

**AUDIT AND GOVERNANCE COMMITTEE****Tuesday, 12 September 2017**

**Present: Councillor Len Horwood (Chairman)  
Councillors Barrington-King (Vice-Chairman), Hamilton, Lewis-Grey, Neve, Nuttall,  
Ms Palmer and Podbury, Independent members Mrs Hough and Mr Quigley, Parish  
Councillor Coleman and Town Councillor Henshaw**

**Officers in Attendance:** David Candlin (Head of Economic Development and Property), Rich Clarke (Head of Audit Partnership), Lee Colyer (Director of Finance, Policy and Development), Keith Trowell (Senior Lawyer and Deputy Monitoring Officer) and Mike McGeary (Democratic Services Officer)

**Other Member in Attendance:** Councillor Chapelard (registered speaker)

**APOLOGIES FOR ABSENCE**

AG29/17 Apologies for absence were reported from independent member Mr Shiels.

**DECLARATIONS OF INTEREST**

AG30/17 There were no declarations of interest made, within the provisions of the Code of Conduct for Members.

**NOTIFICATION OF VISITING MEMBERS WISHING TO SPEAK (IN ACCORDANCE WITH COUNCIL PROCEDURE RULE 18)**

AG31/17 The Democratic Services Officer advised that Councillor Chapelard had registered to speak on item AG35/17 below, in accordance with the provisions of Council Meetings Procedure Rule 18.

**MINUTES OF THE PREVIOUS MEETING**

AG32/17 The minutes of the meeting of the Audit and Governance Committee dated 25 July 2017 were submitted.

**RESOLVED** – That the minutes of the Audit and Governance Committee dated 25 July 2017 be approved as a correct record.

**UPDATE ON COMPLAINTS RECEIVED UNDER THE MEMBERS' CODE OF CONDUCT**

AG33/17 Keith Trowell, the Senior Lawyer and Deputy Monitoring Officer, advised that, since the June meeting of the Committee, there had been no further complaints received under the Members' Code of Conduct and there had been no outstanding complaints under consideration. On that basis, Mr Trowell said that it had been felt unnecessary to submit a written report, adding that the situation would continue to be reviewed and reported upon at each subsequent meeting, where this was relevant.

**RESOLVED** – That the verbal update report be noted.

**STRATEGIC RISK REVIEW**

AG34/17 Lee Colyer, the Director of Finance, Policy and Development, presented a risk management report, which described the authority's arrangements for

managing strategic risk. The report provided an update on the evaluated threat level, as well as the controls in place, for each of the 10 risks identified.

David Candlin, the Head of Economic Development and Property, was introduced to the Committee. Mr Candlin was the 'officer risk owner' for scenarios 2 ('Being unable to maximise economic opportunities and resolve infrastructure issues') and 10 ('Development Programme').

Under risk scenario 2, Mr Candlin advised that, while there had been no changes to the 'current controls/mitigations in place' as set out, there were a significant number of actions taking place under those summary headings. He highlighted the following as examples of the mitigation work being undertaken.

On the 'delivery by the Highways Agency of A21 Tonbridge to Pembury dualling', Mr Candlin said that the scheme was due for completion this summer, adding that an announcement was still awaited as to the final date. This scheme, Mr Candlin said, linked to the next one on the list, namely the 'delivery of North Farm infrastructure improvements', where he advised that the work had been completed during 2016/17 but that the extent of the benefit it had brought could not be judged until after the completion of the A21 dualling; this, he said, would be assessed during the course of the next 18 months.

Mr Candlin emphasised how the delivery of some other key infrastructure improvements was reliant upon successful applications for funding via the South East Local Enterprise Partnership (SELEP) and the Kent & Medway Economic Partnership (KMEP); he added that bids had to meet the Government's strong focus on growth. Mr Candlin added that growth had to be viewed within the context of the constraints of the Borough's Green Belt land and its significant Area of Outstanding Natural Beauty status.

Mr Candlin drew attention to a number of proposed highway improvement schemes along the A264 which had not yet received any government funding – despite strong lobbying – due to very competitive funding bids elsewhere within the SELEP area. Mr Candlin said that expectations were higher for the provision of a cycle route on the A26, which had strong support from KCC.

Mr Candlin advised that the Borough Council was working with the Royal Tunbridge Wells Together Partnership, led by the business community. He added that the authority was assisting with the introduction of a business improvement scheme.

In terms of setting out its strategic direction, Mr Candlin said that the Borough Council was currently consulting on an update of its Economic Development Strategy and would be reviewing its Transport Strategy (in conjunction with KCC) alongside the Local Plan.

Members of the Advisory Board were asked for their views on the mitigation actions being followed.

