

MINUTES of the meeting of Audit and Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Friday 15 March 2013 at 10.00 am

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

Councillors: CNH Attwood, EMK Chave, PGH Cutter, TM James, Brig P Jones CBE, PJ McCaull and NP Nenadich

In attendance: Councillor A Seldon, as Chairman of the General Overview and Scrutiny Committee

53. APOLOGIES FOR ABSENCE

There were no apologies for absence received.

54. NAMED SUBSTITUTES (IF ANY)

In accordance with paragraph 4.1.23 of the Council's Constitution, Councillor NP Nenadich attended the meeting as a substitute member for the vacant position on the Audit and Governance Committee.

55. DECLARATIONS OF INTEREST

No declarations of interest were made.

56. MINUTES

The Democratic Services Officer circulated a list of minor typographical errors that had been identified in the draft minutes and recommended consequential amendments. In addition to these, a further amendment was made to Minute 48 (Communication with the Audit and Governance Committee) as follows:

Page 3, paragraph 5: ...Referring to the Hereford Futures Governance Update received by the General Overview and Scrutiny Committee (minute 27 of 14 January 2013 refers), a Committee Member commented that the Audit and Governance Committee should receive reports about the governance of related parties.

In respect of Minute 47 (Annual Audit Fee Letter), the Committee noted that it was a standard and generally accepted local authority practice to pay the external auditors, Grant Thornton, for their work in advance, rather than in arrears.

Further to Minute 49 (Internal Audit Progress 2012/13), the Chairman invited the Head of Consumer and Business Protection to provide a brief overview of measures undertaken and work planned in response to the audit report on Food Licensing. The principal points of the presentation and the discussion included:

1. The Head of Consumer and Business Protection explained the recent changes to the system relating to inspections of registered food premises, which were the responsibility of the Council's Environmental Health Commercial Team. The previous system, which allocated food hygiene star ratings to premises either selling, preparing or manufacturing food products, had been replaced by a more stringent scoring

system whereby premises were given a rating of between 0 and 5, with 3 being the minimum acceptable standard. The new system was known as the Food Hygiene Rating System.

2. A key area of concern emerging from the audit had been the number of food hygiene assessments undertaken as part of the inspection programme, which had fallen below that advised by the Food Standards Agency (FSA) code of practice. The main reason for this had been identified as an insufficient resource with which to carry out the inspections. Standing at approximately 2,600 premises, Herefordshire had a comparatively high number of licensed food premises. These factors had resulted in a programme of less frequent food inspections, which would necessitate endorsement by the Regulatory Committee. The Regulatory Committee would receive a report on the matter at its meeting on 21 May 2013, when it would be asked to approve the reduced inspection programme.
3. The Committee noted that, although the Council had been an early adopter of the excellent previous food hygiene rating system, nationally it had been rejected in favour of the Food Hygiene Rating System. This meant that the Council was having to cover additional ground in order to be once more in-step, nationally.
4. In response to a question from a Committee member, the Head of Consumer and Business Protection confirmed that the Commercial Team had been involved in inspections relating to the recent national discoveries of horse meat in food products.
5. The Head of Consumer and Business Protection was asked to confirm the number of notifications that had been received in relation to food poisoning outbreaks. He said that they were minimal, although adding that in reality, one single outbreak had the potential for devastating or substantial effects. He said that he would provide the precise figures to members after the meeting.
6. The Head of Consumer and Business Protection would present a full report to the Audit and Governance Committee at its next meeting on 16 April 2013, which would address any outstanding concerns, and outline the work undertaken to increase the assurance rating for the service to "substantial". The Committee thanked him for his presentation.

RESOLVED: That, subject to the above amendments, the minutes of the meeting held on 19 February 2013 be approved as a correct record and be signed by the Chairman.

