

Minutes

Meeting name	Governance Committee
Date	Tuesday, 26 March 2019
Start time	6.30 pm
Venue	Parkside, Station Approach, Burton Street, Melton Mowbray LE13 1GH

Present:

Chair Councillor P. Cumbers (Chair)

Councillors J. Simpson (Vice-Chair) M. Glancy
J. Illingworth P. Posnett
J. Wyatt

Observers

Officers Director for Legal and Democratic Services
Director for Corporate Services
Head of Internal Audit
Administrative Assistant Elections & Member Support

External Auditor

Minute No.	Minute
G1	<p>Apologies for Absence Apologies for absence were received from Councillor Douglas. Councillors Bains and Faulkner were not present.</p>
G2	<p>Minutes The minutes of the meeting held on 5 February 2019 were confirmed and authorised to be signed by the Chair.</p>
G3	<p>Declarations of Interest Councillor Posnett declared a personal interest in any matters relating to the County Council, due to her role as a County Councillor.</p>
G4	<p>External Audit Annual Plan 2019/20 Ernst Young, the External Auditor</p> <p>(a) presented the 2019/20 Audit Plan (copies of which had previously circulated to Members), which included an analysis of key risks, the audit strategy, reporting and timescale;</p> <p>(b) gave an overview of the report, detailing its scope and highlighting the main items covered as follows:-</p> <ol style="list-style-type: none"> i. the audit process and strategy, including mandatory procedures, in relation to reviewing and reporting on the Council's financial statements and its arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money). ii. this Council's responsibilities in respect of preventing and detecting fraud and error. iii. External Audit's opinion on the Council's financial statements and assessment of risks. The risks identified were:- <ul style="list-style-type: none"> • <u>significant risks</u>: misstatements due to fraud or error and fraud in revenue and expenditure (inappropriate capitalisation of expenditure). • <u>other risks</u>: identified as pension liability valuation, valuation of property and assets (common across all local authorities), IFRS 9 financial instruments and IFRS 15 Revenue from contracts with customers (two new accounting standards, which had been implemented this year across the public sector and elsewhere). iv. External Audit's approach to these risks. v. Having considered both the potential financial impact of the issues identified and the likelihood that the issues would be of interest to local tax payers, the Government and other stakeholders, the External Auditor confirmed there were no significant risks to value for

money. The Council had a good record of meeting budget and identifying savings. A financial resilience assessment would be undertaken to determine whether the level of reserves forecasted by the Council in the medium term were sufficient to address the budget gap.

- vi. the importance of External Audit maintaining its independence and objectivity at all times, highlighting the 'self review threat' posed by undertaking non-audit work on the Council's housing benefit subsidy claim. External Audit were satisfied that their fee of £10,400k for this work did not breach its thresholds or impair its judgement.
- vii. the fees proposed for the audit and non audit fees. There was a proposed additional fee of £875 for a restatement on the expenditure funding analysis note. The Council had been advised of this at an early stage.

A Member highlighted the £18m pension fund deficit, asking what this large sum represented. Was it modest, normal or an excessive figure?

The External Auditor advised that the sum was not unusual and most local authorities held an audit portfolio with a net pension liability. £18m represented an accounting judgement (from the previous year), which involved complex estimation and could be subject to material differences, particularly on assets.

The Director for Corporate Services added that a revaluation of the pension fund was undertaken every three years. The next revaluation was due to be undertaken this year, ready for the 2020/21 budget. Leicestershire County Council (LCC), as the pension fund authority would have their whole pension fund valued and it would be broken down between the organisations which were members of this fund. Some organisations were a higher risk (due to outsourced work or having a very small number of employees as members of the pension fund) but this Council was typical in view of all members of the pension scheme, seeing recommended annual increases from LCC of 1% each year in employer's contribution to the fund. The revaluation considered gender, life expectancy, return on investment etc. Interest rates and returns had been low. This resulted in deficits on pension funds. The aim was to address deficits over a twenty year period (recalculate every three years over twenty years).

