

GOVERNANCE & AUDIT COMMITTEE

Minutes of the meeting held on 1 December 2021 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Present: Councillor Kerry Boyd (Chair); Councillors Dexter, Braidwood, Garner, Kup, Pat Moore, Pugh, Shrubbs, Towning and Whitehead.

1. APOLOGIES FOR ABSENCE

Apologies were received from Cllr Duckworth.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

Cllr Pugh proposed, Cllr Towning seconded and members AGREED to approve the minutes of the meeting held on 28 July 2021.

4. QUARTERLY INTERNAL AUDIT UPDATE REPORT

Simon Webb from East Kent Audit Partnership introduced the report, commenting that:

- Six new pieces of work had been undertaken this quarter.
- Particular note was given to Tenant Health & Safety, which had gained reasonable assurance overall. The work undertaken since inheriting this area from East Kent Housing was applauded. General Needs Housekeeping Within Communal Blocks was one area still with limited assurance, but it was expected to have at least reasonable assurance after the follow up.
- Commercial Let Properties and Concessions had limited assurance, this was particularly to do with a lack of up to date rent reviews in that area.
- One follow up had been conducted during the period under review. From this assurance levels for the cemetery and crematoria had been raised from reasonable assurance to substantial.
- Progress against the TDC 2021/22 Internal Audit Plan showed a little behind target, with 43.7% completion at the 6 month stage (30 September). However, this had raised to 66% (at 30 November) of the council's target for completion by March.

Members commented on the report and it was noted that:

- Members echoed the appreciation for the Housing Team's hard work, especially during Covid.
- A query was raised regarding ICT licences, asking why they hadn't yet been updated. The reason was not known but a response would be given in writing after the meeting.

Cllr Kup proposed, Cllr Pugh seconded and members AGREED that the report be noted and any changes to the agreed 2021-22 Internal Audit Plan, resulting from changes in perceived risk, detailed at point 5.0 of Annex 1 of the attached report be approved.

5. MID YEAR REVIEW 2021-22: TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY

The Director of Finance, Chris Blundell, introduced the report, noting that:

- This report was put before Cabinet on 16 November and, subject to any comments from the committee, would be taken to the next meeting of Full Council.
- There were no foreseen issues with meeting the targets approved in February.
- It was considered unlikely that TDC would spend the full revised budget this year.
- The budget had increased from 22 million pounds to 31 million for the Capital Program. However, the majority of that increase had come from grants and therefore there had only been a modest increase in borrowing.
- There were 54 million pounds worth of investments at the midpoint of the year. These were low risk and low return investments.
- There were 20 million pounds of external borrowing at the mid-year point and no new borrowing undertaken during the first half of the year. 4 million pounds had been repaid during the year so far.
- The borrowing position of the Council would be looked at further during the second half of the year; considering whether to take on more debt earlier than planned due to the forecast increase in interest rates.

During discussion it was noted that:

- In addition to the 4 million pounds already paid off, there would be another c.4 million to pay this year. It was deemed likely that TDC would re-finance that debt and take on additional borrowing at that point.
- Only a small proportion of TDC's debt would be coming to maturity in the next 5 years.
- Historically the Council had tended to use cash balances to fund capital schemes. However, due to a projection of rising interest rates, in the near future officers would look into taking on more debt.
- No borrowing had been set aside for the office accommodation or toilet improvement schemes. The plans were that they would be financed through the disposal of related assets.
- Borrowing to fund the toilet scheme would require finding revenue budgets and/or cash reserves to pay back the debt and as such would not be feasible.
- A toilet strategy was in consultation at the moment with a view to addressing various methods for the refurbishment of toilets.
- Discussions had taken place concerning Thanet's contribution to Thanet Parkway Railway Station, with the view that it should be proportionate to the KCC contribution. The actual figure would be unknown until nearer the end of the project (spring next year).

Cllr Pugh proposed, Cllr Towing seconded and members AGREED to recommend this report and annexes, including the prudential and treasury indicators that were shown and the proposed changes to the 2021-22 Treasury Management Strategy Statement, to Full Council.

6. **TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2022-23**

Chris Blundell presented the report with the following comments:

- The capital expenditure plan totals c.70 million pounds over the medium term. This would be funded primarily from grants and some from HRA reserves. TDC would also need to borrow c.11 million pounds towards this.

- There were no major changes noted to the minimum revenue provision (the Council's policy for the re-payment of debt) and it would next go to Full Council.
- The gross debt for TDC was expected to increase, in line with the strategy.
- The authorised limit on debt is £126 000 000, beyond which Full Council would be consulted.
- Interest base rates were forecast to increase 0.25% per year until 2025.
- There is a limited scope of institutions that TDC would take on debt from, which were listed in the report.
- The Council's strategy for investment was focussed on managing risk and as such considered the credit worthiness of organisations carefully.
- Investments made were generally for less than one year and a limit of 5 million pounds was in place as a total that could be invested for longer than one year.

The Chair requested refresher training for Governance & Audit committee members in the next quarter. There were no other comments from members.

Cllr Kup proposed, Cllr Shrubbs seconded and members AGREED to recommend this report and each of the key elements listed to Full Council, namely:

- a. The Capital Plans, Prudential Indicators and Limits for 2022-23 to 2024-25, including the Authorised Limit Prudential Indicator;
- b. The Minimum Revenue Provision (MRP) Policy;
- c. The Treasury Management Strategy for 2022-23 to 2024-25 and the Treasury Indicators;
- d. The Investment Strategy for 2022-23 contained in the Treasury Management Strategy, including the detailed criteria;
- e. The Capital Strategy for 2022-23;
- f. The Non-Treasury Investments Report for 2022-23.

7. CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE

Mr Blundell introduced the review of corporate risks, making the following key points:

- The risk register was last brought to the committee in July 2021.
- Points of note since then include:
- There has been an increased risk for berths 4&5 of Ramsgate Port due to the need for an environmental impact assessment and potential costs associated with delays to the project. It was noted that the project is still forecast to come in on budget.
- There has been no change in risk score for cyber attacks. Officers are progressing with insurance coverage in this area.
- There is increased pressure for homelessness provision in the Council from both demand and the supply of properties that can be made available for temporary accommodation. This had been seen in a 0.5 million pound overspend on the budget this year.
- At the time of writing there was a reduced risk for Covid-19. It was commented that if this had been written more recently the risk would have remained high.
- The Environment Act new legislation has an unknown impact at the moment, but would be monitored closely.
- Lower scoring risks that were still being monitored by officers have been added to the report as requested by members.

During discussion it was noted that:

- The burial space, listed as a lower scoring risk, had a reduced score. Officers would come back to members with reasons for this.

- The coastal safety information signage was considered very important and finding funding would be a priority, thus mitigating the risk.
- Since this report was written the marine license application had been withdrawn for berths 4&5 of Ramsgate Port, which could be seen to increase the risk. It was noted that the risk was at its limit and commented that there are action plans in place for all the top risks. The action plans are monitored throughout the lifecycle of that risk. The risk in this case was that further delays would affect the project. TDC were working with partners to manage this as effectively as possible.
- Any recruitment or retention issues within the council would be monitored carefully. Although staff leaving had added pressure to the homelessness sector, there was no particular trend in this area and the Housing service had not been at fault.

Cllr Pugh proposed, Cllr Whitehead seconded and members AGREED to approve the Corporate Risk Management - Quarterly Update.

8. **ANNUAL GOVERNANCE STATEMENT**

Estelle Culligan, Director of Law and Democracy, introduced the AGS commenting that:

- The Annual Governance Statement had last been considered by the Governance & Audit committee on 28 July 2021.
- When this was last considered it was thought that the annual accounts would be published in September. Due to various delays they haven't yet been published, but it was still considered important to approve the AGS as they must be published before, or at the same time, as the annual audited accounts.
- The document had been brought up to date to include relevant issues since July, including the Statutory Recommendations which were accepted by Full Council on 2 November 2021 and associated processes.
- It was also noted that HR services had been brought in house on 1 September 2021 and the service had integrated well and was a real asset to the Council. This had also been referenced within the document.

In response to a question from members, the head of EKAP clarified that:

- 'Lack of External Quality Assessment against the Public Sector Internal Audit Standards is hereby disclosed as non-conformance in the AGS' meant that rather than engaging an EQA, it was deemed sufficient to rely on the self-assessment, to report the non conformance with the standards to members and note it in the AGS. This decision would also be reconsidered in January by the Client Officer Group, the four s.151 officers who govern the EKAP and oversee the quality of the service.

Cllr Pugh proposed, Cllr Shrubbs seconded and members AGREED that the Annual Governance Statement 2020/21 be approved and authorised the Leader and Chief Executive to sign it off and for it to be published.

9. **2020-21 EXTERNAL AUDIT PROGRESS REPORT**

Chris Blundell introduced this item on behalf of Grant Thornton, highlighting that:

- Although the audit was still not completed, only 9% of local authority audits were completed by September this year as there had been considerable pressure on the audit industry for various reasons.
- Value for money opinions would be coming in dating back to 2018/19
- Officers were expecting adverse opinions on value for money during 2018/19 to reflect the contract arrangements for monitoring the contracts with East Kent

Housing (though it was noted that the council had already addressed this in the following years), as well as financial sustainability and issues in relation to governance (since raised by the Statutory Recommendations).

During discussion with members it was noted that:

- Not all the value for money reports were connected to the Statutory Recommendations. Specifically, one related to berth 4&5 of Ramsgate Port and others are connected to certain contracts including EK Housing and parking fees. It was not expected that there would be any other items substantial enough to require statutory recommendations.
- Significant progress would be made on the statutory recommendations within the six month timeframe outlined by the external auditors. The council was keen to progress quickly with the recommendations, whilst acknowledging that the Independent Monitoring Officer would have their own work to do that ought not be rushed.

Members noted the report.

10. RE-TENDER OF EXTERNAL AUDIT CONTRACTS

Chris Blundell presented the item and noted that:

- The current and suggested arrangement was to procure through a national framework.
- There was no interest from other Kent councils to source external auditors jointly.
- Doing this independently would likely be more expensive and would risk not finding an external auditor.

Members commented and it was noted that:

- Grant Thornton had asked for additional fees to cover extra work required during their current contract, as was to be expected. There had also been an increase in fees over the period. The Public Sector Audit Appointments had to agree to any changes in fees by the external auditor.
- TDC would not have a say on who would be appointed. However, the PSAA do try to keep auditors working across areas with a similar geography.
- There is a mechanism to feedback to the PSAA about the appointed auditor. Unfortunately, the system for feedback had not been considered satisfactory in the past, though there were promised improvements in the pipeline.
- Generally the audit market was considered to be not in good shape at the moment.

Cllr Kup proposed, Cllr Whitehead seconded and members AGREED to recommend to Council that the invitation to opt in to the national scheme for auditor appointment is accepted.

Meeting concluded : 8.14 pm