



EAST  
CAMBRIDGESHIRE  
DISTRICT COUNCIL

Minutes of the meeting of the Finance & Assets Committee held in the Council Chamber, The Grange, Nutholt Lane, Ely at 4.30pm on Thursday, 25<sup>th</sup> July 2019.

### **P R E S E N T**

Councillor David Brown (Chairman)  
Councillor Ian Bovingdon (Vice Chair)  
Councillor Christine Ambrose Smith  
Councillor Charlotte Cane  
Councillor Simon Harries  
Councillor Bill Hunt  
Councillor Alan Sharp  
Councillor Christine Whelan (Substitute for Councillor John Trapp)  
Councillor Alison Whelan

### **OFFICERS**

Maggie Camp – Legal Services Manager  
Emma Grima – Director Commercial  
Ian Smith – Finance Manager  
Janis Murfet – Democratic Services Officer

### **I N A T T E N D A N C E**

Nigel Ankers – Finance Manager, ECTC  
Rachel Ashley-Caunt – Head of Internal Audit, LGSS  
Suresh Patel – Associate Partner, External Audit, Ernst & Young LLP

## **22. PUBLIC QUESTION TIME**

No questions were submitted by members of the public.

## **23. APOLOGIES AND SUBSTITUTIONS**

An apology for absence was received from Councillor Trapp.

It was noted that Councillor C Whelan would substitute for Councillor Trapp for the duration of the meeting.

## **24. DECLARATIONS OF INTEREST**

There were no declarations of interest.

25. **MINUTES**

Further to Minute No. 12 (Draft Annual Governance Statement), page 4, Councillor Sharp clarified that the old Shareholder Committee had wished to see the Trading Company accounts more regularly and it was agreed that they would be sent out to those requesting them, including himself and Cllr Dupré. He also said that in line 5 of the same paragraph, it should read "... inventories were valued *at cost*." Whereupon,

It was resolved:

That subject to the agreed amendment, the Minutes of the meeting of the Committee held on 20<sup>th</sup> June 2019 be confirmed as a correct record and signed by the Chairman.

26. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman made the following announcement:

Previously the Asset Development Committee received updates on matters related to the Council's Assets. This Committee has now assumed those responsibilities. The Council's assets are important and therefore it is equally important that we do not lose sight of what is happening, particularly the monitoring of previous decisions.

Could I therefore ask the Director Commercial and the Open Spaces and Facilities Manager to produce a standard report that provides an update on the Council's assets. This will then be updated and reported to every meeting of this Committee.

27. **EXTERNAL AUDIT – LOCAL GOVERNMENT SECTOR UPDATE**

The Finance Manager presented the Local Government Sector Briefing from the Council's External Auditors Ernst and Young and a report containing the response from the Finance Manager to the ten key questions detailed in the Briefing.

Councillor Cane put a number of questions. She asked if the impact of Brexit on the wider community had been addressed in the assessment, as Ernst & Young (EY) were suggesting that a 'no deal' Brexit could result in a mild recession. The Finance Manager replied that he did not have an answer available at this time, but would provide Members with a briefing note.

With regard to Question 2, Councillor Cane wished to know if the latest economic outlook had been taken into account and how it was intended to plug the gap in the budget for 2021/22. The Council would be expecting less funding from Government and this would hit at a time when there was a big hole in the budget. The Chairman interjected to say that going forward, the Committee would be looking at this later in the year. The Finance Manager added that the budget would be built as information came forward; the Medium Term Financial Strategy covered a period of 4 years and he believed the Authority did have a robust Strategy. Councillor Cane responded, saying that she did not feel the

question had been answered and she suggested that the Committee should look at longer term planning.

Turning next to Question 4, Councillor Cane said she found it difficult to see how the Council's spending could be sustainable when the Surplus Savings Reserve was being run down. She could not see any planning for cost pressures, and the challenge for Members was to provide proper answers to the questions.

It was resolved:

That the report be noted.

## 28. **EXTERNAL AUDIT – AUDIT PROGRESS REPORT**

The Committee received an update from the Council's auditors Ernst & Young on the timing of the 2018/19 Audit.

