

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Tuesday, 3 March 2020 at 4.00 pm in the Executive Meeting Room, Third Floor, The Guildhall, Portsmouth.

(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 Leo Madden (in the chair)

Councillor Graham Heaney
Councillor Hugh Mason
Councillor Terry Norton
Councillor Neill Young

Officers

Peter Baulf, City Solicitor and Monitoring Officer
Elizabeth Goodwin, Chief Internal Auditor
Paul Somerset, Deputy Chief Internal Auditor
Julian Pike, Deputy Head of Finance & Deputy S151 Officer
Michael Lloyd, Directorate Finance Manager
Kelly Nash, Corporate Performance Manager
Charlotte Smith, Assistant Director, Communications
Greg Povey, Assistant Director Contracts, Procurement, Commercial

External Auditors

Helen Thompson,
David White, Manager, Assurance - Government and
Public Sector, Ernst & Young

1. Apologies for Absence (AI 1)

Apologies for absence were received on behalf of Councillors Simon Boshier, John Ferrett and Judith Smyth.
Councillor Terry Norton deputised for Councillor Boshier and Councillor Graham Heaney deputised for Councillor Judith Smyth.

(The Chair agreed to vary the order of items on the agenda but these have been kept in their original place for ease of reference.)

2. Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

3. Minutes of the Meeting held on 20 September 2019 (AI 3)

RESOLVED that the minutes of the meeting held on 20 September 2019 be approved and signed by the Chair as a correct record.

4. Treasury Management Monitoring Report for the Third Quarter of 2019/20 (AI 4)

(TAKE IN REPORT)

Michael Lloyd introduced the report explaining that there had been no breaches of the Treasury Management Policy. He said there had been no new borrowing in Quarter 3.

During discussion

- With regard to page 23 concerning cheaper sources of borrowing, Mr Lloyd said he considered it would be possible to find cheaper rates of borrowing in the new environment - probably around 0.3% less than borrowing from the Public Works Loan Board.(PWLB)
- In response to a query about why the PWLB had increased its rates, Mr Lloyd said that local authorities had been increasingly investing in commercial property - sometimes borrowing huge amounts of money from PWLB to do so. It seems that government was not entirely happy with this situation. Increasing the PWLB rates is a way of dissuading local authorities from acting in this way although there are likely to be other factors influencing that decision - such as the PWLB approaching the limit on what it can lend. He confirmed the increase in rates would have an impact on all borrowing - not just that for commercial purposes.
- It was confirmed that the Hampshire Community Bank had still not received its Banking Licence but that it was expected before long. Mr Lloyd said he would let Committee members know as soon as he could as to when the Banking Licence would be obtained and would also provide information on when the City Council could expect a return on its investment.

RESOLVED that the Committee noted

- (1) That the Council's Treasury Management activities have remained within the Treasury Management Policy 2019/20 in the period up to 31 December 2019**
- (2) The actual Treasury Management indicators as at 31 December 2019 set out in Appendix A.**

5. Treasury Management Policy for 2020/21 (AI 5)

(TAKE IN REPORT)

Michael Lloyd introduced the report advising that the report was before this committee for scrutiny and comment and that it would also be going on to Cabinet and then to Full Council on 17 March for approval. He detailed the recommendations in the report.

The main changes are a recommendation that preference should be given to investments that support the environment, have a beneficial social impact and good governance - provided that these do not increase the risks to the Council in terms of security of investment or liquidity nor which give lower returns.

The other main change concerns lending to the Hampshire Community Bank. Previously loans were to be secured on loans given by the bank which in turn were to be secured on tangible fixed assets. However many of the Bank's potential borrowers do not have tangible assets. A recommendation has been included this time to allow lending to HCB to be secured on loans made by HCB to small and medium sized enterprises on the highest credit quality which may not in turn be secured on tangible fixed assets. In addition it is recommended that the maximum duration of loans to HCB be reduced from 10 to 5 years.

In answer to queries

- The risk of default will be addressed by ensuring loans are given to counterparties of good credit-worthiness. In case of default, HCB will secure on personal guarantees which it is accepted are not as good as securing on tangible assets. However the risk is also mitigated by reducing the duration of the loans.
- The City Solicitor confirmed that loans secured on tangible assets are more secure, but loans secured on personal guarantees are quite common and there is no legal difference.
- It was confirmed that investing in an environmentally friendly and socially beneficial way will not necessarily produce lower returns. Environmentally harmful concerns are likely to be subject to more stringent regulations in future.

The Chair complimented the author on a well-written report.

RESOLVED that the Committee noted the recommendations in section 3 of the report that will go on to Cabinet and then to Full Council for approval.

