

Governance Committee

Tuesday, 08 September 2015

Attendees: Councillor Christopher Arnold (Member), Councillor Cyril Liddy (Chairman), Councillor John Elliott (Member), Councillor Ben Locker (Member), Councillor Fiona Maclean (Member), Councillor Jo Hayes (Deputy Chairman), Councillor Professor Peter Higgins (Member)

Substitutes: Councillor Justin Knight (for Councillor Julia Havis)

Also in attendance: Councillor T.Young

10 Minutes

The minutes of the meeting held on 30 June 2015 were confirmed as a correct record.

11 Work Programme

Councillor Liddy introduced the Work Programme for 2015/16.

RESOLVED that the Work Programme for 2015/16 be approved.

12 Annual Statement of Accounts 2014/15

Debbie Hanson, Audit Director, Ernst and Young, introduced the Annual Statement of Accounts report for 2014/15. The report requests the Committee accept the Auditors' report, note the comments in the covering report, approve the letter of representation and the audited statement of accounts.

Debbie Hanson highlighted the Audit Results Report, which the auditors are required to present to Colchester Borough Council. The report highlights that the audit has gone very well, as it had in previous years, however Ernst and Young have further work to complete before the accounts can be signed. It is expected that the work will be completed and reviewed in the next week.

Debbie Hanson stated that the audit addressed two key risk areas. The first being the financial risk to the Council for the business rates appeals. Colchester Borough Council has provided assurance to the auditors in the level of business rates appeals provision. The second risk is the possibility of management override, for which the auditors found no material misstatements of managerial bias. In addition Debbie Hanson stated that there are no issues with the joint operations that Colchester Borough Council has with Colchester Borough Homes or the Community Stadium.

Francesca Palmer, Assistant Manager, Ernst and Young, stated that there are some areas that still require further work to complete the audit. This includes the final testing of payables and recoverables, testing of grant income, the signing of the letter of representation and the completion of the Directors review. Francesca Palmer added that there is also an ongoing business rates appeal issue; however they do not expect to see any significant changes when the audits are completed.

Debbie Hanson stated that as part of the Value for Money conclusion there are two main risks for Colchester Borough Council. The first is the financial resilience in the authority, given the budget gap and the percentage of New Homes Bonus used in the base budget. Whilst there is a risk from the Government in changing the arrangements of New Homes Bonus, as a significant number of Local Authorities use it, a significant change is unlikely. Debbie Hanson stated that whilst this is a risk, the auditors were satisfied with Colchester Borough Council officers being aware of this situation, and that an unqualified conclusion would be given.

Debbie Hanson also highlighted the requirement for direct testing of Colchester Borough Homes accounts, which would see a slight increase in the audit fees for 2014/15.

The following issues were raised by Councillors;

- Councillor Liddy – Has there been a finalised figure for the additional audit of Colchester Borough Homes?
- Councillor Arnold – Questioned the timing of the meeting given that the Statement of Accounts are not yet completed.

Debbie Hanson and Steve Heath provided the following responses:

- A figure for the cost of the additional works has not yet been confirmed, but the aim will be to minimise the cost as much as possible.
- Debbie Hanson highlighted the difficulty in arranging dates, as all Council's and auditors are working towards changes to the deadline for the approval of the Statement of Accounts. Whilst this deadline will be officially implemented in 2017-18, Ernst and Young and CBC are attempting to trial the new deadline in advance to prevent future difficulties. Conversations will continue between the Finance department, the Auditor and Committee services to ensure the meetings are scheduled at the best time to approve the accounts and meet the new deadline.

RESOLVED that:

- a) The Auditors report be approved
- b) The covering report be noted
- c) The letter of representation be approved
- d) Pending no significant changes, the Governance Committee delegate authority to

the Chairman to approve the audited statement of accounts.

13 Colchester Borough Homes Annual Report and Governance Statement

Councillor Nigel Chapman, Chair of the Audit and Finance Committee at Colchester Borough Homes introduced the Colchester Borough Homes Annual Report and Governance Statement. The report asks the Committee to consider the Governance Assurance Statement for Colchester Borough Homes and to accept the assurances provided by Colchester Borough Homes regarding its Governance arrangements through 2014/15.

Councillor Chapman introduced Michael Hadjimichael to the Governance Committee as the new Director of Resources at Colchester Borough Homes. Councillor Chapman highlighted that Colchester Borough Homes use the audit firm Mazars, which is the same as Colchester Borough Council. The Annual Governance Statement from Colchester Borough Homes demonstrates sound business management, with an action plan to update the standing financial instructions and to carry out a disaster recovery exercise.

Michael Hadjimichael stated that there are effective internal controls at Colchester Borough Council, with no limited assurances on any of the audits completed so far.

RESOLVED that;

- a) The Governance Assurance statement of Colchester Borough Homes be noted.
- b) The Governance Committee accepts the assurances provided by Colchester Borough Homes regarding its governance arrangements throughout 2014/15.