The Member queried if this Council was more at risk by being part of LCC's pension fund. The Director for Corporate Services advised that the Council benefited from LCC's bigger investment holdings and its risk, contribution and deficit was assessed as an individual organisation. Nationally, pension funds had been encouraged to combine.

The Member queried if LCC would be required to consult the Council should it wish to combine its pension fund with another authority. The Director for Corporate Services advised engagement between LCC's pension fund and employers/employees was through Councillor Malise Graham, who represented all district councils in Leicestershire on the Pension Board and also members of the

pension fund were able to attend the various meetings which took place.

Another Member queried whether the proposed additional fee of £875 for a restatement on the expenditure funding analysis note depended on officers undertaking their work efficiently.

The External Auditor confirmed that the proposed fee reflected an anticipation of no significant errors, the accounts being consistent with the prior year, a good set of working papers provided for audit and prompt responses to audit enquiries). Anything falling short of this expectation would trigger an additional charge.

A Member asked if earlier deadlines and additional work posed a risk to the necessary audit work being completed on time. The External Auditor advised that additional pressure was placed on both External Audit and officers. External Audit had to review the way they delivered their audit, bringing more of their work further forward in to the financial year. Prioritisation of work was essential.

Another Member asked what the consequences were of failing to meet earlier July deadline. The External Auditor advised that he was unaware of any financial sanctions placed on councils for this. There were responsibilities and expectations on both External Audit and councils to meet deadlines. There would be reputational consequences. The Director for Corporate Services added that failure to meet the deadline would affect staff morale and drain resources. There would also be scrutiny focus on this.

There being no further comments or questions from Members, it was

RESOLVED that the report be noted.

G5

Internal Audit Update

The Head of Internal Audit

- (a) submitted a report (copies of which had previously been circulated to Members), updating the Committee on progress made in delivering the 2018/19 Annual Audit Plan and key findings arising from audit assignments completed;
- (b) highlighted that 100% of planned audit assignments were either complete or in progress. A copy of the Audit Plan, as detailed at Appendix A of the report showed the progress made on all planned audit assignments;
- (c) confirmed that since the last Committee meeting, two reports had been finalised and the key findings were set out at section 2.5 of Appendix A:-
 - i. Housing Repairs: An initial review of the Council's new housing repairs contract had been undertaken. At the time of audit, the contract had been in place a matter of weeks and a number of key controls were yet to be embedded. Internal Audit had made

recommendations (concerning performance monitoring and post-repair inspections) to ensure these would be fully implemented in the coming months and the Council had assured that the areas were being addressed as part of a prioritised Action Plan. A full audit of the contract would be conducted, which would seek to provide assurance that all key controls were in place. A good assurance opinion for design had been given and a satisfactory opinion for compliance. In view of the risks associated with the contract a moderate opinion for organisational impact had been given.

- ii. Environmental Health: A review of the Council's Environmental Health service had been carried out, examining efficiencies and effectiveness of processes and controls to determine any areas for improvement. Service objectives were well established and the service appeared to be operating effectively. However, Internal Audit identified a number of opportunities to improve operational oversight and management, particularly around performance indicators, to ensure fully informed measuring was undertaken. There was also opportunity to review the 'split' between reactive and pro-active work and strengthening of demand management to enabling more robust oversight of use of resources. The audit resulted in satisfactory assurance opinions for both design and compliance and a minor assurance opinion for organisational impact;

(d) advised that since the last Committee meeting, six actions from audit reports had been completed. There were nineteen actions overdue for implementation, as detailed at Appendix 3 of Appendix A and only two of these actions were high priority, as detailed at Appendix 4 of Appendix A;

(e) confirmed that all remaining audits which have been completed since the report was produced will be detailed within the Annual Report in June 2019.

There being no further comments or questions from Members, Councillor Illingworth moved the recommendation and Councillor Simpson seconded.

RESOLVED that the report be noted, together with the progress made by the Internal Audit team in delivery of the Audit Plan.

