

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 16 September 2016 at 10.30 am at the Conference Room A - 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 Ian Lyon (in the chair)

Councillor Frank Jonas
Councillor Leo Madden
Councillor Hugh Mason
Councillor Jennie Brent (Standing Deputy)
Councillor Stephen Morgan (Standing Deputy)

Officers

Michael Lawther, Deputy Chief Executive, City Solicitor and Monitoring Officer
Jon Bell, Director of HR, Legal and Performance
Julian Pike, Deputy Section 151 Officer
Michael Lloyd, Directorate Finance Manager
Elizabeth Goodwin, Chief Internal Auditor
Stewart Agland, Local Democracy Manager
David Moorman, Contract Management Business Partner
Helen Magri, Corporate Information Governance Officer

41. Apologies for Absence (AI 1)

Apologies for absence had been received on behalf of Councillors Scott Harris and John Ferrett (who were represented by their standing deputies Councillors Jennie Brent and Stephen Morgan respectively).

42. Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

43. Minutes of the Meeting held on 1 July 2016 (AI 3)

RESOLVED that the minutes of the meeting held on 1 July 2016 be confirmed and signed by the Chair as a correct record.

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

There were no updates on actions identified in the previous minutes.

The Chair asked that in future

- a document should be produced showing actions agreed and progress made against them. The Deputy Chief Executive agreed to arrange for this to be done.
- additional information to be included in the 'Quarterly Performance Management Update' (agenda item 11) to identify the number of reports made and from which directors. This would make clear what information had been made available and what had not.
- executive summaries be produced for all complex or lengthy reports - such as the Finance reports.

45. Annual Governance Statement 2015 to 2016 (AI 5)

Jon Bell, Director of HR, Legal & Performance, presented this report. During discussion the following matters were raised

- Appendix 1 - point 1 - review of the Constitution. The City Solicitor and Monitoring Officer had provided an updated copy to members and this was being progressed. It was noted that the revised draft should include the Health & Wellbeing Board.
- Appendix 1 - point 3 - It was explained that the 'Policy Hub' was an on-line store of policies available to staff. It provides updates and prompts staff to read them and confirm that they have done so.
- Appendix 1 point 7 - dealing with Freedom of Information (FoI) requests within statutory timescales. Michael Lawther advised that where there are complex requests it can be helpful to meet with the person posing the question to identify their concerns and this often helps to reduce the time taken to reply to requests. This is also beneficial in cases where there are communication difficulties. This happens between 12-20 times a year. With regard to the failure to respond to 15.5% of FoI requests within the statutory timescale, it was confirmed that consideration was being given to the employment of an additional person to provide the necessary resource.
- It was suggested that the governance statement is 'rag' (red amber green) rated to clearly show progress on each action; Jon Bell agreed to take this forward.
- Appendix 2 (p6/31) - Personal Development Reviews. Jon Bell advised that the PDR process has been reviewed and training is provided for new managers. The Committee asked that the implementation statistics be reported back to the January meeting as the committee members expected all managers to be trained and for staff to have had their annual appraisal by January 2017
- Appendix 2 (p8/33) - Effective Scrutiny - members asked whether the challenges to Cabinet and performance issues were sufficiently robust? The Chair felt that this was a matter for Scrutiny Management Panel to assess.

- Evaluation framework (p11/36) Employee Opinion survey. It was confirmed that this came under the remit of the Employment Committee. Any governance issues were likely to reach the Governance & Audit & Standards Committee via the directors reports where appropriate.
- Significant governance issues for 2015/16 -(p14/39) - It was noted that the number of critical and high exceptions had increased: The Chief Internal Auditor reported that there was a steering panel looking at this and the pattern was changing. Previously there were larger cases involving contractors whereas now there were smaller cases generally involving staff. She stated that there was consistency across the organisation of 'limited assurance' as in previous years. The Chair asked that this context be provided in reports.
- Appendix 3 p4/44 - Local Code of Governance - members noted that there was reference to posts not used at PCC such as 'City Mayor' and 'City Manager' (This was due to SOLACE/CIPFA terminology 2.2.2)
- Appendix 3 p7/47- 4.1.2 it was noted that not all decisions are taken in public.
- 4.1.4 (p8/48) the chair of Governance & Audit & Standards' status as 'independent' would need to be reworded to clarify that this was in the context of not being a Cabinet Member.
- At 4.2.1 (p8/48) Code of Conduct induction - The Monitoring Officer explained that whilst there are no consequences for non-attendance he ensures that all members receive this training. It was confirmed that for Licensing Sub committees and Planning Committee, members were not invited to sit on these bodies unless they had received training.
- At 5.3.1 (p11/51) Neighbourhood Forums - an update was requested to advise on how many are in existence, how often they meet and how they are funded.

