

BRIGHTON & HOVE CITY COUNCIL

AUDIT & STANDARDS COMMITTEE

4.00pm 25 SEPTEMBER 2012

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Chair) A Norman (Opposition Spokesperson), Duncan, Follett, Lepper, Smith, Sykes and Wealls

Also in attendance: Councillor Hawtree

PART ONE

25. PROCEDURAL BUSINESS

25a) Declaration of Substitutes

25.1 There were none

25b) Declarations of Interest

25.2 There were none.

25c) Exclusion of the Press and Public

25.3 In accordance with Section 100A of the Local Government Act 1972 (“the Act”), the Planning Committee considered whether the public should be excluded from the meeting during consideration of any item of business on the grounds that it is likely in view of the business to be transacted or the nature of the proceedings, that if members of the public were present during it, there would be disclosure to them of confidential information as defined in Section 100A (3) of the Act.

25.4 **RESOLVED** - That the public are excluded from the meeting from items listed on Part 2 of the agenda.

26. MINUTES

26.1 **RESOLVED** – That the Chair be authorised to sign the minutes of the meeting held on 26 June 2012 as a correct record.

27. CHAIR'S COMMUNICATIONS

- 27.1 The order of the substantive items on the agenda would be changed so that Items 34 & 35 would be taken ahead of the others.
- 27.2 In relation to the two vacant independent co-optee positions on the Committee it was highlighted that 14 applicants had applied; 7 had been shortlisted, and were due to be interviewed on 1 October 2012.

28. PUBLIC INVOLVEMENT

- 28.1 There were none.

29. MEMBER INVOLVEMENT

- 29.1 There were none.

30. ARRANGEMENTS FOR THE REGISTER OF MEMBERS INTERESTS

- 30.1 The Acting Assistant Head of Law, Elizabeth Culbert, provided an update, and explained that this was the first meeting of the Committee since the new Code of Conduct had been agreed by Full Council. New Register of Interest forms had been completed and returned by all 54 City Councillors, and the register had been updated and was available for inspection; the register for Rottingdean Parish Council Members had also been updated.
- 30.2 The Chair noted he was pleased that all Members had completed and returned the new forms.

31. COMPLAINTS PROCEDURE

- 31.1 The Committee considered a report of the Monitoring Officer in relation to the new arrangements for dealing with the investigation and hearing of complaints as part of the changes to the regulation of Standards of Conduct for elected Members brought in by the Localism Act 2011. The new arrangements provided a simplified process for dealing with complaints of misconduct and the actions which could be taken against a Member who is found to have failed to comply with the Code of Conduct. By way of introduction the Standards & Complaints Manager, Brian Foley, outlined the new procedure
- 31.2 In response to queries from Councillor Duncan it was confirmed that the right of appeal would apply to both the complainant, and the Member the allegation had been made against, and sanctions would only take effect after the period to request an appeal had expired.
- 31.3 Councillors Sykes and Lepper noted some minor typographical errors of the names of political groups, and asked that that some of the wording be amended to reflect the potential future political makeup of the authority; rather than the current political makeup.

31.4 Councillor Ann Norman noted that she and Councillor Lepper had been involved in Standards related work under the previous regime for some years, and she stated that Members should always approach the investigation of complaints of a neutral mind and in a non-political manner. The Chair echoed these comments, and highlighted the non-political regulatory nature of the Committee.

31.5 RESOLVED:

- (1) That the arrangements for the investigation and hearing of complaints about Member conduct as set out in Appendix 1 to the report and as illustrated in the flow chart in Appendix 2 to the report be adopted;
- (2) That the adopted new arrangements be reported to Council for information;
- (3) That the Monitoring Officer be instructed to develop technical procedures for the investigation and hearing of complaints to be used in conjunction with the arrangements; and
- (4) That the Monitoring Officer be instructed to publicise the arrangements for the investigation and hearing of complaints by whatever means he considers appropriate.

32. COMPLAINTS UPDATE

32.1 The Committee considered a report of the Monitoring Officer with an update on allegations about Member conduct following the last report to the Committee on 26 June 2012; a summary of closed cases was listed at Appendix 1.

32.2 **RESOLVED** – That the Committee note the report.

