

GOVERNANCE & AUDIT COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit Committee held on Friday 27 January 2012 at 3.00 pm in the Civic Offices, Portsmouth.

(NB These minutes should be read in conjunction with the agenda and reports for the meeting.)

Present

Councillor Terry Hall (In the Chair)
Councillors Michael Andrewes
Donna Jones
Robert New

Officers in Attendance

Michael Lawther, City Solicitor and Strategic Director
Jon Bell, Head of Audit and Performance Improvement
Michael Lloyd, Directorate Finance Manager (Technical & Financial Planning)
Rob Watt, Head of Adult Social Care
Kelly Nash, Corporate Performance Manager
David Pennery, Auditor
Jan Paterson, Senior Manager Human Resources
Jacqueline Coonie, Senior Manager HR - Employee Relations

Mark Justesen, Audit Manager, Audit Commission
Kate Handy, District Auditor

1 Apologies for Absence (AI 1)

Apologies for absence were received from Councillors David Fuller and John Ireland.

Mr Chris Ward, the Head of Finance, Portsmouth City Council had also submitted his apologies for the meeting.

2 Declarations of Interest (AI 2)

Councillor Hall declared a personal and non-prejudicial interest in relation to agenda item 6 with reference to mention of Southsea Town Council in that her husband had previously been a Southsea Town Councillor and was also its "Responsible Financial Officer".

3 Minutes – 10 November 2011 (AI 3)

RESOLVED that the minutes of the meeting held on 10 November 2011 be agreed as a correct record and signed by the chair accordingly.

4 Matters Arising from the Minutes (AI 4)

(a) Minute 61(a) – Development of the Capability and Capacity of Members

CSol

The City Solicitor reported that he was trying to get a date for a meeting with a group of members to review the effectiveness of member training and how the needs of members could best be met. He undertook to get a date in the diary within the next two weeks.

(b) Minute 67 - Treasury Management Midyear Review for 2011/12

HF

With reference to the first paragraph at the top of page 29 regarding Councillor Donna Jones' questions and comments about the City Council's exposure to particular sections of the investment market worldwide, Councillor Jones reported that she had not yet discussed these matters with the Head of Finance but expected to do so at a later date.

5 Update report from the District Auditor (AI 5)

(TAKE IN REPORT)

Mr Mark Justesen referred to page 3 of the report explaining that the financial statements for 2011/12 were being discussed with the finance team and a visit would take place the following month to discuss the close down process. The current focus was on the audit plan which had been discussed with officers with a view to finalising it within a week or so to be brought to the next meeting of this Committee.

Ms Kate Handy, the District Auditor reported that the District Auditor's external audit had been completed and the draft conclusions were currently with the audit team from whom responses would be received by the following Monday. The police had also been consulted and their response was due to be received soon. It was expected that the report would be issued the following week and forwarded to the City Solicitor and Monitoring Officer.

The 2011/12 final accounts workshops would be taking place on Tuesday of the following week.

The final update communication from the Audit Commission would be published on the morning of 6 March. The commission had shortlisted 14 suppliers and would be deciding which supplier would be responsible for the area including Portsmouth.

CSol

It was agreed that the City Solicitor would report to the committee on this matter by email.

CSol

In response to a question from members, the City Solicitor explained that he did not think that new legislation on data transparency would be a major issue. However, he would seek clarification.

Councillor Hall referred to bullet point 6 on page 12 of the report regarding the single person discount comparator tool to compare the council's levels of single household council tax discount with the predicted level. Apparently, Experian monitors single discount households. Mr Jon Bell explained that the City Council used various methods of obtaining this information and did not believe that the methods used were out of kilter with methods used by other councils.

HF In regard to a query about the housing revenue account, Mr Michael Lloyd explained that this was due for reform and he believed it would come into effect at the beginning of 2012/13. Mr Lloyd agreed to send the consultation exercise on the housing revenue account to Councillor Jones.

