

BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 11 January 2024 at 6.00 pm

Present:-

Cllr M Andrews – Chair

Cllr E Connolly – Vice-Chair

Present: Cllr J Beesley, Cllr B Castle, Cllr A Chapmanlaw, Cllr R Herrett,
Cllr M Phipps, Cllr C Weight, Cllr S Armstrong, Lindy Jansen-
VanVuuren and Samantha Acton

Also in attendance: Cllr M Cox, Cllr J Hanna, Cllr V Slade

48. Apologies

There were no apologies for this meeting.

49. Substitute Members

There were no substitute members for this meeting.

50. Declarations of Interests

There were no declarations of interest for this meeting.

51. Confirmation of Minutes

The minutes of the meeting held on 30 November 2023 were confirmed as a correct record and signed by the Chair, subject to a correction to the list of members present to read 'Lindy Jansen-VanVuuren'.

52. Public Issues

The Committee was advised of the receipt of three public questions and three public statements, all in relation to Agenda Item 8:

Public Questions from Mr Alex McKinstry (Agenda Item 8)

Question 1.

In the officer's report on the governance of Council companies, paragraph 2.3 states there were initially going to be six Council representatives on the "shareholders team" of FuturePlaces, but this was reduced to two because of "budgetary pressures". I have to admit this is the first I've heard of a shareholders team on FuturePlaces. Who, then, were the original six; who were the ultimate two; and how did "budgetary pressures" have an impact, exactly - were the original team going to be remunerated, for instance?

Response:

The Cabinet Report approved on 29 September 2021 entitled 'Accelerating Regeneration and Investment in the BCP area' set out the need for a Delivery Team to provide oversight of all regeneration and development activity undertaken by BCP FuturePlaces Limited, the Bournemouth Development Company, and the Boscombe Towns Fund Board. This was to be a Council officer team consisting of six posts including a Service Director. However, not all posts were initially recruited to, and were subsequently deleted. In April 2023, the Service Director left the Council, and the post was taken as a saving. Since then, a further post has been made redundant. The remaining posts will form part of the new Investment and Development directorate which is being created following the closure of FuturePlaces as set out in Cabinet paper entitled 'The Future of BCP FuturePlaces Ltd, Investment and Development' which was approved on 27 September 2023.

Question 2.

Paragraph 2.10, meanwhile, states that the reason no commissioning agreement was ever finalised between the Council and FuturePlaces - nor any resource agreement - was "differences between the parties". What were these differences, and how come they weren't resolved during the two and a half years that the company was operating?

Response:

When FuturePlaces was created it was envisaged that a contract would be put in place setting out the working procedures for the delivery of services to the Council along with a Resource Agreement which would set out the provision of support services back to the company. Both these documents were complicated and required substantial information, including process mapping, to be collated. These processes inevitably evolved as the new company began to operate. There were no major ideological differences between the parties on the approach to be taken, however, the time required to align the detail of the contractual arrangement was substantial and officers from both the council and the company were unable to dedicate the time and resources required. As a result, although the documents were never finalised, the parties entered into the two agreements by conduct and adhered to the practical working arrangements set out.

Question 3.

Finally, the governance aspirations listed in Annexes B2 and C include the following: "C10. There should be evidence of ongoing assessment of value-for-money and quality offered by the entity through an adequately resourced monitoring function." To underscore the importance of this ambition, can you confirm:

- i) The total amount of rent paid by FuturePlaces for its premises in Exeter Park Road, which it occupied between August 2022 (the signing of the licence agreement) and 31 October 2023 (its termination)
- ii) The total amount of bonus payments paid to FuturePlaces staff in 2022 (said to be 10% of their base salaries) and in 2023 (said to be 12.5%). Can

you also confirm what mechanisms were in place to ensure that these payments, i.e. the rent and the staff bonuses, constituted value for money?

