



EAST
CAMBRIDGESHIRE
DISTRICT COUNCIL

AGENDA ITEM NO. 4

CORPORATE GOVERNANCE AND FINANCE COMMITTEE

Minutes of a Meeting of the Corporate Governance and Finance Committee held in Council Chamber, The Grange, Nutholt Lane, Ely, on Thursday 25 September 2014 at 4.30pm.

PRESENT

Councillor Kevin Ellis (Chairman)
Councillor David Brown
Councillor Lorna Dupré
Councillor Chris Morris
Councillor Neil Morrison
Councillor James Palmer
Councillor Hamish Ross
Councillor Josh Schumann
Councillor Gareth Wilson
Councillor Andy Wright

APOLOGIES

Councillor David Ambrose-Smith

In attendance

Rob Murray – Director, External Audit, Ernst and Young
Kay McClennon – Audit Manager, External Audit, Ernst and Young

John Hill – Chief Executive
Linda Grinnell – Head of Finance
Trevor Bowd – Principal Auditor
Tony Grzybek – Principal Accountant
Emmanuel Orekogbe – Accountant (Treasury Management)
Julie Cornwell – Partnerships Officer
Karen Freya – Principal Housing Officer (from Minute 31 onwards)
Tracy Couper – Principal Democratic Services Officer

23. **PUBLIC QUESTION TIME**

No questions were submitted by the members of the public.

24. **DECLARATIONS OF INTEREST**

There were no declarations of Interests by Members of the Committee.

25. **MINUTES**

The Committee received the Minutes of the meeting held on 21 July 2014.

It was resolved:

That the minutes of the meeting of the Committee held on 21 July 2014 be confirmed as a correct record and signed by the Chairman.

26. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman was pleased to announce the decision from Eric Pickles MP, Secretary of State for Communities and Local Government, not to call-in the decision on the plans for the Ely Southern Bypass, meaning that the approval by the Planning Committee at Cambridgeshire County Council now stands.

27. **EXTERNAL AUDIT – AUDIT RESULTS REPORT: ISA 260**

Rob Murray, Director for the Council's External Auditors, Ernst and Young, presented the Audit Results Report. Mr Murray summarised the key findings from the 2013/14 Audit, as set out at page 3 of the Report. Mr Murray stated that the audit work was substantially complete and that External Audit expected to issue an unqualified audit opinion on the financial statements of the Council, and an unqualified conclusion on Value for Money arrangements, meaning that proper arrangements were in place to secure economy, efficiency and effectiveness in the use of resources. One further misstatement had been discovered since the despatch of the Agenda relating to Note 35 in the Core Accounts on Capital Expenditure and Financing, which Management had agreed to correct within the revised Financial Statements.

Councillor Brown referred to page 7 of the report and asked if the Letter of Representation had been received by External Audit. Mr Murray stated that this was expected to be received following this meeting, once the Annual Financial Report had been approved by this Committee.

It was resolved:

That the Audit Results Report for the 2013/14 Financial Statements be noted.

28. **ANNUAL GOVERNANCE STATEMENT 2013/14**

The Committee received a report (reference P78, previously circulated) containing the Annual Governance Statement for 2013/14. The Principal Auditor explained that this was a backward-looking document, hence the reference to officers no longer with the Council, arising from the

Management re-structuring, and bodies such as Neighbourhood Panels which had been disbanded.

Councillor Brown referred to the section in the statement on 'Significant Governance Issues 2013/14' and asked about the limited assurance given on Mileage & Overtime Claim investigation. The Principal Auditor stated that this had been covered in detail in his Annual Audit Report presented at the July Committee, and that the audit would be followed-up.

It was resolved:

That the Annual Governance Statement for the financial year 2013/14, as set out at Appendix 1 to the submitted report, be approved and signed by the Chief Executive and Leader of the Council.

29. **ANNUAL FINANCIAL REPORT 2013/14**

The Committee considered a report (reference P79, previously circulated), regarding the Statement of Accounts for 2013/14, which had been circulated as a separate document.