CEx **RESOLVED that the update from the District Auditor be received and that the Chief Executive be requested to take any action required in it.**

6 Internal Audit Performance Status Report to 9 December 2011 for Audit Plan 2011/12 (AI 6)

(TAKE IN REPORT)

Mr Jon Bell introduced this report and stated that the audit plan was on target in comparison with previous years. He referred members to the exceptions and progress set out in paragraphs 5.7 to 5.9 of the report and the critical exception set out in paragraph 6. He stated that the Internal Audit strategy needs to be agreed at the start of each year and this would inform the audit plan for 2012/13. The report sets out how the process is followed through.

Councillor Hall referred to paragraph 12 on page 3 of the Internal Audit strategy asking whether the work involved in producing the audit plan might decrease if more schools were to become academies. Mr Bell explained that this could potentially have that effect but it would depend on the schools in question. Schools would still have a requirement to ensure that the audit process was completed. Therefore, it was likely that the City Council would continue to work with them.

Mr Rob Watt, the Head of Adult Social Care, referred to the issue regarding the home workers of the Portsmouth Rehabilitation and Re-ablement Team (PRRT). The issue concerned staff members not being able to work their contracted hours as a result of variations in client care needs after rotas have been drawn up. The lost hours related to the service provided by the Independent Living Service and the Rapid Response Service. These services were provided to allow patients to become more independent after leaving hospital.

The unused hours were decreasing from a level of 700 hours in June last year to around 170; but there were difficulties in further reducing these unused hours. Forty unused hours could be attributed to failure to inform the City Council in cases where a patient has been readmitted to hospital. Officers can also be turned away by the patients themselves for various reasons. Therefore it is not practicable to reduce unused hours to zero.

The team manager was undertaking a detailed analysis of how hours could be reorganised and was looking at electronic rostering. The service was dependent on information regarding patients being readmitted to hospital in order to reallocate staff time.

RESOLVED THAT:

(1) Members note the Audit Performance for 2010/11 to 9 December 2011;

(2) the highlighted areas of control weakness for the 2011/12 Audit Plan be noted by Members; and

(3) Members approve the proposed Audit Strategy for 2012/13 Audit Plan.

7 Performance Management Update (Qtr 2 - 2011-2012) (AI 7)

(TAKE IN REPORT)

The Corporate Performance Manager, Ms Kelly Nash, introduced this update report which outlined the new approach to corporate performance management in Portsmouth City Council. It was pointed out that in paragraph 5.5 in the last sentence the reference to “quarter 3, 2011-12” should read “reporting on quarter 3, 2011-2012”.

HAPI

Councillor Jones sought and received confirmation that updates would be given to members on a quarterly basis.

Councillor Jones welcomed acknowledgement of the need to change the quarterly performance reports. She commented that the key to the council’s business planning is accountability. She asked whether members were likely to become more involved in performance management. Mr Bell commented that members played a very important role in the performance management process. The current thinking was to move away from merely producing reports and Ms Nash’s role was to progress the new approach. Member involvement would be via the portfolio holders, opposition spokespersons and scrutiny panels. He added that managers would welcome input from members and could put support mechanisms in place to enable members to become more involved.

In response to a question from Councillor Andrewes about how members are able to question performance indicators, Ms Nash explained that it was possible to raise such matters with the head of service or with her in conjunction with the strategic director. Feedback to the City Council on business plans would be provided. This could be considered when officers compiling business plans were looking at pressures, demands etc. but details would not necessarily be provided in the document itself.

HCCDS

Following a query from Councillor Andrewes, Councillor Jones pointed out that the Head of Customer, Community & Democratic Services was reorganising the help desk, as this service was being enlarged. All data is monitored and used for the compilation of the business plan. Information on this is provided to the Resources portfolio holder. It was agreed that the Head of Customer, Community & Democratic Services should be invited to attend the next meeting to give an update on the plans for the help desk.

Mr Bell added that there used to be a requirement to carry out an annual MORI poll but this was no longer the case. With hindsight, this may leave a gap in the council's ability to measure resident satisfaction.

RESOLVED that the Committee note the progress in developing a new corporate performance management framework.

8 Annual Governance Statement (AGS) 2010/11 actions and draft statement for 2011/12 (AI 8)

(TAKE IN REPORT)

Ms Nash introduced this report stating that the Annual Governance Statement was a statutory requirement. She added that the report focused on issues arising from the last statement.

