

GOVERNANCE AND AUDIT COMMITTEE

4 SEPTEMBER 2018

Present:- Councillor Fox (Chair), Councillor Chuah, Councillor Davidson, Councillor Higgins, Councillor F. Maclean, Councillor Whitehead and Councillor Willetts

118. Minutes

RESOLVED as a correct record the minutes of the meeting held on 10 July 2018.

119. Have Your Say!

Alan Short

Alan Short, Campaign Co-coordinator for the Central Colchester Labour Party, attended the Governance and Audit Committee meeting to have his say regarding the development of the cultural quarter. Alan Short raised concerns that proceeding with the development would put the Council at risk of judicial review and other legal challenges.

Mr Short explained that he had a copy of the land registry, from August 2018, which showed that the Cultural area still has a covenant on the land. Mr Short stated that selling the land to a private developer outside the UK for accommodation not occupied by residents of Colchester, would be contrary to the Covenant. Mr Short informed the Committee that some residents were concerned that the land would be sold with the covenant still in place and without the removal of this the Council could be at risk of a judicial review. Mr Short also queried the consultation for the site and why the Council had had 21 meetings with the developer. Mr Short questioned whether the decision to sell the land would be a sound business decision and whether it would be better if the land was retained by the Council, given that the value of the land is likely to increase. Mr Short suggested that a cost benefit analysis over ten years be conducted to assess what the best option would be.

The Committee thanked Mr Short for attending and his comments and advised him that his comments should be raised at a future Cabinet meeting as the development would be an executive function of the Council. Mr Short was also informed that if a planning application were to proceed a further consultation would be conducted. A member of the Committee suggested that Mr Short e-mail a copy of the land registry documents to Committee members.

120. Colchester Borough Homes – Annual Report and Governance Statement

Councillor Nigel Chapman and Brian Richardson, Interim Finance Director of CBH, attended the meeting to present the Colchester Borough Homes (CBH) Annual Report and Governance Statement. The report requests that the Committee consider and comment on the Governance Assurance Statement of Colchester Borough Homes, and accepts the

assurance provided by CBH regarding its governance arrangements throughout 2017/18.

Cllr Chapman informed the Committee of apologies from Glenn Houchell the Chairman of the Finance and Audit Committee who was unable to attend the meeting.

Councillor Chapman addressed the Committee and informed them that he felt the annual report demonstrated the excellent business management processes that were now in place at CBH. Councillor Chapman also provided information about the structure of the Finance and Audit Committee.

In response to questions from the Committee, Mr Richardson explained that they had 10 internal audit projects including all key financial audits, which were amalgamated into one audit, during the year. Key financial audits are conducted each year, however other audits are on a rotation basis. The 5 year internal audit coverage plan is reviewed annually, and is a flexible document so that if circumstances change it is possible for an item to be audited when required. Colchester Borough Homes has approximately 70-80 days of internal audit per year and there is an external audit of the accounts at the end of the year, which ensures that financial figures are robust.

Following a query from a member of the Committee, Mr Richardson informed the Committee that the scheme of Governance at CBH was sound and meets all the standards that you would find in other Arms Lengths Management Organisations.

The Committee expressed their thanks to the Colchester Borough Homes Board and staff for their hard work.

RESOLVED that;

- a) that the Governance and Audit Committee considered and commented on the Governance Assurance Statement of Colchester Borough Homes.
- b) The Committee accepts the assurance provided by Colchester Borough Homes regarding its governance arrangements throughout 2017/18.

121. Year End Review of Risk Management

Councillor King, Portfolio Holder for Resources and Hayley McGrath, Corporate Governance Manager, introduced the Year End Review of Risk Management. The report requests that the Committee consider and comment on the Council's progress and performance in managing risk during the period from April 2017 to March 2018, the current strategic risk register, the proposed risk management strategy for 2018/19 and endorse the submission of this report to Cabinet.

Councillor King and Hayley McGrath provided a summary of the report to the Committee. Councillor King informed the Committee that in previous employment he was involved in risk and that the Council has a robust risk management system in place with the management team at the senior level alive to risk and the changing nature of the living document. Councillor King stated that he wanted to hear what the Committee's view of Risk Management was in the Council.