6. External Auditors -2019/20 Audit Plan (AI 6)

(TAKE IN PLAN)

Helen Thompson and David White, external auditors, first updated the Committee on matters relating to the timing of the audit. Auditors are required to deliver quality audits both in the corporate and public sectors but there has been a shortage of suitably qualified staff across the audit profession to carry out the work required. The timing of audits to meet deadlines has become an issue given the volume of work and the shortage of staff. It has now been established that the 31 July deadline means that narrative statements have to be published by then - with or without an audit opinion.

The external auditors have been in discussion with Portsmouth City Council (PCC) and the Chair of this Committee in relation to the timing of PCC's audit and were very grateful that agreement had been reached to re schedule it to a later date. They assured the Committee that this is in no way a reflection on the quality of PCC's financial statements or officers but is a mutually agreed position. It will have no reputational impact on PCC but will allow external auditors more time to do the necessary work. External Audit is now looking to re-schedule the work to start in August/September until October aiming to report to this Committee at its November meeting.

The Chair commented that he had no issues with this provided it was above board and legal. This assurance was given.

In response to concerns that this would mean risks potentially not being identified till much later in the year, the Committee was assured that risks most likely to have an impact had already been identified as part of the interim audit and that the auditors would be in close contact with officers all the way through the work. If anything unexpected were to be identified as a risk, the External Auditors would advise PCC as soon as they became aware of that. The timing of meetings to fit in with the audit work and finance work would be reviewed by Finance staff and Democratic Services.

With regard to the Audit Plan, David White drew Members' attention to the risks set out in section 02 of the Audit Planning report. External auditors are required to include the first two risks but there is a newly identified risk relating to the acquisition of Lakeside. He advised that this would require a specialist valuation which was already underway.

David White also drew Members' attention to page 16 of the Audit Planning report in relation to IFRS 16 - Leases. Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. The Code has yet to be published although guidance to practitioners is available. The main impact of IFRS 16 is to remove (for lessees) the traditional distinction between finance leases and operating leases as detailed in the report. Assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. Work would be necessary to secure information required to enable authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020.

In response to a query, it was confirmed that when the Code is published, this was not expected to cause PCC any problems as officers have the necessary work in hand.

The Committee noted the contents of the 2019/20 Audit Plan.

7. Corporate Complaints (updated)(information only) (AI 7)

(TAKE IN REPORT)

Charlotte Smith, Assistant director of Corporate Services, introduced the report which was to provide additional information requested by the Committee in relation to complaints upheld by the Local Government and Social Care Ombudsman (LGSCO).

The report concluded that the number of complaints referred to and upheld by the LGO has remained relatively static and PCC continues to compare well with other local authorities.

The Chair thanked officers for the report and asked for this level of detail to be included in future reports.

The Committee noted the updated information only report.

8. Members' Training Report (information only) (AI 8)

(TAKE IN REPORT)

The City Solicitor, introduced the report which updated the Committee on the 2020 training programme for councillors and reported on the training undertaken by elected members in 2019.

Training is provided and it is up to Members to access it as appropriate.

During discussion

- Although training is not compulsory as such, Members would not be allowed to sit on some committees/panels without first being trained.
- The Chair commented that Group Leaders could be pro-active in encouraging their members to complete relevant training.

The Committee noted the updated information only report.

9. Appointment of Independent Persons (AI 9)

(TAKE IN REPORT)

The City Solicitor introduced the report which outlined the reasons for the suggested appointment of two additional Independent Persons under the provisions of the Localism Act 2011.

There are currently two Independent Persons whose appointments expire in 2021. It is considered that the appointment of an additional two Independent Persons will assist with the complaints process.

The City Solicitor advised that following an advertisement for additional Independent Persons, interviews were held on 6 February 2020. The Member Panel (that included the Chair and Vice Chair of Governance & Audit & Standards Committee) recommended that Mark Walsh and John Young be appointed.

The Committee endorsed the Member Panel's recommendation.

RESOLVED that the Committee recommend that Council appoints Mark Walsh and John Young as Independent Persons for three years from 1 May 2020 through to 1 May 2023.

10. Quarterly Performance Management Report (AI 10)

(TAKE IN REPORT)

Kelly Nash, Corporate Performance Manager, introduced the report which is part of a regular series of quarterly reports highlighting significant performance issues across the organisation.

Appendix 1 summarises directorate issues, Appendix 2a provides a summary of performance issues, Appendix 2b provides the performance issues in detail and Appendix 3 identifies projects.

