

GOVERNANCE AND AUDIT COMMITTEE

22 NOVEMBER 2016

Present:- Councillor Pearson (Chair), Councillor Barlow, Councillor Chaplin, Councillor Chillingworth, Councillor Maclean, Councillor Willetts

31. Minutes

RESOLVED that the minutes of the meeting held 11 October 2016 were confirmed as a correct record.

32. Work Programme 2016/17

Councillor Pearson introduced the work programme for the Governance and Audit Committee during 2016/17. Councillor Pearson highlighted that it was likely that a report regarding the Review of Meetings and Ways of Working would be included on the agenda for the meeting on 7 March 2017.

Jonathan Baker, Democratic Services Officer, highlighted that the Corporate Debt Management Policy pending agreement from the Committee could be scheduled for the meeting on 7 March 2017.

RESOLVED;

- a) That the Corporate Debt Management Policy be scheduled for the meeting on 7 March 2017.
- b) that the Work Programme 2016/17 be noted.

33. Annual Audit Letter

Kevin Suter, Executive Director, Ernst and Young introduced the Annual Audit Letter Report. The report requests that the Committee considers and notes the contents of the 2015/16 Annual Audit Letter.

Kevin Suter stated that Ernst and Young reported the detailed findings from the audit at the July Committee meeting. There is a further requirement, under the Accounts and Audit Regulations, to provide an Annual Audit Letter which summaries the conclusions and significant issues from the audit of the Council. Whilst the Annual Audit Letter does not provide any new information, it does provide a high level summary of the work that has taken place and is intended for wider public consumption.

Kevin Suter informed the Committee that the Annual Audit Letter includes confirmation that Ernst and Young signed an unqualified opinion on Colchester Borough Council's Statement of Accounts, an unqualified value for money conclusion and certified completion of the audit during July 2016. Kevin Suter highlighted that this was well in advance of the statutory deadline on 30 September and commended the work by the Officers and the Council in

presenting the accounts; this is already achieving the earlier deadline of 31 July that Local Authorities are being set in two years.

The Committee congratulated the hard work of the Officers in achieving this result and achieving the earlier deadline requirements in advance of it being implemented.

Councillor Willetts questioned whether the IT systems are robust enough to provide the information needed to assess the accounts, especially with the increasing pressure on timelines. Councillor Willetts also questioned whether there was a limit to when the audit could be completed. In response Kevin Suter stated that the Council does provide access to various systems as required, and the testing within the audit supported this. There were no concerns that needed to be brought to attention to the Committee. With regard to the time limits, there is no intention to bring the preparation timescales further forward. Whilst Colchester Borough Council already has the processes in place to adhere to the new deadlines, it would be advantageous to look for any further efficiencies or improvements to speed up the process by approximately a week. This would enable Ernst and Young to manage their portfolio of Local Authorities. Kevin Suter stated that there would be limitation in moving the audit completion date earlier in the year due to the complexity and differing sources of information required to finalise an audit.

Councillor Willetts also questioned whether with the possibility of creating more subsidiary companies and organisations of the Borough Council this would create difficulty in completing the audit by the required date. In response, Kevin Suter stated that arrangements would need to be put in place to ensure that possible new subsidiary companies reach the deadline; currently there are no issues with subsidiary or partnership organisations.

RESOLVED that;

- a) the Governance and Audit Committee thanked officers for their hard work.
- b) The contents of the 2015/16 Annual Audit Letter be considered and noted.

34. Equality and Safeguarding – Annual Update Report

Councillor Feltham, Portfolio Holder for Business, Leisure and Opportunities, introduced the report. The report requests that the Committee review the progress made in meeting the Council's legal duties and objectives in regard to both Equality and Safeguarding, and to endorse the approach set out in the report. The Committee is also asked to note the proposed reviews to the Council's Safeguarding Policy.

Councillor Feltham highlighted that over the past few years the agenda in this area has grown and both safeguarding and equality are complex issues. It is essential that the Borough is a welcoming place to be. Councillor Feltham was proud that all political groups supported the anti-hate crime motion that was discussed at Full Council.

