

Audit Committee

Wednesday, 23rd September, 2015
6.00 pm

Attendees	
Councillors:	Colin Hay (Chair), Chris Nelson (Vice-Chair), Matt Babbage, Flo Clucas, Dan Murch and David Prince
Also in attendance:	Tracey Brown (Partnerships Team Leader), Peter Barber (Grant Thornton), Sarah Didcote (Deputy Section 151 Officer), Paul Jones (Section 151 Officer), Rob Milford (Audit Partnership Manager), Gill Morris (The Trust Client Officer), Jackson Murray (Grant Thornton) and Bryan Parsons (Governance, Risk and Compliance Officer)

Minutes

1. APOLOGIES

Councillor Thornton had given her apologies.

The Chairman advised that the Cabinet Member Healthy Lifestyles would have attended for the Cheltenham Trust item (Agenda Item 5) had it not been for another commitment.

2. DECLARATIONS OF INTEREST

The Chairman declared a non-pecuniary interest in agenda item 5 (The Cheltenham Trust) as Board Member. He advised that the vice-chairman would take the chair for this item.

3. MINUTES OF THE LAST MEETING

The minutes of the last meeting had been circulated with the agenda.

Upon a vote it was unanimously

RESOLVED that the minutes of the meeting held on the 17 June 2015 be agreed and signed as an accurate record.

4. PUBLIC QUESTIONS

No public questions had been received.

5. THE CHELTENHAM TRUST - 12 MONTH REVIEW OF GOVERNANCE ARRANGEMENTS

The vice-chairman took the chair as the Chairman had declared an interest and left the room.

Gill Morris, the Client Officer, introduced the report as circulated with the agenda. She explained that the committee had received a presentation on the proposed governance arrangements for the Trust in June 2014 and at that

stage a commitment was made to update the committee on governance arrangements after twelve months of operation.

The report set out the governance arrangements for management of the contract and the internal governance arrangements that had been developed by the Trust. In relation to management of the contract, there were three levels of governance: monthly performance meetings between the council's client officer and the trust's relationship manager. These were informal meetings to discuss performance and identify any issues or risks for resolution or escalation; quarterly liaison groups meetings. These meetings involved the council's authorised officer (currently the deputy chief executive) and the client officer and the Trust's chief executive and relationship manager. This group agreed the annual development plan and monitored delivery of this plan through quarterly performance reports, also discussing any issues, challenges and potential risks. These meetings also provided an opportunity to have early discussions about any major changes that the Trust wished to make; six monthly partnership board meetings. These meetings included the council's cabinet member healthy lifestyles and authorised officer and the Trust's chief executive and trustee's representative. This group held strategic oversight of the contract, identifying and discussing strategic development opportunities and promoted partnership working and collaboration. Both the liaison group and partnership could be supported by relevant officers from both partners and both were able to appoint sub-committees and task/finish groups if required. The governance framework was subject to annual review to ensure that it continued to provide necessary assurances to both the council and the Trust. In addition to the contract governance framework the Trust participated in the annual review of effectiveness of the council's governance framework. The first assurance checklist had been completed after six months of operation and a commitment was made at the time to review it in six months; this will be undertaken in the coming weeks. The cabinet member healthy lifestyles took an active part in the governance of the Trust and a member seminar was arranged in June for the Trust to brief all members on the first six months' of operation.

Governance arrangements within the Trust had developed over the first 12 months of operation, to comply with the Companies Act and the UK Corporate Governance Code for Companies. Good governance was also a key aspect of the Trust's annual submission to the Charity Commission in line with the Charity Commission Guidance. The following points were made: the Health & Safety Committee did not form part of the formal governance arrangements but reported up to the Board through the Finance and Audit Committee; and GO Shared Services had supported the Board, informally, to further develop the governance framework, but this support was now being delivered by an external organisation.

From the perspective of the commissioning team at the council, the framework was working well and having done a significant amount of work over the last 12 months to develop the framework, the Trust were now working to embed it and develop it further and as previously mentioned, the governance arrangements would be reviewed annually to ensure that they continued to work effectively.

The vice-chairman thanked the client officer for her report, which he was in full support of the committee receiving.

