

CORPORATE AFFAIRS AND AUDIT COMMITTEE

A meeting of the Corporate Affairs and Audit Committee was held on Thursday 4 February 2021.

PRESENT: Councillors J Rathmell (Chair), B Hubbard (Vice-Chair), T Higgins, J Hobson, T Mawston and D Rooney

PRESENT BY INVITATION: Councillors

ALSO IN ATTENDANCE: D Coupe and C Hobson (Executive Member for Finance and Governance)

OFFICERS: S Lightwing, Armstrong, C Benjamin, A Johnstone, S Reynolds, P Stephens, J Weston and I Wright

APOLOGIES FOR ABSENCE: Councillors C Wright

20/2 **DECLARATIONS OF INTEREST**

There were no declarations of interest received at this point in the meeting.

20/3 **MINUTES - CORPORATE AFFAIRS AND AUDIT COMMITTEE - 17 DECEMBER 2020**

The minutes of the Corporate Affairs meeting held on 17 December 2020 were submitted and approved as a correct record.

20/12 **SUSPENSION OF COUNCIL PROCEDURE RULE NO 5 - ORDER OF BUSINESS**

ORDERED that, in accordance with Council Procedure Rule No 5, the committee agreed to vary the order of business as follows: agenda items 5, 4, 6, 7, 8, 9, 10 and 11.

20/5 **UPDATE - COUNCIL'S DECISION MAKING PROCESS**

A report of the Director of Legal and Governance was presented to provide the Committee with an update in relation to the Council's decision making process. The report also highlighted information in relation to awareness raising and training carried out in relation to the decision making process.

The Council's Constitution set out how the Council operated, how decisions were made and the procedures which were followed to ensure that these were efficient, transparent and accountable to local people. The Constitution was a living document and details of the contents were included in the submitted report.

The Officer Scheme of Delegation identified powers delegated to officers, and was currently being reviewed and updated.

With regard to training, a decision making masterclass was delivered in November 2020 to the wider Leadership Management team and online materials were available on the intranet and the staff Middlesbrough Learns e-learning training portal.

Modern.GOV, the Council's new committee management system which was used for managing meetings, recording decisions, holding records of Members' interests, gifts and hospitality, and training records was phased in from the week beginning 21 December 2020.

The submitted report also set out details of decisions made including Special Urgent Decisions and those subject to call-in. Details of all Officer Delegated Decisions and all Executive Decisions taken during the period 1 January 2020 to 31 December 2020, were attached at Appendices A and B to the submitted report.

It was confirmed that the criteria for Special Urgent Decisions was contained in the Access to Information Procedure Rules within the Constitution.

It was highlighted that during the covid-19 pandemic an unusually high number of Officer Delegated Decisions had been made quickly to respond to the circumstances which were not subject to scrutiny. All key decisions were subject to call-in. Work was ongoing to raise awareness amongst Officers around the practice for making and recording decisions. It was suggested that consideration should be given to a process of scrutinising Officer Delegated Decisions.

With regard to the current provisions for virtual meetings, the Director stated that the changes to legislation made during the pandemic would expire in May 2021. There was some uncertainty as to whether further legislation would be required and the Council would continue to monitor the situation.

AGREED that the information provided was received and noted.

20/4

INTERNAL AUDIT CONSULTATION REPORT

The Internal Auditor presented a report to seek the views of Members on risk areas that should be considered a priority for the audit in 2021/2022 to help inform the preparation of the annual Audit Plan.

Internal audit provided independent and objective assurance and advice on the Council's operations to assist the organisation in achieving overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.

In coming to a view on the risks facing the Council, the opinions of the Corporate Affairs and Audit Committee and senior Council officers would be taken into account. The plan would also be informed by the Council's risk registers, relevant national issues and wider audit knowledge such as information about emerging risks identified through professional networks.

The Council's external auditors (EY) were also consulted to avoid possible duplication of work programmes and to maximise the overall benefit of audit activity. The draft plan would be presented to the Corporate Affairs and Audit Committee on 4 March 2021 for final approval.

Areas for consideration for inclusion in the Plan were listed at paragraph 11 of the submitted report. Suggestions from the Committee included the impact of leaving the EU on the Council's Business, the impact of the Covid-19 pandemic on the Council's Decision Making Process and School Attendance.

