

Audit, Governance and Standards

Committee

Thursday, 3 July 2014

MINUTES

Present:

Councillor Roger Bennett (Chair), Councillor David Thain (Vice-Chair) and Councillors Michael Braley, Natalie Brookes, John Fisher (during Minute No's 8 to 15), Jane Potter, Rachael Smith and Pat Witherspoon

Dave Jones – Independent Member for Audit & Governance (non-voting co-opted member of the Committee)

Also Present:

Megan Harrison (Independent Person for Standards – observing)
Phil Jones and Zoe Thomas (Grant Thornton – External Auditors)

Officers:

Andy Bromage, Claire Felton, Clare Flanagan, John Godwin, Sam Morgan and Amanda de Warr

Committee Services Officer:

Debbie Parker-Jones

1. INTRODUCTION AND WELCOME TO THE NEW AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

The Chair welcomed all present to the first meeting of the new Audit, Governance and Standards Committee. He explained that the Committee had seen an amalgamation of the Council's former Audit & Governance Committee and Standards Committee, and comprised a number of newly elected Members.

The Chair asked all present to introduce themselves and to set out their roles. He requested that when presenting reports Officers highlight the key report elements, and that Members ask any questions after the Officer had finished their presentation.

The future meeting dates of the Committee, as detailed in the agenda listing, were noted. This included an additional Statement

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of Accounts Briefing for all members of the Committee on 11th September 2014.

2. APOLOGIES AND NAMED SUBSTITUTES

An apology for absence was received on behalf of Councillor John Witherspoon.

It was also noted that Councillor Fisher would be arriving a little late.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. MINUTES

The minutes of the meetings of the Standards Committee held on 24th October 2013 and the Audit & Governance Committee held on 24th April 2014 were submitted.

RESOLVED that

the minutes of the meetings of the Standards Committee held on 24th October 2013 and the Audit & Governance Committee held on 24th April 2014 be confirmed as correct records and signed by the Chair.

5. MONITORING OFFICER'S REPORT - STANDARDS REGIME

Members received a report from the Monitoring Officer (MO) outlining the current position in relation to standards regime matters of relevance to the Committee.

i) Monitoring Officer's Report

The MO explained that this was a historical report which had previously been submitted the former Standards Committee and that she was happy to produce a new style report should Members so wish. She requested that Members let her know if they had any particular issues or requests in this regard.

ii) Member Complaints

The MO commented that the complaint information detailed in the report was as much as could be provided under the agreed

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process, with the information being sufficient for Members to identify any emerging complaint trends.

iii) Hearings Sub-Committees

The MO advised that the proposed memberships of the Hearings Sub-Committees detailed in the report followed the previously established format, with a decision as to the Sub-Committee memberships being required from Members. The MO added that it had not yet proven necessary under the current standards regime to make use of the Hearings Sub-Committees.

Members agreed, without amendment, the proposed memberships of the Hearings Sub-Committees as set out in the report.

iv) Member Training

The MO stated that the majority of Member training had taken place around the 2014 Election. The Member Steering Group met regularly so if the Committee wished to make any recommendations to that Group they could easily be worked into the process.

Highly positive feedback had been received from Members in relation to the Planning training and it was hoped the training would be replicated at Bromsgrove District Council in 2015, following the Council's all-out Elections.

Members felt that certain elements of the current year's training had proven more successful than in previous years, particularly where there had been opportunity to train with Members from other authorities.

On being asked how they had viewed the current Member training programme so far, some of the newly-elected Members commented that the training had been both intense and of a good quality. It was felt there had been a lot to digest in a relatively short space of time, particularly where training was of a quasi-judicial nature. One newly-elected Member stated that, as a member of the Audit, Governance and Standards Committee, it would be useful to receive training on what the Members' role on the Committee was and what exactly they should be looking for when considering the business of the Committee.

The MO responded that Members of the Committee had, where necessary, attended specific external training events to assist them in their roles. Provided a Member's Group Leader agreed to any such training in advance and notified Officers of this then the

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training would be funded by the Council. From time-to-time where there were relevant updates on procedure rules and the like then the MO would look at both external and internal training packages for Members.

