

DRAFT

Note: These Minutes will remain DRAFT until approved at the next meeting of the Committee

GOVERNANCE AND ETHICS COMMITTEE

**MINUTES OF THE MEETING HELD ON
MONDAY, 24 AUGUST 2015**

Councillors Present: Jeff Beck (Vice-Chairman), Graham Bridgman, James Cole, Barry Dickens, Rick Jones and Quentin Webb (Chairman)

Also Present: Lesley Flannigan (Finance Manager: Technical and Control), Julie Gillhespey (Audit Manager), David Holling (Head of Legal Services), Ian Priestley (Chief Internal Auditor), Andy Walker (Head of Finance), Ian Pennington (KPMG), Jo Reeves (Policy Officer) and Grant Slessor (KPMG)

Apologies for inability to attend the meeting: Councillor Anthony Pick

PART I

1 Minutes

The Minutes of the Governance and Audit Committee meeting held on 22 June 2015 and the record of the Virtual meeting of the Standards Committee held on the 22 June 2015 were approved as a true and correct record and signed by the Chairman.

2 Declarations of Interest

There were no declarations of interest received.

3 Forward Plan

The Committee considered the Governance and Ethics Committee Forward Plan (Agenda Item 4).

Councillor Quentin Webb reiterated that the committee should like to see the Lead Member's name in addition to their portfolio title on the Forward Plan.

Andy Walker suggested that an item entitled 'Reviewing Accounting Policies' be added to the Forward Plan for the meeting on 23 November 2015. Lesley Flannigan explained that it would be useful to have the Governance and Ethics Committee's perspectives on those policies before they were applied at the end of the financial year. David Holling agreed that new Members might find this information useful.

Councillor James Cole noted that there was no detailed report regarding risk management scheduled to appear before the Committee. Councillor Quentin Webb commented that the external audit plan scrutinised the risk register. Ian Priestley advised that he was presenting a report entitled 'Review of the Risk Register' to Corporate Board imminently and could present this report to the Governance and Ethics Committee subsequently.

RESOLVED that the Governance and Ethics Committee Forward Plan be noted.

4 Monitoring Officer's Quarterly Update Report on the Governance and Ethics Committee - Quarter 1 of 2015/16

The Committee considered a report (Agenda Item 5) concerning an update on ethical matters for quarter one of the 2015/16 municipal year.

As Members were aware, the Governance and Audit and Standards Committees had been merged and the membership had been amended.

In addition to this Committee, the Council had also appointed three Independent Persons James Rees, Mike Wall and Lindsey Appleton. Their attendance at the Initial Assessments and Advisory Panels meetings had been rotated to ensure they all were familiar with the various stages of the complaints process. The Committee gave thanks to the three Independent Persons for agreeing to accept the roles.

The Council had continued to receive very few complaints during the first quarter of the municipal year. One complaint was received but it was subsequently withdrawn. Members were warned that there would be a dramatic increase in the number of complaints received during the second quarter.

The investigation into complaints NPC4/14, NPC5/14 and NPC1/15 was concluded in July 2015 and the Advisory Panel met on the 13th August 2015 to consider the Investigator's report. The Panel concurred with the investigator's finding that in respect of complaints NPC4/14 and NPC1/15 no breach had occurred and therefore no further action would be taken on these matters. They however did concur with the finding that there might be a breach in respect of NPC5/14. A special Governance and Ethics Committee had therefore been arranged for the 3rd September 2015 to consider this complaint.

No dispensations were granted during Quarter 1 and there were no declarations of gifts and hospitality made by District Councillors during Quarter 1 of 2015/16.

Training on the Code of Conduct for District, Town and Parish Councillors was undertaken in June 2015 and a further session had been arranged for October 2015.

Councillor Webb welcomed Barry Dickens and Chris Bridges, the co-opted Parish Council Representatives, to the meeting.

Councillor Graham Bridgman questioned what mechanisms the Council could utilise to ensure that Parish and Town Councillors observed their Code of Conduct. Councillor Bridgman also requested further information regarding the Code of Conduct training. David Holling advised that the training session in June 2015 was attended by approximately 12 parish clerks and councillors. Not all parishes used the same Code of Conduct. Another training session would be arranged for later in the year and would be advertised widely. Councillor Webb suggested that the training session could be announced at the District Parish Conference on 13th October 2015. *(Post meeting note: The additional training session had been arranged to coincide with the next District Parish Conference and invitations had already been issued to all Parish Councils. A reminder would be issued in mid-September).*

Councillor Bridgman stated that the Terms of Reference document attached at Appendix B to the report contained poor use of punctuation and capitalisation. Councillor Cole concurred and identified that the use of 'etc' under the definition of a relative on page 17 made the meaning vague. Councillor Webb suggested that any comments be directed to Moira Fraser, Democratic and Electoral Services Manager.

