

**MAIDSTONE BOROUGH COUNCIL**

**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

**MINUTES OF THE MEETING HELD ON MONDAY 13 JANUARY  
2020**

**Present:** Councillor Harvey (Chairman), and  
Councillors Adkinson, Brindle, Coulling, Cox,  
Fissenden, Perry and Titchener

62. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Daley, McLoughlin and Round.

63. NOTIFICATION OF SUBSTITUTE MEMBERS

There were no Substitute Members.

64. URGENT ITEMS

There were no Urgent Items.

65. NOTIFICATION OF VISITING MEMBERS

There were no Visiting Members.

66. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures from Members and Officers.

67. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

68. TO CONSIDER WHETHER ANY ITEMS SHOULD BE TAKEN IN PRIVATE  
BECAUSE OF THE POSSIBLE DISCLOSURE OF EXEMPT INFORMATION

**RESOLVED:** That all items be taken in public as proposed.

69. MINUTES OF THE MEETING HELD ON 18 NOVEMBER 2019

**RESOLVED:** That Minutes of the meeting held on 18 November 2019 be agreed as a correct record and signed.

70. QUESTION AND ANSWER SESSION FOR MEMBERS OF THE PUBLIC (IF  
ANY)

There were none.

71. COMMITTEE WORK PROGRAMME 2019/20

**RESOLVED**: That the Work Programme 2019/20 be noted.

72. HOUSING BENEFIT GRANT CLAIM

The Business Support Manager presented the report on the outcome of the Housing Benefit Grant Claim audit undertaken by Grant Thornton to certify the Housing Benefit Subsidy Claim for 2018-19.

The Housing Benefits team carried out over 56,000 assessments covering over £45.5m. Four errors were found in initial testing, which resulted in a further 200 cases being tested. In carrying out the audit the auditors found a 99.91% accuracy rate, with errors causing a net effect of no overall change to the value to the Council.

In response to the auditor's findings the Housing Benefits team were undertaking a review of all the errors identified and reviewing all similar cases for the 2019/20 grant claim.

In response to questions it was noted that although the report set out 4 errors found in 40 Housing Benefit claims this was not a 10% error rate but much lower as there were many interactions on each case. The majority of errors were figures being transposed. The Committee requested that a note clarifying the error rate calculation be included in future reports.

**RESOLVED**: That

1. The findings of the Housing Benefit Grant Claim Audit undertaken by Grant Thornton be noted; and
2. The action plan proposed by the Revenues and Benefits Shared Service to address errors identified through the audit process be noted.

73. GDPR ACTION PLAN UPDATE

The Policy and Information Manager introduced the report providing an update on progress against the General Data Protection Regulations (GDPR) action plan. The report also provided the Committee with the Information Commissioner's (ICO) report 'GDPR – one year on'.

The ICO believed that regulations and work on awareness had seen an increased awareness for individuals and businesses regarding rights. This had resulted in an increase in contact from individuals to businesses regarding their rights, and this was something the Council had also experienced.

The ICO set seven regulatory priorities for the year ahead, including cyber security, children's privacy, political campaigns and surveillance – all of which were particularly relevant to the Council.

Paragraph 2.6 set out examples where notices of intent had been issued by the ICO, and a further case example, resulting in a £275k fine for a business, was circulated to the committee – this had been due to poor storage of documents and them being left open to damage.

The updated plan was set out in Appendix 1. Whilst the work on a record of processing activities and on CCTV had been completed the work on the Council's information asset register remained outstanding. This was due to this piece of work being deprioritised with pressures and staffing changes within the team.

In response to questions from the Committee they were informed that the Information Management Group, which covered more than GDPR, met quarterly with the next meeting to be held on 28 January 2020. The CCTV review had been completed and the Information Management Group were overseeing the recommendations from that review.

Protection of addresses was an important issue to avoid action from the ICO. The action plan set out the action on information audits which had been completed; they included a thorough review of process and considered safeguarding actions for address data. The Council did experience data breaches, as any organisation dealing with the same amount of data would, but staff took immediate action if a data breach occurred. On occasions the Council had self-reported to the ICO, but no further action was taken.

