

CORPORATE GOVERNANCE COMMITTEE

TUESDAY, 4 FEBRUARY 2020 - 2.30 PM



PRESENT: Councillor J Clark (Chairman), Councillor I Benney, Councillor G Booth, Councillor S Clark, Councillor D Divine, Councillor Mrs J French, Councillor M Purser, Councillor Wicks and Councillor Wilkes

APOLOGIES: Councillor K French (Vice-Chairman) and Councillor D Topgood

OFFICERS IN ATTENDANCE: Sam Anthony (Head of HR and OD), Peter Catchpole (Corporate Director and Chief Finance Officer), Anna Goodall (Head of Governance and Customer Services), Izzie Hurst (Member Services & Governance Officer) and Mark Saunders (Chief Accountant)

GUESTS: Mark Hodgson (Ernst & Young)

OBSERVING: Councillor C Boden and Councillor W Sutton

CGC23/19 PREVIOUS MINUTES.

The minutes of the meeting of 5 November 2019 were confirmed and signed.

CGC24/19 ANNUAL AUDIT LETTER 2018/19.

Members considered the Annual Audit Letter 2018/19 report presented by Mark Hodgson from Ernst & Young (EY).

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

1. Councillor Booth asked for assurance that the delay experienced in this year's audit will not occur again. Mark Hodgson confirmed that there is no audit deadline contained within UK regulations. The only requirements are that local authorities must publish a draft set of accounts by 31 May and the final accounts by 31 July. If the audit report is not completed by 31 July, this must be stated. He confirmed that the Council had met these requirements and no further action was required. He added that Audit Regulators had informed EY that audits are to be carried out when resources are in place to deliver a quality audit and they have gained sufficient assurance to deliver an informed opinion. He confirmed that EY are liaising with their clients to agree a suitable date, when resources are available, to complete audits from May onwards.
2. Mark Hodgson informed members that the Ministry of Housing, Communities and Local Government (MHCLG) are considering deferring the 31 July deadline this year.
3. Peter Catchpole stated that it is anticipated that the Council's audit will be completed by September 2020. Mark Hodgson confirmed this and stated that on the basis of there being no deadline; EY will be conducting their audits over a longer period to ensure adequate resource to all of their clients.
4. Councillor Booth highlighted that whilst there may be no deadline, presumably accounts cannot be signed off years after being published. Mark Hodgson agreed and confirmed that the accounts are signed off as soon as EY have assurance. If EY cannot perform this during their allocated timescale, then he agreed that this should be raised as a concern.

5. Mark Hodgson assured members that EY's focus is on completing audits with the resource allocated in the timescale agreed.
6. Councillor Wicks asked what mitigation is in place if the audit is not completed by September. Mark Hodgson reiterated that there is no legislative requirement for audits to be completed within a certain timescale.
7. Councillor J Clark agreed but highlighted that officers are impacted by audit delays and asked that every effort is made to keep to the agreed timescale. Mark Hodgson agreed and added that delays impact not only the Council but staff at EY too.
8. Mark Hodgson confirmed that EY will be confirming audit dates with all of their clients by 14 February 2020. He informed members that EY will be holding a forum later this month and extended an invitation to all members of the committee.
9. Councillor Booth asked if Mark Hodgson had been briefed of the Council's new Commercial Investment Strategy (CIS) and asked what impact this would have on future audits. Mark Hodgson confirmed that he had been briefed on this and whilst it would not effect this year's audit, it will impact future audits

Councillor J Clark thanked Mark Hodgson for his attendance at today's meeting.

The Corporate Governance Committee noted the Annual Audit Letter 2018/19 report.

CGC25/19 TREASURY MANAGEMENT STRATEGY STATEMENT, CAPITAL STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2020/21.

Members considered the Treasury Management Strategy Statement, Capital Strategy, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2020/21 report presented by Mark Saunders.

Mark Saunders explained that any amendments to this report will be reported to Cabinet and Council on 20 February 2020.

