

MINUTES of the meeting of Audit and Governance Committee held at Committee Room 1, Shire Hall, Hereford on Friday 21 September 2012 at 2.00 pm

Present: Councillor J Stone (Chairman)
Councillor JW Millar (Vice-Chairman)

Councillors: CNH Attwood, EMK Chave, PGH Cutter, KS Guthrie, AJ Hempton-Smith, Brig P Jones CBE and PJ McCaull

In attendance: Councillor A Seldon, in his capacity as Chairman of Overview and Scrutiny Committee.

10. APOLOGIES FOR ABSENCE

There were no apologies for absence received.

11. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes.

12. DECLARATIONS OF INTEREST

Councillor EMK Chave commented that she would need to declare a non-pecuniary interest in respect of all matters on the agenda pertaining to teachers' pensions, if any such matter arose during the Committee's discussions on the Annual Accounts. The subject did not arise during the course of the meeting, and Councillor Chave was therefore able to remain in the meeting and participate for its duration.

13. MINUTES

RESOLVED: that the minutes of the meeting held on 6 July 2012 be approved and signed as correct record by the Chairman.

Minute 7 (Work Programme 2012/12): The Chief Officer (Finance and Commercial Services) confirmed that the deferred report on the Work Programme 2012/13 would be considered by the Audit and Governance Committee at its next meeting.

14. STATEMENT OF ACCOUNTS 2011/12

[Note: The Committee agreed to change the order of business and consider Agenda Item 6 (Annual Governance Report 2011/12) before this agenda item, in order to assist the efficient transaction of business. The remainder of the agenda was considered in the published order.]

The Head of Corporate Finance presented her report, which sought the Audit and Governance Committee's approval of the 2011/12 Statement of Accounts. The report followed the same format as presented to a recent Members' seminar on the Statement of Accounts, which had been well-attended. She explained that the Statement was a technical document which all local authorities had to set out in a particular manner, in accordance with statutory accounting requirements. As such, she appreciated that its structure sometimes made it difficult to follow threads relating to particular items. She said that Members

experiencing such difficulties would be welcome ask her for assistance at any time. She outlined the key elements of the Council's financial position in the report, and during the ensuing discussion, the following additional points were made:

- **Reserves:** Members expressed concern about the reduction in reserves over the year. The Chief Officer (Finance and Corporate Services) said that this was being monitored carefully, and that he would report again to the Committee at the half-year stage, for information (Page 26 of the agenda refers).
- **Members' Allowances:** In response to a question from Councillor EMK Chave, the Assistant Director (Law, Governance and Resilience) said that he would provide her with more detail on the increase in Members' allowances, after the meeting.
- **Pay Policy Statement:** In response to a question from Councillor PJ McCaull on Officers' remuneration (Page 83 of the agenda refers), the Assistant Director (Law, Governance and Resilience) explained that the Localism Act 2011 required each local authority to produce a publically available pay policy statement listing each post with a salary of £50,000 and over. This was a separate document to the Statement of Accounts, and he agreed to forward the statement to Councillor McCaull after the meeting.
- **Partner Organisations:** The Committee felt that there was merit in receiving the management accounts of the Council's partner organisations in order to gain a greater overall picture.

RESOLVED: that

- (a) the Audit and Governance Committee approves the 2011/12 Statement of Accounts;**
- (b) Audit and Governance Committee notes the Reserves position at the forthcoming half-year stage.**

15. ANNUAL GOVERNANCE REPORT 2011/12

The Committee considered the District Auditor's statutory annual governance report for 2011/12, which set out the opinion on the Council's financial statements for 2011/12, arrangements for securing value for money, and recommendations for further improvements in the Council's governance arrangements arising from their audit work.

The District Auditor drew the following key issues from the report:

- **Changes during the financial year:** Two major agreed changes had taken place to the Council's accounting system during the course of the financial year which were considered to be areas of recognised risk, namely: (1) the Council was now working with a new integrated ledger system (Agresso); and (2) Hoople had prepared the annual accounts for the first time. The District Auditor explained that this had led to a longer audit process than usual, and closedown had been challenging, with a few deadlines missed due to the timescale for completion. ~~Overall however, she was of the view that these risks had been managed well.~~ *[Amended by Audit and Governance Committee on 12 November 2012, minute 28 refers]*
- **Financial Statements:** She talked the Committee through the statutory headings in the Financial Statements section of her report. Corrective errors identified in this section had related largely to valuations, and the overall impact of these had been a reduction in the deficit on the interest and expenditure statement. As a result of work undertaken to address the issues, there were no significant uncorrected errors in the accounts, and she was satisfied with the result.

