



Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Wednesday, 25 July 2018.

PRESENT

Mr. P. Bedford CC
Mr. G. A. Boulter CC
Mr. J. G. Coxon CC
Mr. T. Gillard CC

Mr. D. Jennings CC
Mr. J. Morgan CC
Mr. T. J. Richardson CC
Mr. S. D. Sheahan CC

73. Election of Chairman.

RESOLVED:

That Mr P. Bedford CC be elected Chairman for the period ending with the date of the Annual Meeting of the County Council in May 2019.

Mr P. Bedford CC – in the Chair

74. Election of Vice Chairman.

RESOLVED:

That Mr T. J. Richardson CC be elected Chairman for the period ending with the date of the Annual Meeting of the County Council in May 2019.

75. Minutes of the previous meeting.

The minutes of the meeting held on 23 April 2018 were taken as read, confirmed and signed.

76. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

77. Questions asked by members under Standing Order 7(3) and 7(5).

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

78. Urgent items.

There were no urgent items for consideration.

79. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

Mr T. J. Richardson CC declared a personal interest in agenda item 10: Quarterly Treasury Management Update, as he was in receipt of a pension from Lloyds Bank.

Mr D. A. Gamble CC declared a personal interest which might lead to bias in agenda item 11: Annual Report of the Director of Law and Governance on the operation of the Members' Code of Conduct, as he was a personal friend of, and had recently done business with, Mr. M. H. Charlesworth CC. He undertook to leave the room during consideration of this item.

80. External Audit of the Statement of Accounts, Annual Governance Statement and Pension Fund Accounts.

The Committee considered a report of the Director of Corporate Resources which set out the key findings from the external audit of the 2017/18 financial statements and sought approval of the draft letter of representation to KPMG, the Council's external auditors. A copy of the report, marked 'Agenda Item 8' is filed with these minutes.

The Chairman welcomed John Cornett of KPMG to the meeting. Mr Cornett said that officers of the County Council had been exemplary and very professional both in preparing the accounts in line with the new timetable, and in their support to KPMG in carrying out the external audit. He requested that they be thanked for their assistance.

In response to questions from Members, the following points were noted:

- (i) Two of the three key issues identified by the external audit (i.e. user access responsibility reviews and timely revocation of IT access for leavers) had already been addressed.
- (ii) Action regarding the payroll BACS authorisation was being taken. The Committee specifically sought reassurance that the authorisation process had been improved and that holiday rotas would be better managed to ensure such circumstances did not arise again in the future. Members also sought clarification of why an online dual authorisation system was not in operation for such payments.
- (iii) A key risk area related to the Authority's delivery of its MTFS. To achieve a balanced budget for 2018/19, £16.5m in identified savings had to be delivered. Further saving plans needed to be identified to address budget shortfalls in 2020/21 and 2021/22. The Council's plans were sound, but it would require difficult decisions to be made to carry these through to delivery.
- (iv) Systems in place to ensure asset valuations were credible had been tested and no issues had been identified. Valuations were carried out independently of the finance team and were appropriately challenged to ensure these were reasonable. Although some assets were valued on a 5 yearly cycle, those regarded as significant were assessed annually. Higher risk investments such as pooled property funds were monitored regularly throughout the year.

- (v) Any material misstatements identified as part of the audit were reported to the Committee either by officers or the auditors. However, no such misstatements had been identified this year.

The Chairman advised that this would be the last meeting attended by Mr Cornett on behalf of KPMG, as the Council's external auditors would now change to Grant Thornton in the next financial year. Members thanked him and KPMG for the work they had undertaken on behalf of the Council.

RESOLVED:

- (a) That the key findings from the external audit of the Council's 2017/18 financial statements be noted;
- (b) That the draft letter of representation attached as Appendix B to the report be approved;
- (c) That an update be provided to the Committee on the actions taken to address the weakness in the payroll BACS authorisation process identified in the audit and information provided on why an online dual authorisation system was not in operation.

81. Annual Treasury Management Report 2017/18.

The Committee considered a report of the Director of Corporate Resources which set out the actions taken and the performance achieved in respect of the treasury management activities of the Council in 2017/18. A copy of the report, marked 'Agenda Item 9', is filed with these minutes.

Members questioned whether the Council was joining the legal action being taken by some local authorities against banks for being mis-sold LOBO (Lender Option Borrower Option) loans. Members noted that such loans came in a variety of forms, some being quite controversial, as they allowed banks to raise interest rates even when market rates were declining, such loans often depended on Libor (the interbank lending rate) which banks had already been fined for manipulating.

The Director confirmed that the Council had some LOBO loans, but after having taken legal advice it had been determined that the loans held, were not likely to be impacted by LIBOR manipulation. The Council's loans were relatively standard products, hence it would not be appropriate for it to either take or join such an action, as costs would likely outweigh any possible benefits.

