

BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 27 January 2025 at 6.00 pm

Present:-

Cllr M Andrews – Chair

Cllr E Connolly – Vice-Chair

Present: Cllr S Armstrong, Cllr J Beesley, Cllr P Broadhead, Cllr M Phipps,
Cllr T Trent (In place of Cllr M Tarling), Cllr C Weight and
Samantha Acton

Present virtually: Cllr V Slade

Also in attendance: Cllr M Cox

57. Apologies

Apologies were received from Cllr M Tarling and Lindy Jansen-VanVuuren. It was noted that Cllr V Slade was attending remotely.

58. Substitute Members

Notification was received that Cllr T Trent was substituting for Cllr M Tarling.

59. Declarations of Interests

There were no declarations of interest.

60. Confirmation of Minutes

The draft minutes of the meeting held on 28 November 2024 had been circulated with the agenda.

Minute No 51 – Confirmation of Minutes:

The Chair reported that there was a further update to the response provided to the public question from Mr Alex McKinstry at the 25 July Committee and the subsequent updates to that response provided at the 5 September and 17 October Committees, as follows:

“A summary of the management accounts was included in the Board packs which the Chief Executive as the Council’s Shareholder representative, other senior managers, and councillors while they were on the Board, received for each Board meeting, which were held every 6-8 weeks. So, whilst Future Places did not technically meet the specific requirements set

out in the Shareholder Agreement, there was regular and acceptable visibility of the management accounts within the Council.”

Minute No 53 – Statement of Accounts 2022/23:

Committee Members questioned the accuracy of the minutes in relation to the use of the term ‘briefing/investigation’ in the wording of the decision made on Future Places. Members put forward that the resolution was not as originally proposed and seconded in the debate as the intention had been to request an investigation into Future Places to be added to the Forward Plan. There were concerns raised about the use of the word ‘briefing’, the implications this could have for how the item would be progressed and how the item currently appeared on the Forward Plan. There was a suggestion that the minutes had been rewritten at a later date.

The Monitoring Officer advised that the transcript of the meeting showed that the minutes were accurate in reproducing the actual wording read out immediately before the vote was taken. The full transcript was available and could be circulated if required.

Some Members felt that a briefing could be useful, especially for newer members, others felt it could distract from the Committee’s original intention. Regardless of this, it was maintained that this was not what Members had asked for. Members discussed again the importance of scoping the investigation and dealing with the item in the public domain. It was suggested that it might be helpful to have a simple factual public report to assist the scoping discussion, something which should not be interpreted as a ‘watering down’. It was noted that further discussion would take place when considering the Forward Plan.

It was proposed and seconded to amend the minutes to replace the words ‘briefing/investigation’ with ‘investigation’, with the resolution to read as follows:

‘Resolved that an investigation on Future Places be added to the Committee’s Forward Plan’

Voting: For – 7, Against – 0, Abstain – 1

RESOLVED that the minutes of the meeting held on 28 November 2024 as amended be confirmed as an accurate record for the Chair to sign.

Voting: Unanimous

61. Public Issues

Public Question received from Alex McKinstry in relation to Agenda item 13 – Forward Plan

Question:

On 28 November 2024, this Committee resolved to add to its forward plan "a briefing / investigation into FuturePlaces"; and the timbre of the debate was that there would be an initial meeting, held in public, to determine the scope of that investigation. As far as I can see however, the only relevant addition to the forward plan since then is a "FuturePlaces update report" to be presented at some point between May 2025 and March 2026.

Can the Chair clarify whether an informal meeting has already taken place in relation to the FuturePlaces investigation, and if so, what was the outcome of that meeting and what themes were explored? If no such meeting has been held, can I suggest that the scheduling of an initial scoping meeting be discussed when it comes to debating Item 13 on this evening's agenda?

Response:

Thank you for your question. The answer is no, an informal meeting of the Committee has not taken place.

**Public statement received from Philip Gatrell in relation to
Agenda item 6 – Statement of Accounts 2023/24**

My previous public issues include Officers' contraventions of legislation when not responding in time to annual accounting information requests by local government electors. This negates registered electors' rights of questions and objections to the auditor to ensure substantive replies.