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

1. Councillor J Clark asked how much overview the Corporate Governance Committee will have in relation to the boards associated with the Commercial Investment Strategy (CIS). Mark Saunders explained that there will be separate governance arrangements in place for the investment board and decisions will be taken in accordance with the associated framework.
2. Councillor J Clark asked for further information on the local authority trading company (LATCO) which is associated with the CIS. Peter Catchpole explained that the LATCO will report directly to the investment board and follow their direction and policy. The investment board will decide how investments are spent based on very detailed business cases and specification.
3. Councillor Booth asked for assurance on the governance arrangements as neither of these entities will be required to report directly to the Corporate Governance Committee or a separate Audit Committee. He expressed concern in relation to the audit arrangements and asked if there were adequate skills and qualifications within the Council's internal audit team to undertake this work.
4. Councillor J Clark asked if the LATCO will be liable for tax and VAT and asked for assurance in relation to the decision making processes of both of these entities. Mark Hodgson explained that whilst there will be no officer involvement the Section 151 officer, Peter Catchpole, will have an overall responsibility for the governance and independence of the decision making process. He added that the LATCO will be subject to a separate audit of its financial statements and the terms of reference for the Corporate Governance Committee may need to be amended to reflect this.

5. Councillor J Clark stated that the membership of the investment board proposes a quorate of only two members with one being the Leader of the Council. He added that decisions could therefore be made using the provision of the Chairman's 'casting vote' with little member involvement or agreement. Mark Saunders confirmed this but reminded members that the investment board will need to ensure that detailed criteria has been satisfied prior to transacting any investments. There are many stages that must be completed prior to this and all decisions must be signed off by the Section 151 officer and be subject to audit.
6. Councillor J Clark asked for further information on the shareholders of the LATCO and the arrangements surrounding this company. Peter Catchpole explained that the company will be wholly owned by the Council and subject to all legislation relating to Limited Companies. He reiterated that the investment board will appoint its own auditors for the LATCO and if this is not EY, both auditors will have to work closely with one another to consolidate both the Council and LATCO's separate accounts.
7. Councillor J Clark asked if the LATCO will fund its associated costs and charges. Peter Catchpole confirmed this. Mark Saunders added that the associated costs will be included in each investment's potential yield.
8. Peter Catchpole reiterated to members that not every project will be delivered via the LATCO and a detailed assessment will be undertaken to ensure the most appropriate delivery vehicle is being used.
9. Councillor J Clark said he was sceptical about the overall arrangements and due diligence and highlighted the failings of other local authorities high risk investments. He stated that members represent the public and they must have assurance that the appropriate measures are in place. Mark Saunders agreed and stated that many local authorities have had investment strategies in place for a number of years and therefore the Council can assess their successes and failings. He assured members that officers have a professional duty to ensure that the Council is not putting tax-payers money at risk and every project will be assessed carefully before making any decisions.
10. Peter Catchpole explained that the key to the CIS is not being risk adverse but instead managing risks appropriately.
11. Councillor Wicks asked what the associated costs will be in relation to the LATCO. Councillor Benney highlighted that this will not be known until a full assessment has taken place in relation to specific investment opportunities.
12. Councillor Benney reiterated that the security of Council funds will be of paramount importance and he supports the strategy as additional income will lead to an improvement of Council services for the public.
13. Councillor Booth stated that he has endorsed this type of strategy for a number of years however the correct governance arrangements and controls must be in place to ensure the risks are minimised.
14. Members asked that the Corporate Governance Committee's terms of reference are amended to reflect the overall governance and audit responsibility of the CIS.
15. Councillor Boden thanked members for the opportunity to speak and said he was pleased with member's comments on this. He stated that this is a new direction for the Council and he is confident that the appropriate controls are in place as each transaction will be scrutinised and assessed throughout the process. He understands members concerns in relation to this and hopes their confidence in the CIS will improve as it progresses and generates positive results. He stated that in his opinion, any tax paid via the LATCO will be seen as a success as it will indicate good performance.
16. Councillor Booth referenced 3.3 of the report and the Council's creditworthiness policy. He stated that the Council must consider any direct investments into commercial properties and retail premises as there are no mechanisms in place to assess the creditworthiness of these direct investments and therefore they can bring risk.
17. Councillor Booth highlighted that the CIS proposes a budget of £25 million and asked if the Council would be using their own reserves in the first instance before borrowing additional funds. Mark Saunders explained that each project will be assessed to determine the most appropriate funding for the investment. He reminded members that the majority of the

Council's own funds are used to finance the capital programme and therefore borrowing will be necessary. He added that the investment board have member approval to borrow up to £25 million but there is no guarantee this level of funding will be required.

