

BRECKLAND COUNCIL

At a Meeting of the

AUDIT COMMITTEE

**Held on Friday, 14 November 2008 at 10.00 am in
Anglia Room, Conference Room, Elizabeth House, Dereham**

PRESENT

Mr C.R. Jordan (Chairman) Mr P.J. Hewett
Mr R.P. Childerhouse Mr R.G. Kybird

Also Present

Lady Fisher

In Attendance

Melanie Buttery	- Governance & Performance Accountant
Mark Finch	- Head of Finance
Trevor Holden	- Chief Executive
Sandra C. King	- Head of Internal Audit
Richard Kirk	- Consultant
Steve Knights	- Strategic Manager
Andrea Long	- Environmental Planning Manager
Fiona Roe	- Senior Audit Manager
Colin Saville	- Internal Auditor
Elaine Wilkes	- Senior Member Services Officer

39/08 MINUTES

The minutes of the meeting held on 24 September 2008 were confirmed as a correct record and signed by the Chairman.

40/08 APOLOGIES

An apology for absence was received from Mr. M. Fanthorpe.

41/08 NON-MEMBERS WISHING TO ADDRESS THE MEETING

Lady Fisher, Executive Member for Governance, was in attendance.

42/08 CHAIRMAN'S ANNOUNCEMENT

The Chairman felt that it was an opportune time for the Committee to give consideration to the appointment of independent members to the Committee, which would not only address recent difficulties in ensuring a quorum for meetings but would also give the Council the benefit of an external view.

At the Chairman's suggestion, therefore, it was

RESOLVED that an item be placed on the agenda for the next meeting of the Committee to enable the question of the appointment of independent members to be considered.

Action By

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43/08 ICELANDIC BANKS (AGENDA ITEM 6)

The Head of Finance gave an update on the present position regarding this matter.

The UK Treasury were in discussions with the Icelandic Government and banks. The present situation was not covered by normal administration procedures and the Government was resisting granting any financial guarantees to affected local authorities.

It remained uncertain at this stage how much of the Council's investments would be recovered.

A delegation of representatives from the Local Government Association, Kent County Council (representing UK local authorities) and Bevan Brittan (legal advisers to the Local Government Association) was in Iceland to meet with the banks concerned. There had been no press release as yet on the outcome of this meeting.

The UK financial authorities had appointed Ernst and Young as Administrators for the UK based subsidiaries. The Icelandic authorities had appointed Deloitte and Touche as advisers for the Icelandic banks.

Key questions for the Council were how much of its investments it could expect to receive back and when, and what accounting treatment would be given to the end of year accounting process. On the latter point, CIPFA had issued a draft technical paper but the final guidance was awaited.

A Member commented that the various investment advisers appeared not to be accepting any responsibility in the matter and he asked to what extent the Council had followed national advice on investment policy.

The Head of Finance confirmed that the Council had followed the Council's Treasury Management Policy and the CIPFA Code of Practice, as well as taking the advice of its investment advisers, Butlers. It raised the question as to the value that could be placed on credit ratings in the future.

The position was noted.

44/08 MID-YEAR PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY FOR 2008/09 (AGENDA ITEM 7)

The Head of Internal Audit presented the report and updated Members on the finalisation of the Audit Plan for 2007-08. Details were also given on the progress made towards completing the work included in the agreed Audit Plan for 2008-09.

Two outstanding reviews from the Audit Plan for 2007-08 had been completed and that Audit Plan had now been signed-off.

So far as the Audit Plan for 2008-09 was concerned, there had been a significant amount of slippage in the programme of work and the reasons for this, as set out in the report, were explained.

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However, taking into account the number of audit reviews that were now well advanced, together with the amount of fieldwork delivered and the level of input made to the preparation of draft audit reports, the percentage of the Audit Plan achieved to date rose to a more positive 38.4% of the total programme of work for the year.

Members questioned the background to the reasons for the slippage in the programme and were satisfied that the resource problems experienced by the new contractor had been resolved and that the programme was back on track. An assurance had been received from the contractor that all work would be completed within the timetable.

