



**BROMSGROVE DISTRICT COUNCIL**

**MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**WEDNESDAY 11TH MAY 2016 AT 6.00 P.M.**

**PARKSIDE SUITE - PARKSIDE**

**MEMBERS:** Councillors R. D. Smith (Chairman), P.L. Thomas (Vice-Chairman), S. R. Colella, M. Glass, H. J. Jones, P. M. McDonald, S. R. Peters, M. Thompson and S. A. Webb

Parish Councillors: Mr C. Scurrrell and Mr J Ellis

**AGENDA**

1. Apologies for Absence and Named Substitutes
2. Declarations of interest and Whipping Arrangements
3. To confirm the accuracy of the minutes of the Audit, Standards and Governance Committee meeting held on 24th March 2016 (Pages 1 - 8)
4. Valeur Consulting (Pages 9 - 12)

**K. DICKS**  
**Chief Executive**

Parkside  
Market Street  
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B61 8DA

3rd May 2016

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# Agenda Item 3

## BROMSGROVE DISTRICT COUNCIL

### MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

24<sup>TH</sup> MARCH 2016 AT 6.00 P.M.

PRESENT: Councillors R. D. Smith (Chairman), P.L. Thomas (Vice-Chairman),  
C.A. Hotham, S. R. Peters, M. Thompson and S. A. Webb

Parish Councillor: Councillor C. Scurrall

Grant Thornton Representatives: Ms. S. Joberns and Mr. R. Percival

Observer: Councillor G. N. Denaro

Officers: Ms. J. Pickering, Mrs. C. Felton, Mr. A. Bromage, Ms. S. Morgan  
and Ms S. Knight

48/15

#### **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received from Councillors S. R. Colella, H. J. Jones and P. M. McDonald with Councillor C. Hotham attending as substitute for Councillor Colella.

Apologies for absence were also received from Parish Councillor J. Ellis.

The Chairman welcomed Suzanne Joberns, Manager and Richard Percival, Engagement Lead, from Grant Thornton, who had recently taken over the external audit role for the Council.

49/15

#### **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest or any whipping arrangements.

50/15

#### **MINUTES**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 10<sup>th</sup> December 2015 were submitted.

Members queried the report in respect of financial risk being reported at the Overview and Scrutiny Board meeting and whether this was carried out in an appropriate manner and the Chairman agreed to check the relevant Overview and Scrutiny Board minutes.

**RESOLVED** that the minutes of the meeting of the Audit, Standards and Governance Committee held on 10<sup>th</sup> December 2015 be approved as a correct record.

51/15

## **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

The Head of Legal, Equalities and Democratic Services presented the Monitor Officer's report and in so doing highlighted that there had been one complaint received since the last meeting, which was currently ongoing. In respect of Member training whilst there had been no training since the last meeting, a number of sessions covering a variety of subjects would be available in the new municipal year.

**RESOLVED** that the report be noted.

52/15

## **ANNUAL REVIEW OF THE OPERATION OF THE AUDIT, STANDARDS & GOVERNANCE COMMITTEE (VERBAL)**

As this was the last meeting of the Committee for the municipal year, Members' discussed the overall success of it and any areas which they felt could be improved. It was agreed that overall Members' requests from officers had been satisfied during the year and considered the Committee to have generally worked well.

Members asked for clarification in respect of the number of times a substitute could attend on behalf of a Member and the Monitoring Officer agreed to provide clarification on this outside of the meeting.

53/15

## **STANDARDS - PARISH COUNCILS' REPRESENTATIVES' REPORTS (ORAL UPDATES)**

There was no update provided by the Parish Council representative present. However, Members discussed the role of the Parish Councillors attending the Audit, Standards and Governance Committee on the basis that no updates had been provided at any meetings of the Committee during the year. The Executive Director, Finance and Resources agreed to clarify the Committee's expectations for future meetings.

