

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 25 February 2015 commencing at 2.00 pm and finishing at 5.05 pm.

Present:

Voting Members: Councillor David Wilmshurst – in the Chair
Councillor Sandy Lovatt (Deputy Chairman)
Councillor Jamila Azad
Councillor David Bartholomew
Councillor Jenny Hannaby
Councillor Roz Smith
Councillor Glynis Phillips (In place of Councillor Nick Hards)
Councillor Patrick Greene (In place of Councillor Tim Hallchurch MBE)
Councillor Lawrie Stratford (In place of Councillor Simon Hoare)

Non-voting Member Dr Geoff Jones

By Invitation: Mrs M Grindley and Mr A Witty, Ernst & Young

Officers:

Whole of meeting Lorna Baxter, Chief Finance Officer, Ian Dyson Chief Internal Auditor, Deborah Miller and Timothy Peart (Chief Executive's Office).

Part of meeting

Agenda Item

Officer Attending

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| 5 | Kate Terroni, Deputy Director for Joint Commissioning and Kate Macleod; Martyn Ward, Head of ICT Business Delivery. |
| 6 | Nigel Tipple, Chief Executive, LEP |
| 7 | Peter Clark, County Solicitor & Monitoring Officer |
| 8 | Hilary Cameron, finance Lead Transforming OCS Project and Sarah Currell and John McKenna, Customer Services. |

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports copies of which are attached to the signed Minutes.

10/14 MINUTES

(Agenda No. 3)

The Minutes of the Meeting held on 14 January 2015 were approved and signed subject to the following correction to Minute 7/15:

“Mr Grindley” to read “Mrs Grindley”.

Matters Arising

Minute 2/15 – Minutes

Mr Dyson asked for his apologies to Councillor Bartholomew to be recorded as he had not, as previously indicated, emailed the Councillor to confirm the accuracy of the response provided to his question on contract management training, (minute 61/14).

Mr Bartholomew questioned again why, given the resolution of the Committee, had the recommendation before Council been for one officer, one member and one independent person. Mrs Miller pointed out that Councillor Bartholomew had received a full and detailed response to this matter. Councillor Bartholomew thanked Mr Watson for his response but felt that it did not deal with the substantive point.

Mr Clark reiterated that Council had asked him, as monitoring officer, to carry out a review and give his recommendations back to Council. Mr Clark carried out extensive consultation when formulating his recommendations and in fact the recommendation in November to have 2 officers and one independent member had been changed as a result of the comments from the Audit & Governance Committee to one officer, one independent person and one member. This was then agreed by Cabinet and the Council. Ultimately, it was a decision for Full Council to take and was agreed in December.

Councillor Bartholomew questioned what kind of qualifications and experience the Independent panel members would have and from where they would be drawn. In response, Mrs Miller confirmed that the independent members would be drawn from an existing pool of experienced and qualified Independent Panel Members currently used by the Council for Independent Appeal Panels on Education Appeals.

Councillor Bartholomew requested that he be supplied with the names and relevant qualifications of Independent Panel Members.

11/14 SCS LEAN AND IT SYSTEM

(Agenda No. 5)

The Committee had identified the need to monitor the risk, control and governance arrangements in relation to the new Social Adult Care Project LEAN and IT system. Accordingly, Kate Terroni, Deputy Director Joint Commissioning and Kate Macleod, together with Martyn Ward, Head of ICT Business and Delivery had been invited to attend to give a presentation to the Committee.

The presentation (attached to the signed copy of the minutes) updated the Committee on the progress of two interlinking projects:

- The Adult Social Care IT Project which will deliver replacement computer systems for Adult Social Care (Swift) and Client Finance (Abacus); and.
- The Adult Services Improvement Programme which is delivering significantly more effective and efficient business processes using LEAN methodologies.

The presentation also gave an overview of the governance arrangements of the Projects, highlighted key changes in the way that services would be provided and advised on arrangements for ensuring the wider Council and its partners were aware and ready for the system go live in mid-2015.

In response to questions, the Deputy Director assured the Committee that the team had been retrained and that she was satisfied that the right people were in the right jobs. A lot of additional resources have been given to the project to ensure that it was delivered with a high level of accuracy and on time.

She further acknowledged the risks around the Funding Reform that might be coming into force in April 2016 and the additional workload this could create although officers would not know whether this was happening until July.

In response to a questions around data migration, including whether 100% was achievable and the percentage of migration that had happened, Mr Ward gave an undertaking to provide members with the figures of migration that had happened and Mrs Terroni, whilst accepting that timescales were very tight, assured the Committee that procedures were in place such as monthly operation boards looking at the accuracy of data and additional resource.

Mr Dyson, Chief Internal Auditor also confirmed that from an Audit point of view he was satisfied that the correct project governance arrangement were in place.