RESOLVED:

That the Annual Treasury Management Report for 2017/18 be noted.

82. Quarterly Treasury Management Update.

The Committee considered a report of the Director of Corporate Resources which provided an update on the actions taken in respect of treasury management in the quarter ended 29th June 2018. A copy of the report, marked 'Agenda Item 10', is filed with these minutes.

Members were advised that the risk of Northamptonshire County Council defaulting on a loan of £5m was considered to be very low. Repayment of the loan was due in January 2019. Further loans to other local authorities were not planned at present due to low returns when compared with other possible investment opportunities available.

RESOLVED:

That the actions taken in respect of treasury management in the quarter ending on 29th June 2018 be noted.

83. Annual Report of the Director of Law and Governance on the operation of the Members' Code of Conduct.

[Mr D. A. Gamble CC having declared an interest which might lead to bias in this item left the meeting at this point.]

The Committee considered a report of the Director of Law and Governance regarding the operation of the Council's Members' Code of Conduct from May 2017 to date. A copy of the report, marked 'Agenda Item 11', is filed with these minutes.

In response to questioning by members, the Director of Law and Governance confirmed:

- The deadline for Mr M. H. Charlesworth CC to send the letters of apology to the independent members of the Independent Remuneration Panel (IRP) had passed. No apology had been made.
- Mr Charlesworth had not given any reason for his decision not to apologise except to confirm that he stood by his comments.
- Mr S. J. Galton CC, Leader of the Liberal Democrat Group, had received a copy of Mr Charlesworth's response to the Monitoring Officer. Mr Galton had subsequently contacted the Monitoring Officer to discuss the matter and they were due to meet on Monday 30th July.
- The Committee had responsibility for promoting and maintaining high standards of conduct, but had limited powers to enforce sanctions against a member found to have breached the Members' Code of Conduct. If it wished to refer the matter further, its only option was to refer it to the full County Council.
- Mr Charlesworth's political group could take further action but no such action had been confirmed to date.

Arising from discussion, Members made the following points:

- (i) It was disappointing that Mr Charlesworth had decided not to apologise as ordered by the Member Conduct Panel. The Panel had been unanimous in its finding that Mr Charlesworth had breached the Code and in its decision that an apology would be appropriate and necessary.
- (ii) Mr Charlesworth's comments in the local media following the decision of the Member Conduct Panel had been inappropriate and risked further damaging the reputation of the Council.

- (iii) The complaints had been managed properly and in accordance with the Council's member conduct complaints procedure. It had been very disappointing that Mr Charlesworth had chosen not to engage throughout the process which had prolonged matters unnecessarily.
- (iv) The circumstances that led to the complaints against Mr Charlesworth reflected badly on the Authority as a whole. His statement which questioned the integrity of the three independent members of the IRP at a public meeting which was webcast live were unjustified and disrespectful and brought the whole Council into disrepute.
- (v) It was necessary to ensure integrity of the process and to make it clear to the public that any breach of the Members' Code of Conduct found to have occurred by the Member Conduct Panel following an investigation would be dealt with.
- (vi) A member suggested that, given the matter had begun in a public meeting of the full County Council, it would be appropriate for full Council to be advised of the decision of the Member Conduct Panel and Mr Charlesworth's response and refusal to apologise.
- (vii) It was further suggested that, if Mr Charlesworth continued to not apologise, the full Council should take collective responsibility and be asked to agree an apology to the independent members of the IRP on behalf of the Authority.
- (viii) A Member raised concern that referral to full Council might be premature and it would first be appropriate to refer the matter to the Liberal Democrat Group Leader to confirm what action, if any, the Liberal Democrat Group proposed to take. It was highlighted, however, that the proposed referral to full Council did not preclude action being taken either by the Group or Mr Charlesworth prior to its next meeting.

The Chairman advised that prior to the meeting he had notified officers of his concerns and asked that a draft resolution be prepared on this basis, Based on the discussion no held, he considered that this captured the issues predominantly raised by the Committee and asked that a copy be circulated at the meeting. A copy of the draft resolution was circulated and a copy of this is filed with these minutes.

