

**BRECKLAND COUNCIL**

**At a Meeting of the**

**GOVERNANCE & AUDIT COMMITTEE**

**Held on Tuesday, 12 June 2018 at 2.00 pm in  
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

**PRESENT**

Mr W.P. Borrett (Chairman)	Mr M. J. Nairn
Mr P. S. Wilkinson (Vice-Chairman)	Mr J. Newton
Mr P.J. Hewett	Mr J. Plaskett
Mrs L.H. Monument	

**Also Present**

Mrs J. Hollis

**In Attendance**

Christine Marshall	- Executive Director Commercialisation (S151 Officer)
Phil Adams	- Executive Manager People & Public Protection
Ralph Burton	- Strategic Property Manager (BDC)
Mandy Chenery	- Senior Accountant Revenue and Projects
Alison Chubbock	- Chief Accountant (Deputy Section 151 Officer) (BDC)
Faye Haywood	- Internal Audit Manager
Emma Hodds	- Head of Internal Audit for Breckland Council
Charlotte Paine	- Business Intelligence Officer
Sarah Wolstenholme-Smy	- Legal Services Manager (Deputy Monitoring Officer BDC)
Rebecca White	- CIPFA Trainee Accountant
Julie Britton	- Democratic Services Officer

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**Cliff Jordan**

The Chairman mentioned the sad passing of Cliff Jordan. He reminded Members that he had been the first Councillor to Chair the Governance & Audit Committee; he had also been Leader of Breckland Council and had been recently re-elected as Leader of Norfolk County Council. He would be sadly missed and details of his memorial service would be announced shortly.

**20/18 MINUTES (AGENDA ITEM 1)**

The Minutes of the Governance & Audit Committee meeting held on 16 February 2018 were confirmed as a correct record and signed by the Chairman; subject to the following amendment under Minute No. 8/18, fifth paragraph to read:

“Members were assured that the loss for this year *would not* be significant....”

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**21/18 ACTIONS ARISING FROM THE MINUTES (IF ANY) (STANDING ITEM)  
(AGENDA ITEM 2)**

None.

**22/18 APOLOGIES (AGENDA ITEM 3)**

None.

Councillor Hollis, a substitute Member, was in attendance to observe the meeting.

**23/18 URGENT BUSINESS (AGENDA ITEM 4)**

None.

**24/18 DECLARATION OF INTERESTS (AGENDA ITEM 5)**

None.

**25/18 NON-MEMBERS WISHING TO ADDRESS THE MEETING (AGENDA  
ITEM 6)**

None.

**26/18 ANNUAL REPORT ON STANDARDS ARRANGEMENTS (AGENDA  
ITEM 7)**

The Legal Services Manager presented the report.

The purpose of the report was to update Members on the work undertaken on standards matters and complaints received against District, Town and Parish Councillors from 1 April 2017 to 31 March 2018.

Members were reminded that at the Full Council meeting on 5 July 2012, the arrangements for dealing with complaints against Members had been approved in line with the requirements of the Localism Act 2011. The arrangements were then subsequently updated in 2017.

It was noted that Fiona Anthony, the Council's Independent Person, appointed in July 2012, had tendered her resignation and following a recruitment exercise, Bob Davis had been appointed as her successor. This appointment had been approved at the Full Council meeting on 17 May 2018.

Attention was drawn to the details of the number of complaints received and the relevant outcomes (page 14 of the agenda).

Councillor Hewett felt that the data provided was very clear and easy to understand but wanted to know why the number of complaints had increased. Members were informed that the increase was due to a number of complaints relating to specific Parish Councils.

Mr Plaskett asked what the timescale was from when the initial complaint was received. The Legal Services Manager explained that historically the process used to take a great deal longer but now it was anticipated that

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they could be dealt with in 10 weeks from beginning to end.

In terms of the report, the Chairman felt that it would be helpful to know which complaints were outstanding after 3 months. He also felt that further statistical information should be added to highlight any reoccurring complainants. In response to the first request, Members were informed that another column would be added to the table in future and as far as the latter was concerned, Breckland had a vexatious policy which could be considered in respect of such complaints if the complainant met the criteria under that policy. Councillor Nairn suggested a numeric value instead of a percentage value for reoccurring complainants. Members agreed that a numeric value would be preferred.

