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TUESDAY, 2 OCTOBER 2018

To the Members of the OVERVIEW AND SCRUTINY COMMITTEE

Councillors	B. A. Stead (Chairman)	R. Michalowski
	T. Archer	D. T. Powell
	M. S. Blacker	J. M. Stephenson
	R. W. Coad	Mrs. R. S. Turner
	G. R. Curry	J. C. White
	J. C. S. Essex	J. F. White
	J. S. Godden	Mrs. A. F. Tarrant
	J. P. King	

Substitutes

Conservatives: Mrs. R. Absalom, R. Biggs, J. M. Ellacott,
V. H. Lewanski, G. Owen and C. Stevens

Residents Group: Mrs. J. S. Bray, R. Harper, N. D. Harrison and
M. J. Selby

Green Party: H. Brown and S. McKenna

A G E N D A

For a meeting of the **OVERVIEW AND SCRUTINY COMMITTEE** to be held on **THURSDAY, 11 OCTOBER 2018** at **7.30 pm** in the New Council Chamber - Town Hall, Reigate.

John Jory
Chief Executive

If you need this agenda in an alternative format, please refer to the information on the final page.

1. MINUTES

(Pages 5 - 12)

To confirm as a correct record the Minutes of the previous meeting.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

To receive any apologies for absence and notification of any substitute Members in accordance with the Constitution.

3. DECLARATIONS OF INTEREST

To receive any Declarations of Interest (including the existence and nature of any Party Whip).

4. PORTFOLIO HOLDER BRIEFING

To receive a briefing from Councillor Bramhall, Portfolio Holder for Property & Acquisitions, and to consider any issues that arise.

To consider any advance questions submitted.

5. INTERNAL AUDIT PARTNERSHIP AGREEMENT

(Pages 13 - 22)

To consider and provide observations on Internal Audit Partnership Agreement arrangements.

6. COMPANIES PERFORMANCE UPDATE

(Pages 23 - 24)

To receive an update on the performance of Council companies.

To consider any advance questions submitted.

7. EXECUTIVE

To consider any items arising from the Executive which might be subject to the 'call-in' procedure in accordance with the provisions of the Overview and Scrutiny Procedure Rules set out in the Constitution.

8. EXEMPT BUSINESS

RECOMMENDED that members of the Press and public be excluded from the meeting for the following item of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

- (i) it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act; and
- (ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

9. INTERNAL AUDIT PARTNERSHIP AGREEMENT (EXEMPT)

(Pages 25 - 34)

To consider exempt information on the internal audit partnership agreement arrangements.

10. COMPANIES PERFORMANCE UPDATE (EXEMPT)

(Pages 35 - 38)

To consider exempt information on the performance of Council companies.

11. ANY OTHER URGENT BUSINESS

To consider any item(s) which, in the opinion of the Chairman, should be considered as a matter of urgency - Local Government Act 1972, Section 100B(4)(b).

(NOTE: Under the Committee and Sub-Committee Procedure Rules set out in the Constitution, items of urgent business must be submitted in writing but may be supplemented by an oral report.)

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Agenda Item 1

Overview and Scrutiny Committee
September 2018

Minutes

BOROUGH OF REIGATE AND BANSTEAD

OVERVIEW AND SCRUTINY COMMITTEE

Minutes of a meeting of the Overview and Scrutiny Committee held at the New Council Chamber - Town Hall on Thursday, 6 September 2018 at 7.30 pm.

Present: Councillors B. A. Stead (Chairman), T. Archer, M. S. Blacker, R. W. Coad, G. R. Curry, J. C. S. Essex, J. P. King, R. Michalowski, Mrs. R. S. Turner, J. C. White, Mrs. A. F. Tarrant and Mrs. R. Absalom (Substitute)

Also present: Councillors

15. MINUTES

RESOLVED that the minutes of the meeting held on 12 June 2018, be approved, subject to the following clarification:

- That the minute of the discussion regarding Item 9: Provisional Revenue and Capital Outturn 2017/18 include a note that no interest had been received from the loans to the Pathway for Care Limited company, due to changes in associated arrangements.

16. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Committee Members: Mr J. Godden, Mr J. Stephenson, and Mr J.F. White (substituted by Cllr Mrs R. Absalom).

Others: None.

17. DECLARATIONS OF INTEREST

No declarations of interest were made.

18. PORTFOLIO HOLDER BRIEFING

The Committee received a presentation from Councillor Mr E. Humphreys, Executive Member for Business and the Economy, regarding the Council's work to support economic prosperity. This included an overview of a business activity trends in the borough, and the work of the business prosperity team in a number of activity areas, including:

- The Economic Development Action Plan within the Council's corporate plan.
- Business start-up levels and survival rates. These were noted to be the best or amongst the best in the county, and generally positive compared to national levels.

