

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

13TH OCTOBER 2022, AT 6.00 P.M.

PRESENT: Councillors L. C. R. Mallett (Chairman), P. J. Whittaker, A. J. B. Beaumont, R. E. Jenkins (from Minute No. 19/22), J. E. King, A. D. Kriss (Vice-Chairman), K. J. Van Der Plank and J. Till (Substitute)

In attendance: Mr. Jackson Murray - Grant Thornton (on Microsoft Teams)

Officers: Mr. P. Carpenter, Mr. A. Bromage (on Microsoft Teams), Mrs. C. Felton (from Minute No. 15/22 to 19/22), Ms. A. Khan (on Microsoft Teams), Mrs. V. Swashorne (on Microsoft Teams), Mr. G. Day and Mr. M. Sliwinski.

15/22

APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES

Apologies for absence were received from Councillor M. Middleton and Councillor C. Spencer with Councillor J. Till attending as named substitute for Councillor Spencer.

An apology was also submitted by the Portfolio Holder for Finance and Governance, Councillor G. N. Denaro.

16/22

DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS

There were no declarations of interest nor of any party whip.

17/22

TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 21ST JULY 2022

The minutes of the Audit, Standards and Governance Committee held on 21st July 2022 were submitted.

RESOLVED that the minutes of the Audit, Standards and Governance Committee held on 21st July 2022 be approved as a correct record.

18/22

ANNUAL REVIEW FROM THE LOCAL GOVERNMENT OMBUDSMAN

[With the Committee's agreement, item 5 on the agenda, Annual Review from the Local Government Ombudsman, was considered before item 4, Standards Regime – Monitoring Officers' Report.]

The Committee considered the report on the Local Government Ombudsman's Annual Review Letter, which set out the statistics for complaints made against the Council covering the years ending 31st March 2021 and 31st March 2022.

The Property Lawyer for the Council reported that the Local Government Ombudsman guidance recommended that where routine mistakes and service failures occurred on the part of the local authority, the Monitoring Officer was required to report to members, summarising the findings on upheld complaints over a specific period. It was noted that in all cases the Council had cooperated fully with Ombudsman enquiries and investigations and had agreed to implement the recommendations of the Ombudsman in relation to all upheld cases.

It was reported that costs resulting from upheld cases detailed in this report had been met from existing budgets and as such there was no direct financial implication to the Council resulting from the Ombudsman's recommendations.

Following the presentation of the report, Members made comments and asked questions of Officers. Clarification was sought on why in some years (such as that ending 31 March 2021) there were more complaints decided than had been received, and it was explained that this was because some complaints might be received in one year but only resolved in the following year.

The staged process for dealing with complaints was explained to Members. Initially, the Council would attempt to resolve the complaint internally. Failing this, the complaint would be passed to the Ombudsman who would first investigate if the Council had fully exhausted its complaints procedure. Only once this was confirmed, did the independent Ombudsman investigation of the complaint begin.

Members queried the fact that, contrary to what was stated during the presentation, the report indicated the Council did incur costs of £450 in relation to the Ombudsman's findings of service failure in 3 cases detailed in the report. The Council's Property Lawyer explained that these small payments came out of existing departmental budgets, from within internal contingency funds set aside for the eventuality of upheld complaints, rather than any corporate budget. As such there were no direct, unexpected financial implications to the Council's budget.

Officers were asked whether it was of concern that for the period ending 31 March 2022, the Local Government Ombudsman (LGO) upheld all three complaints against the Council it investigated, in comparison to the average of 51% for similar organisations. It was explained that given the small number of complaints against the Council the Ombudsman investigated in that year it was not of significant concern, although it was highlighted that work was currently undertaken to compile a new complaints procedure to improve the local resolution rate.

Members suggested that officers should include, in future iterations of the annual ombudsman review reports, a section providing a number of compliments that the Council had received, in addition to complaints.