Despite that failure repeating for 2023/24, I identified before the deadline an irregular payment of £37,500 for "Compensation for Loss of Office" to the dual function statutory Monitoring Officer.

When shortly before her leaving reminding the Officer concerning outstanding issues, I was informed she was "not retiring" - contrary to Members' understanding.

The statutory appointment required Members' ratification. Consequently the compensation at least partly is an "Unlawful item of Account" under the "2014 Act" Section 28.

The auditor accepted my objection following notification on 12th July 2024 and I await a stated "progress being made" update.

Separately however the Chief Executive must promptly explain to all Members the deemed authority for the compensation payment.

62. Statement of Accounts 2023/24

Peter Barber, representing Grant Thornton, the Council's External Auditor, provided a verbal update on the Statement of Accounts 2023/24.

Although further progress had been made since November 2024, it had not been possible to complete the work required and it was now intended to submit the statement of accounts and audit findings reports to the next meeting on 27 February 2025. This would still comply with the end of February deadline. Mr Barber reminded Members of the position as previously reported. The main area outstanding remained the IAS 19 Pension Fund Liability Letter of Assurance. A draft letter had been received and Mr Barber was confident that the final letter would be forthcoming in the

next week. Dorset Pension Fund attributed the delay to their officers working with Deloitte, the predecessor auditors, to backstop a prior audit. Work on other minor areas was due to conclude shortly. In addition Mr Barber confirmed that work was progressing well in considering one public objection to the accounts. A response would be provided as soon as practicable, factoring in the need to go through the proper channels first.

Mr Barber confirmed that the problem of outstanding audits was a national challenge. Many councils had applied a backstop approach to one or more audit years. He assured members that Grant Thornton and the officers at BCP Council had been working hard to ensure that 2023/24 was a full audit. Mr Barber was asked whether he was confident that Deloitte would provide a comprehensive handover to Grant Thornton. Although unable to make specific comment on this, he did assure the Committee that the position this year was significantly different to the previous year and that he was confident that the letter of assurance would be received and the pension fund audit opinion issued.

63. Treasury Management Monitoring report for the period April to December 2024 and Treasury Management Strategy 2025/26

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 report set out the monitoring of the Council's Treasury Management function for the period 1 April 2024 to 31 December 2024. It provided a summary of the current economic climate, including the updated position in respect of Bank of England interest rates and a rise in the gilt yield. The report also included an overview of the estimated performance of the treasury function, an update on the borrowing strategy, investments and compliance with prudential indicators. It also presented the Treasury Management Strategy for 2025/26 with the relevant detailed strategy and the associated policies and practices document included as appendices.

The Chief Financial Officer provided an update on the latest position regarding the main assumption in the Strategy, around the need to borrow £57.5 million to enable the forecast excess high needs expenditure in 2025/26 to be financed. Since publication of the report, clarification and negotiation was ongoing with Government about whether or not a formal capitalisation directive was now required to fund this amount plus the associated interest rates. The views of CIPFA and the External Auditor would be sought before any conclusions were reached and further clarification would be provided in due course.

A number of points were raised and responded to including:

- With regard to queries from residents about ethical investment, it was noted that the vast majority of the Council's investments involved other local authorities. Officers were happy to respond to

any concerns. Members were reminded of the requirement for the Council to adopt the principles of security, liquidity and yield.

