

AUDIT AND PERFORMANCE REVIEW PANEL

WEDNESDAY, 14 DECEMBER 2016

PRESENT: Councillors Paul Brimacombe (Chairman), Stuart Carroll, Jack Rankin, MJ Saunders and Edward Wilson.

Officers: Terry Baldwin, Elizabeth Moore, Rob Stubbs, Steve Mapply, Catherine Hickman, Sheldon Hall and David Cook.

APOLOGIES

Apologies for absence were received by Cllr L Evans and Cllr Jones.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

The Part I minutes of the meeting held on 26 October 2016 were approved as a true and correct record subject to the following additions circulated before the meeting:

'The Part I minutes of the meeting held on 30 August 2016 were approved as a true and correct record subject to the following amendments and actions arising:

- Page 7, remove 'to the' before Berkshire Pension Fund as it was repeated.
- Page 8, transfer of Audit Regulations. The chairman had met with Cllr Saunders about this coming to the Audit Panel, awaiting progress from finance and KPMG.
- Page 9 the Chairman mentioned Cllr Smith recommended that the charts on pages 9 and 10 of the Annual Accounts report would have benefited from five years of comparative data and recommended that this be added to future reports. The Panel were informed that this would be added to future reports.
- Cllr Rankin had mentioned that the charts on page 10 of the Annual Accounts would benefit from explanation notes. The Chairman requested that this be actioned.
- Page 10, Transformation Programme. The Panel requested that the number of training days be added to future reports. The Chairman requested that this be actioned.
- Page 10, it was requested that the Leadership document be circulated to the Panel; this had not yet happened.
- Page 11, on demand training / coaching for managers. The Panel would be interested to know how this went.'

The Chairman mentioned that on page 11 of the minutes of 26 October 2016 Cllr Wilson had asked for 'Do not Dump' signs. The Chairman asked for an update if these were being produced.

RESERVES, CAPITAL EXPENDITURE AND DEBT

The Chairman mentioned that he had requested that this item be brought to the Panel as there had been reduced cash flow balances and a potential increase in corporately funded capital projects and reassurance was required to ensure the Council held sufficient reserves to cover known risks.

He mentioned that it would be useful to have a pen picture of the situation to reassure people that the Council's resources were going to meet the ebb and flow of everyday expenditure, able to fund medium sized projects and provide insight into larger capital spend projects that were significant for an organisation this size.

The Lead Member for Finance Cllr Saunders, informed the Panel that it would be useful if he could summarise the policy elements on behalf of Cabinet and that officers provide answers to any questions on implementation. He mentioned that there were three important parts to the story.

First there was what policy had previously been adopted that had left with significant cash buffers being reduced that resulted in Cabinet giving delegated authority to himself and officers to borrow as necessary £15 million before the end of this financial year.

Secondly what we are anticipating to endeavour next year that would need to go into the budget build.

Thirdly an indication of the flight path for the more substantial cash flow implications of the regeneration programme.

Cllr Saunders informed the Panel that over the last few years the Council had decided to make a number of strategic capital expenditure, such as school expansion and new library. Historically loans would have been taken to fund these projects however it had been decided that instead of loans the Council would use its reserves to fund capital projects saving about £150k in interest rates. The Panel were informed that as demonstrated in the Financial Update reports this policy was not sustainable and thus it had been decided to borrow up to £15 million a required.

The Chairman used the analogy of a homeowner using their current account to purchase white goods but as their balance approached zero they would ask the bank for an overdraft.

Cllr E Wilson questioned why funding from the LEP for projects was considered RBWM money. The Panel were informed that LEP funding was ring-fenced for specific projects, however RBWM was the accountable body for holding and distributing the funds.

Cllr E Wilson commented that we were borrowing money from the LEP and Cllr Saunders informed that he would not describe it in that way, it was similar to the DSG where funding was restricted for certain usage but did go through our cash balances.