It was also suggested by Members that future iterations of this report should contain a breakdown of how many total complaints were received by the Council over a given period and, out of those, how many were resolved internally and how many were brought before the Ombudsman. Members also requested that future reports should detail how much officer time was spent on dealing with the complaints. Lastly, Members asked that a comparison with other similar authorities be provided.

RESOLVED that the report be noted.

19/22

STANDARDS REGIME - MONITORING OFFICERS' REPORT

The Head of Legal, Democratic and Property Services presented the Monitoring Officer's report and in doing so highlighted that there had been one new complaint received since the last meeting, which had now been resolved as the matter did not result in a breach of the Members' Code of Conduct.

In response to a Member request for an update on the nature of the resolved complaint, the Head of Legal, Democratic and Property Services undertook to provide the details at a future meeting of the Committee.

In addition, one previously reported complaint remained live and whilst investigation of the matter had now concluded, a conversation with the County Council was required to determine whether the complaint could be resolved locally or not.

As the Council would be holding elections in May 2023, Members were informed that if any additional training was required by Members they could approach Democratic Services or the Monitoring Officer with the view of adding it to the already established programme of training.

Following the presentation of the report, Members asked whether, following resolution, details of a member complaint could be released to the public. It was noted that all member complaints at a local level (i.e., those complaints that stayed internal to the authority) remained confidential, unless both the complainant and the defendant agreed for details to be released.

Members asked about complaint cases where an individual under investigation ceased to be a councillor (for example due to not being re-elected) and it was noted that such cases would no longer be assigned as much priority as those relating to existing elected members. Additionally, such cases would often be resolved by virtue of the individual no longer being an elected member.

Members queried what sanctions could be imposed on elected members whose behaviour attracted numerous complaints and was deemed to bring the authority into disrepute. It was explained that powers available to councils in this area were very limited, as the Localism Act 2011 did not confer any power to the relevant authority (or its standards committee) to impose sanctions for breach of its code. Consequently, councils could not impose substantive sanctions such as disqualification from office, a financial penalty, or withdrawal of monetary allowances. If the complaint could not be resolved locally, the Monitoring Officer could direct that the complaint be heard before a standards committee comprised of fellow elected members with findings subsequently reported at a Full Council meeting. The Head of Legal, Democratic and Property Services added that no further method of sanction was available towards councillors under investigation, and they could continue to attend meetings of the authority.

If the elected member was found to have breached the Authority's Code of Conduct, the powers available to the authority included a formal letter of warning to the member and formal censure by motion of a committee to removal of the member from a committee (which did not legally prevent the councillor in question from attending) and adverse publicity.

The Head of Legal, Democratic and Property Services added that the Council's code of conduct was designed primarily with the view of maintaining standards through a conciliatory approach and that there was a high reliance on the Monitoring Officer working in cooperation with political group leaders when finding resolutions to member complaints.

RESOLVED that the Monitoring Officer's Report be noted.

20/22

GRANT THORNTON - SECTOR UPDATE

The Committee received a local government audit sector update from the Engagement Lead for Grant Thornton. It was drawn to the Committee's attention that in its response to the local audit consultation, the Department for Levelling Up, Housing and Communities (DLUHC) announced plans for introducing a statutory requirement for all local authorities to have audit committees with at least one independent member appointed.

Following the presentation of the update, Members asked about when the requirement for an independent member was likely to be introduced, and the Engagement Lead for Grant Thornton responded that DLUHC had not provided a specific implementation date as the introduction of that requirement was dependent on the parliamentary schedule. Members would be updated as soon as the date became known. The Interim Director of Finance added that details on arrangements regarding remuneration of the independent members had not been released either.

Members discussed the difficulties the Council had with past attempts at recruiting an independent member to the Committee, and the ways the post could be advertised. The Interim Director of Finance commented that the biggest obstacle to finding an independent member was level of remuneration, and there was a much greater demand to fill independent person posts where remuneration was high, as was the case with independent persons at pension funds.

The Interim Director of Finance added that in authorities which were under Government intervention, an independent member would be enforced as a chairman of the audit committee, and in such cases, this would be a remunerated post.

