

Minutes

Governance Committee



23rd January 2019

| Councillors | Present | Councillors | Present |
|---------------------------|-----------|------------------|-----------|
| Mrs J Beavis | Yes | Mrs J Pell | Apologies |
| M Dunn | Yes | R Ramage | Yes |
| J Elliott (Chairman) | Yes | Miss M Thorogood | Yes |
| A Hensman | Yes | Mrs L Walters | Yes |
| H Johnson (Vice-Chairman) | Yes | Vacancy | |
| G Maclure | Apologies | Vacancy | |

In attendance:

| | |
|-----------------|-------------------------------------|
| Chris Fleetham | Corporate Director |
| Tracey Headford | Performance and Improvement Manager |
| Jessica Mann | Governance and Members Officer |
| Angie Mitchell | Audit, Insurance and Fraud Manager |
| Phil Myers | Financial Services Manager |
| Rhonin Turner | Governance and Members Apprentice |
| Trevor Wilson | Head of Finance |

| | |
|-------------------|-------------------------|
| Aphrodite Lefevre | BDO (External Auditors) |
| Liana Nicholson | BDO (External Auditors) |

62 **MINUTES**

DECISION: That the Minutes of the meeting of the Governance Committee held on 24th October 2018 were approved as a correct record and signed by the Chairman.

63 **PUBLIC QUESTION TIME**

INFORMATION: There were no questions asked, or statements made.

64 **DECLARATIONS OF INTEREST**

INFORMATION: There were no interests declared.

INFORMATION: Consideration was given to a report on the performance of the Council as at the end of the second quarter, 1st July 2018 to 30th September 2018.

It was reported that 13 projects had been completed, and a further 46 projects were on track and progressing well. Six projects had experienced delays which resulted in the deferral of the end dates, and one project had been closed due to a change in the project's scope. In respect of performance indicators, nine performance indicators had achieved or exceeded target whilst six had missed target, and of these two had missed target by less than 5%, and four had missed target by more than 5%.

In respect of the amber projects, the main reasons were delays to the projects. With regard to the Local Plan and the Garden Communities projects, it was explained to Members that the end date for the Local Plan had been amended to December 2020, as this was not a project that could be rushed and there was a need to ensure that the Council was satisfied with the additional evidence it was providing. Alternative options needed to be examined for the Network Rail project as progressing beyond the current Governance for Railway Investment Projects (GRIP) stage was unaffordable.

The project in relation to the Home First Programme project had been cancelled as it was decided that a county-wide fast track scheme would be looked at instead and a new project would be created next year.

Under performance was noted in a number of areas. In respect of recycling, where the outturn was reported as 48.37% against a target of 52.75%, the figure had since been reconciled by Essex County Council (ECC) and the revised outturn was confirmed as 50.14%, which was now within 5% of the target. The tonnage of waste had also been reconciled by ECC but had only changed slightly, from 114kgs to 113kgs, against the target of 108kgs. The third quarter performance report would be amended to reflect these changes. The low recycling outturn in the second quarter was a result of the unpredictable hot and dry weather conditions in the summer, which resulted in a reduction in garden waste. It was added that the increase in tonnage reflected a county-wide and overall UK trend which was being monitored by the Waste Minimisation Team, and they continued to engage with residents in order to understand recycling habits in a bid to reduce tonnage and increase recycling rates.

In respect of the average call answer time in the Customer Service Centre, 20 seconds call answering time had been achieved against a target of 15 seconds. This was largely attributed to a shortage of staff resources in the second quarter, which saw a high level of staff sickness alongside pre-booked annual leave. A processing time of 7.39 days against a target of six days had been achieved in relation to the time taken to process housing benefit claim changes. Members were advised that the volume of changes had increased since the introduction of Universal Credit, with over 3,000 changes received each month. A new process, which enabled the automatic updating of the claim with the change details received from the Department of Work and Pensions (DWP), was being tested at the time and performance had now improved and was achieving target. In regard to collection rates, a rate of 58.80% against a target of 59.25% had been achieved in

relation to Council Tax, and a rate of 57.76% against a target of 58.07% had been achieved in relation to Business Rates. It was stressed that the performance in both areas should meet target by the year-end.

Comment was made upon the level of complaints received by the Council, which had seen a slight increase than had been experienced in previous years. The majority of complaints received related to refuse collections following a change to some of the routes across the District, although it was added once the re-routing exercise had become completely embedded the service would improve. Overall, of the 203 complaints received in the second quarter, six were stage 2 complaints and three were stage 3 complaints.

Finally, a note was made of the level of sickness experienced in the second quarter, which was below target at 1.71 days.

