

Corporate Governance Committee – 8 December 2014

Present: Councillor D Reed (Chairman)
Councillor Coles (Vice-Chairman)
Councillors Beaven, Hall, Hunt, Miss Smith, P Smith, Mrs Stock-Williams,
Mrs Waymouth and A Wedderkopp.

Officers: Catrin Brown (Senior Environmental Health Officer – Health and Safety),
Jo Nacey (Finance Manager), Paul Harding (Corporate and Client Lead),
Bruce Lang (Assistant Chief Executive), Richard Sealy (Assistant Director
- Corporate Services), Shirlene Adam (Director of Operations and Section
151 Officer) and Emma Hill (Corporate Support Officer).

Also Present: Councillor Morrell
Anton Sweet (Funds and Investment Manager, Somerset County Council)
Peter Barber (Grant Thornton)
Ashley Allen (Grant Thornton)
Ian Baker from South West Audit Partnership (SWAP)

(The meeting commenced at 6.15 pm)

50. Apologies

Councillors Gaines, Horsley and Mrs Lees

51. Minutes

The minutes of the meeting held on 22 September 2014 were taken as read and were signed.

52. Declaration of Interests

Councillors Coles, Hunt and A Wedderkopp declared personal interests as Members of Somerset County Council. Councillor A Wedderkopp also declared a personal interest as a Member of Wessex Water's Environmental Panel. Councillor Hunt also declared a personal interest as a Member of Somerset County Council's Pensions Committee.

53. Update on Health and Safety Performance and Strategy for 2014-2015

Considered report previously circulated, which provided an update on the progress of a range of Health and Safety matters across the organisation.

Below was a summary of topics which included:-

- Accident and Incident data for the part of the financial year 2014-2015 was as follows:-

TDBC Accident Totals 1st April 2014 - 31st October 2014				
Classification	TDBC	DLO & Crematorium	Public	Tenants (public areas)
Reportable	0	2	0	0
Non-reportable	5	25	3	2
Near Miss	0	1	0	0
Period Total	5	28	3	2

- There had been two accidents and one incident reported under the Reporting of Injuries Diseases and Dangerous Occurrences Regulations 2012 (RIDDOR).
- Key performance indicator monitoring from 1 April 2014 had shown two of the four indicators were green and on target as well as one red and one amber.
- Copies of the reviewed and updated Joint Health and Safety Policies had been circulated for consultation. The policies continued to be reviewed to a dated schedule.
- The first part of Health Surveillance Talks had been delivered by the Health and Safety Team to 76 DLO Building Services employees. The Parks and Open Spaces Teams would be covered in forthcoming weeks.
- Asbestos Awareness Training had been delivered to DLO employees and TDBC visiting officers by G&L Consultancy Asbestos Specialists.

During the discussion of this item, Members made comments and statements and asked questions which included: - (Responses are shown in italics)

- Discarded needles were a hot topic at the moment. Would the officers be receiving refresher or top up training on regular basis?
Yes, when this was required. The Council, including Deane DLO, had a training matrix stating when individual training was either out of date or near the point where more training was required.

Resolved that the progress made on the implementation of the Health and Safety Strategy and the initiatives to improve the Council's operating culture be noted.

54. Presentation on Pensions Deficit

The Committee received a presentation from Mr Anton Sweet (Funds and Investment Manager, Somerset County Council) concerning the Somerset Fund of the Local Government Pension Scheme.

This was a statutory scheme which had set benefits and set member contributions also covering multiple employers and as at 31 March 2014, there were 149 separate employers in the Somerset Scheme.

The deficit facing the Somerset Scheme, which had existing liabilities for the next 80 years was £455,000,000 and the deficit for the Council was £31,000,000. An

explanation was provided as to the possible causes for the deficit and how this deficit was calculated as well as when this was calculated.

Details were provided as to how the Council would pay back the pension scheme deficit, which would be achieved by an annual lump sum over the next 25 years along with 13.5% of pay to cover new service.