SWS

**RESOLVED** that the contents of the report be noted.

**27/18 EMPTY COMMERCIAL UNITS - PERFORMANCE (AGENDA ITEM 8)**

The Strategic Property Manager provided the Committee with a detailed presentation so that Members had a better understanding of how Breckland Council dealt with its empty properties. The presentation highlighted the objectives, asset values and yields. He also explained how the poorly performing assets were dealt with (currently there were 13 assets which had been deemed as poorly performing and due for disposal) and how the Team managed the performance of those units.

Councillor Nairn asked if the number mentioned above was industrial or retail. Members were informed that within that 13 a number of them were High Street assets and some were office units.

Mr Plaskett referred to the slide that highlighted the fact that 61% of the Council's assets were commercial and asked for the meaning of this in terms of numbers. The Strategic Property Manager advised that commercial assets included land and buildings of which 91% were currently let. The Riverside development was also discussed including the risks involved in relation to the effect the empty units would have on the Council's financial return. Such a vast portfolio was a benefit to the Council and the fluctuations in the market could be managed to balance out the void costs. In response to a question in relation to the total value of Riverside within the £42m, the Chief Accountant said that she would have to find out; however, within the Accounts, Riverside was not classed as a commercial property.

Councillor Newton asked if there were any incentives being offered to encourage tenants to the Riverside site. Members were informed that there was a standard package of support offered alongside every commercial unit and interested parties could then seek to negotiate.

The Chairman asked a question around the disposal of the residential element. It was noted that alternative uses would be considered once the initial process had been completed.

The presentation was otherwise noted.

**28/18 RISK MANAGEMENT POLICY (AGENDA ITEM 9)**

The Senior Business Intelligence Officer presented the revised draft of the

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<p>Council's Risk Management Policy to review.</p> <p>Over the past two years the Governance &amp; Audit Committee Members had provided guidance on a number of changes to the way that the Council managed and monitored risks – these changes were highlighted.</p> <p>Mr Plaskett was content with the Policy and was happy for it to be approved.</p> <p>Councillor Hewett mentioned a number of minor typographical errors.</p> <p>The Chairman thanked Members for all their assistance over the past two years and was pleased to recommend the Policy to Cabinet for adoption.</p> <p><b><u>RECOMMEND</u></b> to Cabinet that the Risk Management Policy be adopted.</p>	CP
<p><b>29/18 <u>QUARTER 4 2017-18 RISK REPORT (AGENDA ITEM 10)</u></b></p> <p>The Senior Business Intelligent Officer informed Members on the current status of the Council's strategic risks.</p> <p>The Strategic Risk Register included 18 strategic risks (see Appendix A of the report). These covered the over-arching risks that could affect the strategic direction of the Council, rather than risks linked to business continuity or those that effected discreet service areas.</p> <p>Councillor Nairn referred to the ICT risk that was currently reported in the high risk category, and asked what steps were being taken to minimise this risk. Members were informed that the main factor for the increase was the possible threat of malicious cyber activity; however, the Senior Business Intelligent Officer was pleased to advise that the Council was already on its way of mitigating this activity.</p> <p>The Chairman felt that the gender pay gap risk should be moved to an operational risk.</p> <p>Attention was drawn to the Capita risks and these matters were discussed in private session following Members' agreement to the exclusion of press and public resolution which the Chairman read aloud.</p> <p>It was noted that the aforementioned risks were scored by the Executive Director of Place who met regularly with Capita and the Operational Board.</p> <p>It was noted that Serco was covered in the Contract Monitoring Risk Register.</p> <p>Mr Plaskett asked if there was a risk involved in relation to the new Homelessness Reduction Act. Members were informed that there was an element of reputational risk in respect of lack of resource. The Executive Manager, People &amp; Protection explained that the Homelessness Act affected the whole country but as a District, Breckland would only be dealing with homelessness within its borders and even though additional resource was being provided the demand and burden would be greater. The Executive Director for Commercialisation &amp; S151 Officer explained that the Act had put a greater duty on Councils to assist with the</p>	CP

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prevention of homelessness. Councillor Newton asked what the impact would be on the provision of social housing. Members were informed that the risk had increased due to the impact on resource which was being dealt with under the New Burden's Fund.

The content of the report was otherwise noted.

**30/18 2017-18 DRAFT UN-AUDITED STATEMENT OF ACCOUNTS  
(AGENDA ITEM 11)**

The Chief Accountant presented the draft un-audited Statement of Accounts for 2017-18 and the Annual Governance Statement (AGS) for comments and information.

A detailed presentation was provided.