Subject to the minor amendment to the text in 4.1.4 raised at the meeting it was RESOLVED that:

- (1) The progress and recommendations made against the 2014/15 annual governance issues as set out in Appendix 1 were noted**
- (2) The Annual Governance Statement 2015/16 was approved for publication (Appendix 2)**
- (3) The Local Code of Governance as set out in Appendix 3 was confirmed.**

46. Statement of Accounts 2015/16 (AI 6)

(TAKE IN REPORT AND STATEMENT OF ACCOUNTS)

Julian Pike, as Deputy Section 151 Officer, reported that members of the committee had been invited to a presentation on the statement of accounts and the draft had also been circulated to all members of the committee two weeks prior to the meeting. There had been some minor grammatical changes requested by the Chair which were now incorporated in the final Statement of Accounts which the Chair would sign off.

In response to a query, it was confirmed that there is a deficit on the Hampshire Pensions Fund (which includes Portsmouth and other local councils) and the accounts showed Portsmouth's share of the fund.

RESOLVED that the Statement of Accounts 2015/16 be approved by the committee and signed off by the Chair and Director of Finance & S151 Officer.

47. External Audit Annual Results Report 2015/16 (AI 7)
(TAKE IN REPORT)

The external auditors Helen Thompson and Adam Swain were in attendance to present this item and they confirmed that overall this was a good outcome. There were some expenditure items that were outstanding and they would await the signed management letter. Helen Thompson reported that they would issue a conclusion of proper arrangements but there were 2 areas of objections relating to use of capital grant funding on City Deal, and the £11m borrowing options (as referred to in their executive summary p1/62). They were able to draw a conclusion on Value for Money and work was continuing on the objections. Ms Thompson expressed thanks to those staff at PCC for their help throughout the audit. The Chair in turn thanked the auditors for their assistance.

RESOLVED that the Chair sign the Letter of Representation.

48. Audit Performance Status Report to 18th August 2016 (AI 8)
(TAKE IN REPORT)

Elizabeth Goodwin, Chief Internal Auditor, reported that whilst the general message was that the authority was on track, Internal Audit were looking at two new areas of no assurance and critical exception. Appendix A of the report gave details on all of the audits, with those in red being areas where follow ups were required from the previous year's audit where there were critical or no assurance classifications.

During discussion the following matters were raised:

- Concern was expressed about the high number of items relating to Children's Services and Education. In response Ms Goodwin offered to make clear the number of audits for each directorate and stressed that for Education the level would be high due to the inclusion of schools.
- The marking in some areas was severe - such as in missing training by social workers. The Committee asked that where areas were red there should be an explanation from the Director as to why and what was being done to address the matter. Ms Goodwin stressed that reports were exception based and narratives are given. She was comfortable with the ratings given and reported that in areas of fraud a separate investigation report would be made. It was agreed that she meet with the Chair regarding the presentation of this information.

- With regard to paragraph 6.2.1 on why the 3 high risk exceptions in Children's Social Care had occurred, the committee was advised that the recent implementation of the Single Assessment Framework had been a contributory factor.
- The Chair asked that the statutory and non-statutory areas in the report are identified (these are sometimes combined).
- The Committee was advised that the reason why the number of high risk exceptions had risen (table at 5.8 of the report p3/87) - was because of the higher level of schools' inspections. A request was made that the number of schools concerned should be indicated in future reports and separated out in the tables.

The Chair thanked the Chief Internal Auditor and her team for their hard work.

RESOLVED that:

- (1) Members noted the Audit Performance for 2016/17 to 18th August 2016**
- (2) Members noted the highlighted areas of control weakness for the 2016/17 Audit Plan.**

49. Treasury Management Outturn Report 2015/16 (AI 9)
(TAKE IN REPORT)

Julian Pike, the Deputy Section 151 Officer and Michael Lloyd, Directorate Finance Manager, were in attendance. Julian Pike presented this item and referred to a briefing note that had been circulated to members that summarised the report.

