

WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Council Chamber - The Guildhall, Marshall's Yard, Gainsborough, DN21 2NA on 16 January 2018 commencing at 2.30 pm.

Present: Councillor Giles McNeill (Chairman)

Councillor Mrs Sheila Bibb
Councillor John McNeill
Councillor Mrs Angela White
Councillor Thomas Smith
Alison Adams
Andrew Morriss
Peter Walton

In Attendance:

Ian Knowles	Executive Director of Resources and S151 Officer
Tracey Bircumshaw	Finance & Business Support Manager
James O'Shaughnessy	Corporate Policy Manager & Deputy Monitoring Officer
Caroline Capon	Principal Accountant
Lucy Pledge	Lincolnshire County Council Internal Audit
Matthew Waller	Lincolnshire County Council Internal Audit
Michael Norman	KPMG
John Cornett	KPMG
James Welbourn	Democratic and Civic Officer

Apologies: Councillor Mrs Jackie Brockway
Councillor David Bond

Membership: Councillor Jackie Brockway was substituted by Councillor Thomas Smith.

49 PUBLIC PARTICIPATION PERIOD

There was no public participation.

50 MINUTES OF PREVIOUS MEETING

The minutes were moved and seconded, and a recorded vote was taken.

For: Councillors G McNeill, J McNeill, Bibb, White.

Against: None.

Abstained: Councillor Smith.

A total of 4 votes for, none against and one abstention.

RESOLVED that the minutes of the meeting held on 7 November 2017 were approved as a correct record.

51 MEMBERS DECLARATIONS OF INTEREST

None.

52 MATTERS ARISING SCHEDULE

The matters arising schedule was noted.

53 PERIODIC REVIEW OF THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2016/17

Members considered a report reviewing the process with the Annual Governance Statement 2016/17 Action Plan.

The Corporate Policy Manager & Deputy Monitoring Officer introduced the report, making the following points:

- The action relating to selective licensing had now been closed;
- Progress was underway with all of the other actions contained in the report, and all the due dates were expected to be met. It was anticipated that by the next Governance and Audit meeting in March that the actions relating to resilience and capacity and political governance will have been progressed to the point of closure;

Following this update, Members also considered whether they wanted to see a further report on development management in March. Following reassurance from the Housing and Enforcement Manager that steps had been taken to implement all of the recommendations in the report relating to development management, it was felt that such a report was not needed.

The periodic review was noted.

54 DRAFT INTERNAL AUDIT QUARTER 3 PROGRESS REPORT 2017/18

Members considered a report on the progress of the Audit partner against the 2017/18 annual programmes agreed by the Governance and Audit Committee in March 2017.

The Principal Auditor highlighted several points from the draft audit, listed below:

- The ICT patch management audit had been moved back to Quarter 4;
- There were currently two overdue actions, one of which was high priority. This related to the ICT infrastructure audit;

- The amount of overdue audit recommendations was low;
- The performance details against targets were highlighted at paragraph 12 of the report;

Following this update, Independent Members expressed concern about the 'red' risks listed in the report, and that the Governance and Audit Committee was not being used more proactively in certain circumstances; in particular, they felt that their role as independents was being bypassed. Overall though, they wanted to make it clear that West Lindsey District Council (WLDC) and its Executive have the absolute right to determine the direction of the Council, but on the big decisions more questions for due diligence should be asked by the Governance and Audit Committee.

The Director of Resources responded and said that management had always tried to be open and honest about risks. Part of the red risks in the report were around the handover between the previous Commercial Director and the former Chief Executive. The subsequent departure of the Chief Executive had made it hard to provide evidence for that six month period.

The Chairman added his thanks to the Independent Members for correspondence sent to himself prior to Christmas. He outlined that the Governance and Audit Committee's primary role was retrospective; it currently could not be proactive in decision making. However, although the Committee was retrospective on the whole, it was proactive in taking reviews. In addition, decisions taken by the Council are guided by and set out by the Constitution.

Further points from the Committee were:

- Mr Walton had concerns that WLDC did not have the structure or process in place to become an entrepreneurial authority;
- The 'Entrepreneurial Board' mentioned in the report had been headed by the former Chief Executive and was an officer group;
- In the next iteration of the medium term financial plan there will be an integration of commercial activity within existing project delivery in order that it can be tracked as one activity and not two;
- It was important that problems from the past are not perpetuated;
- It was right that Governance and Audit drive their own agenda and are able to appropriately challenge decisions;
- New guidance was set to be released on support for Audit committees and can be shared with Members when it becomes available;
- The Head of Audit and Risk Management at Lincolnshire County Council stressed that questioning for audit committees should concentrate on the 'how', rather than the 'why', as the committee was in existence to help keep good governance. This good governance did not have to be confined to the formal processes of the committee,

and a refresher on insight could be in order;

- As a third line of assurance, if sections of the commercial strategy are not functioning as they should be, audit can bring this to the attention of the Governance and Audit Committee. Part of the formal follow up process was to keep an eye on areas that have lower assurance;

The Chairman then gave his thanks to the auditors for their report.

Two new recommendations were moved and seconded as follows:

- (1) The Director of Economic Development & Commercial be invited to the next meeting of the Governance and Audit Committee;
- (2) A workshop on commercial governance to be run by either the Director of Resources or the Director of Economic Development & Commercial be set up;

and a recorded vote was taken.

For: Councillors G McNeill, Bibb, J McNeill, Smith and White.