Response:

i) The agreed rental was £54,000 per annum paid in advance. The rental amounts paid were £54k (Aug 2022 – July 2023) & £27k (August 2023 – January 2024), a total of £81k.

ii) The total amount of bonus payments paid to FuturePlaces staff in 2022 (said to be 10% of their base salaries) and in 2023 (said to be 12.5%):

FY22 Directors bonuses = £9,700 Other Employees = £6,907
(10.0%)

FY23 Directors bonuses = £36,875 Other Employees = £56,994
(12.5%)

As with any other company, it was the responsibility of the board of directors to ensure the rental costs represented good value for money. The board of directors is accountable to the shareholder for the performance of the company.

The bonuses were determined by the FuturePlaces Limited Remuneration Committee, which consisted of the non-executive directors of the company.

Public Statements from Mr Alex McKinstry (Agenda Item 8)

The figures in Statement 3 are taken from this FOI https://www.whatdotheyknow.com/request/funding_of_bcp_futureplaces_ltd#incoming-2063819 plus the paper at September's Cabinet, "The Future of FuturePlaces", and I'd be glad to provide references for any other assertions if needed.

Statement 1.

When FuturePlaces was formed, the Council paid external consultants to devise a commissioning plan for this outfit, and the result was a six-stage "gateway process" that would chart each project from inception phase to delivery; a commissioning team would be appointed, and a "project management office" established to manage the said gateways, monitor key milestones, and assess risk. That process was then refined, and the finessed procedure approved by full Council on 12 July 2022. Yet we find in tonight's report that KPIs were "absent" from FuturePlaces; there were "unclear and informal routes for operational decision-making", and the company was even initiating work "without a clear commission". This really is scandalous, and the Committee should drill into how and why the company's governance protocols were bypassed in such a way, as the eleven short paragraphs in tonight's report do the matter scant justice.

Statement 2.

The report also reveals, at Paragraph 2.11, that there were "differences in understanding between the Council and the company in relation to how the financial model works". This is incredible, not least because the then-Leader of the Council (and then-Portfolio Holder for Finance) was one of the executive directors. The finance model was the Aristotelian flaw in this company: my concern was that a political group with a majority could whip any scheme through full Council - regardless of its defects - to pay the

company a success fee and thus get its loan repaid. Conversely, there was a risk that if schemes were not approved, the company would continue chomping through its loan facility - and it was this, indeed, that appears to have scuppered the company. The finance model was in short encircled with risk, and should not be repeated in any subsequent Council venture.

Statement 3.

Finally there is the matter of the company's costs, which aroused residents' concerns from the beginning. A working capital loan of £400,000 was advanced to the company in 2021 and drawn down in full. The company was then allocated £3.024 million from the revenue budget, of which £1,329,063 had been spent by June 2022 when the company was transitioning to capital. £647,000 transitional funding was then made available, followed by the £8 million loan facility of which £4.75 million had been spent by September 2023. That expenditure alone totals up to £7.1 million. Given the cryptic line on p. 91 of tonight's report - that company payments should not be approved "on the nod" - this Committee should request a full, forensic accounting of the expenses incurred by this company, including the costs of its imminent dissolution.

53. External Audit - Annual Audit Findings 2021-22 Progress

The Committee received a verbal update from the External Auditors, Grant Thornton, on the progress of their Annual Audit Findings 2021-22.

The Committee was reminded that a report on the draft findings following the audit of the Council's statement of accounts 2021/22 had been considered at its November meeting. Members noted that, as previously reported, the required response from the Dorset Pension Fund auditor in respect of the IAS19 Pension Fund net liability remained the only outstanding item of work. Subject to the receipt of this information, which it was hoped would be prior to the March Committee, the External Auditors anticipated returning a clear audit opinion on the Council's statement of accounts 2021/22. Members reiterated their frustration with the continued delay caused by this one issue. The External Auditor undertook to bring a final report to the March Committee, with or without this information being available.

The External Auditor was asked about the availability of an IT audit report for 2022. He explained that although not published every year this was a rolling programme of work which formed part of the risk assessment and was referenced in the draft and final audit findings reports as required.

