

CORPORATE AFFAIRS AND AUDIT COMMITTEE

A meeting of the Corporate Affairs and Audit Committee was held on Tuesday 15 August 2023.

PRESENT: Councillors J Ewan (Chair), J Kabuye (Vice-Chair), D Coupe, B Hubbard and S Platt, J Rostron (as substitute for Cllr M Storey) and J Walker (as substitute for Cllr I Blades)

ALSO IN ATTENDANCE: C Cooke, Elected Mayor, P Jeffrey (Internal Auditor) (Veritau), M Rutter (External Auditor) (Ernst Young), S Reid (External Auditor) (Ernst Young), M Thomas (Internal Auditor) (Veritau), Gibby (CIPFA) and Humphrey (CIPFA)

OFFICERS: S Lightwing, C Benjamin, J Weston, C Heaphy, D Middleton and L Grabham

APOLOGIES FOR ABSENCE: were submitted on behalf of Councillors I Blades and M Storey

22/13 **WELCOME AND EVACUATION PROCEDURE**

The Chair welcomed all present to the meeting and read out the Building Evacuation Procedure.

22/14 **DECLARATIONS OF INTEREST**

| Name of Member | Type of Interest | Item/Nature of Interest |
|--------------------|----------------------|---|
| Councillor Hubbard | Non Pecuniary | Agenda Item 8 – Middlesbrough Development Company (MDC) carried out work in Councillor Hubbard's Ward |
| Justin Weston | Personal/Prejudicial | Agenda Item 8 – Non Executive Director of Middlesbrough Development Company (MDC) |

22/15 **MINUTES - CORPORATE AFFAIRS AND AUDIT COMMITTEE - 20 JULY 2023**

The minutes of the Corporate Affairs meeting held on 20 July 2023 were submitted and approved as a correct record.

22/16 **ANNUAL COMPLAINTS REPORT 2021 - 2023**

A report of the Director of Legal and Governance Services was presented to provide the Committee with information about how the Council managed complaints made by local people. The report provided a summary of complaints submitted in the period 2021/2022 alongside their outcomes to demonstrate how the Council continued to learn from complaints and strengthen the complaints process.

The report provided a summary of corporate and statutory complaints covering the period 1 April 2021 to 31 March 2023. Appendix 1 to the submitted report set out the data and included:

- Volume of complaints.
- The number of complaints that were escalated to the Local Government and Social Care Ombudsman (LGSCO).
- Volume of complaints broken down by directorate.
- The outcome of complaints investigations by department.
- The percentage of complaints that were responded to in time by each department.
- Tees Valley Local Authority comparative performance in relation to complaints.

The data showed that while there had been an increase in the total volume of complaints received by the Council in 22/23, this did not translate into a corresponding increase in the percentage upheld after internal investigation. This dropped from 58.4% (21/22) to 50.5%

(22/23).

The outcome of complaints investigated by the LGSCO and the lessons the Council had learned from them were detailed in paragraphs 48 to 54 of the submitted report.

The report also provided further detail in relation to Children's and Adults' statutory complaints, directorate performance and timeliness of complaints handling.

The Council's central team also captured compliments that were submitted, however they were at a lower level. From the period April 2021 to March 2023, the central team received 46 compliments. Compliments received in other services were not centrally tracked unless passed to the central team.

The top three complaints categories continued to remain the same over the last three years. The categories with the highest number of complaints were typically those with the most contacts with customers, and as such the top three categories of complaints within the Council for the two year period were:

- Missed bin collections.
- Bin not delivered.
- Social Worker behaviour.

In relation to complaints regarding bins not delivered, it was queried whether this was a relatively new issue. The Director agreed to seek further information and provide a response. A Member commented that this situation needed addressing as lack of bins increased the number of complaints from residents in relation to bagged rubbish and fly tipping, which in turn was detrimental to the neighbourhood. The Interim Chief Executive explained that he was working with Environmental Services to understand the problems and provide resolution as quickly as possible.

A lessons learned field had been added to the ICT system used to track complaints. This allowed highlighting of issues and trends and the monitoring of improvements and actions going forward. For ongoing complaints, training continued to be available and regular meetings were held with service leads to discuss and manage complaints. Monthly performance data was also reported to support action to address compliance with complaints timescales.

The Council was committed to building on the progress that had been made to date to improve its approach to complaints, and over the next twelve months the following actions would be taken:

- Assess and review the impact of recently implemented additional measures to address the volumes of complaints about delivery of new/replacement bins.
- Improve the timeliness of children's services complaints management by implementing a new complaints process to improve use of early resolution.
- Introduce a complainant satisfaction questionnaire to identify further opportunity to improve practice.

AGREED that:

1. the Committee noted the complaints statistics and trends, the outcomes and lessons learned from these, and planned actions to further strengthen the management of complaints over the next twelve months.
2. the Director of Legal Services would provide a response in relation to the query regarding the delivery of new bins.

22/17

REVIEW OF FINANCIAL REGULATIONS

A report of the Interim Director of Finance was presented, the purpose of which was to present an updated set of Finance and Contract Procedure Rules for the Council. This was in the context of a refreshed Constitution, of which the financial regulations were an integral part, plus governance concerns from both the external auditor and central government regarding how the Council operates. Compliance with these rules by everyone working within the Council was the cornerstone of ensuring good governance was in place.

In parallel to this work and as part of the governance improvement plan, the Constitution for the Council had also been updated. The aim was to take both the new Constitution and the Finance and Contract Procedure Rules to full Council during September 2023 for approval. Any views that Members had would be considered as part of the overall process.

