

Audit and Governance Committee

Monday 16 January 2023

PRESENT:

Councillor Luggar, in the Chair.
Councillor Lowry, Vice Chair.
Councillors Evans OBE and Tofan.

Apologies for absence: Mrs Benny (Independent Member).

Also in attendance: Justine Thorpe (External Auditor – Grant Thornton), Wendy Eldridge (Principal Technical Accountant), Ross Jago (Head of Governance, Performance and Risk), Giles Perritt (Assistant Chief Executive), David Northey (Interim Service Director for Finance) and Helen Rickman (Democratic Advisor).

The meeting started at 2.00 pm and finished at 3.20 pm.

Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

50. **Declarations of Interest**

There were no declarations of interest made by Members in accordance with the code of conduct.

51. **Minutes**

The Committee agreed the minutes of 28 November 2022 as an accurate record of the meeting.

52. **Chair's Urgent Business**

There were no items of Chair's urgent business however the Chair highlighted the resignation of Mr Ian Shipperley, the Committee's Independent Member. Mr Shipperley served on the Committee for three years and offered a wealth of experience which was gratefully appreciated by Members.

Under this item it was confirmed that the meeting was still quorate, despite the absence of independent members, as previously the Committee had agreed to adjust its terms of reference so that the quorum of the meeting was only reliant upon three Members being present. Officers would be seeking to recruit a replacement shortly.

The Committee agreed that the Chair would write to Mr Shipperley thanking him for his service on the Committee as an Independent Member.

53. **External Auditor - Progress Report**

Justine Thorpe (External Auditor – Grant Thornton) presented the External Auditor Progress Report and highlighted the following key points:

- (a) the report covered the 19/20 audit which was still ongoing as auditors were awaiting the outcome of the work undertaken by Devon Pension with regards to Miel transaction – other audit work was complete. The Council was required to provide the latest proposal from Devon Pension Fund and consult the Council on that;
- (b) the audit for the 20/21 accounts had begun and officers were working through figures, this was expected to continue for the next few months;
- (c) in terms of the 21/22 accounts, it was hoped that this audit would be completed in the summer (2023);
- (d) the 20/21 and 21/22 value for money work had been completed; an action plan was required from the Council detailing what action was to be taken with regards to the 14 recommendations raised by the external auditor;
- (e) the external auditor was working with the Council with their preparation of the 22/23 accounts – it was hoped that by 2024 all accounts would be caught up in terms of delivering an annual audit within the statutory deadline of 30 September each year.

In response to questions raised it was reported that –

- (f) the legislation regarding the valuation of council's infrastructure assets was passed in December 2022 – this was a temporary solution proposed by CIPFA and was accepted so the figures relating to these assets within the accounts had been included; it was considered that this deferred the more complex accounting for highways assets for a couple of years;
- (g) a progress report detailing the 14 actions as recommended by the external auditor was to be taken to budget scrutiny; officers were looking to include further detail to the 14 point action plan however focus was upon the Miel transaction.

The Committee agreed:

1. to include the 14 point action plan and progress report on the agenda for the March 2023 Audit and Governance Committee;
2. to note the External Auditor Progress Report.

54. **Pre 2023/24 Audit Plan Update (To Follow)**

The Chair advised the Committee that the Pre 2023/24 Audit Plan Update was not to be discussed at the meeting as it was still undergoing some further work.

55. **Mid-Term Treasury Management Report 2022/23 (To Follow)**

Wendy Eldridge (Principal Technical Accountant) presented the Mid-Term Treasury Management Report 2022/23 and highlighted the following key points:

- (a) the purpose of the report was to update the Committee with progress and changes since the 1st April 2022 and run through compliance with prudential indicators. Arlingclose was used to provide treasury management advice and the Council had taken on board a lot of the information regarding the external context of the current financial situation and economic background;
- (b) the report made reference to the impact of the Ukraine war, global inflation and the increased Bank of England rate which at the end of September was at 2.25% - there had been subsequent increases to that. The report referred to the increasing demand with inflation with disposable incomes being squeezed and higher energy bills having a further impact;
- (c) at 31 March 2022 the Council had net borrowing of £5.54m – this was presented in the outturn report at a previous Audit and Governance Committee. A summary of the Council's borrowing at 31 March 2022 and its movements to 30 September 2022 was included – key things to note included the increase in the reduction of the borrowing. At the end of 2021 the Council held cash balances from transferring short term borrowing into long term PWLB borrowing so the Council was able to use those cash balances to reduce the short term borrowing – this was primarily to deal with the risk associated with the increasing interest rates;
- (d) table two showed relatively low short term borrowing rates but the levels the Council was currently being exposed to were closer to 4% taking out new short term borrowing in the latter part of the year;
- (e) Officers were expecting the LOBO loans to be called in as the interest rates were increasing however one that was due for potential call-in in November wasn't called in so there was another group of LOBO loans due to be called in at the end of March 2023; there were only four days to repay LOBO loans therefore officers would monitor this situation;
- (f) long term borrowing was a fixed long term arrangement, mainly with Barclay's Bank;
- (g) the Council increased its PWLB (Public Work Loans Board) borrowing in April 2022 by £75m which it used to reduce its short term borrowing; the rate secured with that was just under 2.5% - this was done to protect the interest rate risk;
- (h) the table on page 12 demonstrated that the interest payable had increased above the amount budgeted for but this had been compensated by the interest received through pooled investments and the money market funds that were held with day to day cash holdings. That was considered a safe increase in investment and had protected the council's risk there;

- (i) page 13 of the report onwards highlighted where the council was tracking its compliance against prudential indicators; the Council had complied with all investment limits, operational boundaries, authorised limits and investment portfolio levels.