RESOLVED that the update from the External Auditors on the progress of their annual Audit Findings 2021-22 be noted.

Voting: Unanimous

54. Treasury Management Monitoring report for the period April to December 2023 and Treasury Management Strategy 2024/25

The Assistant Chief Financial Officer (CFO) presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'A' to these Minutes in the Minute Book.

The first part of the report covered the monitoring of the Council's Treasury Management function for the period 1 April 2023 to 31 December 2023. It was noted that a surplus of £650k would be achieved due to the increase in interest rates. The second part of the report at paragraphs 16 to 32 explained the reasons for considering changes to the Council's current approach to the repayment of debt, known as the Minimum Revenue Provision (MRP). Following a review of the MRP policy it was recommended to change the calculation method to an annuity basis, as this provided a more suitable and cost effective strategy while remaining prudent and compliant with statutory guidance. The final part of the report outlined the main changes to the annual Treasury Management Strategy for 2024/25, which included the proposed changes to the MRP.

The Portfolio Holder for Finance explained that he was assured by a number of factors around the changes to the MRP, including the experience in this field of Link Group who had undertaken the MRP review, the involvement of internal and external audit, and the fact that the annuity method was used by 60% of councils and had received positive feedback at a recent Local Government Association conference.

The Assistant CFO responded to questions from the Committee on the MRP. He confirmed that this was all asset backed debt, some of which was historic. The key advantages/disadvantages of the changes in policy were set out in the report. It was noted that the Council may wish to consider providing an additional amount of MRP over and above the prudent amount, known as voluntary revenue provision (VRP). It was explained that the current method for calculating MRP had been inherited from previous councils pre 2019. The Council was required to periodically review its approach and this had resulted in options being put forward which best suited BCP Council and accorded with the statutory guidance.

RECOMMENDED TO COUNCIL that

- a) **the Minimum Revenue Provision (MRP) change for 2023/24 set out in paragraphs 16-32 of the report be approved; and**
- b) **the Treasury Management Strategy 2024/25 set out at Appendix 4 of the report be approved.**

RESOLVED that the reported activity of the Treasury Management function for the period ending 31 December 2023 be noted.

Voting: Unanimous

55. Council Owned Companies Shareholder Governance Review

The Interim Corporate Director for Resources presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'B' to these Minutes in the Minute Book.

The Interim Corporate Director explained the objectives of the review of shareholder governance arrangements for all Council-owned companies which he had undertaken in November 2023. He referred to the importance of having the right shareholder model and his knowledge of the difficulties which some councils had experienced in this area. The proposals arising from the review aimed to provide clearer understanding of the respective roles, decision-making arrangements, and improved accountability along with next steps for implementation. It was noted that a review of each council company would be completed by the end of March 2024 with results reported to Cabinet in July 2024.

The Portfolio Holder for Transformation and Resources advised the Committee of the updated recommendations in relation to this report which were agreed by Cabinet on 10 January 2023, following input from the Overview and Scrutiny Board. A copy of these recommendations was circulated to the Committee for reference.

The Committee's main focus of debate was around the need for regular monitoring and improved accountability and to avoid the need for any further 'lessons learned'. The roles of Cabinet and Scrutiny in this process were discussed. Members agreed that the Audit and Governance Committee also had a role, in seeking assurance that governance arrangements were working effectively, and suggested that the Committee receive an annual monitoring report.

The Leader of the Council and the Portfolio Holder for Finance commented on the purpose of the review, in protecting the Council and ensuring governance arrangements were set up properly going forward. An annual review by the Committee would be welcomed and it was hoped that members were assured by the level of commitment and speed at which action had been taken. The Interim Corporate Director confirmed that external expertise should not be required if the detailed methodology was followed. He clarified that the second phase of the review would include all arms-length bodies where the Council had influence. He also agreed to review the wording around the monitoring of conflicts of interest to ensure this was undertaken robustly.