In response to questions raised by Members, the following information was provided:

- Managers within the Operations Team were undertaking analysis of the figures in relation to Recycling Rates in order to reassess target setting in future, and to understand more effectively the correlation between the increase in figures and the impacts on the tonnage. It was stressed that the figures seen in respect of Recycling Rates in the second quarter formed part of a national trend, and that it was important to understand both this and the District picture in order to improve the rates in a more sustainable manner.
- Performance of the time taken to effect changes to a claimant's benefit had missed target, as updates received from the DWP had been in excess of 3,000 per month and to staff taking annual leave over the summer period. A new process which enabled the automatic updating of the claim with the change details received from the DWP was currently being tested, and performance was expected to improve when the process was fully operational. It was added that the Financial Hardship Fund was still active and being provided for those residents who were experiencing financial difficulty due to the Council's Local Council Tax Support scheme.
- In respect of the Local Plan, Members were advised that the change control process had been followed as the end date of the project would be amended (which would be reflected in the third quarter performance report). The new date for the adoption of the Local Plan would be amended to December 2020, with the objective to re-submit the Plan to the Planning Inspectorate in the spring of 2019. It was added that the timescale incorporated the need for the Local Plan to be as sufficient as possible in addressing the needs of the District.

In response to questions raised by Members, the following actions were agreed:

- Further information would be provided as to why the Council did not progress with the project regarding the Home First Programme project which involved the Mid-Essex Clinical Commissioning Group (CCG).
- In reference to improvements to the handyperson scheme, Members were informed that the scheme was progressing well but that figures would be

circulated to all in respect of improvement rates and the current stage of the scheme's implementation.

- Further information would be provided at the next meeting of the Governance Committee in respect of the introduction of Universal Credit and the impacts on the time take to process benefit claim changes.
- A report would be provided at the next meeting of the Governance Committee in relation to improvements to the Braintree and Witham rail link and the progress against this project.

DECISION: That Members noted the report.

66 **KEY FINANCIAL INDICATORS – 31st DECEMBER 2018**

INFORMATION: Members considered a report on Key Financial Indicators which provided information on performance for the financial year to 31st December 2018.

Members were informed of two further investments, each of £1 million, undertaken in December 2018 in diversified income funds; Kames Diversified Income Fund and Investec Diversified Income Fund. The main objective of these investments was to broaden the mix of pooled funds whilst seeking to achieve income in order to support the revenue account. It was anticipated that returns of approximately 4 to 4.5% on the investments would be received.

In response to questions raised by Members, the following information was provided:

- The investments made by the pooled funds were reviewed by the Managers of the Funds in order to ensure that the best value was being achieved. It was added that should the Council, on advice from Airlingclose, have concerns of the investments, the Council was in a position to withdraw the monies within three to four days.
- Members were informed that the figure of £58,991 in respect of Council Tax Write-Offs related primarily to previous years' liabilities. Accounts were only written off after all avenues of recovery had been exhausted.
- In respect of the amount of sundry debts owed to the Council, Members were advised that in instances where the claimant was still in receipt of benefits, the money owed in regard to housing benefit overpayments would be received through the benefit system. Sundry debts were raised in instances where the person was no longer in receipt of benefits. It was acknowledged that the figure of £1.772 million was high but that it related to overpayments made over a prolonged period of time, and repayment plans were agreed which could run for a number of years. The Council would only be accounted for the income when received, rather than the value of the debt raised. It was also highlighted that the majority of overpayments did not occur as a result of fraudulent activity by claimants, as this was only in a minority of cases.

- In response to a query raised by a Member, it was agreed that a breakdown of the rents and occupancy rates of the Council's commercial and industrial property portfolio would be provided for Members in future Key Financial Indicators reports.

DECISION: That Members accepted the report of the Key Financial Indicators as of 31st December 2018.

REASON FOR DECISION: To provide evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues that may arise.

67 **INTERNAL AUDIT UPDATE, INCLUDING PROGRESS AGAINST AUDIT PLAN 2018-2019**

INFORMATION: Members were informed of the latest progress against the Internal Audit Plan for the period 2018/19, which had been approved by the Governance Committee on 25th July 2018, and the outcome of the audits implemented since the last report to the Governance Committee.

Dawn Turner, Internal Auditor at the Council, was also in attendance at the Governance Committee for observational purposes.

In response to questions raised by Members, the following information was provided:

- Members were informed that the Council was required to conduct a self-assessment against the Public Sector Internal Audit Standards (PSIAS) at least once a year, and an external assessment every five years, although it was added that should Members wish the External Quality Assessment to be brought forward, this could be done.