54/15

## **GRANT THORNTON CERTIFICATION WORK REPORT 2014/15**

An updated version of the Grant Thornton certification letter 2014/15 was tabled at the meeting. Members discussed the content of this letter and the fees to be charged for Grant Thornton's work during the year. The Committee was advised that all certification work had been completed.

**RESOLVED** that the Certification Letter 2014/15 be noted.

55/15

## **GRANT THORNTON AUDIT PLAN 2015/16**

The representatives from Grant Thornton presented the Grant Thornton Action Plan 2015/16 and in so doing highlighted the following areas:

- Developments and other areas relevant to the Council's audit.

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Audit, Standards and Governance Committee  
24th March 2016

- Areas of significant risk and how these were selected.
- How external audit was required to assess value for money as part of their work.
- Grant Thornton had identified that approximately £700k had been saved over a number of years.
- Members were advised that Grant Thornton was comfortable with the terms used in the letter.

Following presentation of the report Members discussed a number of areas in further detail including:

- The substantial savings plan – the Executive Director, Finance and Corporate Resources confirmed that a medium term financial plan was in place, but the Council was only required to achieve a balance for the first year of this plan.
- Valuation of Parkside and the old Council House site respectively. Officers explained that the value of the Council House site would fluctuate depending on its use in line with accounting practice. It was confirmed that PPL would undertake this valuation and all options would be considered by Members in order to identify the best way to dispose of the site moving forward.
- Members debated the figure that had been identified by Grant Thornton as representing the overall materiality for the Council; £672k. The Committee was advised that this was based on industry standards.
- Some Members expressed concerns that the authority was not in a sustainable position in respect of the medium term financial plan. The Executive Director, Finance and Corporate Resources confirmed that the Corporate Management Team was working hard towards reviewing the Council's financial position.

After further discussion it was

**RESOLVED** that the Audit Opinion Plan 2015/16 be noted and agreed.

56/15

## **GRANT THORNTON - PROGRESS REPORT / ACTION PLAN UPDATE**

The Grant Thornton Manager presented the External Auditors update for March 2016 which covered progress with audit work as at 9<sup>th</sup> March 2016. The Committee was advised that the majority of the progress update was covered in other items within the agenda.

**RESOLVED** that the Grant Thornton Update Report – March 2016 be noted.

57/15

## **BENEFIT FRAUD QUARTER 3 UPDATE REPORT**

The Assistant Benefits Manager presented the Benefits Fraud update for the third quarter of 2015/16. Members' were advised that the report covered a period of 4 months due to the transfer of work to the Department of Work and Pensions. The Committee was provided with

an overview of the fraud work which had been undertaken during this period and were advised that the Fraud Team's role, would in future, be focused on compliance and identifying areas to generate income for the Council.

The Committee was advised that there would be no report covering the fourth Quarter of 2015/16 regarding housing benefits. The next version of the report providing an update on quarter one of 2016/17 would focus on the work of the Compliance team.

Members thanked the team for their hard work over the years.

**RESOLVED** that the report be noted.

58/15

## **SECTION 11 UPDATE REPORT**

The Executive Director, Finance and Corporate Resources presented the Section 11 update for Members consideration. During the delivery of this presentation she highlighted the following matters for the Committee's attention:

- Members were advised that an interim audit to be undertaken by Grant Thornton in April 2016 would gather evidence in respect of the Council's progress with the Section 11 Action Plan.
- External support had been provided to the Council when working on the Accounts. Officers clarified the structure of the Finance team and the reasons why consultants had been employed to provide assistance.
- The Committee was advised that all members of the Finance team had received relevant training.
- A high level plan had been developed for future work and this had involved significant engagement from members of the team.
- As requested more detailed working papers for the accounts were being developed – Council staff had worked closely with Grant Thornton on this.
- The Committee was advised that the budget monitoring process was being transformed and in future would adopt a more automated approach.
- Officers would shortly be asking Group Leaders to establish a cross party working group which would meet monthly to consider the process.
- The external auditors had indicated that they supported the Council's approach in terms of Section 11.

