

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 8 November 2017 commencing at 2.00 pm and finishing at 5.15 pm

Present:

Voting Members: Councillor Nick Carter – in the Chair

Councillor Tony Ilott (Deputy Chairman)
Councillor Paul Buckley
Councillor Ian Corkin
Councillor Helen Evans
Councillor Charles Mathew
Councillor D. McIlveen
Councillor Les Sibley
Councillor Roz Smith

Non-Voting Members: Dr Geoff Jones

By Invitation: Paul King, David Guest and Ruth Plucknett, Ernst & Young

Officers:

Whole of meeting Nick Graham, Director of Law and Governance and Monitoring Officer; Ian Dyson, Assistant Chief Finance Officer (Assurance); Sarah Cox, Chief Internal Auditor; Colm O Caomhánaigh, Committee Officer.

Part of meeting

Agenda Item

	Officer Attending
5	Owen Jenkins, Director of Infrastructure Delivery
6	Fiona Percival, Strategic HR Manager; Mark Hopping, Programme Manager
8	Joseph Turner, Financial Manager (Treasury)
9	Graham Shaw, Director of Customer Experience

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

59/17 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

There were no apologies for absence.

60/17 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

There were no declarations of interest.

61/17 MINUTES

(Agenda No. 3)

The minutes of the meeting on 6 September 2017 were agreed and signed subject to the following correction:

Item 51/17 in the second paragraph, delete the final word of the first sentence "homes" and replace with "agencies".

In response to a question from Councillor Roz Smith it was confirmed that no further changes were made to the Statement of Accounts 2016/17 following the last meeting.

62/17 PERFORMANCE OF HIGHWAYS PARTNERSHIP CONTRACT

(Agenda No. 5)

Mr Jenkins introduced the report and drew attention to some key points. The original contract was for 10 years and each year an extension of one year is considered depending on Strategic Performance Indicators (SPIs). So far, three extensions have been added while four were not. The main concern currently surrounds SPI9 and it has been agreed that future extensions would be dependent on complete and successful implementation of the IT system SkanWorks.

Officers responded to issues raised by Members as follows:

- The problems with SkanWorks mean that the Council has to spend more time checking work manually. It is expected that the problems will be resolved by the end of March 2018 – if not their profits will be heavily penalised.
- The red rating on SPI9 and the amber rating on SPI1 are the primary reasons why a contract extension was not awarded this year.
- The data on which OPIs are measured is checked monthly and audited.
- The contract was drawn up at a time when sufficient money was being invested to improve road conditions. Since then budget cuts have meant that the goal has changed to managing a decline in conditions.
- The targets are set taking into account the amount of money invested.
- Any amendments to the contract need to be agreed by Cabinet. Smaller changes would be a performance scrutiny issue.
- HSEQ on page 15 of the Agenda stands for Health, Safety, Environment and Quality.
- A business case has been drawn up for the construction of salt barns. It is expected the £4m investment will be offset by savings over a few years.
- The 28% figure in SPI1 relates to the percentage of A and B roads that are not in an acceptable condition. The current figure of 32.66% is in line with the national average.

- Regarding the use of recycled plastic in road surfacing, the Council is not involved in trials but is monitoring developments. Currently tar bound material is recycled into new surfaces.
- There is nothing in the contract regarding pay rates but given the current difficulties in hiring, pay rates have to be reasonable.
- Complaints from the public are monitored and Skanska must conduct letter drops to residents for feedback.
- Asked why the Finance OPI had declined over the first five months of this year and if the variations in the OPI graph shown on page 16 of the Agenda are seasonal, Mr Jenkins responded that he did not have the information to hand and would circulate it to Members after the meeting.

Members also commented that the report contained a lot of good news and in particular complimented the performance of and savings made by the 'dragon patcher'.

RESOLVED: to

- a) note the contents of the report; and**
- b) advise of areas of operational concern to help inform performance measures for 2018/19.**

63/17 PRESENTATION ON THE CUSTOMER SERVICE IMPROVEMENT PROGRAMME

(Agenda No. 6)

Mr Dyson gave a presentation on the Customer Service Improvement Programme. He described how staff using IBC as part of their feedback are asked to give one word to describe the service. A year ago, the resultant word cloud was dominated by negative words whereas now they are mostly positive. There are still some negatives to be addressed.

