

Minutes

Corporate Governance Group

29th October 2020



Present

Councillors	Present	Councillors	Present
P Euesden	Yes	R van Dulken (Chairman)	Yes
D Hume	Yes	D Wallace	Yes
H Johnson (Vice-Chairman)	Yes	T Walsh	Apologies
D Mann	Yes	Mrs L Walters	Yes
Miss V Santomauro	Yes		

In attendance:

Kim Cole	Head of Governance
Chris Fleetham	Corporate Director (Finance)
Jessica Mann	Governance and Members Officer
Angie Mitchell	Audit, Insurance and Fraud Manager
Phil Myers	Financial Services Manager
Trevor Wilson	Head of Finance
Emma Wisbey	Governance and Members Manager

Steve Bladen BDO Officer

44 **MINUTES**

DECISION: The Minutes of the meeting of the Corporate Governance Group held on 11th August 2020 were approved as a correct record.

45 **PUBLIC QUESTION TIME**

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

46 **DECLARATIONS OF INTEREST**

INFORMATION: There were no interests declared.

47 **KEY FINANCIAL INDICATORS – 30TH SEPTEMBER 2020**

INFORMATION: Members gave consideration to a report on key financial indicators of performance recorded for the financial year up until 30th September 2020.

It was reported that the net General Fund revenue budget for the year was £15.226m, whereas the net expenditure incurred for the year was £9.718m. This represented a

negative variance for the year of £243,000 when compared with the profiled budget, although it was stressed that this was largely related to the impact of the Covid-19 pandemic on the Council's income generating services and, to a lesser extent, on additional unbudgeted expenditure. In response to the issues that had emerged from the pandemic, Central Government requested that Local Authorities provide financial impact assessments of Covid-19 on services. The Council's latest return was submitted on 2nd October 2020 and it was estimated that additional expenditure of £1.044m and a reduction in income of £2.562m was expected in 2020/21. The Government had provided £1.724m of emergency funding to the Council for the year, which was delivered in three tranches. Furthermore, as part of its 'Loss of Sales, Fees and Charges' income compensation scheme, the Government had also asked Local Authorities to submit applications for financial support; as such, an application for compensation of £411,000 was submitted by the Council on 30th September 2020 in relation to the period April to July. It was added that the Council was still awaiting confirmation from Government in respect of the application.

The outcome of the work on the half-year financial information to assess the impact of the Covid-19 pandemic was to be included in the Quarterly Performance report, which was to be presented to the Cabinet at the meeting on 23rd November 2020. The work identified that the level of net cost to the Council had reduced marginally as there had been some improvements in terms of income received across the organisation. The anticipated shortfall was £3.25m. It was also announced that on 22nd October 2020, the Council received notice from Central Government that it would receive a fourth tranche of support as part of the emergency funding scheme; the Council had reportedly been allocated £228,000.

In respect of salaries, it was reported that there had been a number of vacancies experienced; for example, a number of new posts that the Council had anticipated would be occupied within the current year were delayed, although the posts would be filled when possible. The total budget for salaries for the year was £18.778m, and expenditure on salaries for the year to the end of September was £9.362m. This compared to a profiled budget of £9.454m. The positive variance of £92,000 was after allowing for £150,000 of the Efficiency Factor (£300,000 for the year). It was also noted that the profiled budget had been updated in order to incorporate the actual pay award of 2.75%, which was higher than the provision of 2% included in the original budget. The additional cost of £135,000 for the year as a result of this was to be met from balances.

Members were informed that the Council's rental income received from commercial and industrial properties was £2.901m, which consisted of 218 leases. As of 30th September 2020, all properties were occupied. Expenditure on capital projects was £10.457m against the updated Capital Programme of £39.369m, which included the estimated expenditure on: Manor Street Development of £17.579m; Horizon 120 of £12.465m; I-Construct of £1.144m; Suffolk Waste Partnership investment of £1.228m; and pedestrianisation of Braintree town centre of £2.776m.