- As a follow up, it was noted that some correspondence on ethical investment may relate to the Dorset County Pension Fund. Cllr Beesley, a member of the pension fund committee, offered to provide some previously provided wording explaining the situation, to assist if further queries from residents were received.
- Members were assured that loans between local authorities were fixed term deposits and not at risk of being called in early.
- The amount requested in the capitalisation directive was queried as being significantly higher than for other councils. It was explained that in the Council's case the capitalisation directive was SEND specific and it was always known the funding would be needed. The Government funding formula was wholly inadequate.
- The pros and cons of a capitalisation directive were acknowledged and discussed. The Government's recent alternative, that the Council may not need a capitalisation directive to fund the amount, was being considered with caution. However, it was noted that the funding mechanism would ultimately be the Government's decision.
- On why the cap on borrowing had been reduced when it now needed to be raised, it was noted that adopting a more controlled, transparent approach with each request reviewed by the Committee was considered to be good governance.
- Members were advised that the gap between actual capital financing requirement and actual debt limits offered a more prudent approach.
- Assurance was sought on the Minimum Revenue Provision and the process for overpayments. Paragraph 43 of the Treasury Management Strategy gave details of overpayments to date and how they were used to offset future costs.

It was noted that the table on page 5 of the report should be headed 'Table 4 – Council Long Term Borrowings as at 31 December 2024'

RESOLVED that:

1) the Audit & Governance Committee notes the reported activity of the Treasury Management function for the period ending 31 December 2024.

RECOMMENDED that Council:

2) Approve the Treasury Management Strategy 2025/26 (Appendix 1)

3) Approve Treasury Management Practices and Policies 2025/26 (Appendix 2)

Voting: For – 6, Against – 0, Abstain – 2

64. Increased Borrowing - Hawkwood Road and Housing Delivery Council Newbuild Housing and Acquisition Strategy (CNHAS)

The Chief Financial Officer (CFO) introduced 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 Committee was assured that it was not the intention to reduce the Council's ambitions for housing but to strengthen the governance associated with funding such schemes. The report provided an opportunity for Members to review the proposals for Hawkwood Road and CNHAS Harbour Sail acquisition to ensure they were content that the business cases were robust enough to generate resources to satisfy the associated debt repayments. The Director, Investment and Development, provided an overview of both schemes and gave an update on progress. The borrowing implications for each option were set out in the report. It was noted that Harbour Sail was intended to be used for temporary accommodation to reduce pressure on costly bed and breakfast accommodation.

Members sought assurance on the delivery of the clinical facility referenced in Hawkwood Road Option 1. It was explained that although a GP facility had been considered, this was to be an oral health facility including a training element in collaboration with NHS Dorset. Work with NHS Dorset was progressing well, with rental income now set and a business case being prepared. Members also asked about the risk to the Council in borrowing if grants did not materialise. It was explained that grants were due to be confirmed in the next few months but for added assurance contracts would not be awarded until that time.

A point was raised about the debt ceiling being reduced, in that each business case would have to come to the Council for approval regardless. There was a concern about Harbour Sail in that it was known that the building had issues and had been vacant for some time, but an assurance had been received that the Council was looking at this thoroughly.

It was noted that recommendation b) required amending to correct a typo, the phrase "...in the business cases.." to be replaced by "...if the business cases..."

Hawkwood Road:

RECOMMENDED to Council that

- a) Approval of an increase in the authorised borrowing limit of the Council to accommodate the £6.1m in the HRA for social rent/shared ownership and £3.2m in the general fund of prudential borrowing for Option 1 of this scheme and the proposal in the business cases for the financing of this debt.**
- Or**
- b) Approval of an increase in the authorised borrowing limit of the Council to accommodate the £6.9m in the HRA for social rent/shared ownership of prudential borrowing for Option 2 of this scheme and the proposal if the business cases for the financing of this debt Option 1 cannot be delivered.**

CNHAS – Harbour Sail

RECOMMENDED to Council:

- c) Increasing the authorised borrowing limit of the Council to accommodate the budget set out in the exempt report at Appendix 1 for the purchase of Harbour Sail.**

Voting: Unanimous

65. Risk Management - Corporate Risk Register Update

The Risk and Insurance Manager presented a report, 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 report provided an update on the position of the Council's Corporate Risk Register. All corporate risks were reviewed during Quarter 3. In respect of CR24, it was noted that the risk owner had been updated and that this risk was also to be split to separately identify a risk around environmental impact. Key Assurance Risk Registers and Director Level Risk Registers were reviewed during the quarter. The report also provided a service update. The Risk and Insurance Manager provided a summary of the changes in risk as set out in paragraphs 11 to 14 of the report with full details contained in appendix 4.