Andrew Harley, Equality and Safeguarding Co-ordinator, stated that this is the first time a joined up report has come to the Governance and Audit Committee. Equality and Safeguarding are equally important, mutually supportive and reinforce each other, however there are distinct areas which involve separate legal duties. They each require the Council to have due regard and involve the principle of proportionality. Andrew Harley informed the Committee that this is something embedded within the Council, but is an area that will need constant review and refocus on what is proportionate; particularly in the tough financial

climate.

Andrew Harley highlighted to the Committee the measures and approach that the Council intends to take for 2016. This included continuing to use Equality Impact Assessments, as well as utilising technology to understand the needs of an impacts of customers. The Council also intends to conduct useful equality analysis on new data that is being collated from the corporate complaints platform which was updated earlier this year. In terms of safeguarding the Council needs to continue to broaden and deepen work in key areas such as child sexual exploitation, modern slavery and Prevent, the Counter terrorism duty. The intention is to further develop the partnership work in these areas, including through the Safer Colchester Partnership and through work with the Safeguarding Boards. Andrew Harley also highlighted to Councillors that the Safer Colchester Partnership are running a Hidden Harms Conference on 30 November in the Moot Hall.

Councillor Chillingworth requested further information on the MOSAIC segmentation tool, and the training provided to staff. Andrew Harley stated that tool the enables staff to gain information at smaller than electoral ward level about the protected characteristics in that area. This assists the Council in allowing staff to understand the potential impact of decision on protected characteristics. Many members of staff have had training in this area, and the Research and Engagement Team have advanced skills that can provide assistance to staff across the Council. With regard to the training for staff, the Council provides e-learning programmes to improve awareness. This had recently been updated following work with the Safeguarding Board to include further information about the new key areas including modern slavery, honour based abuse and child sexual exploitation services. The course will also be available Councillors in a few weeks' time. With regard to more advanced training this is focused on those staff that have particular contact with children or adults who are at risk. Colchester Borough Council has training providers in house, but also provides training outside of the Council for Delegated Lead Officers and Operational Lead Officers. Colchester Borough Council also works with Colchester Borough Homes to provide some training, however they also resource and provide their own training programmes.

Councillor Pearson stated that it was key as Councillors to take responsibility for the equalities policy and inform members of the public about this responsibility to help make Colchester safer and more caring for both adults and children.

Councillor Willetts question the amount of information stored on the MOSAIC tool about protected characteristics. Andrew Harley confirmed that it only provided non-sensitive information and no individual could be identified from the information. The MOSAIC tool included information like ethnic group and religion that is underpinned by census data. Councillor Willetts also questioned whether there were any indicators to show that the Council is achieving what it sets out to achieve, and whether there were any areas that required further improvement. Andrew Harley stated that the challenge is ensuring that staff are aware of the latest developments in Safeguarding and Equality. Andrew Harley highlighted that further awareness particularly with regard to child sexual exploitation could be improved in key services such as licensing, however there is always more work required due to the changing nature. Lucie Breadman, Head of Community Services stated that there is a bi-annual self-assessment and this provides good feedback for areas we need to focus on. Lucie Breadman stated that the main issues identified from the assessments tend to be around training and awareness, particularly with staff turnover and frontline staff.

Councillor Willetts also questioned whether the Council holds a register of public buildings in the Borough that do not provide access for disabled residents. Lucie Breadman was not

aware that the Borough Council holds a list of publicly accessible buildings, and suggested that access groups in Colchester may hold this information. Lucie Breadman highlighted that ensuring access to all buildings open to the public in Colchester may be difficult due to the historic nature of the town, but that all Colchester Borough Council buildings are accessible.

Committee members agreed that future reports should include additional information about how policies are put into action.

