

Minutes



OF A MEETING OF THE

Joint Audit and Governance Committee

HELD ON MONDAY 4 JULY 2016 AT 6.30 PM

**MEETING ROOM 1, 135 EASTERN AVENUE, MILTON PARK, MILTON,
OX14 4SB**

Present

Members:

South Oxfordshire District Councillors: Charles Bailey, Kevin Bulmer, Alan Thompson and John Walsh

Vale of White Horse District Councillors: Dudley Hoddinott, Simon Howell (Chairman), Chris Palmer and Henry Spencer

Officers: Sandy Bayley, Steve Bishop, David Buckle, Steven Corrigan, Yvonne Cutler-Greaves, Mark Gibbons, Simon Hewings, Paul Howden, Fiona Kaluza, William Jacobs, Nilesh Parmar, Adrianna Partridge, Margaret Reed and Ron Schrieber

Also present: Andrew Brittain (EY) and Paul Thorogood (Capita)

1 Apologies

None.

2 Declarations of Interest

None.

3 Minutes

RESOLVED: to adopt as a correct record the minutes of the meeting held on 21 March 2016 and agree that the chairman signs them as such.

4 Statements, petitions and questions from members of the public

The following questions/statements had been submitted regarding Abbey Meadows Pool:

1. From Naomi Richardson

"A community consultation was held with 81% of respondents voting for Option A: 'a place to swim and play'. The wording of this consultation outcome was as follows:

'Scenario A would see the outdoor pool refurbished to ensure that it can continue to remain in operation over the summer for years to come. We expect this work to be expensive, so this limits other improvements that can be made to the rest of Abbey Meadow'

The other consultation outcomes both involved demolition of the pool to create either a restaurant or an amphitheatre; both substantial capital projects. Based on the above, the expectation was that there would be substantial capital investment in the outdoor pool to bring it up to date, **reduce maintenance costs and increase revenue.**

However, not a single penny of the capital budget available is being invested in the pool. The Vale has responded that refurbishing the pool is too expensive. There is a lot of concern regarding where the Vale got their numbers from that seem to have stopped any investment in the pool. These are not estimates from pool contractors, but an 'all in' budget for everything that could possibly be done picked out by general consultants (415K). They do not seem to resemble any figures from the 'real world' from similar projects easily looked up on google (i.e. Hinksey refurbishment around 300K; to build a brand new 20m pool from scratch = 500K). They are well in excess of quotes the 'Friends of the Abbey Meadow Outdoor Pool' have had in the past.

In fact, one major item (plant room upgrade - £195,000) has already been shown to be unnecessary, following the maintenance (15K) that was achieved over the winter; this was a budgeting error of at least £180K!

Based on figures from Hinksey and Abingdon, I have created a mathematical model of net present value (NPV) for the pool investment. NPV is the normal way of determining capital investment decisions (not just costs).

Assuming that half of the 615K budget is invested in the pool, and that refurbishment would:

- a) double attendance from 10,000 to 20,000 (Hinksey is 67,000 attendance, so this is a very modest estimate)
- b) Prices were £5/swim on average (Hinksey is Adult = £6, U17/over 60/student = £4)

Then by 2024, the extra income generated would have paid for the 307.5K investment PLUS an additional contribution of £92,500.

If you are interested in different numbers for price and attendance, I have the spreadsheet and can model that easily.

In contrast, not investing in refurbishing the pool risks a hefty bill if the pool lining fails, additional maintenance costs, and the potential for litigation should injuries continue to result from the known issue with the lining cutting children's feet. In addition, attendance figures are likely to decline over time as the pool is increasingly outdated and more people experience injuries.

Can the committee recommend that the decision not to re-invest in the outdoor pool be re-examined as tax-payers do not seem to be getting the best value for money from leaving the pool as it is and will be exposed to significant financial risk?"

2. From Peter Harbour

"Will the chairman of the Joint Audit and Governance Committee please request the Council Leader and the Portfolio holder for Leisure to discuss openly with the Friends of Abbey Meadow Outdoor Pool and, as appropriate, with officers and operating contractors to arrange to share ideas on how to save money on the Abbey Meadow Vision, focussing that vision on the main and most popular item, the pool, such that it will be relined sensibly, fundraising from grants explored and less popular schemes discontinued? The aim would be to produce an economically viable scheme, taking into consideration capital and maintenance costs and revenue.

The following notes give some background to this question and should be considered in conjunction with the question.

1. The Pool Friends raised publicity for the outdoor pool during the last four years and during those four years, the average attendance (over the ~ 100 day season) increased substantially

from 6,000 (2007 - 2011)
to 10,200 (2012 - 2015)

Average increase over last 4 years = 70%, increasing like-for-like revenue by the same 70%.

