

CORPORATE GOVERNANCE COMMITTEE

TUESDAY, 5 NOVEMBER 2019 - 2.30 PM



PRESENT: Councillor J Clark (Chairman), Councillor K French (Vice-Chairman), Councillor I Benney, Councillor S Clark, Councillor D Divine, Councillor Mrs J French, Councillor D Topgood, Councillor Wicks, Councillor Wilkes and Councillor W Sutton

APOLOGIES: Councillor G Booth and Councillor M Purser

OFFICERS IN ATTENDANCE: Izzi Hurst (Member Services & Governance Officer), Anna Goodall (Head of Governance and Customer Services), Mark Hodgson, Neil Krajewski (Deputy Chief Accountant), Mark Saunders (Chief Accountant), Amalia Valdez Herrera and Kathy Woodward (Internal Audit Manager)

CGC16/19 PREVIOUS MINUTES.

The minutes of the meeting of 29 July 2019 were confirmed and signed.

CGC17/19 APPOINTED AUDITOR - AUDIT RESULTS REPORT (ISA260)

Members considered the Appointed Auditor – Audit Results Report (ISA260), presented by Mark Hodgson from Ernst & Young (EY).

Members asked questions, made comments and received responses as follows;

1. Councillor Wicks asked for further information on the Council's pension liability (page 20 of the agenda pack). Mark Hodgson explained that this figure is not a concern as, whilst it is a liability, the Council will never have to pay it in full at once. He added that the figure has to be included for accounting purposes.
2. Councillor Wicks asked what efforts have been made to reduce this figure. Mark Hodgson confirmed that the pension fund has sufficient funds to cover itself over the life span of the fund and it is 99.8% funded. He reiterated that this is an accounting number and not a 'cash' number.
3. Councillor J Clark agreed that whilst this figure is very high, members of the previous Corporate Governance Committee had received a presentation from the Cambridgeshire Pension Fund Provider and this had assured members that there are no concerns in relation to this liability.
4. Mark Saunders explained that the Council pay contributions set by the pension actuaries to ensure that the fund stays fully funded and these contributions are set every three years. He confirmed that the Council are currently waiting for the latest figures to be released.
5. Peter Catchpole assured members that in most Local Authorities accounts, the Council's pension liability is the largest figure on the balance sheet and reiterated that the Council pay contributions set by the pension actuaries.
6. Councillor Sutton suggested that another seminar is held for members of the Corporate Governance Committee in relation to the Council's pension liabilities. Mark Saunders asked that this is held after the updated contributions have been released by the pension actuaries. Members agreed to this.
7. Councillor Sutton said whilst he understands the delay in this report being released to

members prior to the meeting, he asked that every effort is made to ensure that this does not happen again.

8. Councillor J Clark agreed and asked that if there are future delays with EY, the Corporate Governance Committee meeting is postponed to allow members sufficient time to consider the report.
9. Councillor J Clark asked for further information on the valuer used by the Council in relation the 'Valuation of land and buildings' (page 19 of the agenda pack). Mark Saunders confirmed that an independent valuer is selected every three years following a tender process.

Councillor J Clark thanked Mark Hodgson and Amalia Valdez Herrera for their attendance at today's meeting.

The Corporate Governance Committee noted the contents of the Appointed Auditor – Audit Results report (ISA260).

CGC18/19 STATEMENT OF ACCOUNTS 2018/19.

Members considered the Statement of Accounts 2018/19 report, presented by Neil Krajewski.

Neil Krajewski informed members that there may be some minor adjustments to the Statement of Accounts following the external auditors work however no substantial changes are expected.