Councillor Chillingworth questioned whether if an officer was made aware of a situation whether they would know where to direct the query. Andrew Harley provided details of a case that was reported by a Colchester Borough Council officer to the designated officer and subsequently to the Police. Thankfully there was no evidence that modern slavery was occurring. If an officer does have concerns they will contact the designated officer who will then contact social care, or if criminality is involved the Police would be contacted.

Councillor Pearson highlighted that another authority in Essex had included a license condition for taxi drivers to attend a training course to help spot child sexual exploitation and know where to pass the information on to. Councillor Pearson suggested that this could be something that is introduced in Colchester.

The Committee thanked the work of the officers in ensuring the Council meets its legal duties with regard to both Equality and Safeguarding.

RESOLVED;

- a) That the Committee reviewed the progress made in meeting the Council's legal duties and objectives in regard to both Equality and Safeguarding, and endorses the approach set out in the report.
- b) That the Committee note the proposed revisions to the Council's Safeguarding Policy which takes account of the new legislation and guidance.

35. Internal Audit Plan 2017/18

Hayley McGrath, Corporate Governance Manager, introduced the Internal Audit Plan 2017/18 report which requests that the Committee comment and agree on the suggested Internal Audit Plan for 2017/18.

Hayley McGrath stated that the Governance and Audit committee receives two reports per year on the internal audit process. This report provides information on the internal audit plan for the coming year, and the five year complete programme. Hayley McGrath highlighted the certain areas of the Council, such as the key financial systems require audits every year, whereas other areas are audited once every five years.

A total of 275 days per year are allocated for individual audits, however this is averaged out over the five years. Key risks on the risk register influence the amount of audit days allocated to each area. Any breaches from the audit will be announced through the annual governance reporting process. Hayley McGrath also confirmed that the audit plan is seen by the Senior Management Team.

Councillor Chillingworth questioned why only ten days had been allocated to the Garden Communities project when it was such a significant future piece of work. In response Hayley McGrath stated that the audit process is about looking back to assess whether the

processes in place are operating correctly, rather than looking forward. There is a separate resource for when audit related work is required in advance of a project to provide system development support. With regard to the Garden Communities project as this is ongoing there are already existing processes and procedures in place, including monitoring by its own board. Auditing of this project would only occur after implementation. Following a further question from Councillor Chillingworth, Hayley McGrath confirmed that the five year schedule is not fixed in place and can be altered each year if required depending on demand.

RESOLVED that the Internal Audit Plan for 2017/18 be agreed.

36. Annual Review of Business Continuity

Hayley McGrath, Corporate Governance Manager, introduced the Annual Review of Business Continuity report. Hayley McGrath highlighted an amendment to the report to require the Committee to agree to the Business Continuity Strategy. The Committee are also required to note the business continuity work undertaken during the period, and the intended work plan for 2017.

Hayley McGrath stated under the Civil Contingencies Act 2014, the Council has two duties; to be able to carry on providing its own services in the event of disruption, and to provide advice and guidance relating to business continuity to local businesses and voluntary organisations. Hayley McGrath also distinguished between business continuity which related to the Council's processes to ensure services continue, and emergency planning which relates to the effect on the whole Borough in the event of an emergency.

Hayley McGrath informed the Committee of the work that had been completed so far this year. This includes having merged the functions of business continuity and emergency planning into one designated officer role, which had strengthened the business continuity processes across the organisation. Hayley McGrath highlighted that each service area within the Council has its own business continuity plan, and that the resilience officer had been working across the organisation to ensure that the plans are up to date. Further work has also been undertaken with a number of suppliers and contractors. With regard to Colchester Borough Homes, they provide their own business continuity services, however there is some joint working.

Councillor Chillingworth questioned the impact on business continuity of the increasing use of IT and possibility of being hacked. Hayley McGrath stated that the loss of IT is the biggest risk to the Borough Council alongside the loss of Rowan House. There have been recent developments with IT, including the move to Office365 which have strengthened resilience as officers are able to access their information from any location. As part of the business continuity plan, there have been a significant number of conversations with IT regarding information and data security. Ann Hedges highlighted that the Council had recently suffered from a ransomware attack. The issue was reported quickly on a Friday afternoon and all infected files were isolated and restored by Monday morning. Ann Hedges also highlighted that IT is the service with the most days of audit.