In response to questions raised it was reported that –

- (j) the figures in the ‘total column’ reported in the investments table on page 10 of the report should be included in brackets – that was true of all figures shown in the movement column;
- (k) in terms of the prudential indicators, the Council had increased the level of fixed term borrowing. There was expected to be more of a spread between fixed and variable however in light of the changes and the increase with Bank of England rates, the approach taken was to tie in more debt, fixed term to protect those increases;
- (l) the Council did not have any investments in any non UK banks;
- (m) a written response would be provided to Members upon the impact of the rise in interest rates from 2.75% to in excess of 4% on the Council’s budget for the next 12 months;
- (n) in terms of LOBO loan repayments, the Council would seek advice from external advisors if they were called-in for repayment however as they were predominantly quite high interest rate the Council would be keen to repay.

The Committee agreed:

1. that a written response would be provided to Members upon the impact of the rise in interest rates from 2.75% to in excess of 4% on the Council’s budget for the next 12 months;
2. to delegate responsibility of signing off LOBO loan repayments to the Section 151 Officer in consultation with the Chair and Vice Chair of the Audit and Governance Committee and the Cabinet Member for Finance;
3. to note the Mid-Year Treasury Management Report 2022/23 (This is to comply with the CIPFA Code of Practice and discharge our statutory requirement).

56. **Disclosure and Barring Checks for Councillors - Policy (To follow)**

Ross Jago (Head of Governance, Performance and Risk) presented the Disclosure and Barring Checks for Councillors Policy and highlighted the following key points:

- (a) the role of the DBS was to help employers make safe recruitment decisions and prevent unsuitable people working with vulnerable groups. The Council’s

DBS policy had been presented to the Committee previously and in light of comments by Members had been reconsidered. Officers had started with the law and built the policy from there;

- (b) a training session was arranged for elected members in December and was relatively well attended – a further session to be arranged in the near future. The aim of the session was to provide Councillors with the legal framework within which DBS checks operated and the differing levels of check and what they may contain;
- (c) there were four levels of DBS checks available: the basic check which anybody could apply for and that could be paid for online, the standard check, an enhanced check with a barring list, and an enhanced check without a barring list. Of those four levels of checks, two were applicable to Members – the enhanced check without a barring list and the basic DBS check;
- (d) Councillors would be eligible for the enhanced check when they were undertaken specific duties included in the Rehabilitation of Offenders Act, the relevant exceptions order under the Police Act 1997. To be eligible they would need to be performing a role which made decisions upon social services functions for the authority (regulated activity). The requirements for the enhanced DBS check would be those Councillors sitting on the Corporate Parenting Group, because essentially they are undertaken as the council statutory function as corporate parents, and Councillor on the Cabinet Committee because they had direct decision making around the delivery of social care services;
- (e) in terms of the basic DBS check, there were eligibility requirements under the law for this check, and Councillors would be able to make their own application. This check was not included within this policy, mandatory DBS checks or basic DBS checks for Councillors, because the law would prevent the Council from enforcing that mandatory check. Essentially, the Council could ask all Members to complete the check and they would be well within their rights to refuse it;
- (f) previously the Lord Mayor had been subject to DBS checks because of their contact with young people and vulnerable groups, however it was considered that the position would be deemed to have an incidental contact with vulnerable groups, and therefore would not be eligible for any other any other check, other than a basic check – this had not been included in the policy as it could not be enforced;
- (g) it was highlighted that political groups could mandate basic checks for their Members, but that was entirely dependent on the groups' rules – if this happened then an offer was made to maintain a database and display information upon Councillors profiles if requested.

In response to questions raised it was highlighted that –

- (h) there was limited access as to who was eligible to view the DBS report; this

included the Chief Executive, the Monitoring Officer and the Head of Governance, Performance and Risk;

- (i) in terms of viewing the DBS check, if there was an issue highlighted that affected safety then it was considered that the Councillor would need to be removed from the undertaking of that role. DBS checks would be carefully monitored and should there be a risk then immediate action would be taken;
- (j) the Council was trying to interpret the law designed for employers prior to appointment. Traditionally, the Leader exercised discretion in appointing a Cabinet member and therefore it was expected that the process undertaken would involve a conversation between the Chief Executive, the Monitoring Officer and the appointing member (The Leader in the case of the Cabinet), where the sensitivities of that issue would be discussed, and there would be an option to address that situation based on the information that had been disclosed;
- (k) an addendum to the Disclosure and Barring Checks for Councillors Policy would be written to specify how the process for reviewing, discussing and managing DBS checks would take place – the addendum to the policy would be created in conjunction with the Audit and Governance Committee.

