

# Cheltenham Borough Council Audit, Compliance and Governance Committee Minutes

**Meeting date:** 19 March 2024

**Meeting time:** 6.00 pm - 7.00 pm

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**In attendance:**

**Councillors:**

Adrian Bamford (Chair), Matt Babbage and Stan Smith

**Also in attendance:**

Paul Jones (Deputy Chief Executive (Section 151 Officer)), Gemma Bell (Director of Finance and Assets and Deputy S151 Officer) and Peter Barber (Grant Thornton, External Auditors)

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## **1 Apologies**

Apologies were received from Councillors Willingham, Joy, Beale and McCloskey.

## **2 Declarations of interest**

There were none.

## **3 Minutes of the last meeting**

The minutes of the meeting held on 31 January were approved as a true record and signed accordingly.

## **4 Public and Member Questions**

There were none.

## **5 Interim Auditor's Annual Report, 2021-22 and 2022-23**

Peter Barber of Grant Thornton introduced the combined report for 2021-22 and 2022-23, explaining that the role of the external auditor is to give an opinion on the financial statements and a conclusion on value for money (VFM), based on the National Audit Office (NAO) code and focussing on three areas:

- financial sustainability – how CBC sets, monitors and delivers its budget and savings, an increasingly challenging position to deliver 13-14 years into austerity;
- governance – how CBC makes decisions, whether these are based on complete and accurate information, and how these can be challenged in an appropriate way;
- economy, efficiency and effectiveness – how services are delivered and how delivery is prioritised, given limited resources.

The report was deliberately detailed, with two years' coverage (2021/22 & 2022/23) as required under NAO code.

Peter ran through the three types of recommendation that can arise from the external auditor's VFM work as set out at Appendix B:

- statutory – reserved for the most serious concerns – CBC has none;
- key – where auditors consider appropriate arrangements are not in place – CBC has none;
- improvement – where some strengthening and refining of what is already in place is required – CBC has eight.

The overall message is positive, reflecting the council's current position, and the huge changes it will undergo in the next 18 months. The complex and ambitious projects offer great opportunities but inevitably bring risks – it is crucial that these are carefully managed - risk aware rather than risk averse.

At the Chair's request, he explained why two years are being taken together, and that following a significant delay in reporting for 2021-22, that report is combined with the 2022-23 report – it cannot be called 'final' as the 2022-23 opinion has not been concluded, but 2021-22 can be closed once the report is presented as 'interim', and a certificate issued to confirm closure. Accounts for 2022-23 still have to be published, and auditors have to complete a backstop opinion by the end of September 2024 – at which point the 2022-23 audit can be closed and the new auditors can start on 2023-24.

The Chair welcomed the progress to date, and that CBC has no issues in the significant or key categories. He then turned to the first recommendation concerning economy, efficiency and effectiveness and the use of resources.

The Deputy Chief Executive thanked Peter Barber and his colleagues for their hard work, and welcomed the largely positive report, but said it would be naïve to think there would be no areas where improvement was required, particularly given the financial climate and the recognition of the exciting initiatives ahead, with the

transition of Cheltenham Borough Homes (CBH) and some high-profile asset disposals. He accepts that CBC needs to keep working to financial sustainability – the Number 1 priority of the Golden Valley project, and from a financial perspective the need to mitigate the risk from a number of economic factors to have hit post-Covid, including the situation in Eastern Europe, inflation and high interest rates. He said Recommendation 1 is very much picking up on capacity, recognising the many advantages of CBC and CBH coming together as one team, to ensure services can be maintained for many years.

A Member made the point that the council's biggest risk is around project management, in view of the massive investment in the Golden Valley project and the size of the council. We need to be going in with eyes open to the risk. The Chair said these recommendations are noted and will be reviewed at regular intervals.

The Chair then moved on to Recommendations 2 and 3, concerning the savings programme and workforce strategy.

Peter Barber said there are two improvement recommendations regarding financial sustainability, the first reflecting the reliance placed on reserves in recent years to balance the budget and recognising that this is not sustainable in the medium term. He said that when the budget is set in February, the full prior year of actuals is not yet available to determine what is appropriate going forward. Financial arrangements are being tested like never before, particularly the ability to produce recurring savings. One-off savings store up problems for future years, and while a lot of councils will look similar in five years' time, CBC will be a very different organisation, and there will still need to be further savings and efficiencies and a mechanism in place that is robust enough that when a savings target is set at the beginning of the year, there are arrangements in place to deliver against profile and, if not, what mitigating actions the council will need to take.

The second recommendation is making sure that workforce strategy and policy is in place and aligned to financial and corporate objectives, not least CBH coming back in house and the potential economies of scale that will follow.

The Director of Finance and Assets reminded Members of the peer review report presented at February Council and discussion about the reliance on reserves and balances, a lot of preparation has gone into setting the budget and savings for 2024-25. A number of savings have already been achieved, with delivery in advance of the start of the financial year, which is very positive. It's correct to say that more and more savings need to be identified, but as we have seen in the decisions of the last 12 months, the council is not afraid to be brave, for example in bringing CBH back in house which will bring significant financial benefits, and investing in areas such as HR and Learning and Development. Officers are working hard to ensure the council is taking the right decisions and making the right investments to ensure that efficiencies are generated.