Suresh Patel, Associate Partner, said he had attended Committee for the last two years but this year he was not in a position to say that the accounts were almost finished. He apologised, saying that there were issues within the firm and he especially wished to apologise because he knew the importance that the Council placed on its accounts. He was disappointed to be in this position which was due to a lack of available resources.

Mr Patel continued by acknowledging that Ernst & Young had taken its eye off the ball; actions had been put in place but this was not enough. Public Sector Audit Appointments (PSAA) had been informed and whilst sympathising, were very clear on assurances that this would not happen again.

Councillor A Whelan said she particularly wished to thank the Finance Manager for getting the accounts to this point. She said that she used to work for one of the 'Big 4' at Board level and over the last ten years the profession had not invested in its people. She asked Mr Patel if Ernst & Young would surrender its income as it had failed to audit the final accounts on time and she also made the point that some members of the Finance staff had deferred holidays. Ernst & Young had failed and she wished to know what Mr Patel and his firm would do to rectify the situation.

Mr Patel responded by saying that he was aware that annual leave for the Finance Team was causing an issue; the audit would be delivered, but late. He had been to the PSAA regarding the fees but was not sure they could be recouped.

Councillor Sharp commented that it would have been appreciated if Mr Patel had attended the last meeting to forewarn Members of the situation. He asked Mr Patel if many other Councils were in the same boat and was advised that they were, both in Cambridgeshire and nationally.

Councillor Harries believed the 'Big 4' were now dysfunctional and that a wholly down to earth accountancy firm was needed; he suggested that the Council should explore for another firm.

Councillor Cane asked if the audit report would come to the next Committee meeting; Mr Patel replied that the audit would be completed in October and the report would come to the meeting on 28<sup>th</sup> November.

The Chairman reminded Members that he represented the Council on the Combined Authority's Audit & Governance Committee; the Combined Authority was in the same position with its accounts and discussions were taking place about other auditors. He had hoped to have been able to read out a statement from the Combined Authority today, but he had yet to receive it. He was hugely disappointed for the Finance Manager and his team and thought that the Council should be writing to the PSAA to ask what it was going to do to resolve the problem.

Councillor A Whelan asked that the letter be copied to Ernst & Young and also the new Minister, highlighting the failings and expressing the difficulties being caused.

It was resolved:

That the External Audit progress report be noted.

## 29. **ANNUAL GOVERNANCE STATEMENT**

The Committee received a report (reference U37, previously circulated) which presented the Annual Governance Statement (AGS) for 2018/19.

Rachel Ashley-Caunt, Head of Internal Audit, informed Members that a correction had been made to the document to take account of the reduction in elected Members from 39 to 28 for the new Council in 2019/20.

Referring to the Shareholder Committee on page 11, paragraph 5, Councillor Cane said that the key points should also state what it had not been possible to review. The Committee had not been able to review the ECTC Business Plan and this should be explicit.

The Director Commercial stated that the Business Plan would come to September's meeting of Committee and then on to Full Council in October. The Chairman added that an additional statement could be added to the document to reflect this.

It was resolved:

That the Annual Governance Statement for the financial year 2018/19, as detailed in Appendix 1 to the report, be approved.

## 30. **2018/19 ANNUAL FINANCIAL REPORT/STATEMENT OF ACCOUNTS**

The Committee considered a report (reference U38, previously circulated) from which Members were asked to approve the 2018/19 Statement of Accounts.

At the invitation of the Chairman, Nigel Ankers, Finance Manager, ECTC introduced himself, explaining that he had been involved in the preparation of the Statutory Accounts.

The Finance Manager reminded the Committee that Ernst & Young had been unable to sign off their audit of the Council's Financial Statements. Therefore the version attached as Appendix 1 to the report only included two changes from the draft accounts published on the Council's website on 30<sup>th</sup> May 2019. The main change related to a recalculation of the pension fund liability following a Supreme Court ruling on 27<sup>th</sup> June throwing out the Government appeal in relation to the McCloud ruling, which stated that the 2015 pension fund changes were unlawful on the grounds of age discrimination as they discriminated against younger employees.

A minor change had also been made to the Group Accounts following the Price Bailey audit of East Cambs Street Scene Accounts, where they had required that an accrual for recycling credits be restated, to match the actual amount received.