RESOLVED that

- a) the following updated recommendations agreed by Cabinet on 10 January 2024 be noted:**

That Cabinet:

- 1) Approves the shareholder governance model set out at Appendix 1 for adoption by the Council in relation to all Council companies with immediate effect, subject to the amendment of the third red box on the right, replacing the words “Company has no role at scrutiny –“ with “Company may be requested to provide evidence to support scrutiny as required .”
 - 2) Notes that the future arrangements for Council companies will be based on the Local Partnerships best practice model, Local Authority Company Review Guidance.
 - 3) Notes that a review of all Council companies will be undertaken based on the work started by internal audit and actions plans completed to ensure that the company arrangements comply with the best practice model. This review will be completed by 31 March 2024 with progress and subsequent action plans reported to Cabinet in July 2024.
 - 4) Notes that the review of council companies will also consider in each case whether the original reason for establishing the company still applies and appraise the future options for delivering the function performed by the company, taking into account the cost benefits, the benefits to residents, the potential for accountability and transparency, and the avoidance of potential conflict between the aims of the council and those of the council company.
 - 5) Notes that although the scope of this report is limited to companies where the council is a shareholder, a second phase that will be the subject of a future report will consider council control and representation on the boards of other organisations such as charities, associations, community interest companies, and societies.
- b) The Audit and Governance Committee receives an annual report from Internal Audit to monitor the governance arrangements for Council owned companies.

Voting: Unanimous

56. Risk Management - Corporate Risk Register Update

The Risk and Insurance Manager presented an update report on the Corporate Risk Register, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'C' to these Minutes in the Minute Book.

The material updates for Quarter 3, 2023/24, were outlined in sections 9 to 14 of the report, the main one being the removal from the Corporate Risk Register of CR14 – Continuity of Public Health arrangements for health

protection. It was noted that no new risks were added. The Risk and Insurance Manager provided a summary of the risk management process and explained the role of Corporate Management Board (CMB) in reviewing director level risk registers. It was noted that there was now a further layer to the review process focussing on dynamic risk.

The Committee was assured that the next quarterly report would include all information which it had not been possible to incorporate into this report due to deadlines. A number of queries had been raised in advance of the meeting and the Committee was assured that these would be addressed and responded to. The Risk and Insurance Manager agreed to review the order of risks in the dashboard at Appendix 3 to put the highest scoring risks first. Attention was drawn to risk CR20 'Adaptation and mitigation of the negative impacts of climate change including sea level rises and weather pattern changes on BCP's communities' and officers were asked how this risk was being escalated, bearing in mind it was the highest scoring risk and its overarching impact on all other risks. The Committee was advised that once the Corporate Strategy was approved, the Corporate Risk Register would be fundamentally reviewed with risks being re-aligned as necessary. It was agreed to include a specific update on CR20 in the next quarterly report.

RESOLVED that the update provided in this report relating to corporate risks be noted.

Voting: Unanimous

57. Annual Governance Statement 2022/23 – Action Plan and update

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'D' to these Minutes in the Minute Book.

The report outlined progress on actions to be taken to address the five significant governance issues identified in the 2022/23 draft Annual Governance Statement (AGS). Members were referred to Table 1 of the report for a more detailed update against the action plan in relation to each issue. Members were also provided with an update against compliance with the Financial Management Code (FM Code). It was noted that the self-assessment reported in July concluded that the Council was compliant with the FM Code with some opportunities for further improvement remaining. Table 2 of the report provided a more detailed update against actions required in these areas of improvement.

RESOLVED that

- a) **the progress made to address the significant governance issues on the BCP Council Annual Governance Statement Action Plan 2022/23 be noted**
- b) **the position in respect of compliance with the Financial Management Code be noted**

Voting: Unanimous

Assurance Framework & Internal Audit Planning Consultation 2024/25

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'E' to these Minutes in the Minute Book.

The Committee was asked to agree the BCP Assurance Framework which was included at Appendix 1 of the report. The Assurance Framework had been updated this year with some minor changes to reflect current organisational structure and governance arrangements. The Head of Audit and Management Assurance explained the three line assurance model applied to each of the key assurance functions identified.

