

AUDIT AND STANDARDS COMMITTEE (SBDC)

Meeting - 23 July 2018

Present: D Anthony (Chairman)
L Hazell

Apologies for absence: P Griffin, P Hogan, G Hollis and R Sangster

58. MINUTES

The minutes of the Audit and Standards Committee held on 15 March and 26 May 2018 were approved and signed by the Chairman as a correct record.

59. DECLARATIONS OF INTEREST

There were no declarations of interest.

60. PRESENTATION - PRUDENTIAL CODE BRIEFING

Members received a briefing on the Prudential Code which was included in the agenda pack. The briefing sought to make Members aware of the code and to provide an overview of its contents.

During the presentation the Director of Resources highlighted the following issues:-

- The key elements of the prudential code were the capital strategy and the treasury management strategy and its relevance to major capital projects.
- The objectives of the Prudential Code were to provide a framework for local authority capital finance and treasury management that would ensure for individual local authorities that capital expenditure and investment plans were affordable and all external borrowing and other long term liabilities were within prudent and sustainable levels. Treasury management and other investment decisions should be taken in accordance with professional good practice.
- Prudential indicators were designed to demonstrate the impact of investment decisions on the Council's future financial position and were forward looking.
- Key indicators for the Council would be the ratio of financing costs to net revenue stream, which indicates the affordability of debt. Estimated capital expenditure and estimated capital financing requirements would be the key indicators for prudence.
- The role of Members was to understand the Capital Strategy and the Treasury Management Strategy so they could effectively scrutinise them and be

satisfied they reflected their overarching aims. The Capital Strategy must be clear and easy to understand. In particular if commercial investments form part of the strategies Members must understand the risks and how they would be managed. The Council has a number of large scale projects such as the Gerrards Cross Police Station and car park.

- There was no external debt yet but this could change.
- Statutory advice would be given by the Section 151 officer.
- With the Treasury Management Strategy higher returns brought higher risks and reduced liquidity. This would be approved by Members at the February Council.

A Member commented that they understood the risks and were happy with the information they received from officers to make informed decisions. However, with bigger decisions such as setting up Consilio it was important that Members understood the impact of these decisions and were able to probe deeper so that they could make an informed decision in an open and transparent way. The Director of Resources reported that the business case should include a financial analysis on the return on investment over a certain time period and this had been shown for the car park and police station project so Members could make a judgement that the return on investment was acceptable which could also include non-financial benefits.

Another Member commented that it was important to look at value for money on a case by case basis and there was a range of different criteria to look at for investment decisions which should meet an agreed standard. The Director of Resources used Consilio as an example which was an investment vehicle and it was useful to have some kind of benchmark and what the Council would expect to see before they financed a particular investment. The Council would look at each individual project on its own merit.

Reference was made to figures changing in projects during the course of the decision making process which made it difficult to make an informed decision. The Director of Resources commented that figures would change whilst it was a draft business case but there would be certainty before the final business case was accepted.

In terms of the contractual basis of loans the prudential indicators would come into play with a financial analysis as part of the final business case, being undertaken to understand the impact on capital financing and the capital expenditure ratio and the cost of borrowing. A further question was asked about restrictive covenants. The Director of Resources reported that the Council was investing in property not just buildings and the Council had to be satisfied that the investment and risks could be managed appropriately. The Section 151 Officer would advise Members that he was satisfied that the risks to the Council were acceptable.

61. SOCIAL MEDIA POLICY

The Committee considered a report which set out the proposed social media policy for Members. It was advised that the purpose of the policy was to encourage Members to use social media effectively, whilst also highlighting the associated risks and personal responsibilities. A social media guide was included with the policy, and it was noted that training would also be offered to Members who wished to learn more.

The Senior Communications Officer reported that this policy should be used at work and also at home and it set out the principles which Members were expected to follow when using social media and their expected code of conduct, when online. All Members had been offered training which included a presentation from the Leader of Sevenoaks Council who was an expert in this area. The policy also included information on corporate style and made Members aware of the risks of using social media and the law relating to it. However, Members were encouraged to use and recognise the benefit of social media.