It was moved by Mr Bedford, seconded by Mr Gillard and carried, 7 members voting for the motion and 1 abstaining:

- (a) That the report on the operation of the Members Code of Conduct and complaints received since May 2017 be noted;
- (b) That the unanimous decision of the Member Conduct Panel that Mr. M. H. Charlesworth CC had breached the Council's Members' Code of Conduct in that his comments made at the County Council meeting held on 27th September 2017 which questioned the independence of three members of the Independent Remuneration Panel (IRP) were 'unwarranted, unjustified and personalised', did not treat members of the IRP with respect, and thereby brought the Authority into disrepute, be noted;

- (c) That the response received by the Monitoring Officer from Mr. Charlesworth to the findings of the Member Conduct Panel and his decision to refuse to apologise to the members of the IRP as ordered by the Panel be noted with disappointment and regret;
- (d) That the County Council be advised of the outcome of the meeting of the Member Conduct Panel held on 26th June 2018 following the investigation into the conduct of Mr. Charlesworth, and of his refusal to accept the Panel's findings and decision not to apologise for his conduct;
- (e) That in view of the fact that Mr. Charlesworth's conduct had brought the Authority into disrepute, the full Council be asked to agree an apology to the members of the IRP.

[Mr D. A. Gamble CC returned to the meeting.]

84. Risk Management Update.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an overview of key risks faced by the Authority and the measures being taken to address them. The report also provided an update on Counter Fraud and Insurance and set out proposals to undertake a Risk Management Maturity Health Check. A copy of the report, marked 'Agenda Item 12', is filed with these minutes.

The Committee also received a presentation on risk 3.6 on the Corporate Risk Register: If a replacement Enterprise Resource Planning (ERP) system is not implemented successfully the Council will not reap the benefits and the Council's financial and HR activities could be negatively impacted upon. A copy of the presentation slides is filed with these minutes.

Presentation – Replacement ERP system

- (i) Members welcomed the approach adopted to mitigate risks and the proposed phased approach which would allow for rigorous testing at each stage.
- (ii) Oracle Fusion had been on the market for approximately 5 years and it had been selected by 5000 organisations as their ERP system of choice. The Authority was in contact with some of these organisations to ensure experiences were shared and learned from.
- (iii) At the point of implementation, the Council would receive the most up to date version of the software that was available.
- (iv) Savings from the new system would not be generated until the second year of implementation. During the first year, the Authority would need to run both the current and new ERP system simultaneously to allow time for further testing and to ensure arrangements were properly bedded in.
- (v) Prior to migration to the new system a full and comprehensive programme of work needed to be undertaken to assess circa 200 data objects. Data cleansing had been undertaken under the current system but this had been done on an ad hoc basis as part of 'business as usual'. It was intended that, going forward, a more structured approach to data cleansing would be

undertaken to ensure the new system continued to operate as effectively as possible.

Risk Register

- (vi) Risk 1.3: S106 monies not being managed properly. A recent report to the Cabinet had confirmed that over the past five years around £900,000 S106 funding has been repaid to developers. Such repayments related to bus passes, bus services and some capital works. Members questioned whether any S106 monies allocated for services such as education had had to be repaid. The Director undertook to confirm whether or not this was case after the meeting.
- (vii) Risk 1.7: Compliance with HMRC IR35 – employment of self-employed personnel. The Council could be non-compliant as a number of officers operated on agency contracts or were registered as self-employed e.g. social workers, IT consultants, construction workers. The matter was being looked into and policies and processes were being improved to address this.
- (viii) A member questioned the impact of recent reports that Fosse Healthcare, a company which provided home and health care services on behalf of the Authority, had failed to correctly pay its employees. The Director undertook to look into the matter and provide a response to members after the meeting.

RESOLVED:

- (a) That the current status of the strategic risks and emerging risks facing the Council, as detailed in the report and the Council's Corporate Risk Register, be noted;
- (b) That the update regarding counter fraud initiatives and insurance be noted;
- (c) That proposals for the managing agent of the Council's current insurers, Risk Management Partners, to undertake an external assessment of the Council's risk management arrangements, as detailed in paragraphs 18 to 23 of the report, be supported.

85. Internal Audit Service Progress Report.

The Committee considered a report of the Director of Corporate Resources which provided a summary of progress against the Internal Audit Plan for 2017-18 and of work conducted in 2018-19. It also advised of progress on the implementation of high importance recommendations. A copy of the report, marked 'Agenda Item 13', is filed with these minutes.

RESOLVED:

That the Internal Audit Service Annual report for 2017-18 be noted.

86. Internal Audit Service Audit Plan for 2018/19.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide members with information about the County Council's outline Internal Audit Plan for 2018/19 and internal audit resources allocated both to other

assurance functions and in providing services to other organisations. A copy of the report, marked 'Agenda Item 14' is filed with these notes.

Members asked officers to consider the possibility of improving access to audit reports. It was acknowledged that this might be difficult given data security and the volume of audits undertaken and in progress. Members were reminded that copies of completed audits could be provided upon request on a confidential basis. The Director undertook to consider options to ensure members' needs were being met in this area.

RESOLVED:

That the Internal Audit Plan for 2018-19 be noted.

87. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on 24th October 2018 at 10.00am.

2.30 - 4.25 pm
25 July 2018

CHAIRMAN