- Support for micro-businesses, including business support grants, learning lunches, an entrepreneurs' academy and networking events.
- Establishment of and work with business guilds in the borough to identify and address business needs and priorities.
- Support for existing businesses, including a business news e-bulletin, online directory, networking events and promotion of local business awards.
- The business leaders' group, working with large employers to help them deliver social value, and developing education and recruitment within the local area.
- Future work, including enhancing the local visitor economy, participation in the business rates retention pilot scheme, and continuing to work to improve the business five year survival rate and general economic growth in the area.

The committee considered and discussed the presentation. There were a number of questions and comments, relating to the following topics:

- **Engagement with large employers.** It was identified that not all businesses had wished to participate in the business leaders' group, but that those which did not had generally also been invited. It was identified that the group had chosen to limit itself to profit seeking entities to support a shared perspective on challenges and opportunities.
- **Business grants.** It was identified that formally considered business grant applications followed an initial feedback and support process for potential applicants, and that the success rate of applications at this stage was therefore high. It was identified that the success rate of businesses receiving business grants was difficult to track, but that general indications suggested that it was significantly higher than average for the area, particularly among those who stayed in contact with the Council's business channels.
- **Not for profit and community enterprises:** It was identified that not for profit businesses and community enterprises were also able to apply for business grants, providing they met the general eligibility criteria. It was identified that such applications constituted a small proportion of those received, but that this was believed to be in proportion to the numbers of profit seeking and not for profit businesses in the area.
- **Engagement with colleges and schools.** It was confirmed that the Council worked with both East Surrey and Nescot Colleges as part of its support for vocational and general further education across the borough. It was identified that the entrepreneurs' academy format was best suited to adult participants, but that a number of other bodies provided enterprise engagement opportunities for schools.
- **Learning Lunches.** It was identified that the learning lunches did not incur any direct cost for attendees, and that the direct cost for the Council was very low.
- **Start-up trends.** Start-up businesses in the area were identified to cover a diverse range of fields, although it was identified that a number of entrepreneurs had experience of working in London businesses. It was identified that there had been a number of success stories which were now providing employment for local people.
- **Public awareness.** Awareness of the Council's economic development activities was considered to be good amongst the business community in the borough and surrounding areas, with positive feedback received directly and

via social media. It was identified that the Council also liaised with educational institutions and voluntary sector networks in the area around related activities and opportunities for engagement with businesses and support.

- **Attracting large businesses.** It was confirmed that the Council undertook a number of actions to make the local area attractive to businesses, including making information available to employers and employees, supporting site visits, and coordinating other organisations, including the department of international trade. It was noted that the Council had hosted an international trade delegation in 2015. It was identified that there were currently a limited number of large employment sites available in the borough, although there was the potential for additional provision to be developed in future.
- **Support around business closures/departures.** It was identified that the Council would often have limited capacity to influence the decisions of large employers around closures or relocation of operations in the area, but that it did seek to offer support for local individuals affected by such closures to obtain places with other local business requiring their skills.

The Committee thanked the Executive Member and supporting officers for the presentation, and expressed their appreciation for the work of economic prosperity team.

RESOLVED that the portfolio holder briefing from Cllr Mr E. Humphreys, Executive Member for Business and the Economy, be noted.

19. QUARTERLY PERFORMANCE REPORT (Q1 2018/19)

The Committee received a report that detailed the major variances on performance in relation to the Council's Key Performance Indicators, Risk Management and Internal Audit.

The Committee considered and discussed the report. There were a number of a questions and comments on the report, relating to the following topics:

- **Affordable Homes (KPI 3):** It was identified that the number of affordable homes completed was off target for the quarter. It was noted that this was outside of the control of the Council, but that it was hoped that the number of affordable homes currently under construction would lead to improved performance in future quarters. It was confirmed that performance had not been consistently below target in previous quarters, and that the figure included starter homes and shared equity schemes, where otherwise applicable. It was noted that forthcoming changes to the National Planning Policy Framework might influence future housing options and requirements.
- **Allocation of Community Infrastructure Levy (CIL) funds:** A query was raised regarding the details of the allocation of CIL funds noted under the Revenue Budget Monitoring section of the report. It was noted that a written response would be provided to this query.
- **Business Rates Retention:** A query was raised regarding the accounting for business rates retention. It was noted that a written response would be provided to this query.
- **Legal Services:** It was identified that the legal services overspend resulted from a combination of reduced land charges income, and costs for temporary

staffing. It was noted that the Council's future legal services arrangements were being determined, in order to best support the future requirements of the Council. It was identified that this process was being supported by an interim head of legal with extensive experience in the field.

