

Audit and Governance Committee

Tuesday 23 July 2024

PRESENT:

Councillor Allen, in the Chair.

Councillor Finn, Vice Chair.

Councillors P. Nicholson, Reilly (substitute for Councillor Cuddihee), Stevens and Tippetts (substitute for Councillor Raynsford) and Independent Member Mrs Benny.

Apologies for absence: Councillors Cuddihee and Raynsford.

Also in attendance: Councillor Chris Penberthy (Cabinet Member for Housing, Cooperative Development and Communities), Liz Bryant (Head of Legal Services), Hannah Chandler-Whiting (Democratic Advisor (via Microsoft Teams)), Alison Critchfield (Senior Lawyer), Wendy Eldridge (Lead Accountancy Manager), John Finch (Information Governance Manager (Microsoft Teams)), Elinor Firth (Head of Public and Partner Relations (via Microsoft Teams), Holly Golden (Head of Procurement), Carolyn Haynes (Acting Head of Finance), Ross Jago (Head of Governance, Performance and Risk), David Northey (Service Director for Finance), Louise Clapton (Devon Audit Partnership), Ken Johnson (Devon Audit Partnership), Tony Rose (Devon Audit Partnership), Paul Dossett (Grant Thornton) and David Johnson (Grant Thornton).

The meeting started at 2.02 pm and finished at 5.30 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.

1. To note the appointment of Chair and Vice Chair for the Municipal Year 2024/25

The Committee agreed to note the appointment of Councillor Sarah Allen as Chair, and Councillor Lee Finn as Vice Chair, for the Audit and Governance Committee for 2024/25.

2. Declarations of Interest

Name	Item Number	Reason	Interest
Councillor Nicholson	11 (made during item)	He worked for Babcock who benefitted from the Energy from Waste Plant, which was mentioned in the papers.	Personal.

3. Minutes

The Committee agreed the minutes of the meeting held on 12 March 2024 as an accurate record.

4. **Chair's Urgent Business**

There were no items of Chair's urgent business.

5. **Role of an Audit Member**

Paul Dossett (Grant Thornton) introduced this item and highlighted:

- a) The importance of an Audit and Governance Committee;
- b) It was the role of members to ask appropriate and challenging questions, ensure accountability amongst officers on audit recommendations, remain apolitical, and engage effectively.

6. **Management Response to GT 2024 Actions including a revised Management Review and Action Plan addressing the CIPFA Financial Management Code**

David Northey (Service Director for Finance) introduced the report and highlighted the following:

- a) The first part of the report addressed actions given to Plymouth City Council by Grant Thornton, and the second part was a plan addressing the CIPFA (Chartered Institute of Public Finance and Accountancy) Financial Management Code;
- b) Some recommendations were as a direct result of remote working during the COVID19 pandemic;
- c) The updated responses to the recommendations had been discussed with Grant Thornton and some remained open after their feedback;
- d) The CIPFA Financial Management Code set out what was provided to Audit and Governance Committee, Scrutiny Panels and City Council meetings when budget setting and so this had been updated;
- e) The report gave a strong representation of the governance around finance.

Following questions, the following was discussed:

- f) David Northey gave his assurance to the Committee that the Low 5 issue, relating to missing invoice in relating to street light bulb replacement, was resolved, but it would remain open until after another audit cycle to carry out more testing in this area, but routines had been tightened;
- g) It would be easier to set a budget once the settlement from national government was known, but the report showed how this risk was managed;
- h) An action plan had been included so that the Section 151 Officer could be held to account.

The Committee agreed to:

1. Note the responses to the recommendations, as set out in the report;
2. Note the management review of the CIPFA Financial Management Code and action plan.

7. **External Audit - 2020-21 Audit Findings Report**

David Johnson (Grant Thornton) introduced this report and highlighted:

- a) This report provided members with an update on progress made since the report had last come to the Committee in March 2024;
- b) Heritage asset issues had resulted in an adjustment to the balance sheet;
- c) The pension transaction had been mentioned because, although it originated in 2019/20, it did affect the 2020/21 accounts;
- d) The interest rate swap had only changed in where it was disclosed in the statement of accounts, rather than in value.

In response to questions, it was further discussed:

- e) Not all Councillors were involved at budget scrutiny meetings, and the decisions of Councillors should be open for scrutiny and debate at budget setting meetings;
- f) The crossed out items had been left in the report to demonstrate progress made since the report had been to the Committee in March 2024;
- g) Changes had been made to the finance team since David Northey had become Service Director for Finance, strengthening the Lead Accountancy Managers, several members of staff were acting up into roles;
- h) Recruitment was underway for a permanent Head of Finance, and a Section 151 Officer (Service Director for Finance), as David Northey was due to retire on 31 March 2025;
- i) Plymouth City Council was unusual in that it had been able to produce sets of accounts on time.

