

GOVERNANCE AND AUDIT COMMITTEE

6 MARCH 2018

Present:- Councillor Barlow (Chair), Councillor Chillingworth, Councillor Harris, Councillor F Maclean and Councillor Willetts

Substitutes:- Councillor Scott-Boutell for Councillor Graham

Also present:- Councillor Cory

95. Minutes

RESOLVED that the minutes of the meeting held 16 January 2018 were confirmed as a correct record.

96. Audit Plan for year ending 31 March 2018

Steve Heath, Finance Manager, Kevin Suter, Associate Partner at Ernst and Young and Dan Cooke, Audit Manager, Ernst and Young attended the meeting to introduce the report. The report requests that the Committee reviews the contents of the Audit Plan for the year ending 31 March 2018.

Kevin Suter, highlighted that the report summarises the assessment of the key financial statement and value for money risks facing the Council. With regard to the financial opinion, Kevin Suter informed the Committee of the significant risks and other financial statement risks that are included in the report. Kevin Suter noted that the risks included were similar to those previously brought to the attention of the Committee. The focus was on the risk of fraud expenditure recognition and ensuring that capital and revenue expenditure originated from the correct area. Kevin Suter also highlighted the risk of management overrides, and those areas where estimation techniques and specialists are used by the Council, which includes Property, Plant and Equipment valuation, as well as Pensions. As part of this process the auditors would look at the qualifications of the experts used by the Council to provide the estimation.

Kevin Suter informed the Committee that due to changes in the internal reporting of the Council, with amendments made to the service headings used in the comprehensive income and expenditure, a restatement will be required which will look at previous year's figures.

With regard to value for money responsibilities, an assessment was made and no risks were identified. Further monitoring of value for money will continue until the end of the year and if anything is found the Committee will be notified at the next opportunity.

Kevin Suter also provided the Committee with an update on the audit timeline, which is

required to close earlier next year. Whilst Colchester Borough Council had already been working to the timeline, this will require other local authorities to do the same. This will mean that Ernst and Young will require information in advance, attempting to remove work from the peak period at the end of the year. This particular risk has been highlighted to all colleagues, regardless of existing work undertaken. Kevin Suter confirmed that it is expected that the Statement of Accounts will come to the Committee at the July 2018 meeting.

A member of the Committee questioned whether external factors, such as the situation at Northamptonshire County Council, impact the approach to the audit process. Kevin Suter stated that the Northamptonshire situation represented the extreme end of risks that have been previously identified. This is not something that is applicable to Colchester Borough Council due to the previous achievements in the level of savings and the reasonable assumptions made. Kevin Suter confirmed that the audit process would continue up to the end of the year, focusing on the budget and would also be a factor when considering the audit plan.

RESOLVED that the contents of the Audit Plan for year ending 31 March 2018 be reviewed.

97. Internal Audit Plan 2018/19

Andrew Weavers, Monitoring Officer, and Alan Woodhead, Mazars, presented the report. The report requests that the Committee consider and agree the suggested internal audit plan for 2018/19.

Andrew Weavers informed the Committee that the Council is required to maintain a five year audit plan, with an annual plan agreed with management about the specific areas covered during the next financial year. The annual plan is then provided to the Committee for approval.

Andrew Weavers stated that the internal audit contract provides for 325 auditing days per year, and that the plan has been agreed by the performance management board. The plan also includes 15 days of auditing for significant contracts and 25 days for IT processes, which will be allocated during the year. Andrew Weavers also noted that, whilst Mazars also audit Colchester Borough Homes, there is only one joint audit which is housing rents.

Responding to a question regarding the criteria used to establish the number of days required, Alan Woodhead confirmed that there are a number of audits which have set requirements for audit days this is set by the Government. Other areas are managed in an overall cycle across the authority and applied in consultation with management.

A Committee member questioned whether there were links between the number of audit days allotted to each service and the risks identified in the Council. Alan Woodhead confirmed that the risk register is considered when discussions are held and this is reflected in the fact that a number of key risks are financial.

RESOLVED that the suggested Internal Audit Plan for 2018/19 be agreed.