The following responses were given to questions from members of the committee;

- The authorised officer would be advised of the suggestion voiced by a member of the committee that the partnership board should meet more regularly, on a quarterly basis, with feedback from task groups and Trustees, given that the Trust were managing Council assets.
- The council had engaged consultants to assist in the development of a Tourism Strategy and the chief executive of the Trust was a member of the project team. There was no tension between the council and the Trust on the issue of tourism but there was agreement that the council needed to be clear about what it wanted and how it would be delivered. It was important to note that the council could not always take the lead and would have to work with other stakeholders in the town to deliver a strategy.
- The Audit Partnership Manager advised that the Charity Commission guidance rules and regulations set out what the Trust were required to do. It was difficult to compare these rules against those that the council had to follow and as such he could not comment upon whether one was more stringent than the other.

Upon a vote it was unanimously

RESOLVED that the report be noted and comments relating to the governance arrangements of the Trust be fed back to the council's authorised officer.

6. ANNUAL GOVERNANCE STATEMENT - PROGRESS REPORT ON SAFEGUARDING OF CHILDREN AND VULNERABLE ADULTS (MAINTAINING A TRAINING AND HANDBOOK REGISTER)

The Chairman returned to the chair.

The Partnerships Team Leader introduced the progress report as circulated with the agenda. She explained that the council would, in the next 2 months, continue roll-out of the safeguarding declaration and would do so using the Learning Gateway. It was the responsibility of Service Managers to ensure that the correct level of training was identified for staff and entered onto the Learning Gateway, which would act as a register of training for purposes of the Safeguarding Policy. To ensure that this information was up to date, service managers would be required to review the entire for their staff every two years, which was in line with the section 11 audit timeframe of the Gloucestershire Safeguarding Children Board, therefore the next review was scheduled for November 2015. The Partnership Team Leader would review reports on a quarterly basis to ensure that the number completing the declaration and undertaking the required training did not fall below 90%. Should numbers fall below 90%, remedial action would be taken and should this not be remedied, then the issue would be reported to the Senior Leadership Team who would take appropriate action.

The following responses were given to member questions;

- Once entered onto the Learning Gateway the system would flag which officers had not completed the declaration or training and reports would enable monitoring of any officers or teams who were repeatedly not fulfilling their obligations.
- The council did not consider it to be appropriate to mandate elected members to undertake safeguarding training, however, members were able to access the Learning Gateway and member inductions would be used to promote the issue to new members.
- Cases across the country had demonstrated that Taxi Drivers could have identified issues at an early stage and as such they formed part of the Child Exploitation Strategy and officers at the council were currently working with County Council colleagues. Plans were also in place to approach Hotel reception staff just prior to race week in 2016 and make them aware of how to report any concerns.
- Taxi Marshalls had body cameras but she could not say whether the Taxi's themselves did or indeed whether safeguarding training was going to be mandatory. She would raise this with the Licensing manager and report back to the committee by email.

The Audit Partnership Manager confirmed that safeguarding featured on the Internal Audit plan for 2015/16 and the committee would be informed of any findings.

The Corporate Risk and Compliance Officer reminded members that this issue featured on the Annual Governance Statement as a significant issue and asked, given that a point at which records had been improved had been reached, whether members were comfortable for him to annotate this on the AGS significant issues action plan. The Chairman explained that whilst he was comfortable that the matter would no longer be flagged as an issue, but he was keen that the committee continue to monitor it.

Upon a vote it was unanimously

RESOLVED that having noted the procedures, the committee is reassured that the council can evidence compliance with the safeguarding training duties under section 11 of the Children Act 2004.

7. INTERNAL AUDIT MONITORING REPORT

The Audit Partnership Manager introduced what was a regular report to the committee, which was designed to give the committee the opportunity to comment on the work completed by the partnership and provide ongoing assurances on the control environment throughout the year. Some of the highlights of the report included: Audit Cotswolds was in the process of updating the audit management software and data analytical tools to support the ever growing service; the service had now commenced provision of a full year of internal audit to The Cheltenham Trust; the contract with Cheltenham Borough Homes Ltd had been successfully renewed for another year; £403k from the DCLG Counter Fraud Fund was received on the 30 April 2015; and the Art Gallery and Museum review had been concluded. Appendix 1 set out a plan of what the service would be working on, with a focus on projects and as mentioned earlier in the meeting, an audit of Safeguarding Adults and Children was scheduled to be undertaken in quarter 4. Appendix 4 set out an update on counter fraud. He confirmed that the service was progressing a significant

amount of work through this arm, had increased this area of work with CBH and had recently been working proactively on the non-returned Single Person Discount forms to include penalties.