8. **External Audit Report - Progress Report/Plan 2023/24**

David Johnson (Grant Thornton) introduced the report and highlighted the following:

- a) The value for money and certification work was up to date, but the accounts were not;
- b) The market was taking steps to address the backstop for 2021/22 and 2022/23;
- c) Grant Thornton were keen not to backstop again for 2023/24 and to complete work within the calendar year;
- d) With regards to the backstop, Grant Thornton were further ahead than other firms.

9. **Update on Capitalisation Directive**

David Northey (Service Director for Finance) introduced this item and highlighted:

- a) An email update had been circulated to members of the Committee once the pre-election period had ended, in early July 2024;
- b) Following the July 2024 General Election, the team were now engaging with the new relevant minister on how to move an independent investigation into the October 2019 transaction forward;
- c) David Northey (Service Director for Finance) would get the opportunity to fact-check the CIPFA review report before the report would be finalised, he would also have a two week check in with them to ensure the interviews were going smoothly;
- d) David Northey (Service Director for Finance) would keep the Committee updated with any further developments.

In response to questions, it was further explained:

- e) David Northey (Service Director for Finance) and Liz Bryant (Head of Legal) would provide Committee members with a briefing note on legislation around capitalisation.

10. **Statement of Accounts 2019/20 Accounts and 2020/21 Accounts**

Carolyn Haynes (Acting Head of Finance) introduced this item and highlighted:

- a) The team had been working with auditors over the previous four years predominantly to reach a resolution regarding the pension transaction;
- b) The pension transaction was to be treated as a revenue transaction and the 2019/20 and 2020/21 accounts had been adjusted accordingly, alongside other adjustments needed for each.

Following questions the following was discussed:

- c) The Council should be more proactive in explaining the issues it had experienced and how they had been resolved to the general public;
- d) The reserve position was still positive.

The Committee agreed to:

- 1. Approve the Statement of Accounts for 2019/20 and the Statement of Accounts for 2020-21;
- 2. Note the amendments made to the Statement of Accounts for 2019/20 and 2020/21 as agreed with the Auditor and reported in their Audit Findings report;

3. That the Letter of Representation was authorised and submitted to the Auditor;
4. Recommend that a press release be prepared to explain the issues the Council had experienced in signing off these accounts in plain English, for the general public.

11. **Draft Statement of Accounts 2023/24**

Carolyn Haynes (Acting Head of Finance) introduced this item and highlighted:

- a) The 2023/24 draft accounts had been published by the statutory deadline of 31 May 2024;

David Northey (Service Director for Finance) added:

- b) His gratitude to the team for working hard to meet the deadline, when many other local authorities hadn't.

The Committee agreed to:

1. Approve the Statement of Accounts for 2023/24 with they understanding that they would be audited by Grant Thornton LLP and delegate the approval of the Statement of Accounts to the Chair of the Audit and Governance Committee in the case of any issues be identified;
2. Note the audit status of the Statement of Accounts for 2019.20, 2020/21, 2021/22, 2022/23 and 2023/24;
3. To note that the draft Statement of Accounts for 2023/24 were published on 21 May 2024, prior to the Council reaching an agreement with Grant Thornton on the revenue treatment of the pension transaction.

12. **Treasury Management Outturn Report 2023/24**

Wendy Eldridge (Lead Accountancy Manager) introduced this item and highlighted the following:

- a) The Council's borrowing in-year had increased by 97 million;
- b) The average rate of interest charged on borrowing was still as a good and low rate;
- c) New in-year borrowing had been secured on higher rates as Bank of England rates increased;
- d) The Council's investments had created an average yield of 5.33%;
- e) The Council's Treasury Management Outturn for the year delivered a £1.044m underspend compared to the approved budget, which helped achieve a balanced outturn position;
- f) The Economic Development property regeneration fund included £209 million of investment assets which had generated a net income in excess of £3 million;

- g) The limited availability of borrowing from other local authorities created higher interest rates and so the Council borrowed through the public works loan board and secured a more competitive interest rate, which was the only prudential indicator that had not been complied to.

Following a question, the following was explained:

- h) The Council would continue to try to borrow from other local authorities to meet rate swap obligations, and because there were more competitive rates.

The Committee agreed:

- l. To note the Treasury Management Outturn Report 2023/24 and recommend it to City Council for approval.