The Committee agreed:

1. that an addendum to the Disclosure and Barring Checks for Councillors Policy would be written to specify how the process for reviewing, discussing and managing DBS checks would take place – the addendum to the policy would be created in conjunction with the Audit and Governance Committee;
2. to approve the Disclosure and Barring Checks for Councillors Policy.

57. **Strategic Risk Monitoring Report including Scrutiny Update**

Ross Jago (Head of Governance, Performance and Risk) presented the Strategic Risk Monitoring Report (including scrutiny update) to Members and highlighted the following key points:

- (a) since the last committee meeting the total number of strategic risks had reduced from 20 to 18 – five of those risks had a rating of red and those related to the Council's expenditure, the growing volume and complexity of demand on the Children, Young People and Family Service, its supply chain constraints, cyber attacks and the city's economic performance;
- (b) risks had been identified as sufficiently mitigated and been moved to the operational risk register; those were the Council not meeting its obligation to keep standard data secure by failing to adhere to data Protection Act Regulations – a lot of work had taken place with this led by the Strategic Director for Customer and Corporate Services to get training and development out there for staff members on GDPR requirements;
- (c) the Council had not met its legal obligation regarding its health, safety and

wellbeing of his workforce - that had been moved down into the operational risk register and was still under review. Throughout the operational register, which was appended to the report, it highlighted where the risks were being reviewed. It was highlighted that this risk was reviewed in the health safety and wellbeing officers group;

- (d) there was a slight increase of the risk of failure to deliver the range of housing to meet Plymouth's need – the risk score had increased to 12 and was now an amber risk;
- (e) scrutiny continued to receive risk reports at each of its scrutiny meetings – the Head of Governance, Performance and Risk was due to meet with the Chair of scrutiny committees this week where the updated report would be a feature of discussion and would help to plan for the final cycle of committee meetings.

In response to questions raised it was reported that –

- (f) mitigation of risks was included in the table, detailed in the report at pages 34 onwards; the risk was scored after mitigation. In terms of the traffic light system, because a risk may be categorised as red, it didn't mean that it was failing, but that there was a future risk of failure. Mitigations were detailed to prevent the risk of failure as much as possible;
- (g) Grant Thornton, the Council's external auditor, had made recommendations contained within an action plan specifying that Council's audit function should pay much closer attention to the tracking the mitigations that the Council put in place to manage its risk.

The Committee agreed to note the current position with regard to the Strategic Risk Register.

58. **Tracking Decisions**

The Committee agreed to note the tracking decisions document as attached to the agenda.

59. **Work Programme**

The Committee agreed to note the work programme and include an update on the Code of Conduct Review, Officers code of conduct, and IT Policy, on the agenda for the March 2023 committee meeting.

60. **Electoral Cycle Consultation - Task and Finish Group**

Ross Jago (Head of Governance, Performance and Risk) presented the Electoral Cycle Consultation - Task and Finish Group) item and highlighted that the Audit and Governance Committee met on 5 September 2022 and agreed a way forward in terms of the Electoral Cycle Consultation and this was duly endorsed by Full Council. It was for the Committee to determine the arrangements for the task and finish group, including the membership.

In response to questions raised it was reported that –

- (a) Mrs Benny, the Independent Member of the Audit and Governance Committee, would be included on the membership of the Task and Finish Group;
- (b) the Independent Alliance had formed a group under the 1989 Local Government Act provisions which defined a group as two members or more, however as the task and finish group was a sub-committee of the parent committee which was the Audit and Governance Committee then it was up to the committee to apply or not the proportionality to its sub committee. It was highlighted that it would be the audit and governance committee that would make a final decision on the advice of the working group.

The Committee agreed:

1. that the membership of the Electoral Cycle Consultation Task and Finish Group would consist of two Labour members to be decided by that group, two Conservative members to be decided by that group, and the Independent Member of the Audit and Governance Committee, Mrs Benny;
2. the terms of reference for the Electoral Cycle Consultation Task and Finish Group.

Under this item concerns were raised as to the Government's requirement for photo identification at future elections specifically with regards to the voter authority certificate, timescales involve in administering photo identification at the Council, the confusion surrounding accepted photo identification, the validity of photo identification if appearance, age or name changes had occurred, how the Council was advertising the requirement for photo ID at the May 2023 local election, and the potential impact of this upon voter turnout at the local election scheduled for May 2023.

The Committee agreed that the Chair, Councillor Luggar, would write to the Chief Executive, Tracey Lee, and request urgent clarity on the issues raised with regards to voter ID at future elections, with specific focus upon plans for raising awareness for Plymouth residents.