33. ROTTINGDEAN PARISH COUNCIL: ADOPTION OF NEW CODE OF CONDUCT

33.1 The Committee considered a report of the Monitoring Officer reporting back on the instruction of the Committee to consult with Rottingdean Parish Council over the new standards regime required by the Localism Act 2011. The report included details of the Code of Conduct adopted by the Parish Council, and the arrangements for the register of Parish Council Members' interests. By way of introduction the Lawyer, Oliver Dixon, stated that Rottingdean Parish Council had adopted the same Code of Conduct as the City Council, and this included an amendment to Standing Orders such that a Member would be required to leave a meeting during the consideration of an item of which they had declared a disclosable non-pecuniary interest. Mr Rhodes, a Rottingdean Parish Councillor, was also in attendance and expressed his gratitude on behalf of the Parish Council to the Lawyer and Monitoring Officer.

33.2 **RESOLVED** – That the Committee note the report.

34. AUDIT COMMISSION: ANNUAL GOVERNANCE REPORT 2011/12

34.1 The Committee considered a report of the Audit Commission summarising the findings of the 2011/12 audit which was now substantially complete. It included key messages arising from the audit of the financial statement and the results of work undertaken to

assess the Council's arrangements to secure value for money in its use of its resources. By way of introduction the District Auditor, Helen Thompson, highlighted the key messages including: reference to three uncorrected errors for Members' consideration; recommendations and actions for improvement, and stated that the audit had been delivered within the agreed fee.

- 34.2 Councillor Wealls asked a series of questions in relation to the assessment of value for money, and in particular how the Council attributed overheads. In response, and discussion, Officers explained this was undertaken by looking at how services were delivered within the normal budget, and by comparing historic data with other similar authorities. Consideration was also given to performance against targets as well as benchmarking with other authorities when assessing the value for money provided by a service. Officers explained that there was a standard methodology for calculating and presenting overheads when comparing the cost of services. This is determined by central government when collecting financial information, for example, in the annual 'Revenue Outturn' (RO) returns. When services were compared it was also important this was done on a like for like basis within and across sectors. To establish the full costs it was necessary to include all relevant corporate overheads; overall these were relatively small for the Council, approximately 5% of gross expenditure, but the Council still needed to be satisfied that these were correct and reasonable.
- 34.3 Councillor Sykes pointed to comments in the report in relation to payroll, and asked questions about the backlog of documentation referred in the report. In response it was explained that the process had been easier this year than in the previous, but there were still issues with the complexity of the payroll system. Priority had been given to addressing the problem, and improvements had already been made.
- 34.4 Councillor Sykes went on to ask what more radical solutions the Council could consider to achieve value for money. In response it was explained that many other local authorities were in a very similar position, facing a continued reduction in funding, and had looked at similar value for money initiatives to those undertaken by the Council. 'Systems Thinking' initiative had been praised as a good way to help deliver better value for money in more processed based services. Councillor Norman asked further queries in relation to the initiative, and it was explained that the Council was currently developing this; two temporary posts had been appointed to as part of this work, and there was currently a pilot in HR that was nearing completion.
- 34.5 Councillor Wealls pointed to differences between the actual and estimate of employer contributions to the pension scheme, and asked for an explanation about this. It was explained that the difference was not material, and the Council was required to provide an estimate to the Actuary each year; the estimate was produced using end of month data, and it was normal for there to be a degree of difference. Councillor Wealls asked if there was adequate provision to properly estimate the impact of auto-enrolment into the pension scheme, and it was explained that the Council was managing this and were planning on the basis of a greater employer's contribution rate.
- 34.6 In response to a query from the Chair, Councillor Hamilton, further details were provided in relation to the three errors which the Council had declined to amend. The first related to the payroll findings which was an estimated error only and therefore it was not considered appropriate to adjust the accounts; the second related to the timing for the

depreciation of an asset, which had been done earlier than normal but which had no other implications, and the final error was a presentational error only where a creditor and debtor entry were netted off but which did not effect the bottom line of the Council's net assets. Following further queries it was confirmed that the depreciation in question related to construction of BACA and that the calculation of depreciation would be correct over the useful life of the asset regardless of the error; it was also explained that the Council was not funded to provide for depreciation; only the actual borrowing and financing costs on its assets, and therefore depreciation had no real cash flow implication for the council. Officers also highlighted that the three errors were not material, and the key aspect of the report was that they would not affect the external auditor's unqualified opinion on the accounts.