During discussion the following matters were raised

- Particular concern was expressed at the low level (40%) of capital spending as opposed to the level that had been expected especially as this included projects such as schools and older persons' accommodation. Members were advised that projects had been rolled forward and this slippage was due to officers' over optimism on the timescales.
- An error was noted on p8/106 regarding the Environment & Community Safety underspend. Councillor Hugh Mason reported that the delay on flood defence works was due to approval being awaited from the government rather than the Environment Agency.
- Concern was also expressed regarding delays in building works under the Housing Revenue Account, which affected residents' living conditions (p9/107).

RESOLVED that the Governance and Audit and Standards Committee received the report and noted the recommendations relating to Appendices A and B as set out in paragraph 2 of the report.

50. Treasury Management Mid-Year Review 2016/17 (AI 10)
(TAKE IN REPORT)

Julian Pike presented the report to this committee for information. It was also going on to Council. He referred to the briefing note circulated to members prior to the meeting.

In response to queries the following matters were clarified.

- there was not a deliberate policy to increase overseas investments but the authority was seeking a reasonable rate of return for its investment portfolio. Investment advice was sought from brokers and specialist financial advisers.
- With regard to the level of investment in Hampshire Community Bank (up to £10m), members were advised that other local authorities (such as Eastleigh and Winchester councils) were also investing in the HC Bank. The Bank has a regeneration role and adequate security was sought for the level of investment.

RESOLVED that recommendations 1 to 9 set out in paragraph 2 of the report be noted.

51. Quarterly Performance Management Update (AI 11)

(TAKE IN REPORT)

The style and comprehensive content of this report was commended by the Chair on behalf of the Committee and Kelly Nash was thanked for her work. Concern was expressed that not all the directorates appeared in the report and the Committee particularly asked that the Port be included next time. Jon Bell advised that a new Port Director had recently been appointed and that could account for the omission. The Committee asked that future reports include directors' names attributed to the areas of progress.

RESOLVED that the committee:

- (1) Noted the report;**
- (2) Noted the overall improvement in quality of reports and the commentary from the Deputy Chief Executive at Section 5;**
- (3) Commented on the performance issues highlighted in Section 3, including agreeing if any further action is required.**

52. Risk and Assurance Management Policy (AI 12)

(TAKE IN REPORT)

The Committee asked that in next year's report the changes should be highlighted to show differences from the previous year. The Committee was advised that responsibility for the Risk and Assurance Register has moved from the Chief Internal Auditor to Jon Bell as the Director of HR, Legal and Performance.

RESOLVED that the Committee:

- (1) Approved the Risk and Assurance Management Policy**
- (2) Agreed to review the risk management policy in September 2017, including risks current at the time and lessons learnt over the previous year.**

53. Proposed amendments to the Arrangements for the Assessment, Consideration and Investigation of Complaints against Councillors (AI 13)

(TAKE IN REPORT)

Michael Lawther, as Monitoring Officer, introduced the report which reflected a previous suggestion by Councillor Madden and supported by the Committee, that where a complaint was made by a Member against another Member, the initial filter panel should not include fellow councillors but instead would be constituted by a monitoring officer and independent persons. This was supported by the committee.

Michael Lawther advised that the report had substantially tidied up the process, and many of the committee's previous comments had been reflected in the revised wording. He drew members' attention to the more significant changes

- -the suggestion to detail the variance of members from the Monitoring Officer's decision following an Initial Filter Panel if this should occur, had been deleted.
- A note had been inserted that members should not enter into correspondence with complainants as it is inappropriate to do so - any response should go through the City Solicitor.
- The timescales on dealing with complaints had been amended.

The Committee asked that the following amendments should be made before the document is submitted to Council:

- 4.1 of the arrangements should refer to assisting the Monitoring Officer (rather than "assist him")
- 9.1.3 regarding if a councillor becomes "seriously ill" should be amended
- 12.1 should reflect inclusion of the G&A&S Standing Deputies
- Point 13 regarding pre-hearing procedure - the enquiries under this heading should be re-prioritised so that "can attend at the hearing" came top of the list to reflect the importance of attending
- On the Complaint Form (page 2 of 6, p264) "any councillor of the Council" should be amended as only members of G&A&S (and deputies) are eligible to sit on an Initial Filter Panel. Also the wording referring to representation from "each political group" should be amended so as not to preclude non-aligned Members from sitting on sub-committees where they are members of the G&A&S Committee.

In response to a query, Michael Lawther agreed to make available to the public a summary of the procedures to be followed with timescales.

It was noted that all councillors asked to sit on these sub committees should consider themselves able to do so in an open-minded and non-biased way.