Against: None.

Abstained: None.

A total of 5 votes for, with no-one voting against or abstaining.

RESOLVED that:

- (1) The Director of Economic Development & Commercial be invited to the next meeting of the Governance and Audit Committee;
- (2) A workshop on commercial governance to be run by either the Director of Resources or the Director of Economic Development & Commercial be set up.

55 CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2016/17

Members considered a report from the External Auditor, KPMG, on the annual claims and returns.

The following points were highlighted:

- The report was largely undertaken by internal auditors on KPMG's behalf;
- The housing benefits return was circa £22.7 million in value;

- Every error has to be reported regardless of the size or scale of the error; some of the numbers can appear to be miniscule in comparison to the overall value of the returns;
- There were a number of errors in the payment of benefits to claimants; some of those errors were underpayments. In these instances, West Lindsey District Council's (WLDC's) Benefits team work to correct these underpayments;

Some of the errors resulted in overpayments to claimants. Where errors are identified in testing, there were two options available. WLDC opted to take the '100% testing' option; here, all of the cases that have attributes associated with the error were looked at. This resulted in an amendment to the claim of £37, and avoided the potential extrapolation of the error, and a potential reclaim from the Department for Work and Pensions (DWP);

- The work did not meet the 30 November deadline, and was signed off 5 days later. This had not appeared to have had any impact on the subsidy paid to WLDC;
- The fee for the work set by Public Sector Audit Appointments was just short of £6,200. There was likely to be a variation on this fee due to the issues discussed above.
- The errors discovered are usually due to a change in circumstances for the claimant. As part of the subsidy testing, a report was compiled so that errors can be tracked;
- The errors are not untypical of most Local Authorities. The DWP tend to scrutinise more closely those Local Authorities who have no errors reported;
- Issues found as part of the testing are discussed with the Benefits team and the individuals concerned.

The report was noted.

56 DRAFT TREASURY MANAGEMENT STRATEGY 2018/19

Members considered a draft Treasury Management Strategy for 2018/19

The Finance and Business Support Manager introduced the report, highlighting the following points;

- There were a number of additions to the strategy this year; there were a number of changes within the prudential code and the treasury management guidance, and guidance was imminent from the Ministry of Housing, Communities and Local Government;
- Included within the strategy was a section on non-treasury management investment;
- All borrowing will be undertaken to maturity (long and short-term borrowing) to provide some surety as to when repayments will need to be made;

- A new local authority bill was being developed; this was an intra authority borrowing investment, and was free of charge. The minimum investment was £500,000 – it had a range of 1 month to 1 year.

Following this introduction, Members of the Committee then asked questions of the Finance and Business Support Manager. Further information was provided as below;

- This strategy had already been through the Corporate Policy and Resources Committee and provided criteria in which WLDC will invest £20 million in commercial properties;
- The implementation of the commercial strategy will happen alongside the business plan to avoid confusion;
- The Director of Resources mentioned that a report on developments within the commercial portfolio was scheduled for Corporate Policy and Resources committee later in May 2018;
- The operational boundary (the limit beyond which external debt is not normally expected to be exceeded) had moved to £44.509 million; this figure was lower than the previous level. This was in part due to lower borrowing;

Note: Peter Walton left the meeting at this point and did not return.

- WLDC would not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed;
- The arrangement with the Municipal Bond Agency (MBA) means that if the Council entered into a bond with them, but the Public Works Loans Board (PWLB) have a better rate, then the Council would use the PWLB. If the reverse were true, then the Council would use the MBA;
- The external auditors would look at the Local Audit Office's report that was released before Christmas 2017, and include it as part of their reporting;
- The amount permissible to be invested on the local property asset fund was being increased by £1million to £4million; however this does not mean an investment will be made.

The recommendations in the report, along with a new recommendation from the Chairman were moved and seconded, and a recorded vote was taken.

For: Councillors G McNeill, Bibb, J McNeill, Smith and White.

Against: None.

Abstained: None.

A total of 5 votes for, with no-one voting against or abstaining.

RESOLVED to:

- (1) Recommend the inclusion of the Treasury Management Strategy in the Medium Term Financial Plan for the approval of Council;
- (2) Acknowledge the Treasury Management Practices;
- (3) Recommend that the attention of Full Council is drawn to the repayment of capital on borrowing.

57 CONCURRENT MEETINGS PROTOCOL

Members considered a report on the protocol for the occasions where Prosperous Communities and Corporate Policy and Resources Committees meet concurrently.

Question and comments from Members followed an introduction from the Democratic and Civic Officer. The following points were highlighted:

- The quorum for the concurrent committee would be as for the individual committees. 4 Members from Prosperous Communities, and 4 Members from Corporate Policy and Resources would be required as separate votes will be taken during the meeting;
- There were other examples of this type of committee meeting in other parts of the country, but most Councils operate a 'Cabinet' or 'Executive' style of governance;
- The calling of a concurrent committee would happen as and when required; for example, it may be used for areas that require significant investment.

The recommendation was moved and seconded, and a recorded vote was taken.

For: Councillors G McNeill, Bibb, J McNeill, Smith and White.

Against: None.

Abstained: None.

A total of 5 votes for, with no-one voting against or abstaining.

RESOLVED to adopt the concurrent protocol as outlined in the report.

58 WORKPLAN

Subject to the addition of a visit from the Commercial and Economic Growth Director in March, the workplan was noted.

The meeting concluded at 4.17 pm.

Chairman