Following presentation of the report Members discussed a number of areas in more detail:

- Members questioned whether Heads of Service should take more responsibility for their budgets and attend Committee to discuss these with Members. The Executive Director, Finance and

Corporate Resources advised that the emphasis of the monitoring process should be on setting the initial budgets, however senior officers could attend meetings to discuss their savings.

- The validity of the advert that had been placed in respect of the Section 11 accounts was debated by Members, particularly in respect of its timing. The Executive Director, Finance and Corporate Resources agreed to seek further advice on this point.

**RESOLVED that**

- 1) Officers seek legal advice in respect of the process for advertising the Section 11 Accounts;
- 2) Officers to take any relevant action following receipt of the advice requested above; and
- 3) The Section 11 Action Plan and Update be noted.

59/15

**TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2016/17 TO 2018/19**

The Financial Services Manager presented the Treasury Management Strategy Statement and Investment Strategy 2016-17 to 2018-19. During the presentation of this report she raised the following issues for Members consideration:

- Members were advised that currently no UK bank was rated above AA-
- The Council would be seeking a borrowing limit of £15m (but expected to borrow £14m).
- An overview of the policy statement was provided.

Following presentation of the report Members discussed a number of issues in detail:

- The borrowing figure listed in the medium term financial plan.
- Discussions about how capital receipts could change.
- The Council's reserves, how these could be used and how it was expecting to use these in the future.
- The Executive Director, Finance and Resources explained that the Council had to follow a particular process in order to balance the budget and could not borrow to address the revenue gap.

Members agreed at the end of consideration of this item that Councillor C. Hotham should meet with the relevant officers to discuss the MRP in more detail.

**RECOMMENDED to Full Council**

- 1) the Strategy and Prudential Indicators shown at Appendix 1:
- 2) the Authorised Limit for borrowing at £15 million, should borrowing be required.

- 3) the maximum level of investment to be held within each organisation (i.e. bank or building society) as detailed at £2.5 million, subject to market conditions; and
- 4) the updated Treasury Management Policy shown at Appendix 2.

60/15

## **QUARTER 3 (APRIL TO DECEMBER 2015) FINANCIAL MONITORING REPORT**

The Executive Director, Finance and Corporate Resources presented the April to December 2015 Financial Savings Monitoring Report 2015/16 and in so doing highlighted the following areas:

- The savings which had been achieved to date and the Council's current financial position.
- The changes that would be made to the monitoring process in 2016/17 – the emphasis would be on capturing all savings in order to ensure transparency.
- All anticipated savings for 2015/16 had been achieved with the exception of those in respect of Parkside. There was a reserve built into the overall budget of £110k and this would be used to address this.
- The discrepancies in respect of the figures detailed in the report were clarified during the meeting.

Members discussed a number of areas with particular reference being made to energy bills and whether there had been any significant changes in these since the move to Parkside. It was agreed that the Executive Director, Finance and Corporate Resources should seek clarification on the subject and provide Members with this information electronically.

**RESOLVED** that the final financial position for savings, as presented in the report for the period April to December 2015 be noted.

61/15

## **INTERNAL AUDIT PLAN 2016/17**

The Service Manager for Worcestershire Internal Audit Shared Service presented the 2016/17 Internal Audit Plan report and highlighted the following for Members' consideration:

- The Committee was advised that there had been no changes from the draft plan that had been considered by Members at its December meeting.
- The emphasis of the report was on core financial information and budgets remained unchanged due to the challenging economic circumstances facing local government.
- Internal Audit would be reviewing the move to Parkside and particular emphasis would be placed on lessons that had been learned.
- In future Internal Audit would no longer be reporting on Corporate Governance Indicators.