Members asked if future reports or presentations could include the word clouds and also dashboards giving information on all aspects of improvement.

Officers responded to issues raised by Members as follows:

- The structure of HR information is very inflexible especially when changes are needed. This sometimes results in wrong cost centres being identified.
- Officers do not believe that the Council made the wrong decision in buying in to IBC. The system is improving. Some of the problems were as a result of deficiencies on the Council's own part.
- Apart from advertising positions available, the Council has attended recruitment events, especially in relation to care staff. Events in libraries to assist people in applying for jobs are also planned.

Mr Dyson stated that the financial aspects will be on the agenda for the December meeting of the Audit Working Group.

64/17 EXTERNAL AUDITORS

(Agenda No. 7)

Mr King explained that the letter was a PSAA requirement at the end of the annual audit and was essentially a high-level summary of the audit, the detail of which was included in the Audit Results Report which was presented to the Committee in September. The auditors are working with Council Officers to ensure that next year's audit will be completed for the earlier completion deadline at the end of July.

Mr King and Council Officers responded to questions from Members on the following issues:

- The different views on the service concessions referred to on pages 31 and 32 of the agenda do not currently have a material impact. The Council will consider the auditor's views in relation to the 2017/18 accounts.
- The earlier deadline will not result in an increase in fees, which are set by PSAA and are unchanged for 2017/18. Under the new auditor arrangements with PSAA, scale fees are expected to reduce by about 18% in 2018/19.
- The auditors do not believe that the objections being dealt with, which prevent the formal conclusion of the 2015/16 and 2016/17 accounts, will impact on the Council's reputation.
- The differences on valuations of property, plant and equipment are not unusual. This issue has been a significant focus for auditor regulators. Codes of accounting practice are followed but the Council is reviewing the process.

On hearing that Ms Skivington is leaving the Council, Members thanked her for her excellent work on the accounts and wished her well in the future.

RESOLVED: to note the report.

65/17 TREASURY MANAGEMENT MID TERM REVIEW 2017/18

(Agenda No. 8)

Mr Turner presented the report. The Council's cumulative total external debt decreased by £6m between April and September. No new debt financing has been arranged during this year.

Mr Turner responded to Members' questions as follows:

- It is expected that Brexit will mean more expensive borrowing and that credit ratings will suffer.
- Most of the Council's borrowing is at fixed rates so the recent interest rate rise will not have much impact. In fact, there is likely to be a benefit from variable rate investments.
- Information on the weighted average maturity of the Council debt portfolio and ethical investment strategy will be provided to Members after the meeting.

RESOLVED: to note the report.

66/17 CYBERSECURITY

(Agenda No. 9)

At the request of the Chairman, Mr Shaw gave a presentation on the latest situation regarding Cybersecurity with a view to the Committee receiving a full report at a later meeting. The presentation also covered the European General Data Protection Regulations (GDPR) which come into effect in May 2018 - regardless of Brexit.

Mr Shaw and Mr Graham responded to questions from Members as follows:

- The Council benefits from support from the government's National Cyber Security Centre.
- The security of data is becoming even more important as the Council operates more and more online. It's an important issue in contracts with suppliers and partners.
- The coming GDPR requires a big project plan including the Council's contractors. The new regulations will include very substantial fines.
- Councillors have responsibility for their own data in regard to their local role.

67/17 AUDIT WORKING GROUP REPORT

(Agenda No. 10)

Ms Cox presented the report. The group discussed the three red audit reports and will come back to them at the February and April AWG meetings.

Training will be provided to Members on risk management immediately before either the January or March Committee meeting.

RESOLVED: to note the report as circulated in the addenda.

68/17 WORK PROGRAMME

(Agenda No. 11)

The Chairman encouraged Members to suggest items for the work programme.

The Committee agreed the following changes:

For 10 January 2018:

Change "Cyber Security" to "General Data Protection Regulations"

For 7 March 2018:

Add "Local Code of Corporate Governance"

The question of whether the Transformation Update will come to the January or March meeting will be kept under review by the Chairman.

..... in the Chair

Date of signing