



EAST
CAMBRIDGESHIRE
DISTRICT COUNCIL

Minutes of the meeting of the Finance & Assets Committee held in the Council Chamber, The Grange, Nutholt Lane, Ely at 4.30pm on Thursday, 28th November 2019.

PRESENT

Councillor David Brown (Chairman)
Councillor Ian Bovingdon (Vice Chair)
Councillor Christine Ambrose Smith
Councillor Charlotte Cane
Councillor Simon Harries
Councillor Bill Hunt
Councillor Alan Sharp
Councillor John Trapp
Councillor Alison Whelan

OFFICERS

Emma Grima – Director Commercial
Ian Smith – Finance Manager
Adrian Scaites-Stokes – Democratic Services Officer

IN ATTENDANCE

Nigel Ankers – Finance Manager, East Cambs Trading Company
Vicky Chong – Client Manager, Ernst & Young
Suresh Patel – Associate Partner, External Audit, Ernst & Young

67. **PUBLIC QUESTION TIME**

No questions were submitted by members of the public.

68. **APOLOGIES AND SUBSTITUTIONS**

There were no apologies given or substitutions made.

69. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

70. **MINUTES**

In reference to minute 43, in response to a Member's questions, the Committee was informed that the East Cambs Trading Company accounts had been signed off in September and nothing had materially changed from the draft set presented in July. There had been an additional delay until October Due to the Auditors and Finance Manager leave commitments. The same situation occurred for the ECSS Accounts.

It was agreed that the word "small" be deleted from the last paragraph under minute 45.

It was resolved:

That the Minutes of the meeting of the Committee held on 26th September 2019, as amended, be confirmed as a correct record and be signed by the Chairman.

71. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman made the following announcement:

The Chairman had met with Combined Authority Members and officers to consider the issues with Public Sector Audit Appointments Ltd (PSAA). The Chief Executive of PSAA had not been convincing, so it had been recognised that there was a potential for reputational damage to this Council.

72. **EXTERNAL AUDIT – ANNUAL AUDIT LETTER**

The Committee considered the Annual Results Report, previously circulated.

An apology was given for the delays in finalising the accounts and thanks were offered for the help received from the Council's Finance team. The report detailed the current state of the audit, i.e. that work was still outstanding. It had taken longer than expected and had been impacted by staff sicknesses and a struggle for resources. The external auditors were working hard to progress the audit. A number of audit differences had been found as part of the work completed to date. It was also noted that running parallel to the statutory audit, a review was taking place following a letter from the Liberal Democrat Group to the Auditor, where it was noted that the Finance manager had responded to the queries raised but they could not yet form a view until the work has been concluded.

Regarding the audit, most of the work had been completed, though there was work still to be completed in a number of areas. Audit adjustment had been identified in relation to pensions, the loan to East Cambs Trading Company and asset valuations.

The next step would be to continue with the audit, hopefully to be finished within three weeks. The accounts previously received by Committee did not include the audit adjustments so it was felt appropriate that a revised set of accounts would be presented to Committee for approval once the audit was complete.

In response to the Committee's queries, the following replies were made:

- East Cambs Street Scene (ECSS) accounts had been included in the Group Accounts.
- No inconsistencies with the ECSS accounts had been found and they had been correctly consolidated.
- Any questions about the ECSS accounts not balancing should be directed to the Finance Manager.
- Any questions directed to the Council's Asset Champion should be made in writing.

Members were pleased that a revised set of accounts would be issued, as there were some significant errors in the current set. The Committee needed to understand how the errors had arisen, as it was responsible for the accounts being correct.

73. **LOCAL COUNCIL TAX REDUCTION SCHEME 2019-20 REVIEW**

The Committee received a report (reference U121, previously circulated) which reviewed the Council's Local Council Tax Reduction Support Scheme (LCTRS).

The Finance Manager (E CDC) reminded the Committee that they had a report in June asking for approval to go out to consultation on recommended changes. The responses from this were now recorded in this report. As there were no significant objections to the suggestions the proposals were recommended to Council for approval.

It was acknowledged by the Committee that the ideas were good and should go ahead. As a Member had not seen the consultation it was suggested that all Members be copied in to all future consultations.

It was resolved to RECOMMEND TO FULL COUNCIL:

- (i) That the Council retain the 8.5% benefit scheme, i.e. the maximum benefit to working age claimants to be 91.5%;**
- (ii) That enhancements to the treatment of Universal Credit income be introduced as detailed in the report.**

74. **TREASURY OPERATIONS MID-YEAR REPORT**

The Committee received a report (reference U122, previously circulated) which provided an update on the Council's 2019/20 Treasury Management Strategy Statement.

