

# Minutes

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| <b>Meeting name</b> | <b>Governance Committee</b>   |
| <b>Date</b>         | <b>Tuesday, 6 February 2018</b>   |
| <b>Start time</b>   | <b>6.30 pm</b>  |
| <b>Venue</b>        | <b>Parkside, Station Approach, Burton Street,<br/>Melton Mowbray LE13 1GH</b> |

## Present:

**Chair** Councillor P. Cumbers (Chair)

**Councillors** J. Simpson (Vice-Chair) M. Blase  
J. Douglas P. Faulkner  
A. Freer-Jones M. Glancy  
J. Illingworth

## **Observers**

**Officers** Deputy Chief Executive  
Director for Corporate Services  
Head of Internal Audit  
Administrative Assistant Elections & Member Support  
  
Vishal Savjani, Ernest Young (External Auditor)

| Minute No. | Minute  |
|------------|---|
| G44        | <p><b>Apologies for Absence</b><br/>Apologies for absence were received from Councillors Beaken and Chandler.</p>   |
| G45        | <p><b>Minutes</b><br/>The minutes of the meeting held on 21 November 2017 were confirmed and authorised to be signed by the chair subject to the following amendment:-</p> <p><u>Minute G38 – Internal Audit Planning 2018/19</u></p> <p>CIL would be considered but may be more appropriate to be looked at in 2019/20.</p>  |
| G46        | <p><b>Declarations of Interest</b><br/>There were no declarations of interest.</p>  |
| G47        | <p><b>Recommendations From Other Committees</b><br/><u>Policy, Finance and Administration Committee: 29 November 2017: Minute P41 Statutory Officers Disciplinary Procedure</u></p> <p>The Chair advised Members that the recommendation formed part of agenda item 10 (Constitution Update).</p> <p><b><u>RESOLVED</u></b> that</p> <ol style="list-style-type: none"> <li>(1) amendment of this Council's substitute policy to reflect the restriction on a Member of Policy, Finance and Administration Committee from being a substitute on the Appeals Committee and visa versa be approved and referred to Full Council for adoption into this Council's Constitution.</li> <li>(2) a requirement for Members of the Policy, Finance and Administration Committee to undergo appropriate training prior to sitting as the Investigating and Disciplinary Committee be approved and referred to Full Council for adoption into this Council's Constitution.</li> </ol> |
| G48        | <p><b>Update on Decisions</b><br/>There were no outstanding decisions to consider at this meeting.</p>  |
| G49        | <p><b>Annual External Audit Plan</b><br/>Ernst Young, the External Auditor</p> <ol style="list-style-type: none"> <li>(a) presented the 2017/18 Audit Plan (copies of which had previously been circulated to Members), which included an analysis of key risks, the audit strategy, reporting and timescale;</li> <li>(b) gave a brief overview of the report, detailing its scope and highlighting the</li> </ol>   |

main items covered as follows:-

- the audit process and strategy, including mandatory procedures, in relation to reviewing and reporting on this Council's financial statements and its arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money).
- this Council's responsibilities in respect of preventing and detecting fraud and error.
- External Audit's opinion on this Council's financial statements and assessment of significant risks (identified as the risk of fraud in revenue and expenditure recognition and the valuation of housing revenue account (HRA) assets) and other risks (identified as misstatements due to fraud or error, valuation of land and buildings, pension liability valuation and earlier deadline for production of the financial statements) and external audit's approach to these risks.
- 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 Auditor confirmed one significant risk, identified as a risk to value for money. This Council's Medium Term Financial Strategy (MTFS) showed in the short-term a gap between funding and expenditure (the MTFS for the period 2018/19 to 2021/22 showed a shortfall from 2018/19 reversing to a surplus by 2021/22). It was anticipated that the short-term gap identified would be reduced considerably when the 2018/19 budget was approved.

Members commented on the national pension deficit figure and queried if this Council could take action to prevent the pension fund deficit worsening. The Director for Corporate Services assured that this Council did everything it could in relation to mitigating the deficit. She advised that a revaluation was undertaken every three years and MTFS pension contributions increased each year, in line with that recommended by the Pension Administrator. The pension fund deficit figure was predictive, relating to life expectancy and when individuals would access their pensions etc. Employer contributions could be increased further (pay higher voluntary contributions) but this may create unnecessary pressure on the budget.

The Chair noted the use of abbreviations in the report and requested that External Audit provide a glossary at the front of future reports for ease of reference. The External Auditor confirmed he would look in to this.