- **Whole of Government Accounts:** She had reviewed the Whole of Government Accounts return, and acknowledged that in general, there had been an increase in the work required to complete these. As a result, this area was still being progressed, and she anticipated that she would not be able to issue a certification of the accounts at present. This would be done in the very near future, however, and she emphasised that there would be no consequence for the Council in this respect.

Members raised the following points in discussion:

- With reference to Hoople's admittance to the Local Government pension scheme, the Chief Officer (Finance and Commercial Services) said that this would be factored into the statutory review of the pensions fund, which took place every three years. It would also be considered in 2013 as a separate issue, as part of the Council's regular financial planning. He added that the Council's Service Level Agreements were also being reviewed, and formal meetings were taking place with Hoople regularly to ensure continued confidence and transparency in the process.
- In response to a question from Councillor CNH Attwood, the Chief Officer (Finance and Commercial Services) said that he would furnish him with a financial breakdown of costings relating to Hoople.
- The Committee sought assurances that the criteria for the Waste Management Contract would be met, and noted that the responsibility for monitoring it lay with Overview and Scrutiny. The Committee observed that it was within its remit to ensure that the capital aspect of the Waste Management Contract was well-run, and members therefore asked for the Overview and Scrutiny Committee to consider this as a regular part of its work programme.

RESOLVED: that

- (a) **the Audit & Governance Committee note the content of the Annual Governance Report (AGR) for 2011/12;**
- (b) **the Audit & Governance Committee approves the Draft Letter of Representation for signature by the Chair of the Committee and the Chief Officer;**
- (c) **the Audit & Governance Committee request that an action plan be brought forward to the next committee; and**
- (d) **it be recommended to the Overview and Scrutiny Committee, that the consideration of value for money of the proposed Waste Management PFI contract, be included in its regular work programme.**

16. ANNUAL GOVERNANCE STATEMENT

The Committee considered the Head of Audit Services' report on the Annual Governance Statement for 2011/12. The report described the Council's governance and control arrangements in accordance with a prescribed national framework, and drew on a range of available information including a mixture of internal and external audit reports. The Head of Audit highlighted the main areas for improvement that had been identified, and the actions being taken to address them.

Members raised the following points in discussion:

- **Health and Safety:** The Committee emphasised the need to encourage more Members to attend Health and Safety Seminars, and to ensure full circulation of the Council's Health and Safety Policy, as part of the improvement and assurance strategy. The Assistant Director Law Governance and Resilience added that measures were also being put in place to combine the Health and Safety Plans of Hoople and NHS Herefordshire so that the overall policy was more robust, and to ensure that all key officers were trained to Institution of Occupational Health Standards. Members requested further information on the Health and Safety principles being applied within the Council and the Assistant Director (Law, Governance and Resilience) agreed to bring a more detailed report to the next Audit and Governance committee.

RESOLVED: that

- (a) **the Audit and Governance Committee notes the Annual Governance Statement 2011;**
- (b) **the Audit and Governance Committee approves the Annual Governance Statement 2011/12 for inclusion in the Statement of Accounts for 2011/12; and**
- (c) **the Assistant Director (Law, Governance and Resilience) be instructed to report to the next Audit and Governance Committee on the principles by which Health and Safety is being administered within the Council.**

17. ANNUAL ASSURANCE REPORT 2011/12

The Head of Audit Services presented his report which summarised the internal audit work undertaken in 2011/12, and provided an overall internal audit opinion based on this work. He referred to the 28 audits that had taken place during the year, and highlighted those areas where substantial assurance had been received, and where progress had been made on improving controls in key areas. In addition, he explained the tables of information on pages 172 and 173 of the agenda, and provided gradings of the recommendations made by Audit. He said that all of the recommendations made by Audit had been carried out, and none were currently outstanding.

The Committee acknowledged, in respect of Page 176 of the agenda, that a private meeting with the Head of Internal Audit and the Committee had not yet taken place, and members asked for this to be arranged in the near future.

RESOLVED: that

- (a) **the Annual Assurance Report 2011/12 be noted; and**
- (b) **a private meeting between the Audit and Governance Committee and the Head of internal Audit be arranged as soon as possible.**

18. THE ANNUAL COUNCIL MEETING

The Committee considered a report about amending the business to be discussed at the Annual Council meeting. The current arrangements provided for Annual Council to consider a mix of ceremonial and regular business. Concern had been expressed that this approach did not afford sufficient importance and weight to the civic and ceremonial role of the meeting, and that consideration of regular business was also being adversely affected. Furthermore, on past occasions, formal guests had waited a long time for the regular business to conclude, and the Committee felt that there was merit in separating

the business and civic functions to eliminate this problem. The regular business of the Council would instead be considered at a programmed meeting to take place near the time of Annual Council.