98. Financial Monitoring Report

Councillor Cory, Portfolio Holder for Resources, and Darren Brown, Finance Manager, introduced the Financial Monitoring Report for April to December 2017. The report requests

that the Committee consider the financial performance of General Fund Services and the Housing Revenue Account for the first nine months of 2017/18 and to note the forecast budget overspend of £44,000 on the General Fund.

Councillor Cory provided the Committee with a brief summary of the budget, highlighting the budget overspend, areas where income has not been as high as expected as well as those areas where income has exceeded the targets. Councillor Cory provided Committee members with assurance that the budget is regularly discussed at budget group meetings. Councillor Cory also referenced the recent bad weather and stated that the impact of this on the budget, in relation to waste collection, events and car park income, was being assessed.

Darren Brown stated that the General Fund is showing a net overspend against services of £59,000. This figure includes an underspend in certain areas, as well as less income than anticipated in others. Darren Brown confirmed that the level of overspend had reduced since the previous reporting, which is due to technical corporate savings.

Darren Brown confirmed that where income targets were not reached, budgets have been amended for next year to reflect this. An end of year report will be brought to the Scrutiny Panel in June, which will provide an updated figure following final adjustments and expenditure and income checks.

With regard to the Housing Revenue Account, Darren Brown stated that this is showing a net underspend of £656,000. The HRA is currently forecast to be on budget, as any underspend occurring will be reinvested in the housing capital programme.

A Committee member requested additional information on the reduction in the amount of rental income being lost. Darren Brown stated that the £293k increase in income represents just less than 1% of the total income budget. Darren Brown explained that this is due to less properties being empty than anticipated as well as a quicker turnaround of properties between tenants.

In response to a query about whether there was resilience in the budget for bad weather, Darren Brown confirmed that there are balances within the general fund that can be used for these one off occurrences. Councillor Cory also highlighted that within the zones and waste teams there are inbuilt budgets for sickness, and further work will be done to assess the impact of the weather on the budgets. It was acknowledged that given the late onset of the winter, there is less time for the budget to adjust to the added demands and that the impact would be assessed. Ann Hedges stated that she expected that services would be able to absorb the additional cost pressures. A further query was raised regarding why budgets are not set high to deal with this. Councillor Cory highlighted that as budgets become tighter, they are reviewed over the years so that where they are not spent, they are reduced. Councillor Cory also highlighted the reliance on a greater level of commercial income rather than government grant.

Committee members commended the hard work of officers during the recent cold spell.

RESOLVED that;

- a) the financial performance of General Fund Services and the Housing Revenue Account for the first nine months for 2017/18 be considered.
- b) That the forecast overspend of £44k on the General Fund be noted.

99. Capital Expenditure Monitor 2017/18

Steve Heath, Finance Manager, and Councillor Mark Cory, Portfolio Holder for Resources, introduced the Capital Expenditure Monitor 2017/18. The report requests that the Committee review the level of capital; spending during the first nine months of 2017/18, and forecasts for future years.

Steve Heath informed the Committee that the report provides details of capital expenditure from the first nine months of the year, which had totalled £10.9m so far, or 52% of the projected spend for the year. Steve Heath explained to the Committee that this was a similar total to previous years. This is due to the nature of the capital programme and because the housing investment programme does not accrue until the end of the financial year.

Steve Heath also highlighted that the 2018/19 budget report had been approved by the Council at its meeting on 21 February, which included a number of alterations to the Capital programme.

A member of the Committee questioned why the Oak Tree Community Centre Roof project, which is completed was rated as an amber project. In response, Steve Heath stated that it was categorised as amber due to the overspend on the project. Further capital spending was allocated to the project following the underspend on the waste collection strategy.

A further query was asked about when the Distillery Lane and Haven Road sewage infrastructure would be upgraded to reduce the risk of flooding. Councillor Cory stated that he had seen the plans and that the project was advancing, however as it is an Essex County Council scheme it depends on their timescales.

RESOLVED that the level of capital spending during the first nine months of 2017/18 and forecast for future years has been reviewed.

