

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 16 March 2023.

PRESENT: Mrs R Binks (Chairman), Mr A Brady, Mr N J D Chard, Mr A J Hook, Dr D Horne, Mr M A J Hood, Mr H Rayner, Mr R J Thomas and Mr S Webb

IN ATTENDANCE: Mrs C Head (Head of Finance Operations), Mr B Watts (General Counsel), Mr J Idle (Head of Internal Audit), Miss E Feakins (Chief Accountant), Mr Paul Dossett, Mr Parris Williams, Mrs S Hammond (Corporate Director Children, Young People and Education), Mr S Jones (Corporate Director of Growth, Environment and Transport), Mr M Hyland (Project Coordinator - East Kent Opportunities LLP), Ms A Melvin (Commercial Accounting Manager) and Miss K Reynolds (Democratic Services Officer)

UNRESTRICTED ITEMS

98. Substitutes

(Item 2)

Apologies for absence had been received from Mr Jeffrey. There were no substitutes present.

99. Declarations of Interest in items on the agenda for this meeting

(Item 3)

There were no declarations of interest.

100. Review of the Terms of Reference for the Governance and Audit Committee

(Item 4)

1. The General Counsel introduced the item and the proposed revised version of the Terms of Reference for the Governance and Audit Committee. It was said it was an iterative revision process and further conversations would take place based on the need to continuously improve Kent County Council's governance.
2. In response to questions and comments from Members it was said that:
 - a) Further details regarding the minimum training requirements and the ongoing training programme for the Committee would be provided at a future meeting date. A definitive list of Members with adequate training would be retained.
 - b) The Committee's appointing powers relating to the two non-voting Co-Opted Members (independent of the elected membership) had been included in the Terms of Reference to formalise the delegation of powers.

3. RESOLVED to:
 - a) Note the suggested revisions to the Terms of Reference.
 - b) Ask County Council to agree the revised Terms of Reference for this Committee and update the Constitution accordingly.

101. External Audit Findings Report 2021-22 *(Item 5)*

The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services and the Corporate Director of Finance were in attendance for this item.

1. Mr Parris Williams from Grant Thornton UK LLP introduced the report which presented the observations arising from the statutory audit of KCC and the preparation of the group and Council's financial statements for the year ended 31 March 2022. It was highlighted that the audit work on fully depreciated assets in 'Vehicles, Plant and Equipment' had been concluded since the last Governance and Audit Committee meeting. It was said that while this was a disclosure point, the misstatement was not material to the financial statements and, therefore, did not have an impact on the Audit Findings Report.
2. In response to questions and comments from Members it was said that:
 - a) With regard to the key issue raised in relation to Inland Border Facility at Sevington, the Corporate Director of Growth, Environment and Transport assured Members that further information was yet to be considered by Grant Thornton. It was agreed that the timeliness of providing information to the external auditors should be improved.
 - b) Members raised concerns in relation to the management response to the £4m invoice to an NHS CCG without any supporting evidence. In particular, the Committee requested further information regarding how the issue occurred and assurances as to how it would be prevented in future.
3. RESOLVED to note the report for assurance subject to the provision of a detailed response to the questions raised in 2.b).

102. External Audit Annual Report for 2021-22 *(Item 6)*

The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services and the Corporate Director of Finance were in attendance for this item.

1. Mr Paul Dossett from Grant Thornton UK LLP introduced the report which provided a commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources for 2021-22. It was said that the Director General of Local Government, Resilience and Communities at the Department for Levelling Up, Housing and Communities had recommended that Audit Annual Reports are presented to County Council for consideration. It was highlighted that the findings for KCC for 2021-22 conclude that, overall, the situation for financial sustainability had deteriorated.
2. In relation to the concerns raised regarding decision-making and member/officer relations, the General Counsel said that the draft Annual Governance Statement for 2022-23 would be received by the Committee in July 2023.
3. In response to questions and comments from Members it was said that:

- a) A briefing on Treasury Management would be provided to Governance and Audit Committee Members.
- b) It was said that questions raised in Governance and Audit Committee could be tracked to evidence the Committee's engagement with key operational and financial risks.
- c) Members requested further detail from Finance colleagues regarding the planned use of sensitivity analysis/scenario testing as part of the medium term financial planning process.
- d) Further information regarding the comparative levels of rental income and rates of return on property assets across councils would be provided to Members outside of the meeting.