It was noted that the Accounts would be published on 31<sup>st</sup> July 2019 with a statement regarding the audit.

Councillor Cane wished to reiterate the thanks given to the Finance Manager and his team for their work on the accounts. She said it should be made extremely clear that the fault with them being unaudited lay with Ernst & Young.

With regard to paragraph 2.1 of the report, Councillor Cane proposed and it was agreed that the recommendation be amended to include the Vice Chairman and the Liberal Democrat Lead Member.

Councillor Cane had a number of queries regarding the Draft Statement of Accounts:

- Page 5 – A fantastic place to Live, Work and Visit:  
*The fourth point referred to the Council having secured a loan of £24.4 million from the Combined Authority. This was incorrect; the Trading Company had secured the loan.* The Finance Manager said this error would be corrected;
- Page 7 – Performance Measure, Consider the case for investment in commercial property:  
The Director Commercial stated that this had been fully considered in the Risk Matrix;
- Page 9 – Revenue Spending and Sources of Income:  
*Why was the Council Tax figure different?* The Finance Manager said it was due to the way the accounts had to be done, and it was built into the budget;
- Page 11 – Capital Spending:

*Why was the capital spend on IT projects a negative figure?* The Finance Manager said that a creditor had been raised incorrectly;

- Page 22 – Council, Movement in Reserves Statement:  
*She did not understand how this worked.* The Finance Manager replied that this was the way the Statement of Accounts was done;
- Page 31 – Note 8 Expenditure & Income by Nature:  
*Why had Business Rates gone down?* The Finance Manager said that this was part of the Cambridgeshire Rates Deal for three years.
- Page 33 – General Fund Balance (Useable Reserve):  
*What was the Affordable Housing £294k earmarked for?* The Director Commercial explained that the Barton Road element sat in the S106 account. It was a decision of Council in January 2016 that a portion was to be used to assist the Community Land Trust; she would provide Members with a written briefing.

Referring to page 6 (Genuinely Affordable Housing), Councillor Harries said he was not convinced by the statements in this section and felt that there should be a clear definition of 'genuinely affordable housing'.

In connection with the performance measure 'Prevent Homelessness across the District', Councillor Cane said she had found the Housing Team to be very good, very proactive and thoughtful and congratulated them on their achievements. Councillor C Ambrose Smith concurred, declaring the Team to be 'brilliant'.

There being no further comments or questions,

It was resolved:

- 1) That the 2018/19 draft Statement of Accounts, as set out in Appendix 1 to the report, be approved subject to the Section 151 Officer, in conjunction with Ernst & young (EY) and in consultation with the Chairman and Vice Chairman of the Committee and the Liberal Democrat Lead Member, being authorised to make any minor changes as required following the completion of the audit;
- 2) That if more fundamental changes are needed to the Statement of Accounts, these will be brought back to Committee for further approval once the audit has been completed.

## 32. **CORPORATE RISK MANAGEMENT**

The Committee considered a report (reference U39, previously circulated) which updated Members on the key risks facing the Council and the associated mitigating actions.

Rachel Ashley-Caunt, Head of Internal Audit, reminded the Committee that the Risk Management Register was reviewed quarterly and updates would be provided on a six monthly basis. It included scores for inherent and residual risks and any planned actions to further mitigate risks were also shown.

The scoring for Risk B3 (Failure to plan for and accommodate the impact of Brexit) had been reviewed to reflect that the Council was doing as much as it could but there remained limited scope to reduce all potential risks as so much was still unknown.

Risk C6 (Failure of corporate governance and counter fraud and corruption controls) would be reviewed and a plan brought to the September meeting of Committee before going on to Full Council.

The Chairman commented that the key controls for A2 required revision as they still referred to the old Shareholder Committee.

Councillor Harries said he was not satisfied with the Register as there were a lot of factors he found incomprehensible. He thought the failure to deliver the housing strategy (Risk A3) should be red, and the true status of homelessness in the District (Risk A4) was green rather than amber. He saw the Risk Management Register as being entirely red and thought it would be better to spend some time outside of the Committee going through it. The Finance Manager responded, saying that officers had prepared the document, but he would be willing to take it offline and discuss it. Councillor Harries acknowledged that some things were policy issues and down to forces beyond the Council's control, but he wanted to have a better understanding of the processes officers followed. The Director Commercial said she would issue a briefing note to Members.

