

**Unconfirmed**



Minutes of a Meeting of the **Audit and Governance Committee** held via Zoom on **Monday, 14 December 2020 at 6.30pm**

**Members of the Committee present:**

Councillor Edward Back, Councillor Judy Cloke, Councillor Tony Cooper, Councillor Linda Coulam, Councillor Tess Gandy, Councillor Geoff Lynch, Councillor Rachel Smith-Lyte, Councillor Ed Thompson

**Other Members present:**

Councillor Peter Byatt, Councillor Maurice Cook

**Officers present:** Katherine Abbott (Democratic Services Officer), Sarah Davis (Democratic Services Officer), Siobhan Martin (Head of Internal Audit), Laura Fuller (Audit Manager), Brian Mew (Interim Chief Finance Officer), Lorraine Rogers (Deputy Chief Finance Officer), Hilary Slater (Head of Legal and Democratic Services) and Julian Sturman (Senior Accountant).

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**1 Apologies for Absence and Substitutions**

There were no Apologies for Absence received.

**2 Declarations of Interest**

There were no Declarations of Interest.

**3 Minutes**

**RESOLVED**

That the Minutes of the Meeting held on 22 September 2020 be agreed as a correct record and signed by the Chairman.

**4 Standards Matters, Declarations of Gifts/Hospitality Received by Members and Officers and Review of Complaints**

The Committee received the report of the Leader of the Council which gave an update on standards related matters and offers of gifts/hospitality received by Members and Officers. The Head of Legal and Democratic Services reported that she had discussed the report in detail with the Leader who was content for her to present it to the Committee on his behalf.

Members were informed that the report included details of the process for complaints against District, Town and Parish Councillors which were received by the Head of Legal and Democratic Services in her capacity as Monitoring Officer. 19 complaints had been

received to date this calendar year which was on par with last year, although slightly higher than in Suffolk Coastal and Waveney District Council days combined. It was explained that the vast majority of complaints were dealt with by local resolution such as apologies, training or no further action being required. Although none so far had been referred for further investigation, the Officer reported that it was possible one would need to be investigated.

In relation to gifts and hospitality, Members' attention was drawn to Appendix A which detailed the five offers and the Head of Legal and Democratic Services reported that there was nothing that caused any undue concern.

Members were informed that Elections Officers had chased Town and Parish Councils for the Register of Interest forms and to date, only 12 were outstanding from a total of 1143 Councillors so only 1% was missing and these were primarily Councillors who had just been co-opted and not yet completed their forms. The Head of Legal and Democratic Services reported that Officers were continuing to chase the outstanding forms but she was very pleased at the much higher rate of return achieved.

The Chairman stated that he had no particular issues with the items of gifts/hospitality listed and commented that it was good to keep a track of what had been offered. He continued that achieving 99% rate of return for Register of Interests was a fantastic result and that it was good to know that the 12 missing ones were from newly appointed Councillors. He thanked the Head of Legal and Democratic Services and asked her to pass on the Committee's thanks to the Officers involved for this great achievement. In relation to the complaints, he requested that the Officer inform the Committee if any help was required.

On the proposition of Councillor Cooper, seconded by Councillor Coulam, it was

## **RESOLVED**

That the report be noted.

### **5 Corporate Risk Management Update**

The Committee received the report of the Cabinet Member with responsibility for Resources in relation to Corporate Risk Management which provided Members with the latest changes to strategic and operational risk, developments in how the Council managed risk, progress against planned developments and what the key risks were to the Council. It was noted that the current approach to corporate risk management was to embed risk management across the Council so that it was the responsibility of all managers and teams rather than side-lined to be managed by one team. From 1 April 2020, under the East Suffolk Strategic Plan governance framework, strategic risks were monitored and governed by the Corporate Governance Group (CGG). Also, as part of the process for delivering the Strategic Plan, relevant risks were reported at each Strategic Plan Theme Delivery Board.