Moving onto the workforce, the Deputy Chief Executive said the council is in the throes of finalising the TUPE, with 01 July identified as the date, and a key part of the work plan being to ensure that terms and conditions are as closely aligned as possible, and that the two workforces are streamlined as one, working to the same

values. After almost twenty years in the job, he said it doesn't get easier, but staff always find a way and get things done, and always delivering a balanced budget. We must cling onto the reality of a longer-term sustainable vision – there will always be an element of commercial activity to generate income while gearing up to the long-term aspiration of being self-financing through the two biggest forms of income – council tax and business rates, which will be coming forward with the growth of North-West Cheltenham and West Cheltenham. This anticipated growth will shore up the annual conundrum of expenditure increase and income not keeping pace; the main reason for income not keeping pace in the last couple of years is that inflation has been in double digits while council tax can only increase by 2.99%, creating an annual gap.

The Chair suggested that monitoring and having arrangements in place is key as things don't always work out as planned, and agreed that it would be sensible to do further work on the workforce plan once CBH staff have joined.

Recommendations 4, 5 and 6 concern governance – decision-making, challenging, and ensuring appropriate controls are in place for key decisions. Peter Barber said this is a challenge for local government which is often criticised for being overly bureaucratic, and must be proportionate in its challenging. Audit, Compliance and Governance and Overview and Scrutiny committees have an important role to play, and this will change as the council changes going forward – it is important to have assurance and get the views of all stakeholders – the CIPFA checklist can be circulated.

As councils become more complex and diverse, they must also think about ensuring there are enough skills on these committees, and best practice suggests independent members should be included for complete and effective assessment. There is also a question around Overview and Scrutiny and how it operates, making sure it calls in the right issues and challenges appropriately without being over-bureaucratic. Also, there is a suggestion that the constitution is revised and updated to reflect the changing nature of the council.

The Chair was aware that a number of south-west councils are starting out on a self-assessment process, and looked forward to the journey. He welcomed the idea of independent members on committees, and was aware that the Overview and Scrutiny Committee was in discussion about bringing the Forward Plan forward for discussion with the Chair.

The Deputy Chief Executive said these recommendations are reflected in the management comments, and the process of self-assessment has already started, with the SWAP team recommending a review to consider independent members. He said he would think of them as critical friends, and believed they would add value to the committees.

A Member asked, for context, what proportion of Audit committees include independent members, and whether they have been on committees for some time or pushed more recently. Peter Barber said that among the many south-west councils he has attended, less than 20% included an independent member five years ago, and now this figure is more like 50%, with 20% of councils having two independent

members. The Chair confirmed this impression and considered independent members a real plus point. He said getting the right people would be critical, but he hoped it was something the council would explore.

With reference to Recommendations 7 and 8, improving economy, efficiency and effectiveness, Peter Barber said one relates to partnership policy – councils don't operate in isolation and have to lever in partners to deliver services. The council must be clear about its aspiration and purpose when entering into partnerships and outcomes against expectation – this will become more important as the council becomes a more complex organisation.

The second issue concerned waivers, and the process to understand the nature, extent and value of these, to provide assurance that a waiver is appropriate, which may be a particularly important issue as the council moves forward over the next 12-18 months. He confirmed that there are no current problems, but noted that a lot of audit committees receive periodical reports on waivers, to understand why they are necessary, and ensure appropriate competition and that best value is achieved. The Chair agreed that things may be more complex going forward, that SWAP has highlighted the issue, and it will be helpful to have this conversation to look back on.

He said that it is excellent to note that most of the recommendations have been addressed, which is excellent. He asked officers if there was anything Members should be aware of with Recommendations 7 and 9.

The Deputy Chief Executive said neither of these raised particular concerns. The Corporate Risk Register and Risk Management Policy have gone through a number of iterations and improvements. He gave assurance that the Corporate Risk Register is reviewed on a monthly basis by the Senior Leadership Team, and this report could be brought to every meeting of Audit, Compliance and Governance or when required. He said every report to Cabinet and Council includes a risk section and likes to think Members are fully informed on how risks are monitored and mitigated. He said Overview and Scrutiny is an important element to assess the officers have got the risks right and the right mitigations are in place.

On Recommendation 10, he noted that following the liquidation of Clearview, the council has been looking to procure a new performance management system. Once established and embedded in the workforce, meaningful performance-related data will be available, which can be brought to Audit, Compliance and Governance or Overview and Scrutiny Committees.

Regarding Recommendation 13, he said CBC is currently advertising for a strategic procurement manager – once in place, key aims for that individual will be laid out.

The Chair felt that KPIs may be something for the committees managing those particular areas rather than Audit, Compliance and Governance. He agreed that the risk process is a matter for this committee.

**6 Any other item the chairman determines to be urgent and requires a decision**

There were none.

**7 Date of next meeting**

The next meeting will be hold on Wednesday 17 April.