2. Council Leader Matthew Barber and Leisure Portfolio holder, Elaine Ware, were told In April 2014, by a consultant engaged by the Pool Friends, that the pool must be relined, costing ~£100k for a simple relining: this was overdue, would make the pool more attractive and save on maintenance costs year on year. *[Note: revenue would then increase due to a further leap in attendance, raising prospects of increased opening hours and duration of season, so moving the pool operation toward profit.]*

3. The Vale Council and consultants recently supplied me with "estimated costs" (see footnote) upwards from £521,000 to refurbish the pool. See footnote, FN3. No published technical specification underlies this estimate, nor is there a response to requests to discuss technical details. Discussion and technical compromise might reduce some costs, postpone others and even remove some from consideration altogether. Grants could be raised and as it is well known, the criteria for some grant-giving foundations would influence design, so these criteria should be considered at the design stage (*the Pool Friends initiated raising grants upwards from £100k in 2007/8 - rejected!*). Progress towards a sustainable and inclusive scheme can only be made by working together with Pool Friends and the community.

4. Meanwhile Council Officers are understood to be wastefully drawing up detailed requests for tender on Abbey Meadow schemes which should not be pursued because they did not qualify anywhere nearly as highly in the public consultation as did the pool and its refurbishment.

FN3. Estimated costs used for "totally refurbishing" the pool were:

- main pool tank refurbishment (including the creation of a beach area) - £280,000*
- plant room upgrade - £195,000*
- replacement pool surround - £41,000*
- skimmers - £5,000"*

As neither member of the public was in attendance it was agreed to provide written responses.

5 Review of complaints received during 2015/16

The committee considered the chief executive's report which provided information and statistics about complaints received during 2015/16.

The committee was informed that, due to the fact that the annual review had been brought forward from September to this meeting, the Local Government Ombudsman's (LGO) annual report was not yet available. Once received, this would be circulated to members.

The committee noted that the number of complaints received by South Oxfordshire District Council in 2015/16 was broadly in line with the previous two years whereas complaints to Vale of White Horse had increased with approximately 40% relating to planning.

Appendices 2 and 3 to the report set out details of LGO decisions in 2015/16. It was agreed that the level of detail provided was not required where there had been no finding against either council.

RESOLVED: to note the review of complaints report 2015/16.

6 Impact of the corporate services outsourcing and 5 councils partnership on the internal control environment

At its meeting held on 21 March 2016, the committee expressed concerns about certain internal control weaknesses in existing services being delivered by Capita and those to be delivered by Capita and Vinci after 31 July 2016. Accordingly it considered a report from the strategic director and interim five councils partnership transition manager which set out the impact of the corporate services outsourcing and the five councils partnership on the internal control environment.

The report stated that several important existing internal control safeguards would continue unaffected by the outsourcings. In response to a question regarding the effect of staff turnover, the committee was informed that a steering group comprising director level officers at each of the partner councils would be recruiting a replacement transition manager. The councils had also created a joint client team comprising 25.5 full time equivalents to manage the contractors. To date, approximately half of this team had been recruited from existing client officers from each of the councils. The team was headed by a client relationship director who had been externally appointed.

In response to a question about internal audit's role in managing the risk of the project, the assurance manager reported that some flexibility had been built into the 2016/17 internal audit plan to enable internal audit to intervene should the need arise. She and the external auditors had met with the strategic director to discuss assurance matters relating to the outsourcing.

As this was likely to be Steve Bishop's final appearance before the committee, prior to his leaving his post, the chairman, on behalf of the committee, thanked him for his comprehensive report and wished him every success in the future.

RESOLVED: to note the report.

7 Agresso control environment

Further to the concerns expressed by the committee at its previous meeting regarding the control environment issues identified within recent audit reports and elsewhere, the committee considered a report from Capita which set out the findings from a review of the current procedures, controls and processes within the shared service centre accounts payable function. Capita's Head of Service - Finance and Accountancy Local Government Services attended to provide further information and answer questions.

The committee was informed that the quality of service delivered by Capita's accounts payable team in Shepton Mallett deteriorated a year ago following an abnormal increase in staff turnover. The problems had been exacerbated by the fact that the set up of the Agresso system used by South Oxfordshire and Vale of White Horse councils was unique to these councils and by the demarcation between accounts payable and income received staff.

These issues had been addressed by:

- The implementation of a business continuity plan
- The team being fully staffed with staff rotating between accounts payable and income received
- The Agresso system being decommissioned and replaced with Integra in 2017
- The Shepton Mallett service moving to Chichester to be part of a larger team.

Within last year's 15,335 accounts payable invoices, the review had identified the potential proportion of duplicate invoices to be in the region of 1.52% which would equate to 233 invoices across the two councils. In response to a member's request, Capita's Head of Service - Finance and Accountancy Local Government Services undertook to circulate to members the likely transaction value of these duplicates.

RESOLVED: to note the report.

8 Internal audit activity report - first quarter 2016/17

The committee considered the assurance manager's report on internal audit activity for the first quarter of 2016/17.

Eleven audits had been completed since the March committee meeting. Of these, four had received limited assurance and the key points and findings were presented to the committee.

Joint Project Management 2015/16

Members expressed concerns about the apparent inadequacy of the current project management framework and wished to see the report's recommendations implemented as soon as possible. They also suggested that, rather than develop their own systems and software, both councils utilise one of the existing project management systems.

Joint Elections and Election Payments 2015/16

In response to a member's question, the committee was informed that of the £14,464.67 underpayments to three town/parish councils, approximately £10,000 related to one council. These errors had been corrected.