13. **Internal Audit End of Year Report**

Tony Rose (Devon Audit Partnership) introduced the report and highlighted the following points:

- a) Thanked all officers at Devon Audit Partnership and Plymouth City Council who had worked hard to enable this report to be produced;
- b) The overall assurance opinion had been given as 'reasonable assurance';

Following questions, and supported by Louise Clapton (Devon Audit Partnership) and Ross Jago (Head of Governance, Performance and Risk), the following was discussed:

- c) Corporate priorities had been linked within the plan for the first time to better link risks, priorities and internal audit work;
- d) Limited assurance areas had focus and could be addressed through improvements in internal controls, risk management and governance;
- e) Better and more regular monthly reports to directors to try and increase the pace of improvement in the areas with limited assurance.

The Committee agreed to:

- l. Note that, based on work performed during 2023/24 and previous years' audit, the Head of Internal Audit's opinion was of 'reasonable assurance' on the adequacy and effectiveness of the Authority's internal control framework.

14. **Internal Audit Strategy and Charter 2024/25**

Tony Rose (Devon Audit Partnership) introduced the report and highlighted the following points:

- a) This paper was a requirement of the public sector inter audit standards and provided assurance that the work carried out by internal auditors had been done in the proper way;

- b) The performance of the Devon Audit Partnership (DAP) as a whole was reported into the Shared Services Joint Committee.

The Committee agreed:

- I. The Internal Audit Charter & Strategy for the year 2024/25.

15. **Internal Audit Actions Review**

Louise Clapton (Devon Audit Partnership) introduced the report and highlighted the following points:

- a) Since the last Internal Audit Tracker report had come to Committee in September 2023, a new process had been implemented to ensure the management actions were effectively implemented and introduced;
- b) Support from the Council's Corporate Management Team (CMT) had been key in developing a new culture where implementation of agreed management actions was a priority;
- c) The number of management actions had significantly reduced from 42 to 3 between 31 December 2023-31 May 2024;
- d) Reports on action tracking was undertaken quarterly.

In response to a question it was reported:

- e) Chris Squire (Service Director for HR & OD), though relatively new to the role, had developed a new way of working with regards to declarations of interests, DBS checks and IR35.

The Committee agreed:

- I. To note the implementation of the internal audit recommendations.

16. **Counter Fraud Annual Report**

Ken Johnson (Devon Audit Partnership) introduced the report and highlighted:

- a) 2023/24 had been another year of substantial savings for Plymouth City Council, mostly down to data analysis and changes in the ways of working;
- b) It was hoped more savings would be generated when the next exercise was run in September 2024.

In response to questions the following was further explained:

- c) Cabinet Office figures were used to work out savings, some of which was recoverable, and some of which was preventative;

- d) Drive for prosecutions had reduced since the COVID19 pandemic, and incurred costs;
- e) Recovery costs would be held by Plymouth City Council themselves.

The Committee agreed:

- I. To note the Counter Fraud Services Annual Report 2023-24.

(Following the conclusion of this item, the meeting was adjourned until 3.40 pm).

17. **Annual Governance Statement**

Ross Jago (Head of Governance, Performance and Risk) introduced the report and highlighted:

- a) The senior leadership team had been surveyed, to get their views on how the internal system was operating;
- b) He was working with Louise Clapton (Devon Audit Partnership) to maintain check-ins on Audit recommendations;
- c) A governance review was underway that included resolution of issues in relation to family of companies, and further constitutional changes;
- d) Organisational effectiveness and corporate performance framework operation were other areas with planned work for 2024/25.

It was explained during this item:

- e) That the papers on cyber security for this meeting has been made private as Part II documents to ensure cyber security was not compromised.

The Committee agreed:

- I. To approve the Annual Governance Statement.

18. **Electoral Cycle Consultation**

Liz Bryant (Head of Legal Services) and Elinor Firth (Head of Public and Partner Relations) introduced the report and highlighted:

- a) The question to be used in the consultation had previously been agreed by both the Audit and Governance Committee and City Council;
- b) The report detailed the consultation process, consultees and key dates;
- c) The consultation needed to adhere to the Gunning principles in making it an open and transparent consultation process;

- d) The information would allow members of the public to give an informed decision, and there was adequate time for consideration and response;
- e) This was a consultation process, not a referendum;
- f) It was important to ensure that as many people as possible knew about the consultation as possible, and had the opportunity to have their say;
- g) The consultation included detailed information about the pros and cons of each option;
- h) The consultation would take place online, but hard copies would be made available, with the supporting information, in libraries, and it could be requested in a different format;
- i) Stakeholders would be contacted to encourage them to respond;
- j) Workshops would be held with groups, such as young people and elected members;
- k) Once the consultation had closed, all of the information would be analysed and pulled into a report;
- l) A press release would be sent out on 24 July 2024, and it would be advertised on Plymouth City's Council's social media accounts, as well as through paid for social media adverts, and adverts in the Plymouth Chronicle;
- m) Councillors would be provided with materials and a toolkit to enable them to promote it;
- n) All those on the electoral register with an email address would be contacted.

