

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 13 November 2019 commencing at 2.00 pm and finishing at 5.00 pm

Present:

Voting Members: Councillor Nick Carter – in the Chair

Councillor Tony Ilott (Deputy Chairman)
Councillor Paul Buckley
Councillor Dr Simon Clarke
Councillor Charles Mathew
Councillor D. McIlveen
Councillor Glynis Phillips
Councillor Roz Smith

Non-voting Members: Dr Geoff Jones

By Invitation: Richard Lovewell, Skanska
Adrian Balmer, Ernst & Young

Officers:

Whole of meeting Lorna Baxter, Director for Finance; Sarah Cox, Chief Internal Auditor; Colm Ó Caomhánaigh, Committee Officer

Part of meeting

Agenda Item	Officer Attending
5	Steve Smith, Head of Commissioning, Communities Directorate
7	Tim Chapple, Financial Manager – Treasury
8	Hannah Doney, Head of Corporate Finance
9	Sean Collins, Service Manager (Pensions)
10	Tessa Clayton, Audit Manager
12	Glenn Watson, Principal Governance Officer
13, 14, 16	George Eleftheriou, Director for Property, Investment and Facilities Management
13	Phil Longford, Soft Services Lead
14	Liz Clutterbrook, Service Delivery Lead Property; Anthony Hulsman, Hard Services Lead
16	Andrew Fairweather, Asset & Investment Team Manager

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.

74/19 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

There were no apologies received.

The Chairman noted that he hoped to ensure that the vacant position is filled by the next meeting in January.

75/19 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

In relation to Agenda Item 9 Changes to Constitution of Pension Fund Committee, Councillors Charles Mathew and Roz Smith declared that they are members of the Pension Fund Committee.

76/19 MINUTES

(Agenda No. 3)

The minutes of the meeting on 11 September 2019 were approved and signed.

On Item 66/19 External Auditors, Adrian Balmer confirmed that they met the deadline with the National Audit Office.

On Item 70/19 Internal Audit Plan, Sarah Cox confirmed that new audit staff had been appointed and that the Audit Plan is being reviewed. They expect to deliver all that they were hoping to.

The Health and Safety issue will be updated in the January report.

77/19 UPDATE ON HIGHWAYS PAYMENTS

(Agenda No. 5)

Steve Smith introduced the report. He recapped on the original problem with the SkanWorks system of tracking payments which meant that the Council could not make payments until they had been manually verified. At the peak there was a backlog of £6.5m. Skanska lost five optional one-year extensions on the contract over the problem. The issue has been substantially resolved now but there is a large backlog of payments to be worked through. They currently amount to £2.1m.

Steve Smith and Richard Lovewell of Skanska responded to Members' questions as follows:

- The management actions referred to in paragraph 3 were driven by the Council side. Staff will be trained on the new software once it is confirmed to be bug-free.
- The "mitigation measures" referred to in paragraph 4 are basically not paying until manually checked.
- Sufficient staffing is there to handle business-as-usual – the difficulty is clearing the backlog. It should be cleared by the end of the financial year in March.
- Inspections and KPIs are the primary measures used.

- Asset management are looking at more automated communications, for example in the case of temporary repairs pending more substantial work.
- The employment market is challenging at the moment with so much money being put into infrastructure projects.
- Work done through Oxford Direct Services is not affected.
- Increased efficiencies are being constantly discussed. Graphine is currently being trialed. It's added to the binder and could increase durability by 25 to 50%. It also uses hard plastics that are otherwise difficult to recycle.
- The Skanska contract currently ends in 2023 but there are two possible one-year extensions still to be decided. The procurement process for the next contract will commence early next year.

The Chairman requested that the service better promote to councillors and the public trials that are being carried out.

It was agreed that the situation was no longer urgent and the Committee would await the outcome of the internal audit in the next few months.

RESOLVED: to note progress to date.

78/19 EXTERNAL AUDITORS

(Agenda No. 6)

Adrian Balmer gave a verbal update. He had met with Council officers to review the 2018/19 audit plan with a view to making improvements in the 2019/20 plan. This will be presented to the Committee at the January meeting.

The Chairman, referring to the briefing document provided by Ernst & Young, stated that reports with unnecessary pictures and blank pages for notes will not be acceptable to the Committee in future.

Adrian Balmer summarised the briefing for the local government sector. The NAO consultation is likely to result in more work in annual audits on Value for Money which will be reported by the end of September each year. It is expected that this will result either in a higher audit fee or a separate fee for the Value for Money work. Reviews have suggested that fees are currently too low.

Members expressed the view that transparency suffered in line with reduced fees and that transparency must improve if fees are increased.

Asked about the reference to an expectation gap on Agenda Page 20, Adrian Balmer gave the example of the figure for materiality which members of the public would think is very high.