The Director of Finance confirmed that a Review of Asset Management Governance Arrangements and an audit of Senior Management Reviews over the last five years would be included in the Plan.

AGREED that the information provided was received and noted.

20/6

HEALTH AND SAFETY: ANNUAL ASSURANCE REPORT 2020

A report of the Director of Legal and Governance was presented to provide the Corporate Affairs and Audit Committee with an annual review of the corporate approach to the management of health and safety within the Council. The report also provided details of the proposed action plan in the year ahead.

Previously this report had also set out activity relating to employee wellbeing, however these matters would be reported separately to the Committee in future.

The Corporate Health and Safety Committee met on a quarterly basis to discuss health and safety performance and advise the Council on health and safety matters. The Leadership and Management Team were briefed on this report and any matters arising where appropriate.

The Health and Safety Unit was now up to full complement and work continued to develop team members in their new generic roles. The Covid-19 pandemic, and specifically building

closures, had impacted upon the Unit's ability to deliver a business as usual service. As a consequence, the opportunity had been taken to implement changes around policy, procedures, manager and staff training, in order to develop a fully-auditable health and safety system for the Council.

The Committee received a detailed update on progress made against the 2020/2021 health and safety action plan along with the key activity to be delivered during 2021/22, all of which was included in the submitted report.

In response to a query it was clarified that reported incidents reflected the national trend, with slips, trips and falls the highest number, and manual handling, the second main cause of accidents. The Council was looking to bring in some specialist training in relation to manual handling.

In relation to staff working at home, some of the health and safety procedures were dealt with by Human Resources. A Display Screen Procedure had been developed which would be presented to the next Corporate Health and Safety Committee for approval.

AGREED that the information provided was received and noted.

20/7

BUSINESS CONTINUITY MANAGEMENT: ANNUAL ASSURANCE REPORT 2020

A report of the Director of Legal and Governance Services was presented, the purpose of which was to outline the Council's approach to Business Continuity Planning, including testing, to summarise activity in the past year and planned activity for 2021, and to provide the Committee with assurance that the Council had robust arrangements in place as required by the Civil Contingencies Act 2004.

The Plans contained sensitive and personal information about staff and therefore they were not published. However in order to provide the Committee with assurance, the content of the Plans at high level was provided. In most cases the focus was not around specific incidents but on planning for multiple events. Risks were focused around serious injury, death, financial loss or reputation to identify critical services.

The Corporate Business Continuity Plan was the overarching plan for the organisation. This was supported by Departmental Business Continuity Plans, the ICT Disaster Recovery Plan, Relocation Plan, Flu Plan, Fuel Plan and this year a specific Coronavirus Pandemic Plan had been developed.

The Coronavirus Plan was structured by phase of response: pandemic preparedness, response, outbreak control, recovery and review, with each phase setting out the required processes and procedures along with the supporting documentation utilised. The Plan was kept under regular review as the national and local pandemic response developed.

The Council and its partners conducted a very strong response to the Covid-19 pandemic which had been commended by the Government. In line with good practice, the Council conducted a lessons learned exercise with staff involved in the first wave response.

The Council tested its plans at least once every 12 months, or produced a lessons learnt report if a live event had occurred during the past year. As such, due to Covid-19 a test was not undertaken in 2020.

The focus for the next year would be on continuing training and ensuring documentation was up to date, and continue communicating business continuity planning activities.

AGREED that the information provided was received and the Plan was noted.

20/8

PERFORMANCE AND RISK MANAGEMENT: ANNUAL ASSURANCE REPORT 2020

A report of the Director of Legal and Governance Services was presented to outline the Council's approach to performance and risk management and summarise activity in the past year and planned activity for 2021, in order to provide the Committee with assurance that the Council had robust arrangements in place for these disciplines.

The report replaced the previously separate reports on programme and project and risk management in order to more clearly outline the inter-relationship of governance of these disciplines with organisational performance management.

Revised Performance Management, Programme and Project Management and Risk and Opportunity Management Policies were approved by the Executive in February 2020, in order to maximise their impact on the Council's strategic aims and priorities, as set out within the Strategic Plan.

Middlesbrough Council approved a Strategic Plan for the period 2020-2023 on 15 January 2020 which included the Mayor's priorities. However, later that month, the Covid-19 Pandemic reached the UK.