It was noted that the Management Accounts had not been included in the Statement as has this had been covered at the earlier Cabinet meeting.

Members were informed that the audit of the accounts commenced on 21 May 2018 and would be reported back to the Governance & Audit Committee meeting in July.

The Balance Sheet at 1.6 of the report was highlighted and explained.

Mr Plaskett had many questions to ask as follows:

Q - Page 65 – what was the reason for the significant increase in the Growth & Commercialisation Directorate budget?

A - There were two reasons for this change; the first was due to the ARP Enforcement Service which had grown extensively for 2017-18 and the second reason the Council's commercial property had gained additional rental income.

Q - Also on page 65 – the retained NNDR increase?

A - This increase was due to the Snetterton Biomass Plant which came on-line in 2017-18 and would continue; however, £600k had been set aside in Reserves for any appeals.

Councillor Nairn asked about Necton substation. Members were informed that this had been included in the budget for the current year but only for part of the year. The NNDR retention would not be as much as Snetterton.

Q - Page 66 – Revenue Support Grant

A - Revenue Support Grant used to be significantly higher and is reducing and the year after next it could be nil.

Q - Page 71 – query on the increases and decreases

A - the signage was incorrect and would be amended accordingly.

Q – Page 74 – typo on 3<sup>rd</sup> sentence 'until 2021-21'

AC

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A - This would be corrected.	AC
Q - Page 76 – slight confusion between the Corporate Risk Register and the Strategic Risk Register.	
A - The wording would be changed accordingly.	AC
Q - Page 80 – cost of services in relation to the Growth & Commercialisation Directorate?	
A - This was due to the downward revaluation of surplus assets in 2017/18 compared to the upward valuation in 2016/17. This could be a little misleading as the valuation basis is ‘highest and best use’ which is not the market value.	
The Chairman said that it was the definition of best use. The Chief Accountant advised that it was an accountancy treatment.	
Q - Page 82 – the column, ‘Unusable Reserves’ for the 16-17 year.	
A - This was due to the massive change in pensions valuation.	
Q - Page 85 – why were the numbers so big?	
A - Due to more short term investments rather than using Money Market Funds.	
The Chairman pointed out that this was about counting the same pound over and over again as it was counted each time a new short term investment was made. The Executive Director for Commercialisation & S151 Officer explained that this depended on what how the cash market was performing.	
Q - Page 99 – explain the net change between the 2 years.	
A - This was due to accounting adjustments such as re-valuations rather than ‘real’ spend – the accounting value for this year was different to the previous year.	
Q - Page 100 – Note 4 – employee benefits increased by 18%.	
A - Due to Breckland being a shared Council; Breckland Council had more employees compared to its partners but their share of the costs are recharged.	
Q - Pages 102/103	
A - This was about reversing everything that had not gone through the Council Tax.	
The Chief Accountant said that she would be happy to go through this in more detail with Mr Plaskett after the meeting.	
Q - Page 104 – Match Funding	

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A - Match-Funding was about bids that the Council matched. A review had been undertaken during 2017/18 and a decision had been made to take money out of this pot and put it elsewhere in the Growth & Investment Reserve.	
Q - Page 106 – current service costs	
A - AC to investigate as this information came from the Council's Actuaries.	AC
Q - Page 110 – surplus assets £6.7m	
A - The Chairman these included the Councils Riverside investment at Thetford.	
Q - Page 111 - minor typo – heading 6 <sup>th</sup> column.	AC
Q - Page 116 – under short term investments, the difference between the 2 years not very good	
A - The investments all follow the Treasury Policy with security coming first, there are better longer term rates available, but many are property backed and we already have our own investment properties so wouldn't want to invest further in this area, to keep our portfolio diversified. Under the Treasury Management Policy the Council was able to invest up to £5m for over one-year.	
The Chairman pointed out that the Treasury Management Policy was part of the Governance & Audit Committee's remit.	
Q - Page 122 – Revaluation of (gains)/losses on property, plant and equipment	
A - The figures were in relation to Riverside	
Q - Page 125 – should it read the Executive Manager?	
A - This will be amended	AC
Q - Page 141 – Collection Fund - no entries/lack of figures under Income	
A - The Collection Fund Revenue Account is estimated compared to actuals. In 2016/17 there were many NNDR appeals in relation to GP surgeries and the deficit has to be repaid. It was noted that NCC received 75% of Council Tax collected.	
Other questions/concerns related to the narrative on page 60 where it mentioned the number of planning applications that had been granted; the question asked was should the number of dwellings be added too.	
Further to the above, the Chairman drew attention to page 59 and felt that the age bands should be displayed/calculated in 5 year segments. Councillor Monument suggested having the age structure chart in 15 year age bands – 0 – 15, 15 – 29 etc and explained the reasons for this suggestion.	