The Committee requested clarification on the Data Protection assessment process for ICT projects. Initially projects considered whether there were any data protection implications and if there were the project was required to complete a Data Protection Impact Assessment. This would include considerations of security of data in the ICT environment for the project. It was also noted that ICT project management was included in the draft 2020/21 audit plan.

There was recognition from the Committee on the importance of GDPR in political campaigning and they requested guidance on the issue. National guidance was already in place and the Policy and Information Manager undertook to circulate this to Members.

Questions were asked about parishes retaining information, particularly on planning applications, and the Committee were informed that parishes needed to be clear on why they were holding it, to be secure in the storage of it and follow retention schedules and guidance.

**RESOLVED:** That the progress of the implementation of the General Data Protection Regulations be noted.

74. ANNUAL GOVERNANCE STATEMENT UPDATE

The Head of Policy, Communications and Governance presented the report on the Annual Governance Statement which provided an update on the Action Plan for 2019-20 that had been approved by the Committee in July.

The Committee asked whether the online learning training modules for staff on gifts and hospitality applied to Members. They were informed that the training material could be made available to Members and if the Committee wanted more training it would be considered.

**RESOLVED**: That the Annual Governance Statement Report be noted.

75. AUDIT - DECLARATIONS OF INTEREST - UPDATE

The Principal Solicitor (Contentious and Corporate Governance) presented the report which arose following a review of Member and officer interests and gifts and hospitality declarations. All Member Disclosable Pecuniary Interest returns were received by November 2019 and had been published on the Council's website.

Related party transaction forms were required by the end of April each year for the previous financial year and are part of the audit process. These had been chased and there was a process of reminders and escalation. Guidance and reminders had also been sent on gifts and hospitality.

Officers were required to submit biannual returns in addition to those for new employees. Guidance and a form had been created and an online process was being developed. Wider Leadership Team and Unit Managers had been updated and a team talk was delivered in December 19.

The Committee highlighted that some officer roles were more sensitive than others and were reassured that updates to declarations of interests were required by all officers as and when they happened in addition to the biannual process. The Committee were also informed that the response for not reporting an interest was an employment process and would be considered appropriately depending on the circumstances. There were some concerns raised about the need for heightened reporting of interests given the extensive capital programme and procurement activity planned.

**RESOLVED**: That the actions implemented to address the recommendations of the audit exercise relating to Member and officer declarations of interest be noted.

76. ANNUAL RISK MANAGEMENT REPORT

The Audit Manager introduced the Annual Risk Management report setting out the details of how risk management processes were working across the Council. The purpose of the report was to provide the Committee assurance that risk management was effective and risks were being managed and monitored appropriately.

The report set out an overview of the Risk Management process used by the Council, which was refreshed in early 2019, with a revised risk management framework adopted by Policy and Resources Committee in April 2019. The report also set out the Council's risk profile of its risk register. It was highlighted that the overall number of risks had remained fairly static although risk scores had changed. An updated risk table was circulated to the Committee which included updated scores for project failure and housing pressures, both now scored as 12.

The Audit Partnership was investigating replacing its spreadsheet system with a risk management system in order to improve reporting.

**RESOLVED**: That the Risk Management Annual Report be noted.

77. COUNTER FRAUD & CORRUPTION POLICY

The Head of Audit Partnership presented the report setting out a refresh of the Counter Fraud and Corruption Policy. The policy had originally been agreed in January 2018 with a provision for review in two years. The document had been reviewed, with minor textual amendments and one substantive change to the 'Further Advice and Support' section of the guidance for those who become involved in an investigation.

The Committee considered the wording in paragraph 17 of the policy and felt that the wording should be made clearer for a presumption of action being taken and amended the wording to "...will, unless there are exceptional circumstances, result in disciplinary action."

**RESOLVED**: That the Policy and Resources Committee be recommended to approve the Counter Fraud and Corruption Policy, subject to the word 'may' being replaced with 'will, unless there are exceptional circumstances,' in paragraph 17 of the policy.

78. ANTI-MONEY LAUNDERING POLICY AND GUIDANCE

The Finance Manager set out the report updating the Committee on the Council's Anti-Money Laundering Policy. The previous policy had been drafted in 2014 and needed updating in line with the Money Laundering Regulations 2017. The key change was the need for further due diligence checks on higher risk customers. The report also set out that the nominated Money Laundering Reporting Officer (MLRO) was the Director of Finance and Business Improvement.

