

SWT Audit, Governance and Standards Committee - 26 June 2019

Present: Councillors Lee Baker, Sue Buller, Simon Coles, Dixie Darch, Hugh Davies, Caroline Ellis, Janet Lloyd, Vivienne Stock-Williams, Terry Venner, Sarah Wakefield, Mrs Anne Elder and Bryn Wilson

Officers: Aditi Chandramouli, Geri Daly, Alastair Woodland, Paul Fitzgerald, Amy Tregellas and Clare Rendell

Also Present: Councillors Chris Booth, Peter Pilkington and Loretta Whetlor

(The meeting commenced at 6.15 pm)

1. **Appointment of Chair**

Resolved that Councillor S Buller be appointed Chair of the Audit, Governance and Standards Committee for the remainder of the Municipal Year.

2. **Appointment of Vice Chair**

Resolved that Councillor L Baker be appointed Vice-Chair of the Audit, Governance and Standards Committee for the remainder of the Municipal Year.

3. **Apologies**

Apologies were received from Councillor S Pugsley and Mrs S de Renzy-Martin.

4. **Minutes of the previous meeting of the Audit, Governance and Standards Committee**

(Minutes of the meetings of the West Somerset Audit Committee held on 19 March 2019 and the Shadow Corporate Governance and Standards Committee held on 18 March 2019 circulated with the agenda)

Resolved that the minutes be noted for information only.

5. **Declarations of Interest**

Members present at the meeting declared the following personal interests in their capacity as a Councillor or Clerk of a County, Town or Parish Council or any other Local Authority:-

Name	Minute No.	Description	Reason	Action Taken
Cllr L Baker	All Items	Cheddon Fitzpaine & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr S Coles	All Items	SCC, Taunton Charter Trustee & Devon &	Personal	Spoke and Voted

		Somerset Fire Authority		
Cllr H Davies	All Items	SCC	Personal	Spoke and Voted
Cllr C Ellis	All Items	Taunton Charter Trustee	Personal	Spoke and Voted
Cllr J Lloyd	All Items	Wellington & Sampford Arundel	Personal	Spoke and Voted
Cllr V Stock-Williams	All Items	Wellington	Personal	Spoke and Voted
Cllr T Venner	All Items	Minehead	Personal	Spoke and Voted

Councillor L Baker further declared an interest as he was an employee of the Lloyds Banking Group.

6. **Public Participation**

No members of the public had requested to speak on any item on the agenda.

7. **Audit, Governance and Standards Committee Forward Plan**

(Copy of the Audit, Governance and Standards Committee Forward Plan, circulated with the agenda).

Councillors were reminded that if they had an item they wanted to add to the agenda, that they should send their requests to the Governance and Democracy Case Manager.

Resolved that the Audit, Governance and Standards Committee Forward Plan be noted.

8. **Grant Thornton External Audit - Taunton Deane Borough Council Audit Progress Report and Sector Update 2018/19**

During the discussion, the following points were raised:-

- Councillors were pleased with the report, however, concern was raised on the five year cycle for revaluation of assets.
The Section 151 Officer confirmed that the authority followed a code of practice guidance for the revaluation and it stated that the minimum requirement was to revalue assets at least every five years, officers tried to complete the works on a rolling programme either with the use of an internal team or via external contractors. Good progress had been made and he understood that five years was a long cycle. Officers tried to keep up to date with any changes to the assets that would affect the valuation.
- Councillors requested clarification on whether a large group of similar properties, such as the housing stock, would be valued in a group.
Yes they were.
- Councillors queried when right to buy properties were sold, were they valued at point of sale or was the previous valuation used.

Officers confirmed that the properties were valued at point of sale due to the defined discount that would be applied.

- Councillors queried why the option for right to buy was still used within Somerset West and Taunton Council (SWT).

It was a Government policy and tenants had the right to buy their property once they had lived in it for a certain amount of years, however, officers confirmed there were several conditions applied before the property could be bought.

- Councillors queried whether SWT had the option to not offer the right to buy.

A written answer would be distributed to the Committee.

Resolved that the Audit, Governance and Standards Committee noted the Taunton Deane Borough Council Audit Progress Report and Sector Update.

9. **Grant Thornton External Audit - West Somerset Council Audit Progress Report and Sector Update 2018/19**

During the discussion, the following points were raised:-

- Concern was raised on how the auditors would engage with officers, especially now that several had left the authority.