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<p>Councillor Hewett asked if there was a need to disclose the gender pay gap. In response, the Chief Accountant said that this could be added. Councillor Hewett also asked, and wanted it minuted, that he found the wording within the top box under mitigation on page 75 very confusing. Overall, he had found some real issues in terms of what was negative and what was positive.</p>	AC
<p>Councillor Hewett referred to page 117 and felt that under 'Short Term Debtors' was worth another sentence as there was no real need to show it.</p>	AC
<p>The Chairman had noticed that on the Collection Rate had gone down on page 55. Members were informed that this did fluctuate each year but not by much. The Chairman asked if there was a set of benchmark figures that could sit beside that. The Chairman also asked if it was still sensible to remain part of the Business Rate Pool. The Chief Accountant advised that it had been really good for Breckland thus far but it would be difficult to predict the future.</p>	
<p>The Chairman asked if information could be provided in relation to the Business Rate Pool for discussion at a future meeting.</p>	AC
<p>The Chief Accountant reported that an objection to the Statement of Accounts had already been received and would be responded to accordingly.</p>	
<p>Under the Annual Governance Statement, Mr Plaskett had noticed a typographical error on page 164 and also on this page he asked whether the Business Continuity Plan Framework had been completed by the date shown. Members were informed that this would be investigated. He further asked why cyber security had not been mentioned under the Auditors Notes. The Head of Internal Audit explained that this had been picked up in the Annual Report and Opinion to be discussed later on in the agenda. She had, however, given this a limited assurance but had been very happy with the progress and the risk would be amended to reflect mitigations. The Executive Director of Commercialisation &amp; S151 Officer advised that this risk should be worded accordingly. It was pointed out that this issue did not exist at the point of the Statement of Accounts and should be flagged up as a risk not as an audit issue.</p>	AC AC EH
<p>On pages 168 and 169, the Internal Audit Consortium Manager would be changed to the Head of Internal Audit.</p>	AC
<p>Subject to the aforementioned amendments, it was</p>	
<p><b><u>RESOLVED</u></b> that:</p>	
<p>1. the un-audited Statement of Accounts for 2017-18 be noted; and</p>	
<p>2. the Annual Governance Statement for 2017-18 be noted.</p>	
<p><b>31/18 <u>PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY (AGENDA ITEM 12)</u></b></p>	
<p>Faye Haywood, an Internal Audit Manager was introduced to Members.</p>	



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Faye would be working alongside Emma Hodds, the Head of Internal Audit in future.

The Head of Internal Audit presented the report.

The Governance & Audit Committee received updates on progress made against the annual Internal Audit Plan. The report formed part of the overall reporting requirements to assist the Council in discharging its responsibilities in relation to internal audit activity.

Attention was drawn to the significant changes to the approved Internal Audit Plan (see page 173 of the agenda pack).

The Anglia Revenues Partnership (ARP) audits have been completed by all partners of the ARP. The Heads of Internal Audit (or equivalent) have been working in partnership to ensure that the ARP was only audited once each financial year for each service area, i.e. Council Tax, National Non Domestic Rates, benefits etc. A review of this process would take place later in the year.

Attention was drawn to the nine assurance reports highlighted on page 175 of the agenda pack. Three areas had been given limited assurance, Environmental Protection, Private Sector Housing and Cybersecurity and these had been picked up in the Annual Report and Opinion Plan 2017/18 accordingly.

Councillor Monument asked a question in relation to the expansion of self-service mentioned under the action points on page 176 of the agenda pack. Members were informed that this was about offering staff self-service options in relation to overtime and sickness absence recording on iTrent.

Mr Plaskett raised a concern in relation to private water supplies that had been picked up under the assurance report for Environmental Protection. It was confirmed that that the five priority 2 recommendations had been agreed with management, one of which had already been implemented and the remaining recommendations were work in progress and were due to be fully implemented by the end of June 2018. The Head of Internal Audit would keep a close eye on the progress of the team with these important recommendations.

Councillor Hewett wanted to know what the Pentana Performance system was. Members were informed that Pentana Performance was the new name for Covalent software.