18. Councillor J Clark asked for confirmation that £25 million is the maximum borrowing facility for the CIS. Mark Saunders confirmed this and stated that borrowing will only take place as and when required. Peter Catchpole reiterated that individual business cases will include financing option and a balance will be considered between borrowing and internal resources.
19. Councillor Booth asked for confirmation that if additional borrowing is required above the £25 million limit this will be reconsidered by Full Council. Officers confirmed this.
20. Councillor Booth asked where the figure of £25 million had derived from. Councillor Benney explained that it is sensible of the Council to have this maximum borrowing facility in place as it will allow the CIS to have a fluid approach to borrowing as and when required.
21. Councillor Wicks asked why figures have been provided in the report showing the interest payment for £25 million of borrowing. Mark Saunders stated that this is purely an illustration to show the interest payments if the Council did borrow the maximum amount.
22. Councillor Booth raised concern that the rates of return shown in the report are lower than neighbouring authorities and suggested that the report needs to clearly show the projected rates of return dependent on the investment vehicle. Mark Saunders clarified that different investments do generate different returns and these will be assessed individually. He added that the overall level of returns is shown in the CIS.
23. Peter Catchpole agreed to incorporate a matrix into the report which shows the expected rate of return for each type of investment.
24. Councillor Wicks asked if the proposed borrowing as part of the CIS will be taken out on a fixed term basis with an early redemption clause. Mark Saunders confirmed that there are a variety of loans available via the Public Works Loan Board (PWLB) and the most appropriate one will be chosen.
25. Councillor Booth referenced 8.10 of the report and asked if these limits are set by Government. Mark Saunders confirmed this.
26. Councillor Booth referenced 8.10 of the report and expressed concern that the proposed borrowing is high compared to the Council's current level of debt.
27. Councillor Booth highlighted that the report does not contain any information on the concentration risk of investments and recommended that this is included. Officers agreed to this.
28. Councillor J Clark queried the figures displayed in 10.5 of the report. Mark Saunders explained that the PWLB report and our treasury advisors display their figures in this way. Councillor Booth added that this is purely banking terminology.
29. Councillor Booth recommended that the report clarifies the difference between treasury investments and commercial investments to avoid confusion. Officers agreed.
30. Councillor Booth asked why the Council have reduced their credit rating criteria. Mark Saunders explained that the Council's treasury advisors had recommended this.
31. Councillor Booth asked why the Council do not consider investments in Building Societies as they often offer less risk than banks and asked if consideration is given to whether organisations are domiciled in the UK. Mark Saunders explained that the Council receive a document which provides them with criteria and ratings of potential investment companies and confirmed that there are currently 5 building societies on this list.
32. Councillor Booth stated that the report does not accurately capture the purpose of the Council's Business Centres and recommended that further explanation is required in relation to their commercial return.
33. Councillor J Clark asked for clarification in relation to 4.20 of the report (page 68 of the agenda pack). Mark Saunders explained that following an expansion of Council activities, new guidance has been issued.
34. Councillor J Clark asked for confirmation on the decision making process in relation to borrowing funds for the CIS. Mark Saunders confirmed that the investment board will be responsible for this. Councillor Booth highlighted that the policy allows the investment board

to borrow up to £25 million.

(Councillor Booth declared an interest by virtue of the fact that he is a former employee of Yorkshire Building Society).

The Corporate Governance Committee AGREED to endorse the strategy detailed in the report, to be included in the final budget report for 2020/21.

CGC26/19 DATA PROTECTION POLICY UPDATE.

Members considered the Data Protection Policy Update presented by Anna Goodall.

Anna Goodall explained that following an internal audit, there had been a number of enhancements to the policy.

