

**FINANCE AND GOVERNANCE COMMITTEE**

Minutes of a Meeting of the Finance and Governance Committee held in Council Chamber, The Grange, Nutholt Lane, Ely, on Thursday 20 December 2012 at 4.00pm.

**PRESENT**

Councillor Peter Moakes (Chairman)  
Councillor Tony Cornell (substitute for Councillor Charles Roberts)  
Councillor Kevin Ellis  
Councillor Sheila Friend-Smith MBE  
Councillor Tony Goodge  
Councillor Tom Kerby (substitute for Councillor James Palmer)  
Councillor Chris Morris  
Councillor Neil Morrison  
Councillor Philip Read  
Councillor Gareth Wilson  
Councillor Andy Wright

**APOLOGIES**

Councillor James Palmer  
Councillor Charles Roberts

**In attendance**

Rob Murray – External Audit, Ernst and Young

John Hill – Chief Executive  
Linda Grinnell – Head of Finance  
Jeanette Thompson – Head of Legal and Democratic Services  
Trevor Bowd – Principal Auditor  
Ann Hughes - Senior Accountancy Assistant  
Tracy Couper – Principal Democratic Services Officer

**57. PUBLIC QUESTION TIME**

No questions were submitted by the members of the public.

**58. DECLARATIONS OF INTEREST**

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

59. **MINUTES**

The Committee received the Minutes of the meeting held on 26 November 2012.

It was resolved:

That the Minutes of the meeting of the Committee held on 26 November 2012 be confirmed as a correct record and signed by the Chairman.

60. **CHAIRMAN'S ANNOUNCEMENTS**

The Head of Finance made the following announcement on the Local Government Finance Settlement on behalf of the Chairman of the Committee:

The Finance Settlement for Local Government was announced yesterday. The provisional figures for east Cambridgeshire are:

£5.3M for 2013/14 and £4.7M for 2014/15.

So for 2013/14 we have a balanced Budget position, subject to any further changes. The cut in funding of £600,000 for 2014/15 means that we have further work to do during the next year in order to balance the Budget in 2014/15 and beyond.

61. **EXTERNAL AUDIT BRIEFING**

The Committee received the first issue of the External Audit briefing for the Local Government Sector from Ernst and Young. Mr Rob Murray, Director, Ernst and Young, explained that he would be taking over as the Lead External Auditor for this Council in the future, as Paul King had moved to undertake audits for Councils closer to his home area. Mr Murray reported that Ernst and Young would be providing regular briefings of this nature for local authorities and would also provide technical briefings for Finance staff. Councillor Wilson requested that the briefing be sent electronically to Councillors in the future. Mr Murray agreed that this might be a preferred approach in the future, as the issuing of briefings might not coincide with Finance and Governance Committee meeting dates. In response to a question by Councillor Morrison, Mr Murray explained the changes to the requirements for a 'designated independent person' to investigate possible disciplinary action against a Chief Executive, Monitoring Officer, or Chief Finance Officer, referred to on page 2 of the briefing.

It was resolved:

That the External Audit briefing be noted.

62. **EXTERNAL AUDIT ANNUAL AUDIT AND INSPECTION FEE LETTER**

The Committee received the External Audit Annual Audit and Inspection Fee Letter for 2012/13. Mr Rob Murray, Director, Ernst and Young, reminded Members that there was an obligation for the External Auditor to write to the Council each year to advise of the Audit fee. The letter set out the assumptions on which the fee for 2012/13 was based. There had been a 40% reduction in the fee compared to 2011/12 as a result of the dissolution of the Audit Commission and outsourcing arrangements.

Councillor Wright queried how likely it was that the fee would remain at the lower figure and how the 40% reduction had been achieved. Mr Murray explained that the 40% reduction had resulted from the procurement process and was the result of 3 components, two of which were the competitive tendering arrangements and changes to terms and conditions. The fee was likely to remain low, as it had been fixed for a 5 year period, but factors might change in 5 years time when the contracts were re-tendered.

It was resolved:

That the External Audit Annual Audit and Inspection Fee Letter for 2012/13 be noted.