There being no further comments or questions, it was

**RESOVED** that the report be noted.

G50

**Certification of Claims and Returns Annual Report**

Ernst Young, the External Auditor

- (a) presented a report (copies of which had previously been circulated to Members), which summarised the results of grant certification work

undertaken for the financial year 2016/17;

(b) gave a brief overview of the report, highlighting:-

- External Audit had checked and certified the housing benefits subsidy claim with a total value of 8,475,469.
- External Audit found errors, mainly relating to the calculation of claimants' incomes but also to the application of tax credits and classification of overpayments, which this Council corrected. The amendments had a marginal effect on the grant due. No errors were identified from extended testing carried out.
- External Audit reported the errors to the Department for Work and Pensions in a qualification letter.
- It was noted that corrective steps had been undertaken to reduce repeated errors and there had been an improvement year on year. A similar recommendation to that of the previous year (that this Council focus on training its staff and undertake in year reviews of claims) was made as a result of the 2016/17 findings (to be implemented by 31 March 2018).
- External Audit acted as reporting accountants in relation to the Pooling of Housing Capital Receipts returns, providing separate reports to this Council with a total value of £943,955. There were no significant issues identified as part of this work.
- 2016/17 fees for the audit of claims and returns were detailed at section 3 of the report.
- From 2018/19, this Council would be responsible for appointing its own reporting accountant to undertake the certification of the housing benefit subsidy claim and Ernest Young would be pleased to undertake the work. Ernest Young had been appointed by Public Sector Audit Appointments Ltd, as this Council's statutory auditor.

A Member commented that the report was very easy to understand. There being no further comments or questions from Members, it was

**RESOLVED** that the report be noted.

G51

**Internal Audit Update**

The Head of Internal Audit

- (a) Submitted a report (copies of which had previously been circulated to Members), updating Members on progress made in delivering the 2017/18 Annual Audit Plan and key findings arising from audit assignments completed;
- (b) advised that this was the latest report on the outcome of Internal Audit assignments and the performance of the Internal Audit team;
- (c) confirmed the current status of all assignments was shown in Appendix A and that delivery was on track for March 2018, with 100% of assignments

either completed or in progress at the time of reporting;

(d) highlighted that since the last Committee meeting

- three audit reports had been finalised as follows:-
  - i. Out of Hours Standby. The new contract with HDC had been in place since 2016. The purpose of the review was to provide assurance that the service was operating effectively and the contract was fit for purpose. It was confirmed that a clearly defined service specification was in place, with opportunity to monitor and manage performance. Training and guidance was confirmed as in place and fit for purpose and a database of all calls was being maintained. Savings have exceeded that originally forecast. Overall the assurance opinion is the highest rating of Substantial for both design and compliance.
  - ii. Housing Benefits. Members had requested this audit last year. Internal Audit found that clear guidance and procedures were in place for officers assessing claims. It was noted that some controls, such as a monthly reconciliation had not been regularly undertaken following some staffing changes and these would be reinstated. It was also noted that the level of outstanding overpayments was high when benchmarked with other councils and there were a number of inactive cases where debts were not being pursued. Some were due to be written off as unrecoverable but some needed to be pursued in line with debt recovery procedures. Some recommendations had been made to strengthen procedures and assist this Council in minimising errors and recovery of overpayments. Overall, a Satisfactory assurance rating had been issued, with moderate risk remaining until actions were implemented. All of which were due to be implemented within the next couple of months.
  - iii. Development Control. Internal Audit reviewed the processes and procedures operating in the handling of development control. It was noted that the planning service had experienced a number of changes in staffing and structure which meant that some improvements had been delayed. The audit had assisted in developing an action plan to target these issues and to take this forward as a project. Some particular issues were identified in relation to performance management, where calculation of statistics could not be verified or confirmed as compliant with national guidance. Thirteen recommendations to improve the procedures and controls had been made, all of which were accepted by management and would be progressed as a project/implementation plan. Currently a Limited assurance on design has been issued, with a moderate risk overall.
- Appendix 3 of the report provided an overview of the implementation of actions from audit reports. Fifteen actions had been completed by

this Council since the last report and thirty-two remained overdue. Of the overdue actions, there was only one which was high priority and over three months overdue. Full details were provided at Appendix 4 of the report.

- The additional recommendation at 2.2 of the report.

The Chair thanked the Head of Internal Audit for her work and reminded Members that copies of individual audit reports were available to them on request.

A Member drew attention to Appendix 3 of the report, querying how the number of unimplemented recommendations correlated with those at neighbouring Authorities. The Head of Internal Audit advised that this Council's figures were slightly higher but highlighted that this Council was generally very good on implementation of audit recommendations. A number of the recommendations fell within Strategic Planning and Regulatory Services and this Department had experienced delays in implementation due to the resources targeted to Local Plan work. Updates on all outstanding actions had been received and it was anticipated that most would be implemented shortly.

The Member asked if the figures added weight to the view that an increase in staffing would be beneficial. If this was the case, Members should support this.

The Deputy Chief Executive advised that the realignment would begin to deal some of these issues and capacity would be addressed.

The Chair commented that it was important to be supportive and understanding of staffing issues.

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

**RESOLVED** that

- (1) the report be noted together with the progress made by the Internal Audit Team in delivery of the Audit Plan;
- (2) the Audit Plan be amended to incorporate a review of the new Housing Repairs contract approach and the consultancy support on the Transformation programme be removed.