The External Auditor confirmed that majority of the officers were still in post and that they had engaged with others to ensure they gathered all the appropriate information before they left. They confirmed that they had been working with officers since late in 2018 and that SWT had the responsibility to sign off the accounts for Taunton Deane Borough Council (TDBC) and West Somerset Council (WSC).

- Councillors hoped that robust procedures had now been put in place for SWT and queried whether procedures had been reviewed.

Officers confirmed that procedures had been checked as part of the audit process.

- Councillors requested clarification on what self-authorisation of journals meant.

The Section 151 Officer confirmed that a journal was an action or transaction on the finance system and when an officer raised a journal, it required a colleague to authorise it, which meant officers were prevented from processing an invoice, credit note or payment run without being checked.

- Concern was raised that there wasn't any procedures in place to prevent that from happening.

A written answer would be distributed to the Committee, however, checks had been built into the process to prevent that from happening.

- Councillors wanted assurance that self-authorisation would not happen.

Officers gave assurance and confirmed that once it was highlighted that an officer could self-authorise, their transactions would be thoroughly checked.

Resolved that the Audit, Governance and Standards Committee noted the West Somerset Council Audit Progress Report and Sector Update.

10. **Grant Thornton External Audit - Audit Fees 2019/20**

During the discussion, the following points were raised:-

- Councillors queried what the length of the auditor appointment was and when it was reviewed.
The External Auditor confirmed that they were appointed via a five year contract through the Public Sector Auditor Appointment (PSAA) and that the contract had started in 2018, so TDBC and WSC were in year one of five and that SWT had carried on from their contract and were in year two of five.
- Councillors queried how many people and hours were involved in the audit work.
The External Auditor confirmed that an average Council had approximately 110-180 days of people time but that it varied based on the risk and that the National Audit Office could change the value for money calculation at any time.
- Councillors queried whether there were any spare audit days included in the fee calculation.
No, the amount of days were allocated to work towards targets that had been set. Any additional days would be charged as an extra and the fee would be set by the PSAA.

Resolved that the Audit, Governance and Standards Committee noted the 2019-20 planned audit fee.

11. **SWAP Internal Audit - Progress Report 2019/20**

During the discussion, the following points were raised:-

- Councillors thanked the Internal Auditor for the report.
- Concern was raised on the partial assurance given on the fire risk assessments and Councillors queried whether they were annual tests that needed to be completed.
The Internal Auditor would distribute the full report to the Committee but confirmed the tests were a legal requirement.
- Councillors queried who would ensure that the fire risk assessments were carried out.
The Internal Auditor confirmed that there would be a department within the Council who would be responsible for completing the assessments, however, as a result of transformation, there had been changes within departments.
- Councillors highlighted that fire safety was an area of concern now that the fire services provided in the district were being reduced.
- Councillors wanted to ensure that the fire risk assessments were carried out when required during August to October 2019 and that a schedule of works was compiled for the assessments.
- Councillors highlighted that private landlords were required to complete the assessments and that fire safety had been given a high profile since the Grenfell tragedy.

Officers advised that a report could be brought to the next meeting of the Committee.

- Councillors did not want to wait until the next meeting, they wanted assurance that the works would be carried out.

Officers confirmed that properties were currently compliant but that the assessments would start to expire in August 2019 on some properties.

- Councillors queried what works had not been carried out on the commercial property mentioned within the report that made it non-compliant.

A written response would be circulated to the Committee. Officers could confirm that resource was in place to carry out the works but there were no checks in place to ensure the work was actually carried out.

- Councillors requested that a report was brought to the meeting scheduled for July 2019.

Resolved that the Audit, Governance and Standards Committee:-

- a) Noted progress made in delivery of the 2019-20 internal audit plan and significant findings since the previous update in March 2019; and
- b) Requested that the Chair of the Committee wrote to the Head of Function for a written response on the partial assurance given on the fire risk assessments and that they were required to attend the meeting scheduled to be held on 31 July 2019 to give a full update report.

12.