63. **REVIEW OF PROCUREMENT STRATEGY INCLUDING SPEND ANALYSIS/LOCAL SPEND**

The Committee considered a report (reference M188, previously circulated) on the outcome of a review of the Council's Procurement Strategy and actions undertaken in relation to supplier relationships and economic development within the local area and spend analysis. The Head of Legal and Democratic Services explained that a report had been submitted in the previous year, and it had been agreed that the Procurement Strategy be reviewed in 12 months. On the issue of improving the Council's procurement relationship with local suppliers, it was proposed to simplify documentation; increase the threshold for formal tenders to £75,000; and seek to ensure that at least one quote for projects/works was sought from a local supplier.

A spend analysis on the 7 top headings of spending over £60,000 within the Council had been undertaken by the Head of Legal and Democratic Services and an attempt made to benchmark against the spending of other local Councils for these headings. However, this had proved difficult since none of the other local Councils were comparable to ECDC or in our 'family group', and there were significant variations in comparative spend on the headings, which were difficult to 'bottom out'. Therefore, such benchmarking might be more effectively performed by Management Team agreeing one or two areas of spend that could be checked and benchmarked, and this undertaken annually by Finance (as

information on other codes would not be available or necessarily understood outside the overall budgetary code context).

With regard to the contract with Huntingdonshire District Council for procurement assistance, this was under review and the Head of Legal & Democratic Services was currently examining options for further support either through a part-time procurement officer post, or through work with external Councils/bodies under a Service Level Agreement.

Particular attention was drawn to the likely duties to be imposed on local authorities under the Public Services (Social Value) Act 2012, due to be enacted in January 2013. This would require authorities to consider economic, social and environmental wellbeing prior to procurement and how the procurement would improve these. Reference to this had already been built into the relevant contract forms and documentation supplied by Legal Services to Heads of Service.

Councillor Goodge referred to the benefits of 'shopping around' to compare the costs of suppliers for headings such as electricity. The Head of Legal & Democratic Services suggested that officers could be requested to undertake such an assessment. Councillor Wilson commented on the issue of 'how local is a local supplier'. He commented that Veolia was a national company but that staff for a local contract would be sourced locally, bringing employment benefits. Therefore, more key issues might be quality of service and local economic benefits, rather than just being a local company. The Head of Legal & Democratic Services acknowledged these points but stated that the Council also wanted to promote small and medium sized enterprises (SMEs) locally. Councillor Morrison queried if the Council maintained an approved list of contractors. The Head of Legal & Democratic Services reported that the Council did not maintain an approved list, as it did not have sufficient resources to prepare and keep such a list up to date. Councillor Wright stated that such lists could be unduly cumbersome and bureaucratic for small companies to qualify for and he was glad to see that section 14 of the Procurement Strategy gave flexibility on issues such as the completion of Equality Impact Assessments only 'where relevant'. Companies should not be obliged to submit large or complex levels of documentation for small tenders.

It was resolved:

1. That the content of the Review and actions taken be noted.
2. That the Procurement Strategy for 2013-2015 (Appendix A to the submitted report) be approved.
3. That the Strategy be reviewed in 2 years time.
4. That a spend analysis be undertaken annually, with Management Team agreeing 1-2 items for Finance to analyse for benchmarking and subsequent action by relevant officers.

5. That a Member Champion for Procurement be appointed and Councillor James Palmer be appointed to this role.

**It was also resolved to RECOMMEND TO COUNCIL:**

**That the Head of Legal & Democratic Services be authorised to amend the Contract Procedure Rules to increase the formal tender limit to £75,000 and add a requirement that below formal tender procurements should include one local supplier quote (unless impracticable to do so).**

#### 64. **RECOMMENDATIONS FROM COMMITTEES**

The Committee considered a report (reference M189, previously circulated) on an item recommended from Scrutiny Committee on 27 November 2012 regarding the devising of a local Council Tax Support Scheme to replace the existing national Council Tax Benefits Scheme. The Head of Finance explained that a local scheme had to be agreed by the Council by 31 March 2013 to commence from 1 April. This had to be set based on a 10% cut in Central Government funding in this area and the protection of pensioners from any rises. The Finance Settlement for Local Government announced yesterday was largely as predicted, meaning that this Council had to meet an approximate £600,000 shortfall on the local Council Tax Support Scheme. Following a local consultation exercise, it was proposed that this shortfall be met by making changes to the exemption and discount arrangements for empty and second homes. This would enable the Council to keep the percentage contribution paid by working age claimants to 8.5% and so receive transitional grant funding from Central Government.