Councillor C Ambrose Smith asked if it would be possible to arrange a Member seminar on risk management and the Chairman said officers would look at this and come back to Members in due course. In the meantime, the Committee was being asked to endorse the amendments to the document.

Councillor Cane considered the scoring for the inherent and residual risks for B3 to be quite complacent, as planning for the impact of Brexit was very important. The UK could potentially leave the EU without having an understanding of how this would impact on the recruitment of people from the EU, the movement of horses, and medicines etc. There needed to be more than just holding workshops and forums and the Council should be actively planning for such a significant issue.

Councillor Hunt disagreed with these comments and considered that they could have a political motivation. Councillor Cane responded by stating that with less than 99 days to go, the Authority should be clear about what it was going to do in the event of a 'no deal' Brexit.

Councillor Cane thought that Risks C1 and C2 should be red. The Head of Internal Audit advised that the action for C2 was rated red and the Director Commercial said that the work would be completed in the next 3 – 4 weeks. Whereupon,

It was resolved:

To endorse the proposed amendments to the Corporate Risk Register.

32. **INTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report (reference U40, previously circulated) on the work of Internal Audit during the period April 2019 to June 2019 and the progress against the Internal Audit Plan.

The Head of Internal Audit summarised the content of the update report saying that there were no areas of significant concern. At the time of reporting, 37% of assignments within the Plan were either complete, in progress or in advanced planning stages. The service was on track to achieve the target set for delivery of at least 90% of reports to draft or final stage by 31<sup>st</sup> March 2020.

She highlighted the risk based audit in respect of leisure centre income and said that overall good assurance could be given that there were effective controls within the contract to enable the Council to monitor financial and operational performance and ensure that income due to the Council was maximised.

The only action overdue more than three months (high priority) related to information governance. It was noted that the ICT Team were currently reviewing the Information Security Policy which included a number of individual policies.

Progress reports would be brought to Committee throughout the year.

It was resolved:

To note the progress made by Internal Audit in the delivery of the Audit Plan and the key findings.

33. **FINANCE REPORT**

The Committee considered a report (reference U41, previously circulated) which provided budget monitoring information for services under the Finance & Assets Committee and then, as part of its corporate remit, for the Council as a whole.

Only one outturn forecast variance was being projected within the Operational Services Committee, this being in relation to Planning where an overspend was forecast as a result of the volume and type of applications being received. Two agency workers had been employed to ensure the level of customer service continued and that target deadlines for dealing with applications and subsequent appeals was being met.

With regard to the Finance & Assets Committee, the table in paragraph 3.6 of the report set out the significant variances of actual spend compared to profiled budgeted spend at the end of June 2019 where no variance was forecast for yearend; paragraph 3.7 gave explanations for the forecast yearend variances for the Committee.

The Committee noted that as agreed at the previous Committee meeting, £854,158 of funding had been carried forward into 2019/20 in relation to underspends in 2018/18, where the funding was still required to complete the project in this or future years. The main areas of carry forward related to Disabled Facilities Grant where there was a time delay between funding being allocated to schemes and the actual work being done. This had resulted in a number of schemes being completed in the following year, and in relation to the purchase of the Riverside Moorings from the Environment Agency, which was expected to take place later this year.

It was resolved:

- To note that this Committee has a projected yearend underspend of £253,000 when compared to its approved revenue budget of £5,181,667;
- To note that overall the Council has a projected yearend underspend of £203,000 when compared to its approved revenue budget of £13,445,801;
- To note that the overall position for the Council on Capital is a projected outturn of £4,805,805, which is an underspend of £6,330,000 when compared to its revised budget.

It was further resolved:

To approve an increase of £15,278 in the Disability Facilities Grant budget, this to reflect the additional grant received over the amount originally budgeted.

34. **ANGLIA REVENUES AND BENEFITS PARTNERSHIP JOINT COMMITTEE MINUTES**

The Committee received the Minutes of the meeting of the ARP Joint Committee held on 11<sup>th</sup> June 2019.