Taunton Deane Borough Council Treasury Management Outturn Report 2018/19

During the discussion, the following points were raised:-

- Councillors queried whether TDBC had finished paying off the loan on the Housing Revenue Account for coming out of the subsidy scheme.
Officers confirmed the loan had not been cleared, it was a long term scheme that matured in 2030.
- Councillors queried whether officers had looked to refinance prior 2030 because they had noticed there were debts structured on fixed rate options available which could incur some rate costs if the Council wanted to clear the debt prior to 2030 and queried whether that had been built into the plans.
Both officers from SWT and Arlingclose had monitored the rates and confirmed that there would be a fee for an early exit of the scheme.
- Councillors were pleased to see a rating of A-, which was a strong position to be in.
- Councillors queried which credit agencies were mentioned in the report.
Officers confirmed the three credit rating agencies were Standard and Poor's, Moody's and the Fitch Group. Officers explained why Standard and Poor's had been used.
- Councillors queried whether the temporary borrowing of £10,000,000 to cover a short term cash flow issue was a common occurrence within the Council.
The Section 151 Officer confirmed that it did not happen every year, but could in the future. They had to strike a balance in the treasury

arrangements between borrowing and investment. It was very common in Local Authorities for their cash balances to be low at the end of the financial year and it normally peaked mid-year, so sometimes they had to borrow to get through until year end.

- Councillors requested clarification that the Council could only borrow against what the revenue income figure.

Clarification was given on the capital finance requirement.

- Concern was raised that the borrowing had increased year on year and that investments had decreased year on year and that the Council would hit a 'brick wall'.

The Section 151 Officer gave reassurance that he was confident because the Council had a balanced budget and that there were planned use of reserves. There were significant reserves on the balance sheet both in terms of revenues reserves and capital reserves.

Resolved that the Audit, Governance and Standards Committee noted the Taunton Deane Borough Council Treasury Management activity for the 2018-19 financial year and compliance with the Prudential Indicators before recommendation to Full Council for information.

13. **West Somerset Council Treasury Management Outturn Report 2018/19**

During the discussion, the following points were raised:-

- Councillors queried when the Section 106 money needed to be spent. *Officers confirmed there were Government arrangements in place that had been agreed on what happened with the funds. There was a Planning Obligations Board that would meet and agree how the funds were allocated. The majority of the funding had been committed but not spent yet.*
- Councillors understood there were time constraints on the Section 106 money being spent. *A written response would be distributed to the Committee.*
- Councillors highlighted the pressures they faced in the Stogursey area from the local community. *Officers confirmed that in the former WSC, reports were taken to Full Council on the Community Impact Mitigation Funds, which could continue within the SWT governance arrangements.*
- Councillors requested clarification on the capital expenditure and queried did the grant from Government have to be paid back. *Clarification was given that it was a timing issue and that the funding had rolled into the next financial year.*

Resolved that the Audit, Governance and Standards Committee noted the West Somerset Council Treasury Management activity for the 2018-19 financial year and compliance with the Prudential Indicators before recommendation to Full Council for information.

14. **Code of Corporate Governance**

During the discussion, the following points were raised:-

- Councillors queried whether the whistle blowing policy was used by officers who had concerns about their colleagues.
The Governance Manager confirmed that it was for officer use and that it needed to be merged from two policies, which belonged to the former TDBC and WSC, into one document.
- Councillors queried whether the Code needed to address climate change and the motion on scrutiny's approach to the policy.
The wording used in the Code was taken from guidance documents. The motion had not been fed back into policies yet and officers hoped that it would by the next update in March 2020.
- Councillors advised that once a motion had been adopted by Full Council, it should automatically be included in policies.
Officers confirmed that the motion on climate change would gradually start to be fed in to reports and policy.
- Councillors requested clarification that the Code was a work in progress and could be amended at any point.
The Governance Manager confirmed that the Code was constantly updated and was reported to the Committee on an annual basis.
- Councillors queried whether officers knew how to use the whistle blowing policy or where to find the document.
The Governance Manager was not sure but knew it was highlighted in the inductions carried out for new joiners to the authority. The Governance and Democracy Case Manager confirmed that officers might not know the details of the policy but should know where to find the document.

Recommended that the Audit, Governance and Standards Committee approved the Code of Corporate Governance.

15. **Constitution Report**

During the discussion, the following point was raised:-

- Councillors highlighted that the wording used in part 4.2 did not include the Chief Executive Officer in the list of who should be included in the panel.
The Governance Manager would add that to the report.

Recommended that the Audit, Governance and Standards Committee recommended the following amendments:-

- a) The terms of reference for the Employment Committee were removed from the Constitution;
- b) The revised Officer Employment Procedure Rules were approved; and
- c) The Chief Executive Officer was added to the list of panel members in section 4.2 of the report.

(The Meeting ended at 8.10 pm)