**RESOLVED** that

- 1) the Internal Audit Plan 2016/17 be approved; and
- 2) the performance indicators be approved.

62/15

**INTERNAL AUDIT MONITORING REPORT**

The Service Manager of the Worcestershire Internal Audit Shared Service presented the Internal Audit Monitoring Report. This report outlined the internal audit work and performance for 2015/16. Members were provided with an explanation of the appendices which included the Internal Audit Delivery 2015/16, the Key Performance Indicators 2015/16, a summary of the high and medium priority recommendations from the finalised reports together with details of any follow up work.

**RESOLVED** that the report be noted.

63/15

**RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR MICHAEL THOMPSON)**

Councillor M. Thompson provided a verbal update on his work as the Council's Risk Champion and confirmed that he had met with the Head of Environmental Services. Councillor Thompson had no concerns and commended officers for the work that was taking place in respect of risk. He confirmed that he planned to meet with the Head of Community Services in April.

64/15

**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The Executive Director, Finance and Resources confirmed that the Section 11 actions may change and that this would be brought forward as a separate item to the June meeting of the Committee. A new template for savings would also be brought forward. Members were mindful that the September meeting had a particularly heavy agenda.

**RESOLVED** that subject to the pre-ambule above the Audit, Standards and Governance Committee's work programme be noted.

The meeting closed at 8.10 p.m.

Chairman

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## AUDIT STANDARDS & GOVERNANCE COMMITTEE

11<sup>th</sup> MAY 2016

### VALEUR CONSULTING

Relevant Portfolio Holder	Cllr. Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Deb Poole – Head of Transformation
Wards Affected	All Wards
Non-Key Decision	

#### 1. SUMMARY OF PROPOSALS

To present the Committee with an update of the work and associated costs in relation to Valeur consulting.

#### 2. RECOMMENDATIONS

**The Committee is asked to NOTE the update and recommend any actions necessary.**

#### 3. KEY ISSUES

##### Financial Implications

- 3.1 The costs associated with the work undertaken by Valeur Consulting since 2014 has been £139k across Bromsgrove and Redditch Councils. The allocated cost purely for the Bromsgrove related cost is £44k over the two years. There was a charge of £28k in 2014/15 and £16k for 2015/16.

The contract with Valeur Consulting is with Bromsgrove District Council and is supported by a waiver which was agreed in 2014 at an estimated £100k. Two vacant posts in the transformation team have been used to fund the costs over the last two years. The vacant posts are Project Support Officers on a salary of £30k. It was decided to keep these posts vacant in order to fund the specialist systems thinking support needed for the transformation of the organisation. Recruitment of an experienced systems thinker into a post on the establishment would be extremely difficult as these skills are in high demand and consequently command high salaries.

##### Legal Implications

- 3.2 In accordance with the Bromsgrove District Council Contracts Procedure Rules (Revised March 2008) tendering/quotation procedures may be waived when the work/services is of an urgent nature or other special circumstances as described below and may only be actioned on the written authority of the appropriate Head of

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Service for Contracts valued up to £49,999 or a Corporate Director for Contracts valued over £50,000. The waiver for Valeur was justified due to the work that had already commenced by the Public Services Academy in developing a systems thinking approach to service delivery. It was important to maintain the continuity of the experience in supporting this methodology of working.

- 3.3 There are a number of reasons that a tender procedure is not completed and are included within the Contract Rules. These include:
- where the supply is proposed under special arrangements negotiated by the Office Government Commerce in which event the said special arrangements must be complied with;
  - the timescale genuinely precludes competitive tendering. Failure to plan the work properly is not a justification for a single tender;
  - specialist expertise is required and is available from only one source;
  - the task is essential to complete a project, and arises as a consequence of a recently completed assignment and engaging different consultants for the new task would be inappropriate;
  - there is clear benefit to be gained from maintaining continuity with an earlier project. However, in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering;

- 3.4 In relation to Valeur Consulting there was benefit in maintaining the continuity with the existing work. The wider transformation programme was continuing in line with the systems thinking method to ensure complete alignment of the locality work to the existing organisational transformation. It is for this reason that Valeur Consulting was being used to support the delivery of the existing transformational work and would need to continue to do so in the locality for continuity and completeness. In addition the work was part of completing a project and engaging different consultants would be inappropriate.