However, arising from the questioning, a concern was raised that the Council would be subject to a proportion of additional costs of management resources that it was necessary to allocate to the contract as a direct consequence of the contractor's resource problems. It was explained that the issue of additional costs had been discussed and agreed by all partners of the Norfolk Internal Audit Consortium (represented by the Acting Chief Executive of South Norfolk Council, all Heads of Finance/Section 151 Officers of the five partner authorities, the Head of Internal Audit and the Deputy Audit Manager) and that any costs would be minimal.

An assurance was sought that now the delayed reports were in the system, overall performance would be measured against those reports and not where matters were beyond the Council's control. It was confirmed that all findings were discussed with the relevant teams and that they were kept fully up to date.

A Member queried the background to the summary of findings on the review of self-assessment against the Code of Governance as set out in Appendix 1 to the report. It was explained that there had been a divergence of opinion in regard to the findings in Recommendation 2 of this review regarding the need for both manual and electronic evidence recording. The Council was satisfied that its evidence had been adequately gathered and produced in accordance with CIPFA and Solace guidance and reviewed with the Chief Executive and Deputy Chief Executive. The Committee had previously expressed its satisfaction with procedures generally but had agreed there was a need to tighten-up action tracking and implementation of agreed audit recommendations.

It was also explained that any outstanding audit performance issues were now reported at Performance Clinics.

In referring to the percentage of audit recommendations accepted or rejected (paragraph 6.3 of the report) a Member noted that the report included details of rejected items but felt it would be useful also to know which items had been accepted.

In conclusion, the Committee

RESOLVED that the Committee

- (1) notes the two management summaries applicable to the Annual Audit Plan for 2007-08;

Action By

- (2) acknowledges the current lack of finalised audit reports at the half-year point of the Annual Audit Plan for 2008-09 but notes the overall progress achieved against the Plan in terms of actual audit days delivered; and
- (3) also notes that the Internal Audit Services contractor has given assurances that all programmed audit work will be completed within the financial year, enabling requisite assurances to feed into the Council's Annual Governance Statement for 2008-09.

45/08 BUSINESS CONTINUITY (AGENDA ITEM 8)

Richard Kirk, the Council's Consultant, presented the report and outlined progress on the development of the Council's Business Continuity Plan.

Local authorities had a statutory duty to prepare and maintain plans to ensure they were able to carry out their functions in an emergency (i.e. critical services).

It was also important that there were plans in place to ensure that the ordinary functions that were important to welfare and security of the community and the Council could be performed in the event of any disruption to service areas at the operational level.

Up to now, the Council had developed a series of service team business continuity plans but there were risks in this approach from a lack of overall control and continuity.

A new, single corporate Business Continuity Plan was therefore being developed and was nearing completion, which would ensure a better response in the event of an emergency, better document management and control and a better level of flexibility and understanding across the Council's service areas.

The new Plan set out strategic and operational requirements and also incorporated sections on risk management and service restoration priorities for the Council. Information in the existing service team plans had been incorporated into the revised document.

Key to the process was the identification of service restoration priorities (e.g. communications, ICT, Human Resources (workforce plan), procurement functions (supplies and suppliers), etc.). In this connection, final information was awaited from some key service areas and further work was necessary to quantify risk management and service restoration priorities for the Authority, as well as incorporating information on an impact assessment of pandemic 'flu'.

It was also crucial that everyone in the organisation understood and accepted the importance of the Plan. It needed to be 'owned' by all and embedded as an intrinsic part of risk management throughout the authority.

The Committee endorsed the importance of the Plan to the Council and the need for the Plan to be completed as speedily as possible. It was also agreed that more importantly it would essential that the completed Plan was kept up to date and tested on a regular basis, for example by an

annual exercise.

So far as the outstanding key information was concerned, the Committee recognised the difficulties in obtaining information on people's skills and experience in order to be able to develop a workforce plan but agreed it was an essential piece of work that needed to be completed as soon as possible. Members supported an approach of corporately identifying the skills areas that would be of benefit to the Council in an emergency (e.g. fire service, first-aid, IT, counselling, etc.) and then canvassing staff to see what skills existed in those areas.