Hayley McGrath highlighted a key element of work this year was assessing risk in the new commercial companies. Ensuring that there is a robust insurance framework and how the companies manage their commercial risk going forward. Health and Safety work has also

been undertaken with Colchester Borough Homes and lone workers. Hayley McGrath confirmed that there are no significant changes to the strategy and that it has been endorsed by the external auditors. Hayley McGrath also provided a summary of the Strategic Risk register including an increase in the level of risk for the North Essex Garden Communities project.

In response to a question about risk 3e, relating to challenging behaviour from customers towards Officers and whether this includes comments through social media, Hayley McGrath welcomed the suggestion and acknowledged the increasing usage of social media. Whilst there was no specific risk associated to social media, Hayley McGrath confirmed that this would be raised going forward. Pam Donnelly, Strategic Director, who has responsibility for this area, welcomed the suggestion and the need to take comments from social media into account and be aware of the impact of such comments on officers.

A member of the Committee also raised concerns that certain risks, like the potential impact of future reductions in government funding, were certainties and therefore managed rather than potential risks. In addition, a further comment was raised suggesting that the risk associated to the European Union referendum was too high, as it was unlikely to cause issues with the day to day running of the Council and may just cause a small financial risk that could be monitored. Councillor King acknowledged that there is a limit to what the Council can do with certain risks, but it is necessary to monitor them to ensure that the Council can react to any variations in its budget caused by the risks identified. With regard to the risk associated to the European Union referendum, Councillor King stated that the Council needed to have a view of the potential impact on services and funding depending on the circumstances and economic context of future arrangements.

In response to a question about the significance of the risk tolerance line, Hayley McGrath stated that for those risks identified as above the tolerance line these will be given more resource than those below due to the level of risk associated.

Hayley McGrath also confirmed that the document is reviewed every quarter, with discussions held at performance management board. The risks are also considered every three months by Assistant Directors and robust conversations are had about those risks which need to be considered. Councillor King confirmed that he had reviewed and held discussions about the document twice in the last few months.

A member of the Committee highlighted that there had been delays in processing planning applications and in street naming services. The Committee member acknowledged that staff in the departments had apologised for delays received but questioned why these areas were not reflected in the risk register. Councillor King apologised for any shortfall in the services received. Hayley McGrath stated that there are two different types of risk register, the strategic risk register which looks at risk as a whole and operational risks which are relevant to each service area and wouldn't be included within this report. Both of these particular risks are more likely to be included in operational risks, but wider implications on service delivery are covered under risk 2a.

In response to a further query about whether there is an opportunity for staff to raise issues that could be included in the risk register Hayley McGrath confirmed that officers have e-mailed her in the past flagging up areas for consideration. Any submissions received are then passed on to senior management to review. Hayley McGrath also confirmed that there is a Managers Network which allows for discussion and identification of areas of risk as well as an option to use the whistleblowing policy if necessary.

RESOLVED that:

- a) The Committee considered and commented on the Council's progress and performance in managing risk during the period from April 2017 to March 2018.
- b) The Committee considered and commented on the current strategic risk register
- c) The Committee considered and comments on the proposed risk management strategy for 2018/19
- d) The Committee endorse the submission of this report to Cabinet.

122. Annual Statement of Accounts - 2017/18

Sean Plummer, Strategic Finance Manager, introduced the Annual Statement of Accounts 2017/18 report. The report requests that the Committee note the publication of the audited Statement of Accounts for 2017/18.

Sean Plummer stated that the purpose of the report is to inform the Committee that the audited statement of accounts has been published on the Council website formally closing the audit process for 2017/18.

RESOLVED that the publication of the audited Statement of Accounts 2017/18 be noted.

123. Annual Audit Letter

Sean Plummer, Strategic Finance Manager, introduced the Annual Audit Letter Report. The report requests that the Committee consider and notes the contents of the 2017/18 Annual Audit Letter.

Sean Plummer, provided the Committee with a brief outline of the report highlighting the key areas of work. Sean Plummer also explained that much of the information included within the report had been previously submitted to a Governance and Audit Committee meeting.

RESOLVED that the Committee considered and commented on the contents of the 2017/18 Annual Audit Letter.

