pooled Funds to £14 million out of a total limit of £15 million.

Members were also advised that interest and dividend income of £785,000 was earned representing an overall return of 1.52% and £200,000 better than the original budget. This total includes dividends from the Pooled Funds amounting to £602,000, a return equivalent to 4.71%. The market value of the Pooled Funds, particularly where invested in equities, experienced significant gains over the year ending at 31 March 2017 with an overall market valuation of £15.422 million, a net unrealised gain of £1.422 million. This gain has no immediate impact on the Council's finances as changes in market valuations are only realised at the time investments are sold.

DECISION: Members decided to recommend to Cabinet the acceptance of the Treasury Management Annual Report 2016/17 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.

9 **FORWARD LOOK – TWELVE MONTHS TO JUNE 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.

10 **MONITORING OFFICERS ANNUAL REPORT FOR 2016-17**

INFORMATION: Members were provided a report with an update on the functioning of the Member Standards Framework for the period 2016/17.

DECISION: Members noted the Annual Report for 2016-17.

REASON FOR DECISION: To comply with provisions Article 10, Chapter 1 of the Council's Constitution.

The meeting commenced at 7.15pm and closed at 9.05pm

Councillor J Elliott
(Chairman)