The Committee noted that Council would approve this move formally in May 2013, and that the Audit and Governance Committee's permission was required in advance of that so that the necessary changes could be made to the Constitution.

RESOLVED: that it be recommended to Council that

- (a) the business to be discussed at the Annual Council meeting be amended as shown in appendix 1 of the report; and**
- (b) the Monitoring Officer be authorised to make any consequential amendments to the Constitution.**

19. REVIEW OF OVERVIEW AND SCRUTINY STRUCTURE

The Committee considered proposed changes to the Overview and Scrutiny structure, as a result of a planned 12-monthly review of the current Overview and Scrutiny model, and as a result of further review work conducted by Mr John Lamb. The emerging principal proposal was that two Overview and Scrutiny Committees be established, each with a Chairman and Vice-Chairman, namely: a Health and Social Care Overview and Scrutiny Committee, and a General Overview and Scrutiny Committee. The report also outlined a number of other measures to give effect to the principal proposal, and proposed that the Head of Governance be designated as the Council's Scrutiny Officer.

In addition to the report, further written comments on the review were tabled at the meeting. These had been received from the Leader of the Council and the Group Leaders, and from the Overview and Scrutiny Committee. A further document was also considered, listing the potential advantages and disadvantages of a multiple Overview and Scrutiny Committee model, and a single Overview and Scrutiny Committee model.

Councillor Seldon, the Chair of the Overview and Scrutiny Committee was present at the meeting, and reported that the Overview and Scrutiny Committee had suggested a change to recommendation (e) of the report before the Audit and Governance Committee, so that there was a gradual roll-out of the new dual-committee structure, starting on Monday 15 October 2012, and being completed by 1 January 2013. This would enable a more effective transition to take place. Members agreed to the proposed change.

RESOLVED: that it be recommended to Council that

- (a) the recommendations of the report on the Overview and Scrutiny (O&S) Function as set out at pages 3-4 of appendix 1 to this report be adopted;**
- (b) the authority to exercise the Authority's statutory health scrutiny functions be delegated to the Health and Social Care Overview and Scrutiny Committee;**
- (c) the Terms of Reference of the General Overview and Scrutiny Committee and the Health and Social Care Overview and Scrutiny Committee be as set out at paragraph 23 of the report;**

- (d) each Overview and Scrutiny Committee consists of 13 Councillors and seats on each Committee be allocated by political proportionality as set out at paragraph 13 of the report appointments to those seats to be confirmed by Group Leaders;
- (e) the change to two Overview and Scrutiny Committees should begin to take effect from Monday 15 October 2012 with the final roll out of the two Committees from 1 January 2013;
- (f) Council approves the appointments to the offices of Chairman and Vice-Chairman of the General Overview and Scrutiny Committees and the Health and Social Care Scrutiny Committee;
- (g) statutory co-optees serve on the General Overview and Scrutiny Committee;
- (h) the operating principles set out at paragraph 18 of the report form the basis of the new scrutiny model;
- (i) the rules of proportionality are not applied to Task and Finish Groups appointed by either of the two Overview and Scrutiny Committees;
- (j) the Head of Governance be designated as the Authority's statutory Scrutiny Officer; and
- (k) the Monitoring Officer be authorised to make any consequential amendments to the Constitution.

20. GRANT OF DISPENSATIONS UNDER THE LOCALISM ACT 2011

The Assistant Director (Law, Governance and Resilience) presented his report which proposed delegating the power to grant dispensations in respect of Members' participation in decision-making, where a member had a disclosable pecuniary interest. The Council's procedure rules would also require amending so that a Member with such an interest would be excluded from the meeting.

The power to grant dispensations had formerly been within the remit of the Standards Committee, but was now governed by the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, as a direct result of the Localism Act 2011. The Regulations stipulated that members must register their disclosable pecuniary interests with the Monitoring Officer, and must disclose them at every meeting where their interests occurred. Members were not permitted to participate or vote on items of business where they had a disclosable pecuniary interest. A dispensation to enable a Member to participate in such an item of business would be required under the following circumstances:

- If so many members have DPis that it would impede the transaction of the business, were a dispensation not to be granted;
- If, without the dispensation the strengths of political groups on the body would be so upset as to alter the likely outcome of any vote on the matter;
- If, without the dispensation, every member of Cabinet would be prohibited from participating;

- If the grant of the dispensation would be in the interests of the inhabitants of the authority's area;
- If it is otherwise appropriate to grant the dispensation.

Members agreed that, where the grounds for a dispensation were purely factual, the dispensation would be delegated to the Monitoring Officer. Where the grounds for a dispensation required political judgement, the dispensation would be granted to the Audit and Governance Committee.