A number of points were raised and responded to including:

- CR15 – A concern was raised about the process of dismissal and re-engagement. While this was acknowledged in the report the Member felt it was understated.
- CR24 – There was support for splitting this risk into two but a need to ensure they had clear targets. Members were assured that both risks would be reviewed in detail and steps taken to ensure that there was no overlap with the separate risk on climate change.
- CR18 – Cllr Beesley and Cllr Phipps reported on a positive meeting with the Director of Customer and the Director of IT and Programmes to discuss concerns raised at the last meeting around customer interfaces. The Risk and Insurance Manager agreed to include an update in her next quarterly report to clarify what had been done since that meeting.
- CR20 – The Risk and Insurance Manager agreed to follow up on the question of whether a Sustainability Manager had been recruited and confirm with members after the meeting.

The Chair asked that any feedback and responses to follow be included in the next report.

RESOLVED that Members of the Audit and Governance Committee note the update provided in this report relating to corporate risks.

Voting: Nem. Con.

66. Annual Governance Statement 2023/24 - Action 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 'D' to these Minutes in the Minute Book.

The report provided an update against the Annual Governance Statement (AGS) Action Plan which identified actions to be taken to address the four significant governance issues identified in the 2023/24 AGS approved by the Committee in July 2024. The Head of Audit and Management Assurance drew attention to Table 1 in the report which gave a more detailed explanation of the progress made. The action plans associated with the best value notice, delays in the external audit and mandatory training were all very well progressed. As noted in an earlier agenda item the Dedicated Schools Grant deficit continued to present significant issues for the Council and would be likely to remain on the action plan for 2024/25.

RESOLVED that Audit & Governance Committee notes the progress made to address the significant governance issues on the BCP Council AGS Action Plan 2023/24.

Voting: Nem. Con.

67. Assurance Framework & Internal Audit Planning Consultation 2025/26

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 report outlined the BCP Assurance Framework and the 2025/26 Internal Audit Plan proposed approach.

The Committee was advised that it was good practice to consult with the Committee prior to the internal audit plan and charter being presented at its March meeting. The Head of Audit and Management Assurance outlined the purpose of the Assurance Framework in setting out the key assurance functions in place and providing a structure for the more detailed audit plan. He explained how the three line defence model worked internally and how it was supplemented by external assurance. The Assurance Framework had been updated with some minor changes to reflect current organisational structure and governance arrangements. The 2025/26 Internal Audit Plan proposed approach set out the amount of resource required to provide core audit and assurance work. A net reduction in staff days due to the successful completion of three apprenticeships was reported. This would be offset by two of these apprentices taking on substantive auditor roles. The transfer of the council tax single person discount project would also increase the time available. The Head of Audit and Management Assurance confirmed that the proposed resource allocation was sufficient to meet his

own professional obligations and to provide the Council and Committee with a suitably robust, qualified and experienced internal audit function for 2025/26.

The Head of Audit and Management Assurance confirmed that there was no resource for any new apprenticeships. It was also clarified that the council tax second home premium was due to be implemented from 1 April 2025.

A query was raised around the lack of member input into the lines of assurance for functions, particularly for asset management and partnerships. It was suggested that there should be ongoing member involvement as part of the assurance process, including the oversight of significant projects. The Portfolio Holder for Finance acknowledged that the framework did not currently reflect where Members were involved through the democratic process and he agreed that this should be documented. It was noted that Member involvement also offered an opportunity to represent residents and provide them with feedback. Members were reminded they were able to request 'deep dive' explorations of specific topics. The Head of Audit and Management Assurance agreed to update the Assurance Framework to evidence what Member involvement already existed and assist in identifying any gaps.