Members asked questions, made comments and received responses as follows;

1. Councillor Sutton asked that officers, in future, highlight any amendments via track changes or provide members with a narrative of these changes. Mark Saunders confirmed that the only amendments have been purely for presentational purposes and no figures in the primary statements have been amended.
2. Peter Catchpole confirmed that significant changes will be reported to members. Councillor J Clark asked that these are highlighted to members in future. Mark Saunders agreed to do this.
3. Councillor Wicks suggested that it would be helpful for members if the balance sheets included notes showing variances and the reasoning behind these. Mark Saunders agreed.
4. Councillor J Clark highlighted that the Council have £1.66 million of savings to identify over the coming years. He asked for further information on the figures relating to the Ports and Markets. Mark Saunders highlighted that these figures are shown on page 133 of the agenda pack.
5. Councillor J Clark asked for further information on the Council's mini factories and estates. Mark Saunders explained that these were considered as part of the Overview and Scrutiny Panel's Economic Development Review and agreed to circulate a breakdown of these figures to members.
6. Councillor J Clark stated that both the Boathouse, Wisbech and South Fens, Chatteris were funded largely by European grants and yet these assets are operating at a loss. He asked how the Council can move forward commercially if these areas are currently underperforming financially. Mark Saunders clarified that only half of these premises were funded by grants and detailed breakdowns of these premises were considered as part of the Economic Development Review. He agreed to provide these figures to members.
7. Councillor J Clark suggested that the Corporate Governance Committee refer this matter to Cabinet to consider.
8. Councillor Sutton said he has raised this issue for many years but reminded members that the day-to-day running costs of these premises do show a profit however the overheads allocated then show them operating at a loss. He suggested that consideration be given to options to outsourcing the management of these premises to third party operators.
9. Councillor J Clark agreed with this suggestion but reminded members that this

recommendation is outside of the Corporate Governance Committee's remit.

10. Peter Catchpole reminded members that under CIPFA guidelines, recharge figures must be included in the accounts which can cause presentational issues and distort the reality of these figures. He reiterated that detailed analysis of this had been undertaken as part of the Economic Development Review. He added that if these were private sector accounts, the overheads would not be included in the same way as required by a Local Authority.
11. Councillor J Clark agreed and stated that the overheads and recharge figures need to be considered.
12. Councillor Wicks suggested that the viability could be assessed by analysing the return on the capital investment of these premises. Peter Catchpole confirmed that as part of the Commercial Investment Strategy (CIS) consideration will be given to the return and yield.
13. Councillor Mrs French proposed that this issue is referred to Cabinet for consideration.

The Corporate Governance Committee AGREED;

1. **To approve the Statement of Accounts and Annual Governance Statement for the financial year ended 31 March 2019.**
2. **To delegate authority to the Corporate Director and Chief Finance Officer to agree any further amendments to the statement of accounts which may arise prior to the final 'sign off' by the external auditors, in consultation with the Chairman and the Vice-Chairman of the Corporate Governance Committee.**
3. **To write a letter to the Leader and Cabinet in relation to the trading accounts for the mini-factories, estates and office units.**

CGC19/19 LETTER OF REPRESENTATION

Members considered the Letter of Representation presented by Mark Saunders.

The Corporate Governance Committee APPROVED the content and form of the letter of representation to be signed by the Chairman of the Corporate Governance Committee and the Council's Chief Finance Officer.

CGC20/19 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY MID-YEAR REVIEW 2019/20.

Members considered the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2019/20, presented by Mark Saunders.

Members asked questions, made comments and received responses as follows;

1. Councillor Wicks asked for clarification on the property funds mentioned in the report (page 184 of the agenda pack). Mark Saunders confirmed that these are managed funds that invest in a wide range of property.
2. Councillor Wicks asked if the Council invest in gilts and bonds. Mark Saunders said whilst these offer a fairly secure investment, the returns are low and the Council's treasury advisors have not highlighted these as a recommended area of investment.
3. Councillor Sutton highlighted that the increase in the interest rate of Public Work Loans Board (PWLB) will only affect future borrowing as the Council's current loans benefit from a fixed rate.
4. Councillor Sutton asked if the Council lend money to other Local Authorities. Mark Saunders confirmed that whilst the Council has done this previously, it is a rare occurrence.
5. Councillor Sutton asked if the Council's treasury advisors have upgraded or downgraded any lenders recently. Mark Saunders confirmed that the ratings have remained fairly static over recent years and whilst the Council tend to select the highest rated organisations there are lots of lower rated good organisations available that offer higher rewards.