RESOLVED: to receive the presentation and receive a further update at its meeting in April

12/14 ACCOUNTABILITY OF THE LOCAL ENTERPRISE PARTNERSHIP

(Agenda No. 6)

The Committee had asked to be given a presentation on the County Councils accountability in respect of the Local Enterprise Partnership (LEP) and the Growth Board. Accordingly, the Chief Finance Officer gave a presentation to the Committee (a copy of which is attached to the signed copy of the minutes) which provided the Committee with some background in relation to the formation of the LEP, the funding that was routed via the LEP and an understanding of what it meant to be the accountable body for the LEP. The presentation also covered the governance arrangements of the LEP and the relationship between the LEP and the Growth Board.

The Chief Executive of the LEP, Mr Nigel Tipple was also in attendance.

Mrs Baxter stressed that the Government had been using the LEP's as a mechanism to pass various funding streams through to deliver economic development, but that this was enabling the priorities of the Local Authority to be funded. The Local Authority will be undertaking borrowing on behalf of the LEP which will be repaid through income from business rates in the Enterprise Zone, but that this was only a small proportion of the total business rate income expected over the life of the Enterprise Zone. She assured the Committee that, although the situation had been identified as a risk, it was being managed as capacity has been built into the budget to manage the cash flow should there be insufficient business rates in the first instance.

She further confirmed that the County Council had a memorandum of understanding and an assurance framework with the LEP to ensure responsibilities of both parties are clearly defined.

The Committee thanked The Chief Finance Officer for her comprehensive presentation and the Chief Executive of the LEP for attending.

13/14 COUNCIL REQUEST TO LOOK AT DEMOGRAPHICS OF COUNCIL

(Agenda No. 7)

In December 2014, Council received a report from the Independent Remuneration Panel on Councillors' allowances. During the debate on that item, Council endorsed the Panel's view that overcoming obstacles to wider demographic representation required solutions other than simply revised allowances.

Council had therefore asked the Audit & Governance Committee to give consideration to this issue. This was with a view to the Committee setting up a working group of interested members to report back to the Committee on potential options that the Council might adopt to encourage greater diversity of representation.

During discussion Councillor Bartholomew stated that, since the aim of the recommended cross-party working group would be to review how the County Council may encourage wider demographic representation and attract younger members, involvement with that working group should not be limited only to members of the Audit & Governance Committee.

Peter Clark, County Solicitor and Monitoring Officer, stated that whilst the Audit and Governance Committee could cast the net wide with regards to participation in the cross-party working group and task that working group with producing a report to inform the members of the Committee, it would ultimately be for the Committee to make recommendations to Cabinet.

Mr Clark stated that, to begin with, he would be happy to write to all members of the Committee with regards to setting up the working group.

RESOLVED:

- (a) to ask the Monitoring Officer to write to all members of the Audit & Governance Committee and Working Group to seek volunteers for a cross party working group of members to review how the County council may encourage wider democratic representation to the Council with the recommendations coming to the Audit & Governance Scrutiny;
- (b) agree the terms of reference at paragraph 13;
- (c) Ask the Monitoring Officer to provide support to the working group.

14/14 UPDATE ON HAMPSHIRE PARTNERSHIP

(Agenda No. 8)

The Committee had identified the need to monitor the risk, control and governance arrangements in relation to the proposed partnership arrangements with Hampshire County Council. Accordingly Hilary Cameron, Finance Lead Transforming OCS Project, Sarah Currell, Work stream Lead, HR and John McKenna, Oxfordshire Customer Services had been invited to attend and give a presentation to the Committee on this issue.

The presentation updated the Committee on progress on the 'On Boarding' Project for the partnership arrangements with Hampshire County Council for the provision of HR and Finance Services from 1 July 2015, including an overview of the governance arrangements of the Project, highlighting key changes in processes for HR and Finance and advice on arrangements for ensuring the wider Council is ready for the forthcoming changes. It also considered changes to internal controls and data security arrangements as well as updating the Committee on savings.

Mr McKenna reported that the project was on time and that they were currently in the first few weeks of the test phase which looked at defects that occurred and corrected them. In June the Project Team would be getting ready to deploy and that they were on plan to go live in July.

Mrs Cameron confirmed that from manager's point of view things should look largely the same with managers and employees doing more for themselves with a new on-line method of accessing services.

In response to questions from Members of the Committee around assurance, Mr Dyson reported that he was in contact with the Chief Internal Auditor at Hampshire who had confirmed that there was a strong control system in place in Hampshire. The issue remaining would be around compliance by staff and culture change issues. However, strong controls and systems were in place.

Members of the Committee expressed concern over the variable knowledge and understanding in schools and about how schools were communicated with. They further expressed concern over the timing of the new system as training would be in July then schools would have a long summer break.