A reminder was given that a Risk Management training session for Members, facilitated by Zurich Municipal, was scheduled for 13 January 2021. It was also reported that a horizon scanning/risk challenge session was held with CMT on 9 November 2020 which focused on the impact of Covid-19 and the risks upon the Council. Outcomes

from that session concluded that risks were being managed appropriately. The threat of cyber-attacks was identified which the Council incorporated within the ICT risk. Work was also underway to develop a risk relating to mental welfare (internally and on communities). It was noted that there were currently 24 key risks (3 'red', 15 'amber' and 6 'green') and Section 4 of the report provided full details. All risks were constantly reviewed and monitored to ensure target actions were completed and target scores were achieved.

In relation to the three red risks, Members were informed that these were:

- **Coronavirus:** The impact of coronavirus was a significant risk to the delivery of Council services. Business continuity plans were in place and ensured services continued to operate effectively particularly to support the most vulnerable in the community to access essential services and cover staff absences. Home But Not Alone was implemented supporting vulnerable people struggling to access food, prescriptions and support with loneliness. This was paused in August due to end of shielding on 31 July 2020 and subsequent low demand. However, following the second lockdown, this was re-established on 4 November 2020. Procedures were put in place for homeworking and meetings were held remotely. Businesses were supported and grants delivered to those eligible, also robust systems were established allowing further grants to be made.
- **High profile or major coastal erosion or coastal incident:** There was a high possibility for major erosion, slip or a tidal surge incident which could be catastrophic to life or loss of public or private assets. Monitoring of weather and surge reports was undertaken with appropriate engagement with civil contingencies team, East Anglia and Suffolk and Norfolk Resilience Forums. An emergency event plan was to be developed in conjunction with other service areas and external partners and implemented in key erosion locations.
- **Flood Risk:** Potential of flooding and tidal surges in the short-term and long-term remained high. There was also a possibility of more frequent flooding and tidal surges due to the impact of climate change. ESC was part of Suffolk Resilience Forum and continued to work with other agencies. Targeted actions included Coastal Partnership East producing an incident response protocol and incident response with Building Control teams in local authorities and others depending on flood risk sources.

In relation to the amber risks, key updates were:

- **Medium-Term Financial Strategy including delivery of balanced Annual Budget:** Risk rating continued to reflect uncertainty around national Government initiatives and their potential financial impact, delivery of key projects, the impact of Covid-19 pandemic, and the economic outlook. Recent Government announcements on Covid-19 and other financial support measures to local authorities would contribute significantly to mitigating the impacts of the pandemic. Members were reminded that 'Financial Sustainability' was a key theme in the East Suffolk Strategic Plan. The annual budget was approved by Full Council annually and the MTFS position was reviewed continuously. CMT worked with Cabinet to develop and implement plans to deliver a sustainable balanced

position. Work continued to identify savings and income generation, and deliver and monitor key projects to achieve and maintain financial sustainability.

- **Brexit:** Brexit took place on 31 January 2020 and the 11-month transition period was due to end on 31 December 2020. New rules for businesses and citizens would be in place from 1 January 2021 including importing/exporting goods, travelling, living and working in the EU. ESC continued to support businesses and Brexit trade advisors had been appointed to work with businesses to support trading activities during the EU transition. This risk would be constantly monitored and updated to ensure risks were managed accordingly.
- **Large/Significant Service Delivery Contracts/Partnerships:** Work continued to ensure Contract Management Procedures and documentation fully met the needs of managing contracts. The Council's Constitution included Contract Procedure Rules. New procurement rules required Officers to play a more proactive role in understanding and monitoring contract performance. The Council carried out an extensive review of leisure contracts in 2019 and 2020, leading to a full procurement for a new leisure contractor. In addition, a leisure development contract was terminated, and the main functions rolled into the core leisure contract. Work started in 2020 on a full review of the Norse contract, and the production of an options appraisal.
- **Safeguarding:** Significant risk that those requiring assistance were unable to receive help due to not meeting threshold criteria of other authorities/organisations despite being clearly vulnerable and in need of safeguarding. ESC was continuing to liaise with other authorities to address this gap in terms of referral processes and thresholds and risk scoring would be reviewed as developments continued. A Services for All Group had been established and training held to ensure compliance with policy and legislation.
- **Failure of assets to meet financial requirements:** Significant work had been undertaken to review asset management including the completion of an Asset Management Strategy which set out the management of assets in a way to ensure maximum value was derived from the existing portfolio, from acquisitions and from disposals. A single electronic Asset Register had also been created. Controls were in place to monitor assets including regular meetings of the Asset Management Group which examined the use and disposal of assets. An Asset Management Strategy was approved by Cabinet and its principles were guiding new acquisitions.
- **East Suffolk Commercial Partnerships:** Risk related to uncertainty as to whether the Council would deliver the requirements within the Commercial Strategy including implementation of LATCOs and in-house commercial opportunities, and therefore unable to generate new income streams. Business cases and proposals for commercial investment and trading were reported to Cabinet in February 2019. Delegated authority was granted to Officers to incorporate the LATCOs. The companies set out in the report could not commence trading without prior Cabinet approval of a Full Business Case for their commercial activity. Consultants were being used to provide legal and expert advice and supporting the incorporation of the LATCO and governance arrangements.