In response to an action agreed by an Officer during the meeting of the Governance Committee, the following information was thus supplied:

- "Leisure Centre Contract (page 49) – Members sought additional clarification on the scope of performance monitoring arrangements reviewed as part of the Performance Indicators audit. The auditor reviewed arrangements for data collection for a number of performance indicators, including Leisure Centre visitors, to give assurance on the accuracy of data reported. We confirmed a monitoring system was in place, which included monthly statistics on participation, monthly service review meetings between the Council and the Leisure provider (Fusion), and an annual report by Fusion to the Council. There was an issue with the recording mechanism which omitted some groups from the recorded participation levels; we understand this has now been resolved and that the Leisure & Heritage Manager continues to work with Fusion to identify and report any errors."

DECISION: That Members noted the progress against the Revised Internal Audit Plan 2018/19.

REASON FOR DECISION: The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit activity to report functionally to the Governance Committee, being the Committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.

This report provides an update on Internal Audit activity, and progress and performance against the approved Internal Audit Plan in accordance with the Governance Committee role and the requirements of the PSIAS.

68 **EXTERNAL AUDIT PLAN**

INFORMATION: Consideration was given to a report which summarised the work that BDO, as the External Auditor, propose to undertake in respect of the audit of the Council for the 2018/19 financial year.

It was reported that the Audit would include:

- An audit opinion on whether the financial statements gave a true and fair view of the financial position of the Council as at 31st March 2019 together with income and expenditure for the year, and that the financial statements had been prepared in accordance with Accounting Standards.
- A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.
- The return required to facilitate the preparation of the Whole of Government Accounts (WGA) consolidated accounts was consistent with the audited financial statements.

The proposed fees chargeable for the audit and grant certification work for 2018/19 total was £56,012, and whilst this was potentially subject to a variation should unplanned additional work be required, a significant saving would be made against the 2017/18 actual fee of £90,694 for 2017/18.

In response to questions raised by Members regarding the audit risk areas identified in the report, the following information was provided:

- Members were advised that based on current data trends, the Council had a balanced budget with no previous issues in this area. The anticipated budgetary gap in 2020/21 was included in response to potential risk factors posed by the reductions in Government funding. Forward planning in this respect was essential in order to help ensure that the shortfall in 2020/21 was addressed.
- The Council had agreed a number of large scale developments, and it was important that the effective governance of these projects was considered in order to ensure that the Council continued to act in the best interests of the public. The Council was also required to consider the prudential code in respect of its investments.

DECISION: That Members noted the External Audit Plan 2018/19 together with the agreed audit fees.

REASON FOR DECISION: That Members are aware of the coverage of the External Audit Plan for 2018/19 and the associated costs of the external audit.

69 **CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2017-18**

INFORMATION: Members considered a report on the Certification of claims and returns annual report 2017/18. The report comprised a summary of the results of the work carried out by Ernst & Young on the Housing Benefit Subsidy Claim. Although a qualification letter was issued by the Auditors in relation to the Housing Benefit Claim, there was minimal impact on the overall subsidy claimed.

The value of the Housing Benefits Subsidy Claim presented for certification was £37,924,412. There were over 9,000 claimants and four errors were identified during initial testing, with two underpayments and two overpayments.

The certification fees for 2017/18 amounted to £14,605, which included a small increase of £877 over the Council's indicative certification fee notified in March 2017. This reflected the need for some extended testing.

DECISION: Members received the Certification of claims and returns annual report for 2017/2018.

REASON FOR DECISION: For Members to receive the Certification of claims and returns annual report for 2017/2018.

70 **FRAUD UPDATE**

INFORMATION: Consideration was given to a report containing an overview of the Fraud affecting Local Authorities and the work undertaken by staff, which included the Audit, Insurance and Fraud Team.

In response to questions raised by Members, the following information was provided:

- Members were informed that the DWP was responsible for the management of Housing Benefit Fraud, whereas the Council was responsible for Council Tax support, although the Council did have in place a formal protocol for exchanging information with the DWP in relation to Benefit Fraud investigations. The potential for fraud investigations to include both Benefits and Council Tax Support meant joint working between the Council and the DWP in this way was considered appropriate.
- One source estimated that the total value of Fraud detected and prevented by Local Authorities in the UK in 2017/18 was £302 million, of which 3.4% related to Business Rates.

In response to an action agreed by an officer during the meeting of the Governance Committee, the following information was thus supplied:

- "Public Sector Fraud Risks (page 91) – Disabled Parking Concessions: Members requested further information on the nature of this fraud risk. The

fraud arises when a blue badge is used by someone other than the person to whom it was issued, altering a badge (e.g. to make it appear valid), or obtaining a badge fraudulently (for example in the name of a deceased person), the impact is both on parking revenue and on the availability of disabled parking spaces for those with genuine entitlement. Some reports suggest as many as 1 in 5 blue badges are misused, and the most common misuse is by family or friends of the badge holder. The CIPFA Fraud & Corruption Tracker (summary report, 2018) estimates the average value of fraud per case as £449 in counties (£2,150 in London), this relates to the loss of car parking income, and this can be an indicator of other fraud (such as concessionary travel). Misuse can be identified through reports by members of public to the Local Authority, or through observation by parking enforcement officers (observing a pass not used by the person for whom it was intended, or observing an out of date or doctored blue badge being displayed). The National Fraud Initiative Data Matching exercise includes a match of Blue Badge holders to records of deceased persons, these data matches would be provided to the Council issuing the passes (ECC). The North Essex Parking Partnership enforcement officers do conduct checks on blue badges and have seized badges in the past.”

