

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 25 September 2015 at 2.30 pm 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 Simon Boshier (in the chair)

Councillor John Ferrett
Councillor Steve Hastings
Councillor Hugh Mason
Councillor Phil Smith

Councillor David Tompkins (Standing Deputy)

Officers

Michael Lawther, Deputy Chief Executive & City Solicitor
Joh Bell, Director of HR Legal & Procurement
Julian Pike, Deputy Director of Finance & S151 Officer
Lyn Graham, Chief Internal Auditor
Elizabeth Goodwin, Deputy Chief Internal Auditor
Mark Justesen & Kate Handy, External Auditors (Ernst & Young)

49. Apologies for Absence (AI 1)

Apologies for absence had been received from Councillor Ian Lyon who was represented by Councillor David Tompkins as his standing deputy.

50. Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

51. Minutes from the meeting held on 26 June 2015 (AI 3)

RESOLVED that the minutes of the meeting held on 26 June 2015 be confirmed and signed by the chair as a correct record.

52. Updates on Actions identified in the minutes (AI 4)

Minute 4 (previous update) The City Solicitor confirmed that a letter had been sent from the Director of Adult Services regarding the

appointment of an advocate for Adult Safeguarding, and he would request that it be recirculated to members of this committee.

Minute 4 & minute 29/14 (previous update) - councillor training and development - the Chair was satisfied that it was not necessary to invite Claire Upton-Brown and Nickii Humphreys to this meeting to give an update.

Minute 7 - (designated independent persons) - the City Solicitor reported that it was likely that a third independent person would soon be appointed.

Minute 9 - (Annual Internal Audit Report) - three actions were reported on:

- (i) Employee code of conduct - The City Solicitor reported that revision of the code was in progress as part of revisions being made to the City Council's constitution.
- (ii) Debt recovery - The Deputy Chief Internal Auditor reported that this would be covered as part of a later agenda item.
- (iii) School audit - the Deputy Chief Internal Auditor reported that there had not yet been an additional visit to the school in question regarding financial compliance but the committee would be up dated when this had happened.

53. Annual Governance Statement 2014/15 (AI 5)

Rob Rimmer, Business Change Manager, presented the Annual Governance Statement for 2014/15. During discussion, the following matters were raised:-

- Regarding ensuring all staff have access to the policy hub, the Deputy Section 151 Officer reported that this was being examined and the two groups experiencing access difficulties were new starters and staff at the Port. A software upgrade would be available in January for the policy hub and in the interim a manual work around would be used for these staff.
- Members felt that continued monitoring of testing of public buildings regarding Legionella was prudent, and it was noted that this included schools, Care Homes and the Port as well as the Pyramids. It was confirmed that the council is no longer responsible for these checks at academies.
- Members considered that member training should continue to be monitored.
- With regard to non-compliance of financial rules training, the Chief Internal Auditor reported that whilst this was difficult to quantify currently due to the changes in directorates following the new structure, individual staff PDRs should enable these checks to be made. Members were keen that this continue to be monitored.

RESOLVED that Governance and Audit and Standards Committee:

- a) **Noted the progress and recommendations made against the 2013/14 annual governance issues as set out in Appendix A**
- b) **Approved the Annual Governance Statement 2014/15 for publication as set out in Appendix B**
- c) **Approved the 2015 Local Code of Governance for publication as set out in Appendix C**
- d) **Confirmed the monitoring process for the next AGS cycle.**

54. Statement of Accounts 2014/15 (AI 6)

Members of the committee had received a draft of the statement of accounts and an amendment sheet was circulated at the meeting, which would then be incorporated into the final version for publication.

Arising from the previous presentation of the draft accounts to members Councillor Lyon had raised questions that were put on his behalf by Councillor Tompkins (as his standing deputy) regarding whether any income had been taken to the Revenue Account belonging to the following financial year and also whether any debtors which did not arise until the following financial year had been included as debtors at the 2014/15 Balance Sheet date.

The Deputy Head of Finance and Section 151 Officer confirmed that no income relating to periods after 31 March 2015 had been recorded as income in the 2014/15 Revenue Accounts and that no debtors arising after the Balance Sheet date had been included as debtors on the Balance Sheet; he clarified the difference between the terms 'debt owed' at the Balance Sheet date all of which is included in the 2014/15 Accounts and debt owed but 'not due' at the Balance Sheet date.