100. Disclosure and Barring Checks for Councillors

Andrew Harley, Equality and Safeguarding Co-ordinator, introduced the Disclosure and Barring Checks for Councillors report. The report recommends that the Council continues with its current approach of not requiring or seeking Disclosure and Barring Checks for Councillors.

Andrew Harley confirmed that this issue had been brought to the Committee for consideration following a request from a Committee member. Andrew Harley stated that following further research of this issue and analysis of what other Councils do, it would not be advisable for the Council to undertake enhanced DBS checks. Andrew Harley also confirmed that there is no legal basis for which the Council can require basic or enhanced checks for Councillors. In addition to this it was noted that the work within the ward undertaken by Councillors is not a regulated activity.

Andrew Harley highlighted that the legislation does allow for basic checks to be undertaken, however this only shows unspent convictions and would have limited value. Whilst Councils can introduce this as a policy there is no clear framework for its introduction. There is also no clear framework for enforcement of the policy.

Committee members welcomed the report and research, but raised some concerns around

inconsistencies in application of DBS checks. Councillors highlighted that as school governors they are required to have checks, but as District Councillors checks are not required even though there maybe interactions with vulnerable residents. Officers confirmed that whilst District Councillors are not required to have checks those County Councillors with certain responsibilities are required to undertake checks.

Committee members also voiced concerns that if Councillors were to undertake basic checks, this would only provide information about spent convictions. Officers confirmed that advanced checks could not be requested by Councillors.

It was suggested that that issue about DBS checks could be raised as part of the Governance and Audit Committees response to the consultation on local government ethical standards.

A Committee member also suggested that as part of safeguarding training for Councillors it could include risk and risk management of situations.

RESOLVED that;

- a) the Council continues with its current approach of not requiring or seeking Disclosure and Barring Checks for Councillors.

101. Committee on Standards in Public Life Consultation on Local Government Ethical Standards

Andrew Weavers, Monitoring Officer, introduced the report on the Committee on Standards in Public Life Consultation on Local Government Ethical Standards. The report requests that the Committee consider the consultation questions contained in the paper and to delegate authority to the Chairman in consultation with the Group Spokesperson to agree the Council's response.

Andrew Weavers informed the Committee that the Chairman had requested that this issue be added to the agenda. The consultation is not a government consultation but one conducted by the Committee on Standards of Public Life.

The current ethical standards regime were brought in in 2012 and have not been reviewed since. Following this consultation, the information would then be passed on to the government, however there is no guarantee that there is time to implement the changes.

It is proposed that a stakeholder consultation takes place, covering 19 questions which are set out in the appendix to the report. The questions cover a variety of areas in relation to ethical standards. The consultation also looks to seek views on how to improve standards as well as whether Councillors had experience any intimidation and how this could be improved.

Andrew Weavers highlighted that the closing date for the consultation is 18 May, which doesn't fit into the current Committee dates. It was therefore suggested that following the circulation of a questionnaire to all members, the Chairman and Group Spokespersons be consulted on the response that will be provided.

Members of the Committee welcomed the report and the proposal for consulting members. It was suggested that the closing date for responses from Councillors should be moved to 12 April to ensure that views are collected prior to the election. The Committee also agreed

that responses from Councillors would be anonymised to ensure that Councillors can provide full feedback.

It was also suggested that the issue of DBS checks for Councillors could be included in the response, and that a copy of the response be included in the agenda for the first meeting of the Governance and Audit Committee in the next municipal year.

RESOLVED that authority be delegated to the Chairman in consultation with the Group Spokespersons to agree the Council's response.

102. Work Programme 2017-18

Jonathan Baker, Democratic Services Officer, introduced the Work Programme 2017-18. The report requests that the Committee note the contents of the Work Programme.

The Committee were informed that the next meeting of the Governance and Audit Committee would take place in the next municipal year in June. Dates for the meetings are published online through the Committee management system. In addition to the meetings scheduled for next year, it is likely that a Statement of Accounts briefing will be scheduled during the week commencing 25 June 2018.

The Chairman thanked the Committee and Officers for work during the year.

RESOLVED that the Work Programme 2017-18 be noted.