David Holling, in answering Councillor Bridgman's first question, advised that the Council had a statutory duty to make parish and town councils aware of their Code of Conduct. As the Council's Monitoring Officer, he received copies of all Declarations of Interest

GOVERNANCE AND ETHICS COMMITTEE - 24 AUGUST 2015 - MINUTES

made by Parish and Town Councillors. It was the parish clerk's responsibility to maintain the Code of Conduct. Under the Localism Act 2011, the Council and Parish Councils were expected to publish this information on their websites.

RESOLVED that the report be noted

5 **West Berkshire Council Financial Statement 2014/15 including KPMG Opinion (GE3006)**

(David Holling left the meeting at 5.25pm)

The Committee considered a report (Agenda Item 6) concerning the West Berkshire Council Financial Statements for 2014/15.

The s151 Officer had approved the draft Financial Statements in June 2015 and these had been published online. KPMG had completed their audit and had issued an unqualified opinion of the Financial Statements which was featured in the to-follow pack.

The Governance and Ethics Committee were required to approve, or not, the Financial Statements for the audit to be finalised and the accounts closed for the 2014/15 financial year by the 30th September 2015.

Councillor Webb advised that this item was connected to the External Audit Plan which was adopted in April 2014 and identified that one of the key issues was the corporate risk register (which had just been added to the Forward Plan for discussion). Referring to the significant audit risk identified by KPMG on page 7 of the to-follow pack, Councillor Webb enquired whether KPMG had written to schools in order to verify ownership. Ian Pennington advised that they had not as an alternative procedure was used to search the title deeds available within the Council. Ian Pennington clarified that it was the Council's responsibility, and not the Accountancy department specifically, to demonstrate a review had been undertaken on the legal titles of all school assets.

Councillor Bridgman expressed the view that the report was in danger of being self-congratulatory and due to its importance, would have liked more time to consider the report. Councillor Bridgman had identified some formatting errors and felt more attention to detail was required due to the report being in the public arena. He sought clarification on whether Newbury and Thatcham were referred to as one urban area or two and considered that the two towns had discrete features.

Councillor Bridgman referring to page 37, asked why short term borrowing was necessary if the Council had surplus cash. Andy Walker advised that whilst the Council's net balance over the year was positive, there were peaks and troughs in cash flow so there might be short term borrowing of funds to meet a liability. He brought Members' attention to the Treasury Management Report that was due to be presented to the Executive on 10 September 2015 which would offer further clarification.

Councillor Bridgman identified references within the report to the Governance and Audit Committee and requested that a note be inserted which recorded that the Governance and Audit Committee had been merged with the Standards Committee to create the Governance and Ethics Committee in July 2015. He also identified a typographical error on one of the report headers which should read 'Core Financial Statements'.

Councillor Cole observed that there appeared to be a large pension deficit and asked for further explanation. Ian Pennington explained how the pension deficit was calculated and the low likelihood of the Council's risk materialising in respect to the pension deficit; he provided assurance that the figures were calculated in the correct way. Councillor Cole said that he felt a pension deficit figure of £250m warranted further examination. Councillor Webb advised Members that the Committee's role was not to scrutinise the figures but to approve the methods used in creating the Financial Statements 2014/15 as

GOVERNANCE AND ETHICS COMMITTEE - 24 AUGUST 2015 - MINUTES

there was a Pension Group which managed the scheme. Councillor Webb noted that it was an unlikely scenario that the Council's pension liability would have to be met all at the same time as not all members of the pension scheme were of pensionable age. The Pension Group would ensure the scheme evolved with the needs over the following 15 to 20 years.

Councillor Rick Jones noted the difference between the pension liability in 2013/14 and 2014/15. Ian Pennington advised that this was due to interest rates. Councillor Cole commented that views regarding life expectancy changed constantly. Ian Pennington advised that the Council's position was not unusual.

It was identified that the Annual Governance Statement included in the body of the report was from 2013/14 and would be updated once the Annual Governance Statement 2014/15 had been approved later in the meeting. Councillor Bridgman suggested that the Annual Governance Statement be excluded from the report if it was not the correct version.

