



EAST  
CAMBRIDGESHIRE  
DISTRICT COUNCIL

## **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 26 March 2015 at 4.30pm.

### **PRESENT**

Councillor Kevin Ellis (Chairman)  
Councillor Jeremy Friend-Smith (Substitute for Councillor  
Lorna Dupré)

Councillor Chris Morris  
Councillor Neil Morrison  
Councillor James Palmer  
Councillor Hamish Ross  
Councillor Gareth Wilson  
Councillor Andy Wright

### **APOLOGIES**

Councillor David Ambrose Smith  
Councillor Lorna Dupré  
Councillor Joshua Schumann

### **In attendance**

Rob Murray – External Audit, Ernst & Young  
Kay McClennon – External Audit, Ernst & Young  
Trevor Bowd – Principal Auditor  
Oliver Cook – Housing Development & Enabling Officer  
Linda Grinnell – Financial Services Manager  
John Hill – Chief Executive  
Richard Quayle – Director, Support Services  
Janis Murfet – Democratic Services Officer

## **78. PUBLIC QUESTION TIME**

No questions were submitted by the members of the public.

## **79. DECLARATIONS OF INTEREST**

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

80. **MINUTES**

It was resolved:

That the Minutes of the meeting of the Committee held on 29 January 2015 be confirmed as a correct record and signed by the Chairman.

81. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman made the following announcements:

- He acknowledged the successful joint bid of £335,100 made by Cambridgeshire authorities to the Department for Communities & Local Government for financial support to expand, develop and innovate the approach to counter fraud activities through the development of a county-wide Anti-Fraud Network which aims to identify and prevent over £1million of fraud against local authorities in Cambridgeshire each year.
- As this was the last meeting of the Committee before the elections, the Chairman wished to place on record his thanks to the Chief Executive, the Financial Services Manager, the Principal Democratic Services Officer and their teams for all their support.

He thanked the Members of the Committee for their debate and interest, and wished good luck to those who were seeking re-election.

Councillor Wilson asked for clarification regarding the Leader of the Council having stated that East Cambridgeshire would not take part in the pilot Business Rates Scheme, only to later say later that he had accepted the offer.

Councillor Palmer replied that he had initially made a snap decision to refuse the offer because there was no time to discuss it with the Conservative Group and he was not happy, as Leader, to make a decision unless he was sure it was best for the Council. At that time he did not have a full understanding of the issue, but he later realised there would be merit in accepting the offer from the Government.

The Chief Executive stated that a report would be brought to the next meeting of the Committee.

*Councillor Chris Morris joined the meeting at 4.35pm.*

82. **EXTERNAL AUDIT – CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2013/14**

The Committee received the External Audit Annual Certification report for 2013/14 summarising the results of its work on the certification of the Council's claims and returns. Mr Rob Murray, Ernst & Young, explained the position on the certification of the Housing Benefit subsidy claim and the incurring of an additional sum for extra testing undertaken in relation to the claim.

Councillor Wilson expressed concern regarding the number of errors found and asked whether they were attributable to the Anglia Revenues Partnership (ARP). Having been advised that they were, he asked if assurances could be given that they would do better next year. The Financial Services Manager responded by saying that she had met with the ARP managers and a workshop had been held to identify what had gone wrong and to amend the processes.

Referring to the final bullet point in the Rent Allowances section on page 2 of the report, Councillor Brown said he thought there would be more than one case where self employed income had been incorrectly calculated because of a system issue. Mr Murray replied that only one case had been found from the sample and this had been reported as a system issue. Discussions were still ongoing with the DWP as to whether the Council would be asked to carry out further work to quantify the error or claw back the benefit subsidy paid.

The Chairman asked if this was a common issue or specific to the ARP and Mr Murray replied that it was fairly common for local authorities to receive qualified letters. The number of errors was above average, but the travel of direction was acceptable.