4. RESOLVED to note the report for assurance.

103. Review of Statutory Accounts of companies on which KCC has an Interest
(Item 7)

- 1. The Commercial Accounting Manager introduced the report which presented the latest available Statutory Accounts for the eight companies in which KCC has an interest. For most companies the accounts were for 2021-22. The most recent accounts for Produced in Kent Ltd and TRICS Consortium Ltd were for 2020-21.
- 2. In response to questions and comments from Members it was said that:
 - a) The issue relating to Locate in Kent Ltd arose due to the delayed signing of accounts.
 - b) There was ongoing work being undertaken with service directors to establish formal and informal mechanisms for identifying emerging risks within these companies. The General Counsel would produce a note for the Committee's reference on the findings of this work. The Independent Member agreed to provide the General Counsel with further information relating to these mechanisms in other councils.
 - c) In relation to Visit Kent Ltd, the Corporate Director of Growth, Environment and Transport advised that the performance of the EXPERIENCE project was monitored by the Growth, Economic Development and Communities Cabinet Committee.
- 3. RESOLVED to note the contents of this report for assurance.

104. Performance of KCC wholly owned companies
(Item 8)

- 1. The Commercial Accounting Manager introduced the report which summarised the performance of KCC's wholly owned companies for 2021-22. It was said that the trading companies were starting to recover from the impact of Covid.
- 2. The General Counsel said that a review into the governance arrangements of KCC's wholly owned companies was being undertaken as part of the Annual Governance Statement work. Members would be provided with an update at the next Governance and Audit Committee meeting.
- 3. In response to questions and comments from Members the General Counsel said that concerns relating to the risk and/or reward of maintaining shareholding in the companies would need to be raised with the Executive as part of a political

discussion. However, a briefing on the structuring of the companies and the detailed governance arrangements would be provided to the Committee.

4. RESOLVED to note the contents of this report for assurance.

105. East Kent Opportunities LLP

(Item 9)

1. Mr Matt Hyland introduced the annual report on East Kent Opportunities (EKO) LLP, including an update on recent activity. It was highlighted that the EKO LLP land holdings were naturally steadily diminishing through its continued calibrated land disposal programme. Following fragmented disposals, the concentration of business was on Manston Business Park as the remaining land asset. This was primarily commercially zoned land within the Local Plan but subject to planning applications.
2. In response to questions and comments from Members it was said that:
 - a) A counter signed version of the Financial Statements would be added to the meeting page on the website.
 - b) The Manston Business Park contained non-developable areas which were primarily landscaped by the previous developer. A Landscape Strategy for the undeveloped areas and service margins had been developed in consultation with Plan Tree and Plan Bee. However, there had been regular trespassing and anti-social behaviour in the corridors of non-developable land. It was said that additional methods of security and enclosure were required for the successful delivery of the Landscape Strategy.
 - c) Master planning for commercial developments was more complex than residential development. However, EKO LLP was providing additional support to applicants in relation to the environmental and ecological aspects of planning applications.
3. RESOLVED to note the contents of this report for assurance.

106. SEND Transport Review Management Response - Progress Update

(Item 10)

The Director of Education was in attendance for this item.

1. The General Counsel introduced the item and apologised to Members for the insufficient documentation. The report did not provide the detailed actions that had been undertaken in response to the SEND Transport Review. However, Members were reminded of the work that had already been reported to the Committee in other papers, including the Annual Governance Statement for 2021-22.
2. In response to questions and comments from Members it was said that:
 - a) A more detailed report from the Corporate Directors would be provided at the next Governance and Audit Committee meeting. It was noted that the table format may not be suitable for the robust monitoring of the management response.
 - b) The Chairman of the SEND Sub-Committee would provide a verbal update to the Governance and Audit Committee at a future meeting date.
 - c) The Head of Internal Audit confirmed that an independent review into the SEND Transport Review Management Response had started, and the findings would be presented to the Governance and Audit Committee.

- d) The Corporate Director of Growth, Environment and Transport assured Members that significant improvements had been made in terms of service delivery... It was said that positive management action had been taken as a result of the SEND Transport Review. Reference was also made to the challenging operational context, including increased demand and driver shortages, and the impact that this had on service delivery.
- e) The Director of Education told Members that data relating to the school attendance for children with Education, Health and Care Plans impacted by the changes to SEND transport in February 2022 would be provided to the Committee. Members were told that a sufficiency strategy for pupils with SEND was due to be launched for consultation in Summer 2023 as part of the Kent Commissioning Plan for Education Provision. A report on the findings of the consultation could be provided to the Committee at a future meeting.

3. RESOLVED to note the verbal updates for assurance.

107. Other items which the Chairman decides are urgent

(Item 11)

In relation to the Spring Budget 2023 presented to Parliament on Wednesday 15 March 2023, the General Council highlighted that there were a range of implications for KCC. Members were reminded that the KCC response to the Spring Budget 2023 announcement would need to adhere to the restrictions in place during the pre-election period.