In reference to whether the briefing document was current, Lorna Baxter confirmed that it has been known since early September that the fair funding review will not be in time to be implemented for the 2020/21 financial year and that the social care grants will continue for another year in 2020/21.

It was agreed to circulate to Members by email, Ernst & Young's responses to the reviews and the Council's response to the Redmond Review.

79/19 TREASURY MANAGEMENT MID TERM REVIEW

(Agenda No. 7)

Tim Chapple summarised the report. The Council achieved an average in-house return for the period of 0.93%, below the budgeted rate of 0.98% set in the strategy. This was because the expected increase in interest rates did not happen. However, due to higher than budgeted cash balances, income receivable will be at least the level budgeted. Dividends from external funds and interest payable are in line with the budget.

Members raised a number of points and Officers responded as follows:

- Because the Treasury announced an increase of an extra 100 basis points over Gilts to PWLB rates in October, the Council was able to benefit from higher interest rates from lending to other local authorities. However, this also makes any borrowing the Council needs to do in the future more expensive.
- Although all the main parties are promising increases in spending, most analysts do not predict an increase in interest rates.
- The strategy for borrowing provides an option to fund new or replacement borrowing up to £100m through internal borrowing. We have only just gone into an internal borrowing position.

RESOLVED: to

- a) note the report, and**
- b) recommend Council to note the Council's Mid-Term Treasury Management Review 2019/20.**

80/19 FINANCIAL MANAGEMENT CODE

(Agenda No. 8)

Lorna Baxter introduced the item. The new code will come into full effect for the 2021/22 financial year. Hannah Doney gave a presentation outlining an early assessment of the code.

Officers responded to Members' questions as follows:

- The full guidance is not available yet but it is likely that the term "Leadership Team" is meant to include Members.
- It is proposed that the role of this Committee will be to examine budget processes rather than the numbers, which is the role of the Performance Scrutiny Committee. For example, this Committee could examine how the corporate plan links to the budget and if the budget is based on realistic assumptions. It was suggested that this would probably involve a presentation followed by an hour's discussion once a year. The Committee could focus on different aspects each year.
- We are doing much of this already but must be able to demonstrate it under the new code.

81/19 CHANGES TO CONSTITUTION OF PENSION FUND COMMITTEE

(Agenda No. 9)

Sean Collins summarised the report. The Pension Fund Committee (PFC) was in full agreement that training be required for Members of the PFC to ensure compliance with governance standards. At their meeting in September they discuss the issue of substitutes at PFC meetings and considered two options proposed by officers: that no substitutions be allowed or that only named substitutes be allowed who have completed the training. The option not to allow substitutes was adopted as a recommendation by six votes to four. It was up to the Audit & Governance Committee to recommend this to Council or to take a different view.

Members were agreed with recommendations a), b), d) and e).

Councillor Roz Smith, a Member of the PFC, stated that she could not see any reason why substitutes should not be allowed provided they had completed the training. Members might miss meetings due to unforeseen circumstances. There were only two Members of the PFC representing District Councils and she thought that it was particularly important that they should be able to be substituted.

Councillor Charles Mathew, a Member of the PFC, believed that Members of the PFC needed a sophisticated knowledge of pension law and investment. Substitute members – even if trained – could muddy discussions as a build-up of understanding is important.

Councillor Glynis Phillips asked if items on a PFC agenda were usually urgent or could a meeting be deferred if it looked like attendance was going to be poor. Sean Collins responded that officers can be delegated to make urgent decisions. Most items on an agenda could be deferred if necessary.

The Chairman suggested trialing no substitutes for one year. Councillor Paul Buckley disagreed saying that the situation whereby District Council representatives could not attend might not occur in a one-year period. He suggested as a compromise that substitutes only be allowed for District Council representatives.

The Chairman proposed to put the recommendations from the PFC to a vote. If the vote was not passed, he would put alternatives to a vote.

The recommendations were adopted by 6 votes to 2. Councillor Roz Smith asked for it to be minuted that she was only opposed to recommendation c) and supported the other recommendations.

RESOLVED: to endorse the recommendations agreed by the Pension Fund Committee as set out below and RECOMMEND them to Council:

- a) Ask Officers to draw up a Training Policy consistent with the proposals contained in the annex and summarised in paragraph 4 of this report;**

- b) **Agree to amend the Pension Fund Committee Governance Policy to mandate all Members of the Pension Fund Committee to complete training in line with the Training Policy;**
- c) **Amend the constitution so that no substitutions are allowed for Members of the Pension Fund Committee;**
- d) **Ask Officers in consultation with the Chairman, Deputy chairman and Opposition Spokesperson of the Pension Fund Committee to amend their Governance Policy/Terms of Reference to ensure the independence and impartiality of the Pension Fund Committee Members is assured; and**
- e) **Make the appropriate changes to the Terms of Reference and Constitution to formalise the new governance arrangements.**

82/19 UPDATE ON COUNTER FRAUD STRATEGY AND PLAN FOR 2019/20

(Agenda No. 10)

Sarah Cox summarised the report. Although a candidate had been identified for the position of Investigation Officer, they declined the offer. Options within the Council are now being explored. Training for Members is needed and there will be a survey of awareness among officers.