The Head of Finance highlighted the Revenue Outturn position of an underspending of £191,000, which had been transferred to the Surplus Savings Reserve. The Head of Finance also explained the Capital Outturn position.

Councillor Wilson raised the following questions/issues on the Statement of Accounts:

Change Management Reserve – this had been created for the redundancy and pensions costs arising from the re-structuring, but was significantly underspent.

Housing Planning Delivery Grant (HPDG) – Councillor Wilson understood that this should have been spent in the year that it was received, but a significant sum was still sitting in the accounts and was only slowly diminishing, which gave him grounds for concern.

Surplus Savings Reserve (SSR) - £1.6M seemed a large level for this Reserve.

The Financial Services Manager responded to Councillor Wilson's points as follows:

Change Management Reserve – A sum of £178,000 remained in this Reserve which had been created for the redundancy and pensions costs arising from the re-structuring but, due to the level of underspending in 2013/14, the costs of these had been charged to the Income and Expenditure Account instead. However, the

Reserve was being maintained since the re-structuring might result in some skills gaps across the organisation and the Reserve then could be used to address these via suitable mechanisms such as training, etc.

HPDG – This had been reviewed with the then Head of Planning and Sustainable Development, Giles Hughes, as the monies were being used to fund the gap in Planning application fee income, some Planning posts and recurring expenditure in Forward Planning. Whilst the funding was not being used up as quickly as originally predicted, there was still the need for the relevant Service Lead(s) to prepare an exit strategy for when it was fully expended.

SSR – whilst the Budget for 2015/16 was currently projected to be balanced, there was still a projected deficit of £1.9M for 2016/17, based on the Medium Term Financial Strategy (MTFS). So it appeared prudent to maintain the sum of £1.6M in the SSR over the medium term in the light of this projected funding gap.

Councillor Brown, as the Service Delivery Champion for Parks and Open Spaces, requested that Forklift training be identified as a skills gap and provided for relevant staff. Councillor Brown also highlighted that, as detailed on page 7 of the Accounts, the underspending of £190,798 was within the approved tolerance levels.

In response to a further question from Councillor Wilson, the Financial Services Manager agreed to confirm whether the Section 106 Reserve referred to on page 9 of the Accounts still included the repaid Sainsbury's allocation.

Councillor Morrison requested an update report on Section 106 monies. The Chief Executive reported that the Infrastructure Programme Manager, Emma Grima, intended to submit a report on this issue to a forthcoming meeting of the Committee. The Leader of the Council, Councillor Palmer, also gave an assurance that such a report would be submitted to the Committee to explain the significant level of work being undertaken in this area. Councillor Wilson thanked the Leader for his assurance and requested that the report also be submitted to the Planning Committee.

It was resolved:

That the 2013/14 Annual Financial Report, as set out as Appendix 1 to the submitted report, be approved.

30. **TREASURY OPERATIONS ANNUAL PERFORMANCE REVIEW**

The Committee considered a report (reference P80, previously circulated) which summarised the Council's Treasury operations during 2013/14. The Financial Services Manager introduced Emmanuel Orekogbe who had been appointed as Accountant (Treasury Management) and would

be presenting these reports at future Committee meetings. The Financial Services Manager reported that the average return on investments was 0.69%, which was above the benchmark one month London Inter-Bank Bid Rate (LIBID) of 0.47%.

Councillor Wilson welcomed Emmanuel and commended the Treasury Team for producing good results in difficult times.

Councillor Schumann queried if the increased returns were due to increased risk. The Financial Services Manager stated that this was not the case and that the Council used specific criteria and advice in deciding which organisations to invest in to minimise risk.

It was resolved to RECOMMEND TO COUNCIL:

That the report on the Council's Treasury operations during 2013/14 including the actual Prudential and Treasury Indicators, as set out at Appendix 1 to the submitted report, be noted.

31. **EAST CAMBS CAPITAL GRANT FUND**

The Committee considered a report (reference P81, previously circulated) proposing the establishment of an alternative grant scheme to replace the 'Small Villages Grant'. The Partnerships Officer explained that the former Community and Environment Committee had requested the establishment of a successor fund to provide grants for play provision and community facility improvements in small villages that were unlikely to receive S106 or CIL receipts. Grants would be up to a maximum of £10,000 and require a minimum of 15% match funding.