The total Council Tax collectable debit for the year was £97.83m. As at the end of September 2020, the collection rate was 57.63% (£56.38m collected). The total Business Rates collectable debit for the year was £26.52m, and the collection rate as at the end of September was 54.90% (£14.558m collected), which compared to a rate of 57.95% for the same period in the previous year. It was explained that the amount collectable was lower than in previous years due to the expansion of the Government's Retail and Nursery rate relief schemes having been awarded with a total value of £19.075m.

In terms of Council Tax write-offs, it was reported that a total of 341 write-offs with a value of £48,380 had been authorised in the year to 30th September 2020. In respect of Business Rates, a total of 16 write-offs with a net value of £20,082 had been authorised in the year to 30th September 2020.

DECISION: Members accepted the report of the Key Financial Indicators as at 30th September 2020.

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.

48 **INTERNAL AUDIT UPDATE, INCLUDING PROGRESS AGAINST AUDIT PLAN 2020/2021**

INFORMATION: Angela Mitchell, Audit, Insurance and Fraud Manager, introduced the report to Members. The Internal Audit Plan for 2020/21 was approved by Members at the meeting of the Corporate Governance Group on 23rd July 2020. Members were subsequently provided with an update on progress and performance against planned work and any other matters that affected the provision of the Internal Audit Service.

Members were made aware of a 'Performance Management' audit that had also taken place since the last meeting of the Group on 23rd July 2020, in addition to the audits already listed within the report. The outcome of the audit was confirmed as 'Significant Assurance.'

It was advised that since the last report to the Group, the majority of the Audit Manager's time had been focused on Insurance matters, particularly around the Insurance Tender which involved working with the broker and the Senior Procurement Consultant at the Council for the preparation of the Insurance Tender Document.

Members were also advised that the Council had received no RIPA/IPA applications to date.

The audit of the Manor Street Project had been given an outcome of Limited Assurance. The Chairman noted from the report that in response to the audit outcome, an action plan was underway and currently pending management approval. The plan had identified a number of areas for improvement in relation to the Manor Street Project, such as around the procurement of consultants and cost plan assumptions. Further to a request from the Chairman, Governance Officers agreed to provide Members of the Group with a copy of the finalised action plan once this became available.

DECISION: Members noted the progress and performance against the Internal Audit Plan 2020/21.

REASON FOR DECISION: The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit activity to report functionally to the Corporate Governance Group, 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 Corporate Governance Group role and the requirements of the PSIAS.

49 **INTERNAL AUDIT CHARTER – 2020/21**

INFORMATION: Angela Mitchell, Audit, Insurance and Fraud Manager, introduced the report. The Public Sector Internal Audit Standards (PSIAS) came into effect on 1st April 2013 and were revised in March 2017. These standards formed the proper practices for Internal Audit required by the Accounts and Audit Regulations 2015.

The PSIAS required an Audit Charter to be in place which would be reviewed periodically and presented to the Corporate Governance Group for approval.

This Charter set out the purpose, authority and responsibility of the Council's Internal Audit function.

Members were informed that the Internal Audit Charter had been updated to reflect the revised Committee structure and reflects requirements of the PSIAS.

It was noted that the definition of a 'Board' referred to the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting; this was the Corporate Governance Group. The Audit Manager reported functionally to the Corporate Governance Group and the Head of Finance.

A minor typographical error was also identified in respect of page 34 of the Internal Audit Charter report. The Audit Manager agreed to amend the report accordingly.

DECISION: The updated Internal Audit Charter was approved.

REASON FOR DECISION: To ensure that there is an Internal Audit Charter which complies with the Public Service Internal Audit Standards.

50 **UPDATED ANTI MONEY LAUNDERING POLICY**

INFORMATION: Angela Mitchell, Audit, Insurance and Fraud Manager, introduced the report which pertained to the revised version of the Council's Anti Money Laundering policy. The policy identified Council and staff responsibilities under Money Laundering Regulations, as well as protocols for record keeping and reporting.