A number of formatting and grammatical corrections were identified.

Councillor Cole sought clarification on whether the asset value of £5k on page 54 referred to the item price or package price and said that he was specifically thinking about IT equipment. Andy Walker explained that IT equipment had a 5 year asset life and the package price was calculated.

(Barry Dickens left the meeting at 5.50pm.)

Councillor Cole made an enquiry regarding the Self Insurance Fund, in particular the ex-Berkshire County Council Liabilities figure on page 87. Ian Priestley advised that payments were still being made to Municipal Mutual Insurance Ltd for Berkshire County Council liabilities.

Councillor Bridgman gave his thanks to KPMG for producing a report which was straight forward and clear. Councillor Webb gave his thanks to Andy Walker and his team for producing an accurate report of the Council's Financial Statements for 2014/15.

RESOLVED that the Financial Statements 2014/15 be approved.

6 Internal Audit Annual Report 2014/15 (GE3001)

The Committee considered a report (Agenda Item 7) concerning the Internal Audit annual Report 2014/15.

The report provided an opinion on the effectiveness of the Council's internal control framework as required by the Public Sector Internal Audit Standards. The report also served to provide evidence to support the Council's Annual Governance Statement by setting out the results of the work Internal Audit has done over the last year.

The report highlighted the fact that four of the audits conducted in the second half of 2014/15 were rated as weak (five rated weak over the whole year), but in areas where weaknesses were previously identified, management action had been taken to remedy them.

The report also gave the view that the Council's internal control framework was robust.

The weak opinion audits were outlined in the report, these were from audits into Corporate Fraud Review, Commercial Rents, the Council's Archived Records Service and Social Fund Reform.

Councillor Webb gave his thanks to Ian Priestley and his team in what he knew was a difficult year and asked what the intention was to follow up on the weak audit identified in the Finance – Commercial Rents section. Andy Walker advised that as the responsible

GOVERNANCE AND ETHICS COMMITTEE - 24 AUGUST 2015 - MINUTES

Head of Service it was his responsibility to identify that the team had a temporary short term resource while finding a permanent solution and was in the process of recruiting to the vacant post.

Councillor Webb raised concerns about a sentence on page 114 of the agenda which read that “controls are removed to deliver savings” and sought to know which risk controls had been removed. Ian Priestley advised that when levels of staff and management were removed it followed that fewer controls were in place and that was the risk that an organisation took when it downsized. Councillor Webb advised that he knew of pressures within service areas but had never been informed that controls had been removed.

Councillor Jones noted that two of the narratives supplied by service heads regarding weak audits referred to resourcing issues. He asked if there was data not used or created that would be useful to establish the governance controls around risk. Councillor Jones stated that he was encouraged to see that weaknesses had been identified as that was the purpose of internal audit.

Councillor Graham Bridgman asked that acronyms be clarified in the report as their meaning was not clear.

Councillor Bridgman sought a response regarding commercial tenants’ insurance and suggested that a protocol was put in place where tenants were required to produce their certificate of insurance. Andy Walker advised that where tenants had a ground lease the risk to the local authority was minimal but there might be a reputational risk. Andy Walker agreed that the internal audit system had demonstrated itself to be independent.

Ian Priestley reminded Members that there would be a Member Development session on Risk Management and Civil Contingencies in September 2015.

RESOLVED that the report be noted.

7 Annual Governance Statement 2014/15 (GE3002)

The Committee considered a report (Agenda Item 8) concerning the Annual Governance Statement for 2014/15. Agenda Items 8a and 8b were considered alongside this item.

The report outlined the purpose of the Annual Governance Statement (AGS) and explained how the necessary assurance to support the AGS had been obtained. This was to enable the Governance and Ethics Committee to make an informed judgement as to the effectiveness of the processes followed in conducting the annual review of the system of internal control within the Council. The report concluded that the Council had effective governance arrangements that were kept under constant review.

Andy Walker brought attention to Item 8a. As part of the Annual Governance Statement, CIPFA guidance recommended that the S151 Officer provide assurance that the Council’s systems and procedures of internal control were effective, efficient and being complied with. The S151 Officer was required to ensure that all parts of the Council acted in accordance with the budgetary and policy requirements in connection with the setting of the budget and financial administration standards within the Council.