- **Climate Change:** The Climate Change Action Plan included milestones to work towards the Council becoming carbon neutral by 2030. ESC was part of the Suffolk Climate Change Partnership. ESC continued to work with Government and others to deliver its 25-year Environmental Plan and increase powers and resources available to local authorities to achieve the 2030 target. ESC was also measuring renewable energy generated on its own estate.
- **Failure of ICT (including Disaster Recovery for ICT):** ICT resilience remained a key priority with ongoing review and updating of infrastructure, systems and processes to mitigate against evolving ICT risks. Specific measures were in place to address cyber security risks and development of Cloud facilities solutions which would provide additional resilience.

Members were informed of some of the Green Risks:

- **Programme and Project Delivery:** Risk improved due to work to deliver previous East Suffolk Business Plan and a new East Suffolk Strategic Plan (implemented 1 April 2020). Governance arrangements for the Strategic Plan ensured effective management of corporate projects.
- **Capital Programme:** A Capital Strategy was in place and reported annually to Cabinet. East Suffolk Asset Management Strategy was approved by Council. Asset Management Investment Strategy was being implemented and used to inform decision making processes. For example, the recent purchase of a business park in Beccles was informed by the investment criteria set out in the Asset Management Strategy. The Strategy codified and rationalised the basis for the Council's asset management decisions in a single adopted document.
- **East Suffolk Strategic Plan:** Strategic Plan was approved at Full Council on 26 February 2020. It was a strategic-level document showing high level aims and objectives to steer decision-making and day to day management of services. There were five themes, which were overarching principles for the way the authority would work as a whole, rather than being in isolation, the plan presented themes and priorities as the ethos under which decisions would be made and the direction the authority would travel over the next four years. A comprehensive reporting framework was established.

The Committee was informed of the following closed Risks:

- **Safeguarding policies and procedures:** Strategies and policies were in place and training sessions held for Councillors which included emerging issues such as County Lines and Child Sexual Exploitation. An online training module also formed part of requirements for licensing taxi drivers.
- **East Suffolk Council:** Risk related to successfully dissolving the two Councils. ESC successfully established on 1 April 2019.
- **Service Planning:** No longer a corporate risk. Service planning now formed part of the delivery of the East Suffolk Strategic Plan.

Reference was made to the current and target rating for coastal management on page 27 and concern was expressed that this appeared to be an ambitious target given the level of coastal erosion in the East Suffolk area. The Cabinet Member agreed that this was a very serious issue especially due to the potential for loss of life but responded that there was a lot of work going on and Officers and the relevant Cabinet Member were confident that this target was achievable. He added that this target would be looked at and monitored by both internal and external audit.

In relation to paragraph 4.12 regarding new tidal defences and a barrier, clarification was sought as to whether the new bridge was still going ahead. The Cabinet Member responded that it had been confirmed at a recent meeting that the third bridge would be going ahead so that would hopefully also mitigate some of the risk.

Attention was drawn to paragraph 4.25 and a query was raised as to whether there was any legal redress in relation to the way in which the cladding on St Peter's Court had been installed. The Cabinet Member confirmed that investigations were taking place on whether there would be any redress and a report would be made to Cabinet in due course.

