

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 15 September 2017 at 10.30 am at the Conference Room B - Civic Offices

(NB These minutes should be read in conjunction with the agenda for the meeting which can be found at www.portsmouth.gov.uk.)

Present

Councillor John Ferrett (in the chair)

Councillor Steve Hastings
Councillor Leo Madden
Councillor Neill Young

Officers

Jon Bell, Director HR Legal and Performance
Julian Pike, Deputy Section 151 Officer
Lizzi Goodwin, Chief Internal Auditor
Paul Somerset, Deputy Chief Internal Auditor
Michael Lloyd, Finance Manager,
Robert Parkin, Deputy City Solicitor and Deputy Monitoring Officer
Kelly Nash, Corporate Performance Manager
Liz Wylie, Training Manager
Stewart Agland, Local Democracy Manager

External Auditor

Helen Thompson, Executive Director, Ernst & Young.

40. Apologies for Absence (AI 1)

Apologies for absence were received on behalf of Councillor Hugh Mason and Councillor Scott Harris.

41. Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

42. Minutes from the meeting held on 30 June 2017 (AI 3)

RESOLVED that the minutes of the meeting held on 30 June 2017 be confirmed and signed by the Chair as a correct record.

43. Updates on actions identified in the minutes (AI 4)

Members received updates as identified in the minutes as follows:-

- The Chair had been briefed on MMD
- With regard to the first bullet point on page 10 of the documents pack, it was confirmed that a Director, James Hill, had attended the meeting last time and that the meeting today would be addressed by Andy Biddle on behalf of the Director of Adult Social Care.
- With regard to the installation of sprinklers in council properties, Julian Pike advised that indications were that this would be very costly and that work was ongoing. It was likely that a report would be prepared but a decision on where the report would go had not yet been taken.
- It was confirmed that all fire certificates were done and evidenced.

Deputation

The Chair invited Mr Jerry Brown who had given notice that he wished to make a deputation on items 7, 8 and 9 to speak to those items which he then did.

His deputation included comments on

- schools, he referred to the letter to the Chief Executive from Ofsted dated 16 March 2016, following an inspection of local authority arrangements for supporting school improvement. He said that there appeared to be no reporting on the five urgent actions that were to be implemented and monitored by HMI
- In relation to the Commercial Port, he noted that there were no submitted accounts.
- He asked which parts of the property portfolio were underperforming and also what the rates of interest were on the investment portfolio
- In relation to Wightlink it appeared that unplanned borrowing had been necessary to support a refinancing deal and provided an extract from a report that had gone to the Planning, Regeneration and Economic Development portfolio. He queried why the overspend was £14.4m but only £10.6m had been identified.

The Chair thanked Mr Brown for his deputation.

44. Annual Governance Statement 2016 to 2017 (AI 5)

(TAKE IN REPORT)

Kelly Nash introduced the report and said that the format had been slightly revised but that the content remained broadly similar. She advised that there was nothing in particular that she wished to bring to Members' attention.

- Members asked whether the revision of the Constitution was important or not as it appeared in consecutive reports but did not appear to be progressing. The Chair agreed and said he would ask the City Solicitor to report progress on this at the next meeting.
- The Chair drew members' attention to page 15 of the appendix which stated that " Due to the number of critical and high risk exceptions raised under the audits carried out, the Audit opinion for 2016/17 is that only limited assurance on the effectiveness of the control framework

can be given." He said that members should be mindful of the comments made and in particular about the financial constraints.

RESOLVED that the Committee agreed the Annual Governance Statement 2016/17 (Appendix 1)

45. Statement of Accounts 2016 to 2017 (AI 6)

(TAKE IN REPORT)

Julian Pike introduced the report and explained that under the Accounts and Audit Regulations 2015 the Director of Finance and Information Services was required to sign and date the statement of accounts, and confirm that he was satisfied that the accounts presented a true and fair view of the financial position of the authority at 31 March and of the authority's income and expenditure for 2016/17, by 30 June 2017. He advised that members of the public were able to look at the accounts from 3 July 2017 to 11 August 2017 but that no one had done so.

The Chair said that members had been given an opportunity to receive a presentation on the accounts.

A query was raised about a discrepancy between the earnings of the Chief Executive and Senior Officers that was included in this report and figures that had appeared in the Pay Policy Statement recently. Jon Bell said he would find out why that was and would advise the committee.

With regard to the Harbour Accounts, it was confirmed that to date, the Council has still not received official communication from the Department for Transport of the requirement to produce accounts, and it therefore has not done so.

