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## AUDIT AND PERFORMANCE REVIEW PANEL

THURSDAY, 16 FEBRUARY 2017

PRESENT: Councillors Paul Brimacombe (Chairman), Dr Lilly Evans, Lynne Jones, MJ Saunders, John Story, Colin Rayner and Adam Smith (Vice-Chairman)

Officers: Russell O'Keefe, Andy Jeffs, Robb Stubbs, Richard Bunn, Catherine Hickman, Sheldon Hall and David Cook.

### APOLOGIES

Apologies for absence were received by Cllr Rankin, Cllr E Wilson and Cllr Carroll. Cllr Story and Cllr C Rayner attended as substitutes.

### DECLARATIONS OF INTEREST

There were no declarations of interest received.

### MINUTES

The Part I minutes of the meeting held on 14 December 2016 were approved as a true and correct record. It was noted that Tree Management would be added to the 2017/18 Panel work programme.

### BUDGET 2017/18

The Panel were addressed by Cllr Saunders, Lead Member for Finance, on the 2017/18 Budget which Cabinet had approved and would be going to Council. As the Budget had already been presented to all Scrutiny Panels and Cabinet he informed he would give a brief overview to the Panel.

Cllr Saunders informed that Panel that the proposed budget contained an increase in revenue investment of about £2.5 million to help protect the most vulnerable people in the Borough. Examples of increased investment included £1 million added for adult social care, £400k for expanding the practical support for homeless residents, £330k for rising home to school transport for special needs pupils requirements and £120k over three years for increasing early years pupil premium spend.

There was also proposed investment in the Planning Department, for tree maintenance and investment for our voluntary organisations providing community needs.

The proposed council tax increase was 0.95 percent which was lower than the retail price index. There was also a proposal to increase the adult social care precept by three percent. This increase was about half the amount that an authority could increase council tax without having a local referendum.

The Panel were informed that the proposals meant that a band D property would pay £961.46 for their council tax.

With regards to Fees and Charges the Panel were informed that the majority of charges would see no increase in real terms. There had been a few increases that brought the borough in line with neighbouring authorities where we had been significantly under charging in the past.

With regards to Capital investment Cllr Saunders informed the Panel that he had previously presented the need to change the way the authority funded their major capital projects. 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 no longer sustainable and thus it had been decided borrow money for capital projects.

It was proposed that over the next year about £75 million would be spent on capital projects that included a further £12.1 million for the ongoing schools expansion plan, £14.5 million for stage one of the new leisure centre, £9.4 million for stage one expansion of Broadway Car Park, £9.2 million enhancing York House, Windsor, £8.3 million for other property and parking improvement, £4.5 million for the consolidation of the St Clouds Way development site and £1.6 million for LED street lighting.

The Panel were also informed that with regards to Business Rates it was proposed that there would be a local newspaper business rate relief of £1,500 per title, all locally controlled rate reliefs maintained, rural rate relief extended and redefined and relief for reinvigorating vacant retail units to be extended to all commercial and industrial premises.

The Chairman mentioned that we were proposing a small core council tax increase of 0.95% yet the report also showed saving proposals; he questioned if the level of council tax had been politically motivated. Cllr Saunders informed the Panel that the 0.95% increase had been set after all areas of the organisation had identified need and savings which resulted in a requirement to increase council tax by 0.95%. the organisation could have decided to increase council tax further but this would have just been to increase our reserves.

The Chairman asked what were the expected level of reserves to be at year end and Cllr Saunders informed that the reserves would be at the same level as at the start of the year. £2 million would be transferred from revenue support grant to the development fund and that a balanced budget had been set.

The Chairman mentioned that to have set council tax higher just to have built up reserves would have been showing a lack of confidence in the proposed budget.

Cllr Story questioned the £150 million capital receipts expected from Maidenhead regeneration projects and how reliable this figure was. Cllr Saunders informed that the £150 million was the lowest level expected, as with any development project this was not guaranteed but a reasonable low end figure. Each element of the Maidenhead regeneration project would be subject to future decisions.

Cllr Story mentioned that the parish precepts showed some increasing whilst others had decreases and asked if Council just noted this or are they challenged. Cllr Saunders replied that in principle the parish precepts were just noted, however if a parish council was receiving financial support from the Council and increased its precept then they would be challenged.

Cllr Story also questioned the 50% budget assumptions with regards to the risks that we could not maintain our costs and asked if this had been set too high. The Panel were informed that this related to demand management and the volatility of care packages. It was an assessment of what a prudent level of reserves should be and there was no assumption that they would be required.