G52

**Code of Conduct Update**

The Monitoring Officer

- (a) submitted a report, 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) advised that the Independent Persons Workshop referred to at 3.5 of the

report had been cancelled. This Council awaited further details of a future workshop event;

There being no comments or questions from Members, it was

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

G53

### **Constitution Update**

The Monitoring Officer

(a) submitted a report, enabling the Committee to consider items relating to the Council's Constitution for onward referral to the Council for adoption and incorporation into the Council's Constitution;

(b) highlighted the recommendations at 2.1 of the report, stating

- (a) Contract Procedure Rules. This amendment aimed to bring the Constitution in to line with the Corporate Director having delegated authority for a legislative amendment to the EU thresholds within the Contract Procedure Rules. The Corporate Director had already exercised this delegated authority.
- (b) Substitute Policy amendment – recommendation from Policy, Finance and Administration Committee. This amendment had been considered, approved and referred to Full Council earlier at this meeting.
- (c) Part 3 – Scheme of Delegations to Officers – Head of Communities and Neighbourhoods. This amendment related to the termination of the role of Head of Communities and Neighbourhoods within this Council's management structure, with effect from 11 February.
- (d) Part 3 – Scheme of Delegations to Officers – Authorisation to act. This amendment related to increasing resilience and ensuring sufficiency of cover for day to day decisions by allowing the Corporate Director to deputise and act for the Chief Executive and the Deputy Chief Executive.
- (e) Part 3 – Scheme of Delegations to Officer – Debt Recovery. This amendment related to technical issues concerning housing benefit debt recovery.
- (f) Management structure realignment – Consequential amendments to Parts 2, 3, 4, 5, 6, 7, 9, and 10. This amendment related to the minor and operational constitutional changes (with regard to officer job title changes) which the Monitoring Officer had exercised delegated authority to make, ensuring these align with the new management structure.

(c) Confirmed that the recommendation at 2.2 of the report was as standard.

The Chair noted the provision within the Constitution for officers to issue cautions to individuals and asked in what circumstances this authority could be exercised. The Monitoring Officer confirmed that he would look into this and provide a full response.

Members referred to the frequent constitutional updates they received in hard copy and requested that only electronic updates be issued to them. The Director for Corporate Services advised that the Senior Democracy Officer would canvass all Members on this matter. The Chair advised that a searchable version of the Constitution would be available on this Council's website shortly.

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

**RESOLVED** that

- (1) the following changes to the Constitution be approved and referred to Full Council for adoption in the Constitution:-

(a) Contract Procedure Rules : EU Thresholds

To note that the Director for Corporate Services had exercised her delegation for a legislative amendment to the EU thresholds within the Contract Procedure Rules as set out at Appendix A and which came into effect from 1 January 2018 and will apply for two years.

(b) Substitute Policy amendment – recommendation from Policy, Finance and Administration Committee

Subject to approval of Agenda item 4, the Substitute Policy be amended with the tracked changes as set out at Appendix B.

(c) Part 3 – Scheme of Delegations to Officers – Head of Communities and Neighbourhoods

Following the departure of the Head of Communities and Neighbourhoods and the termination of the role in the Council's management structure on 11 February 2018, the Scheme of Delegations to Officers be amended as set out in tracked changes at Appendix C.

(d) Part 3 – Scheme of Delegations to Officers – Authorisation to act

The Officer Delegations be amended to state that the Director for Corporate Services is able to deputise and act for the Chief Executive and the Deputy Chief Executive.

(e) Part 3 – Scheme of Delegations to Officers – Debt Recovery



The Officer Delegations in respect of debt recovery be amended due to a change in policy for housing benefit overpayment. There is an addition to the existing delegation and a new delegation included as follows, changes shown in red :-

‘To administer, formulate and amend the Council’s procedures to deal with debt recovery and Housing benefit overpayments and to take any action including the instigation of legal proceedings and the authorisation of officers to appear in court in connection therewith.

Any write off of Housing Benefit overpayments that are still within the Housing Benefit system will be dealt with in line with the Housing benefit overpayment policy’.

(f) Management structure realignment – Consequential amendments to Parts 2, 3, 4, 5, 6, 7, 9, and 10

To note that the Monitoring Officer has exercised his delegation to make minor procedural and operational changes to Parts 2, 3, 4, 5, 6, 7, 9 and 10 of the Constitution with regard to Officer job title changes as a result of the Management structure realignment approved by the Full Council on 12 December 2017.

- (2) To note that the Monitoring Officer has delegated authority to make amendments following legislative or other statutory changes and minor procedural and operational changes. Such changes will be reported to the Governance Committee and subsequently the Council, as soon as practicable thereafter.

G54

**Urgent Business**

There was no urgent business.

The meeting closed at: 7.20 pm

Chair