He explained that debt owed which was due for payment within 365 days of the Balance Sheet date is classified as short term debtors on the Balance Sheet and owed debt due for payment later than 365 days is classified as long term debtors on the Balance Sheet. Examples given by the Deputy Head of Finance and Section 151 Officer why a debt may be owed but not due for payment at the Balance Sheet date included invoices being within agreed payment terms at the Balance Sheet date, (e.g. 30 days after date of invoice), alternative negotiated terms applying and debts being paid via an agreed instalment plan. Owed debt that was outside of agreed payment terms is classified as short term debt and recovery action would be in progress.

It was acknowledged that some of the financial terminology could be made clearer, such as 'adjustment for non-cash movement'.

In response to a question on the depreciation on council dwellings, it was reported that for buildings this was usually calculated as 60 years but this could be less for components.

RESOLVED that the Statement of Accounts 2014/15 be approved by the committee and signed off by the Chair and Director of Finance & S151 Officer.

55. External Audit Annual Results Report 2014/15 - Ernst & Young (AI 7)

(TAKE IN REPORT)

Kate Handy and Mark Justesen, External Auditors (Ernst & Young) jointly presented the report. They explained that the Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year and on any planned changes in the coming period.

During discussion the following matters arose:-

- Under 'Value for Money' the concerns raised about current plans and available management capacity not being sufficient to enable the identification and delivery of savings/efficiencies to the scale required in the time available, were acknowledged.
- Harbour Accounts - It was confirmed that no official communication from the Department for Transport advising of the deadline for submission of Harbour Accounts for the Commercial Port had been received. The council would await a deadline before this extra work would be undertaken.
- Highways PFI - the City Solicitor reported that there were ongoing, complex negotiations with Colas (and the Treasury was aware of the situation), and there would be a report back to the committee on progress.
- It was requested that there be a report back to the committee on the extension of Systems Thinking across the Council
- It was confirmed that Greg Povey, Assistant Director of Contracts, would be bringing a report to this committee in January on contract procedures

The committee accepted the External Audit Annual Results Report 2014/15 and the chair signed the letter of representation that was also signed by Mr Chris Ward, Head of Financial Services.

RESOLVED that the External Audit Annual Results Report 2014/15 be noted.

56. Sector Update Report from External Auditor (AI 8)

(TAKE IN REPORT)

Kate Handy, External Auditor, Ernst & Young, introduced the report and said that the LG Sector update was a general information report which was not specific to Portsmouth City Council but provided information on what was happening across the wider region. .

RESOLVED that the update from the external auditor be received.

57. Performance Management Update Q1 (AI 9)

Kelly Nash, Corporate Performance Manager, presented the report and advised that information from Property was still awaited. She advised that in future this report would be produced in its previous format as a single report on performance with comparative information from other local authorities.

During discussion the following matters were raised:

- Councillor John Ferrett as Chair of HOSP was particularly concerned over staff capacity issues relating to Adult Social Care and the impact on unsafe discharges from hospital. He asked that further information on the numbers involved be provided to the Chair and Vice Chair of HOSP.
- With regard to FOI requests, the time and resources taken up by persistent requests was discussed and the City Solicitor reported that the intention was to undertake an information management project to clear files. This would ensure that only what is really needed is kept and this would help to reduce the time in responding to FOI requests.

RESOLVED that the Governance and Audit and Standards Committee:

1) noted the report;

2) commented on the performance issues highlighted in section 4, and governance issues in section 6, including agreeing if any further action is required

3) Agreed the actions proposed in section 5.

58. Treasury Management Outturn 2014/15 (AI 10)

(TAKE IN REPORT)

(This report was before the committee for information only and would be included on 13 October 2015 Council Agenda for approval).

Michael Lloyd introduced the report and explained that the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code requires local authorities to calculate prudential indicators before the start of and after each financial year. Those indicators that the Council is required to calculate at the end of the financial year are contained in Appendix A of this report.

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 questions, the following matters were clarified:-

- Slippage -For the PRED portfolio Michael Lloyd advised that there had been major schemes causing this (for City Deal and at Tipner, with issues including moving a firing range and finding historic structures which had caused delays). For the Culture & Leisure portfolio planning consent had taken longer than anticipated for the Arches project and the Lottery funding had not been confirmed for Canoe Lake.

- With regard to Investment funding - the Deputy Director of Finance and S151 Officer advised that it was likely that the investment fund would be used to buy a property in the near future.
- It was noted that the council had changed banks in December 2014 and were now with Barclays Bank.

RESOLVED 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.