Councillor Godge questioned what would happen next year regarding the transitional grant funding from Central Government. The Head of Finance stated that the indication was that no such funding would be available in 2014/15 and that all grants would be rolled into the Revenue Support Grant. Councillor Godge highlighted that this would result in a shortfall of £714,000 in 2014/15. The Head of Finance and Chief Executive acknowledged that the local scheme would need to be re-considered in 2014/15, which was a situation that would be faced by all Councils nationally.

Councillor Wright queried whether the general dispensation granted to all Councillors to speak and vote on any business relating to Council Tax/Council Tax discounts or exemptions, etc, also covered him in his capacity as a private sector landlord. The Principal Democratic Services Officer stated that this would be dependent on the nature and basis on which the dispensation had been granted by the Monitoring Officer and that Councillor Wright would need to seek further guidance/advice on this from the Monitoring Officer. Therefore, Councillor Wright stated that he would take no part in the discussion or voting on this item at this stage, until his position was clarified.

Councillor Wilson commented that Housing Associations now were like large businesses and should not be keeping houses empty for long periods of time when they were needed to house homeless people locally. However, Housing Associations would not be subject to the loss of exemptions/discounts for empty properties like private sector landlords would be. Therefore, representations should be made to Central Government to deter Housing Associations from leaving properties empty for prolonged periods.

Councillor Morrison queried what the term 'PSB' stood for on page 5 of the Equality Impact Assessment. The Chief Executive explained that this was the Public Services Board comprising representatives of public sector authorities within the County.

**It was resolved to RECOMMEND TO COUNCIL:**

**That the draft localised Council Tax Support Scheme set out in the submitted report be approved by full Council.**

It was also resolved:

That a letter or representation be sent to Central Government requesting that they consider revising the scheme in the future to avoid Housing Association properties from being left empty for prolonged periods.

**65. COUNCIL TAX BASE – REFERRAL DIRECT TO COUNCIL**

The Committee considered a report (reference M190, previously circulated) requesting authorisation of consideration of the Council Tax Base for 2013/14 direct by full Council on 8 January 2013 due to the delay in the announcement of the Finance Settlement for Local Government and in order to enable Parish Councils to be notified of their Tax Base as early as possible within the constraints of the Central Government funding announcement.

It was resolved:

That Finance and Governance Committee authorise the referral of consideration of the Council Tax Base direct to full Council on 8 January 2012.

**66. FRAUD UPDATE REPORT**

The Committee received a report (reference M191, previously circulated) containing an update on the work of both Internal Audit and the Anglia Revenues Partnership (ARP) in relation to counter fraud activity for the period January 2012 to December 2012. The Principal Auditor reported that there had been a fall in prosecutions, possibly because the work on the National Fraud Initiative (NFI) was reaching its conclusion.

Councillor Read queried how much of the proceeds of fraud were actually recovered. The Principal Auditor reported that 100% was recovered but this Council only received 8-10% of the total, as it was redistributed based on Tax rate.

It was resolved:

That the report be noted.

67. **TREASURY OPERATIONS MID YEAR REVIEW**

The Committee received a report (reference M192, previously circulated) containing an update on the Council's current 2012/13 Treasury position.

Councillor Read requested that the Committee place on record their appreciation for the hard work of the Head of Finance, Linda Grinnell, and the Finance Team over the past year in achieving excellent outcomes both on Treasury and Financial Management in very challenging circumstances.

It was resolved:

That the mid year review of the Council's Treasury management for 2012/13 to 30 November 2012, as set out at Appendices 1 and 2 of the submitted report, be noted.

The meeting closed at 5:00pm.

Chairman:.....

Date:.....