The response to the Pandemic and the recovery from it, would have a significant impact on local people, communities and the local economy, and fundamentally change the way the Council does business in the future. On 16 December the Council approved a public consultation on a set of revised priorities for the remainder of the Elected Mayor of Middlesbrough's term. These priorities formed basis of a revised Strategic Plan to be considered by Council in February 2021.

While Covid-19 had been disruptive in terms of planned performance, a number of significant achievements had been made in line with the Council's Strategic Plan. These had been reported to the Executive and Overview and Scrutiny Board on a quarterly basis and were summarised in the December report to Council.

During the last 12 months there had been a strong focus on improving the use of performance data within Children's Services and embedding a strong performance management culture within the service. Corporate and Directorate officers worked closely together to deliver improvements to performance management that have been recognised and commended by the Government-appointed Commissioner, the Department for Education and the Independent Chair of the Service's Improvement Board

During the next year a detailed work plan that would underpin the new Strategic Plan would be considered by the Executive in March. An integrated monthly performance cycle would be implemented that would involve the development and provision of Directorate Plans and associated monitoring arrangements at that level.

The Programme and Project Management (PPM) policy and its underpinning framework provided a standardised approach to the governance of programmes and projects, including standard documentation.

Since the introduction of this policy in 2015, the Council's approach to PPM has matured and a number of improvements had been identified and implemented.

An analysis was undertaken in the year on the impact of Covid-19 on time, cost, scope and benefits. This informed the review of the Council's Medium-Term Financial Plan, budgeting for 2021/22 and the forthcoming revision of the Council's Strategic Plan and would be kept under continuous review.

A number of changes would be finalised by the end of 2020/21 to core documentation and support structure in place to reflect the above and enhance delivery of programmes and projects going forward and details were included in the submitted report.

During 2020 the Council risk appetite was refreshed reviewed and revised to bring it in line with the Council's current financial standing so that risks were being captured and scored in line with this. All risk management documentation had also been reviewed and updated to take on board these changes.

A summary of the Strategic Risk Register was considered every three months by the Executive as part of a report on performance against delivery of the Strategic Plan and other key performance measures, with the same report considered by Overview and Scrutiny Board. A summary of the Strategic Risk Register at Quarter Two 2020/21 was attached at Appendix 1 to the submitted report. The Committee was invited to look at this from a Work Programme perspective. Improvements to risk management that were underway were outlined in the submitted report.

The Council's risk management arrangements were audited during the year, and received an opinion of Substantial Assurance. During 2021/22 work would be undertaken to build on the progress made in 2020/21.

AGREED that:

1. the information provided was received and noted.
2. details of the social value model included in the Programme and Project Management framework would be circulated to Committee Members.

20/9

LESSONS LEARNT - CROYDON LONDON BOROUGH COUNCIL SECTION 114 NOTICE

A joint report of the Director of Legal and Governance Services and Director of Finance was presented to outline the lessons learnt following the issue of a Section 114 Notice at Croydon London Borough Council.

The report and planned actions were intended to provide the Corporate Affairs and Audit Committee with sufficient information to ensure it was able to keep the Council's arrangements for Corporate Governance under review, in line with the Committee's terms of reference.

In October 2020 Croydon London Borough Council's (CLBC) 151 officer issued a Section 114 Notice, meaning that in their opinion they were required to trigger section 114 of the Local Government Finance Act 1988 that stated: 'the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year was likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.' The report outlined the key findings from CLBC's auditors on the causes of that notice having to be issued.

On 23 October 2020, CLBC's external auditor, Grant Thornton, issued a public interest report. The Council had experienced deteriorating financial resilience for a number of years with spending pressures within both Children's and Adult Social Care and low levels of reserves which created a significant financial challenge in 2020/21. The size of the financial gap in 2020/21 increased due to the additional financial pressures as a result of the Covid-19 pandemic.

The Public interest report outlined the key factors including:

- Significant investment over the last three years in housing and commercial property (£545m of which £200m was loaned to its housing development arm for which no dividend had been returned).
- Investments in a hotel and retail park both of which failed and were criticised for 'not being grounded in sufficient understanding of the retail and leisure market'.
- A flawed strategy of attempting to invest its way out of financial challenges rather than controlling internal costs in children's and adult social care which had significant overspends.
- Incorrect treatment of overspends as 'one off' corporate adjustments.
- Failure to report a significant identified budget gap to full Council by either scrutiny or CLBC's Cabinet.