The Head of Legal and Democratic Services informed Members that Chiltern District Council has asked that a reference to the General Data Protection Regulations (GDPR) should be included in the policy. Members were happy that this be included.

A Member asked whether they needed permission to speak to the press. The Senior Communications Officer commented that the Member needed to be clear whether they were expressing the Council's view, which would need to be agreed through the Communications Team, or their own individual view which could be given freely with regard to the Code of Conduct. The Communications Team were available to provide advice. Reference was made to being particularly careful about Twitter as the media used this as a key information source.

RESOLVED

1. That a social media policy for Members as set out in Appendix A of the report be agreed, and the final wording be delegated to the Chief Executive for approval in consultation with the Chairman.
2. That the social media guidance contained in Appendix B of the report be approved.

62. REVIEW OF PROTOCOL ON THE ROLE OF THE INDEPENDENT PERSON

Members received a report which set out the proposed amendments to the Protocol on the Role of the Independent Person, which could be seen at Appendix 1 of the agenda pack. The Committee were informed that the key amendments related to clarification of the role including when the Independent Person's view would be sought and the process through which Members could request the advice of the Independent Person. The requirement for the Monitoring Officer to meet quarterly

with the Independent Person would be replaced with meetings being held at least annually.

The Head of Legal and Democratic Services reported that one of the Independent Persons had reviewed the report and had no additional comments. Since the protocol had been adopted in 2013 it had been updated once. The Council's complaints procedure provides for the Monitoring Officer to consult with the Independent Persons at Stage 2 before deciding whether a complaint should be referred for investigation. Members noted that the amended protocol removed the requirement for IPs to complete a register of interest as they were no longer co-opted Members of the Council. However, they would still need to disclose any potential conflicts of interest in matters they were consulted on. Subject to a typographical amendment it was:-

RESOLVED that the updated Protocol attached at Appendix 1 of the report be approved.

63. COMPLAINTS MONITORING REPORT

The Committee received a report which detailed the complaints monitoring information for 2017/18. The Head of Legal and Democratic Services reported that historically the number of formal complaints in South Bucks District Council has been low. However, there had been an increasing number of complaints about SBDC councillors in the last 2 financial years, together with an increase in complaints against parish councillors in the last financial year. Members were informed that 7 of the complaints (4 against SBDC councillors and 3 against town/parish councillors) were from the same complainant and 4 related to the consideration of the same planning application. If these complaints were not included there were only 2 separate complaints. The total for 2016/17 should say 4 not 1.

In terms of complaint handling one complaint about a town/parish councillor was rejected at the initial assessment and the remaining 8 were considered by the Monitoring Officer at Stage 2. One of the complaints had been referred for investigation, which was ongoing and no further action taken on the other 7. No specific action in relation to standards issues was recommended but member training was on the Committee's Work Programme for consideration later in the year.

RESOLVED that the complaints monitoring information for 2017/18 be noted.

64. CASELAW UPDATE - HARVEY V LEDBURY TOWN COUNCIL

A report was presented which provided Members with information about a recent High Court judgement concerning the lawfulness of sanctions imposed by a Town Council in Herefordshire against a councillor following a complaint about her conduct. Members were was advised that the judgement meant that complaints

relating to a breach of the Code of Conduct by Parish/Town councillors need to be referred to the Monitoring Officer of the principal Council in accordance with the Member Complaints Procedure, rather than being dealt with internally by the Parish/Town Council. The National Association of Local Councils was looking at this case and would provide further advice to town and parish councils.

RESOLVED that the report be noted.

65. CHANGES TO CONTRACT PROCEDURE RULES

The Committee received a report which set out the proposed changes to the Council's Contracts Procedure Rules, which could be seen at Appendix A of the agenda pack.