Phil Jones, Engagement Lead at Grant Thornton, advised that Grant Thornton had rescheduled the first of their 2014/15 Midlands Local Government Audit Committee Member Network events from 2nd to 30th July, should any Members of the Committee wish to attend this. Grant Thornton also produced a number of publications to assist Members in their roles on audit committees and detailing emerging issues which might of interest to Members, some of which were detailed later in the agenda under Grant Thornton's Progress Update Report item.

v) Feckenham Parish Council Representative of the Committee

Officers advised that the next meeting of Feckenham Parish Council was due to take place on 17th July 2014. The Parish Council would, at that meeting, be seeking a replacement Parish Representative and Deputy Parish Representative to sit on the Audit, Governance and Standards Committee following the previous post holders' resignations from the Parish Council.

vi) Independent Observer on the Committee

The MO explained that when the current standards regime was introduced (some 2 years earlier) the Council had wished for an additional transitional non-voting co-opted Independent Observer role on the former Standards Committee. This role had been filled by Michael Collins, a former Independent Member on the Standards Committee under the previous standards regime.

The MO and Chair of the former Standards Committee had recently spoken with Mr Collins and all had agreed that in view of the size of new combined Audit, Governance and Standards Committee, which also included Dave Jones as the existing Independent Member for Audit and Governance matters and a Feckenham Parish Council representative for standards matters, the Committee may well become unwieldy with the additional Independent Observer role as well. Mr Collins had therefore agreed to step down from this role which would now cease to exist.

The former Chair of the Standards Committee stated that Mr Collins had been involved with the Standards Committee for a number of years and had played a positive part in the Committee's decision-making. His work with the Council had been applauded in the past

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and it had been agreed that he attend the meeting of Full Council in September to receive formal thanks in recognition of his services to the Council. Members also expressed their formal thanks to Mr Collins for his number of years' service and contributions to the standards regime.

RESOLVED that

- 1) **the report of the Monitoring Officer and the additional updates provided by the Monitoring Officer at the meeting be noted;**
- 2) **the following memberships of the Hearings Sub-Committees be approved:**

Hearings Sub-Committee 1

Cllr Bennett (Chair), Cllr Brookes and Cllr Fisher

Hearings Sub-Committee 2

Cllr P Witherspoon (Chair), Cllr Braley and Cllr Potter

Hearings Sub-Committee 3

**Cllr Thain (Chair), Cllr R Smith and Cllr J Witherspoon;
and**

- 3) **the Committee place on record its formal thanks to Michael Collins in recognition of his number of years' service to the Council as an Independent Member and Independent Observer of the former Standards Committee.**

6. LOCALISM ACT 2011 - STANDARDS REGIME - DISPENSATIONS REPORT

Members received a report which sought the re-granting of general dispensations previously granted by the former Standards Committee prior to the 2014 Borough Council Elections, together with the grant of a new additional dispensation, under s33 of the Localism Act 2011. The dispensations would enable Members to participate and vote on matters under consideration at Council and committee meetings in the circumstances detailed in the report.

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The Monitoring Officer (MO) set out the background to the report and the dispensations previously granted and new category of dispensation relating to Non-Domestic Rates.

Members approved the granting of all of the general dispensations in question, which it was noted applied where a Member had a Disclosable Pecuniary Interest in the matter and which would otherwise prevent them from participating and voting in such matters. The granting of the general dispensations remained subject to the requirement that individual Members continue to apply in writing for a specific dispensation.

The caveat under Section 106 of the Local Government Finance Act 1992 whereby any Member who was 2 months (or more) in arrears with their Council Tax payments could not participate in any Council meeting concerning the budget was noted. In the event any Members were affected by this provision the statutory rule that they be barred from taking part in the budget decisions would prevail and the general dispensation granted by the Committee would not apply.