DECISION: That Members noted the report.

REASON FOR DECISION: The Governance Committee functions include monitoring the effectiveness of the Council’s risk management procedures, the internal control environment and counter fraud and corruption arrangements.

The Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive to periodically report significant risk and control issues, including fraud risks. The PSIAS also require the function, as part of Internal Audit Risk Management activity, to evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.

This report summarises fraud risks affecting the public sector, and approaches taken by the Council to address those risks.

71 **STRATEGIC RISK MANAGEMENT**

INFORMATION: Members were provided with details of the review and an update as to the Council’s Strategic Risk Register, which was agreed at the meeting of the Cabinet on 26th November 2018. The register contained details of those risks which had the potential to have an impact on the delivery of the Council’s Corporate Strategy over the medium-term.

The number of strategic risks identified continued to be ten; however, it was reported that the Risk Rating of three of the risks had been reassessed at a higher level, and these included: Medium-Term Financial Strategy - B2 from C2, Local Plan - B2 from C2, and Service and Project Delivery - C2 from D2. The number of risks identified as above the Risk Tolerance Line was nine and as such were subject to active management.

DECISION: Members noted and endorsed the Strategic Risk Register and the Action Plans for managing the high rated risks.

REASON FOR DECISION: For Members of the Governance Committee to be assured that the Council's strategic and operational risks, with a high risk rating, are being actively managed.

72 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20

INFORMATION: Members considered a report on the Council's draft Treasury Management Strategy Statement 2019/20.

It was reported that the draft strategy proposed no significant changes from the current strategy in terms of investments which had, over the last few years, become increasingly diversified into longer-term pooled fund investments. An area where there had been a notable degree of change was in the Council's plans for future borrowing.

The Council's Capital Financing Requirement (CFR), was a measure of the extent to which the Council intended to spend on capital investment that was not financed from its own resources. An increase in the Council's CFR was forecast for the upcoming year, from an estimated £12.37 million at 31st March 2019 to £30.36 million at 31st March 2020. The increase was largely attributed to a number of projects that were part of the District Investment Strategy. It was highlighted that the projections for the CFR did not take into account any financing that related to a potential housing development company, or any future funding for the garden communities, both of which had yet to be determined. The level of the Council's external borrowing was projected to rise as a result of the increase in CFR from £6 million to around £18 million over the medium-term.

As at 31st March 2018, the Council was technically over-borrowed, a position which increased the Council's investment balances. Over the medium-term this position was projected to reverse, whereby the Council would effectively use its own cash balances to offset its borrowing requirement, referred to as internal borrowing. This internal borrowing would result in a reduction in the amount of monies available for investment and lead to a reduction in the cost of external debt, as well as in the Council's exposure to investment risks.

Members were informed that there was a downward trend in respect of the Council's usable reserves, which was due to allocations made for the financing of projects under the District Investment Strategy. As at the end of March 2018, the organisation's Investment Balances were £41.34 million, which was projected to decrease to approximately £25 million before rising again, as some of the projects under the District Investment Strategy were expected to generate future capital receipts. It was stressed that as the projects progressed, the assumptions made could change which would impact on investment figures in the future.

Finally, remark was made upon the importance of the Council's investment income which was budgeted to be £0.996 million in 2019/20, and of this amount, £825,000 was estimated to be derived from the Council's pooled funds.

In response to a question raised by a Member, the following information was provided:

- Further to a concern raised by a Member about what contingency plans were in place should the projects under the District Investment Strategy not generate the desired financial return, it was relayed that each project under the Strategy was subject to rigorous appraisal. A number of the projects included key trigger points which enabled them to be reviewed or reassessed, should circumstances change. It was added that an element of risk would always exist in the implementation of any project, and that these risks were taken into account when the Corporate Director (Finance) provided his report on the robustness of the Council's annual budget.

DECISION: That the Governance Committee recommended to Cabinet that the Draft Treasury Management Strategy Statement 2019/20 be accepted, prior to its submission to Cabinet and Full Council.

REASON FOR DECISION: The Council's Constitution requires that prior to consideration by Cabinet and Full Council, the draft Treasury Management Strategy Statement is reviewed and scrutinised by the Governance Committee.

The meeting commenced at 7:15pm and closed at 9:28pm.

Councillor J Elliott
(Chairman)