During discussion

- Members asked for more detail in relation to the Care Quality Commission service ratings percentages on the first page of Appendix 2a. in relation to nursing homes, residential homes, domiciliary and community. They asked what was included in these assessments and why community was showing red. The Corporate Services Manager said she would find out and let the Committee know.
- Under the priority headed "encourage regeneration built around our city's thriving culture, making Portsmouth a great place to live work and visit," members suggested that the success of the Enterprise Centres measured through occupancy levels should be taken to the relevant Cabinet Member. There appears to be great demand for small affordable work space in the right location so increased supply would be of value to the City. Kelly Nash said that she would pass this on.

The Chair thanked the Corporate Performance Manager for her report.

RESOLVED that the Committee

- (1) Noted the report in the revised format**
- (2) Agreed if any further action is required in response to performance issues highlighted**

11. Code of Conduct Report re Social Media (AI 11)

The City Solicitor introduced the report which gives members the opportunity to consider the proposed wording to add to the Employees' Code of Conduct in respect of an employee's use of social media set out in Appendix A. The background is included in section 3 of the report and the reasons for the recommendations are set out in section 4.

During discussion

- It was agreed that a report would be brought back to this Committee in a year's time to consider how the introduction of the new section has worked in practice
- The City Solicitor said that although no monitoring would take place, the wording gives clarity to employees and the employer about what is expected of them in this context. If the Code is not adhered to it could become a disciplinary matter.

RESOLVED that the Committee

- (1) Noted the importance of informing an employee about personal use of social media**
- (2) Supported the wording presented in Appendix A for inclusion in the Employees' Code of Conduct**
- (3) Agreed for the revisions to be recommended to Full Council.**

12. Gifts and Hospitality report (officers and members) (AI 12)

(TAKE IN REPORT)

The City Solicitor introduced the report advising that protocol requires an annual report on compliance to enable the Committee to recommend changes if they considered that to be necessary. Details of what can and cannot be accepted are detailed in section 4 of the report. Appendices 1 to 7 provide details of gifts received.

The City Solicitor confirmed that none of the declarations gave him cause for concern.

During discussion it was confirmed

- that the register was published on the Council's website
- that the period covered ran from October one year to October the next.

RESOLVED

- (1) That the Committee considered whether or not to make any recommendations for change**
- (2) That in the absence of any changes, the report was noted.**

13. Report on Complaints Received in connection with alleged Code of Conduct breaches (AI 13)

(TAKE IN REPORT)

The City Solicitor introduced the report advising that there had not been many complaints against members during the period covered. The complaints mainly related to social media and all but one had been dealt with at the Initial Filter Panel (IFP) stage.

RESOLVED that the Committee

- (1) Noted the report**
- (2) Considered whether any further action is required by them.**

14. Constitution Part 2 Section 5 (A, B and C). (AI 14)

(TAKE IN REPORT)

The City Solicitor introduced the report advising that there had been a good level of engagement from officers and that the purpose of the changes was to update the Constitution Part 2, Section 5 Chief Officers' Delegated Authority. He drew Members' attention to the main changes explaining that they are designed to accurately reflect the scheme of delegation following directorate restructures and also includes a new Shareholder Committee Protocol. Details of the proposed changes are shown in the appendices.

The Chair thanked the City Solicitor for the report.

RESOLVED that the Committee recommended to Council the proposed amendments to Part 2 Section 5 Chief Officers' Delegated Authority for adoption into the Council's constitution.

15. Proposed revision to Standing Order 32 - Referral of Motions to other bodies of the Council (AI 15)

(TAKE IN REPORT)

The City Solicitor introduced the report advising that this would remove the option of referring Notices of Motion to other Council bodies for subsequently reporting back to Council. Effectively this would mean that all Notices of Motion would be discussed.

RESOLVED that the Committee recommended to Full Council that all the wording after the first sentence in section d of Standing Order 32 be deleted leaving "Motions included in the agenda must be formally moved and seconded."

16. Data Security Breaches (AI 16)

(TAKE IN REPORT)

The Chief Internal Auditor introduced the report explaining that part of her role included being the Senior Information Risk Owner (SIRO). A regular report was brought to this Committee to advise of any ongoing breaches and to notify members of any new incidents. A summary of incidents is shown in Appendix A. For future reports, it was intended to change the format of the Appendix to show additional information for greater transparency. For example it was likely that the incidents would be recorded by directorate so that it would be clear if more incidents were reported in some directorates than others. This would help identify whether there were any underlying issues that needed intervention.