RESOLVED that

- 1) subject to the caveat set out in paragraph 3.12 of the report (and as detailed in the preamble above) in relation to setting the budget, dispensations under Section 33 (2) of the Localism Act 2011 to allow all Members to participate in and vote at Council and committee meetings when considering the setting of the Budget, Council Tax, Members' Allowances and Council Rents be granted;**
- 2) a dispensation under Section 33 (2) of the Localism Act 2011 to allow Members to address Council and committees in circumstances where a member of the public may elect to speak be granted;**
- 3) a dispensation under section 33(2) of the Localism Act 2011 to allow Members to participate in and vote at Council and committee meetings when considering the adoption of Non-Domestic Rates, Discretionary Rate Relief Policy and Guidance affecting properties within the Borough be granted;**
- 4) the dispensations referred to at 1), 2) and 3) above take effect on receipt of a written request from Members for a dispensation and where Members may have a**

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Disclosable Pecuniary Interest in the matter under consideration, which would otherwise preclude such participation and voting; and

- 5) **the dispensations referred to at 1), 2) and 3) above be valid until the first meeting of the Audit, Governance and Standards Committee after the Borough Council Elections in 2015.**

7. **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE - ACTION LIST AND WORK PROGRAMME**

Action List

- i) Ref 1 – Lead Risk Member training – Cllr Bennett

It was noted that this matter would be dealt with under agenda item 10; Appointment of Lead Fraud and Risk Members on the Committee (Minute No. 10 refers).

- ii) Ref 2 – Feasibility of introducing monthly rents on commercial buildings in advance via direct debit

Officers advised that they had been consulting with Property Services in this regard and that Property Services were offering monthly payment terms where this was requested. However the majority of payments remained on a quarterly basis.

Action: item to remain on Action List for future monitoring and reporting.

- iii) Ref 3 – Future monitoring of use of balances to support expenditure

No update was provided by Officers as it was noted that an oral update from the Portfolio Holder for Corporate Management on the 2013/14 Outturn Report appeared later in the agenda at Item 15 (Minute No. 15 refers).

Action: item to remain on Action List for future monitoring and reporting.

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Work Programme

Officers advised that the Work Programme before Members had been compiled from the existing Work Programmes carried over from the former Audit & Governance and Standards Committees.

It was noted that some of the scheduled meetings had a large number of items listed for consideration. Officers and Members were asked to consider the contents of the Work Programme and to contact the Democratic Services Officer (DSO) should they have any suggestions in this regard. The DSO would then liaise with the Chair on any possible amendments to the Work Programme.

RESOLVED that

subject to the comments detailed in the preamble above, the Committee's Action List and Work Programme be noted and the amendments and updates highlighted be agreed.

8. GRANT THORNTON PROGRESS UPDATE REPORT

The Committee received an update report from Grant Thornton on progress in delivering their responsibilities as the Council's external auditors. An update on emerging national issues and developments and local authority accounting guidance, which it was felt might be of interest to Members when discussing the final accounts in September, was also included.

Grant Thornton had completed their interim accounts audit for the Council and work on the 2013-14 final accounts audit was due to commence shortly. No issues of concern had been raised by the external auditors as part of the interim accounts audit.

It was noted that additional work on reviewing the Barclays Bank Lease for Threadneedle House, which was outside the scope of the interim audit, had been requested by Officers and undertaken by the external auditors. A final report for this work had been issued and recommendations in the resulting report had been responded to by management. A Member commented that relevant Members should be consulted on the report to ensure this was complete.

RESOLVED that

the report be noted.

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9. RISK MONITORING AND REPORTING

The Committee received a presentation from the Head of Leisure and Cultural Services (HLCS) on the key operational risks which had been identified within his service area.

The HLCS spoke on the 8 key operational risks identified, as follows:

1. Failure to achieve income targets or inability to generate funding from external funding sources (including failure to satisfy present demand/maximise on opportunities);
2. Failure to ensure the health and safety of the public, staff and visitors using services (meeting regulatory requirements);
3. Ineffective management of projects and contractors, including third party delivery arrangements;
4. Failure to maintain current standards within parks and green spaces;
5. Failure to ensure that current buildings and facilities remained fit for purpose and supported the business objectives of the service;
6. Inability to respond to and support additional unplanned demands, events and opportunities;
7. Impact on services due to changes in climate and associated weather patterns; and
8. Failure to support and influence the public health and community based agendas.