The following responses were given to members of the committee;

- The £403k DCLG money was not solely for Cheltenham, it was to be shared across the county.
- With members approval it was hoped that the committee would monitor the counter fraud unit, receiving regular updates as part of the Internal Audit reports, the Project Initiation Document for the project and a more substantial Annual Fraud Report. The committee were comfortable with this suggestion.

Upon a vote it was unanimously

RESOLVED that the internal audit monitoring report be noted.

8. AUDIT HIGHLIGHTS MEMORANDUM ISA 260 (2014-15) AND FINANCIAL RESILIENCE (2015-16)

Peter Barber of Grant Thornton introduced the report as circulated with the agenda and confirmed that progress had been made against the areas identified as being 'yet to be finalised' in the executive summary of the report. He advised that Grant Thornton anticipated being able to provide an unqualified opinion. The report, which was submitted on the 11 September, stated that no material misstatements had been identified during the audit, however, the council had identified one material misstatement relating to Property, Plant and Equipment and as such, Grant Thornton had issued an addendum on the 17 September, which provided a brief description of the errors, which were offset by another error which meant that the net impact on the Council's Balance Sheet for both years was no material. Details had been included in the accounts which were scheduled next on the agenda. The accounts were very long, more than 100 pages and therefore errors inevitably did occur, but members were assured that this was a positive message. The other area of work for Grant Thornton was the Value for Money conclusion and he was pleased to report that Grant Thornton had reached the view that CBC had satisfactory arrangements in place, with all six risk areas being assessed as 'Green'. He noted that one control issue that had been flagged was the fact that the Section 151 Officer was able to post journals and this had been addressed by the Director of Resources having relinquished his Section 151 Officer responsibilities.

Jackson Murray from Grant Thornton then talked members through some of the finer detail of the report, on which the unqualified opinion was based.

The following responses were given to member questions;

- The £163k surplus from Ubico had arisen as a result of how they had to account for their pensions liability and this surplus had been reported to council by the Cabinet Member Finance when he had presented the mid-term report.
- If an asset within a class was revalued then the code states that you must reassess all assets in that class within that year, but this would not always be possible to achieve so sub-categories are used.

- The £2.99m misstatement related to the Wilson which was listed under assets under construction but came operational in 13/14. This was transferred to assets in operation but not taken into account in the revaluation of the asset.
- As part of the VFM work Grant Thornton did look at investments and in terms of the AG&M overspend did not feel that anything negative needed to be included. Peter Barber was of the opinion that in setting any budget there was always a risk that it would not be enough after having embarked on the project. In his view the income now being generated by the Wilson was helping the council to meet its financial needs and the fact that the council were taking proactive measures to how they approached projects such as this in the future meant that the overspend did not represent a significant issue in relation to VFM.
- The purchase of Delta House would be considered next year and would only be commented upon if it was considered to be warranted.
- The £1.5m budget gap represented the budget gap over the totality of the MTFS rather than £400k each year.
- Grant Thornton were not intimating that the general reserves of the council were too low, they were simply acknowledging that they were lower than other councils of a similar size and that were initiatives such as 2020 vision not to be taken forward, that the council would not be able to depend on its reserves when setting budgets for as long as some other authorities would.

The Section 151 Officer confirmed that he and his team were currently working on the MTFS, which would be considered by Council in October. He assured members that the budget gap did not equate to £400k each year but was instead front loaded at 2016/17. In setting the reserves the council had adopted a risk based approach and considered what was the optimal minimum and based on that assessment advice was that the council should not allow their reserves to fall below £1.35m and it was currently £1.6m. His advice going forward would be that any underspend or fortuitous gains in the future should be used to build the council's reserves. He was not in a position to say whether the £163k Ubico surplus would be utilised in this way or not. He stressed that if the council did not agree to 2020 vision the MTFS would be put at risk and members would need to look at cutting non-statutory services.