G6

Internal Audit Annual Plan 2019/20

The Head of Internal Audit

(a) submitted a report (copies of which had previously been circulated to Members) which provided the Committee with a copy of the draft Internal Audit Plan for 2019/20, for review and formal approval, in line with the requirements of the Public Sector Internal Audit Standards;

(b) stated that the plan at Table 1 of Appendix A of the report had been developed in accordance with the risk based approach discussed with Members and agreed with Senior Leadership Team;

(c) highlighted areas which had been raised at previous meetings of this Committee:-

- i. S106 Monitoring: This Committee had previously requested a review around S106 Monitoring and this had been included on the draft Audit Plan 2019/20.
- ii. Complaints and Compliments Management: Highlighted by this Committee, Complaints and Compliments Management had been included to give assurance to Members.
- iii. Housing Repairs: As confirmed earlier in this meeting (Minute G5 – Internal Audit Update), the report on the Housing Repairs contract had recently been issued and this audit had been included to enable a full review of the contract;

(d) advised that a small number of audit assignments had been identified as consultancy. The outcomes of those audits would not result in standard audit reports or assurance opinions. They would result in reports or actions for Senior Leadership Team to improve the controls proactively. All audits which were consultancy in nature were specified as such on the draft Audit Plan;

(e) highlighted a 'reserve list' of audit areas at Table 2 of Appendix A, which may be better suited to Scrutiny Committee's work plan or could be incorporated into some of the other audit areas at Table 1;

(f) drew Members' attention to the additional recommendation at 2.2 of the report.

A Member commented that they were very pleased with the list of audits at Table 1, particularly Complaints and Compliments Management. Housing Allocations (which had been included on the reserve list) was very important and a concern for Members in relation to compliance. Assurance that people with the greatest need were being allocated the properties was needed. If Members wanted to include this on the Audit Plan 2019/20, it would mean removing another audit, which had already been included.

The Director for Law and Governance advised that Housing Allocations had been identified as a good item to include in Scrutiny Committee's work plan. A working group could be formed to consider how people felt about the allocations policy, the impact that it had and whether it was working correctly.

There being no further comments or questions from Members, Councillor Simpson moved the recommendation and Councillor Illingworth seconded.

RESOLVED that

- (1) the Internal Audit Plan for 2019/20 be approved;

(2) delegated authority be given to the Director for Corporate Services in consultation with the Chair of this Committee, to agree amendments to the Plan during the financial year if required.

G7

New Governance Arrangements - Constitution

The Monitoring Officer

- (a) submitted a report (copies of which had previously been circulated to Members) which requested the Committee's comments on a set of documents, which would form the Constitution and on a proposed Calendar of Meetings for 2019/20;
- (b) circulated an amended proposed Calendar of Meetings for 2019/20;
- (c) advised that the set of documents and proposed Calendar of Meetings were in final draft for Members to comment on at this meeting, before being submitted to Council for approval and adoption on 17 April. Members were encouraged to provide comments up to the first week of April, to enable the Monitoring Officer to collate these into an appropriate format;
- (d) provided an overview of the report, highlighting
 - i. Council Functions and Procedure Rules (as detailed at Appendix A1 of the report. This document detailed how the Council operated and its decision making arrangements.
 - ii. Cabinet Functions and Procedure Rules (as detailed at Appendix A2 of the report.
 - iii. Officer Scheme of Delegation (as detailed at Appendix A3 of the report). This contained general rather than specific delegations. Previously, officers had been granted very specific delegations to undertake certain actions and this slowed the decision making process. Making delegations more general helped officers to act within their authority more easily. The document would be further updated to include changes resulting from the Senior Leadership Team restructure.
 - iv. Audit and Standards Committee Functions and Procedure Rules (as detailed at Appendix A4 of the report). Audit and Standards Committee would replace the current Governance Committee. This document contained the new functions and how the Committee would operate.
 - v. Employment Committee Functions and Procedure Rules (as detailed at Appendix A5 of the report). This document detailed all employment policies, strategies and the recruitment of Chief Officers (Chief Executive and Directors.
 - vi. Licensing Committee Functions and Procedure Rules (as detailed at Appendix A6 of the report). This document details how the Licensing Committee works in practice.