Members were advised that the revised policy reflected the requirements of legislation under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. The regulations established that Local Authorities were not included within the list of businesses operating under the 'regulated sector;' as such, offenses relating to failing to disclose suspicions of money laundering, and tipping off, did not apply. However, CIPFA had indicated the Local Authorities should nonetheless have in place "...*appropriate and proportionate anti-money laundering safeguards and reporting arrangements, designed to enable them to detect and avoid involvement in the crimes described in the legislation and regulations.*"

DECISION: Members approved the revised Anti Money Laundering Policy.

REASON FOR DECISION: The Corporate Governance Group functions include monitoring the Council's counter fraud and corruption arrangements. Money laundering involves the 'cleaning' of illegal proceeds to disguise their criminal origin; this policy defines the Council's responsibilities under Money Laundering Regulations and the

commitment to the prevention of money laundering, and provides a mechanism for reporting concerns.

51 **TREASURY MANAGEMENT MID-YEAR REPORT 2020/21**

INFORMATION: The Council's treasury management activities were regulated by statutory requirements and by a Code of Practice ("the Code") issued by the Chartered Institute of Public Finance (CIPFA). One of the key requirements of the Code was that, along with an annual strategy to be approved prior to the commencement of the financial year and an annual report after the financial year-end, the Council also received at least one mid-year report on its treasury management activities.

The Treasury Management Strategy Statement (TMSS) for 2020/21 was approved in February 2020 as part of the overall Budget and Council Tax setting for 2020/21. In respect of capital expenditure, the current forecast was £38.935m which represented a reduction of £3.729m from what had originally been anticipated after allowing for some programme slippage. Expenditure was forecast to be higher on the pedestrianisation of the Braintree town centre, following a successful bid to the Department of Transport (DfT) and Essex County Council (ECC). An additional capital contribution had also been made towards recycling facilities which was being met from borrowing that was repayable in annual instalments from reductions in the amount charged by the contractor for processing the Council's recycle material for the remaining duration of the contract. The projected financing of the Council's expenditure indicated that there was a switch between capital receipts and internal borrowing, and this was due in part to a lower amount of capital receipts expected to be generated in the current year from the Horizon 120 and Manor Street regeneration projects; this would instead be covered through increased internal borrowing until the new receipts were received in 2021/22.

Members were advised that the level of external borrowing by the Council remained at £6m and was not expected to change in the current year, although there were reductions in finance lease liabilities. As at the end of the year, total borrowing and other long-term liabilities was estimated to be £7.977m. It was also reported that the Chancellor's March 2020 Budget statement included notable changes to the Public Works Load Board (PWLb) policy and that a wide-ranging consultation had subsequently been launched. The consultation contained proposals to allow those Authorities that were not involved in "debt for yield" activity to borrow at lower rates, as well as preventing Local Authorities using PWLB loans to purchase commercial assets that were primarily for yield. A response from the Council to the consultation was agreed by the Cabinet Member for Finance and Performance Management.

The Council's investment activity for the first half of the year was substantial with investments averaging £69.519m, with a high of £94.713m on 17 April 2020. It was reported that in early April 2020, the Council received £32.5m of central government funding to support small and medium businesses during the pandemic, and this also included an amount to establish a hardship fund for Council Tax payers in receipt of local Council Tax support. The funding was subsequently increased through the provision of a number of tranches of emergency funding towards the additional expenditure that was expected to incur as a result of the coronavirus pandemic. In the period April through to September 2020, new investments of over £800m had been made; this increased activity being the result of frequent short-term deposits made with the Debt Management Office of the additional government funding.

Investment income was expected to be significantly lower than had been generated in previous years. Dividends and income paid would ultimately depend on factors such as the duration of the Covid-19 pandemic and the extent of its economic impact. The total amount of income forecast for the year was currently £753,000 which was £306,000 lower than the budgeted amount.

The value of the Council's investments in long-term pooled funds were fluctuating in response to changing market sentiment; and at 30th September 2020 showed an overall unrealised loss of £1.288m.