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

1. Councillor J Clark recommended that the updated policy is communicated effectively to both staff and members to ensure they are aware of their individual responsibilities in relation to Data Protection.
2. Councillor Booth asked for confirmation that members are still responsible for their individual registration as data controllers. Anna Goodall confirmed that members are now encompassed under the Council's own registration as data controllers.
3. Councillor Booth recommended that the report is amended to provide further information on the roles of specific officers and contact details for these officers. Anna Goodall agreed to consider this.
4. Councillor Booth recommended that a schedule of training is included in 6.9 of the report.
5. Councillor Booth asked how regularly the Data Protection Policy will be reviewed. Anna Goodall stated that the internal audit had recommended that the Council develop a 'policy on policy' which will collate all of the Council's policies to ensure they are being updated and reviewed accordingly.

The Corporate Governance Committee AGREED the revised Data Protection Policy.

CGC27/19 CORPORATE RISK REGISTER QUARTERLY REVIEW.

Members considered the Corporate Risk Register quarterly review report presented by Sam Anthony.

Sam Anthony drew member's attention to the amendments shown in the report.

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

1. Councillor Booth asked if the Council have officers on standby in case of a natural disaster (page 106 of the agenda pack). Sam Anthony confirmed that there will be a rota of emergency on-call officers that cover throughout the year. This rota also ensures that officers are within a commutable distance to the district at all times.
2. Councillor Wicks asked if there was a minimum response time for these officers. Sam Anthony explained that officers are required to mobilise immediately in the instance of a natural disaster, subject to their commute.
3. Councillor J Clark highlighted that the register does not include information about the work the Council undertakes with other partners in relation to natural disasters. Sam Anthony explained that 'blue light services' tend to lead on the immediate emergency response however local authorities are responsible for community recovery. Peter Catchpole added that the Council is a member of the Local Resilience Forum which includes all external

organisations.

4. Councillor Booth highlighted the reduction to risk 17 (page 109 of the agenda pack) and suggested this may need to be reassessed as a majority ruling party in Government may implement legislative changes which could impact the Council.
5. Councillor Booth suggested that risk 3 (page 110 of the agenda pack) is amended to show the reduction in the likelihood of the current risk as the inherent risk has not changed. Sam Anthony agreed.
6. Councillor Wicks asked how the Council mitigate in relation to IT and cyber security issues within partner organisations, such as Anglia Revenues Partnership (ARP). Sam Anthony confirmed that these are considered and partners have their own processes that feed into the Council's recovery plans and risk management assessments.
7. Councillor Booth recommended that the Council's process for organisational change is not clearly articulated in the report (page 111 of the agenda pack). Sam Anthony agreed to incorporate this.
8. Councillor Booth referenced risk 2 – Brexit (page 114 of the agenda pack) and stated that the wording needs to be amended in relation to the withdrawal agreement and a 'no deal' Brexit. Sam Anthony agreed to review this.
9. Councillor Booth referenced risk 20 (page 121 of the agenda pack) in relation to the Council's CIS. He stated that further information needs to be included in relation to the management of this risk and the governance arrangements. Sam Anthony agreed to review this.
10. Councillor J Clark referenced risk 7 (page 124 of the agenda pack) and asked if the Council have had any issues with unauthorised access into Council premises. Sam Anthony confirmed that procedures in place to mitigate this risk following the relocation of the March One Stop Shop to Fenland Hall.
11. Councillor J Clark asked that this is added and reflected in the appropriate Council risk registers.
12. Councillor Booth thanked Sam Anthony for her work on this report.

The Corporate Governance Committee AGREED Appendix A to the report.

CGC28/19 ITEMS OF TOPICAL INTEREST

1. Councillor Booth asked for further information in relation to a data breach which had recently been reported in the local press. Anna Goodall explained that the breach related to information that had been sent out to members of the public regarding the Local Plan review. Inadvertently, as a result of human error, the email addresses were included enabling all recipients to see all other consultee's email addresses. She confirmed that no other personal data had been compromised and therefore the personal risk to the individuals affected was minimal. She assured members that she had carried out a full risk assessment under her responsibility as Data Protection Officer and as a result, an apology had been issued to those individuals and further guidance had been provided to officers.