

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 20 November 2013 commencing at 2.00 pm and finishing at Time Not Specified

Present:

Voting Members: Councillor David Wilmshurst – in the Chair

Councillor Charles Mathew (Deputy Chairman)
Councillor Surinder Dhesi
Councillor Janet Godden
Councillor Sandy Lovatt
Councillor Caroline Newton
Councillor Susanna Pressel
Councillor Roz Smith
Councillor Lawrie Stratford

Non-voting Member: Dr Geoff Jones

By Invitation: Maria Grindley and Alan Witty (Ernst & Young).

Officers:

Whole of meeting Ian Dyson, Chief Internal Auditor; Lorna Baxter, Chief Finance Officer; Peter Clark, County Solicitor and Monitoring Officer; D Miller and A Newman (Law & Culture).

Part of meeting

Agenda Item	Officer Attending
5	Gregory Ley, Financial Manager, Treasury Management
9	David Etheridge, Chief Fire Officer and Head of Community Safety.

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.

48/13 MINUTES
(Agenda No. 3)

The Minutes of the meeting held on 18 September 2013 were approved and signed.

49/13 TREASURY MANAGEMENT MID TERM REVIEW 2013/14

(Agenda No. 5)

The Committee had before them the report of the Chief Finance Officer report for the period 1 April-30 September 2013 (AG5). Gregory Ley, Financial Manager Treasury Management, in introducing the report indicated that a 0.87% return had been achieved, equating to interest of £1.610m. This was mainly due to grants being front-loaded to the start of the year and liquidity being prioritised. A total debt of £412m existed, with borrowing of £406m by the end of September 2013. There had been no profit or loss in gross performance, although there had been the cost of employing Investec Asset Management Ltd as fund managers on the Council's behalf.

Investec have provided a return of 0.0%, which was an underperformance influenced by market conditions in the US. The Committee were reminded that Investec was a 3-year investment strategy, over which the return had been 0.88%.

During discussion members queried if there were any constraints on changing the Council's fund managers. It was noted that Investec's performance had been queried for several years, and that they had failed their own benchmark. Lorna Baxter, Chief Finance Officer, confirmed that the Investec benchmark was based on a 3-year position, similar to the periods for Pension Fund investments. Ideally the investment should be left to the end of the 3 year period to determine whether it had achieved its mandate, but that the matter was being reviewed by the Treasury Management Team. She further reported that the remit of Investec was not about great returns, but rather about spreading investments and lowering risks on the Council's behalf.

In response to questions from members, Ian Dyson confirmed that Investec's performance was not a matter for the Audit & Governance Committee, but one for the Management Strategy Team to deal with as it related more to managing performance, than being a control issue.

Councillor Mathew felt that any new contract should basically be awarded on a flat-fee basis, as well as being dependant on the performance of the fund management company. This was an achievable aim he felt, and the correct the basis on which the Council should negotiate the terms of a new contract in this area.

Questions were asked as to the sums on deposit over the past 6 months and the interest received. It was confirmed that £350m was on deposit, which was more than in the past due to the grants being paid to the Council at the start of the financial year. The Committee also heard that Investec had previously provided a better return in that it had been more than 0%. Councillor Mathew asked for a written answer as to what the £6m long-term liabilities were with Investec and what the contingent liabilities were.

The Committee discussed the situation surrounding investing in Councils in Scotland generally, the impact should Scotland vote for independence and the position of Fife Council, in relation to their pension plan. Lorna Baxter commented

that short term, there were no concerns with this, but a decision would have to be made before a referendum took place, giving a timescale of less than 3 years.

The Chair noted that Lorna Baxter had now been appointed the Section 151 Officer for the Council, and congratulated her on her appointment on behalf of the Committee.

Following debate it was felt that the Committee remained concerned after Investec's performance and it was:-

RESOLVED:

The Committee noted with concern Investec's performance and that Investec's annualised return for the first six months of the year was 0.00% compared with a benchmark of 1.59%, and RECOMMENDED:

- (a) the Performance Scrutiny Committee to consider the matter further;
- (b) Cabinet to note concerns in relation Investec's performance as noted in paragraph 29 in the Council's Mid-Term Treasury Management Review 2013/14.

50/13 AUDIT WORKING GROUP REPORT

(Agenda No. 6)

The Minutes of two Audit Working Group meetings which took place on the 10 October 2013 and 7 November 2013, were before Committee (AG6). The main issues arising at the 10th October 2013 meeting were;

- Highways Contract;
- Risk Management Update;
- CEF Risk Management.

and from the 7 November 2013 were;

- Procurement Improvement Project;
- Client Charging update;
- Internal Audit Report;
- Work Programme.