A point was raised about the retrospective role of the Committee in having oversight rather than ongoing project management. In terms of oversight, the Head of Audit and Management Assurance was asked whether there was any capacity to request additional audits, e.g. to follow up on the previously discussed issue of planning breaches. He confirmed that this issue already formed part of the high level risk section of the internal audit plan and would be included in the next planning audit. The Monitoring Officer advised that the Committee could also seek assurance by referring matters to other committees, such as Overview and Scrutiny or Standards Committee, asking them to look into specific issues and report back. The Committee could then use these findings to feed into the audit plan and framework.

The Head of Audit and Management Assurance invited members to contact him with any further comments or queries between now and the next core meeting in March.

RESOLVED that the Committee agrees the BCP Assurance Framework.

Voting: Unanimous

68. Internal Audit - 3rd Quarter, 2024/25, 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 'F' to these Minutes in the Minute Book.

The Committee was advised that progress on delivering the 2024/25 Audit Plan was going well and remained on track for the annual report in July 2025. Fourteen audit assignments were completed between October and December 2024. Paragraph 5 of the report gave further details of three partial assurance audit opinions. It was noted that the Single Person Discount pilot project had resulted to date in a total additional council tax yield of £654,042. This work had now moved to business as usual within Revenue and Benefits but the Committee would be kept updated for the time being on this was going. Eight 'high' priority audit recommendations had not been fully implemented by the original target date. The explanations provided were deemed to be reasonable and revised target dates agreed, but further information could be requested if required. The Committee was assured that the current overspend in internal audit was being managed against corresponding underspends across the wider team.

The Chair passed on thanks to the team who had successfully administered the single person discount project over the last thirteen months. As the amount collected was ultimately the responsibility of those paying it, it was suggested that there might be learning points to take forward to minimise losses in other areas, for example the second homes premium. It was explained that the single person discount project had been quite distinct, however both projects now sat within the same team and there was constant dialogue with peers and other councils to share best practice when implementing the second homes premium.

It was noted that the three medium priorities for Facilities Management Health and Safety Compliance were behind and out of date, albeit with some mitigating circumstances. The Head of Audit and Management Assurance was asked whether these should be high priorities due to specific risks to health. He explained that these had been risk assessed but could be reviewed in more detail and reported back to the committee. He also agreed to follow up on a concern that there was no defined risk owner for Artificial Intelligence (AI) and report back to the committee.

RESOLVED that the Committee notes the progress made and issues arising on the delivery of the 2024/25 Internal Audit Plan and notes the explanations provided (Appendix 1)

Voting: Nem. Con.

69. Forward Plan - Refresh for the 2024/25 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 'G' to these Minutes in the Minute Book.

Appendix A of the report set out the list of items to be considered by the Audit & Governance Committee for the remainder of the 2024/25 municipal year. It was confirmed that the factual, chronological briefing report to facilitate scoping of an investigation into Future Places (the initial report)

would be added to the agenda for 20 March 2025. Appendix B set out in draft form those items anticipated to be considered during 2025/26. Members were invited to contact the Chair to request any ad hoc reports or presentations for the non-core meetings.

On Future Places, a Member sought clarification on what if any action was required regarding scoping suggestions previously submitted to the Chair and any further suggestions which might be made at this stage. Following discussion, it was concluded that such issues should be raised publicly when considering the initial report on 20 March. The Chair suggested that the initial report could contain links to relevant documents to avoid too lengthy a report but also ensure that all background information was available, particularly for the benefit of newer councillors and the independent persons. There was a discussion on how to ensure the report remained objective when prepared by officers and whether an identified lead was required. The report should be factual, without commentary, a ‘one stop shop’ of information already available to enable the committee to discuss and identify options for a potential way forward. The Chief Executive referred to the Monitoring Officer and her independent status in putting together such a report.

The Head of Audit and Management Assurance confirmed that the Forward Plan 2024/25 would be updated to include the initial report to facilitate scoping on 20 March 2025. In response to a suggestion he advised that a channel would be set up on the Committee’s Teams site to facilitate communication once the report had been published. The Forward Plan 2025/26 would be updated to refer to the investigation, as confirmed in the minutes, with the date to be determined as the timescale would depend on what was agreed on 20 March.

The meeting ended at 8.46 pm

CHAIR

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