Reference was made to paragraph 4.4 regarding how and when the self-assessment would be carried out. Mr Bell explained that he and Councillor Hall would be undertaking this exercise.

Responding to a question from Councillor Jones regarding page 6 of Appendix 1 and the need to link the budget process and the service planning process more robustly, Mr Bell explained that this was achieved in a number of ways by bringing together resource planning and the business programme.

RESOLVED (1) that members note progress made against issues arising from the Annual Governance Statement for 2010/11, as presented in Appendix 1;

(2) that members note the early draft of the Annual Governance Statement for 2011/12, which is attached as Appendix 2 to the report.

9 Regulation of Investigatory Powers Act 2000 (RIPA) (AI 9)

(TAKE IN REPORT)

The City Solicitor explained that he is the Senior Officer responsible for RIPA. PCC currently has three Authorising Officers: Ms Lyn Graham, Ms Elizabeth Goodwin and Mr Robert Briggs. The City Solicitor reviews the authorisations to ensure that there is compliance with the policy and legislation, and then reports to this committee. Every other year the City Council is inspected by the Office of the Surveillance Commissioner (OSC). It is proposed, by the Government, that Local Authorities will have to apply to the magistrates' court, for authorisation to carry out directed surveillance under RIPA.

It was reported that much of the surveillance work involved blue badge frauds, counterfeit clothing sales and breach of licensing conditions. Reports had been produced quarterly. However, it might be sufficient to report annually.

In response to questions from various members the City Solicitor explained that it was not within the council's RIPA procedures to seek the approval of portfolio holders before taking action under RIPA. This was because these matters related to serious criminal investigations and it was not the role of Members under our RIPA procedures to be engaged in the decision making process as to whether or not to authorise such investigations.

It was explained that there were many more concerns raised than officers available to deal with them. It was further explained that details of any costs involved in transferring RIPA authorisations to the magistrates' court have not been published. Applications were likely to be more time consuming and would therefore be more costly and a fee could be expected. The City Solicitor was asked to check on likely costings and report to the next meeting.

CSol

In response to a question about the additional capacity needed to undertake all the work, the City Solicitor explained that this was unknown presently. However, they had enough staff to undertake the high profile work which would be given a lot of publicity in order to deter possible future offenders.

Members agreed to change the recommendation to six monthly reports.

RESOLVED: (1) that the Committee note the RIPA applications authorised for 2011 from January to December 2011;

(2) approve the change in reporting to Members every six months.

10 Treasury Management Monitoring Report for the Third Quarter of 2011/12 (AI 10)

(TAKE IN REPORT)

Michael Lloyd, Directorate Finance Manager (Technical & Financial Planning), introduced this report explaining that it set out the council's treasury management position as at 31 December 2011. He added that the council was generally on track. There was no direct exposure to the problems associated with European banks. However, there was some funding vested in AAA rated international money market funds which currently make up 4% of the council's investment portfolio. Therefore, there is some indirect exposure to the Euro zone. However, these funds were all short term and well diversified.

The Treasury Management Strategy for the next financial year would be brought to this committee for the March meeting. It would also go to the Cabinet and to the full council.

Councillor Hall pointed out that regarding recommendation (1) the reference to 31 December 2012 should read 31 December 2011.

Councillor Jones asked if it was possible for members to receive a comparison of possible income receipts from AA and AAA rated money markets over various time periods. She added that it would be useful to see how much income could be gained and an analysis of the risks.

HF

Mr Lloyd agreed to provide this for the next meeting.

In reply to a question from Councillor Hall, Mr Lloyd explained that the £6.4 million referred to in paragraph 4 would be likely to be funded via further borrowing in March.