### **Service/Operational Implications**

- 3.5 In 2012 Bromsgrove joined the Reshaping Public Services Academy (along with a number of other public sector bodies – and hosted by Stoke Council) which provided resource to support the ongoing programs of transformation at the Councils. A number of specialist

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officers were part of the team that we drew on to support this work – this included Valeur Consulting. It was anticipated that the Academy would continue to grow and attract more partners to create a pool of system thinking practitioners that could be called on to offer support and guidance. Unfortunately the Academy was not as successful as expected and to enable the transformation work to continue at Bromsgrove. Valeur Consulting was retained to support the Council with a formal waiver approved to an estimated value of £100k. Using the specialist support officer ensured that the wider transformation program continued in line with systems thinking methods.

Over the two years Valeur Consulting has worked across the organisation in developing service redesign in Environmental Services (place teams), Customer Services and Financial Support and enabling services. Significant savings have been realised for the Council in the support of budget pressures whilst enhancing service delivery to our communities.

### 3.6 Intervention Work

Valeur Consulting has worked closely with the Management Team and 4<sup>th</sup> tier managers over the last two years to support the transformational changes to the way we deliver our services and to realise significant savings to support the financial pressures whilst enhancing service delivery to our community. The key areas supported have been;

- Place Teams within Environmental and Community Services;
- Financial Support with the Revenues and Benefits team;
- Providing guidance in working in the localities with BDHT and the Sunrise project.
- Working with the Planning team to ensure applications are dealt with by one officer; and
- Providing support to enabling services in mapping out the service delivery to make them more effective.

### 3.7 Management Team

Valeur Consulting has provided strategic support and guidance to the Management Team in our development towards being a systems thinking organisation including the creation of opportunities for wider public sector agency work to enhance services to our communities. Other work has included facilitating sessions for Managers and the leadership team in development areas we have identified. Support for the development of the Corporate Plan has been undertaken including a session on key priorities with the Cabinet.

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### 3.8 Connecting Families

Valeur Consulting involvement in 'Connecting Families' has been seen as the contribution to the project by Redditch Borough Council and has been charged on this basis. They have provided the lead on the scoping & check stage and has continued to support the team throughout the intervention as they move towards the redesign of their services. This cost has been met in full by Redditch Borough Council.

During 'scoping and check' stage, Valeur:

- Helped the team to understand the method for change;
- Helped the team to 'map the flow' process;
- Explained and supported the mapping of cases,
- Explained why learning and questioning is important;
- Helped them to establish some 'measures'
- Helped them to develop principles,
- Supported the proposed redesign, and
- Supported the development of a different culture and approach,
- Assisted in the identification of 'system conditions' and
- Challenged senior leaders to adopt the different approach and to change how they work.

3.9 'Connecting Families' is a cross agency initiative involving: Health Visitors, Your Ideas, Early Help Parenting, Police, school nurses, DWP, CAMHS, Housing locality, post 16 support, Early Help Transition, Social Workers, Mental Health, Early Help, Early Start, Housing Benefits, Home Start, Stronger Families to support families across the Borough ( and ultimately across Worcestershire) in solving issues in a cross organisational way to provide a better service to residents and to save the public purse in the future.

### **Customer / Equalities and Diversity Implications**

3.10 There are no implications arising out of this report.

## **4. RISK MANAGEMENT**

Effective budget and internal control is part of the finance risk register and financial costs are monitored on a monthly basis to ensure overspends to budget are mitigated.

### **AUTHOR OF REPORT**

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