Mrs Baxter acknowledged that it had been recognised that the change would be particularly challenging for schools as they do not currently have access to self-service tools and that a specific work stream for schools had been developed through the school partnership forums.

In response to questions around procure to pay, Mrs Cameron confirmed that although there would be an extended range of catalogues for staff to use, staff would not be able to use Hampshire's catalogues.

The Committee received a presentation and noted that there would be a further update at the Meeting in April.

15/14 ERNST & YOUNG EXTERNAL AUDITORS

(Agenda No. 9)

The Committee considered the following three reports from Ernst & Young:

- Local Government Audit Committee Briefing;
- Audit Progress Report Year Ending 31 March 2015;
- Certification of Claims and Return Annual Report 2013-14

In response to questions regarding Ernst and Young's capacity to deliver published accounts according to the new deadlines set out on Page 19 of the agenda in the 'Local Government Audit Committee Briefing' report, Mr Alan Witty, representative from Ernst & Young, stated that Ernst & Young was continuing to expand its capacity, that it is continuing to recruit and that it has a very strong team capable of delivering what was expected.

Mr Witty clarified that the 'Key questions for the audit committee' in the same report, on Page 23 of the agenda, were intended as helpful pointers of the kind of issues that the Committee may wish to consider in the future.

Councillor Stratford stated that he found the report very helpful as a crib list of the kind of issues that the Committee should be aware of and suggested that the report be circulated to all members of the Council.

RESOLVED:

- (a) To note the reports;
- (b) to circulate the Local Government Audit Committee Briefing report to all members of the County Council.

16/14 AUDIT WORKING GROUP REPORT

(Agenda No. 10)

The Committee considered a report (AG10) which summarised the matters arising at the meeting of the Audit Working Group on 12 February.

Mr Ian Dyson, Chief Internal Auditor, stated that there were no material issues arising from the meeting to report to the Committee.

In response to a member's enquiry as to whether there was to be extra training for Committee members regarding more complex issues, Mr Dyson stated that the

session immediately prior to Audit and Governance Committee meetings was used for training and briefings and that key themes were programmed into those sessions.

RESOLVED: to note the report.

17/14 URGENT BUSINESS - CHIEF EXECUTIVE & HEAD OF PAID SERVICE - NEXT STEPS

(Agenda No. 11)

Under the provisions set out in Section 100B (4) of the Local Government Act 1972 (as amended) the Chairman of the meeting was of the opinion that the above item could be taken after Agenda Item 10 as urgent business because of the need for this Committee to consider how it could be engaged in discussions flowing from the decision of Council on 17 February 2015 to the principle of moving towards a new management structure and the consequent removal of the post of Chief Executive.

Accordingly, Mr Clark, County Solicitor and Monitoring Officer, lead a discussion with the Committee as to how it could be engaged in discussions and decisions following on from the decision of Council on 17 February 2015 to the principle of moving towards a new management structure and the consequent removal of the post of Chief Executive.

Councillor Stratford, who was attending the Committee meeting as a substitute, clarified his position that, as he was a current member of the Cabinet, he would not be taking part in the discussion.

A number of members expressed their regret that a paper had not been brought to the Committee for its consideration before the decision of Council on 17 February.

Councillor Smith stated that, looking forward, the Committee would require a report into the future governance of the Council, the implications on staff and the implications of Cabinet members taking a more active role in the governance of the Council. She stated that either an additional meeting of the Audit Working Group (AWG) or an extension of the next planned meeting of the Committee would be necessary.

A member queried to what extent the Committee was empowered to recommend a new organisational structure. Mr Clark, stated that in his view the relationship between members and officers was critical to the work of the Council as set out in the Protocol on Member/Officer Relations and that it was very relevant for the Committee, as well others such as Political Group Leaders, to form a view of what would be appropriate and to make recommendations to Cabinet in terms of the organisational structure of the Council. Mr Clark stated that it may be best to refer the matter to the Audit Working Group for consideration under the proviso that all members of the Committee could take part in the discussion.

Dr Geoff Jones, Chairman of the Audit Working Group, expressed concern that the AWG could not be expected to start with a blank piece of paper in terms of designing a new constitution and that the AWG would require advice from Mr Clark and a report

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in order to facilitate the discussion. Mr Clark stated that he hoped to draft a report for the consideration of the AWG meeting on 9 April.

After further discussion, members agreed that the issue would be discussed at the Audit Working Group on 9 March 2015, a number of routine items on the agenda for the AWG meeting on 9 April would need to be moved, that the meeting should begin an hour earlier in order to extend the meeting and that an invitation to the AWG would be sent to all members of the Committee.

RESOLVED: to take a report to the Audit Working Group on 9 April 2015, the Meeting to start at 1.00 pm and routine items to be moved from that Agenda to allow for a full and frank discussion (to be agreed by Independent Chair Geoff Jones).

..... in the Chair

Date of signing 2015