Cllr Smith questioned the financing of the Capital Programme. Cllr Saunders informed that there was funding for the Capital Programme presented to the steering group and separate to this were the Boroughs strategic capital expenditure such as York House and the schools expansion programme. Such projects were funded by additional loans that would be paid by the regeneration projects.

Cllr Jones asked if it was possible to show Parish Council increases / decreases as a cash figure as well as a percentage; for example Old Windsor precept up by 5% but this relates to a £2 increase.

Cllr Rayner mentioned that the Thames Flood Prioritisation Scheme would be looking for more money in future years and asked if this had been budgeted for. Cllr Saunders replied that in 2018 there would still be room to pay for additional requirements out of the £150 million and still have a reduction in debt.

The Chairman mentioned that with regards to the regeneration projects the public could see it as good news that the Council is getting the work done or see it as spending future money. Cllr Saunders replied that the Council has to explain why we are taking such decisions and that we are doing it with integrity.

**Resolved unanimously: that the Panel supports the recommendations in the report and recommends that future reports include the monetary value of changes to Parish Council Precepts.**

### APPOINTMENT OF EXTERNAL AUDITORS

The Panel received a presentation from KPMG on the new arrangement and options for the appointment of Auditors for the audit of the 2018/19 accounts. This was accompanied by a report that set out procurement options, that included the option of accepting an offer from the Public Sector Audit Appointments (PSAA) board which required a recommendation from the Panel to Council.

KPMG's presentation showed the four options before the Panel with pros and cons for each; the four options were:

- Roll forward incumbent - a short term option if you wanted to continue with your current auditor.
- Stand-alone tender - Tendering for your audit service as a stand-alone contract.
- Combined tender - Collaborative procurement with one or more other authorities.
- Sector led - Opting into national collaborative procurement by a third party.

The Panel were informed that the key question was how much autonomy as a local authority you wanted. If the Panel wished to recommend that the Council accepts the offer from PSAA then there was a deadline of 8<sup>th</sup> March 2017.

The Chairman reported that appointing PSAA would decrease the authorities choice but would mean that national fully qualified auditors would be appointed. The fees would be lower and no risk associated with this decision, however the perception would be we have no control. KPMG informed that with either option only a small selection of accredited auditors would be chosen.

Cllr C Rayner questioned what reassurances would we get with the appointment of the external auditors and with the delivering differently programme questioned if the authority was spending a sufficient amount for audit work during a period of change. KPMG informed that pages 11 and 12 of the presentation showed the key considerations for appointing auditors. With regards to price it said that the fees must be sufficient to provide a good quality service taking account of the scale, nature and risk profile of your organisation.

(Cllr Dr L Evans joined the meeting)

Councillor Rayner mentioned that going with the reports recommendation to appoint PSAA did not give sufficient time to consider the other options. He felt that we should stay with KPMG whilst looking at the other options with a decision being made in a years time.

The Chairman asked that if RBWM decided not to opt for PSAA before March 2017 would there be an opportunity to join later. KPMG informed the Panel that if RBWM opted in before March 2017 then this would be for five years. With regards to joining after March they were not aware of any reasons why this would not be possible.

The Chairman questioned what the benefits of not appointing PSAA would be and Cllr Rayner said it would give the Panel time to do due diligence prior to being locked into a five year contract.

The Chairman also asked that as the authority was going to be about 50% smaller due to delivering differently would the audit fees reduce. The Panel were informed that it was expected that fees would be based on historical data and would increase by inflation. It was not known what would happen to fees when an authority's size changed.

Cllr Saunders reported that as going through our own tender process seemed to be one of the less favourable options we were left with going with the low risk option of using PSAA, which other Councils were choosing, and thus the question was why should we do anything differently. The other option would be to roll forward with our current auditors.

Cllr Saunders mentioned that although officers and himself, as Lead Member, were recommending the default option of joining PSAA it was important to remember that we may be offered new auditors which from experience was a difficult first year as both parties formed an understanding. An effective audit needed to consist of intelligence, integrity and a good relationship. The question was do we go down the path of least resistance or stay with our current auditors who we have a good relationship.

Cllr Rayner recommended that we stay with our current auditors for at least one more year.

The Chairman asked how many years we could stay with our current auditors and KPMG replied that the Government had not set such a timescale but they would not recommend more than three years.

Councillors Smith and Dr L Evans also recommended that we stay with our current auditors as a preferred option.

The Head of Finance and Deputy Director of Corporate and Community Services informed the Panel that there may still need to be a procurement exercise to appoint our current auditors and questioned if we would still need a separate audit panel. KPMG replied that they would expect that a separate independent audit panel would still be required.

