

# GOVERNANCE COMMITTEE

## 14 JANUARY 2014

*Present :-* Councillor Ray Gamble (Chairman)  
Councillors Cyril Liddy, Sue Lissimore, Peter Sheane  
and Laura Sykes

*Substitute Members :-* Councillor Will Quince for Councillor Christopher Arnold  
Councillor Bill Frame for Councillor Nigel Offen

### **32. Minutes**

The Minutes of the meeting held on the 19 November 2013 were confirmed as a correct record.

### **33. Certification of Claims and Returns – Annual Report 2012/13**

The Committee considered a report from the Assistant Chief Executive presenting the contents of the 2012/13 Certification of Claims and Returns annual report letter from the external auditor, Ernst and Young LLP, which was attached as an appendix to the report.

Debbie Hanson, attending on behalf of the auditors, explained that the annual letter summarised the results of their work on Colchester Borough Council's 2012-13 claims and returns. The auditors had certified three claims and returns with a total value of £126.6 million relating to the Housing and Council Tax Benefit subsidy claims, the National Non Domestic Rates return and the Pooling of Housing Capital Receipts, in relation to which one qualification letter had been issued for the housing benefit claim. The error identified had been corrected by the Council. The Council had also implemented all of the recommendations from last year and no recommendations were made for the current year.

*RESOLVED* that the contents of the 2012/13 Certification of Claims and Returns annual report 2012/13 from the external auditor, Ernst and Young be noted and the thanks of the Committee to the staff involved in the three areas of work be recorded.

### **34. Annual Review of Business Continuity**

The Committee considered a report from the Assistant Chief Executive considering the business continuity work undertaken between the 1 October 2012 to 30 September 2013. The draft Business Continuity Strategy for 2013/14 was also attached as an appendix to the report.

The Risk Management Strategy, which formed part of the Policy Framework, identified the Governance Committee as being responsible for reviewing the effectiveness of the risk management process and reporting critical items to Cabinet as necessary.

Business continuity was an integral part of the risk management process and it was therefore appropriate that a detailed progress report was provided to the Committee.

Business continuity issues were primarily reported to the 'First Call Officer' group, which consisted of the Senior Management Team and other key staff. The primary role of this group was to provide the strategic management of any emergency – either internal or external. There were three main areas in the work plan for 2012/3:

- Testing of the plans to ensure the assumptions made in both the corporate and service plans were correct and reflected the changes of the fundamental service reviews;
- Review of specific event plans such as major pandemic and loss of key buildings;
- Further development of the training programme to ensure that all staff can access appropriate material.

The annual Business Continuity self assessment had been carried out in January 2013 benchmarking Colchester against the rest of the Essex Authorities. Overall Colchester was slightly above the Essex average with a slight increase in scores for management and organisation.

The Business Continuity Strategy had first been agreed in 2009 with a requirement within the strategy, and of the regular internal audit assessment, that it is reviewed annually to ensure that it is still appropriate to the Council's needs. The revised strategy was considered to meet the needs of the organisation and therefore there were no fundamental changes to the strategy or the business continuity process.

The following areas had been identified as the primary focus for developing business continuity further in 2013/14:

- Reviewing the service plans to ensure they reflect the changes to the organisational structure and facilities, following on from the UCC FSR;
- Embedding the on-line training tools;
- Developing the business continuity links with significant partners and contractors.

The members of the Committee considered the report in detail, in particular in relation to:

- The provision of Key Personnel insurance cover;
- The frequency of continuity testing;
- The importance of maintenance of Communication arrangements and the processes in place to provide for this;
- The arrangements put in place to ensure IT systems are protected and restored so far as is possible;
- The need for consideration to be given to Emergency Planning awareness being provided to councilors as well as key staff members.

*RESOLVED* that the Council's progress and performance with regard to business continuity during 2012/13, the Business Continuity Strategy and work plan for 2013/14 be noted.

### **35. Local Government Pension Scheme**

The Committee considered a report from the Assistant Chief Executive reviewing the Council's pension arrangements including the current and future financial strain, as requested by the Committee in its meeting of 24 September 2013.

The Local Government Pension Scheme (LGPS) was currently a defined benefit scheme often referred to as a 'final salary scheme'. The entitlement to this, the benefits payable, employee contributions and associated rules were governed by Act of Parliament and individual Councils had no powers to amend, withdraw or replace the scheme, or prohibit membership in any way.

The LGPS was a funded scheme, meaning pensions were paid from income received on its investment portfolio, built up from employee and employer contributions. The scheme was administered by Essex County Council, with each District Council's fund held separately but subject to one overall investment strategy. The schemes were re-valued on a triennial basis by an appointed scheme actuary who reported on the funding level, any deficiency which was due to be paid by the employer and future employer contribution rates. Over recent years there have been a number of changes to the LGPS, aimed at making the scheme less costly for the employer with the next change taking effect in April 2014 moving from a final salary scheme to one based on a career average, normal retirement age linked to state pension age and an agreed cost sharing ratio between employee and employer.

The Council had received the results of the 2013 triennial valuation which determined the amounts payable for the three years commencing 2014/15. The main changes being that there had been an increase in funding levels, which had decreased the cash size of the deficit, and that the ongoing contribution rate for all employers had increased. For Colchester this meant an increase in the employer contribution rate from 11.8% to 13.7% of pensionable pay.

Employers have been given a number of options for spreading the deficit payment over the three years commencing from 2014/15 and Councils can also make additional lump sum payments to reduce the size of the deficit should they so choose. The Council was considering these options for the 2014/15 budget and the final position would be confirmed in the budget report to be submitted to Council on 19 February 2014.

The members of the Committee considered the report in detail, in particular in relation to the following matters:

- Although the projected return on investments had reduced the anticipated level of contributions by the Council for the forthcoming period would remain broadly similar to previous years;
- The fact that the scheme was optional for staff but that membership was encouraged in order to increase the overall amount of staff contributions;
- The move from a final salary scheme to career average scheme with the link to state pension age, reflecting recent trends in the private sector, was welcomed;

- The level of contributions from staff had increased as the scheme had been revised with the highest contribution rate currently standing at 12.5%;
- The difficulty of making comparisons between the cost of contributions to the pension scheme compared to the level of Council Tax, given that Council Tax was only one of the Council's numerous income streams;
- The proposed level of contributions for the forthcoming period had been based on the assumption that the deficit would be cleared within the next 21 years.

*RESOLVED* that the Council's arrangements relating to the Local Government Pension Scheme administered by Essex County Council, including the current and future financial strain be noted.

### **36. Work Programme 2013-14**

The Committee considered the contents of a report from the Assistant Chief Executive on the Work Programme for the year. It was explained that the external auditor had requested that the Audit Opinion Plan be rescheduled for submission to the Committee at its first meeting in the new Municipal Year.

*RESOLVED* that the contents of the Work Programme be noted.