RESOLVED that the Committee RECOMMEND to Council to approve

- (1) The amended arrangements for assessment, investigation and determination of complaints (Appendix 1 of the report)**

(2) The amended Complaint Form (Appendix 2 of the report).

54. Notice of Motion Referral - Local Elections Once Every Four Years (AI 14)

Stewart Agland, the Local Democracy Manager, presented the briefing note which was in response to the Notice of Motion raised by Councillor Colin Galloway, on which a response had to be taken back to Council. The note set out the process, timetable and financial considerations. However these were subject to a number of different costings as these varied dependent upon the type of election and whether or not they were combined. The £40k savings was a rough approximation and did not represent an annual saving as it did not take account of fallow years.

Other considerations, such as moves towards a devolved authority and the Boundary Commission review, meant that it may be premature to take a decision at this time. Members were also advised that local elections are funded from the General Fund.

As UKIP was not currently represented on this Committee and as the Notice of Motion had originally been proposed by the Leader of the UKIP Group, Members suggested that when a future report on this was produced, it be shared with Group Leaders as well as being brought to this Committee.

RESOLVED to recommend to Full Council

That whilst there is merit in exploring the issue of all out elections further, there are currently a number of factors regionally which do not enable an informed decision on this matter to be taken at this time. Consequently the Officers be asked to produce a report for both the Governance and Audit and Standards Committee and Group Leaders' consideration in due course when the regional and local Governance picture, including any potential boundary review, is clearer, and its impact can then be taken into account.

55. Corporate Complaints received Quarter 1 2016/17 (AI 15)

(TAKE IN REPORT)

This information report provided the Governance & Audit & Standards Committee with information regarding complaints received by Portsmouth City Council during quarter 1 2016/17.

The Committee noted the contents of the report.

56. Local Government Ombudsman Complaints 2015/16 (AI 16)

(TAKE IN REPORT)

This information report brought to the attention of the Governance & Audit & Standards Committee the Annual Review of Complaints by the Local

Government Ombudsman dated July 2016 regarding the complaints it has considered against Portsmouth City Council for the year 2015/2016.

The Committee noted the contents of the report.

57. Exclusion of Press and Public (AI 17)

RESOLVED that in view of the contents of the following items on the agenda the Committee adopted the 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 item on the grounds that the appendices contain information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972, exemption paragraphs 1, 2 & 3.

Min No. 58 - Procurement Management Information Report (exempt appendices under paragraphs 1, 2 & 3

Min No. 59 - Data Security Breaches Report (exempt appendix under paragraphs 1 & 2)

(Members asked that discussion take place as far as possible in open session for Item 58 on Procurement Management before moving into exempt session so that reference could be made to the exempt information contained within the appendices. Item 59 was discussed wholly in exempt session due to the reference to information contained in the exempt appendix)

58. Procurement Management Information Report (AI 18)
(TAKE IN REPORT)

David Moorman, Contract Management Business Partner, attended to present the report.

The Committee considered the information in the report but queried the value for money being illustrated in the contract performance, citing examples from the Housing & Property portfolio where effective pricing did not appear to have been undertaken.

David Moorman agreed that the Key Performance Indicators (KPIs) needed to be revisited as these do not relate to Value for Money or delivery of benefits through contracts.

The Chair, supported by the committee, asked that Greg Povey as Assistant Director of Contracts & Procurement, should undertake this task and also asked that the Director of Housing & Property should attend the next meeting so that Members could seek additional information from him.

Jon Bell reported that directors were obliged, through their managers, to look at delivery of Value for Money in the delivery of projects. David Moorman referred to appliance of the Gateway process to ensure adequate competition.

Detailed questions were raised in the exempt session regarding value for money in contracts and the wider procurement process across the City Council.

The Committee noted that purchase order compliance for June 2016 was 98% against a target of more than 95%. However, the Committee rejected the report due to concerns on the level of waivers, the need to ensure Value for Money and delivery benefits in contracts.

The Committee asked for a revised report taking into account all the concerns they had raised to be brought back to the next meeting of the Committee.

59. Data Security Breaches Report (AI 19)

(TAKE IN REPORT)

Helen Magri, the Corporate Information Governance Officer, presented this report which was discussed in exempt session to allow members to ask questions regarding the exempt schedule detailing breaches.

RESOLVED that Members of the Governance & Audit & Standards 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 2.30 pm.

Councillor Ian Lyon
Chair