57. BUDGET MONITORING REPORT 2012/13

The Chief Officer: Finance & Commercial updated the Audit and Governance Committee on the financial position to 31 January 2013. The report was identical to the one that had been considered by Cabinet the previous day. The report was also part of the Committee's agreed work programme, forming the first of two updates planned for the financial year, which would be linked to the budget to provide the optimum amount of information. The report presented the Council's financial position to the end of January 2013, and gave projected financial information to the end of the financial year.

The Chief Officer: Finance & Commercial explained the layout and format of information contained in the report. The appendices set out the Council's positions in terms of revenue, capital, and treasury management respectively. The Treasury Management Report, although not strictly required as frequently as the revenue and capital information, would be included regularly as a measure of good practice, to ensure that members were kept fully informed of the Council's up-to-date financial position.

The Committee noted the key points summary on pages 11 and 12 of the agenda, and in particular the projected overspend of £3.9 million, which would need to be met largely from the general funds reserve of £6.1 million. Referring to the table on pages 12 and 13, outlining the main financial movements from the December 2012 projected spend, members noted in particular the continued increases in expenditure for adult social care, and the significant number of claims under the Bellwin grant scheme in respect of flood damage.

Members acknowledged that a significant proportion of the movement in adult social care expenditure arose from an increase in backdated packages for residential and nursing placements. Herefordshire also faced additional challenges caused by a significantly higher than average ageing population, and the rural nature of the county, which sometimes made service provision exceptionally difficult. In response to a question about the modelling used to calculate future demand for adult social care services, members noted that the Council had worked with an external organisation to make projections, due to the complex nature of the system. The £354k included emergency/short-term intervention care, which was usually larger than anticipated and difficult to include in the projections.

The Chief Officer: Finance & Commercial reported that the Council had received the highest number of Bellwin claims of any local authority in England due to the exceptional flooding experienced by the county in recent months. The allocation of £356k represented a one-off excess charge irrespective of the number of claims made. However, this was the first year that the Council had been required to pay an excess, and the Committee was advised that the Council had complained to central government about this. Assurance was given that the increased incidences of flooding had been budgeted for as far as possible in future projections. In response to a question about the winter gritting budget, he confirmed that the increase of £120k related specifically to gritting runs, and followed a budget-setting model which assumed a certain number of "winter days" based on information available at the time. It was therefore possible that this figure might change in future projections.

A Committee Member observed that the number of appeals against decisions made by the Planning Committee was also increasing, and this was incurring additional costs to the Council. The Chief Officer: Finance & Commercial confirmed that in general, additional costs where appropriate are checked to see if covered by the Council's insurance policy, although further costs were sometimes incurred through seeking specialist legal advice, and this represented an additional financial pressure. Due to the unpredictable frequency of appeals, it was sometimes difficult to budget for every eventuality. The Committee noted that both the practices of the Planning Committee and the scheme of delegation to officers, were clear on the point of including specific policy reasons for all planning decisions, and in particular those that went against officer recommendation.

The Committee commended the financial team for securing excellent interest rates on its short-term borrowing.

The Chief Officer: Finance & Commercial reported that he would shortly be chairing financial control meetings for each directorate on the instruction of the new Chief Executive, Mr A Neill, as a measure to increase financial control. The Committee welcomed the additional measure.

RESOLVED: That the report and the forecast position be noted.

58. AUDIT PLAN 2012/13

Mr P Jones and Mr T Tobin of Grant Thornton informed the Committee of the work to be undertaken by them over the coming months for the year ended 31 March 2013. The Audit Plan for Herefordshire Council had been presented in an improved format, and it gave details of the key issues and risks affecting the Council, along with the main phases of the external audit which would need to be completed prior to issuing the annual audit opinion and value for money conclusion.

Six substantial challenges/opportunities had been identified as:

1. reduction in central government funding;
2. Herefordshire regeneration;
3. adult social care;
4. waste disposal;
5. the 'Rising to the Challenge' agenda; and
6. Business Rate retention.

Work would be carried out in every risk area listed, focussed most intensively in the six substantial areas, and with a lesser emphasis on other areas of lower risk. The broad approach to the audit was to ensure that the Council had adequate processes in place to deliver, measured against its own benchmarks.