An updated set of Finance and Contract Procedure Rules was attached to the submitted report. The documentation had been produced in partnership with the Chartered Institute of Public Finance and Accountancy (CIPFA), acting as external advisers.

Appendix 1 provided a summary of the main changes that had been made since the 2020 version. Appendix 2 provided the updated Rules for Members' consideration and comments. The Head of Finance and Investment and the Head of Strategic Commissioning and Procurement were in attendance at the meeting to present the summary of the main changes and answer questions in relation to the updated Rules.

The Finance and Contract Procedure Rules provided a framework for ensuring robust financial control in the financial administration of Middlesbrough Council. They set out the framework within which business was required to be conducted in a sound and proper manner, delivering value for money and minimising the risk of legal challenge. These rules set out the principles and processes that underpinned the day-to-day management of public funds. However, they were not intended to constitute a set of detailed rules to respond to every contingency.

It was anticipated that a new Procurement Bill would be brought forward by the Government in 2024 and the current Rules would need to be revised again. All future updates would be presented to the Committee.

A financial management handbook would be developed to provide more detailed operational procedures to ensure compliance with these rules. In addition appropriate training would be provided to staff and Elected Members.

With regard to the breaches of the current rules that had been identified, the Interim Director of Finance confirmed that there had not been any quantified financial losses to the Council. A further piece of work was ongoing on this area and the Corporate Affairs and Audit Committee would be informed of the findings.

It was clarified that any breach of the rules would be a disciplinary matter. The Chief Finance Officer, assisted by senior officers would be proactive in identifying non-compliance alongside a balance of education, training and ultimately, disciplinary action. In the unlikely event of an Elected Member being subject to disciplinary action it was confirmed that this would be dealt with by the Standards Committee.

Members raised several points in relation to Appendix 2 and Officers present provided explanations and noted the suggested amendments.

AGREED that the revised Council's Finance and Contract Procedure Rules were received and noted.

22/18

INTERNAL AUDIT LATEST AUDIT PRIORITIES

The Head of Internal Audit presented a report which provided Members with an update on the latest internal audit priorities. This report was provided following a request at the previous committee meeting in July 2023 for further information on ongoing work.

The current internal audit priorities were included at Annex 1 to the submitted report. This included details of ongoing work and those audits at draft report stage. Future work planned was also included in the "do next" and "do later" categories.

AGREED that the Committee noted the latest priorities for internal audit work, including audits currently at draft report stage.

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INTERNAL AUDIT REPORT - MIDDLESBROUGH DEVELOPMENT COMPANY

A report of the Director of Legal and Governance Services was presented to set out the findings of a recently finalised investigation by the Council's Internal Audit service, Veritau.

The purpose of the investigation was to review governance arrangements against best practice guidance that had been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA), following a number of high-profile failures of Council owned companies nationally and had been requested by the Monitoring Officer.

During completion of the audit, an Executive decision was taken to endorse a proposal to close down the company and put in place alternative arrangements within the Council to manage or dispose of any assets.

A copy of the full final report was attached to the submitted report at Appendix One. The report contained one recommendation in light of the Executive decision to close down the company - that the Council should ensure the findings of the report informed future decisions around the creation of Council owned companies and their governance arrangements.

The role of the Corporate Affairs and Audit Committee was to note the findings of the work and seek assurance that any governance issues had been learned and would be applied more widely to all Council companies.

The Council had developed a policy and supporting minimum standard which set out the requirements for any Council company. This was agreed by the Executive Member for Finance and Governance on 25 July 2023.

The Council had made a number of changes to the governance of the Middlesbrough Development Company that would be in place during the wind up procedure for the company. A separate report on this would be brought forward to Executive by the Director of Regeneration who was leading this process. The report would set out the changes in detail, the actions taken to date and the planned actions that would be taken during the wind up period to ensure the Council was assured that value for money was being achieved and its financial risks were mitigated. This report would be presented to Executive in the Autumn.

In addition to the development company, there was one partly owned Council company in existence, Veritau (Tees Valley) which provided Internal Audit services to both Middlesbrough Council and Redcar and Cleveland Council. During 2023/24 a review of the governance arrangements for this company would be undertaken to ensure it complied with this policy. This would be conducted by the Section 151 Officer as the Leadership Management Team officer with responsibility for Internal Audit and tracked as an action within the Annual Governance Statement covering the 2022/23 period, for action in 2023/24.

Several Members voiced their concerns in relation to the potential for conflict, lack of scrutiny or business plan, and poor governance of the Middlesbrough Development Company. It was confirmed that although the Company's accounts were submitted late, there had been no financial penalties applied. It was also noted that whilst the Company was still incurring expenditure, this would be addressed during the wind up procedure.

Attention was also drawn to the fact that one month prior to the Executive decision to close down the Company, at a meeting of the Overview and Scrutiny Board, there had been no mention of any concerns or difficulties relating to the Middlesbrough Development Company.

The Mayor was in attendance at the meeting and suggested that the findings of the audit report and the lessons learned should be shared with the other Tees Valley Local Authorities and the Tees Valley Combined Authority. The Mayor's suggestion was put to the Committee and unanimously agreed.

With the consent of the Chair, a member of the public asked a question in relation to verification of a project. The Monitoring Officer suggested that the question was submitted in writing so that an answer could be provided.

AGREED as follows that the Corporate Affairs and Audit Committee noted the:

1. content of the internal audit review appended to the submitted report.
2. action taken to date to address the concerns raised in the report.

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3. further planned actions in relation to the governance of partly and wholly owned Council companies.
4. findings of the audit report and lessons learned would be shared with the Tees Valley Local Authorities and the Tees Valley Combined Authority.

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ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED

None.