The Service's risks were reviewed on a quarterly basis and any actions undertaken and controls added as and when required.

A Member queried whether cash reconciliation at the Palace Theatre, which had previously been highlighted to the Committee as an issue, had been addressed. The HCLS confirmed that this issue had been addressed and the previous issues resolved.

Private sector competition was a factor for the Abbey Stadium. New health gyms had opened within the town and fitness was a highly competitive area. An additional 120 members had been recruited to the Abbey Stadium in June and Officers were mindful of the need to invest in membership offers and the building moving forward in order to remain competitive with the private sector.

In relation to climate change issues and strategies to address these, Officers advised that they were currently working through an investment strategy around the Council's playing areas. Good

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drainage systems would assist greatly and Officers were currently working with Environmental Services on maintenance issues and how best to deliver services.

It was becoming increasingly difficult to enhance the Council's parks and green spaces owing to the costs involved and ongoing budget cuts, with these being the most well-used and well-regarded areas of the service.

RESOLVED that

the presentation be noted.

10. APPOINTMENT OF LEAD FRAUD AND RISK MEMBERS ON THE COMMITTEE

The Democratic Services Officer (DSO) explained the background to the previous Lead Fraud and Risk Member appointments on the Committee.

It was noted that Councillors Roger Bennett and Yvonne Smith had previously been appointed as the Lead Risk Members, and Councillor Fisher and former Councillor Roger Hill as the Lead Fraud Members on the Committee.

Members agreed that there was still a desire to appoint Lead Members for these areas and that two Members continue to be appointed to each role. The Members would in turn report back to the Committee on any training and/or other activities which they had undertaken with Officers in relation to their roles.

Mr Dave Jones, Independent Member for Audit and Governance matters on the Committee, volunteered as one of Lead Risk Members. As Mr Jones had been appointed as a non-voting co-opted member of the Committee the DSO stated that she would check whether Mr Jones was eligible to be appointed to the Lead Risk Member role, and would report back to Members and Mr Jones in this regard. It was further agreed that the relevant Officers would liaise with the Member appointees after the meeting to arrange suitable training.

RESOLVED that

- 1) Councillors Braley and Thain be appointed the Lead Fraud Members on behalf of the Audit, Governance and Standards Committee, and**

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- 2) **subject to receipt of suitable Officer confirmation as to Mr Jones's eligibility for the role, Mr Jones and Councillor John Witherspoon be appointed the Lead Risk Members on behalf of the Audit, Governance and Standards Committee.**

11. INTERNAL AUDIT - ANNUAL REPORT 2013/14

The Committee received the Internal Audit Annual Report for 2013/14 and the 2013/14 Worcestershire Internal Audit Shared Services Manager's (WIASS) annual opinion on the overall adequacy of the Council's internal control environment.

Officers explained the background to the report and highlighted the significant increase (over the previous year) in the number of high priority recommendations set out under the Key Performance Indicators. There could be peaks and troughs with these and detailed actions place were in place to address any issues.

For the benefit of the new Members on the Committee it was highlighted that 'full' was the highest achievable assurance level for an audit. Audits attracting an assurance of either moderate or significant were perfectly acceptable as these contained no significant high risk issues. The majority of completed audits had been allocated an assurance level of either moderate or above, meaning there was generally a sound system of internal control in place, no significant control issues had been encountered and no material losses had been identified during a time of significant transformation and change.

It was noted that no assurance level had been given for ICT and it was queried whether there was any plan to address this. Officers advised that a report on this would be referred to the next meeting of the Committee. The scope of the ICT audit had been fairly narrow with business continuity having been highlighted as an issue.