It was also stressed that the successful completion and future maintenance and testing of the Plan was dependent on senior management taking the lead in the promotion and embedding of the Plan throughout the Council.

RESOLVED that

- (1) the progress on the development of the Council's Business Continuity Plan be noted;
- (2) action be taken through Corporate Management Team and senior management to ensure the development of a workforce plan and provision of other outstanding information to complete the Business Continuity Plan as speedily as possible.

Action By

Richard
Kirk

46/08 RISK MANAGEMENT - REVISED POLICY AND UPDATE (AGENDA ITEM 9)

The Governance and Performance Accountant presented the report and outlined the revisions that had been made to the Council's Risk Management Strategy.

The revised Strategy had been designed to simplify the risk management process and this was helping to foster a better understanding and appreciation of the importance of risk management within the Council.

Members strongly welcomed the revised Strategy and they agreed it represented a real step-change towards ensuring a culture of risk management, which was essential to the good running and effectiveness of the Council.

The Committee commended the Methodology diagram on page 48 of the report and the table of examples of risk (page 51) as being particularly useful aids which, it was suggested, should be either displayed in the offices and/or circulated to all staff in a handy reference format.

A member noted that the section on roles and responsibilities for health and safety did not make any reference to arrangements for capital project building contracts. It was explained that this Strategy was a Council business document and that specific building contract health and safety aspects would be expected to be covered under separate contract specifications and other health and safety legislation. However, a suitable cross-reference to this could be inserted to clarify this point.

Action By

RESOLVED that

- (1) the revised Methodology for Assessing Risk be noted;
- (2) the Methodology diagram and table of examples of risk be displayed and/or circulated to all staff in a handy reference format;
- (3) a suitable cross-reference be inserted in Appendix B of the Strategy relating to the Roles and Responsibilities for health and safety to clarify the position in relation to capital building contracts (i.e. on-site arrangements).

Melanie
Buttery

RECOMMEND TO COUNCIL that, subject to (3) above, the revised Risk Management Strategy be adopted.

47/08 GOOD GOVERNANCE IN PARTNERSHIP - GUIDELINES AND UPDATE (AGENDA ITEM 10)

The Governance and Performance Accountant presented the report and outlined details of the proposed partnership governance arrangements and guidelines, which were based on guidelines developed by Norfolk County Council.

The guidelines represented best practice standards and would assist the Council in preparing for Comprehensive Area Assessment and the standards would provide a robust framework for good governance in the Council's partnerships.

Additional sections on equalities and sustainability were to be included.

A Member questioned whether there was any need for joint scrutiny arrangements to be made. It was explained that existing arrangements for overview and scrutiny were felt to be adequate, particularly having regard to the county-wide scrutiny process under the County Strategic Partnership. The Overview and Scrutiny Commission also had powers for call-in of any providers, which would include individual Partners or the Local Strategic Partnership (LSP) through the LSP Officer.

RESOLVED that the Good Governance in Partnership Guidelines be adopted.

48/08 NEXT MEETING (AGENDA ITEM 11)

In view of the fact that the existing usual day of Wednesday for meetings of the Committee had not proved convenient for the majority of Members, it was proposed and agreed that meetings should be moved to Fridays in future. Accordingly, it was

RESOLVED that the next meeting of the Committee take place on Friday, 9th January 2009 and the change to a Friday meeting day be agreed for all future meetings.

49/08 EXCLUSION OF PRESS AND PUBLIC (AGENDA ITEM 12)

RESOLVED that under Section 100(A)(4) of the Local Government

Act 1972, the press and public be excluded from the meeting for the following item of the business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the Act.

Action By

50/08 BUSINESS TRANSFORMATION - UPDATE (AGENDA ITEM 13)

a Interim Report on the Externalisation of Planning and Building Control

This report outlined the progress made in development of a proposal, in conjunction with Capita Symonds, for the externalisation of the Council's planning and building control services. It summarised the principal components of a draft contract to enable Members to give a preliminary view on the merits of the proposal.

A meeting with Capita Symonds had taken place that week and the Chairman informed the Committee that the Company had been questioned very carefully and strongly. The Company had responded flexibly to some of the issues raised by the Council but the negotiations still had some way to go before a final decision could be made on the proposal. However, it was felt there was a real opportunity to progress the matter to the Council's benefit.