The Committee raised concerns about the level of responsibility put on to front line staff to report money laundering. Assurance was given that the employees most likely to have to report money laundering, those handling incoming cash receipts, would have the training necessary to equip them appropriately. Once reported to the MLRO further work and investigation would be required before it was reported externally.

The quantum of cash payments set out in 4.1 of the policy, those that should not be accepted, was debated by the Committee. The stated amount of £10,000 was queried as being too high. It was noted that this amount was set out in the CIPFA guidance and that some customers paid for their Council Tax in cash. It was also suggested that a register should be kept of those making large cash payments and investigated.

Further, several minor amendments and corrections to the text were suggested. The Committee therefore considered that it was appropriate to bring the policy back to a later committee meeting so the minor amendments could be properly made. There was no risk in this action as the current Anti-Money Laundering policy was still in place.

**RESOLVED:** That the report be deferred to a later committee to allow minor amendments to be made.

**Note:** Councillor Perry left the meeting after consideration of this item.

79. TREASURY MANAGEMENT, INVESTMENT AND CAPITAL STRATEGIES 2020/21

The Finance Manager presented the report on the draft Treasury Management Strategy, Investment Strategy and Capital Strategy for 2020/21. CIPFA had revised the Prudential Code, such that the Council's Investment and Capital Strategies now need to be approved alongside the Treasury Management Strategy.

The Treasury Management Strategy was concerned with ensuring enough cash was available for the Council's day to day running, whereas the other strategies focussed on non-treasury investments, risks and funding.

The Council's approach was still to run down balances to fund the capital programme. It had entered into a borrowing position utilising an alternative option to the Public Works Loan Board, given the increase in PWLB rates last year. Borrowing was being kept to the short term for the time being but this would remain under review. A total borrowing requirement of £53.1m over three years was expected.

The Investment strategy had been updated with the service loan to Cobtree of £330k. The Capital Strategy had been updated to include the current capital programme, but it was noted that this was subject to approval by Policy and Resources on 22 January 2020.

The Committee reflected on the briefing on borrowing they had received prior to the meeting and indicated how useful it had been. The Committee stressed its support for borrowing in principle and wanted officers to consider the time value of money in decisions on whether to borrow early. Officers responded that interest rates and borrowing options were kept under review and that previous reports on capital purchases had included the time value of money.

**RESOLVED**: That

1. The Treasury Management Strategy for 2020/21 attached as Appendix A to the report be agreed and recommended to Council for adoption, subject to any amendments arising from consideration of the capital programme by Policy and Resources Committee at its meeting on 22 January 2020;
2. The Investment Strategy for 2020/21 attached as Appendix B to the report be agreed and recommended to Council for adoption; and
3. The Capital Strategy for 2020/21 attached as Appendix C to the report be agreed and recommended to Council for adoption.

80. **BUDGET STRATEGY - RISK ASSESSMENT UPDATE**

The Director of Finance and Business Improvement presented a report that provided an update on the budget risks facing the Council. The main risks that had changed were in relation to Brexit, with the risk moving to December 2020, and Local Government funding which had been resolved in the short term as the Council now knew what its settlement would be for 2020/21. Funding for 2021/22 onwards was unclear with indications expected in the Spring.

A risk relating to litigation costs exceeding the budget provision had been added. This had arisen not because of any specific major piece of litigation being under way but because of a number of issues prompting the need for it. The current contingency was £250k and this had not been drawn down in recent years to cover litigation costs. It was noted that this risk would include litigation arising from enforcement actions.

Risk 'J', i.e. that the Capital Programme would not be funded, was highlighted by the Committee, with their support for funding the capital programme being reiterated. In response officers informed them that it was considered to be a risk because of the requirement for the Government to back local government's spending plans – though it was understood that alternative sources of funding were available.

**RESOLVED**: That the updated risk assessment of the Budget Strategy provided at Appendix A to the report be noted.

81. **DURATION OF MEETING**

6.35 p.m. to 8.10 p.m.