Councillor Wright commented on the amended Housing Benefit subsidy as detailed on page 1 of the report, saying that the reduction by £861 was almost negligible in percentage terms. Given that many people had input to the systems, he thought it was amazing that there were not more errors.

It was resolved:

That the External Audit Certification of Claims and Returns Annual Report 2013/14 be noted.

83. **EXTERNAL AUDIT – AUDIT PLAN**

The Committee received the External Audit Plan for 2014/15.

Mr Rob Murray, Ernst & Young, summarised the responsibilities of the External Auditors.

It was noted that with regard to risk management, the 2014/15 CIPFA Code of Practice introduced new accounting practices in relation to:

- The specification of new control criteria under IFRS 10 (Consolidated financial statements)
- New classification requirements for joint arrangements under IFRS 11 (joint arrangements;) and
- The requirements of the new disclosures standard IFRS 12 (Disclosures of interests in other entities).

Mr Murray said that to date, the Council had responded well to the financial pressure resulting from the continuing economic downturn. However, with the Council forecasting a cumulative budget gap of £2.7m by 2017/18, there remained significant financial pressure on the Council's budget and MTFS during current and forthcoming financial years. The approach would therefore be to continue to focus on the adequacy of the Council's budget setting process. In respect of the new leisure centre, this would be kept under review by discussion with key Officers and by consideration of key reports and plans. In terms of materiality, there would be increased transparency with a move to provide more information regarding the process.

Mr Murray concluded by drawing Members' attention to Appendix A of the Plan, which set out a breakdown of the agreed fee and it was noted that there had been a small increase in 2013/14 although Ernst & Young were no longer certifying the NDR grant claim.

Councillor Brown commented that it seemed the fee had increased in return for less work, to which Mr Murray replied that although there had been a reduction in the grant certification fee, there had been more work carried out on the main audit.

It was resolved:

That the External Audit Plan be noted.

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

The Committee received an update report from the Council's External Auditors, Ernst & Young, on progress with the 2014/15 audit. Mr Murray referred to the timetable which detailed key stages of the audit and reported that the interim work had been concluded on time and that there were no matters to report at this stage.

In response to a comment from Councillor Wilson, Mr Murray said it would become a statutory requirement that the financial reporting timetable be brought forward by two months from 2017/18, with audit bodies being required to submit draft accounts for audit one month earlier than at present.

It was resolved:

That the External Audit progress report be noted.

85. **EXTERNAL AUDIT – LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFINGS**

The Committee received the Local Government Audit Committee briefings for January and March 2015 from the Council's External Auditors, Ernst & Young.

With regard to the Briefing for March 2015, Mr Murray reminded Members that the best annual reports were not necessarily the longest or the most detailed. Stakeholders wanted the annual report to contain concise and relevant information, with a clear description of the risks and challenges that lay ahead. There should be clear signposting between each section and cross referencing between sections. Shorter documents would be a key area.

Referring to Mr Murray's earlier comment about the financial timetable being brought forward, Councillor Wilson asked if this would cause any undue pressures. Mr Murray replied that he was unsure but they would try to carry out a number of "dry runs" over the next few years.

Councillor Wright made reference to the increase in rateable values announced in the Autumn Statement, and remarked that not many shopkeepers seemed to be aware of business rate relief; he felt that this fact should be given more publicity.

The Chairman concluded by thanking Ms McClennon and Mr Murray for their attendance and contribution to the Committee meetings over the years. Whereupon,

It was resolved:

That the External Audit briefings be noted.

86. **INTERNAL AUDIT CHARTER AND WORK PLAN 2015/16**

The Committee considered a report (reference P216, previously circulated) which presented the Internal Audit Charter and Work Plan for the financial year 2015/16.

The Principal Auditor reminded Members that there was a requirement to formally approve the Charter on an annual basis, but there was no change to the way things operated. He apologised for not having amended the title of the Committee in the document, saying that this would be corrected before the Charter was published.

