

## GOVERNANCE & AUDIT COMMITTEE

Minutes of the meeting held on 29 November 2023 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

**Present:** Councillor William Scobie (Chair); Councillors Bright, d'Abbro, Donaldson, Farooki, Garner, Manners, Munns, Packman, Pope and Towning

### 1. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Braidwood, Nichols and Barlow (who was substituted by Councillor Davis).

### 2. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 3. MINUTES OF PREVIOUS MEETING

At the Governance and Audit Committee meeting 27 September 2023, the Chair highlighted amendments to the minutes of the Committee meeting on 26 July 2023 which were as follows:

- Item 8: Annual Governance Statement 2022/23, it was stated that of the 27 complaints received by the Ombudsman, 1 of the complaints was upheld. The correct number of upheld complaints was 12 as detailed in the report for that meeting;
- Item 6: Corporate Risk Management - Quarterly Update; it was stated that "Members requested the Head of Property to attend a future Governance and Audit Committee to discuss the process of generating income with the Council's leasehold housing stock". However, this was supposed to read "Members requested the Head of Property to attend a future Governance and Audit Committee to discuss the process of generating income with the Council's portfolio of properties".

Subject to the above amendments, the Chair proposed, Councillor Packman seconded and Members agreed that the minutes of the meeting held on 27 September 2023 be approved as a correct record.

### 4. TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2024/25

Matt Sanham, Head of Finance and Procurement introduced the report and made the following points:

- The report and annexes contained the proposed Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement, Annual Investment Strategy, Capital Strategy and Non-Treasury Investments Report for 2024-25;
- Capital expenditure was at £134 million forecast over three years, over the period of 2024-25 to 2026-27 which would require borrowing of £34.5 million;
- The Minimum Revenue Provision Policy remained unchanged.

Councillor Donaldson proposed, Councillor Britcher seconded and Members AGREED to:

1. Note the report and annexes, including each of the key elements listed below:
  - The Capital Plans, Prudential Indicators and Limits for 2024/25 to 2026/27, including the Authorised Limit Prudential Indicator;
  - The Minimum Revenue Provision (MRP) Policy;
  - The Treasury Management Strategy for 2024/25 to 2026/27 and the Treasury Indicators;
  - The Investment Strategy for 2024/25 contained in the Treasury Management Strategy, including the detailed criteria;
  - The Capital Strategy for 2024/25;
  - The Non-Treasury Investments Report for 2024/25.
2. Recommend the report and annexes, including each of the key elements listed above, to council for approval.

**5. MID YEAR REVIEW 2023/24: TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY**

Matt Sanham, introduced the report and made the following points:

- This report summarised the treasury management activity and potential treasury indicators for the first half of 2023-24;
- Capital expenditure on long term assets was £5.9 million, compared to the mid-year review of 2022-23 where expenditure was £6.3 million against a full budget of £60 million. This underspend was due to general funds projects, such as the Housing Assistance Policy, office accommodation and Broadstairs flood protection as well as additional allocation for HRA schemes involving acquisitions and new build programs;
- The Council's borrowing position was at £19.7 million as of 30 September 2023, compared to £20 million as of 30 September 2022;
- The Council's need to borrow in order to finance capital expenditure was estimated to be £78.3 million as of 31 March 2024, compared to the £52.2 million from 31 March 2023, which was due to the HRA;
- Thanet District Council had complied with the requirement to not exceed its authorised borrowing limit of £81 million;
- As of 30 September 2023, the Council's investments balances were £55.4 million;
- It was being requested that the operational boundary and authorised limit for borrowing in 2023-24 be increased by £20 million to reflect the increase in the 2022-24 HRA capital programme.

Members asked what rates the Council were currently paying, regarding the borrowing of funds. Officers replied by saying that it depended on factors such as the length of the borrowing, however the Council got preferential rates through the Public Works Loan Board, which meant it was slightly lower than normal market rates.

Councillor Packman proposed, Councillor Donaldson seconded and Members AGREED to:

1. Note the report and annexes;
2. Recommend the report and annexes (including the prudential and treasury indicators that are shown and the proposed changes to the 2023/24 Treasury Management Strategy Statement) to Council for approval.

**6. CONTRACT STANDING ORDER WAIVERS**

Chris Blundell, Director of Corporate Services and Section 151 Officer, introduced the report and made the following points:

- Members were informed that for any requests above £178,000, the Council would have to follow normal procurement rules as laid out by legislation;
- There were 12 instances in between July and 9 November 2023 where usual procurement rules were not followed, however 11 of those instances were relatively low value contracts below the £100,00 threshold;
- During that same period, there were 7 waivers proposed by officers, but the requests were rejected. These included instances of seeking consultants regarding structural jobs to the Council's properties, but they were turned down as it was decided the bidding could continue on the market;
- Another rejected waiver highlighted was one regarding the Marine Toilet Pod, which was presented with an urgency to fore-go the usual market engagement. It was rejected as it was not deemed worth the risk to the Council's reputation.