- vii. Planning Committee Functions and Procedure Rules (as detailed at Appendix A7 of the report). The Planning Department had been reviewed independent of the new Governance arrangements. Members had provided comments on Planning Committee functions and procedures throughout the independent review process.
- viii. Scrutiny Committee Functions and Procedure Rules (as detailed at Appendix A8 of the report). This details how Scrutiny Committee would function and operate.
- ix. Meeting Procedure Rules (as detailed at Appendix A9 of the report). This document contains information relating to all meetings (eg rules of debate)
- x. Budget and Policy Framework Procedure Rules (as detailed at Appendix A10 of the report). This document details how the Council would operate. Council set the budget and Policy Framework each year and Cabinet would operate within this framework.
- xi. Financial Procedure Rules (as detailed at Appendix A11 of the report). The Procedure Rules had been updated to best practice.
- xii. Member Roles (as detailed at Appendix A12 of the report). This document had been updated in view of the new governance arrangements and adjusted to demonstrate responsibilities attached to roles. This would assist the Independent Remuneration Panel when they consider the special responsibility allowances.
- xiii. Petition Scheme (as detailed at Appendix A13 of the report). The Petition Scheme was previously part of the Council Procedure Rules. It had been updated to provide more clarity on receipt of petitions. It is important to have good rules to govern this.
- xiv. Proper Officer Delegations (as detailed at Appendix A14 of the report). Legislation required the Council to have certain officers in specific roles with particular responsibilities. The document had been updated to reflect the Council's new management and governance arrangements.
- xv. Calendar of Meetings (as detailed at Appendix B of the report). There would be ten meetings of Cabinet, instead of five cycles of the Policy Committees. In addition, Planning Committee would be held monthly, rather than every three weeks. The other Committees would run on five cycles per year. Previously, two meetings of Council had been held to consider the budget. It was proposed that Scrutiny Committee would consider the budget (at an additional meeting) and provide comments to Cabinet who would propose the budget to Council. The Employment Committee was not included on the Calendar, as meetings would be created on an ad hoc basis.

Benchmarking on meeting start times had been undertaken on other Councils in Leicestershire. Cabinet was usually held in the daytime. The Governance Development Group had considered the findings and had suggested that Cabinet start at 2pm. The Leader of the Council, Councillor Joe Orson wished to highlight that such an arrangement depended on the composition of Cabinet and meetings

may be moved to a later time (4pm had also been suggested) if more suitable.

A Member asked if officer delegations would require Council approval. The Monitoring Officer clarified that Council delegations required functions of Council to be agreed by Council. Executive delegations would be delegated by the Leader in capacity of his own delegation scheme. The Officer Scheme of Delegation would be supported, providing the Leader was so minded by an executive delegation scheme, which would provide delegation to portfolio holders and officers for the executive functions. Council approved Council functions and the Leader approved executive functions.

A Member referred to paragraph 2.10 of the Planning Committee Functions and Procedure Rules, stating that the requirement for objectors/supporters to submit any presentations in support of public speaking appeared to make their attendance at the meeting irrelevant, apart from being able to question for clarity. The Member also highlighted the wording used at paragraph 2.25 of the Planning Committee Functions and Procedure Rules, which was used to describe unacceptable public participation at a meeting, asking if this language was necessary.

Another Member responded that there was no intention to negate the need for public speakers. Any presentations should support, not replace speakers. Speakers did not have to submit speeches but should provide supporting documents, such as pictures prior to meetings. The Member advised that they agreed with the wording used to describe unacceptable public participation, as in their experience there was an advantage having the words to support challenges to unacceptable behaviour.

The Monitoring Officer confirmed that in order to convey the wording at paragraph 2.10 correctly, it would be amended to read, 'Where public speaking is going to be supported by a presentation, it should be presented within two working days'.

