

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 25 September 2020 at 2.00 pm at the Virtual Remote Meeting - Remote

(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 for agenda items 1-6)

Councillor Simon Bosher (Vice-Chair - in the chair for agenda items 7-10)

Councillor John Ferrett

Councillor Judith Smyth

Officers

Julian Pike, Deputy Director of Finance and S151 officer

Michael Lloyd, Directorate Finance Manager

Charlotte Smith, Assistant Director Corporate Services

John Thomas, Complaints Manager Adult Services

Karen Fitzgerald, Corporate Complaints Officer

Peter Baulf, City Solicitor and Monitoring Officer

Elizabeth Goodwin, Chief Internal Auditor

Richard Lock, Assistant Procurement Manager

External Auditor

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

31. Apologies for Absence (AI 1)

The Chair, Councillor Leo Madden, welcomed everyone to the meeting and explained that it was being held virtually because of restrictions imposed following the outbreak of Covid 19.

He agreed to vary the order of the agenda to hear item 6 first. (For ease of reference the item will remain in its original place in the minutes.)

Apologies for absence were received on behalf of Councillor Young.

32. Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

33. Minutes of the meetings held on 3 March and 24 July 2020 (AI 3)

The minutes of the meeting held on 3 March 2020 could not be signed off as only one Member was present at this meeting who had also been present at the March meeting.

RESOLVED

(1) that approval of the draft minutes from the meeting held on 3 March 2020 be deferred to the next scheduled meeting of the Committee.

(2) that the minutes of the meeting held on 24 July 2020 be approved and signed by the Chair as a correct record.

34. Treasury Management Outturn Report for 2019/20 (AI 4) (TAKE IN REPORT)

Julian Pike introduced the report which informs members and the wider community of the Council's treasury management activities in 2019/20 and of the Council's treasury management position as at 31 March 2020.

The report outlines borrowing activity and the adverse effect Covid 19 had on the corporate bond market, and also explains that the market had recovered by the end of the first quarter of 2020.

During discussion

- Reference was made to the paragraph in Appendix A about it being clear that the Treasury intends to put a stop to local authorities borrowing money from the Public Works Lending Board (PWLB) to purchase commercial property if the aim is solely to generate an income stream. It was confirmed that PCC had borrowed from the PWLB to fund the commercial property portfolio and for a whole range of non- commercial council services. The government had not yet defined what is meant by "commercial activity."
- In response to a query about whether there would be likely to be any penalty if money is borrowed from PWLB for this purpose, the committee was advised that the government was consulting on this matter and had not yet reached a decision. Central government has said that if future commercial activity is included in the capital programme then local authorities would not be able to access PWLB funds in that financial year. This would not be too much of a problem if it related to buying a new property, but would be more of a problem if for example a roof had to be replaced. The Council could borrow elsewhere though such as through the private market and the municipal bonds agency.
- The reports before the committee today are primarily about treasury management and how the council borrows and invests surplus cash. A report on the commercial property portfolio itself is included in the Council's annual capital strategy report.
- In response to a query about whether the council would have to redeem mortgages and find other lenders if the government decides not to allow further PWLB borrowing, it was confirmed that the government has already said that it will not penalise authorities for existing commercial activity - but change will be required if an authority wishes to repair or replace a property.

- Members agreed that there is a need for visibility about the property investment portfolio as things have changed dramatically over the last 18 months and asked that a report be brought to this committee in 6 months' time. The property service would need to supply that report.
- With regard to VESL mentioned on page 33, it was confirmed that £3.4m was spent over two financial years. External audit would look at the situation only in regard to their opinion on the council's accounts and value for money.

The Chair thanked Julian Pike and Michael Lloyd for the report,

RESOLVED that the actual prudential and treasury management indicators based on the unaudited accounts, as shown in Appendix B, be noted (an explanation of the prudential and treasury management indicators is contained in Appendix C).

35. Treasury Management Monitoring Report for Quarter 1 of 2020/21 (AI 5)
(TAKE IN REPORT information only)

Michael Lloyd introduced the report which informs members and the wider community of the Council's Treasury Management position, ie. its borrowing and cash investments at 30 June 2020 and of the risks attached to that position.

Whilst the Council has a portfolio of investment properties and some equity shares which were acquired through the capital programme; these do not in themselves form part of the treasury management function.

(At this point, Councillor Madden had to leave the meeting and Councillor Boshier took over as Chair.)

There were no questions.