Committee discussion raised the following points:

- They were concerned with regards to the Levelling Up funded projects at Ramsgate Harbour as an additional payment of £15,000 was made to architects as well as delays to Berth 4 and 5 in getting an environmental impact assessment, costing the Council more money. Officers assured Members that they work towards transparency to all Members as by highlighting the rejected waivers that come to officers as well as the other information provided in the report and annexes;
- Members were also concerned over the notion of officers taking a large contract and breaking it down into smaller instances in order to bypass the Members decision making by going below the key decision threshold. Officers said that they would not allow that to happen as contracts were looked at as a single project and these contracts were progressed through several Council departments, including Procurement and Legal Services for review and authorisation.

Councillor Britcher proposed, Councillor Bright seconded and Members AGREED to note the report.

## **7. AUDITOR'S ANNUAL REPORT**

Sarah Ironmonger of Grant Thornton introduced the report with the following points:

- The report was being presented as an interim report, because of some risks identified in 2020-21 as well as some objections to the accounts;
- She explained to Members that Grant Thornton reported against three criteria: Governance, Improving Economy, Efficiency and Effectiveness; and Financial Sustainability. Members were asked to note how the Council implemented the improvements needed to make progress that could be shown in 2023-24;
- Weaknesses were noted regarding Governance in the previous three years for the Council, however she also noted that the Council had made an action plan moving forward to address these issues. Moving forward, Grant Thornton would like to see these improvements being embedded before they lifted the alert regarding that area of governance;
- In the area of Improving Economy, Efficiency and Effectiveness; Grant Thornton noted that Cabinet did not receive any reports in relation to non-financial performances of the Council in 2021, however improvements had been made in 2022-23;

- For Financial Sustainability, Grant Thornton noted some issues in 2021-22 and 2022-23, as there were no out-turn reports coming to Members and accounts were delayed, however it was noted that since this report was written, the 2021-22 accounts were published with a time table planned for the publication of the 2022-23 accounts;
- Grant Thornton also noted the improvements regarding budget setting.

Committee discussion raised the following points:

- Members raised concerns of the red alerts on the report itself and expressed that in the next year, they would like to see evidence of improvements to change those alerts; especially in the areas of project management, highlighting the overspending of Berths 4 and 5. Officers from Grant Thornton showed optimism for the future of the Council with the Council now in a position of having a full Corporate Management Team;
- Members also raised concerns about not receiving reports regarding projects managed by the Council, through a variety of reasons such as officers not having the time to provide them. Officers from Grant Thornton said that there could be a number of reasons why a project can steer away from the set course, but the main focus should be reporting these issues early so that Members have the opportunity to understand the situation and ask the right questions when they would be presented with the opportunity to do so. Members went on to say that with clear transparency, they would be able to answer questions from their constituents with more information when it came to issues such as delays on certain projects;
- Members went further into accounts for project management and wanted to know how much was paid for said projects. Officers assured Members that when the accounts were published, then they would be able to see the amounts, for the 2021-22 completed accounts and the 2022-23 accounts soon to be completed. Officers also reminded Members that in the area of exit packages, any amounts above £100,000 would need approval from Members first, which also provided transparency.

Councillor Towning proposed, Councillor Davis seconded and Members AGREED that the External Auditor's Annual Report covering Value for Money for the years 2020/21 through to 2022/23 be approved as set out in Annex 1.

## **8. EXTERNAL AUDIT PLAN 2021/22**

Matt Dean, of Grant Thornton introduced the report and explained that this report was the final audit plan for 2021-22, a draft of which was presented to Members at a previous meeting with a few minor changes.

Members noted the report.

## **9. QUARTERLY INTERNAL AUDIT UPDATE REPORT**

Christine Parker, Head of Internal Audit introduced the report with the following points:

- The report summarised the completed and finalised work with management for the last quarter, including three topics: EKS – Housing Benefit Admin & Assessment; EKS – Housing Benefit Testing 2022-23 and Planning Applications, Income and Section 106;
- The assurances for Planning Applications, Income and Section 106 were split between substantial and limited. Management agreed an action plan with progress being made in those areas as of the time of the meeting;

- Internal Audit noted the progress being made in the area of contract management for planned maintenance, with no outstanding recommendations and reasonable assurance awarded;
- Work had been completed on other progress reports, but due to some management delays, they were unable to be included in the agenda and would be considered at the next Governance and Audit Committee meeting;
- The Berth 4 and 5 follow up review was due to be presented to Members in December, however timing the follow up review is important, as there would not be enough evidence to support progress in the follow up as of yet and most likely would not be for the March 2024 meeting either. Members were reminded that in the meantime, they will be tolerating the risk of the actions not being completed.

Members asked about the part of the report regarding Section 106 agreements, accessing those details and determining where funds were going. They said that they looked forward to future reports that contained an audit trail of where the funds were going in greater detail. Officers responded that there was now a new post in place for an officer to manage Section 106 agreements directly.