In response to a question from a Committee Member, it was noted that the business retention rate of 50% - set by central government - applied to new businesses from 1 April 2013 onwards. One consideration might be to apply a "smoothing reserve" in the future to counter any potential unforeseen changes as a result of the new system. In addition, certain assumptions would need to be made around the figures for Council tax collection rates and write-offs.

Following a request from members, and in the light of the report to Cabinet on 14 March 2013 on the Council's commissioning and commercial strategy, Mr Jones agreed to consider as part of the audit, the risks attached to commissioning and ensuring the correct level of expertise was applied to managing contracts. The Committee requested that a report on the commissioning and commercial strategy be considered at one of its future meetings.

With reference to page 51 of the agenda, it was reported that the review of information technology (IT) controls had been completed, and no significant risks had been identified.

With reference to page 54 of the agenda, the Committee noted that the audit fees represented a 40% decrease on the previous year. The Committee thanked Grant Thornton for a thorough, informative, and well-set-out report. It was also reported that Martin Bell, who had worked on previous Council audits, had taken retirement, and the Committee asked for its thanks to be conveyed to him for his excellent work.

RESOLVED: That

- (a) the content of the Audit Plan 2012/13 be noted; and**
- (b) a report on the commissioning and commercial strategy be considered at a future meeting of the Audit and Governance Committee.**

59. CHANGES TO THE CONSTITUTION

The Head of Governance presented his report about proposed changes to the Council's Constitution. The changes were necessary to comply with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, which prescribed a number of procedural changes to ensure that the public had access to meetings and documents where a local authority executive, committee or individual, took an executive decision. Included in the provisions, was a measure to ensure that local authorities gave 28 days' notice of any key decisions in general, and key decisions to be taken in private along with any representations made about why they should be made in public. However, shorter notice was permissible in some circumstances under new rules of general exception or special urgency.

Under the new regulations, the requirement of the Leader to report on executive decisions had been relaxed from quarterly to annually. Members agreed that the Leader would include information on executive decisions as part of the Leader's report to every Council meeting with the exception of the annual Council meeting.

Further changes to the Constitution were necessary under the Localism Act 2011, which required local authorities to determine the term of office to be served by the Leader of the Council. Prior to the Act, Leaders had served a mandatory four-year term, and now it was for each local authority to determine the Leader's term of office. During the ensuing debate, the Committee noted that there was no direct process within the Constitution to remove a Leader from post before the end of his or her term, excepting a motion of "no confidence" - which would not enforce the removal of a Leader from post, and could ultimately be ignored. Members felt it was important to balance the need to provide consistency and adequate length of Leadership, and to demonstrate confidence in a Leader, with the need for having a mechanism in place to remove a Leader if necessary. It was felt that this balance was best served by appointing Leaders every year at annual Council, and allowing the same Leader to be re-appointed up to a maximum of four years. The general presumption would therefore be that a Leader would be re-appointed the maximum amount of times, but that there would be the provision to remove a Leader at annual Council any time before the end of the four-year period.

RESOLVED: That it be recommended to Council that

- (a) the Leader should include details of each executive decision taken during the period since the last report was submitted to the Authority where the decision was regarded as urgent in his regular report to each Council meeting (except the annual meeting); and**
- (b) the term of office of Leaders of the Council should be one year, with an option for Leaders to serve consecutive one-year terms up to, and not exceeding, a maximum of four years.**

60. DATE OF NEXT MEETING

Tuesday 16 April 2013 at 10.00am.*

[Note: The meeting due to be held on 16 April 2013 was cancelled subsequently. Therefore, the next scheduled meeting was to be held on Monday 13 May 2013.]*

It was agreed that the meeting scheduled for Friday 6 September 2013 be moved to Friday 13 September 2013 to assist with the presentation of the accounts.

The meeting ended at 11.42 am

CHAIRMAN