**RESOLVED** that the outcomes of the eleven audits completed by TIAA, the outcomes of the ARP audits and the amendments to the 2017/18 Internal Audit Plan be agreed.

**32/18 ANNUAL REPORT AND OPINION 2017/18 (AGENDA ITEM 13)**

The order of the agenda was changed slightly so that Agenda item 14 was discussed before Agenda item 13.

The Head of Internal Audit presented the report. The report provided Members with an Annual Report and Opinion for 2017/18, drawing upon

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<p>the outcomes of Internal Audit work performed over the course of the year. The report also concluded on the Effectiveness of Internal Audit.</p> <p>Attention was drawn to the Opinion itself on page 222 of the Agenda pack. The overall opinion in relation to the framework of governance, risk management and controls at Breckland Council was <b>reasonable</b>; however, comments made by the Head of Internal Audit at paragraph 3.6 of the report required consideration for inclusion in the Annual Governance Statement. The issues highlighted by the Head of Internal Audit related to the Private Sector Housing review and the ARP Council Tax audit review, and the related audit recommendations.</p> <p>In response to a question by the Chairman, an interim report would be brought back to a future meeting.</p> <p>Councillor Hewett was very content with the format of Appendix 2 of the report as it highlighted where the 'hotspots' were emerging.</p> <p><b>RESOLVED</b> that, subject to an amendment to page 228 under 5.2.2 to read 2018 instead of 2017, the following recommendations be agreed:</p> <ol style="list-style-type: none"><li>1) the contents of the Annual Report and Opinion of the Head of Internal Audit;</li><li>2) the <b>reasonable</b> audit opinion that had been given in relation to governance, risk management and control for the year ended 31 March 2018;</li><li>3) the opinions expressed together with significant matters arising from internal audit work and contained within this report and when developing and reviewing the Council's Annual Governance Statement for 2017/18;</li><li>4) the conclusions of the Review of the Effectiveness of Internal Audit.</li></ol>	EH
<p><b>33/18 <u>FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS (AGENDA ITEM 14)</u></b></p> <p>The order of the agenda was changed slightly so that this agenda item was discussed before agenda item 13.</p> <p>The Head of Internal Audit presented the report. The report provided Members with the position on the progress made by Management in implementing agreed Internal Audit recommendations as at 31 March 2018.</p> <p>Attention was drawn to page 239 of the agenda pack which showed the year end position. The three outstanding recommendations from 2014/15 audits had now been implemented.</p> <p>In relation to the recommendations raised in 2015/16 there were now five outstanding, and in relation to those raised in 2016/17 three were now outstanding. Management responses were provided to explain the revised deadline dates.</p>	

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<p>In 2017/18 Internal Audit had raised 77 recommendations, 28 of which had already been implemented by the agreed date, three of which were still outstanding (two important and one needs attention) and the remaining 45 were not yet due. One 'priority three' recommendation had been rejected by Management and would therefore not be followed up; the reason for this had previously been provided to the Committee. The Management responses could be seen at Appendix 4 of the report.</p>	
<p>The Chairman queried the cancellation of the Ocella User Group meeting in February 2018 and felt that four months was far too long to wait for the meeting to be held. The Executive Director of Commercialisation &amp; S151 Officer said that she would investigate.</p>	CM
<p>The report was to note and the Chairman felt that all future reports should be agreed, not just to note.</p>	
<p>It was proposed that the recommendations for this report and the previous report should be changed to 'agreed'.</p>	EH
<p><b><u>RESOLVED</u></b> that the contents of the report be agreed.</p>	
<p><b>34/18 <u>TRAINING (STANDING ITEM) (AGENDA ITEM 15)</u></b></p>	
<p>Councillor Newton thanked the Head of Internal Audit for the informal training that she had provided.</p>	
<p><b>35/18 <u>WORK PROGRAMME (AGENDA ITEM 16)</u></b></p>	
<p>Noted.</p>	
<p><b>36/18 <u>NEXT MEETING (AGENDA ITEM 17)</u></b></p>	
<p>Councillor Hewett conveyed his apologies for the next meeting in July. Councillor Monument was unsure that she would be able to attend but would let the Dems Services Officer know in due course.</p>	JB
<p>The arrangements for the next meeting on Friday, 13 July 2018 at 10am in the Norfolk Room were noted.</p>	

The meeting closed at 4.45 pm

CHAIRMAN