

MINUTES

of the

AUDIT COMMITTEE

held on 12 December 2018 at 2.30pm

Present:

Councillor M.D. Watson (Chairman)

Councillors

A. Chambers, N. Chambers, J.E. Chandler, J. Galley, G.B.R. Knight, R.A. Ride and S.J. Robinson

1. Apologies for Absence and Substitutions

Apologies for absence were received from Councillor C. Garrett. Councillor N. Chambers was appointed as the substitute for Councillor Garrett.

2. Minutes

The minutes of the meeting held on 26 September 2018 were agreed as a correct record and signed by the Chairman.

3. Public Question Time

The following questions were asked by members of the public:

- a) The Capital Monitoring report appeared to detail a further overspend on the Riverside Capital project of another £4 Million, had this been understood correctly.

The Chairman informed the member of the public that this would be discussed during Item 8 and this would clarify the matter.

- b) Why had there been another Capital programme overspend on the Modular Housing units, that it was not the first scheme in the country and that there had been a catalogue of errors and poor management. The member of the public also stated that the cost increases were higher than detailed in the report and that the scheme had not provided value for money. The member of the public also stated that the figures detailed in the report were not in line with those provided at the September Cabinet meeting.

In response to the question the Chairman stated that all members had been concerned with the delays to the project and that was why a report had been requested by the Audit Committee. He stated that many of the issues had been outside of the Council's control but that the scheme had delivered a significant number of new units on land that had not been generating any revenue. He also stated that the units had been significantly cheaper than building traditional houses and would provide an ongoing benefit to vulnerable residents.

4. Declaration of Interests

All Members were reminded to declare any Disclosable Pecuniary interests or other registerable interests where appropriate in any items of business on the meeting's agenda.

None were made.

5. **Announcements**

The Chairman passed on the Council's thanks to Ernst and Young for their hard work and help as the Council's external auditors over the past few years.

6. **Digital Transformation Budget Report**

The Committee received a report which updated them on the digital transformation spend and budgeting through to the 2019/20 financial year. The Committee was informed that at a very high level there was a variation of £361,455 on the total budget but that this had been funded from existing budgets with the majority coming from underspend within the wider digital services revenue budget. The Committee heard that in 2016/17 the money had been used to bring in a digital strategist and to start procuring licences for Office 365. It was noted that in 2017/18 there had been a realignment of the team and the roll out of major Office 365 components including email and OneDrive was started. It was also noted that a full recut of the CRM programme had been undertaken in January 2018 to ensure that the team were able to deliver in a way that supported the whole council. In 2017/18 there had been an underspend due to lower than expected staffing costs and also an underspend on licensing due to the advantage of just in time purchasing.

The Committee heard that in the current financial year SharePoint and Skype for Business had been introduced to finalise the rollout of major Office 365 components. It was also noted that the service was moving away from short term contractors into recruiting longer term fixed term appointments instead. The Committee heard that there would be another review of the CRM project in June 2019 to coincide with the completion of the new devices, windows 10 and other Office 365 projects to review the whole service.

Members thanked the Digital Services Group Manager for the report and the information provided.

In response to questions from Members it was confirmed that;

- A future report would detail a specific breakdown of spending on staffing, hardware and licences.
- External consultants had been used to help start the project but there was now a move towards longer term or permanent staff.

The Committee was also informed by a member that funding had been allocated to allow external consultants to analyse the project so far and what benefits it will be providing to residents, staff and members. This should make it clearer what the benefits are and what the opportunities are for the project moving forward. It was also noted that the transformation would allow staff to work in much more flexible ways allowing homeworking and hotdesking for example. It was confirmed to the Committee that they would receive updates on this work.

The Committee heard that the digital transformation would lead to a cultural change and the report from the external consultants would demonstrate how the Council can make the most out of the investment in the digital transformation programme. The Committee also heard that some teams were already using parts of Office 365 that they had started to use by themselves rather than being introduced to by Digital Services. This demonstrated the capabilities of Office 365 and that staff had been using it to create innovative methods.

The Chairman agreed that a report detailing a further breakdown of spending so far would be provided at the March meeting and it was also agreed that the Cabinet Member for Corporate Services and IT be asked to attend the meeting.

RESOLVED that;

1. the report be noted and;
2. a report is provided at the March meeting regarding a specific breakdown of spending on staff, hardware and licences and;
3. the Cabinet Member for Corporate Services and IT be asked to attend the March meeting.

(2.40pm to 3.05pm)

7. **Housing Services Transformation and Modular Housing Project Review**

The Committee received a report detailing a number of initiatives designed to improve the quality of its Strategic Housing Function and reduce the financial impact of the service on the Council's revenue budget, following a rapid growth in the number of households in temporary accommodation since 2010. Members were informed that the report was effectively split into two parts, one on the transformation of the service and the other on the modular housing project. Members were invited to ask any questions on the report.

In response to questions from members it was confirmed that;

- The modular units did not have fixed length tenancies and were designed as a halfway step before more permanent accommodation became available. It was noted that the average stay was expected to be around 250 days.
- A competitive process had been undertaken to deliver modular units that would provide a long-life expectancy. It was noted that officers had been quoted that the structures should last between 40 and 60 years but that officers were working on a 30-year basis. It was also noted that due to the modular design, individual components could be easily replaced. The Committee heard that the major costs of the project were the initial works in developing the site and connecting to energy suppliers.
- The units had been purchased at £36,700 for a one bed unit and £57,600 for a two bed unit.
- There was a projected yield of 4.8% on the units. This was very high for a housing scheme and was of low risk compared to higher risk investments in other areas. It was also noted that this was helping to fulfil a statutory service and added quality accommodation for vulnerable residents.
- Maintenance costs had been built into the projected 4.8% yield.
- As with all of the Council's temporary accommodation basic management was provided by the Chelmer Housing Partnership but the Council were still the body collecting rent for the modular units. It was also noted that CHP were responsible for maintenance and repairs to the units.
- It would have been too difficult to find a suitable site for all 18 units, it may have saved some costs but there was no site suitable. Building regulations also limited how many of the units could be stacked and this led to the use of two sites.
- Quotes had been received from other European suppliers but due to transport costs these were not feasible.
- Chelmsford had been the first local authority in the UK to start a scheme using the modular pod style units but others had now followed.