Councillor Pearson questioned whether if the back-up system fails whether there is a paper based system that the Council can use to continue to provide services. Hayley McGrath acknowledged that this becomes more difficult the more IT is used, however as part of a recent server move from Colchester to Braintree District Council a significant business continuity exercise was undertaken to ensure that staff details and supplier information was

provided in written copy.

Councillor Willetts questioned whether the Council shares its business continuity information with Parish Council's. Hayley McGrath confirmed that the Council holds events for Parish Councils to attend on business continuity where advice is provided. This has been further advanced recently as there is now one officer providing both business continuity support and Emergency Planning support to the Parish Councils. With regard to the Joint Partnerships, Colchester Borough Council provides assistance in these areas.

RESOLVED;

- a) That the business continuity work undertaken during the period be noted
- b) That the Business Continuity Strategy be agreed
- c) That the intended work plan for 2017 be noted.

37. Treasury Management Strategy Statement – Mid-Year Review Report 2016/17

Steve Heath, Finance Manager, introduced the Treasury Management Strategy Statement mid-year review report. The report requests that the Committee consider the treasury management activity for the first six months of 2016/17 and to note the changes to the Treasury Management Strategy Statement for the year as approved at the September Cabinet meeting.

Steve Heath highlighted that the Treasury Management Strategy relates to the management of cash flows and investments and was originally agreed by Council as part of the budget report in February 2016.

Steve Heath stated that the report provides information on changes to the strategy made by Cabinet on 7 September. The changes, which are largely a result of the outcome of the EU referendum include alterations to the borrowing rates, credit ratings and interest rate forecasts. There has also been a change to the country limits so that it excludes the UK should there be any further deterioration of the credit rating, allowing for the Council to continue to invest in the UK. Steve Heath also outlined a change to the budgeted investments earning rates, and, unrelated to the EU referendum, a change to the Council's two Lender Option/Borrower Option (LOBO) loans which effectively become fixed rate loans. This change to the LOBO loans will not have financial implications, but will alter the accounting arrangements. In addition to this, following information from Ernst and Young there has been a change to the Minimum Revenue Provision (MRP) Policy, which allows for the repayment of debt.

Steve Heath also informed the Committee that the forecast for the bank rate had changed since the report had been published; a cut in the bank rate was no longer forecast, with the rate of 0.25% expected to last until 2019. In addition the borrowing rates are half a percent higher than provided in the report; these changes will be reflected in the Treasury Management Statement 2018/19.

Steve Heath also stated that there had been no deviation from the strategy during the year, with no new borrowing, and the anticipation that the Council will continue to borrow internally due to the lower cost of carry. All borrowing was within approved rates and outperformed the benchmarks. The Central Loans and Investment Account is currently

projected to be an adverse variance of £30,000 with the main factors being the lower recharge to the Housing Revenue Account due to a reduction in the level of HRA borrowing required this year, and the low interest rates currently available on cash balances.

Councillor Willetts questioned what impact the financing of the garden communities would have on treasury management and whether the risks had been assessed. In response Steve Heath stated that the Treasury Management Statement is refreshed each financial year, with the starting point being the prudential indicators. The indicators look at the projected capital expenditure and the financing implications of the expenditure for the year in question and the subsequent financial years. Any borrowing implications for garden communities or any capital scheme would be reflected in the medium term financial forecast. Under the prudential regime need to ensure that the financing arrangements are prudent, affordable and sustainable; if financed through borrowing it is funded by revenue the implications of which would need to be considered. In terms of risk the Council is very risk averse and advice would be sought from external advisors in terms of both the level and length of borrowing.

RESOLVED;

- a) That the treasury management activity for the first six months of 2016/17 be noted
- b) That the changes to the Treasury Management Strategy Statement for the year be noted.