14 Polling Districts and Polling Places Review

Andrew Weavers, Monitoring Officer, introduced the Polling Districts and Polling Places Review. The report requests the Governance Committee to note the requirement to carry out a review of all polling districts and polling places arrangements to reflect the new borough ward boundaries following the electoral review. In addition the report asks the Governance Committee to agree the proposals for a consultation on Polling districts and polling places to be launched.

Andrew Weavers stated that as a consequence of the electoral review, there has to be a review of the polling districts. Currently the Boundary review proposals are sitting in Parliament before being implemented, and have thirty days remaining.

Andrew Weavers stated that this report was not a review of the wards themselves, but whether the polling districts and polling places are fit for purpose. As part of the review

there are a number of wards where minor changes are taking place, these can be seen in the Draft Schedule of Polling District and Polling Places which lists the streets moving from one ward to another.

The timetable for the consultation would be for its commencement on 14 September, with the closing deadline on 20 October. This would then come back to the Governance Committee on 24 November, with a report then going to Full Council.

Andrew Weavers also stated that the new electoral register would then be published on 1 February 2016.

The following issues were raised by Councillors:

- Councillor Higgins – Noted that there was no number of electors stated in Polling District AZ in New Town and Christchurch ward, and questioned why there was only one polling location in Stanway Ward.
- Councillor Hayes – Questioned the relationship between the Polling Districts and Parish boundaries.
- Councillor Arnold – Asked whether there would be the inclusion of local media to cover the launch of the consultation?

The following responses were provided by Andrew Weavers;

- Andrew Weavers will amend the number of electors in AZ polling district in New Town and Christchurch Ward. In Stanway, whilst there is only one polling location, there are two polling stations inside the building.
- In the rural areas the Polling Districts are all based on Parish Council boundaries which is a legal requirement. The staffing costs for the polling stations are prescribed by law.
- Andrew Weavers stated that a press release would be going out to local media, with a live portal being placed on the website, but that he would contact the communications team to see what further coverage could be achieved.

RESOLVED that:

- a) The requirement to carry out a review of all polling districts and polling places arrangements to reflect the new Borough ward boundaries following the electoral review be noted.
- b) the proposals contained in paragraph 5.1-5.3 of the report be approved.

15 2014/15 Year End Review of Risk Management

Hayley McGrath, Corporate Governance Manager, introduced the Year End Review of Risk Management. The report requests the committee to note the work undertaken, consider and comment on the current strategic risk register, the proposed risk management strategy for 2015/16 and endorse the submission to Cabinet.

Hayley McGrath stated that the economy and cuts in public spending continue to have had a significant impact on the key risks during the year. Work undertaken during the year includes the recent Corporate Facilities Management Fundamental Service Review (CFM FSR) which has brought together the risk and governance team, leading to tightened controls for Governance. A main focus during the year has been to manage the vehicle incident risk and the health and safety risk for frontline staff.

In addition work has been undertaken to embed risk management within procurement processes, and that the risk process support the development of a commercial approach.

With regard to the Risk Management strategy for 2015/16 there are no fundamental changes, and the strategy has been approved by external auditors.

Hayley McGrath stated that the Strategic Risk Register has had a fundamental review. Specific risk 1E, relating to embedding the actions of the UCC FSR has been removed, as it has now been completed. Also the People section of the register had been reviewed to reflect the move to a more commercial environment. This included removing risks 3b (resources required for training and development) and 3c (visible and effective leadership). In addition risk 6C, which is the 'inability to deliver the budget strategy as planned, arising from changes to Government funding/decisions and general impact of economic climate' has increased its score after discussions with senior management.

The following issues were identified by Councillor:

- Councillor Locker – What is the methodology behind the scores attributed to the risks? Should there be a risk associated with a change in administration?
- Councillor Hayes – Asked for further information on the development of commercial approach as part of procurement.
- Councillor Arnold – Questioned the high score attributed to risk 6C.

Hayley McGrath provided the following responses:

- The scores are attributed to the risks after discussions have taken place with senior management. These discussions revolve around whether the risk is appropriate, what the impact would be on services and what is the probability of the risk occurring. Hayley McGrath stated that in her role she has access to the risk, insurance and governance issues for all services across the organisation which can be the basis of identifying risks after managerial discussions have taken place. Ann Hedges stated that risk 4A provides a broad risk to assess a range of changes to the Council.
- In response to Councillor Hayes, Hayley McGrath stated that embedding the risk management into the procurement process helps to identify the risks in potential tenders, and the liabilities, without restricting commercial possibilities.
- Hayley McGrath stated that the high score was a reflection on the external auditors' comments, with the expectation that resources will reduce over the next few years. Ann Hedges added it is anticipated that the Government spending statement in November is likely to affect grant and other funding streams, this

might include New Homes Bonus. It is also recognised that there are risks around the appeals for NNDR. In addition funding changes for other public sector partners can also impact our priorities for service delivery and therefore budgets.

RESOLVED that:

- a) The Governance Committee notes the risk management work undertaken during 2014/15
- b) The Governance Committee notes the current strategic risk register.
- c) The Governance Committee notes the proposed risk management strategy for 2015/16
- d) That Governance Committee endorse the submission of this report to Cabinet.