With regard to the draft Internal Audit Annual Work Plan for 2015/16, it was noted that the document was much the same as the previous year

but there would be a more cyclical way of auditing. The Plan was not a static document and might change during the financial year as issues emerged or demands on resources changed.

The Principal Auditor informed the Committee that he represented the Council on the Implementation of DCLG Fraud Fund Project. Councillor Wilson enquired whether there was any grant funding to be had for the Project and whether an element of the Principal Auditor's salary was covered by this. The Principal Auditor replied that the Project was centrally funded by Government and no bid had been made to take account of his time. Councillor Wilson then asked if there was anything in the budget for the benefit of finding fraudsters and recovering fraudulently claimed monies; he was advised that the budget was in the hands of the ARP.

Councillor Friend-Smith queried the total of 355 days stated at the bottom of Appendix 2, asking how this figure had been arrived at. The Principal Auditor explained that it was made up of 260 days of his time, and 95 days from the procurement of additional resources from an external local authority. The overall figure referred to working time.

It was resolved:

That the Internal Audit Internal Audit Charter and Work Plan for the financial year 2015/16 be approved.

#### 87. **LOCAL INVESTMENT PLAN**

The Committee considered a report (reference P217, previously circulated) which informed Members of how the Council worked with the Homes & Communities Agency (HCA) and Registered Providers to secure support for and financial investment in affordable housing development.

The Housing Development & Enabling Officer reminded Members that the Local Investment Plan (LIP) was the name given by the HCA to a plan agreed between a Local Authority and the Agency. This was the means by which this Council secured support and investment for affordable housing in the District.

It was noted that the HCA was the main funder of affordable housing and the purpose of the LIP was to express the Council's support for proposed new affordable housing, and to confirm each scheme met our strategies and policies. Inclusion in the LIP gave the HCA early notice of the Council's ambitions and enabled investment decisions to be made.

Direct investment was required on all schemes where there was no (or insufficient) cross-subsidy from market housing, and this investment was almost always in the form of a grant from the HCA. Where there was sufficient cross-subsidy, the HCA's policy was that grant would not normally be available, except for supported housing such as extracare schemes for older people.

The Housing Development & Enabling Officer explained that the Government had made funding available to the HCA through the 2015/18 National Affordable Housing Programme. Registered Providers received funds from the HCA via a Framework Agreement which contained all the schemes a registered Provider wished to deliver: schemes for which grant was needed and grant-free S106 schemes. The LIP therefore contained all affordable housing schemes, and not just those upon which grant would be needed. Members should be well aware of the schemes listed on the spreadsheet in Appendix 1 of the report.

Councillor Wilson observed that the spreadsheet did not show the total numbers of schemes/homes included in the LIP. The Housing Development & Enabling Officer informed him that this information was shown on the website and included details for the whole of Cambridgeshire, whereas the appendix attached to the report related to East Cambridgeshire. Members were reminded that this was a living document and therefore subject to amendment, but he would circulate the summary sheet to them.

Councillor Wright said he had been told by a developer that social housing for housing associations was funded less in the North of the District than it was in the South, because the market value of finished property was worth more in the South. He asked if this was true because if it was, it would detract from some northern areas in the District. The Housing Development & Enabling Officer replied that this was correct: rents were based on market values and did not differentiate between the costs to build affordable housing. The purpose of the LIP was to ensure that the schemes met the Council's policies and strategies, not to say how much social housing should cost.

Councillor Wilson wished to know how much influence the Council had in saying what was a good scheme. He was informed that the HCA asked the Council if it supported the scheme and whether it was in the LIP. East Cambridgeshire was truly in competition with the other local authorities across the county and would have to make its case.

Councillor Wilson next asked how exception sites would be supported on this basis, given that the Local Plan was mainly about market housing and Community Land Trusts were a priority. The Housing Development & Enabling Officer replied that exception sites were supported; Traveller sites were not included at present, but it was intended to include them in the future and he had emailed the HCA about this.

It was resolved:

That the report be noted.

The meeting closed at 5.12pm