Joint HR Recruitment 2015/16

The committee was informed that the failure to consistently carry out pre-employment checks in accordance with agreed procedures, as identified in the report, had occurred in the aftermath of the Crowmarsh fire and when two staff had been on maternity leave. The checks were now being carried out.

The committee noted the reasons why management had not agreed the report's recommendation to widen the range of officers who are subject to Disclosure Barring Service (DBS) checks to include those who have financial responsibilities and/or access to sensitive personal information. However, it was the Committee's view that staff who have access to sensitive information should be subject to DBS checks.

Joint Insurance 2015/16

The committee was informed that the recently appointed risk and insurance officer was currently compiling an action plan and assurance framework which would address all of the report's recommendations. This would be circulated to members as soon as possible.

Overdue recommendations

Appendix 2 to the report summarised all overdue recommendations within each service area. The committee congratulated the officers on the clarity of this appendix but expressed concern about the significant increase in the number of overdue recommendations relating to planning.

RESOLVED: to

- (a) note the internal audit activity report for the first quarter of 2015/16;
- (b) request that a follow up report on joint project management 2015/16 be submitted to the January 2017 meeting;
- (c) request the head of HR, IT and technical services and internal audit to resolve the issue of which posts are subject to DBS checks and report back to the committee;
- (d) request the risk and insurance officer to circulate the insurance renewal documentation to members of the committee for information; and
- (d) request the head of planning to attend the September 2016 meeting to report on the service's overdue recommendations.

9 Internal audit management report - first quarter 2016/17

The committee considered the assurance manager's management report on internal audit for the first quarter of 2016/17.

The committee was informed that the assurance manager was currently assessing with external audit the additional reviews to be undertaken on the five councils partnership. The impact of this partnership on internal audit and the manner in which reviews would be carried out across the five councils was not yet known but, as the three partner councils' outsourcing contracts would not come into effect until August 2017, there was time to resolve these matters.

RESOLVED: to note the internal audit management report for the first quarter of 2016/17.

10 Internal audit annual report 2015/16

The committee considered the assurance manager's annual report on internal audit activity during 2015/16.

The report stated that the assurance manager was satisfied that sufficient internal audit work has been undertaken to allow a reasonable conclusion to be drawn as to the adequacy and effectiveness of both council's risk management, control and governance processes.

Three areas were given full assurance – housing and council tax reduction scheme, national non-domestic rates and pro-active anti-fraud. Areas of weakness in the control environment had been identified in procurement, payroll, elections and election payments, creditor payments, insurance, the cash office, HR recruitment, partnership performance monitoring, project management and neighbourhood planning grants. Where internal audit identified weaknesses which required remedial action, recommendations had been made and discussed with officers.

Notwithstanding the assurance manager's overall opinions, internal audit had identified a number of opportunities for improving controls and procedures across the councils which officers had generally responded to positively

RESOLVED: to note the internal audit annual report 2015/2016

11 External auditor's fees letters

The committee considered the external auditor's letters on audit and certification fees for 2016/17. Andrew Brittain from EY reported that the indicative fee for South Oxfordshire District Council, based on past experience, would be £48,186 and, for the certification of claims and returns, the indicative fee was £9,623. For Vale of White Horse District Council, the respective fees were £47,129 and £12,488.

In response to a member's question, the committee was informed that planned fees for both councils in 2015/16 were likely to increase as a result of additional work carried out in relation to internal control issues. However, there was provision within the contract with Capita for both councils to claim back this additional expenditure.

RESOLVED: to note the external auditor's indicative fees for audit work in 2016/17.

12 Treasury outturn 2015-16

The committee considered the head of finance's report which monitored the treasury management activities of both South Oxfordshire and Vale of White Horse District councils for the financial year 2015/16.

The committee noted that both councils had remained within the prudential code limits set in the treasury management strategy and had exceeded their treasury budgeted income targets for 2015/16. During the year there had not been the need for either council to borrow.

In response to a member's question, the committee was informed that neither council had funds invested in European banks at present.

RESOLVED: to

- (a) note the treasury outturn report 2015/16; and
- (b) advise Cabinets that the committee is satisfied that the treasury activities in 2015/16 have been carried out in accordance with the treasury management strategy and policy.

13 Audit and governance work programme

The committee reviewed and noted its work programme which set out matters scheduled for consideration at future meetings.

The committee was informed that a report on the Local Government Ombudsman's findings and recommendations regarding two similar complaints from South Oxfordshire residents concerning a restriction on the sale of properties under Section 157 of the Housing Act 1985 would be submitted to the next meeting.

14 Exclusion of the public including the press

RESOLVED: that in accordance with Section 100A(4) of the Local Government Act 1972, the public, including the press, be excluded from the remainder of the meeting to prevent the disclosure to them of exempt information, as defined in Section 100(I) and Part 1 of Schedule 12A, as amended, to the Act when the following item is considered.

15 Internal audit report - planning application

The committee considered a report summarising the follow up of a recent internal audit investigation within development management, planning.

RESOLVED: to note the report.

The meeting closed at 8.30 pm

Chairman

Date