The Strategic Director of Corporate and Community Services said that as the Panel's decision related to the appointment of external auditors with the authorities current auditors being present that the discuss and decision should be taken under Part II – Private meeting.

## ANNUAL REPORT ON GRANTS AND RETURNS 2015/16

KPMG introduced the report that summarised the results of work they had carried out on the Council's 2015/16 grant claims and returns. This included the work they had completed under the Public Sector Audit Appointment certification arrangements, as well as the work completed on other grants / returns under separate engagement terms.

Cllr Saunders mentioned that there had been fewer errors found but asked if there had been any financial irregularities found. The Panel were informed that it was expected that there would be some errors found when reviewing benefit claims.

**Resolved unanimously: that the report be noted.**

## ANNUAL AUDIT PLAN

The Panel considered the report that recommended that the Panel approved the 2017/18 Draft Internal Audit and Investigation Plan. It was noted that appendix 1 had two elements of the plan missing and this would be added to the RBWM website. The plan was based on risk management and the delivering differently programme.

Cllr Smith asked if officers were happy with the planned audits and asked if there were sufficient days set to cover required investigations. The Panel were informed that audits had been set via the risk register and that there was sufficient time set to cover planned audits and time for additional requests.

**Resolved unanimously: that the Panel approved the 2017/18 Draft Internal Audit and Investigation Plan.**

## 2017/18 INTERNAL AUDIT PLAN, CHARTER

The Panel considered the report which asked them to approve the 2017/18 Internal Audit Charter, which will be effective from 1 April 2017. This recommendation was being made to ensure that the Council achieves industry best practice by complying with the Public Sector Internal Audit Standards (PSIAS).

The Panel were informed that tracked changes had been added to the charter to show any changes made since the report was considered last year.

**Resolved unanimously: that the Panel approved the 2017/18 Internal Audit Charter.**

## TRANSFORMATION STRATEGY - DELIVERING DIFFERENTLY

The Panel received a presentation on the progress of the RBWM Transformation Programme Delivering Differently.

The Panel were informed that by 2018 it was expected that the outcomes of the programme would be a Council that was resident focused, provided value for money, delivered together and was equipped for the future.

There were three stands to achieving these outcomes (knowing our services, having the right people and tools and delivering differently) and the presentation focused on the delivering differently strand.

The delivering differently outcomes were expected to be a range of services delivered locally, better use made of digital service, mixture of operating model, commercial activity developed and a creative use of assets.

The presentation provided the following update on progress for each of the above outcomes:

Services delivered locally – it was proposed to merge Customer Services and Culture, Library and Registration to create a new Customer Experience service. Cabinet and Employment Panel approval given and the following delivery dates were on target; June 2017 (Windsor Library) / July 2017 (Maidenhead and Ascot Library).

The Chairman mentioned that he was a great supporter of our libraries and felt that the proposals would result in a vibrant service.

Cllr Jones asked what staff reaction had been to the changes and was informed that no one would work longer hours but the hours worked would be varied. Staff reaction had been varied and they had put forward an alternative model that was under review.

Better use made of digital services – There was a planned expansion of services accessible by digital channel targeting 14 key service areas initially and a refresh of the RBWM website to enable easier access to services digitally. The project was on track to be delivered by March 2017.

The Panel noted that even when there was only 6 services available via the digital channel there was still 7000 residents with a My Account.

Mixture of operating models – planned provision of services via Achieving for Children and Optalis were on track. With the additional of other services such as Highways and Streetcare about 49% of the Councils budget would be given to shared services.

The Chairman mentioned that there had been a number of drop in sessions for staff and asked if they had been well received. The Panel were informed that there had been positive feedback and more sessions were planned.

The Chairman also mentioned that with regards to parking enforcement they could be concern raised about over vigilance. The Panel were informed that a pilot had been undertaken in Maidenhead and negative feedback was used to help scope proposals. It was not possible to incentivise enforcement.

Commercial activity developed – additional commercial activity had been developed including the NRSWA Permit Scheme, Debt Recovery / Enforcement Services and Revenues / Benefits Services.

The Chairman asked what percentage of the transformation strategy had been achieved and was informed that it was about 70% with the remainder being on track to meet target dates.

Cllr Jones mentioned that certain savings were being proposed by the strategy but she had not been able to get sufficient information from offers on these. The Chairman said that if Cllr Jones writes to him about the information required he would request the information as Panel Chairman.

The presentation was noted.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE 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 5.00 pm, finished at 7.35 pm

CHAIRMAN.....

DATE.....