Councillor Podbury referred to the work being carried out in support of town centre businesses. She asked whether that included the High Street and the Pantiles. Mr Candlin advised that both of these were considered to be part of the town centre, adding that the authority was also looking to help businesses based across the whole Borough.

Councillor Podbury also enquired into progress with the proposal to provide a zebra crossing in Major York's Road. Councillor Barrington-King, Chairman of the Joint Transportation Board, was able to confirm that KCC had agreed to fund this scheme.

Independent member Mr Quigley focused on the problems of traffic congestion, which he said could sometimes act as a disincentive for businesses looking to relocate or to start up in the Borough. He asked what modelling was taking place as to future traffic issues. Mr Candlin said that part of the authority's plans were based on a 'modal shift' of encouraging people towards alternatives to car usage, in other words: bus services; cycling; and walking. In addition to that, Mr Candlin advised that some specific highway improvements on the A264 formed part of the modelling, to help improve traffic flow. He also said that the most up-to-date traffic surveys confirmed that much of the town centre's vehicles were not 'through traffic' as was sometimes claimed.

Councillor Barrington-King said that, as a County Councillor and who had responsibility for transport issues as Chairman of the Joint Transportation Board, he had regular meetings with KCC Highways officers, where it was clear that there was an emphasis on looking at ways to improve the traffic flow in Tunbridge Wells town centre.

On risk scenario 10, Mr Candlin advised that, again, there had not been any changes since the last report to the 'current controls and mitigations in place', a position which an internal audit study had confirmed as 'sound' in terms of the authority's approach towards risk.

Mr Candlin added that, within the controls set out, there was an additional level which had been introduced, namely the establishment of a Programme Board, whose role was to oversee and monitor progress on all development and transformation projects. He circulated a copy of the type of monitoring paperwork the Programme Board examined on a monthly basis.

Beneath the Programme Board, Mr Candlin reaffirmed that individual officer groups maintained risk logs which were monitored by each project team. He added that, for example, the civic development risk log was kept in the Members' Room for councillors to view, which was regularly updated.

Councillor Podbury asked who sat on the Programme Board. Mr Candlin advised that the Board consisted of the Chief Executive, the Director of Finance, Policy and Development, the Director of Change and Communities and the Head of Human Resources and was supported by the authority's Business Development Unit. He added that lead project officers would attend and provide detailed updates, with meetings being minuted.

Councillor Podbury asked why there were no councillors sitting on the Board. Mr Candlin advised that the Programme Board dealt with the day-to-day business of project management, with the councillor Development Advisory Panel sitting above the Board. He added that member briefings – for all Borough Councillors – were also provided on the major proposed development schemes.

The Chairman thanked Mr Candlin for his update and for Committee members' questions and engagement in the issue.

**RESOLVED** – That the risk management report and arrangements for managing strategic risk be noted.

## **INDEPENDENT REVIEW OF THE CIVIC DEVELOPMENT PROJECT**

AG35/17 Lee Colyer, the Director of Finance, Policy and Development, advised that the Council had decided to seek two independent studies into the authority's approach, to date, on the proposed civic development. He said that the independent assurance work would be carried out as follows: (i) a review of the approach to project management of the proposed development, to be carried out by Mid Kent Audit; and (ii) an independent assessment of the civic development business case, to be undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Mr Colyer added that the outcome from these two reviews would form part of the Stage 3 decision-making report which would be taken through the Council's governance process, leading to a final decision at the Full Council on 6 December.

Mr Colyer invited the Committee to comment on the approach being followed, within its terms of reference, i.e. the monitoring of corporate governance and risk management, rather than the policy or decision-making of the Council.

Mr Quigley welcomed the initiative. However, he felt that, based upon his professional experience, there were other elements of the Council's approach to the project which he would expect to see, such as: (i) a process for managing risks and issues; (ii) the need for the business case to set out the options considered, along with an analysis of 'value for money'; and (iii) a cost/benefit analysis to show that the preferred option provides the best value for money. Mr Colyer thanked Mr Quigley for these observations, adding that these would be taken into account within the briefs provided for both Mid Kent Audit and CIPFA.

Mr Candlin, the Head of Economic Development and Property, advised that the project risk register formed part of the documentation in the Members' Room and would also be included in the end-of-Stage 3 report to the Full Council in December.

Councillor Chapelard had registered to speak on this item. He said that his principal concern had always been over the choice of the site for the proposals, adding that he very much hoped that the independent review would incorporate this element of the decision-making to date. Councillor Chapelard recalled that a critical aspect of the choice of site had been the seven guiding principles which had been set out, including, for instance, the need to keep the existing theatre open until its replacement was ready for occupation. He added that, unless the proposed project review was sufficiently detailed and covered such past decisions, it might be criticised.

Mr Colyer, in response, said that the site choice had been taken by the Full Council, in December 2015, based on a detailed options analysis report. He added that it was not intended therefore that the independent review would include an examination of that particular decision but would focus more on: (i) the authority's approach to project management process and (ii) the robustness of the business case.