The Chairman referred to the fact that Covid-19 had impacted on everything and added stress to all the Council's services but it was good to see that three risk areas had been closed.

On the proposition of Councillor Cloke, seconded by Councillor Cooper, it was

**RESOLVED**

That the report be noted.

**6 Treasury Management Strategy Statement for 2021/22 and Treasury Management Investment Strategy 2021/22**

The Committee received the report of the Cabinet Member with responsibility for Resources which set out the East Suffolk Council's Treasury Management Strategy Statement for 2021/22 and the Investment Strategy for 2021/22. It was noted that these documents covered:

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy; and
- the investment strategy.

The Treasury Management Strategy Statement at Appendix A provided Members with details of the economic background that the Council had been operating in and the credit outlook and interest rate forecast. The Treasury Management Indicators helped the Council to measure and manage its exposure to treasury management risks. The indicators covered:

- security;

- liquidity;
- interest rate exposure;
- maturity structure of borrowing;
- principal sums invested for periods longer than one year;
- operational boundary for external debt; and
- authorised limit for external debt.

Annex A of Appendix A provided Members with Arlingclose's economic and interest rate forecast as at November 2020. As at 30<sup>th</sup> November, the Council held £77.25m of borrowing and £178.86m of investments which included £45m of business Covid-19 grant funding. Annex B of Appendix A provided a further breakdown.

It was noted that the Investment Strategy at Appendix B provided Members with detail on treasury management investments and commercial investments. It also provided detail on capacity, skills and culture that operated within the Council and detailed the investment indicators that operate:

- total risk exposure;
- how investments were funded; and
- rate of return received.

On the 25th November 2020, HM Treasury and the Government lowered the Public Works Loan Board (PWLB) borrowing rate this response included a requirement that any authority wishing to borrow from the PWLB must now show that its capital programme did not include any purchase of asset for yield over the coming 3 year period. In light of this outcome, the Council would need to consider long-term loans from other sources including banks, local authorities, and other instruments to ensure the future delivery of the Capital Programme; and reduce over-reliance on one source of funding in line with the CIPFA Code.

The Cabinet Member concluded by requesting that this Committee recommended to Full Council that the Treasury Management Statement and Investment Strategy for 2021/22 be approved.

The Chairman referred to page 37 and the reference to negative interest rates and he queried how this would affect East Suffolk. The Cabinet Member stated that the Bank of England had talked about introducing negative interest rates but, at this point, the Council's advisers Arlingclose were confident that they would stay the same for the foreseeable future. He added, however, that there might be an impact on the Council's fixed term investments. The Interim Chief Finance Officer echoed the Cabinet Member's point about Arlingclose but stated that he had seen some evidence that when looking to invest, the Government was already effectively using negative rates, therefore, the Council would avoid placing any funding back with the Government. The Chairman queried where funding would be invested. The Senior Accountant responded that predominantly investments were being made in other local authorities because for the short to medium term eg up to two years, councils were moving away from banks and building societies to protect ourselves from any risk of negative interest rates. He added that, as part of the internal processes, the financial viability of each local authority would be looked at before East Suffolk would invest in them and we would also obtain advice about any counterparty on our list to minimise any risk as much as we could.

On the proposition of Councillor Coulam, seconded by Councillor Cloke, it was

**RESOLVED**

That the higher cash balances the Council was currently holding due to Covid-19 grant funding be noted and the Treasury Management Strategy Statement and Investment Strategy for 2021/22 be recommended for approval by Full Council.

**7 Capital Strategy 2021/22 to 2024/2025**

The Committee received the report of the Cabinet Member with responsibility for Resources who explained that, following the large amount of commercial investment undertaken by Local Authorities using 100% borrowing to finance their investments, the Chartered Institute of Public Finance and Accountancy issued a new Prudential Code in February 2018 requiring all Councils to produce an annual Capital Strategy that would give a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of local public services, along with how associated risk was managed and the implications for future financial sustainability.