RESOLVED (1) that the following actual treasury management indicators for the third quarter of 2011/12 be noted:

- (a) **The Council's sums invested for periods longer than 364 days at 31 December 2011 were:**

	Actual £m
Maturing after 31/3/2012	16
Maturing after 31/3/2013	0

- (b) **The Council's fixed interest rate exposure at 31 December 2011 was £258m, i.e. the Council had net fixed interest rate borrowing of £258m**

(c) The Council's variable interest rate exposure at 31 December 2011 was (£209m), i.e. the Council had net variable interest rate investments of £209m

(d) The maturity structure of the Council's borrowing was

	Under 1 Year	1 - 2 Years	3 - 5 Years	6 - 10 Years	10 - 20 Years	20 - 30 Years	30 - 40 Years	40 - 50 Years
Actual	1%	5%	4%	6%	12%	12%	7%	53%

11 Information Commissioner's Office Data Protection Audit Recommendations and Proposed Actions (AI 11)

The City Solicitor introduced this report which was to update members on the progress of the Information Commissioner's Office audit findings. He explained that there had been nine security breaches. He was pleased with the outcome of the audit and Portsmouth was given the second highest result. None of the issues had caused any major problems. It was hoped that further progress would be made in time to report by the next meeting.

The City Solicitor went on to explain the categories of recommendations:

- Green – Completed
- Amber – To do by next meeting
- Red – A requirement to identify someone in the organisation to audit all assets and to keep the asset register up-to-date.

The City Solicitor explained that he would be asking for funding for this task, which was time-consuming but not a high level task.

With reference to paragraph C26 in the audit recommendations table regarding the data relating to records management, members asked how they would know when this task had been completed. The City Solicitor agreed to get clarification.

CSol

RESOLVED that the Committee:

- (1) note the completion of the Audit recommendations implemented since August 2011; and
- (2) note the status and progress of the remaining recommendations.

12 Performance Development Review (PDR) Policy – report back on Employment Committee Decision (AI 12)

(TAKE IN REPORT)

Ms Jan Paterson, Senior Manager Human Resources, introduced this report and explained that the Employment Committee at its meeting had agreed that the proposals put forward were acceptable. The committee had made it very clear that the PDR process is compulsory. As a quality measure, there was a requirement for strategic directors to ensure that PDRs are carried out throughout the organisation.

Ms Paterson mentioned that a mini survey would be carried out to gauge staff feelings about the way they are managed. A report would be compiled for members.

In reply to a question from Councillor Jones regarding the completion of the values and behaviours document, Jan explained that it had been completed and would be submitted to the Strategic Directors' Board on 8 February with the recommendation that it be adopted.

RESOLVED that Members note the revised policy and decision of the Employment Committee.

13 Future of Local Public Audit (AI 13)

(TAKE IN REPORT)

Mr Jon Bell introduced this report stating that the government had issued a consultation paper some time ago on the future of external audit. Portsmouth City Council had responded to the consultation. At the end of the consultation period the government had collated all the responses taking into account the recommendations. Mr Bell explained that this report was a summary of the changes; but members were welcome to read the full report if they wished.

One of the intentions of the proposed changes was to make local public audit more risk based. The arrangements with regard to public interest reporting were broadly similar. He commented on the long lead-in time. The commission was in the process of awarding contracts over the next 3-5 years for external audit and new audit arrangements would take effect after that.

In response to a question from Councillor Jones, the City Solicitor explained that the audit appointment panel would meet once a year. However, they had to create a framework of audit firms. It was the job of the appointment panel to appoint an audit firm from that framework.

RESOLVED that members note the changes proposed to the paper.

14 Exclusion of Press and Public (AI 14)

RESOLVED that the Committee adopt the following motion:

“That, under the provisions of Section 100A of the Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985, the press and public be excluded for the consideration of the following items on the grounds that the reports contains information defined as exempt in Part 1 of Schedule 12A to the Local Government Act, 1972”.

The public interest in maintaining the exemption must outweigh the public interest in disclosing the information.

Item	Exemption Paragraph No*
15 Review of Precautionary Special Leave (PSL)	3, 4 & 5

***Paragraph Exemption Nos:**

- 3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)**
- 4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under the authority.**
- 5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.**

15 Review of Precautionary Special Leave (PSL) (Exempt) (AI 15)

Ms Jacqueline Coonie, Senior Manager HR Employee Relations, introduced this report explaining that the committee had asked for the report at the last meeting in November. A list had been prepared in November when the HR Service had produced a snapshot view of the position at that time.

The majority of instances where precautionary special leave is required relate to schools, as they represent half of Portsmouth City Council employees.

Members requested six monthly reports on precautionary special leave rather than annually.

The meeting concluded at 4.55 pm.

TMD/DMF
1 February 2012
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