Members were informed that the proposed increase to spend thresholds would reduce the time and effort needed to undertake the procurement process. However, it was noted that a balance needed to be struck between building relationships with trusted contractors and ensuring best value.

Chiltern District Council Audit and Standards Committee had agreed that the threshold should be raised to £10,000 to reduce the additional work required for officers in obtaining multiple quotes. CDC Members felt that the threshold should not exceed £10,000 and should be reviewed after two years. In relation to the proposed new section covering bonds, CDC agreed that bonds should be considered for contracts over £50,000 and that the decision whether a Bond was required be delegated to the contract owner and a consulting officer.

A Member commented that they would have increased the threshold to £15,000 but that for clarity the Contract Procedural Rules should be the same for both Councils.

RECOMMENDED TO FULL COUNCIL that the revised Contracts Procedure Rules contained in Appendix A of the report be approved subject to the below amendments:

- 1. The spend threshold for a single quote be set at £10,000**
- 2. A bond be considered for contracts over £50,000, to be considered by the Contract Owner and a consulting officer**

66. INTERNAL AUDIT - INTERIM PROGRESS REPORT

The Committee received the Internal Audit progress report from TIAA which showed the details of audits finalised since the previous meeting. The changes to the 18/19 Plan were highlighted at Section 6 of the report.

In terms of the Joint Data Protection and Confidentiality Policy, reviews of these documents had been delayed but were now being addressed by members of the Business Support Team who would review and publish updated versions.

RESOLVED that the report be noted.

67. INTERNAL AUDIT - FOLLOW UP

Members considered the follow up review of 2017/18 Internal Audit reports from TIAA, which had been carried out in May and June 2018. The report showed 37 recommendations which had been implemented and highlighted areas where target dates had been revised due to operational reasons. These recommendations would be periodically monitored during 2018/19 as they reach their intended implementation dates.

RESOLVED that the report be noted.

68. ANNUAL STATEMENT OF ACCOUNTS

Members received a report which presented the Statement of Accounts for 2017/18, which could be seen at Appendix 1 of the agenda pack. The date for finalising the accounts had changed from 30 September to 31 July and Members congratulated officers for meeting this new deadline.

The first section in the report provided information on the costs of the Council's different operations, net of specific grants and income from fees and charges, to give the net cost of services of £10,411,000. The second section comprised items of income and expenditure relation to the Council as a whole i.e. not service specific – primarily the Parish Precepts of £2,241,000. The third section shows Financing and Investment Income and Expenditure and the fourth section - income from local taxation and general government grants, including Council Tax of £7,240,000.

The Principal Accountant went through the statement on page 172 of the agenda pack which showed the movement in the year of the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. Key points raised were as follows:

- The General Fund Balance decreased by £539,000 to £2,400,000. This was mainly due to adjustments relating to retained income from Non-Domestic Rates.
- Earmarked reserves decreased by £1,387,000 to £5,241,000. This was mainly due to use of reserves to finance new capital expenditure.
- The Authority's Capital Receipts Reserve decreased by £497,000 to £359,000. This was because receipts were used to fund the capital investment programme.

The key movement in the Council's unusable reserves were as follows:

- The Pensions deficit decreased by £1,255,000. The accumulated estimated pension fund deficit now stood at £30,229,000.
- The Revaluation Reserve balance decreased by £791,000 due to revaluation of the Authority's Property, Plant and Equipment.

There had been a difference in the estimated value and the actual value of the Buckinghamshire Pension Fund, of which the Council's share was £531,000. This amount was considered immaterial in the context of the overall Accounts and was not adjusted for.

Members welcomed the growth in business rates. A Member asked a question in relation to page 165 of the agenda pack in relation to non-domestic rates and the collection fund. The Principal Accountant commented that the accounting for business rates was complex and the amount taken to the general fund was set before the year commenced and this was adjusted for later in the accounts.