The Environmental Planning Manager confirmed there were four key issues remaining to be resolved:

- a) the question of support service costs and their impact on other services
- b) the level of investment to be made by the Council
- c) the expected efficiencies over the term of the contract
- d) the question of income generation

A Member made the point that the proposals could be affected by the current downturn in the building market and it was agreed that the projections for growth would be challenging and needed to be realistic.

Overall, the Committee felt there were grounds to continue with the negotiations but to reserve the right to withdraw at a later date if necessary.

It was noted that regular staff briefings were taking place to keep people informed and staff were being given the opportunity to meet with the Capita Symonds team and to ask questions.

Accordingly, it was

RESOLVED that the report be noted and the Deputy Chief Executive, in consultation with the Executive Member for Transformation, the Chief Executive and Section 151 Officer be authorised to pursue the negotiations with Capita Symonds, along the lines outlined in the report, on the issues of income generation and the treatment of support service costs, investment and efficiency savings, subject to reserving the right to withdraw at a later date if necessary.

Tim
Leader

Action By

b Environmental Services

The report was not available.

RESOLVED that this item be deferred to the next meeting.

Mark
Stokes

c Anglia Revenues Partnership

Options on the future development of the Anglia Revenues Partnership (ARP) and ARP Trading Limited (ARPT) were considered in the light of the report by the Deputy Chief Executive.

The options were set against the background of the local government review in Norfolk and Suffolk, the expressed interest from East Cambridgeshire District Council in acquiring a shareholding in the company and issues associated with European procurement law and pensions that had, to date, prevented progress towards the migration of ARP into ARPT.

The report recognised that the notion of migration might not be the policy of all members of ARP or the shareholders of ARPT. The report therefore aimed to stimulate debate around the options, with a view to its submission to a meeting to the ARP Joint Committee to promote a clear and common vision for the future of the partnership and the company.

The Committee recognised that the issue of local government review clouded the matter and the view was expressed that it might now be too late to proceed, particularly if the Boundary Commission ruled in favour of the 'wedge' unitary option.

The point was made that the Partnership would cease under any unitary option but that there was nothing to stop ARPT continuing to trade throughout the whole process.

The Chairman was strongly of the view that there were benefits to be gained in proceeding with migration, not least that it offered good opportunities for staff to benefit under a single trading solution.

A Member asked whether the Partnership had naturally run its course. The Revenues Strategic Manager replied that a number of authorities were interested in pursuing the shared partnership option. Efforts were being concentrated on growing the trading company and there was steady growth in turnover and profit. ARPT would like to take on the work of existing Partners but the Revenues Strategic Manager was not convinced a single trading solution was the best way forward at the present time.

So far as shareholding options were concerned, it was considered that Breckland should retain the major shareholding of over 50%, with Forest Heath at over 25% and East Cambridgeshire a minority shareholding of 3-5%. This would, of course, be subject to further debate and negotiation. However, the Revenues Strategic Manager advised that this option would not be recommended if the local

government review resulted in a decision for a unitary authority solution, as East Cambridgeshire was not included in the local government review.

Although recognising that time was short, Members concluded that the migration of ARP into ARPT was the preferred option and recommended this be pursued as speedily as possible.

RESOLVED that

- (1) the principle of migrating ARP's staff and other resources into ARPT be agreed as the option that is most likely to maximise efficiency savings for members of ARP and dividend payments to shareholders in ARPT;
- (2) prior to a decision being made on the future of local government in Norfolk and Suffolk, issues associated with procurement and pensions if migration were to take place should be explored and clarified and the potential for ARPT to act as a trading platform for new unitary authorities explored with Norfolk and Suffolk County Councils and councils in Norwich, Waveney, Great Yarmouth and Ipswich; and
- (3) the merits of disposing of the whole or part of the company be tentatively explored with potential purchasers/partners in the run up to a decision on local government review. This could include consideration of a "management buy-out".

Action By

Steve
Knights,
Tim
Leader

The meeting closed at 12.15 pm

CHAIRMAN