The Minutes of these meetings were noted and agreed by Committee.

It was noted that the meetings of the Group would now take place in the afternoons only and that the meeting due to take place on the 24 April 2014, fell on the day after the Audit & Governance meeting. It was suggested that the meeting be moved back so that it would take place in May 2014.

During discussion, the Committee also requested that officers provide all members of the Committee with all dates of the Appeals & Tribunals sub-Committee's meetings, Home to School Transport Appeals, and Pension Benefits sub-Committee at which issues of dismissal and redundancy were decided, together with a log of the recommendations resulting from those appeals.

Recommendations were sought from members to attend tender presentations for the new social care management information system and it was:-

RESOLVED:

- (a) to note the reports;
- (b) to nominate Councillor Roz Smith and Councillor Charles Mathew attend the presentations and
- (c) To ask officers to report back to the Committee with any issues arising from appeals and tribunals.

51/13 ERNST & YOUNG - PROGRESS REPORT INCLUDING SECTOR UP-DATE

(Agenda No. 7)

The Committee had before them a progress report of Ernst & Young including a local government sector up-date (AG7). Maria Grindley, Audit Director, in introducing the report, welcomed the new Audit Manager, Alan Witty.

RESOLVED:

The Committee noted the contents of the report before them *and welcomed the new Audit Manager, Mr Alan Witty to the Committee.*

*wording added at the meeting on 15 January 2014.

52/13 REVIEW OF GOVERNANCE ARRANGEMENTS

(Agenda No. 8)

The Committee had before them a report (AG8) which Peter Clark, County Solicitor and Monitoring Officer, confirmed set out his intention to form a group to act as a sounding board, to be made up of members, ideally one from each group, with whom he could discuss matters in relation to the new governance arrangements and decision making.

In the past, members had not felt engaged and scrutiny processes were not felt to have been as effective as they could have been. The Governance arrangements had been approved as recommended and moves were now being made to achieve them, ensuring that the new arrangements were as effective as possible.

It was confirmed that the group would be in place until July 2014, and the timeline was set out at paragraph 9 of the report. Councillors Lovatt, Pressel Mathew and Roz Smith all offered to take part.

Peter Clark confirmed that the reports back to Committee would be his reports for the Committee to agree or disagree with, and not those of the new group. Although the meetings of the group would be as open as possible, he also reserved the right to hold any meetings privately and confidentially. He also reserved the right to make his own decisions following meetings with the group.

RESOLVED:

- (a) to note the report and
- (b) to nominate Councillors Lovatt, Pressel, Mathew and R. Smith to act as an informal sounding board for the Monitoring Officer.

53/13 FIRE & RESCUE SERVICE ANNUAL STATEMENT OF ASSURANCE

(Agenda No. 9)

The Committee were asked to consider the Statement of Assurance for 2012/13 (FRS) (AG 9). David Etheridge, Chief Fire Officer and Head of Community Safety, in introducing the report informed the Committee that although the Service enjoyed the governance arrangements of the County Council, the Service needed to be open and transparent. Oxfordshire FRS wanted to maintain its involvement with members, which had been viewed good practice by other Fire Authorities.

He further reported that the Operational Assessment Peer Challenge (page 70 of the agenda pack) of the Oxfordshire FRS had been due to take place in December 2013. This was an independent report, conducted by senior Fire Officers from other services and a senior Police Officer, covering a broader base than the Statement of Assurance. However, the Operational Assessment had been delayed until April-May 2013, due to planned industrial action within the Fire & Rescue Service.

Peter Clark confirmed that the Statement of Assurance had been originally due to come before the Committee in September 2013, but had been delayed due to the pending peer review. In view of the further delay of the peer review, it had been decided that this Statement should be brought before Committee now, but that it may be subject to further amendment.

The Committee noted that the Environmental Risk referred to in the report at page 54, reflected the fact that the Oxfordshire FRS were the first port of call for the Environment Agency should there be pollution in the watercourses. The Committee also noted the potential risks to the workforce in the event of a chemical or spillages resulting from road traffic accidents.

David Etheridge confirmed that the Statement of Assurance was due to be up-dated every year, and would be before the Committee in September 2014.

RESOLVED:

to approve the publication of the Statement of Assurance 2012/13, noting that the Operational Assessment Peer Challenge was scheduled for April/May 2014.

54/13 COMMITTEE WORK PROGRAMME 2013/14

(Agenda No. 10)

RESOLVED:

the Committee noted the Committee's work programme for 2013/14.

.....

..... in the Chair

Date of signing

2013