Members expressed hope that a degree of flexibility would be provided to local authorities, especially districts, with regards to setting the allowance for the independent member.

The Chairman concluded that all Councillors should be encouraging the Member of Parliament (MP) for Bromsgrove to raise this issue in Parliament.

RESOLVED that the updates, as included in Appendix 1 to the report as now submitted, be noted.

21/22

INTERNAL AUDIT - PROGRESS REPORT

The Committee received the Internal Audit Progress Report from the Head of Worcestershire Internal Audit Shared Service. The report before the Committee summarised progress made against the delivery of the Internal Audit Plan 2022/23 as of 31st August 2022. It was noted that Appendix 2 provided a complete overview of the plan and provided a holistic view of the progress against the plan.

The Head of Worcestershire Internal Audit Shared Service reported that data sets continued to be uploaded to central database as part of the National Fraud Initiative (NFI) matching exercise. The role of internal audit was in providing support to services which were uploading their audit documentation. Internal audit expected that most data sets would be received by December. It was added there were no exceptions to report in terms of fraud or other serious risk.

The Head of Worcestershire Internal Audit Shared Service reported that work on Core Financial Systems continued to occupy a substantial part of the internal audit team's planned time because of the rectification work associated with the Council's new finance system. Regular meetings were taking place with the Head of Finance and Customer Services in order to achieve progress in this area.

The Head of Worcestershire Internal Audit Shared Service explained that work continued on making progress with respect to areas which returned a level of 'limited' assurance as reported in the Internal Audit

Annual Report at the July meeting. It was highlighted that progress was also made with respect of the assurance work for the Leisure Strategy.

Following the presentation of the report, Members expressed serious concerns that the Council appeared to continue to receive 'limited' assurance in core areas of Council business such as Safeguarding and Fire Safety and in light of this the Chairman indicated he would write to request the Chief Executive Officer's attendance at a subsequent meeting of the Committee to discuss how the Council's performance could be progressed to 'full' assurance in these areas. Members concurred with the Chairman on the need to invite the Chief Executive Officer to a subsequent meeting of the Committee.

The Chairman further expressed his disappointment that the Committee had not been updated on the current audit assurance status in areas of Safeguarding and Fire Safety, nor had Members received assurance that the recommendations of the last follow up audits in these areas were being implemented.

The Chairman commented that audits for service areas had been investigated in isolation, without the Committee receiving a holistic picture of the corporate approach to audit assurance and performance monitoring, and consequently the Committee had little confidence that there was a corporate improvement. It was noted that, as presented in the 2021/22 Internal Audit Annual Report at the July meeting, a number of key areas such as budget monitoring and risk management were provided with 'limited' or 'no' assurance by the internal auditors, which some Members deemed unacceptable.

The Interim Director of Finance added that for the finance team, mostly composed of new staff, it was equally frustrating that work on rectification was taking the majority of the team's time, for example with the 2020/21 Statement of Accounts which had not been finalised yet due to issues with the cash receipting module of the finance system. Actions were now being taken to improve assurance across the organisation. For example, a new approach to budget setting was now taken with budget setting undertaken in two tranches, one in the pre-Christmas period and the second allowing for adjustment after the local government finance settlement had been published by the Government. In addition, one Corporate Management Team (CMT) meeting per month was devoted exclusively to discussions of assurance.

RESOLVED that the report be noted.

22/22

FINANCIAL SAVINGS MONITORING REPORT

The Interim Director of Finance presented the Financial Savings Monitoring Report and in doing so drew Members' attention to the following:

- The Council was on track to deliver £176k in Departmental Savings, agreed by Council in February 2022 with the purpose of delivering a balanced budget for 2022/23. In addition, a further £478k of existing efficiency savings were carried forward from the 2021/22 financial year, and these needed allocation to departmental budgets.
- There was a high vacancy level with the organisation currently at around 15% annual staff turnover rate and about 60 agency staff. A full linking of vacancies to efficiency savings was to be undertaken in the Quarter 2 2022/23 financial and performance report.
- Printing and stationery savings were monitored on an ongoing basis, although costs reflected the reduced number of staff in the building.
- The possible staff pay award would present around £700k increase in costs.
- The energy costs were increasing by an average of 100-200% which was worrying in terms of effect on Council buildings and after the current leisure contract at Bromsgrove was due to finish next year.
- The average rate of inflation on capital projects of between 10-15%, necessitated large contingency funds to be accommodated for. On projects currently valued at between £4-5m, for instance, the contingency was in the region of £1m.