As detailed in the report, whilst Internal Audit could provide reasonable assurances based on the audits performed, no system of control could provide absolute assurance against material; misstatement or loss, nor could Internal Audit give that assurance.

Based on the audits performed in accordance with the approved plan, it had been concluded that the internal control arrangements during 2013/14 effectively managed the principal risks identified in the audit plan and could reasonably be relied upon to ensure that

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the Council's corporate objectives had been met. However, there was a significant risk emerging which could jeopardise the position in the future. With the austerity measures and the need to reduce the overall Corporate budget the transformation plan and 'unspecified' savings would require greater clarity to ensure better transparency, expectation and accountability in order to ensure the Council could work towards a sound financial footing. Any significant risks identified would be raised with the Council's 151 Officer which the Committee would in turn monitor moving forward.

A request was made by the Chair that the Council's procurement policies be looked into, to ascertain how contracts were awarded, how the Council publicised upcoming contracts and how contracts were monitored. This was with a view to ensuring that the Council was, where possible, assisting new and local businesses and encouraging them to apply for contracts, and that no unnecessary hurdles were being put in their way preventing them from doing so. In view of the financial cuts from central government Members also wished to ensure that contracts were being awarded in the most effective manner. The Chair added that this was an area which the newly appointed Lead Fraud Members on the Committee may also wish to become involved in.

Officers stated that a number of procurement and economic development related events had been arranged for local suppliers, which had had proven popular with large numbers in attendance. Officers were also looking at simplifying the procurement process.

The WIASS advised that the agreed 2014/15 Internal Audit Plan had identified Procurement, Contract Compliance and Tendering as an area to be looked at. Days were therefore already available within the agreed Plan for this to happen and Internal Audit was happy to undertake the work and now had a clear scope for this. Officers would seek to deliver this audit in quarter 2, namely July to September. Members agreed that Internal Audit should proceed with Procurement audit as planned.

RESOLVED that

- 1) the report be noted; and**
- 2) the Procurement audit identified within the agreed 2014/15 Internal Audit Plan proceed as planned, this to include the scoping terms detailed in the preamble above.**

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12. ANNUAL GOVERNANCE STATEMENT 2013/14

The Committee's approval was sought to the Annual Governance Statement (AGS) for signature by the Leader of the Council and the Chief Executive, for inclusion in the Statement of Accounts 2013/14.

Officers explained the format of the AGS and confirmed that the Significant governance and internal control issues section of the Statement should state that a total of 2 complaints had been made against Members during 2013/14 (and not 2012/13 noted in the Statement).

A large amount of work was ongoing by Officers in relation to reviewing the Council's balances.

The Chair raised the issue of concerns which had arisen out of the latest Staff Survey. Officers responded that the concerns were currently being looked into, with a number of Officer working groups having been established to assist in the process.

RESOLVED that

the Annual Governance Statement be approved.

13. BENEFITS INVESTIGATIONS - 1ST DECEMBER 2013 TO 31ST MARCH 2014

The Committee received a report which advised on the performance of the Benefits Services Fraud Investigation Service from 1st December 2013 to 31st March 2014.

Officers highlighted the key elements of the report and confirmed that all referrals were looked into by Officers, with fraud investigation being taken very seriously by the Council.

An update was given on the proposed implementation of the Single Fraud Investigation Service (SFIS), with Redditch and Bromsgrove now due to join the organisation in February 2016 – somewhat later than the rest of the county which would join in November 2014. Some staff would transfer to new roles within the Department for Work and Pensions, which the Council's Human Resources Team would be supporting staff with.

Officers stated that the delay in joining the SFIS would be useful as it would provide opportunity to look at the implications for the service and how to make best use of resources moving forward.

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Cllr Fisher requested that it be formally recorded that when he had visited the Benefits Services Fraud Investigation Service he had been very impressed with members of staff and of the commitment they had shown to their jobs.

RESOLVED that

the report be noted.

14. DEBT RECOVERY UPDATE - QUARTERS 3 AND 4 2013/14

The Committee received a report advising Members on the collection and recovery processes of the Council's income team, and on outstanding debt levels.