The East Suffolk Capital Strategy for 2021/22 through to 2024/25 pulled together all the various policies and strategies the Council had in relation to capital and provided the key elements from them, such as:

- capital expenditure and financing, which related to the Council's capital programme;
- asset management strategy, which was still under development and was being led by the Asset Management Team;
- treasury management, covering borrowing and investments;
- investment for service purposes, where there was a strategic case to do so, such as entering into joint ventures with Norse;
- commercial investments, which links to the East Suffolk Commercial Investments Strategy;
- other liabilities, such as pension fund deficits and business rates appeals;
- revenue implications of the capital programme;
- knowledge and skills of officers, external advisors and councillors; and
- the Interim Chief Finance Officer's statement on the affordability and risk of the Capital Strategy.

Clarification was sought on how much income the Council would receive back from the former Deben High School and the London Road North Post Office. The Cabinet Member responded that both of these projects were still pending and discussions on use had been commenced but it was not known yet what income would be generated. He added that it was unlikely the Council would want to agree any large capital spending without the guarantee of any income.

On the proposition of Councillor Cooper, seconded by Councillor Cloke, it was

**RESOLVED**



That that the Capital Strategy 2021/22 to 2024/25 be recommended to Full Council for approval.

## 8 Annual Governance Statement 2019/20

The Committee received the report of the Cabinet Member with responsibility for Resources who explained that the Council was required by the Accounts and Audit Regulations to produce an Annual Governance Statement (AGS) each year.

For 2019/20, the External Audit results report for East Suffolk Council had been delayed from August 2020 due to the Covid-19 pandemic and changes to the Accounts and Audit Regulations, and this Annual Governance Statement had consequently been produced before the conclusion of the audit. External Audit work commenced in November 2020. Members were informed that, if there were further updates required to the AGS following the report, these would be taken to a future meeting of this Committee. The AGS would also be reported at the same time as the Statement of Accounts.

The AGS embraced the seven core principles as set out in the CIPFA framework: Delivering Good Governance in Local Government, which made the AGS a key document that helped provide assurance to Members and other stakeholders as to how governance of the Council was conducted. The core principles were found in Section 3 (page 3) relating to the governance framework.

Section 4 of the AGS was the Review of Effectiveness of its governance framework (pages 4 to 8). Paragraphs 4.29 to 4.32 detailed the Head of Internal Audit opinion that:

‘Based on the findings of the managed audits and governance reviews carried out throughout 2019/20 and taking into account the current climate in which the Council is operating it is the opinion of the Head of Internal Audit that the Authority’s control environment provides **Reasonable Assurance** of sound systems of control. Generally, risks are well managed, but some areas require improvement of internal controls to ensure strategic objectives are met.

It is not possible, as at 31 March 2020, to quantify the additional risk arising from the current short-term measures or the overall impact on the framework of governance, risk management and control brought about by the Coronavirus Pandemic. However, continuous assessment will take place by the Head of Internal Audit and be reported accordingly.’

Section 5 related to significant governance issues and paragraph 5.2 reported progress on the two carried forward issues identified in 2018/19 regarding Asset Management and Contract Management. Significant work had been carried out on both issues in 2019/20, namely:

- **Asset Management** – Asset Management Strategy had been completed and approved by Cabinet and all assets had been visited, inspected, recorded, valued and were available on a register (GGP) and fully accessible by the public. This action was now complete.
- **Contract Management** – A contract register was in place and a Task Group had been set-up to look at how the Council could maximise the benefit of Council procurement to people in East Suffolk. This Group would develop a new policy for

procurement for East Suffolk, which would inform the Procurement Strategy. This action remained open.

Paragraph 5.3 included issues identified and under review in 2019/20 with the intention to improve processes in 2020/21, and examples of good governance in operation in 2019/20 were identified in para 5.4.

Reference was made to the impact of Covid-19 (paragraph 5.7) and Members were reminded that during the lockdown period, temporary governance arrangements were put in place to allow for essential decision-making, either by making changes to the Scheme of Delegation to Officers, or by relying on the cascade of delegations to Officers in the Council's Constitution.

The Cabinet Member concluded by requesting that this Committee review and approve the Annual Governance Statement 2019/20.