Members thanked officers for an excellent and very clear report on the project. Members stated that the report was honest and provided explanations for the delays and higher costs incurred during the modular housing project. Members also expressed a wish that if similar opportunities were available in the future that they were pursued. It was noted that they had provided quality accommodation that would help vulnerable residents.

RESOLVED that the report be noted.

(3.06pm to 3.30pm)

8. **Capital Programme Update and Monitoring**

The Committee considered a report which compared the latest spending forecast by Directors on Capital Schemes with the approved estimates and a report on the progress of schemes. The report also compared the latest spending forecast by Directors on the Asset Replacement Programme with the approved estimates for 2018/19 and 2019/20.

Members were informed that pages 17 to 40 of the report detailed the spending on capital programmes and that page 4 onwards detailed each scheme with a text update. Overall it was forecast that spending on capital schemes would be £272k more than the latest approved budget or 0.4%.

Members of the Committee stated this was a clear report and that 0.4% was within acceptable margins of error. A member of the Committee also stated that despite the overspends during the Riverside capital project it will be equipping the city with a state of the art leisure centre which will benefit residents and lead to increased revenue streams.

In response to questions from members it was confirmed that;

- Some of the increased costs at Riverside were still under negotiation with the contractors and therefore the increased figure was an estimate.
- Some issues at the Riverside site including undocumented piping and asbestos removal were difficult to quantify before work begun on the site. This was therefore why additional costs were being incurred during the capital project.

RESOLVED that the report be noted.

(3.31pm to 3.52pm)

9. **Certification of Clams and Returns Annual Report 2017-18**

The Committee considered a report presenting the certification of grant claims for the year ending March 2018 written by Ernst & Young and summarising the main issues arising from the certification of grant claims for that financial year.

The Committee was informed that no high-level errors had been identified.

RESOLVED that the report be noted.

(3.53pm to 3.56pm)

10. **Risk Management Update**

Members received a presentation on risk management and the future plans for its use by the Council. The Committee was informed that via a secondment from Internal Audit resources for this had now been allocated. It was noted that initial discussion had been undertaken with management team and the Cabinet Member for Finance in addition to scoping meetings with the audit and risk teams. The Committee heard that the Chief Executive was keen to refresh the way risks were managed and utilised by the Council and that this project would work towards those goals. The Committee was informed that monthly live risk information had been requested by management team.

The Committee heard that a three line of defence approach was going to be utilised which would include a new Risk and Assurance board being set up. It was noted that there was not a coherent approach to risk across the Council and that the refreshed approach would look to bring services in line with a corporate system. It was noted that valuable data needed to be explored and that this would strengthen and assist governance and decision making. The Committee heard that of three approaches management team had decided to adopt the middle approach titled 'risk managed' as it was felt this suited the organisation currently.

The Committee was informed that officers would now be developing the system based on feedback received and would be exploring how the Audit Committee can be utilised in governing risk. It was noted that the Committee would play a key role and over time reporting would be tailored and developed to the Committee's needs.

RESOLVED that the report be noted.

(3.57pm to 4.19pm)

11. **Internal Audit Interim Report 2018/19**

The Committee received a report which summarised the work that Internal Audit had undertaken from 1st April 2018 to 30th September 2018. Members were informed that Internal Audit were on track to complete the audit plan as agreed by the end of March 2019. The Committee was also informed that the new terminology agreed at the last meeting would not be implemented until the next financial year, to allow this year's reports to follow a standard format. Members were informed that the report detailed the progress on implementing recommendations, service summaries and a review of the effectiveness of Internal Audit.

The Chairman stated that the report did not highlight any major areas of concern. In response to a question from a Member it was stated that the audit being undertaken by PWC of the digital transformation programme had been seen by management team and a workshop was due to be scheduled for January 2019 to help improve communication around the programme.

RESOLVED that the report be noted.

(4.20pm to 4.24pm)

12. **Review of Training Topics and Rolling Programme of Work**

The Committee considered a report regarding training for its members and the updated proposed rolling programme of work.

RESOLVED that the report be noted.

(4.25pm to 4.26pm)

13. **Music Festival at Hylands Park**

The Committee received a report which updated them on the financial position of the annual music festival held at Hylands Park.

The Committee were informed that a much smaller scale event had been held in 2018 including significant infrastructure changes. The Committee was informed that the financial information in appendix 1 would be discussed under item 15 in part two of the agenda.

RESOLVED that the report be noted.

(4.27pm to 4.28pm)

14. Urgent Business

There were no matters of urgent business brought before the Committee.

Exclusion of the Public

RESOLVED that under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for Item 15 on the grounds that they involve the likely disclosure of exempt information falling within paragraph 3 of Part 1 of Schedule 12A to the Act.

15. Music Festival at Hylands Park (Appendix 1)

The Committee discussed the financial information provided in Appendix 1 of the report.

RESOLVED that the report be noted.

(4.29pm to 4.40pm)

The meeting closed at 4.40pm.

Chairman