Officers highlighted the key elements of the report, which it was noted was the second such report to have been referred to the Committee and which was being referred to Members on a six-monthly basis.

Officers explained that it was important to note that some of the debt detailed in the report was not necessarily formally overdue at the time the report was written. The total debt outstanding for Former Tenancy Arrears had seen a downward trend since 2010/2011. Current collect rates stood at 84%, with write-offs being kept to an absolute minimum.

Changes introduced by the County Council to Lifeline charges would see a significant rise in the number of invoices raised, with a large number of payments being paid weekly in cash which created a significant amount of additional work for staff. Direct debit was the cheapest payment method for the Council, with cash being the most expensive option and payments under £5 possibly costing the Council more to administer than their value. Officers stated that this might, in time, create the need for a report to Members looking at the viability of weekly payments and of available payment options moving forward.

A Member who was involved with the Redditch Older People's Forum stated that the message of cost needed to be relayed to Lifeline users, with there being a lot of vulnerable elderly people who used the service. She added that if there was any way the Forum could help in this regard then it would be happy to do so and that Officers should let them know if this was the case. Officers responded that they had spoken with the manager of the Lifeline service and that conversations were ongoing in relation to payment methods.

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A query was raised on the meaning of the table contained in the report showing the total debt outstanding at the end of each financial year, along with the total number and value of new invoices raised. Officers advised that this was relatively new information which had been requested by Members. It was noted that the total debt and number of outstanding debts related to many years and were the totals at the end of each financial year. The Independent Member commented that information on the number of debtor days and any upward/downward trends in this regard might be helpful in future, for possible better control, which Officers confirmed they would look to provide in the next update report.

RESOLVED that

the report be noted.

15. PORTFOLIO HOLDER UPDATE - 2013/14 OUTTURN

The Committee received an oral update from the Portfolio Holder for Corporate Management on the 2013/14 Outturn Report.

Members were advised that the accounts for 2013/14 had been drafted and authorised by the Director of Finance for submission to the External Auditors. The draft accounts would be sent to the members of the Committee within the following week or so, for consideration at the Statement of Accounts Briefing in early September. The full audit would take place in August and the final accounts presented to the Committee for approval at the end of September.

A full report would be presented to the Executive Committee later in July on the year-end financial position and the Portfolio Holder wished to present a summary to the Committee in advance of that.

When the Council set the budget there were £550k of savings which were not fully identified. During the year budget holders and managers had been working towards the delivery of those savings whilst ensuring there was no impact on front lines services or quality.

The savings had been delivered in a number of areas including:

- Only incurring expenditure on essential items;
- Holding vacancies where there was no urgent need to recruit immediately – posts such as waste collection operatives or swimming attendants would not be kept vacant;

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- Maximising income from the Council's services – e.g. the Palace Theatre and Abbey Stadium; and
- Utilising reserves to reduce costs in the year.

The Portfolio Holder was pleased to report that in addition to the unidentified savings being delivered the final underspend for the Council was £166k. This represented an increase on the original budget projections of £250k. The underspend would be transferred to balances, which now stood at £1.2m. This was in line with a robust position to support the Council with the financial pressures it would face in the future, however there was no scope for complacency.

Whilst it would be easy to identify savings by merely cutting jobs the impact on services of any such cuts would need to be looked at closely and clearly identified, with a number of service reviews currently being ongoing. The Independent Member commented that a cause and effect risk analysis could be looked at when undertaking service reviews. The Portfolio Holder agreed and confirmed that services were continually being reviewed and streamlined, with cause and effect being included as part of the process.

A Member commented that vacant posts should be removed if they were not required and not kept aside, and that whilst monies had been raised from the sale of Threadneedle House the annual rental income from the lease for this would be lost. Officers responded that a large number of staff had moved into Threadneedle House, with the rental income for this for the last financial year being £100k.

RESOLVED that

the Portfolio Holder's update be noted.

The Meeting commenced at 7.13 pm
and closed at 9.25 pm

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Chair