Some members of the committee felt strongly that the Wilson did represent good value for money, they felt that the Art Gallery had not been fit for purpose and that the investment that had been made, irrespective of the over-spend, had been an investment for the future.

No decision was required.

9. STATEMENT OF ACCOUNTS 2014-15

The Deputy 151 Officer introduced the report as circulated with the agenda and confirmed that the document had been reduced in size by some 30 pages and information that was available elsewhere had been removed. The explanatory foreword offered a flavour of what the council was doing. She highlighted the difference between the management accounts (spending funded by council tax) to the comprehensive income and expenditure statement (the total cost of the services, including revaluations and other technical accounting adjustments)).

She noted that closure of accounts would be bought forward a month to 31 May in 2016/17, which would be a challenge but the team were already starting to work this into the timetable and bring things forward, in order to be able to conduct a dummy run next year. She stressed that in order to achieve the revised timetable managers would need to be fully signed-up as the finance team were highly reliant on other people doing what they had to do in order to meet their deadlines.

With the help of the Section 151 Officer, the following responses were given to questions from members of the committee.

- The reserves set out on page 75 in the statement of accounts were usable reserves as these were earmarked and committed, even if specific projects had not yet been developed. The Section 151 Officer had asked Exec Board to review the level and requirement for all reserves and realign them. The DCLG Minister had announced plans to cap the level of reserves that a council could hold and had suggested that this would be in return for 5 year settlements. The LGA had raised concerns about this directly with the Minister.
- Grant Thornton reiterated that it was for each council to set their own reserve levels and there was no suggestion that the current level of usable reserves against gross revenue expenditure was insufficient.
- A requirement of the Section 25 report by the Section 151 Officer is to comment upon reserves. He would be taking this opportunity to suggest that the council increase reserves where possible, however, it was important to note that the reason the council did not have large reserves was in part due to the fact that we preferred to fund projects and other expenditure within the Borough.
- It was not entirely possible to draw a fair comparison between CBC and other councils within the county as Cheltenham's property portfolio dwarfed some other councils and therefore it had to maintain larger property maintenance reserves.

Upon a vote it was unanimously

RESOLVED that the audited Statement of Accounts for 2014/15 be approved and signature by the Chairman of the Audit committee.

10. WORK PROGRAMME

Members were referred to the committee work plan as circulated with the report.

A member suggested that the committee should review the purchase of Delta House and consider whether all the appropriate checks and balances were in place when the decision was made. The Section 151 Officers advised the committee that the council had used £2.5m from a capital receipt to purchase the property and expected a return of 4.1%, rather than the 0.6% offered by banks, which in his view represented good value for money. At the time he also calculated that had the council used all of the capital receipt, rather than investing in the Town Hall and Pittville play area the council would have benefited from £400k+ rather than £100k. The chairman was of the opinion that what was being suggested fell with the remit of scrutiny rather than audit and as such, proposed that Councillor Babbage refer the issue to O&S or the Budget Scrutiny working group to look at if either O&S and/or BSWG were minded to do so.

The 2016 committee dates relating to the budget would not need to change but future dates would need to be revised to meet with the earlier completion requirement.

11. ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION

There were no urgent items for consideration.

12. LOCAL GOVERNMENT ACT 1972 -EXEMPT INFORMATION

Upon a vote it was unanimously

RESOLVED THAT in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining items of business as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in paragraph 1, 2 and 7, part 1 Schedule 12A (as amended) Local Government Act 1972, namely:

Paragraph 5; Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings

13. ANNUAL GOVERNANCE STATEMENT SIGNIFICANT ISSUE ACTION PLAN - PROGRESS REPORT ON CAR PARKING (MANAGEMENT OF THE CAR PARKING SERVICES IMPACTING ON INCOME AND OPERATIONAL EFFECTIVENESS)

The committee considered an exempt report.

No decision was required.

14. DATE OF NEXT MEETING

The next meeting was scheduled for the 13 January 2016.

Colin Hay
Chairman