59. Revision of Investment Strategy and Treasury Management Monitoring Report for the First Quarter of 2015/16 (AI 11)

(Report before this Committee for information and will be going to Council on 13 October 2015)

Michael Lloyd presented the report and explained that its purpose is to amend the Investment Strategy to allow the Council to invest in 5 year equity trackers and to increase the geographical investment limits and the variable interest rate exposure limit. Appendix A contains the Treasury Management Monitoring Report which aims to inform members and the wider community of the Council's Treasury Management position at 30 June 2015 and of the risks attached to that position.

During discussion the following matters were clarified

- The proposed investment in the 5 year equity trackers offered protection from a potential crash in the stock market, with a cap on its return.
- The Asian investments were based in Singapore and Australia and not China.

A suggestion was made that consideration might in future be given to clarifying the wording in recommendation (1) regarding unsecured investments, to reflect that up to 5 year trackers would be permitted.

RESOLVED that recommendations 1. to 6. set out in paragraph 2 of the report be noted.

60. Persistent Complainants Policy (AI 12)

(TAKE IN REPORT)

The City Solicitor and Corporate Complaints Officer presented the report and explained that its purpose was to bring to the attention of the Governance & Audit & Standards Committee the revised Persistent Complainants Policy attached as appendix A. Unreasonable and unreasonably persistent complainants can dramatically impinge on the service area's ability to investigate the complaint, the complaints made by others and the day to day functions of the service. The policy has been updated to ensure continued best practice in complaint investigation and complaint management.

RESOLVED that the Governance & Audit & Standards Committee approve the Persistent Complainants Policy for use across Portsmouth City Council.

61. Revision of Corporate Complaints Policy (AI 13)

(TAKE IN REPORT)

The Corporate Complaints Officer presented the report which defined what does or does not constitute a complaint. The City Solicitor added that this would help in managing the expectations of those making complaints.

RESOLVED the Governance & Audit & Standards Committee approved the Corporate Complaints Policy for use across Portsmouth City Council.

62. Local Government Ombudsman Annual Review report - Information only (AI 14)

(TAKE IN REPORT)

The City Solicitor and Corporate Complaints Officer presented the report which provided the Committee with information on the Annual Review by the Local Government Ombudsman (dated June 2015). The report outlined complaints it has considered against Portsmouth City Council for the period 2014/2015. The City Solicitor said the review showed that PCC had a good record in dealing with LGO cases and a low number of complaints being upheld. He explained that the disparity in the number of cases received and decisions made related to some cases being decided in a different year from their submission.

63. Audit Performance Status Report to 24 August for Audit Plan 2015/16 (AI 15)

(TAKE IN REPORT)

The Deputy Chief Internal Auditor presented the report and updated the committee on an area of concern regarding Safer Recruitment; a follow up audit had been undertaken which showed that the issue had now been resolved. For Children's Social Care direct payments, this would need to be followed up and reported back to the committee. There would also need to be a report back on the critical risk exception concerning Legionella.

In response to queries the following matters were clarified:

- The DBS Safer Recruitment checks had been undertaken but copies had not necessarily been passed back to the HR recruitment team; the managers were checking that these had been received.

- Members of the committee (and standing deputies) asked to receive a list of the 49 roads not covered in the PFI contract with Colas and it was noted that some of these were on Housing or Leisure land, so were outside the highways arena.
- Debt Recovery - it was explained that the officer who would have taken on the testing role had been seconded to a channel shift role but the S151 Officer was requesting there be back-fill of this specialist post.

Jon Bell, Head of HR, Legal & Performance, announced that it was Lyn Graham's last committee meeting as Chief Internal Auditor as she would be retiring. The Chair and committee wished to place on record their gratitude to Lyn Graham for her professionalism, help and support of the committee since its inception. Lyn responded that she had enjoyed working with the committee.

RESOLVED that

- (1) Members noted the Audit Performance for 2015/16 to 24th August 2015**
- (2) Members noted the highlighted areas of control weakness for the 2015/16 Audit Plan.**

64. Volunteer Policy and cover report (AI 16)

The City Solicitor asked the committee to consent to the withdrawal of this item as after further consideration it was deemed more appropriate to be considered by the Employment Committee. This was agreed.

65. Exclusion of Press and Public (AI 17)

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 item on the grounds that the report contains information defined as exempt in Part 1 of Schedule 12A to the Local Government Act, 1972 - Data Security Breaches (under exemption paragraphs 1,2 & 3).

66. Data Breaches (AI 18)

Members considered the exempt appendix in exempt session and then moved back into open session. The committee confirmed that it wished to continue to receive reports on data 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 4.35 pm.

Councillor Simon Boshier
Chair