Following the presentation, Members asked questions which were responded to as follows:

- It was reported that the Council did not possess any significant investments.
- Heads of Services were being asked to report on the impact of vacancies within their service areas to link into the Quarter 2 Finance and Performance Report.
- It was felt that building a given percentage of vacancies within the Council into the budget was not the right solution as the vacancies created a lack of resource and expertise in areas where it was needed.
- In response to a query about the Council's contributions to the Worcestershire Pension Fund, it was reported that as a result of pension fund revaluation in December 2021, Bromsgrove District Council's contribution to the fund would decrease from 2023/24.

RESOLVED that:

- 1) Progress on 2022/23 Departmental Savings be noted.
- 2) Progress on Efficiency Savings be reported back to the Committee following allocations part of Quarter 2 2022/23 monitoring.

23/22

RISK UPDATE (Q1 & Q2)

The Interim Director of Finance presented the Quarterly Risk Update report and in doing so highlighted that a third round of Officer Risk Board quarterly meetings had now taken place since these were established in April 2022. It was explained that each department within the Council nominated a representative to the Risk Board and they reported back to their respective management teams, which facilitated with identification of risk owners. The process was now resulting in more risks being registered and mitigated.

It was noted that the Council had an agreed definition of a Corporate Risk and the Officer Risk Board had an agreed definition with regards to when Departmental Risks should be raised to Corporate Risks and, conversely, when Corporate Risks should be reduced to Departmental Risks.

The number of departmental risks had continually reduced in the last 6 months, down to 75 as at the end of September, and there were currently four red departmental risks, which included two IT-related risks, one in relation to the Bromsgrove Leisure Contracts, and one related to the lack of robustness of the revenues system Performance Indicator data.

In terms of the Corporate Risk Register, one risk had recently been added in relation to the delivery of Levelling Up, the UK Shared Prosperity Fund (UKSPF) and Towns Fund projects, due to resource implications and the requirement to spend all funding before April 2025 (UKSPF) and April 2026 respectively. The conditions of the funds stipulated that any unspent monies had to be returned, and the risk of not spending the allocated funds was exacerbated as councils would be competing for a limited number of contractors to undertake the projects.

Members were reminded that it was within the remit of this Committee to recommend that a Corporate Risk be reclassified in severity, whether that be moved up or down the RAG rating scale.

Following the presentation of the update, Members asked about the Officer Risk Board meetings and membership. In response, the Interim Director of Finance reported that he was the chairman, and every department had a representative on the Officer Risk Board.

RESOLVED that

- 1) the present list of Corporate Risks be noted.
- 2) the progress made on the Action Plan approved by the Corporate Management Team (CMT) on 16th March 2022 be noted.

24/22

RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR A. B. BEAUMONT)

Councillor A. Beaumont briefly stated that there was currently no verbal update and that an update would be provided at a future meeting of the Committee.

25/22

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Interim Director of Finance informed Members that the External Auditor's Annual Report for 2020-21 needed to be considered by the Committee, and this required an additional meeting to be scheduled for November. The exact date of the extra meeting would be confirmed in due course.

The Chairman requested that at the next meeting of the Committee the issue of ongoing follow up reviews and 'limited' assurance audits in the service areas of Safeguarding and Fire Safety be discussed. It was requested that the Chief Executive Officer be invited for this item.

The Chairman requested that a risk champion for the current municipal year be elected at the next meeting of the Committee.

The Democratic Services Officer undertook to update the work programme to include the items requested during the discussion.

RESOLVED that the Committee work programme be noted and updated.

The meeting closed at 7.46 p.m.

Chairman