In response to a question by Councillor Brown, the Partnerships Officer confirmed that the £45,000 fund would be ongoing each year. Councillor Brown referred to paragraph 5.2 of the report and stated that community groups also could apply to the County Council for grants for the installation of renewable energy sources. In response to a question by Councillor Brown on the CIL allocation for Newmarket, the Partnerships Officer agreed to confirm that this related to the District Council area around the town.

Councillor Wilson expressed his support for the establishment of the fund.

It was resolved:

That the Committee supports the allocation of £45,000 in the Council's Budget from 2015/16 onwards for a 'Community Capital Grant Fund', to be presented to full Council in February 2015.

32. COMMUNITY LAND TRUSTS PROGRAMME

The Committee considered a report (reference P82, previously circulated) requesting an extension of the current two year support programme for Community Land Trusts (CLTs) for an additional year to 2015/16. The Principal Housing Officer (Housing Strategy & Development) summarised the content of the report.

Councillor Schumann proposed and Councillor Brown seconded a motion, which was tabled at the meeting, which included an additional recommendation to make a payment of £280 per annum for six years on completion of each CLT home funded from the New Homes Bonus earmarked reserve to the respective CLT to further incentivise the delivery of Community Land Trust homes.

Councillor Wilson requested clarification of the reason for the additional recommendation and the projected costs over the six year period. The Chief Executive reported that the intention was to further incentivise Parish Councils to bring forward CLTs with a payment of £280 per affordable home, which was the sum that the Council would receive from Central Government. Councillor Wilson suggested that the wording needed tightening to refer to 'each **affordable** CLT home'. He also stated that the Council should be encouraging affordable housing from any source and therefore suggested that such a scheme should be extended to affordable housing from exception sites as well. The proposer and seconder agreed to the clarification of the motion to refer to affordable CLT homes, but Councillor Brown stated that the Committee should receive a separate report to consider the implications of extending the scheme to exception sites.

Councillor Wright commented that whilst the promotion of CLTs was a corporate priority, he had concerns regarding the transparency of the financial processes and procedures to date, bearing in mind that £100K of Council taxpayers money had been spent in this area. He also queried whether sufficient justification had been demonstrated of the need to incentivise CLTs with an additional £280 per annum per affordable home. The Chief Executive stated that the financial accounts of the CLT were submitted to the Council when a grant application was submitted. Councillor Wright requested that financial information should be submitted to this Committee, so that Members were aware of how the funding had been spent. The Chief Executive agreed that such financial information could be provided.

Councillor Dupré requested information on the projected annual spend with regard to the affordable homes incentivisation payments. The Chief Executive stated that this would be difficult to predict over the six year period, but that 15 affordable homes were expected from the Stretham and Wilburton CLT and 8 from the Swaffham Prior CLT.

Councillor Palmer referred to the fact that CLTs were a new initiative, but that they delivered affordable housing which was not being generated

from elsewhere. Other sources such as exception sites and section 106 allocations were more sporadic and were not delivering the numbers expected. This was why CLTs were being supported as a corporate priority by the Council.

Councillor Wilson commented that the Haddenham exception site would provide 24 affordable homes and that every source possible should be utilised to deliver affordable housing.

It was resolved:

1. To recommend to full Council in February 2015, additional budget provision of £25,500 to support the extension of the Community Land Trusts programme to 2015/16, if pre-development loan repayments are made later than originally scheduled.
2. To instruct the Chief Executive to offer an extension of the CLT advisor secondment (as per the original agreement) from Foundation East for a further period of twelve months from 1 April 2015 to 31 March 2016.
3. To further incentivise the delivery of the Community Land Trust homes, the Financial Services Manager be instructed to make a payment of £280 per annum for six years on completion of each affordable CLT home funded from New Homes Bonus earmarked reserve to the respective CLT.