Councillor Neve asked what the cost was of the proposed independent reviews. Mr Colyer confirmed that the cost of the CIPFA review would be £12,000, which would be met from the development programme budget.

Councillor Neve next asked for clarification regarding the statement in the report that 'the independent review briefs would be shared with the Committee'. He said that he could find no reference to this in the minutes of the last meeting, reference to which had been set out in the report.

Councillor Neve also asked whether the views of Design South East (DSE) had been sought as part of the progression of this scheme. Mr Candlin responded by confirming that DSE had been consulted with, adding that their response was currently being examined and taken into consideration.

Councillor Neve remained sceptical, adding that there was a suggestion of the authority being too secretive in how it was only now publicising its proposals for an independent review of the project.

Mr Colyer responded. He said that the proposal for the independent reviews had been published with the agenda for this meeting the previous week, in full compliance with access to information requirements. He added that the Council had consistently been open and transparent about the costs of the civic development and that only where there were issues of commercial sensitivity had any detail had to be considered in exempt session at meetings of the Cabinet or Full Council.

Mr Colyer also stressed that the authority had set up a dedicated website on the civic development, which provided comprehensive detail about all aspects of the proposed scheme. (This can be found at: [www.twciviccentre.co.uk](http://www.twciviccentre.co.uk))

Mr Quigley acknowledged that one of the key aspects of the reviews would be on the Council's business case for the proposals. He felt that the agenda report should make it clear as to what happens next, in other words that the independent reviews would form a part of the suite of documents which together would be considered by the Full Council in December.

Councillor Barrington-King said that it was clear from comments made on social media that there was a good level of awareness of the proposals for independent reviews of the civic development. He drew attention to paragraph 4.1 of the report, where it said that its purpose was to inform the Committee of the approach being taken towards the independent reviews; he added that he considered the report had been very successful in achieving exactly that.

In summing up, the Chairman said that he very much welcomed the initiative being taken and he looked forward to the resulting reports coming before the Committee at its November meeting.

**RESOLVED** – That the approach being taken in obtaining an independent assessment of the civic development project be noted.

## **EXTERNAL AUDITOR APPOINTMENT - UPDATE**

AG36/17 Further to minute AG23/17, Rich Clarke, the Head of Audit Partnership, reported on the outcome of the external auditor procurement process, which had been undertaken at a national level by Public Sector Audit Appointments

Limited (PSAA). He advised that, under this procurement process, PSAA had announced that Grant Thornton would be the Council's external auditor from the beginning of the 2018/19 financial year, on a five year contract, with a possible two year extension.

Mr Clarke reminded the Committee that Grant Thornton were the Council's current external auditors, a role they had held since the Audit Commission shed its audit function in 2012.

Mr Clarke advised that, under the terms of the national procurement process, local authorities had the opportunity to object to the nominated external auditors. He considered that, as the Council had established a strong and professional working relationship with Grant Thornton – and that there was no conflict of interest which might impact adversely on either party – the appointment should be welcomed.

Mr Clarke drew attention to two aspects of the process of particular interest: (i) first, he said that the overall value of the awarding of the national contracts suggested an average decrease in audit fees of 18% compared to 2016/17; (ii) secondly, Mr Clarke advised that the appointment only covered work directed by the National Audit Offices' Code of Audit Practice. He added that, while this covered most of external audit's current work, the most notable omission was the certification of the Council's Housing Benefit claim form, which it had to provide to the Department of Work (DWP) and Pensions by 30 November each year. Mr Clarke added that the Council would consider arrangements for that appointment shortly and advise the DWP of its decision by 28 February next year.

#### **RESOLVED –**

- (1) That the proposal of Public Sector Audit Appointments Limited (PSAA) for Grant Thornton to continue as the Council's external auditor be noted; and
- (2) That the Director of Finance, Policy and Development (Section 151 Officer) be directed to respond to PSAA's consultation, confirming the authority's acceptance of the proposal.

#### **FUTURE WORK PROGRAMME**

AG37/17 The Committee's work programme was presented for members' information.

Lee Colyer, the Director of Finance, Policy and Development, said that, as a result of the discussion under minute AG35/17 above – the independent review of the civic development project – he would add an item to the agenda for the 21 November meeting.

**RESOLVED –** That, with the above addition, the work programme be noted.

#### **URGENT BUSINESS**

AG38/17 The Democratic Services Officer advised that there were no additional items for the Committee's consideration which had arisen since the publication of the agenda.

**DATE OF NEXT MEETING**

AG39/17 It was noted that the next meeting of the Committee would take place on Tuesday 21 November 2017 at 6.30pm.

NOTE: The meeting concluded at 7.21 pm.