Cllr Saunders informed that it was unfortunate that this had been raised before next years budget build process had been completed as the Budget report will have cash flow movement for the coming year. The Council could not ignore cash flow travel over the next 12 months and the budget would show implications for projects approved for the year. We could not at this stage say what borrowing above the £15 million may be required for 2017/18.

The Chairman mentioned that we may go into short term debt to offset future revenue and that we were not selling our assets to fund today's projects. The Chairman questioned if we were maintaining our capital integrity in the medium term.

The Chairman mentioned that we have retained assets, such as Bocket, to bring in long term revenue rather than selling for short term gain. Whilst also selling certain assets, such as the leisure centre, but re-invested into other assets to enhance our future portfolio. We may have to make bold decisions with our assets in the future.

Cllr Carroll asked when we were investing into regeneration projects did we have a target date when they would provide capital receipts. Cllr Saunders informed the Panel that the Budget paper would bring to life the issues discussed today. The Council did not rush into every

opportunity, for example did not compete for the bowling green, as we would only make purchases were the opportunities were fully returnable. The Council had not become a property developer who took big risks. There was also investment being put in early so that future projects could be realised for example improving car parks before demand increased.

The Panel were informed that there were also capital projects being invested in that would not provide a capital receipt but were justifiable, such as investing in our schools and the redevelopment of York House.

Cllr E Wilson mentioned that it was important to make it clear to the public why the Council required a £15 million loan, it could be seen that the Council was facing financial difficulties rather than the loan being offset by future revenue. He also mentioned that the public may question the expenditure on expensive consultants when they do not see investment in improving the condition of our highways.

Councillor Saunders responded that a little knowledge could be dangerous and thus Members and officers would seek to explain clearly and honestly what is being planned. It was important that we get a clear, simple and understandable message across.

Cllr E Wilson asked if the pre feasibility fees came out of the current years revenue budget. The Panel were informed that they did not come from the revenue budget they were capitalised or charged to the development fund.

The Chairman thanked Cllr Saunders for presenting the item and said it was an important issue that the Panel would review again when appropriate.

2016-17 SHARED AUDIT AND INVESTIGATION SERVICE INTERIM REPORT

The Panel considered the report that summarised the Shared Audit and Investigation Service activity, including progress in achieving the 2016/17 Internal Audit Plan during the first six months of 2016/17 to 30 September 2016.

The Panel were informed that following recommendations from this Panel since April 2016 management have been given the opportunity to implement agreed countermeasures within one month of the issue of the draft report that could result in a change to the overall audit opinion awarded at final report stage. There have been no audits at Final Report Stage in 2016/17 to date where there has been a change in overall audit opinion awarded.

Of the audits completed to date, including those carried forward from 2015/16, five had resulted in the third category of opinion. Management actions have been agreed for each of the audits and CMT were comfortable with the mitigating actions proposed. One audit had a 'complete and effective' opinion whilst 9 were 'substantially complete and generally effective'.

The Chairman mentioned that with regards to Payroll it had been decided to keep the service in house and asked if there were any concerns with the service getting an audit opinion of 3. The Panel were informed that there were no concerns as all the actions arising from the audit had been implemented and that there would be a further review in quarter 4.

Cllr E Wilson asked for clarification on under Tree Management what was meant by the 'basic' inspection of trees and was informed that this was because some were not in line with Government guidelines. The Chairman said he would ask for Tree Management to be revisited by this Panel at an appropriate future meeting.

Cllr E Wilson also asked if there had been any audit work undertaken prior to the delivering differently projects and any implications for areas requiring improvement. The Panel were informed that this had been undertaken as part of the due diligence for each proposal.

Resolved unanimously: that the Panel note the Shared Audit and Investigation Service activity for the six months ending 30 September 2016.

RBWM KEY RISKS REPORT

The Panel considered the report that showed that adequate risk management was in place for RBWM and that the Panel endorse the approach to risk management as part of its governance arrangements.

The Panel were informed that key strategic risks were last presented to APRP Members at their meeting in April 2016. A current summary of these risks were contained in appendix A. Similar reports existed for the operational risks covering other matters.