The Chair agreed to sign the Statement of Accounts.

RESOLVED

a) That the Statement of Accounts be approved

b) That authority be delegated to the Chair of the Governance and Audit and Standards Committee to sign an amended 2016/17 Statement of Accounts after 15 September should this be required following comments by the auditor.

46. External Audit Annual Results Report 2016 - 17 (AI 7)

(TAKE IN REPORT)

Helen Thompson - Executive Director - Ernst & Young, introduced the report and apologised that it had been late. Although there was still work on the audit that was outstanding, she said she was not expecting any issues to arise.

Subject to satisfactory completion of the outstanding items listed in the Executive Summary, she advised that the auditors expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise.

With regard to the objection raised last year, after consideration of the evidence provided by the objector and the Council, and review of relevant guidance, the auditors found no evidence to suggest that the Council acted

unlawfully in entering into the LOBO arrangement in 2003 and 2007. The Committee was advised that the fee for the work involved had not yet been determined.

No objections had been received this year.

Ms Thompson outlined the areas of audit focus set out in section 2 of the report and drew members' attention to the conclusions reached. She thanked City Council officers for their help with the audit and apologised for the delay in concluding the audit work.

The Chair thanked Ms Thompson for the report and invited questions and comments from the Committee.

During discussion the following matters were clarified

- With regard to PFI - especially relating to highways, Robert Parkin explained that in effect the council's work is outsourced to the contractor and a monthly charge is paid. The charges and activities are monitored by the Council.
- Ms Thompson advised that the audit report identifies a risk in the Value for Money section. Although the Auditors recognise that risk management processes are already under review by the Council, they note that Portsmouth's senior management team took on additional responsibilities in relation to two other Councils this year. This could reduce management's capacity for effective oversight at Portsmouth. For 2015/16. Internal Audit's Annual Opinion gave limited assurance on internal control and noted that internal control has declined/ not improved in recent years. The audit just flags this up but draws no conclusions other than that it is a risk.
- With regard to Appendix A, a query was raised about the entry "At the time of writing this report, one bank confirmation letter covering a recorded balance of £5 million had not yet been received". Ms Thompson explained that this had since been resolved by using a different method of getting the assurance they needed to confirm this could be supported.
- The Chair raised a query about the property investment portfolio. He asked why the update report had not yet gone to Cabinet. Also a query was raised as to why the Council is not investing in residential property in the city. It was suggested that the Director of Property and Housing could be invited to a future meeting to answer questions around this.

The Chair signed the Letter of Representation.

The report was noted.

47. Audit Performance Status Report to 18 August 2017 (AI 8)

(TAKE IN REPORT)

The Chief Internal Auditor, Lizzi Goodwin, introduced the report which updates the Committee on the internal audit performance for 2017/18 to 18 August 2017 against the Annual Audit Plan and highlights areas of concern and areas where assurance can be given on the internal control framework.

The Chief Internal Auditor advised that to date, two "No Assurance" audits have been identified with no critical risks raised. She drew the Committee's attention to 6 additional audits as set out in the summary section of the report. She advised that the work was on target and should be completed as expected.

She reported that significant progress had been made in relation to the Fire Policy and in relation to schools.

Appendix A shows the completed audits for 2017/18 and Appendix B shows the completed follow up audits for 2017/18.

During discussion, the following matters were raised:

- The Chief Internal Auditor said she was confident that internal audit had sufficient resource to carry out the audits
- With regard to the increase in high exceptions, schools have a significant impact and one year was significantly "lighter" for schools and this makes a big difference to the numbers. She said that consideration could be given to providing separate statistics for schools.
- In relation to the Harbour School (section 6 of the report) members asked about the Disclosure and Barring Service (DBS) data. Members were advised that temporary agency staff hired through a third party should have had DBS checks done but that was the responsibility of the third party and was outside PCC's corporate framework.
- In relation to Exception 7 of section 6 of the report, concerning the absence of a Policy, The Chief Internal Auditor said that the audit review concluded that a co-ordinated response to the lack of a CCTV Policy was necessary for schools. The Chief Internal Auditor said she would find out more about this and would provide an update. Members commented that there had been a similar issue at the Port.
- Members commented that they were pleased about the progress made concerning the Fire Certificates.