The Director of Finance outlined the position in Middlesbrough with regard to the key factors highlighted as follows:

- CLBC's net budget was almost three times that of Middlesbrough Council's with similar ranges of functions. If the equivalent borrowing figures were translated to Middlesbrough Council, there would have been borrowing of circa £182m in housing and commercial property, of which £67m would have been loaned for housing development over the last three years. In comparison, Middlesbrough Council has invested in £52m and loaned £7m for these type of investments to date. Any application for borrowing to invest on a commercial basis must be accompanied by confirmation from the Section 151 officer that there is no intention to buy investment

assets primarily for yield at any point in the next three years. Any business case for investment in these type of projects has an extensive due diligence exercise undertaken by senior officers in both Finance and Regeneration, with input from specialist experts where required.

Approval to proceed could only be given by the S151 Officer, in consultation with the Executive Member for Finance and Governance, on a case-by-case basis.

- Middlesbrough Council investments had always been based on regeneration of the town rather than the need to achieve a significant return in order to achieve a balanced budget. The Council took the prudent step of not assuming a profit will be achieved for the purpose of setting the budget to ensure that funding for services was protected, sustainable and realistic.
- Middlesbrough Council had never reported overspends as one off corporate adjustments.
- Budget monitoring was reported to Executive and Overview and Scrutiny Board on a quarterly basis. Middlesbrough Council also had year on year evidence of escalating potential future year funding gaps to Council for consideration to be addressed within the budget setting process, to ensure full Council were engaged and owned the decisions.

The Director of Finance gave a detailed explanation of the specific recommendations of Grant Thornton's Public Interest Report and provided an assessment of their applicability to Middlesbrough Council, which was also included the submitted report.

In relation to the scrutiny process within the Council, the Director commented that the approach at Middlesbrough was to be as transparent as possible on the budget and on finance issues.

Several Members commented that the financial information provided was clear and comprehensive. The Chair suggested that any future financial training should be provided for all Members, not solely the Corporate Affairs and Audit Committee Members.

Responding to a question, the Director explained that with regard to the purchase of the Captain Cook Shopping Centre, the conservative assumption in the budget was that there would be sufficient income to cover the cost of borrowing. In the short term, any surplus would go into a specific reserve fund. Once the Future High Street funds had been deployed and the medium term position was that there was a surplus, a decision would be made whether to budget for that or re-invest in another project.

AGREED that the report and the planned actions to ensure lessons were learnt from events at Croydon London Borough Council (LCBC) were noted, and the following planned actions were endorsed:

- to further strengthen visibility it was proposed that the reserves risk assessment was shared with scrutiny during the budget setting process going forward.
- investment plans were reviewed to ensure the impact of Covid-19 was taken into consideration.
- the training programme for Corporate Affairs and Audit Committee would be expanded to include Treasury Management.

ANNUAL REVIEW OF THE LOCAL CODE OF CORPORATE GOVERNANCE

A report of the Director of Legal and Governance Services was presented to report the outcome of the annual review of the local Code of Corporate Governance. The Code was approved by Council.

Regular reviews of the Code were necessary to ensure that the Council assessed its governance arrangements against industry best practice as described by CIPFA relevant codes of practice.

It was recommended that the Committee agreed that no changes to the local Code of Corporate Governance were required as a result of this annual review because there has

been no further change to the CIPFA Solace guidance 'Delivering Good Governance' (2016) which was used to inform the current code.

AGREED as follows that:

1. the information provided was received and noted.
2. no changes were made to Middlesbrough Council's current local Code of Corporate Governance, as adopted in 2017.
3. a copy of the Code would be emailed to all Councillors for information.

20/11

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

Review of Onestop and Caseworker

The Head of Strategy, Information and Governance provided a verbal update on the review of the Onestop process, plans for which had been delayed due to the Covid-19 pandemic.

A formal update would be provided to a future meeting of the Corporate Affairs and Audit Committee.

Stanhope Castle

The Executive Member for Finance and Governance informed the Committee that briefings on Stanhope Castle had been arranged for Executive, Members and Claimants, as well as report to Council.