Appendix B detailed the key successes in risk management since the most recent strategy report was considered by Panel and an extract from the new style of the key strategic risk register had been included.

There had been joint working with the Shared Audit Team, for example on tree management, and a number of risk management induction sessions had been run to help imbed risk management in the organisation.

The Chairman mentioned that a definition of risk should be included in all reports / documents regarding risk. He also mentioned that possibility and impact were included but there was no mention of proximity.

Cllr E Wilson recommended that an area that may need to be looked at was conflicts of interest as the organisation changed and we delivered differently via external bodies where our Councillors were on Boards or where our assets were controlled by academies.

Resolved unanimously: that the Panel endorse the approach to managing risk.

HUMAN RESOURCES

The Panel were informed that the Council had approved a Transformation Plan containing three strands; Knowing our Services, Having the Right People and Tools and the Delivering Differently programme. The report and presentation provided a second update to Panel on the progress being made with the Having the Right People and Tools strand.

The Panel were informed that a number of initiatives had been undertaken and details were included in the report they were:

- Council wide comprehensive training needs analysis.
- 21st Century Public Servant research.
- Senior Leadership Principles.
- Senior management support to lead and manage through change.

There had also been a Council wide training needs analysis undertaken to identify mandatory, statutory and developmental training requirements with examples being provided to the Panel.

The Panel were informed that the University of Birmingham had been commissioned to undertake work that outlined how the workforce of the public sector was changing in the 21st century, and the types of skills required were evolving.

The results highlighted four specific skill sets that would be required in leadership:

- Soft skills
- Leadership

- Commerciality
- Agility

The Panel were informed of the importance of these skills for RBWM due to the transformation strategy that aimed to make RBWM a modern dynamic Council. The report provided details on training provided covering the skill sets mentioned above.

With regards to RBWM Leadership Principles the Panel were informed that the Leadership Strategy was launched in October 2016 and recognised leaders at all levels.

The Panel was also given examples of initiatives for supporting management and staff through change, for example on demand coaching.

The Chairman asked what actions had been taken as a result of the training needs analysis and was informed that a single training calendar for the whole year had been introduced with causes being linked to our strategic priorities. There was the removal of duplication of courses and better training delivery. It was also important that everyone had the required skill set and had undertaken the mandatory training.

The Chairman also asked what was the training focused on for those joining the authority and if we were actively engaged with staff being transferred. The Panel were informed that there was a focus on change management and resilience training and that it was important to equip manager for our performance mechanisms. Absence management and mental health awareness was due to be added to the programme in 2017. With regards to staff transferring to AFC or Optalis HR would be working with the organisations regarding training requirements.

Cllr E Wilson asked if we should still be providing training to Optalis 2 years into the contract and was informed that training requirements would be transferred after the first year of the contract.

The chairman asked what additional training was planned in the future and was informed that there would be continued management training around the 21st Century Public Sector and skills required for delivering differently such as contract management and relationship building.

With regards to the 21st Century Public Sector training the Chairman mentioned that a lot of the training mention in the report focused on the journey rather than the destination. In the public sector there would be more focus on results. The Panel were informed that the 21C helped support a lot of change that was being undertaken and the first aim was to be more agile.

Cllr E Wilson mentioned that with all the change being undertaken it was important to have effective communication to residents that showed better outcomes.

With regarding to leadership management the Chairman asked if we were using management to have willing co-operation during change or using coercion. The Panel were informed that there had been training to help managers during this period of change and there were different skills required depending on the situation. The staff were kept informed during the process and their views have been sought.

The Chairman asked if the on demand coaching service had been used and was informed that 80 sessions had been booked and since October 2016 12 had been used, it was expected that update would increase.

The Panel noted the update and the Chairman informed that a further progress report would be brought back to the Panel in 2017.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED UNANIMOUSLY: That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting whilst discussion takes place on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1-7 of part I of Schedule 12A of the Act.

The meeting, which began at 7.00 pm, finished at 9.15 pm

CHAIRMAN.....

DATE.....