RESOLVED that Members

- (1) Noted the Audit Performance for 2017/18 to 18th August 2017.**
- (2) Noted the highlighted areas of control weakness from the 2017/18 Audit Plan.**

48. Performance Management update - Quarter 1, 2017 to 2018 (AI 9)

(TAKE IN REPORT)

The Corporate Performance Manager, Kelly Nash, introduced the report. She acknowledged that it was a very comprehensive report and a new Appendix 1 had been included that summarised all the areas reported on. She confirmed that there were full reports from all Directorates but said that the Public Health section had been added later.

With regard to the school improvement issue mentioned in the deputation, she advised that the Ofsted comments had been issued in March 2016 and should be viewed in the context of the changes with schools becoming academies and also the appointment of a new Director. Portsmouth Educational Partnership had been set up to deal with school improvement. Ms Nash suggested that the Director could be invited to attend a future meeting of the committee to answer members' queries in this area.

The Chair commented that the information now contained in the report was comprehensive and Appendix 1 was very useful. However, from the Committee's point of view, greater consistency in the reporting would be welcomed. He said that he was surprised for example that every part of the Traffic and Transportation directorate appeared to be green on the RAG (red amber green) rated system whereas that was not what he heard from residents.

During discussion the following matters were raised

- In the Finance and Information Systems section, there was no RAG rating included for many entries and members asked that these should be included in future.
- Members asked that anything that was included should have some comment next to it - basically either explain the entry or delete it.

The Chair welcomed Andy Biddle, Service Manager, Adult Services, to the meeting and explained that he was in attendance at the request of the Committee to answer questions arising out of the Adult and Social Care section of the last Performance Management report.

Mr Biddle first spoke about Hospital Discharge. He said this was a very complex area for several reasons including

- People who are ill having to make difficult choices
- Relatives and the person who is ill often have conflicting views of how and where care should be given
- Lack of domiciliary care availability impacts on the community and the hospital. The pay for employees in this area is low and does not compare favourably with supermarkets for example. This has led to a persistent gap between the number of hours domiciliary care needed and the number of hours that can currently be delivered. In order to try to improve the situation, it is hoped that a career structure in domiciliary care could be introduced perhaps with work on this taking place within the sector and with colleges and the university. Other possible ways to improve the situation is to have an "in-house" domiciliary care offer rather than relying so heavily on the private sector and this could bring down costs and improve stability.

Mr Biddle then spoke about Dementia. He said that the report had mainly been about "in-house" units. He mentioned the following matters

- Where units were not fully staffed, this meant there were risks in care. Significant work is being done to try to address this issue. Another matter is that written Care Plans are needed.
- Mr Biddle said that there is also an issue concerning PCC's recruitment process as applicants prefer to click on a series of buttons on line

rather than to complete a written application form. Those employers who have simple on-line application forms seem to be more successful in recruiting staff for carer positions.

- Mr Biddle said that work was underway to try to set up a pool of casual staff and also to get volunteers to help and also to access funding.

The Chair referred to the following extract from the report

"I have personally witnessed many incidents where units are unsafe and the needs both physical and emotional are not being met which breach the fundamental standards (happy to provide case examples)"

He asked that someone should attend the next briefing meeting to present case examples.

In response to queries, the following matters were clarified

- There is only a small amount of money left from the 2% levy on Council Tax for social care (around £4 -5k)
- With regard to the numbers of patients in hospital who could be discharged, 75% are in respect of HCC and 25% are PCC's responsibility. The length of stay in hospital for Portsmouth patients awaiting discharge is reducing.

The Chair thanked Mr Biddle for attending the meeting and answering questions from members.

RESOLVED that the Committee

- 1) noted the report;**
- 2) noted the overall improvement in quality of reports;**
- 3) commented on the performance issues highlighted in section 3 and associated appendices, including agreeing if any further action is required;**
- 4) Agreed the actions proposed in section 4 of the report.**

49. Treasury Management Outturn Report 2016/17 (AI 10)

(TAKE IN INFORMATION ONLY REPORT)

Julian Pike and Michael Lloyd introduced the report which was to inform members and the wider community of the Council's treasury management activities in 2016/17 and of the Council's treasury management position as at 31 March 2017.

They advised that The Chartered Institute of Public Finance & Accountancy's (CIPFA) Prudential Code of Practice requires local authorities to calculate prudential indicators before the start of and after each financial year. These end of year indicators are shown at Appendix A of the report for information and noting by members in order to comply with the code. The CIPFA Code of Practice on Treasury Management also requires the Section 151 Officer to prepare an annual report on the outturn of the previous

year. This information is shown in Appendix B of the report.