Members highlighted a small number of grammatical errors within the documents for amendment. The Chair referred to paragraph 3.2 of Members' Roles, highlighting that they did not agree that the Mayor was the conscience of the Council. The Mayor was the public face of the Council and should be impartial and not at all controversial. Elected Members were the conscience of the Council.

It was confirmed that the agreed quorum for Planning Committee meetings would be seven Members.

A Member queried if agendas would be available in hard copy from the new civic year onwards and Members raised concerns about having to read large documents electronically, stating that this was more difficult than reading hard copies. It was essential to have agenda hard copies for Planning Committee meetings and proposals to remove these would not be supported.

The Monitoring Officer confirmed that the provision of agendas in only electronic version should be the objective. New Members would be given the opportunity to

opt out of agenda hard copies. This would be encouraged but not enforced.

Members discussed the meeting start times, highlighting that it was important to agree times, which would be suitable for employed Members and the public. This was particularly important in relation to Planning Committee meetings.

The Monitoring Officer stated that Planning Committee meetings were an example of meetings which were attended by large numbers of the public but Cabinet and other meetings, which did not draw the same level of public attendance could start earlier and be more conducive to decision making.

It was agreed that Planning Committee meetings would remain at 6pm, Cabinet meetings would start at 2pm, depending on its composition and all other meetings would start at 6pm.

There being no further comments or questions from Members, it was

RESOLVED that

(1) the following documents be referred to Council for adoption:-

- Appendix A1 Council Functions and Procedure Rules
- Appendix A2 Cabinet Functions and Procedure Rules
- Appendix A3 Officer Scheme of Delegation
- Appendix A4 Audit and Standards Committee Functions and Procedure Rules
- Appendix A5 Employment Committee Functions and Procedure Rules
- Appendix A6 Licensing Committee Functions and Procedure Rules
- Appendix A7 Planning Committee Functions and Procedure Rules
- Appendix A8 Scrutiny Committee Functions and Procedure Rules
- Appendix A9 Meetings Procedure Rules
- Appendix A10 Budget and Policy Framework Procedure Rules
- Appendix A11 Financial Procedure Rules
- Appendix A12 Member Roles
- Appendix A13 Petitions Scheme
- Appendix A14 Proper Officer Designations;

(2) the proposed Calendar of Meetings 2019/20 be referred to the Annual Meeting of the Council.

G8

Code of Conduct Update

The Monitoring Officer

(a) submitted a report (copies of which had previously been circulated to Members), updating the Committee on the latest position with regard to standards matters, including the Code of Conduct, the Registration of Disclosable Pecuniary Interests and Other Interests and any complaints against Councillors dealt with under the Council's process;

(b) confirmed that she continued to pursue updates relating Borough and Parish Councillors' Registration of Disposable Pecuniary Interests and advised that it was anticipated that an influx of these would be received as a result of the forthcoming May election.

(c) advised that at the time of writing the report three complaints had been closed and two had been received. An additional 2 complaints had been received since writing the report.

A Member queried if this Council provided assistance where necessary to Parish Councils. The Monitoring Officer confirmed that the Council was exploring improved methods of engagement with Parish Councils, which would begin in the new civic year.

Another Member asked if Members subject to complaint were notified immediately by the Monitoring Officer. The Monitoring Officer advised that in accordance with current procedure, she acknowledged receipt of complaints and checked whether they fell within the remit of the Code of Conduct (ie had the Member acted within their role as a Member at the time of the incident). Complaints which fell outside of this remit were closed and Members were not informed. Complaints which fell within the remit were brought to the attention of the relevant Member immediately. This process was being reviewed.

There being no further comments or questions received from Members, Councillor Glancy moved the recommendation and Councillor Illingworth seconded.

RESOLVED that the update on the position of standards matters, including Parishes' Registration of Disposable Pecuniary Interests and Other Interests and complaints against Councillors dealt with under the provisions of the Localism Act be noted.

G9	Urgent Business There was no urgent business.
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The meeting closed at: 7.50 pm

Chair