The Committee was also asked to consider the proposed 2024/25 Internal Audit Plan approach as part of the consultation process before coming back to the Committee for formal approval in April 2024. It showed the amount of resource to provide core audit work and fraud work, which was proposed to be materially the same as the original 2023/24 Audit Plan. The overall level of resource would increase due to the engagement of three audit apprentices during 2023/24 in place of two auditor posts. This would enable time to be spent on a council tax single person discounts review project. As this used less experienced /qualified staff than in previous years, careful management of the resource would be required. The Head of Audit and Management Assurance confirmed that the amount of resource was considered sufficient to be able to deliver the Chief Internal Auditor's Annual Opinion. The Committee noted that an updated table of audit plan days 2024/25 with some minor corrections had been circulated prior to the meeting. A copy of the updated table appears as Appendix 'F' to these Minutes in the Minute Book.

The Head of Audit and Management Assurance was asked why some teams/areas, such as economic development and council owned companies, were not itemised in the Assurance Framework. He explained that these were included across/within some of the key assurance functions listed, for example, procurement. It was noted that a more detailed version available in April would refer to individual teams/areas. The Head of Audit and Management Assurance also responded to a question on resources and cost/benefit of the council tax single person discounts review project. He explained that it was too early to give a firm view but that initial results appeared favourable. It was noted that the project would form part of the revenue and benefits savings proposals.

RESOLVED that

- a) the BCP Assurance Framework be agreed by the Committee**
- b) the proposed draft 2024/25 Internal Audit Plan – high level allocation of resource and delivery approach, be noted.**

Voting: Unanimous

59. Internal Audit - 3rd Quarter, 2023/24, Audit Plan Update

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'G' to these Minutes in the Minute Book.

The report detailed progress made on delivery of the 2023/24 Audit Plan for the 3rd quarter - October to December (inclusive) 2023. The Head of Audit and Management Assurance referred members to the points highlighted in the executive summary. He was pleased to report that the three apprentices were exceeding expectations with training going well. Recruitment for a replacement Audit Manager was also underway. Details of the issues found in relation to the three partial assurance audit reports were included at paragraph 5 of the report. As mentioned in the preceding agenda item, the council tax single person discount pilot project which commenced in September 2023 was starting to deliver. In an update to the report, members were advised that the total additional council tax yield resulting was now £105k, with a current weekly yield of £15k. Some assumptions on yield were included in the Medium Term Financial Plan. It was noted that the weekly yield would reduce once those cases more likely to indicate a single person claim error had been dealt with.

Committee members spoke in support of the council tax single person discount project and thanked officers for their work. Unfortunately, the Council was only allowed to charge a £70 nationally capped fine (on top of the unpaid Council tax). This fine was meant to represent the administrative charge for correcting the single person discount error made by the claimant. Members did not feel this fine was much of a deterrent. It was noted that there was ongoing dialogue with the Government about restrictions on penalty charges. It was confirmed that non-payment could result in a County Court Judgement (CCJ). The Committee was advised that the Revenue and Benefits team were now preparing to take over the project from Internal Audit. It was noted that the potential of applying this approach to the second homes premium was being considered.

RESOLVED that the progress made and issues arising on the delivery of the 2023/24 Internal Audit Plan be noted.

Voting: Unanimous

60. Forward Plan - Refresh for the 2023/24 municipal year

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'H' to these Minutes in the Minute Book.

The Committee noted the remaining agenda items due to be considered at its March and April meetings. The Head of Audit and Management Assurance had contacted members regarding potential items for the 2024/25 municipal year. He also explained that it was intended to rerun the

insurance training session which had been postponed in September 2022 due to the passing of Queen Elizabeth II.

RESOLVED that the Forward Plan set out at Appendix A of the report be approved.

Voting: Unanimous

The meeting ended at 8.10 pm

CHAIR

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