RESOLVED that

- (1) It be noted that the Council's Treasury Management activities have remained within the Treasury Management Policy 2020/21 in the period up to 30 June 2020.**
- (2) The actual Treasury Management indicators as at 30 June 2020 set out in Appendix A be noted.**

36. Corporate Complaints (AI 6)

(TAKE IN REPORT information only)

The Chair agreed to vary the order of the agenda but the item has been kept in its original place in the minutes for ease of reference.

Charlotte Smith, Assistant Director, Corporate Services, Karen Fitzgerald, Corporate Complaints Manager and John Thomas, Complaints Manager Adult Services attended for this item. Charlotte Smith introduced the report which brings to the attention of the Committee the Annual Review of Complaints by the Local Government and Social Care Ombudsman (LGSCO) dated July 2020, regarding complaints it has considered against Portsmouth City Council for the year 2019/20.

Overall there had been a reduction in corporate complaints. Although it is not possible to say definitely why that has happened, much work has been done on addressing customer issues at the first point of contact, so this may have helped. In particular a concerted effort has been made on customer services by Housing, Neighbourhood and Building Services and the number of complaints in that area has decreased significantly.

Adherence to timescales improved in stage 1 and 2 complaints, but worsened for stage 3 complaints - perhaps because stage 3 complaints are usually more complex and time-consuming to resolve. However the time taken currently to resolve stage 3 complaints is not acceptable and efforts are being made to identify issues and improve.

The number of complaints referred to the Ombudsman has reduced from 45 to 35 and the number of upheld complaints has also dropped. The City Council compares favourably with other similar authorities as shown in the table in the report at section 6.

The upheld complaints have been detailed in the report with the links to the complete details on the Local Government Ombudsman's website. The upheld complaints are not concentrated in one area.

Overall the report shows a positive move forward.

The Chair said that complaints are welcomed as they help the authority to improve and this is also the view of the Ombudsman as mentioned in 5.2 of the report.

In response to questions

- It was noted that the two tables on page 56 in the report are not directly comparable because the directorates have changed. Reassurance was given that complaints have decreased in every area and that next year the tables will compare like with like.
- With regard to whether there was any external assessment of our procedures and systems, members were advised that PCC's corporate complaints process was validated by the Ombudsman in 2018. In addition it is more robust than in many other authorities as unusually PCC has a 3 stage process whereas most authorities only have 2 stages. PCC has been proactive in making reasonable adjustments as a result of one complaint.
- It was confirmed that although there are no plans for a formal review into the length of time complaints take to resolve, a review of all stage 3 complaints that have not met the timescales will be undertaken in order to understand the issues involved so they can be addressed.
- It was confirmed that councillors who have queries about any complaint should contact Charlotte Smith or if it is a social care issue, either John Thomas or Natalie Beckett (Complaints Manager job share). The Chief Internal auditor, Elizabeth Goodwin added that the complaints process is also subject to internal audit so if there are any persistent complaints, internal auditors can also be contacted.

The Chair thanked officers for the report which was NOTED.

37. Audit Performance Status report to 7 September (AI 7) (TAKE IN REPORT)

Elizabeth Goodwin, Chief Internal Auditor, introduced the report which updates the Governance and Audit and Standards Committee on the Internal Audit Performance for 2020/21 to 7 September 2020 against the Annual Audit Plan, highlights areas of concern and areas where assurance can be given on the internal control framework.

The Chief Internal Auditor explained that since the last report internal audit has had to factor in a number of additional movements within the original proposed workload for 2021 - for example where there have been shifts in priority and where levels of grant work have been significantly high. Page 73 onwards shows that the plan is on target. There are 109 reviews broken down into full audits, follow up audits and second follow up audits. Page 74 details ongoing internal audit involvement. There has been an increased level of advice and an increase in the number of special investigations. A report will be presented to this committee at a later date specifically about the additional work that has had to be carried out (summarised on page 75) Some audits have had to be removed owing to depleted resources where staff have been redeployed. Page 78 onwards details areas where reviews have been undertaken. There are no areas of significant concern.

Any changes will be included in the next report.

In response to questions

- It was confirmed that to manage the risk of Covid 19, when performing audits, a risk assessment is carried out that covers how the evidence will be collected. Independence has to be assured and a balance must be achieved in each case.
- It was confirmed that all audit activities where there is no direct impact on the audit client or the auditee have continued. Auditors try to do as much work as possible behind the scenes.
- It was confirmed that during the Covid 19 pandemic some internal audit staff had been redeployed for example to Revenues and Benefits in relation to business grant assessments and also to customer services and care home cleaning. Attention has been given concerning where staff are redeployed to preserve independence. Redeployment has resulted in a slightly reduced plan and the situation is being regularly reviewed as similar measures may have to be taken again.
- It was confirmed that a report will come to this committee that is intended to cover Covid 19 related matters such as emergency arrangements around some of the financial decisions made at the start of the pandemic. It will also include activity on Covid 19 assurance reporting including procurement activity not related to grant verification (eg distribution of laptops) as processes need to be tested and there are likely to be lessons to be learned. The report will also look at financial rules and procurement waivers. The Chief Internal Auditor also advised that for example when they look at payment cards, audits will be separated out between pre Covid and Covid onwards. The report will also include work that has been required in relation to the grants and will also cover discretionary grants, income loss compensation claims and will include any other concerns that arise.