It response to questions the following was discussed:

- o) Efficiency of the Council during pre-election periods should be considered;
- p) Importance of giving accessible options to respond to the consultation;
- q) The Communications team would look into the possibility of producing videos/animations to explain the consultation in a different way to improve accessibility;
- r) The Boundary Commission had confirmed that they would not proceed with their consultations until this consultation on electoral cycle had concluded;
- s) The word 'Members' would be changed to 'Councillors' in the press release.

The Committee agreed:

1. The consultation would be carried out over eight weeks from 24 July 2024 – 22 September 2024;
2. The approach, as outlined in Appendix One, regarding the implementation of the consultation, in particular who would be consulted/engaged with and how;

3. That the feedback from the consultation would be analysed and submitted to the Audit and Governance Committee before being presented to City Council in November 2024, when the decision would be taken;
4. That the outcome of the decision taken at City Council regarding Plymouth City Council's future electoral cycle would then be submitted to the Local Government Boundary Commission, before they commended their warding patterns review later in the year.

19. **Constitutional Update**

Ross Jago (Head of Governance, Performance and Risk) introduced the report and highlighted that:

- a) Changes included:
 - i. An earlier deadline for motions on notice submission;
 - ii. A time limit for motions on notice;
 - iii. Making the rules of debate more clear;
 - iv. Closure motions to require two votes;
 - v. Referring an issue to a Committee would only require one vote;
 - vi. There was an expectation that any amendments should be received at least one day in advance of the meeting where possible.

In response to questions the following was discussed:

- b) Time limits could limit opposition groups at the main meeting where they could raise business, whereas the majority group had more options;
- c) Closure motions;
- d) Motions on notice were discussed with the proposer and seconder before publication, and if refused, the reasons were provided to the proposer;
- e) Tribute to Alderman Eddie Rennie for his contributions to the constitutional changes before his passing earlier in the year;
- f) The effectiveness and efficiency of the changes should be measured;
- g) Procedures from other Council's had been considered to find the best fit for Plymouth.

The Committee agreed unanimously to make an amendment to the recommendations to add:

- h) Review the efficiency and effectiveness of these changes at an Audit and Governance Committee meeting in March 2025.

The Committee agreed to:

1. Recommend the following to City Council for approval:
 - a. Amended Part B, Council procedure rules;
 - b. New Rules of Debate;
2. Review the efficiency and effectiveness of these changes at an Audit and Governance Committee meeting in March 2025.

For (6)

Councillors Allen, Finn, Reilly, Stevens, Tippetts and Mrs Benny.

Abstain (0)

Against (1)

Councillor Nicholson.

20. **Contract Standing Orders**

Councillor Chris Penberthy (Cabinet Member for Housing, Cooperative Development and Communities introduced the report and highlighted:

- a) It was important to review Contract Standing Orders (CSOs) not only when there was legislative change, but also to address gaps, or to make the process more effective and efficient;
- b) Feedback had been considered from system users;
- c) Thanks to Holly Golden (Head of Procurement), Liz Bryant (Head of Legal), Alison Critchfield (Senior Lawyer) and their teams for their hard work on this item;
- d) There were guidance notes that did not form part of the Constitution but the recommendations allowed those to be updated by the Monitoring Officer;
- e) CSOs ensured that both capital and revenue monies were spent properly.

In response to questions from the Committee, with support from Holly Golden (Head of Procurement), the following was discussed:

- f) Procurement activity had been monitored since the last refresh in 2020 and it had been found that most quotations were between £10k-£15k, a threshold seen across other local authorities;
- g) A minimum of two quotations were required to help streamline the process, but also to still ensure value for money;
- h) An amendment was needed to the wording of the document on Page 678 of the agenda pack with regards to 'no formal requirement' regarding documents to make it more clear

that an executive decision was not needed, but there was still paperwork and internal processes to be completed.

Subject to the amendment above, the Committee agreed to:

1. Approve the proposed refreshed version of CSO's;
2. To delegate authority to the Monitoring Officer to approve new procedural notes and approve amendments to existing procedural notes when necessary and appropriate;
3. To delegate authority to the Monitoring Officer to approve updates to the CSOs required as a consequence of the new procurement Act 2023, which was due to go live on 28 October 2024.