The Finance Manager advised the Committee that the report stated the position as at the end of September and so prior to the forthcoming election being announced. The Council remained external debt-free. The interest received from East Cambs Trading Company was lower than anticipated, due to less funding being drawn, but was compensated for by additional general interest receipts due to the Council's healthy cash position throughout the year.

It was resolved to RECOMMEND TO FULL COUNCIL:

That the mid-year review of the Council's Treasury Management Strategy for 2019/20, as set out in Appendix 1, be noted.

75. **APPOINTMENT TO THE PADNAL AND WATERDEN INTERNAL DRAINAGE BOARD**

The Committee received a report (reference U123, previously circulated) which considered representation on the Padnal And Waterden Internal Drainage Board.

Councillor Sue Kerridge was considered a suitable candidate, as she had served on Internal Drainage Boards previously.

It was resolved:

That Parish Councillor Sue Kerridge be appointed to the Padnal & Waterden Internal Drainage Board.

76. **PERFORMANCE MANAGEMENT – SIX MONTH UPDATE**

The Committee received a report (reference U124, previously circulated) which provided a six month update of the Service Delivery Plans 2019/20.

The Chairman took the Committee through the Service Delivery Plans one-by-one and the following responses were given to questions raised:

- Human Resources – the 13 ‘no official rating’ are due to employees not being in the post long enough to have an appraisal.
- Infrastructure & Strategic Housing – this service was about delivering infrastructure, for example it monitored the north Ely development, and worked with the Planning Department to ensure infrastructure and affordable housing was secured.
- Leisure Services - as the update was found to be uninformative on what had been achieved, what bids had been made or on what was happening, it was agreed that a briefing note should be circulated to Members and proper information be provided in future.

The Committee requested that in the future updates should be printed on A4 rather than A3.

It was resolved:

That the six months update of the Service Delivery Plans for the following services be noted:

- Democratic Services
- Financial Services
- Human Resources
- Infrastructure & Strategic Housing
- Legal Services
- Leisure Services
- Open Spaces & Facilities
- Reprographics
- Strategic Planning.

77. **EAST CAMBS TRADING COMPANY ACCOUNTS 2018/19**

The Committee received a report (reference U125, previously circulated) which detailed the East Cambs Trading Company (ECTC) accounts 2018/19.

The Finance Manager (ECTC) advised the Committee that pages 1 and 2 set out the Directors' responsibilities and that the accounts had been prepared in accordance with relevant standards. The auditors, Price Bailey, confirmed that in their opinion the accounts give a true and fair view of the Company's state of affairs at 31 March 2019 and had nothing further to report. Although the notes on pages 10-20 are the responsibility of the Directors, Price Bailey were happy with the report's consistency. Page 6 set out the income from services including markets and open spaces, and property development (Palace Green Homes.) Grant income related to building work on the Soham development. No interest was included in the P&L as this is allocated to each of the development projects. This meant that overall there was a profit of £663k for the year. Page 7 showed that the Company now had some fixed assets. The inventories balance related to properties that had been built but not yet sold. There had been a large increase in the cash balance, which was used on current projects to reduce this year's interest charge. Financial Liabilities referred to the loan from the Council. The balance sheet still showed a deficit, though this was expected to turn to a positive in this financial year. Page 8 showed there was no additional income. Page 9 showed the cash flow statement for the year. Pages 10 – 13 detailed the accounting policies and were fairly standard. Note 1.4 refers to the support of EDCD through the loan facility. The balance of loan was expected to be repaid in full by the end of March 2021. Pages 14 – 20 added detail to the profit and loss and balance sheet figures, Page 17 had an error, as the figure £4,939,725 should read £4,939,752. The credit risk showed on page 18 indicated that the risk was minimal.

In response to Members' questions, the Committee was informed that the salary increase was due to an additional six members of staff. Note 11 on page 16 showed a balance of £690,000 owed to parent undertakings was the balance of the land value at Barton Road. Note 4 contained a reference to a director accruing benefits under a defined benefit pension scheme that would have to be checked, it might be an error as it could be a defined contribution scheme

A Member expressed concern that this last point could be a high risk, if there was only one person involved. It was noted that it also showed up in last year's accounts and a written confirmation that it was an error was requested.

Concern was also voiced about the reliance of the Trading Company on the Council, as outlined in note¹ 1.4 on page 10 of the accounts¹. The risk was that, as the Council was behind the Company, it would be legally responsible to pay any outstanding debts. The note was not therefore accurate, as it had been confirmed in a written answer at Full Council that the Council had not agreed to "give financial support for the foreseeable future".¹ The note would be clarified in future to be limited to the existing loan facilities only. ECTC Finance Manager confirmed that there were no parental-company guarantees from EDCD in place.