The Chief Internal auditor said that assurances around any arrangements made are necessary and will form part of the report to this committee.

The Committee noted that page 81 of the report shows that Brambles Infant School has achieved a green rating all the way through their audit which is a very creditable achievement.

The Chair thanked the Chief Internal Auditor for her report.

RESOLVED that Members noted

- (1) the Audit Performance for 2020/21 to 7 September 2020.**
- (2) the highlighted areas of concern in relation to audits completed from the 2020/21 Audit Plan, including follow up work performed.**

38. Political Balance Rules (AI 8)

(TAKE IN REPORT)

Peter Baulf, City Solicitor, introduced the report advising that this is brought to the Committee regularly in the circumstances outlined in the report to ensure a wider range of membership. The Committee is asked to consider whether it wishes to disapply the political balance rules in respect of its Sub-Committees and the Initial Filtering Panels which consider complaints against Members

RESOLVED unanimously that the political balance rules are disapplied in respect of Governance and Audit and Standards Sub-Committees which are considering complaints against Members and also the same arrangement should apply in respect of Initial Filtering Panel membership.

39. Exclusion of Press and Public (AI 9)

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 report contains 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 report on the following item on the agenda and would move into exempt session at that point.

40. Procurement Management (information only) (AI 10)

(TAKE IN REPORT for information only)

Richard Lock, Acting Procurement Manager, introduced the report which provides evidence to allow the committee to evaluate the extent that Portsmouth City Council is producing contracts for goods, works and services in a legally compliant value for money basis.

The last report showed the position immediately after Covid 19 and this report shows the following quarter reflecting the first stages of recovery. Compliance has increased from 64% to 80% largely because resources have been redirected. Once sense checking has been applied to the data, the percentage is 97%. Information was given to the Committee concerning the spend by directorates and measures being taken where any issues have been identified.

The Committee congratulated Finance Services and Children's Services for achieving 99% conformance with the transparency code.

Mr Lock explained he had split the waivers into 3 sections as outlined in the report which the committee found helpful.

During discussion

- Members asked for more detail on the waivers in response to the Covid 19 emergency supplies and services. Mr Lock said that PPE is still a large spend but not as much as previously as PCC had built up supplies. Also provided that central government progresses the PPE portal then PCC can just direct providers to that portal. Also food is still in that area but less so now as supply lines had improved. The IBIS contract has also had to be extended.
- Members thanked Mr. Lock for the additional exempt information that he had supplied since the last meeting which was very helpful and asked that he alerted them to anything which he considered should be brought to members' attention. Mr. Lock confirmed that his analysis had been given in the report and he would continue to provide additional detail. The report summary would draw members' attention to any issues. He would also provide more detail on the waivers going forward.
- Members said the KPI performance table was very useful. Mr. Lock said he had concerns that KPIs were still not being completed by services. Consequently the team are focusing on getting contracts on the system and will then concentrate on the KPI performance being completed by services. He advised that the team will review how the KPIs are being asked for and whether they are relevant and proportionate to risk and value. He hopes this will result in improvements.
- Members hoped KPIs would move in the direction of relating to outcomes and value for money and Mr Lock said this is beginning to happen.
- Members noted that the table in the report showed a number of contracts where KPIs are "never scored." Mr Lock said that this is likely to be because contract managers have not updated the system.
- In response to a query about how you would judge the contract if no KPIs had been completed and you were considering renewing it, Mr. Lock said that an extension form would have to be completed and signed off by Legal for any contract over £100k and this acted as a check. Usually KPIs had been completed but just not entered on the system.

- Members said they were confident that the area of KPIs not being scored or having expired was being looked into. This has been an ongoing issue for some time and should be looked at as a priority. Mr. Lock said there had been some resource issues in that some contract managers had left. However, a KPI specialist is being recruited which will assist in overhauling the system.

The Chair thanked Mr Lock for his report and presentation, both of which were very good.

The report was NOTED.

The meeting concluded at 3.40 pm.

Councillor Leo Madden
Chair