In response to queries raised in a deputation, Mr Pike said that the acquisition of a finance lease from Canada Life, in effect unsupported borrowing, referred to in the report was not included in the Capital Programme owing to timing issues. The 1.1% treasury management return only relates to investments earned on surplus cash invested - not the investment property portfolio return which is yielding about 5.8%.

He said that there were no underperforming assets in the investment property portfolio.

RESOLVED that

(a) The actual prudential indicators based on the unaudited draft accounts, as shown in Appendix A, be noted

(b) The actual treasury management indicators for 2016/17, as shown in Appendix B, be noted

50. Treasury Management Mid-Year Review 2017/18 (AI 11)

(TAKE IN REPORT)

Michael Lloyd introduced the report which informs members and the wider community of the Council's Treasury Management position at 31 July 2017 and to amend the Council's Treasury Management Strategy to reflect the Council's current circumstances.

This report seeks to increase the Council's authorised limit for external debt, ie. the amount of debt that it can hold by £10.6m from £607.6m to £618.2m and to increase the operational boundary by a corresponding amount. This report also seeks to broaden the range of non-specified investments that the Council can invest in to include the proposed Energy Supply Company and any other subsidiary companies that that the Council may establish in addition to MMD (Shipping Services) Ltd.

This report outlines the Council's performance against the treasury management indicators approved by the Council on 21 March 2017 and comes to this Committee for information and comment before going on to Cabinet and Council for decision.

RESOLVED that the Committee noted the recommendations going to Cabinet and then Council for decision as follows:-

(a) That the authorised limit for external debt be increased by £10,600,000 from £607,555,000 to £618,155,000

(b) That the operational boundary for external debt be increased by £10,600,000 from £589,255,000 to £599,855,000

(c) That non-specified investments of up to £20m are permitted in the Council's subsidiary companies including but not restricted to MMD (Shipping Services) Ltd

(d) That the actual Treasury Management indicators for July 2017 in Appendix A be noted

51. Local Government Ombudsman Complaints 2016/2017. (AI 13)

(TAKE IN INFORMATION ONLY REPORT)

Stewart Agland, Local Democracy Manager, introduced the report which was for information only and drew the attention of the Committee to the Annual Review of Complaints by the Local Government Ombudsman dated July 2017 regarding the complaints it has considered against Portsmouth City Council for the year 2016/2017.

Comparisons had been made with certain other authorities to put the details in context.

Members commented that the report showed an improving picture and noted the report.

52. Councillor training and development (AI 12)

(TAKE IN REPORT)

Liz Wylie, Training Manager, introduced the report, which updated the Committee on the training position for councillors and offered recommendations for improvements to the programme based on feedback as outlined in section 3 of the report. The Chair said he had met with Ms Wylie separately and that his concern was about non- attendance of training.

During discussion the following matters were raised

- Making training "compulsory" may not be effective as there was no real sanction if a member did not attend training. However it was confirmed that a member would not be asked to sit on Licensing or Planning if training had not been completed by that member.
- Damage to the Council's reputation could be done by members not attending training
- Attendance records on training are kept.

The Director of Legal, HR and Performance, Jon Bell, said that it was important to achieve more quality assurance around training as quality training is important.

RESOLVED that

- (1) the Committee approve the annual training plan prior to delivery**
- (2) All training delivered to councillors to be subject to quality assurance**
- (3) Group Leaders to support attendance on compulsory training**

53. Exclusion of Press and Public (AI 14)

The Chair proposed that the meeting move into exempt session only if anyone wished to refer to the exempt appendix to the Data Breaches report and this was agreed.

RESOLVED that the meeting move into exempt session if anyone wished to discuss in detail the exempt appendix to the Data Breaches report.

54. Data Security Breach Report (AI 15)

(TAKE IN REPORT)

The Chair said that he would keep this matter in open session unless anyone wanted to discuss the exempt appendix in which case the meeting would continue in exempt session.

Robert Parkin, Deputy Monitoring Officer, introduced the report which informed the Committee of any Data Security Breaches and actions agreed/taken since the last meeting.

The ICO can issue fines of up to £500,000 for serious breaches of the Data Protection Act and Privacy and Electronic Communications Regulations. Any breaches put the City Council at risk of the unbudgeted cost of a financial penalty which would have to be met from the service responsible for the breach. Mr Parkin advised that the financial penalties that could be imposed were set to increase soon.

**RESOLVED that
the Committee noted the breaches (by reference to Exempt Appendix A)
that have arisen and the action determined by the Corporate Information
Governance Panel (CIGP).**

The meeting concluded at 1.00 pm.

Councillor John Ferrett
Chair