During the discussion of this item, Members made comments and statements and asked questions which included: - (Responses were shown in italics)

- The chart was based at 6.1%. Were the officers sure the Council would be able to maintain this level of investment return?
There were two elements to the return, which were taken from the Actuary's assumptions. Since 31 March 2014, the Council was receiving a greater return than 6.1%. Looking at the historic figures, the Council had generally achieved over the 6.1%.
- Had the Iceland issue had a bearing on this?
This did not currently have a direct effect but it had had a 'knock on' effect at the time. There were no direct investments in Iceland. Forecasting investment returns was very difficult and ever changing. There had also been periods of negative return. But the Council had recouped this deficit and then some. Most of the FTSE 100 companies had had pension deficits but they had chosen to pay the deficit back in one go.
- Surprise was expressed about the size of the deficit. Were the Actuary figures based on future life expectancy?
The actuary had based their assumptions on the most up to date figures.
- Looking at the Annual Lump Sum pay back; what was the benefit or was there no benefit to the Council to equalise payments until 2016/2017?
The Actuary had set a minimum payment within the year. Paying off the debt earlier in the year would reduce the charge. This was possible to do but it was a question of affordability but it would get lost in the next round of figures.
- The idea was making the payments equal while the interest rates were low and on fixed annual payments. The 6.1% rate was relatively unaffected by interest rate changes.
- How much did the fund cost to administrate?
It was less than £5,000,000 annually. The 13% employer's contribution and the separate employee contribution were set by Central Government. The range was between 4.5% and 11% but the average was 6.3% (nationally).
- Looking at the trend moving forward with a reduction of staff, how would this affect the pensions deficit?
A reduction in staffing levels would mean a reduction in liabilities sums for the Council and the 13.5% would reduce thus. The lump sums produced would not be affected by the reduction of staff.

Resolved that the information presentation should be noted.

55. Grant Thornton External Audit – Annual Audit Letter 2013/2014

Considered report previously circulated, on the Council's Annual Audit Letter which summarised the key findings arising from the work that had been carried out for the year ended 31 March 2014:-

- No material errors were found during the course of the audit in the draft accounts presented for audit;
- A recommendation was made in relation to property, plant and equipment revaluation; and
- The Auditors were satisfied that the Council's arrangement to ensure Value for Money by a secure economy, efficiency and effectiveness in its use of resources.

The Audit fees for 2013/2014 were £67,505. This was slightly higher than anticipated.

Resolved that the Auditor's report be noted.

56. Grant Thornton External Audit – Audit Update

Considered report previously circulated, which provided a progress update from the Council's external auditors, Grant Thornton, in respect of the 2013/2014 audit work for Taunton Deane and on emerging national issues, which might be relevant to the Council.

Each year Grant Thornton were required to carry out "set" audit work and the report provided a useful progress update in relation to that work.

The report updated Members on the status and progress on the auditor's programme of work as at November 2014.

In July, there had been the release of Code Changes by Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority Scotland Accounts Advisory Committee (LASAAC) regarding the 2015/2016 Code of Practice on Local Authority Accounting. This had been the subject of public consultation.

Resolved that the report be noted.

57. SWAP (South West Audit Partnership) Internal Audit - Progress Report on Internal Audit Plan

Considered report previously circulated, which summarised the Council's Internal Audit Service progress with the 2014-2015 Internal Audit Plan and included:-

- Details of any new significant weaknesses identified during internal audit work completed since the last report to the Committee in September 2013; and

- A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority ranking of these.

Reported that there were some high priority recommendations identified since the June update. The recommendations had been assessed at service level.

The Internal Audit Service were making steady progress against the 2014-2015 plan. It was recognised that significant changes had occurred over the last few months at the Council with regard to officer responsibilities. Whilst this had caused movement in the Audit Services timings of some of the audits, SWAP still anticipated full delivery of the plan.

Progress had been made with SWOne on the ICT audits and the audit engagement protocol with SWOne was out for final approval and should be a live document for the end of the year.

It was also reported that although SWAP had returned to partial assurance audits, no significant corporate risks had been identified.

Resolved that the SWAP Progress Report be noted.

58. Corporate Governance Action Plan Update

Considered report previously circulated, which provided details of the progress made against the Corporate Governance Action Plan as at the end of November 2014.

The action plan captured recommendations/actions which had emerged from external audits.

At the previous update report in June 2014, there were four 'open' actions. Two actions were 'green' (on track) and the remaining two were 'amber' (of some concern).

Since the last report, one further external audit recommendation had arisen and this had been included in the Action Plan.

The latest review process (December 2014) had revealed:-

- Four actions had been carried forward as well as the inclusion of one new action'; and
- Three of these actions were at 'amber' (of some concern) and two actions at 'green' (on track).

Looking specifically at employee absence, the Local Government Association (LGA) had updated their Local Government Workforce Survey to reflect the position for the year 2012/2013. This most current benchmarking survey had reported an average 8.2 days per annum per FTE employee for all Councils. Taunton Deane's average sickness for 2014/2015 was 8.2 days per FTE. This was 2 days per FTE lower than recorded for 2012/2013.