33. REVIEW OF ANTI-FRAUD AND ANTI-CORRUPTION STRATEGY

The Committee considered a report (reference P83, previously circulated) containing the revised Anti-Fraud and Anti-Corruption Strategy. The Principal Auditor explained the changes to the revised Strategy which were shown highlighted.

Councillor Wilson referred to the Cambridgeshire Fraud Hub detailed in paragraph 3.10 of the Strategy and asked the Principal Auditor to give further information on this. The Principal Auditor gave a brief explanation of the Hub and stated that he intended to bring a more detailed report on this to a future meeting.

Councillor Dupré highlighted minor typographical amendments to paragraph 3.11.2, to refer to 'social housing fraud' and that there should be an 'or' at the end of the second bullet point rather than an 'and'.

It was resolved:

1. That the revised Anti-Fraud & Anti-Corruption Strategy be approved.
2. That the Principal Auditor be authorised to make any further minor changes to the Strategy arising from the restructuring of the Council.

34. **CORPORATE RISK REVIEW – QUARTER 1**

The Committee considered a report (reference P84, previously circulated) reviewing the Council's Corporate Risk Register.

It was resolved:

That the Corporate Risk Register set out at Appendix 1 to the submitted report be noted.

35. **CORPORATE PRIORITIES 2014/15 PROGRESS REPORT**

The Committee considered a report (reference P85, previously circulated) detailing progress against the agreed 2014/15 Corporate Priorities. The Chief Executive updated Members on the individual priorities as follows:

1. Southern Link Road – As stated under Chairman's announcements, the Secretary of State for Communities and Local Government had decided not to call-in the plans for the Ely Southern Bypass.
2. CLTs – the Council had decided to enter the LGC Awards category for Housing Initiatives for its CLT programme.
3. Cinema – discussions with third parties over access arrangements were ongoing but the Council was hopeful of a positive outcome.
11. North Ely – application for Planning permission likely to be submitted to Planning Committee in near future.

Councillor Dupré referred to priority 7 on the Ely Station Gateway and questioned whether this was still likely to proceed in the light of the recent announcements relating to Tesco's stores. The Chief Executive stated that he did not have any further information on this issue at present, although he was aware of the shelving of plans for a Tesco store at Chatteris.

It was resolved:

That progress against the agreed 2014/15 Corporate Priorities, as set out at Appendix 1 to the submitted report, be noted.

36. **BUDGET MONITORING REPORT**

The Committee considered a report (reference P86, previously circulated) giving an update on the Council's current financial position for 2014/15 for both revenue and capital expenditure. The Principal Accountant highlighted the projected underspending of £47,815 identified across the Council's services against the original Budget.

Councillor Brown referred to the overspending of £16,698 on Internal Drainage Boards (IDBs) due to the increased levy by Haddenham Drainage Board as a result of the increase in an area of solar panels to be maintained, and stated that measures needed to be taken to prevent a similar situation occurring in the future. The Financial Services Manager explained the current position and the fact that the Council was obliged to pay any levy made by an IDB. Councillor Schumann asked if this was likely to be an ongoing commitment and the Financial Services Manager stated that, at this stage, it was uncertain what the final position would be. Councillor Schumann stated that further enquiries should be made with the County Council to ascertain how the issue was being moved forward.

Councillor Morrison enquired as to why there was not an item on the Agenda relating to amounts written-off as irrecoverable. The Financial Services Manager stated that it had been agreed with the Chief Executive and Chairman of the Committee that these would no longer be submitted to Committee. Councillor Wilson suggested that a report could be submitted on an annual basis but Councillor Wright commented that this was really a matter for officers in consultation with the Chairman of the Committee.

It was resolved:

That the projected underspending of £47,815 identified across the Council's services compared to the approved Budget of £8,788,688 be noted.

37. **FORWARD AGENDA PLAN**

Members received the Forward Agenda Plan for the Committee.

It was resolved:

That the Forward Agenda Plan be received and the following items be added to the Agenda Plan:

New Leisure Facility – Financial Implications: 6th November 2014

Section 106 Funding Update – date for submission of report to
Committee to be confirmed by Infrastructure Programme Manager.

The meeting closed at 6.00pm.

Chairman:.....

Date:.....