During discussion

- Members commented that the appendix showed that very few incidents were reported to the Information Commissioner's Office (ICO) and asked for more details on the process leading up to a decision on whether or not to report. The Chief Internal Auditor advised that the Information Governance team first assessed whether or not a breach had occurred by reference to various criteria. If in doubt, they would refer the incident to her for her decision on whether or not to report. Section 3 gave details of the Corporate Information Governance Panel meetings.
- It was confirmed that the ICO was content with how the City Council was operating. In relation to reported incidents, the ICO would request additional information if they needed it. The ICO was more concerned with being satisfied that a sound framework was in place to deal with any incidents.
- It was agreed that there was currently no comparison data year on year relating to data breaches and that this would be useful in future so that an assessment could be made as to whether things were improving or worsening. The Chief Internal Auditor would consider how this data could be provided.

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

17. Whistleblowing Report (AI 17)

(TAKE IN REPORT)

The Chief Internal Auditor introduced the report explaining that Appendix A updated the Committee on the nature and handling of whistleblowing concerns for the period from January to December 2019. Appendix B showed minor amendments to the wording of the Policy to reflect personnel changes, for approval by the Committee.

There had been three investigations in 2019 as shown in Appendix A.

During discussion

- In response to a query about whether a whistleblower could be confident that their anonymity would be preserved, the Chief Internal Auditor said that historically PCC had a reasonably good track record in this regard. However if the incident became a police matter, anonymity could not then be guaranteed. If it became necessary to divulge the person's name, they would be told before disclosure was made and would be given as much support as possible.

RESOLVED that the Committee

- (1) Noted this report and the attached Appendix A and considered whether any further action is required**
- (2) Approved the changes to the whistleblowing policy (Appendix B) which has been amended following the departure of the previous City Solicitor and the Director of HR Legal and Performance.**

18. Exclusion of Press and Public (AI 18)

RESOLVED 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 appendices to the reports contain information defined as exempt in Part 1 of Schedule 12A to the Local Government Act, 1972.

The Chair advised that proceedings would be kept open until such time as there was any discussion relating to the exempt appendices included in the reports on the following items on the agenda and would move into exempt session at that point.

19. Audit Performance Status Report to 29 January 2020 (AI 19)

The Chief Internal Auditor introduced the report which updated the Committee on the Internal Audit Performance for 2019/20 to 29 January 2020 against the Annual Audit Plan, highlighted areas of concern and areas where assurance

can be given on the internal control framework. In addition the 2020/21 Annual Audit Plan was attached as Appendix C for committee approval.

Areas of concern are set out in section 5 of the Internal Audit Progress report attached as Appendix A.

Once the open part of the papers for this and the following item had been discussed, the Chair moved the meeting into exempt session. A brief explanation of the contents of the exempt appendix was given in exempt session. A further more detailed update would be provided at a future meeting.

The Chair thanked Internal Audit for their interesting and detailed report.

RESOLVED that the Committee

- (1) Noted the Audit Performance for 2019/20 to 29 January 2020**
- (2) Noted the highlighted areas of concern in relation to audits completed from the 2019/20 Audit Plan, including follow up work performed**
- (3) Endorsed the Audit Plan for 2020/21**

20. Procurement Management (information only) (AI 20)

(TAKE IN REPORT)

Greg Povey introduced the report which provided evidence to allow the Committee to evaluate the extent to which Portsmouth City Council is achieving value for money in its contracts for goods, services and works.

Section 1 provides details of compliance with Contract Procedure Rules. The target set by the Committee of greater than 95% conformance with contract procedure rules has been exceeded.

Section 2 shows waivers awarded this quarter.

Section 3 provides a breakdown by directorate of the actual spend during quarter 3 2019/20 on contracts which have waivers associated with them.

Section 4 shows spend by contract size.

Section 5 shows the Council's top ten suppliers.

Section 6 shows suppliers paid over £100,000 in Q3 by directorate.

Section 7 shows supplier performance.

Section 8 shows supplier performance monitoring.

During discussion

- Appendix 2 was referred to which showed that the reason for 4 waivers was reported as being "insufficient time." Members asked how it was determined that that was the case. Mr Povey explained that generally these situations tended to arise where there was a need to react to unforeseen circumstances - such as a directive from central government. In the case of the Berth 2 Boarding Bridge and Satellite reception concept engineering, a very tight timescale was necessary to meet technical requirements and customer demand. Detailed file notes were kept.

During exempt session members were given the opportunity to ask questions on the exempt appendices.

The Chair thanked Greg Povey, for his contributions to this Committee over several years and wished him every success in his new role in West Sussex.

The committee noted the information only report.

At the close of the meeting, the Chair noted that Councillors John Ferrett and Neill Young would not be standing for re-election at the May 2020 Local Elections. He expressed his thanks to them both for their valuable contributions to the Committee and wished them well for the future.

The meeting concluded at 5.45 pm.

Councillor Leo Madden
Chair