During the discussion of this item, Members made comments and statements and asked questions included: - (Responses were shown in italics)

- It was good news about the reduction in staff sickness days for the Council. Should this now be 'closed' or shown as 'green' on the Action Plan? Should this continue as a work in progress?
This was not the only forum where sickness levels were monitored by officers and Members. The Council had listened and dealt with the auditors concerns after they had previously flagged this issue. The Council monitored and reviewed this every quarter and would continue to do so. The Council could say they had dealt with the concern and completed it, satisfying the external auditors.
- What period was the reduction over and were the Council looking at benchmarks to compare how the Council was doing?
This was the previous year. The starting point was in excess of 10 days.

Resolved that:-

- (1) The progress with the Corporate Governance Action Plan be noted; and
- (2) Action No.2 (The Council should consider what further measures it needed to undertake to reduce the high level of sickness absence), be closed.

59. Regulation of Investigatory Powers Act (RIPA) – Update following an Inspection.

Reported that an Inspector acting on behalf of the Chief Surveillance Commissioner, had visited the Council recently to undertake a review of the Council's management of covert activities under the powers conferred by RIPA.

The Commissioner had subsequently written to the Council which recognised that the recommendations made following the previous inspection of the Council's activities three years ago had been largely discharged with good practice being identified with the formal designation of authorising officers.

The report was generally very positive and confirmed that the Inspector was satisfied that the Council took its responsibilities under this legislation seriously and that there were appropriate systems and processes in place to use it effectively.

There were two recommendations from the report which were currently being actioned. These were:-

1. That RIPA training should continue to be formally delivered to Council staff who were likely to engage the legislation to ensure it was applied to an appropriate standard; and
2. The policy/guidance document should be further amended in accordance with details set out in the inspection report to ensure it was fit for purpose and up-to-date with all the relevant legislation.

During the discussion of this item, Members made comments and statements and asked questions included: - (Responses were shown in italics)

- How often was the Council expected to provide training? Was this being provided in-house to save money and was a register of those who were trained and when being kept?
The Council would look at an annual refresh for training. Currently the training was outsourced as the Council did not have the ability to complete this in-house. A training record would be kept.
- What circumstances would the RIPA powers be used and who would authorise it?
Only in circumstances when a serious criminal offence was being investigated which was likely to lead to prosecution action. Authorisation for this would come from the Joint Management Team.
- It was felt that this should be included on the Corporate Risk Register and a monitor it.

Resolved that:-

- (1) The outcome of the inspection by the Office of Surveillance Commissioners be noted and the provision of appropriate training relating to the Regulation of Investigatory Powers Act 2000 (RIPA) process;
- (2) Approval of the updated Corporate Policies and Procedures on the RIPA as set out in the report be approved; and
- (3) It be noted that the local protocol would be followed whereby the Senior Responsible Officer for the RIPA process would ensure that the Chairman and Vice-Chairman of the Committee and Executive Portfolio Holder be kept appropriately informed with regard to any potential and/or actual authorisations for the undertaking covert surveillance.

60. Report on Voluntary Code for Self-Financing Housing Revenue Account

Considered report previously circulated, concerning the Voluntary Code for a self-financed Housing Revenue Account (HRA) published in October 2013 by the CIPFA in collaboration with the Chartered Institute of Housing (CIH).

The code was voluntary and there were no sanctions for not following it. The principles of the code were designed to be self-regulatory and represented a key tool in assisting Taunton Deane to account for the management of its Housing Revenue Account (HRA) to Members, tenants and the Government.

A description of the code was provided together with a summary of the key findings of a self-assessment of the Council's performance to date against the code principles.

The Council and Members would continue to review performance as part of an annual review and refresh of the HRA Business Plan and Taunton Deane's

progress against improvement activities would be monitored and reported back to the appropriate Committee.

The code was based on the following six principles:-

- a) Co-regulation;
- b) Financial Viability;
- c) Communication and Governance;
- d) Risk Management;
- e) Asset Management; and
- f) Financial and Treasury Management

During the discussion of this item, Members made comments and statements and asked questions included: - (Responses were shown in italics)

- Was this document subject to a regular or annual review process and a stress test every three years?
It would be subject to a regular review process. The Council was making adjustments to HRA Business Plan when necessary.
- It was good that the HRA Business Plan had this flexibility and it was hoped that an annual update could be provided to the Committee.

Resolved that the report be noted.

61. Corporate Governance Committee Forward Plan

Submitted for information the proposed Forward Plan of the Corporate Governance Committee.

Resolved that the Corporate Governance Committee Forward Plan be noted.

(The meeting ended at 8.00pm).