RESOLVED: that it be recommended to Council that

- (a) the power to grant dispensations under Section 33 (2)(b)(d) and (e) Localism Act 2011 or any subsequent amendment be delegated to Audit and Governance Committee; and**
- (b) the power to grant dispensations under Section 33 (2)(a) and (c) Localism Act 2011 or any subsequent amendment be delegated to the Monitoring Officer with a right of appeal to Audit and Governance Committee; and**
- (c) Council Procedure Rules be amended by the addition of:**

“4.1.25 Exclusion of Members with Disclosable Pecuniary Interests

Where a member is prevented by virtue of a disclosable pecuniary interest from participating in a meeting, that member shall immediately vacate the room or chamber where the meeting is taking place (including any public area) unless a dispensation has been granted”

and the insertion of the words “clause 4.1.25” in clauses 4.1.2.1 and 4.1.22.1”

21. DATES OF FUTURE MEETINGS

The dates of future meetings were noted. Members asked that the meeting time for the Audit and Governance Committee on 12th November 2012 be changed from 10.00 am to 2.00 pm, to help members to accommodate other commitments on that day.

22. COMMUNITY GOVERNANCE REVIEW

[Note: This additional item was put to the Audit and Governance Committee under Paragraph 4.2.6.1 (b) of the Council's Constitution, expressly that: “The Chairman of the meeting considers that for reasons of special circumstances, the item should be considered at the Meeting as a matter of urgency.”]

The Committee considered a report about the setting-up of a sub-committee for the purpose of conducting community governance reviews (CGRs), appointing a Chairman that sub-committee, and instructing the sub-committee to conduct a review and make recommendations to the Audit and Governance Committee as to the future community governance of the Ross Town Council and Ross Rural Parish Council areas.

Council had previously decided that a community governance review of the areas of Ross Town Council and Ross Rural Parish Council, would take place in the autumn of 2013, and had empowered the Audit and Governance Committee to undertake all community governance reviews and to make recommendations to Council on the matter.

Members agreed to proceed with the CGR for Ross Town and Ross Rural Parish Councils, and appointed the members that had been nominated by Group Leaders to the sub-committee. It was further agreed that Councillor Hempton-Smith would chair the sub-committee, and that members would appoint their own Vice-Chairman at their first meeting. It was noted that, once an initial meeting date has been agreed for the sub-committee, the Assistant Director Law, Governance and Resilience would bring forward a report by way of training.

RESOLVED: that

- (a) a **Community Governance Review Sub-Committee be formed with a membership of five (three members of the Conservative Group, one member of It's OUR County and one member of the Herefordshire Independents);**
- (b) **the nominations of Councillors AM Atkinson, CNH Attwood, PGH Cutter, AJ Hempton-Smith and JA Hyde, be approved;**
- (c) **Councilor AJ Hempton-Smith be appointed Chairman of the sub-committee, and a Vice-Chairman be appointed from the sub-committee membership at its first meeting; and**
- (d) **the Sub-Committee be instructed to conduct a review and make recommendations to this Committee as to the future community governance of the Ross Town Council and Ross Rural Parish Council areas.**

23. EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED: that under section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Schedule 12(A) of the Act, as indicated below and it was considered that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

- 1 Information relating to any individual.**
- 2 Information which is likely to reveal the identity of an individual.**

24. TRANSITIONAL ARRANGEMENTS FOR STANDARDS CASES

The Assistant Director Law Governance and Resilience presented his report which outlined all of the Standards complaints against Councillors that were unresolved as at 1 July 2012 when the old Standards regime was abolished under the Localism Act 2011. The complaints required conclusion under the Council's new complaints system, and the Committee gave its instruction, both on the complaints which required further action, and on the complaints for which a right of review no longer existed in Law.

In addition, the Assistant Director Law Governance and Resilience sought delegated authority from the Committee to appoint Parish/Town Council representatives and Local Authority representatives to assist the Standards Panel in progressing complaints through the new system, as necessary.

RESOLVED: that

- (a) any case from the Standards Committee not concluded as at 1st July 2012 be referred to the Standards Panel for consideration under the Council's approved system for determining complaints against members;**
- (b) complainants requesting a review of any decision of the Standards Committee be advised that no right to request a review now exists**
- (c) the Monitoring Officer, in consultation with HALC and the Chairman of the committee, be authorised to appoint parish representatives to sit on the Standards Panel; and**
- (d) the Monitoring Officer be authorised to complete the makeup of the Standards Panel with members of this authority from time to time.**

The meeting ended at 4.35 pm

CHAIRMAN