With reference to the Company's accounts and when they were signed off, what did the Company Directors do during July to September to assure themselves that the figures in the balance sheet were still of a reasonable value. The Directors were responsible for the accounts but it appeared they had not checked that the risk assessments were correct.

¹ Amended as agreed when Minutes were submitted to the subsequent meeting on 6th February 2020.

There were also a lot of estimated figures in the draft and during the following two months those estimates should have been checked. It should be expected that this would have been done with the Finance team before the accounts were signed off. This may have made the accounts incorrect. ECTC Finance Manager confirmed that he performed post-balance sheet reviews with Price Bailey during this period.

Councillor Charlotte Cane wished it recorded that she was not happy with the accounts. The accounts stated that there was a member of staff with a defined benefit pension scheme yet there was no note showing the liabilities arising from the defined benefit scheme, as required by law.² If one member was defined in the benefit scheme this could crystallise the debt and the Council would have to pay it and it may be a significant amount of money. This should be notified in the accounts.

It was resolved:

That the East Cambs Trading Company Accounts 201819 as set out in Appendix 1 be noted.

*The meeting adjourned at 5:25pm.
The meeting reconvened at 5:28pm.*

78. **FINANCE REPORT**

The Committee received a report (reference U126, previously circulated) which provided budget monitoring information for services under the Finance & Assets Committee and then the Council as a whole as part of the Committee's overall responsibility for finance.

The Finance Manager (E CDC) advised the Committee that, as at September, the overall Council position was an underspend of £351k on the revenue budget.

In response to the Committee's questions, it was noted that the member allowance variance was incorrect as the revised payment levels were not being backdated as incorrectly assumed in the report. The quarter two sum for the Parks & Garden service to the Trading Company had been invoiced since the report was produced.

It was resolved:

- (i) That the projected yearend underspend of £398,500 when compared to its approved revenue budget of £5,181,667 be noted;
- (ii) That it be noted that the Council had an overall projected budget underspend of £351,000 when compared to its approved revenue budget of £13,455,801;

² Sentence inserted as agreed when Minutes were submitted to the subsequent meeting on 6th February 2020.

- (iii) That it be noted that the overall position for Council on Capital was a projected outturn of £3,773,185 which was an underspend of £7,362,620 when compared to its revised budget.

79. **ASSETS UPDATE**

The Committee received a report (reference U127, previously circulated) which provided an update on Council owned assets.

The Director Commercial advised the Committee that there were no significant updates to report.

It was resolved:

That the update on Council owned assets be noted.

80. **COMMUNITY INFRASTRUCTURE LEVY AND SECTION 106 UPDATE**

The Committee received a report (reference U128, previously circulated) which provided an update on Community Infrastructure Levy (CIL) and Section 106 (S106) income and expenditure.

The Director Commercial advised the Committee that CIL income had increased, so S106 funds were running down. The CIL income was now at £12.1million, which had exceeded expectations. This would allow some flexibility over its expenditure.

It was resolved:

That the contents of this report be noted.

81. **ANGLIA REVENUES PARTNERSHIP JOINT COMMITTEE MINUTES**

No minutes were presented to the meeting as no Joint Committee had been held on 17th September 2019.

82. **FORWARD AGENDA PLAN**

The Committee received its forward agenda plan.

83. **EXCLUSION OF THE PUBLIC INCLUDING REPRESENTATIVES OF THE PRESS**

It was resolved:

That the press and public be excluded during the consideration of the remaining items because it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item there would be disclosure to them of exempt information of Categories 1 & 3 of Part I Schedule 12A to the Local Government Act 1972 (as amended).

84. **WRITE OFF OF UNRECOVERABLE DEBT**

The Committee considered an exempt report regarding the write off of debts referred to in the submitted report.

The Finance Manager (ECDC) explained that the write offs were beyond the control of the Council and had to be accepted. The Committee acknowledged the situation but queried whether earlier action could have made a difference.

It was resolved:

That the recommendations be approved.

85. **ASSET MANAGEMENT ITEM**

The Committee considered an exempt report concerning an asset of the Council.

The Director Commercial explained the situation over the asset and the recommendation was approved.

It was resolved:

That the recommendations be approved.

86. **ASSET MANAGEMENT ITEM**

The Committee considered an exempt report concerning an asset of the Council.

The Director Commercial explained the situation over the asset and the Committee made a number of comments and asked questions. These being satisfactorily answered the recommendation in the report was agreed.

It was resolved:

That the recommendations be approved.

87. **EXEMPT MINUTES**

It was resolved:

That the Exempt Minutes of the meeting of the Committee held on 26th September 2019 be confirmed as a correct record and be signed by the Chairman.

The meeting closed at 5:57pm.