6. Peter Catchpole highlighted that the Council need to assess their risk appetite and preferred balance of risk and reward.
7. Councillor Sutton added that Local Authorities cannot take too many risks as it is public funds being used.

The Corporate Governance Committee noted the report.

CGC21/19 INTERNAL AUDIT PLAN 2019-20 PROGRESS REPORT Q2

Members considered the Internal Audit Plan 2019-20 Progress Report Q2 presented by Kathy Woodward.

Kathy Woodward confirmed that due to a member of staff leaving the Internal Audit team, resource is being utilised from the Borough Council of Kings Lynn & West Norfolk (BCKLWN). Due to this, the audit plan has been revised accordingly.

Kathy Woodward confirmed in relation to the Freedom Leisure Contract, an audit had been carried out on this area and she provided assurance to members that she has no concerns in relation to the contract management arrangements.

Members asked questions, made comments and received responses as follows;

1. Councillor Mrs French thanked Kathy Woodward for her work on the Internal Audit Plan despite the shortage of resource in the Internal Audit team.
2. Councillor Sutton agreed and thanked Kathy Woodward and the Finance team for their work.
3. Councillor Sutton highlighted that the Council's Internal Audit team has lost one full-time equivalent (FTE) member of staff, but the proposal is for only 31 hours of resource from the BCKLWN and asked if this was sufficient resource. Kathy Woodward confirmed that the Council's service level agreement (SLA) with the BCKLWN will be assessed to ensure adequate resource is in place. She explained that as the Internal Audit manager at BCKLWN too, she has utilised the officers there who have prior audit experience and background knowledge to carry on specific internal audits in the Council. By doing this, this will save valuable time as the background work has been carried out and there is an experienced team in place to ensure the internal audits are carried out as efficiently as possible.

The Corporate Governance Committee considered and noted the activity and performance of the internal audit function.

(Councillor S Clark declared an interest by virtue of the fact that she is a member of a Freedom Leisure Centre)

CGC22/19 DATA PROTECTION POLICIES.

Members considered the Data Protection Policy reports, presented by Anna Goodall.

Anna Goodall informed members that she would be reporting back to the Corporate Governance Committee, any updates in relation to the Council's Data Protection obligations on a quarterly basis.

Members asked questions, made comments and received responses as follows;

1. Councillor Mrs French thanked Anna Goodall for her work on this report.
2. Councillor Sutton asked for further clarification in relation to the 72 hour window of time to

report data breaches to the Information Commissioner's Office (ICO). Anna Goodall explained that the ICO stipulated a 72 hour reporting timeframe to highlight the urgency of reporting higher risk breaches. She added that the ICO understands that there will be instances in which a data breach is not realised until after this period of time however.

3. Councillor Sutton asked if members are still responsible for their individual registration with the ICO as data controllers. Anna Goodall confirmed that since April 2019, members are now encompassed within the Council's registration as a data controller.
4. Councillor Mrs French suggested that an All Member Seminar is held in relation to these policies. Peter Catchpole agreed and stated that the recent General Data Protection Regulations (GDPR) training held by Anna Goodall and her team had been well received by those members in attendance.
5. Peter Catchpole added that this information will also be circulated to officers across the Council.

The Corporate Governance Committee AGREED;

- 1. The revised Data Protection Policy as outlined in Appendix 1 of the report, which applies to all staff and elected members**
- 2. The Data Security Policy as outlined in Appendix 2 of the report, which applies to all staff and elected members**
- 3. The Reporting Personal Data Breaches Policy and Procedure as outlined in Appendix 3 of the report, which applies to all staff and elected members.**

3.47 pm

Chairman