21. **Procurement Strategy**

Councillor Chris Penberthy (Cabinet Member for Housing, Cooperative Development and Communities introduced the report and highlighted:

- a) It was good practice for a local authority to have a Procurement Strategy;
- b) This was a first iteration, from which action plans could be developed around items such as governance and strategic direction;
- c) Thanks to Holly Golden (Head of Procurement), David Northey (Service Director for Finance), Liz Bryant (Head of Legal) and their teams for their advice and support in developing the strategy.

In response to questions from the Committee, with support from Holly Golden (Head of Procurement), the following was discussed:

- d) More data had been captured and made available on where and how the Council had spent its money, building since 2012;
- e) The Council had a strategic approach to procurement, just hadn't put it on paper before;
- f) In 2023/24 the Council had 3,419 separate suppliers, 1,849 of which were in PL postcodes, which had been increasing year on year;
- g) Spend within PL postcodes in 2023/24 was up by £34 million compared to 2022/23;
- h) Spend with small and medium enterprises (SME's) had increased by 20 million from 2022/23 to 2023/24;
- i) Social value committed an additional £2,446,853 of added value to the money Plymouth City Council spent within the city;
- j) It was difficult to require contractors to comply fully with the equality act, but it could be measured, and questions could be asked in pre-qualification;

- k) The Council was using its procurement power as a way of educating and influencing others, for example encouraging other large organisations in the city to buy local where they could;
- l) Staff retention in Procurement was good;
- m) A contract management framework would be created in the future to support this strategy;
- n) Councillor Penberthy's priorities were getting it right first time, getting the best value for Plymouth, and increasing support for sub-contractors in the process;
- o) Holly Golden listed her priorities as getting it right first time, streamlining whilst remaining robust and compliance with the new Procurement Act.

The Committee agreed to:

- I. Approve the proposed Procurement Strategy for 2024-2026.

22. **Risk Management Monitoring Report**

Ross Jago (Head of Governance, Performance and Risk) introduced the report and highlighted:

- a) The risk register would be included on the agenda for Scrutiny Management Board in July for discussion, and it was expected some of the risks would be referred to the relevant scrutiny panel to table.

The Committee agreed to:

- I. Note the current position with regards to the Strategic Risk Register.

23. **Annual Information Governance Statement**

John Finch (Information Governance Manager) introduced the report and highlighted:

- a) When the next annual report was due, it would be split into Part I and Part II;
- b) In 2023/24 there had been a 36% increase in the number of information access requests and freedom of information (FOI) requests;
- c) The issues around Armada Way had resulted in more requests, but without these, there had still been a 20% increase;
- d) Data protection requests and social care record requests had also increased, and there had been a reduction of court orders from the previous year, but they were three times higher than pre-COVID19 pandemic levels;
- e) Compliance rates were slightly lower, but this was expected due to the increase in the number of requests, but compliance rates in complex requests had increased;

- f) The amount of requests was beyond of the capacity of the team, and this was being discussed to increase capacity;
- g) After an investigation into the data protection backlog, the Council was invited by the Information Commissioner's Office (ICO) to take part in a consensual audit, which was welcomed and took place in March 2024 and thanked everyone involved;
 - i. A summary report was published in April 2024 and provided the Council with a more detailed private report which listed reasonable assurance for governance and accountability and limited assurance for requests for access and freedom of information;
 - ii. They provided 60 actions including new training and policies;
 - iii. An action plan had been developed;
 - iv. The ICO would be following up at 6 month and 12 month intervals;
- h) Complaints to the ICO had increased, but this was mostly due to either capacity, or due to the themes, for example, Armada Way;
- i) Data breaches had dropped by 18%;
- j) Features within Microsoft 365 was expected to further reduced email breaches.

In response to questions the following was discussed:

- k) Although there wasn't a specific apparent reason for the increases in requests, it was something being experienced by other local authorities;
- l) Benchmarking information would be useful for future reports, and officers would try to obtain this information;
- m) Through FOI, only the information available could be provided, and in the case of the Energy for Waste Plant, the information requested was only in German, so it could only be supplied in German.

The Committee agreed to:

- I. Note the report.

24. **Tracking Decisions**

The Committee agreed to:

- I. Note the tracking decisions document.

25. **Work Programme**

Councillor Stevens suggested:

- a) The addition of an item looking into the use of pre-election rules.

The Committee agreed to:

- I. Note its work programme.