Councillor Davis proposed, Councillor Garner seconded and Members AGREED that:

1. That the report be received by Members;
2. That any changes to the agreed 2023-24 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of Annex 1 of the attached report be approved.

## **10. AUDIT COMMITTEE ASSURANCE STATEMENT**

Chris Blundell introduced the report and made the following points:

- The purpose of this report was to demonstrate effective communication between the Governance and Audit Committee and external auditors, detailing the areas of general inquiries of management, fraud, laws and regulations; related parties, going concerns and accounting estimates;
- He highlighted a section regarding areas of suspected fraud in Annex 2 relating to 2022-23, where allegations of whistleblowing activity were identified and reported to internal audit in their investigation on Planned Maintenance. This related to external decorations and rendering on properties that did not have render. Money was recovered and the reporting was made to the police where they determined to not take any further action on the matter.

Councillor Packman proposed, Councillor Britcher seconded and Members AGREED that:

1. That the Committee notes and approves the responses to the letter from Grant Thornton as set out in Annex 1 and 2 of this report;
2. That this Committee, delegates future sign off these responses to the Chair of this Group in consultation with the Section 151 Officer.

## **11. RISK MANAGEMENT**

The Chair requested Members to note a change to the report before any discussion of the item. The Chair said that at previous meetings, Members had key risks noted on the report, supported by supplementary documents showing emerging risks. The Chair further said that whilst this information would be brought to the Committee at future meetings, it was important to not lose sight of other risks, such as Cyber Security and the Economic Environment. In the future, the main risk register would be added to the committee agenda. However, the item on future risks will be reported in the Risk Management report twice a year.

Aimee Jackson, Insurance Officer introduced the report and made the following points:

- This report covered a quarterly review of corporate risks that affected the Council as a whole;
- The previous risk policy was in place from 2019, it ran the risk of becoming a “tick box exercise”, contributing little value. Changes were made with the notion of officers and Members becoming more proactive in dealing with these risks before they emerged. This new policy was approved in July 2022;
- The response rate for risk registers went from approximately 10%, to 90-95%, if not 100% showing an improvement in the level of engagement by Members.

Committee discussion raised the following points:

- Members expressed interest in arranging further training around risk management, before the next scheduled meeting in March 2024. Officers were happy to look into providing further training to help improve engagement with Members;
- Members asked about seeing more detail around some of the highlighted risks in the report as concerns were made that the risk of Cyber Attack was not being considered on the same level as other risks and the mitigations regarding it. Officers were happy to take these recommendations into consideration;
- Members pointed out that the risk regarding Governance and Decision Making was not included in the list of key risks in this report and were concerned that the risk was downgraded too quickly. Officers replied that the topic of Governance would have been included in the annex for this report, but as the annex was removed to streamline this item on the agenda.

Members noted the report.

## **12. THANET LOTTERY UPDATE**

Chris Blundell introduced the report and made the following points:

- The Thanet Lottery was audited in 2022 with a no assurance opinion given and 14 recommendations were made. A follow up made in February 2023 showed 4 of those recommendations implemented, with 8 still outstanding;
- A new policy manager was hired by the Council who will be allocated the remaining 4 outstanding recommendations of the Thanet Lottery put forward by audit;
- The process for bidding for the funds would be amalgamated with the Shared Prosperity Fund bidding process, with some further steps needed to be taken;
- A scoring criteria was being proposed in order to eliminate any form of subjectivity to the recommendations being proposed by Members, with full transparency to Members being prioritised;
- Of the 8 outstanding recommendations highlighted in February 2023, the Council has dealt with 4 of them with progress being made on the remaining 4.

Committee discussion raised the following points:

- Members were happy to see an update on this topic and the recommendations that have been implemented which show progress. A concern was made regarding the implementation of a framework which sought to eliminate subjectivity having the side effect of taking full control away from the Members themselves. It was further mentioned that going in this direction ran the risk of low-level organisations being shunned in favour of organisations who can employ bid writers;

- Members also discussed the concerns of greater Member involvement in the allocation of lottery funds to specific organisations, running the risk of being viewed as a process led by Members' opinions rather than the lottery being operated in a more objective way as highlighted by officers and the scoring system being proposed;
- Members went on to show interest in accessibility for organisations in particular for smaller grants to show that they get the same level of support as some bigger organisations. Officers assured Members that when it came to organisations registering their interest in the Thanet Lotto, that there were some basic criteria they needed to meet in order to be considered.

Members noted the report.

**13. EXCLUSION OF PUBLIC AND PRESS**

This item was not considered as it related to item 14 that was deferred to an extraordinary meeting to be arranged for January 2024.

**14. ICT SECURITY UPDATE**

This item was deferred to an extraordinary meeting to be arranged for January 2024.

Meeting concluded: 9:36 pm