34.7 **RESOLVED –**

- (1) That note is taken of the adjustments to the financial statements which are set out in Appendix 3 of the report.
- (2) That it be agreed to adjust the errors in the financial statements which management has declined to amend set out in Appendix 2 of the report or set out the reasons for not amending the errors.
- (3) That the letter of representation on behalf of the Council before the audit opinion and value for money conclusion is given be approved. A draft of the letter of representation is included at Appendix 4 of the report. This contains management's reasons for not adjusting errors in the financial statements set out at Appendix 2 of the report.
- (4) That the Committee response to the proposed action plan included at Appendix 6 of the report be agreed.

35. **STATEMENT OF ACCOUNTS 2011/12**

35.1 The Committee considered a report of the Director of Finance with information about the audit of the 2011/12 Accounts with a recommendation to approve the Statement of Accounts and the Letter of Representation on behalf of the Council.

35.2 Councillor Sykes asked if the Council might, in future, include environmental assets in an audit, and in response Officers commented that - although this was not currently the case - in future assets could potentially be divided into heritage and environmental.

35.3 Councillor Sykes also asked a further question in relation to exit packages in previous financial years. In response Officers explained that they reflected changes that had taken place organisationally, and - although they fluctuated year on year – in the case of senior exits – they were assessed for value for money on a case-by-case basis.

35.4 **RESOLVED**

- (1) That the findings of the Audit Commission in their Annual Governance Report (AGR) be noted. The AGR is a separate item on this agenda.

- (2) That the adjusted misstatements to the 2011/12 Statement of Accounts (paragraph 7.3 and Appendix 4) are noted.
- (3) That the Committee consideration is given to the advice in relation to unadjusted misstatements, and agree that they should not be adjusted for (paragraph 7.4 and Appendix 5).
- (4) That the results of the public inspection of the accounts (Section 9) are noted.
- (5) That the letter of representation on behalf of the council (Appendix 1) be approved.
- (6) That the management responses to the action plan in the AGR be approved.
- (7) That the audited Statement of Accounts for 2011/12 be approved.

36. TARGETED BUDGET MANAGEMENT 2012/13 MONTH 2

36.1 The Committee considered a report of the Director of Finance on the Targeted Budget Monitoring (TBM), a key component of the Council's overall performance monitoring and control framework. The forecast outturn position was set out as of Month 2 on the Council's revenue and capital budgets for the financial year 2012/13.

36.2 **RESOLVED** – That the Committee notes the report.

37. INTERNAL AUDIT PROGRESS REPORT

37.1 The Committee considered a report of the Director of Finance on the progress made against the Internal Audit Plan for 2012/13, including the outcomes of specific audit reviews completed, agreed management actions, and Internal Audit Key Performance Indicators.

37.2 Members raised queries on the content of completed audits, and the Chair asked for these to be followed directly with Officers outside of the meeting.

37.3 **RESOLVED** – That the Committee notes the report.

38. FIGHTING FRAUD LOCALLY

31.8 The Committee considered a report of the Director of Finance in relation to Fighting Fraud Locally, a national report recently issued by the National Fraud Authority; the report sought to inform Members of a review carried out to measure the Council against the best practise checklist issued with the national report for an effective counter fraud culture.

31.9 In response to query from Councillor Wealls in relation to CRB checks, and other pre-employment screening it was agreed that a note would be circulated to the Committee separately to confirm the situation and the process.

31.10 **RESOLVED** – That the Committee notes the report.

39. ITEMS REFERRED FOR COUNCIL

39.1 Item 31 *Complaints Update* was forwarded to the Council meeting on 25 October 2012 for noting, as per the recommendation in the report.

40. PART TWO MINUTES

40.1 **RESOLVED** – That the Chair be authorised to sign the Part 2 minutes of the meeting held on 26 June 2012 as a correct record.

41. COMPLAINTS UPDATE (SEPTEMBER 2012) (EXEMPT CATEGORY 1)

41.1 **RESOLVED** – That the report be noted.

42. STRATEGIC RISK MANAGEMENT ACTION PLAN FOCUS – SR4, 5 AND 8

42.1 **RESOLVED** – That the recommendation in the Part 2 report be agreed.

43. PART TWO PROCEEDINGS

43.1 **RESOLVED** – That the Part 2 Items remain exempt from disclosure from the press and public.

The meeting concluded at 18.05

Signed

Chair

Dated this

day of