The S151 Officer was required to report to all the local authority’s Members, in consultation with the Head of Paid Service and the Monitoring Officer, if there was, or there was likely to be, unlawful expenditure or an unbalanced budget. This report was known as a Section 114 report and Members were required to have regard to the S151 Officer’s advice in this report. There had been no necessity to implement the Section 114 process during 2014/15. However, the Council was facing a number of significant financial pressures in the current and following year and would need to rely heavily on

GOVERNANCE AND ETHICS COMMITTEE - 24 AUGUST 2015 - MINUTES

the financial and budgetary frameworks in place in order to deliver a balanced budget for 2016/17.

Overall it was the S151 Officer's assessment that all parts of the Council had acted in accordance with the budgetary and policy requirements in connection with the setting of the budget and met financial administration standards as set out in legislation. There had been no formal reports required by the S151 Officer to Council under the relevant legislation.

Throughout the year, the Governance and Audit Committee (now the Governance and Ethics Committee) was referred to amendments to the Council's Constitution and its rules of procedure where amendment was necessary. Subject to its view, matters were then referred to Council for adoption. This ensured that administrative processes remained effective, efficient and pertinent.

Reviews of risk registers had been carried out by the Monitoring Officer and S151 Officer in their roles as members of Corporate Board. Liabilities likely to impact on the Council's operations from a legal perspective had been identified.

Overall there had been an increase in the number of instructions received by Legal Services from services throughout the Council. The Council commenced two judicial reviews against central government departments during the year, the outcomes of which had potential for impact on services in Planning and Communities as well as budgetary implications.

The Monitoring Officer was of the view that the Council's governance arrangements were robust and effective. There had been no formal reports required by the Monitoring Officer to Council under the relevant legislation.

Councillor Jones requested that the Section 114 process to be explained. Andy Walker explained that he had an obligation to report if there was any unlawful expenditure or if the Council was proposing an unbalanced budget. Councillor Webb asked if there were any areas for concern which might require robust monitoring although they did not reach the Section 114 criteria. Andy Walker responded that he had an increased awareness of the organisation's financial standing and that as the cost base exceeded the income further cuts would need to be made to services.

Councillor Beck asked for an update on the progress of the two measures for implementation during 2015/16 as identified on page 134 of the agenda. Andy Walker advised that he could circulate an email with this information.

Councillor Cole acknowledged that in financially difficult times, risk management became more important and asked if the Council would be liable for the overspend of £900k by John O'Gaunt school. Councillor Webb observed that the answer to that query would depend on what action the school took. Andy Walker added that it was intended for John O'Gaunt to become an academy and the Council would be seeking for the Academy Trust to take on the funding deficit. Ultimately, however, the Council underwrote the financial risk.

Councillor Cole commented that risk management should be proactive and did not feel that the report also included this view. Ian Priestley advised that Corporate Board saw a register of risks monthly and otherwise had sole responsibility to maintain this register. Councillor Cole commented that in the absence of a colleague, the responsibility to ensure effective management of risks were the relevant Heads of Service.

Councillor Bridgman identified some corrections to the formatting of the report.

Councillor Jones sought elucidation on the recommended action of the reports. Councillor Webb advised that the Committee were asked to approve the actions taken as

GOVERNANCE AND ETHICS COMMITTEE - 24 AUGUST 2015 - MINUTES

described within the Annual Governance Statement 2014/15 in order to allow the Leader and Chief Executive of the Council to sign it off.

Councillor Beck proposed that the Committee approve the items on block. This proposal was seconded by Councillor Webb from the Chair and accepted by the Committee.

RESOLVED that the report be noted.

a Annual Governance Statement - Statement in Support by the Section 151 Officer

The Committee considered the report (Agenda Item 8a) under discussion of the Annual Governance Statement 2014/15 (Agenda Item 8).

b Annual Governance Statement - Statement in Support by the Monitoring Officer (GE3004)

The Committee considered the report (Agenda Item 8b) under discussion of the Annual Governance Statement 2014/15 (Agenda Item 8).

Councillor Bridgman sought clarification on the status of the meeting of the Governance and Ethics Committee to take place on 3rd September 2015. It was clarified that the meeting on 3rd September 2015 was a special meeting of the Governance and Ethics Committee and not a meeting of the Advisory Panel or a Sub-Committee.

(The meeting commenced at 5.00 pm and closed at 6.40 pm)

CHAIRMAN

Date of Signature

This page is intentionally left blank