124. Financial Monitoring Report – April to June 2018

Darren Brown, Finance Manager, introduced the Financial Monitoring Report for the period between April and June 2018. The report requests that the Committee consider the financial performance of General Fund Services and the Housing Revenue Account for the first three months of 2018/19, and to note the forecast budget overspend of £150k on the general fund.

Darren Brown provided Committee members with a summary of the report and highlighted that there is a net underspend on services of £356k due to less expenditure of £100k and more income of £256k compared to profiled budgets.

Darren Brown stated that the underspend is in a number of different areas and is due to the profiling of the budgets and when the spend is likely to occur. Darren Brown also highlighted that there is less than expected income from Sport and Leisure. With regard to the net overspend, this is a result of additional spend on employee costs, premises costs, supplies and services costs and the additional costs for introducing recycling in flats.

Darren Brown also informed the Committee that the forecasts are robust and that through a monthly review it is notable that the budget has been improving since quarter one. With regard to the Housing Revenue Account, this has an underspend of £450,000, which is due to the profiling of budgets.

A member of the Committee requested further details on the position of the Housing Revenue Account, with regard to the premises costs and repairs and maintenance overspend. Darren Brown confirmed that this position was due to underspends in a number of different budget areas and a small overspend just within the repairs and maintenance area.

RESOLVED that the Committee considered the financial performance of General Fund Services and the Housing Revenue Account for the first three months of 2018/19, and to note the forecast budget overspend of £150k on the General Fund.

125. Capital Expenditure Monitor 2018/19 – April 2018 to June 2018

Sean Plummer, Finance Manager, introduced the Capital Expenditure Monitor 2018/19 for the period of April 2018 to June 2018. The report requires that the Committee review the progress of the schemes included in the capital programme, the associated spend for the first three months of the financial year and the budget forwards for 2018/19. The report requests the Committee note the requirement for the Council to prepare and publish a Capital Strategy to be in place for 1 April 2019.

Sean Plummer informed the Committee that eight percent of the budget had been spent in the first quarter of the Capital scheme. Sean Plummer explained that this was a usual occurrence due the majority of spending happening at the end of the financial year. Sean Plummer also highlighted that there are a number of large items within the capital programme that may move into the next financial year.

Sean Plummer informed the Committee that the report sets out the overall programme, as well as comments on the larger schemes. There are currently no large over or under spends for large projects and any items flagged as amber are included. Sean Plummer highlighted that projects can be categorised as amber due to a number of different factors including cost, delivery of the programme and uncertainty.

Sean Plummer also highlighted that there is a new requirement for all local authorities to produce a Capital Strategy from 1 April 2019. This is due to the changing nature of Local Authorities Capital expenditure and will be as part of the budget reports and providing information about the capital programmes.

A member of the Committee questioned, in relation to the Capital Strategy, whether the Council had any investments in property outside of the Borough Council area. In response Sean Plummer confirmed that Colchester Borough Council does not have any investments outside of the Borough area. Sean Plummer confirmed that whilst some Councils have decided to invest in properties outside of their area, Colchester Borough Council have invested in capital schemes in the Borough. Sean Plummer confirmed that Capital Strategy would need to be clear providing information about where the investments by the Council has been made, the rationale for the decisions and the change in focus to a more commercial approach.

A member of the Committee questioned the project regarding surface water flooding at Distillery Lane and whether there are still plans as part of a Colne Estuary Strategy to assist with this issue. Sean Plummer informed the Committee that further information on this could be provided after the meeting, following a discussion with the Officer involved.

A further question was asked regarding other local authorities had invested within the Colchester Borough Council area. In response Sean Plummer stated that the Capital Strategy would only contain information about Colchester Borough Council investments rather than other authorities.

RESOLVED

- a) that the Committee reviewed the progress of the schemes included in the capital programme, the associated spent for the first three months of the financial year and the budget forecasts for 2018/19 and future years.
- b) That the requirement for the Council to prepare and publish a Capital Strategy in place for 1 April 2019 be noted.

126. Work programme

Jonathan Baker, Democratic Services Officer, introduced the Work programme report, which requests that the Committee note the work programme for the ensuing municipal year.

Jonathan Baker informed the Committee that there would be an additional meeting of the Governance and Audit Committee taking place on 13 November. This meeting was arranged due to the number of items of business scheduled for October.

RESOLVED that the Work Programme 2018-19 be noted.