In the absence of any questions from the Committee, the Chairman stated that he was pleased to see that Asset Management had finally be completed and Officers were working hard to see Contract Management coming to an end too. He pointed out that the delays to the finalisation and auditing of the accounts had not been due to the Council, adding that an extraordinary meeting had had to be called for 18 January 2021 to finalise the 2018/19 accounts and it was hoped the 2019/20 accounts would be ready for the March 2021 Committee meeting.

On the proposition of Councillor Coulam, seconded by Councillor Cooper it was

#### **RESOLVED**

That the Annual Governance Statement for 2019/20 (1 April 2019 to 31 March 2020) be approved.

**The Cabinet Member took the opportunity to thank the Finance Officers for all their help and support before they left the meeting, adding that he was now delighted to be joined by the Audit Officers for the remaining items.**

#### **9 Internal Audit Charter**

The Committee received the report of the Cabinet Member with responsibility for Resources relating to the refreshed Internal Audit Charter. Members were reminded that the Charter defined Internal Audit's purpose, authority, responsibility and position within the Council, and was regularly reviewed to take account of any practical or best practice changes. The Cabinet Member stated that the Charter had last been reviewed in January 2020 and, following its review and refresh, was being presented to this Committee to enable it to fulfil its terms of reference "To review and approve the Internal Audit Charter to ensure that it is appropriate to the needs of the organisation".

The Head of Internal Audit reported that the only real change to the document was to the last bullet point on page 100 which detailed her responsibilities for activities that could be considered auditable and this had now been updated to include the fact that she was also the Senior Information Risk Owner. She reminded Members that it was very important for her and her team to retain their independence across the Council to

ensure that they could provide objective, impartial and effective professional judgements.

The Chairman commented that the Head of Internal Audit and her team had the full support of this Committee in conducting their very important work.

On the proposition of Councillor Cooper, seconded by Councillor Gandy, it was

**RESOLVED**

That the refreshed Internal Audit Charter be approved.

**10 Code of Corporate Governance**

The Committee received the report of the Cabinet Member with responsibility for Resources who stated that CIPFA recommended an annual review of the Code of Corporate Governance, as directed in the CIPFA/SOLACE 2016 publication "Delivering Good Governance in Local Government". It was noted that the Code of Corporate Governance had last been reviewed in July 2018. He explained that the main body of the Code remained unchanged, but the evidence attached had been refreshed to capture current frameworks and processes in operation. The refreshed list was attached at Appendix A and fell within the Committee's terms of reference "To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances".

The Head of Internal Audit confirmed that the main changes were to Appendix A which included a list of documents that supported the Code itself. She explained that this was an umbrella document and included the principles and practices so it was a fundamental document and that had not changed. She added that there had not been any guidance changes since the last time the document had been looked at, however, the Appendix had been updated to include the East Suffolk Strategic Plan and Risk Management Strategy which demonstrated that it was a live document and that it met the seven principles of Council Good Governance.

The Chairman commented that this had been a very unusual year and given that the document was normally reviewed every two years but that it was possible there would be a number of changes due to Covid-19, he queried if it would be useful to report back and refresh the document sooner if there were any changes required. The Head of Internal Audit responded that this was a good point and she agreed to refresh and bring back the document to this Committee as soon as there were any updates.

On the proposition of Councillor Cloke, seconded by Councillor Cooper, it was

**RESOLVED**

That, having now considered and commented on the revised Code of Corporate Governance, this Committee recommend to Full Council that the document be adopted.

**11 Audit and Governance Committee's Forward Work Programme**

The Committee considered the Work Programme for the remainder of the Municipal Year and the Chairman confirmed that an extraordinary meeting would now be held on 18 January 2021 to conclude the 2018/19 accounts that had been delayed. He pointed out that there were currently a lot of items scheduled for the March meeting and Officers were, therefore, requested to consider if they had any items that could be brought forward to January.

**12 Exempt/Confidential Items  
RESOLVED**

That, under Section 100A(4) of the Local Government Act 1972 (as amended), the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

**13 Exempt Minutes**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

**14 Internal Audit: Status of Actions**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

**15 Internal Audit Reports Recently Issued**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The meeting concluded at 8.10pm.

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Chairman