Councillor Harries asked what progress was being made with the arrangements to hold a Member seminar; the Director Commercial advised that Paul Corney, Head of ARP, was looking at dates and Members would be contacted in due course.

It was resolved:

That the Minutes of the meeting of the ARP Joint Committee held on 11<sup>th</sup> June 2019 be noted.

35. **FORWARD AGENDA PLAN**

Members received the Forward Agenda Plan for the Committee.

Councillor Cane wished the ECTC Management Accounts to be added to the Plan as a standing item and said that when the final accounts came to Committee, it would be useful to have the Directors present to answer questions.

The Director Commercial responded by saying that they would come to Committee twice a year and there would also be a quarterly briefing. The ECTC accounts would be brought to the November meeting of Finance & Assets Committee for noting. Members were reminded that the ECSS Accounts would go to the Operational Services Committee, as this now fulfilled the shareholder function.

It was resolved:

That the Forward Agenda Plan, and the comments made thereon, be noted.

36. **EXCLUSION OF THE PRESS AND PUBLIC**

It was resolved:

That the press and public be excluded during the consideration of the remaining items because it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item there would be disclosure to them of exempt information of Categories 1 & 3 of Part I Schedule 12A to the Local Government Act 1972 (as amended).

37. **EASEMENT OVER LAND IN CHURCHILL CLOSE, SUTTON**

The Committee considered an exempt report detailing a request for an easement over Council owned land to a resident in Churchill Close, Sutton.

The piece of land was adjacent to an address that was not a residential property but was previously a garage which had been converted for use as office accommodation.

The Legal Services Manager said she had discussed the matter with the Chief Executive and the resident had been advised that the Council would agree in principle to grant an easement on the basis set out in the report. The resident had confirmed that he would be willing to pay the costs.

Councillor Hunt asked if the resident had paid the costs. The Legal Services Manager said he had been invoiced but she was not sure if payment had been received yet; he was a businessman and she had every confidence that he would pay. Councillor Hunt replied that it should be standard practice to get the funds first.

Councillor Bovingdon asked how long the easement would last, as this piece of land was a Council asset and it could affect the value. The Legal Services Manager replied that the easement would run with the land. She

referred Members to her report, saying that this piece of public open space was relatively small. The benefit to the resident from the grant of easement would outweigh the loss of the open space land.

Councillor Cane asked if it would impact on the wider open space and said she hoped the valuation had taken this into account. She was advised that the space was only the width of a car; the resident had already applied for and been refused planning permission for residential property. The piece of land was not a ransom strip and was in use with the address given in the report.

Councillor Sharp commented that if the resident changed the use of the land, it would infringe on the grant of easement. Councillor Bovingdon responded by saying that it was worth far more as an access under Permitted Development Rights.

Councillor A Whelan thought the general consensus was concern regarding a move from business to residential property and she asked what could be done to prevent the Council losing out on the value of the land. The Legal Services Manager said she could go back to the firm that had carried out the valuation, but Councillor Bovingdon said he would be happy with a caveat to protect the Council in the future. Members expressed their support for this and,

It was resolved:

- (i) To agree the grant of an easement to the resident over public open space in Churchill Close, Sutton on the terms detailed in paragraph 3.5 of the report, subject to a restrictive covenant that provides clawback provision for any change of use of the property; and
- (ii) To authorise the Legal Services Manager & Monitoring Officer to proceed accordingly.

### 38. **WRITE OFF OF UNRECOVERABLE DEBT**

The Committee considered an exempt report regarding the write off of an amount where the debtor had died and there was considered no prospect of the debt being recovered.

It was noted that under the Council's Constitution, the Finance Manager (Section 151 Officer), in conjunction with the Legal Services Manager, had delegated powers to write off general debts below £1,000 where recovery was unlikely or uneconomic. Debts above this value required approval of Committee before being written off.

The debt was to the value of £2,715.31 and the debtor had been clearing it at £20 per month at one point. However, the payments had subsequently stopped and the individual had now died.

The Chairman commented that the Council did not like writing off debts, but in this case there was no prospect of recovering it.

It was resolved:

That the write-off of £2,715.31 owed by the deceased referred to in the submitted report, be approved.

The meeting closed at 5.57pm.