Members were also informed that the CCLA Property Fund had now reinstated dealing in the fund, albeit with a new requirement that at least 90 days notification would be provided of any intended redemption of units.

DECISION: The Corporate Governance Group recommended that Cabinet accept the Treasury Management Mid-Year Report 2020/21 prior to its submission to Full Council.

REASON FOR DECISION: The Council has adopted the CIPFA Code of Practice for Treasury Management in Public Services which requires the Council to receive at least one mid-year report on its treasury management activities. This report is to be considered first by the Governance Committee before being recommended on to Cabinet and then Full Council.

52 **MONITORING OFFICER'S REPORT ON STANDARDS**

INFORMATION: Kim Cole, Head of Governance and Monitoring Officer, was invited to introduce the report which provided Members with an update on the functioning of the Member Standards Framework for the period 2019/20.

Members were reminded that there had been a change in the position of Monitoring Officer for the Council in the period 2019/20. The change occurred following the departure of Ian Hunt in February 2020, with Clare Pattison holding the position of Interim Monitoring Officer before the subsequent appointment of Kim Cole as the permanent officer, who joined the Council in April 2020.

It was confirmed that the Monitoring Officer was the appropriate officer for the receipt of complaints in respect of Member conduct, and that this included all complaints against District, Parish and Town Councillors. The Council was required by the Localism Act 2011 to have in place effective arrangements for dealing with allegations whereby Councillors had failed to comply with the Code of Conduct, and also to investigate and determine those allegations. It was important to note that any complaints which related to the failure of a Member to declare a Disclosable Pecuniary Interest, or a breach of a Councillor's requirement to register interests were referred to Essex Police, as such matters were considered to be criminal offences under the Localism Act 2011. The Monitoring Officer and the Council had no jurisdiction to consider such complaints.

During the period 2019/20, the Monitoring Officer received a number of formal complaints of which had all been given due consideration. The concerns that were raised within these complaints related primarily to the actions of individual Councillors at meetings, challenges around the perception of bias and a small number of issues that Parish Clerks had in relation to individual Members. There was one complaint received which was referred for investigation; as at the time the report was prepared, the complaint was still live. Such complaints were treated confidentially until the Monitoring Officer deemed it

appropriate to make the detail of the complaint available in the public domain in accordance with the procedure for Councillor Conduct Complaints.

It was reported that no referrals had been made to the Standards Sub-Committee in the period 2019/20, nor had there been any referrals to Essex Police around the non-disclosure of any Disclosable Pecuniary Interests. Furthermore, there had been no applications for dispensations by District Councillors, and no applications for dispensations for Parish and Town Councils.

The Monitoring Officer was currently in the process of conducting a substantive review of the Council's Constitution and Governance processes, the review of which would include the Code of Conduct for Members and the associated complaints procedure. The review would conclude with a new Constitution, associated governance arrangements and procedures for the new Civic Year 2020/21. It was added that the Monitoring Officer had established a programme which would ensure that the new Constitution could be presented to Full Council on 29th March 2021 for adoption.

Members were then informed that, following the adoption of the new Constitution by Full Council, a series of training sessions would be provided by the Monitoring Officer for Members and officers in early 2021/22 in order to advise them of the changes and to help familiarise them with the document. The Monitoring Officer then reiterated the importance of the role that the Constitution had within the Council in ensuring decision making took place correctly and lawfully in formal meeting sessions; as such, it was essential that the document was user friendly and able to be understood as widely as possible across the organisation.

Further to the conclusion of the report, the Monitoring Officer agreed to consider additional training for Members on Code of Conduct issues in response to queries that were raised.

DECISION: Members noted the Annual Report for 2019/20.

REASON FOR DECISION: To comply with provisions set out in Article 10, Chapter 1 of the Council's Constitution.

The meeting commenced at 7.15pm and closed at 8.30pm.

Councillor R van Dulken
(Chairman)