Sarah Cox and Tessa Clayton responded to Members' questions as follows:

- There are currently three cases under police investigation, none of them substantial.
- Discussions with Bucks County Council about joint-working are all early conversations.
- WODC uses the Glocs service – we are having discussions with both. South & Vale have a small resource. Cherwell uses the City service. We want to make sure there is a strong fraud response across all Councils.
- A Deprivation of Assets project coordinator has been appointed and is currently examining processes in other authorities. This involves identifying cases where people transfer assets to try to avoid care costs. A Council needs to decide how hard it wants to be on this issue. There can also be safeguarding issues.
- The new fraud case management system, Opus, went live in September.
- The figure of 2,379 bus passes cancelled is over two years. A reminder is included in information for surviving relatives.

RESOLVED: to note the progress with delivery of Counter Fraud Strategy and Plan for 2019/20.

83/19 AUDIT WORKING GROUP REPORT

(Agenda No. 11)

Sarah Cox introduced the report and asked if Members wanted the S106 issue to come before the Committee. It was agreed that it was sufficient for it to be reviewed at the AWG in June but that update will be critical.

Councillor Charles Mathew expressed great concern that the S106 and security bonds issues had both continued for over a year. He understood the recruitment challenges but the Council needed to make sure such problems were advanced.

Sarah Cox responded that the Chief Executive had made it clear that the situation is not acceptable. The AWG was more encouraged by the latest update which indicated that a new culture was being instilled. It is expected that the required software will be procured by June 2020.

RESOLVED: to note the report.

84/19 AUDIT & GOVERNANCE COMMITTEE TERMS OF REFERENCE

(Agenda No. 12)

Sarah Cox introduced the report. The new Terms of Reference do not material change anything, it's about clarity of wording. The CIPFA template was used and Glenn Watson ensured that any local requirements were covered.

Glenn Watson clarified that, although the December Council meeting had been cancelled, it falls to the Monitoring Officer to bring the changes into effect. This must be reported to Council but Council's approval is not required.

Councillor Roz Smith asked that training be provided for Members on Value for Money. Sarah Cox said that she would follow that up.

RESOLVED: to approve the updated terms of reference for the Audit & Governance Committee and request that this is included within the December 2019 review and update of the Constitution.

85/19 CORPORATE SECURITY UPDATE

(Agenda No. 13)

George Eleftheriou gave a verbal update. Currently security processes are dispersed and work has been going on in determining what is there in order to bring them into one service which will be under the Director for Property, Investment and Facilities Management.

The survey showed that most processes are functioning well but some were lacking. The next phase is to package them and see if particularly expertise is needed. Other work such as the Health and Safety Review is being incorporated.

Phil Longford added that they are working with all sections of the Council including the fire service and HR for example. They are looking at information governance and supply chain issues as well.

Members agreed that issues for lone workers are of high importance and asked that there should be some training for Members also on dealing with risks that they face.

86/19 CARILLION RECOVERY PLAN UPDATE

(Agenda No. 14)

George Eleftheriou summarized the report. It was now known, line-by-line, what needs to be done. The items will be broken down into three categories and contracts will be bundled to ensure the most efficient delivery. Work will start on the ground next year. All Headteachers have been informed and it is expected that most work will be completed by the end of next year.

Members thanked officers for the progress to date.

RESOLVED: to note the contents of the report.

87/19 EXEMPT ITEM

(Agenda No. 15)

The Chairman asked if any Member wished to discuss specific information in the exempt report in which case the meeting would have to continue in private. It was agreed that there was no need to go into private session.

88/19 CARILLION LEGACY PROGRAMME - NEGOTIATION ACTIVITY

(Agenda No. 16)

George Eleftheriou reported that the Council had done everything that was needed on its side. It was now up to the liquidators to respond.

Members agreed and asked for the matter to be brought back if there are any material changes.

RESOLVED: to note the contents of the report.

89/19 WORK PROGRAMME

(Agenda No. 17)

The following changes were agreed:

- Add Counter Fraud Update to the 18 March 2020 meeting.
- The meeting on 15 January 2020 will start at 2.30pm.
- The meeting in September 2020 will be changed to 16th.

..... in the Chair

Date of signing