A Member asked what accountability there was for Portfolio Holders to balance their budget as some of the budgets had been overspent by a small amount. The Principal Accountant reported that reasons were given for any budget variance and this could be related to non-controllable costs. An example was given for homelessness which was a statutory duty that had to be fulfilled with limited ability to manage numbers. This had been overspend by £0.25 million. Homelessness had been identified as a financial risk. The Director of Resources reported that the Council was looking at areas to expand the supply of affordable housing and using sites such as Bath Road to use as temporary accommodation. The new Homelessness Prevention Act had added pressure on council resources.

RESOLVED that the final 2017/18 Statement of Accounts be approved by the Audit and Standards Committee and signed by the Chairman in accordance with the Accounts and Audit Regulations.

69. **ANNUAL GOVERNANCE STATEMENT**

The Committee received a report which requested that Members review the Authority's Governance Framework and approve the Annual Governance Statement for 2017/18. Members were taken through the key sources of assurance and it was agreed that these were satisfactory.

The Head of Finance reported that essentially for there to be good corporate governance there needs to be clear corporate objectives supported by four effective frameworks covering governance, Performance Management, Risk Management and Policies & Procedures and in order to assess the arrangements it is helpful to draw on

five sources of assurance namely – Management Review, Statutory Officer Review, Internal Audit, External Audit and Other Reviews.

The main Governance and control issues were detailed in section 6 of the Annual Governance Statement (Appendix 4) and it was suggested that there were no other significant issues to add. Members noted that Business Continuity Plans would continue to be developed.

RESOLVED that the Annual Governance Statement be approved.

70. EXTERNAL AUDIT ANNUAL RESULTS REPORT

Members considered the Annual Results Report from external auditors Ernst & Young (EY). An updated report was circulated to the Committee at the start of the meeting, which reflected the difference in the valuation of the Pension Fund. The External Auditors reported that the method of calculating the future pension liabilities were complex. The Actuary had estimated the value of the Fund at the year end and this estimated figure had been included in the Accounts. Since then there had been volatility in the stock market so the actual value of the fund differed to this estimate. There was no cause for concern as although the estimated figure was different to the actual figure the amount was not material in the context of the overall accounts and therefore an unqualified opinion could be given.

A Member expressed concern about the difference in figures of £531k and the impact on the Pension Fund for Buckinghamshire overall. The deficit overall was small in comparison with the total cost of the Pension Fund and showed the position of the Fund at a point in time.

The External Auditors reported that there had been no changes to their fees. The Chairman thanked the finance and audit team for their hard work in meeting the earlier deadline for preparation of the accounts and representatives from EY thanked officers for their assistance.

RESOLVED that the report be noted.

71. EXTERNAL AUDIT LETTER TO THOSE CHARGED WITH GOVERNANCE

Members considered the proposed response to the External Auditor's letter requesting information on how the Committee gained assurance from management. A Member asked whether Portfolio Holders agreed this document. The Head of Finance reported that this Committee had the delegated authority to agree the proposed response. The Annual Governance Statement was signed off by the Leader of the Council.

RESOLVED that the proposed response to the External Auditor's letter at Appendix 2 be agreed.

72. EXTERNAL AUDIT 1819 FEE LETTER

The annual fee letter from external auditors EY was presented to the Committee. It was noted that, due to the Council's participation in the national Public Sector Audit Appointments scheme, the audit fee for 2018/19 would be 23% lower than the previous year.

RESOLVED that the External Audit Fee Letter for 2018/19 be noted.

73. PURCHASE CARD EXPENDITURE ANALYSIS

The Committee received a report which showed a breakdown of the procurement card spend for 2017/18.

RESOLVED that the report be noted.

74. AUDIT WORK PROGRAMME

The Committee received the Audit Work Programme.

RESOLVED that the Audit Work Programme be agreed.

75. STANDARDS WORK PROGRAMME

The Committee received the Standards Work Programme.

RESOLVED that the Standards Work Programme be agreed.

The meeting terminated at 7.52 pm

This page is intentionally left blank