- **Car Parking:** A query was raised regarding if alternative enforcement approaches or contract arrangements were available to the Council which would support more positive finances around car parking services. It was noted that a written response would be provided to this query.

RESOLVED that the Quarterly Performance Report (Q1 2018/19) be noted.

20. **ISA 260 EXTERNAL AUDIT REPORT 2017/18**

The Committee received a report on the ISA 260 External Audit report for 2017/18. The report was noted to be broadly very positive, and to continue to the series of unqualified audit opinions received. The Committee was assured that where recommendations were raised by the report, these were being monitored and addressed.

The Committee considered and discussed, the report, with questions and comments made regarding the following topics:

- **Bank Reconciliations:** It was noted that there was a recommendation regarding enhancing the bank reconciliations process. It was noted that unadjusted audit differences of £612k had been identified as part of this process, and that this was largely related to two payments to Surrey Pensions and to the Ministry of Local Government. It was identified that following receipt of the report, work had been undertaken to confirm the associated details of the differences and reconcile appropriately. It was noted that a number of process improvements had been made, and that supporting reconciliation work was now largely complete.
- **Budget Performance:** It was identified that the Council had generally been successful in making savings in a challenging financial climate, but that it had been recommended that there were further opportunities to leverage synergies between individual schemes to achieve greater savings. It was confirmed that these options were being considered as part of the 2019/20 budget setting process, and that further confirmation of details would be provided as a written response.
- **Senior Officer Remuneration:** It was confirmed that all senior officer remuneration has now been disclosed, in line with the recommendation made.
- **Reporting and triviality:** A query was raised regarding the identification in the report of the auditors of an individual difference being considered as trivial if it is less than £103k. It was noted that a written response would be provided to this query.

RESOLVED that the report and findings of the External Auditors be noted.

21. **ANNUAL GOVERNANCE STATEMENT 2017/18**

The Committee received a report on the Council's Annual Governance Statement 2017/18. It was noted that the Annual Governance Statement was produced in

accordance with regulatory requirements and had been endorsed by the Executive on 21 June 2018.

It was identified that the Council's procedures were considered to provide an adequate and effective governance framework, and that no significant issues or areas for improvement had been identified by the independent opinions of the Council's internal and external auditors. It was noted that the Council would continue to take actions to ensure that its governance continued to meet these standards.

RESOLVED that the Council's Annual Governance Statement be noted.

22. FLATS RECYCLING SERVICE

The Committee considered the Flats Recycling Service report to be considered by the Executive, in advance of its consideration at the Executive meeting of 13 September 2018. It was noted that the Committee was pleased to be able to offer pre-scrutiny support of the report.

The report was identified to lay out the Council's approach to offering enhanced kerbside recycling to flats and communal properties in the borough. The report identified that this would be conducted as a phased approach, with initial service implementation for properties requiring minimal alteration and planning for and subsequent roll out to additional properties requiring some supporting actions.

The Committee considered and discussed the report, and there were a number of questions and comments relating to the following topics:

- **The extent of and timescale for service provision.** It was identified that the recommendations of the report referred to phases 1 and 2, but that there was mention in the body of the report to a phase 3 (including in the 'Options' section, including paragraphs 15 to 18). It was identified that phases 1 and 2 would provide the service to those properties requiring either minimal or relatively minor alteration, and that there would be a remaining number of properties which would require more significant adjustments or investment by managing agents or landlords in order to allow for inclusion in the service. A query was raised regarding when properties not included in phases 1 and 2 might expect to receive the service, and if the proposed actions were equally supportive of residents in the properties not included in those phases. It was noted that clarification regarding the proposed approach to the outstanding properties, options, and references to phase 3 would be confirmed for the Executive's consideration of the report.
- **Costs.** It was identified that the expansion of the service would incur additional capital and revenue costs, due to the requirement for additional bins, collection rounds and supporting officers. It was identified that the reduction in landfill costs would not present a significant counterbalancing saving.
- **Contamination of recycling.** It was identified that contamination of waste was a significant potential risk, and that contaminated waste both reduced the environmental benefit obtained and incurred significant effective costs to the Council. It was identified that some of the potential properties to be served by the expanded service might be at additional risk of contamination,

due to the likely required locations of bins. It was identified that some countermeasures were available, including manual checking by collection officers, but that these were also likely to incur additional costs and were not fully effective.

- **Flats Recycling Officer.** It was identified that the recommendations included the employment of flats recycling officer to support the expanded arrangements.
- **New developments:** It was identified that newly developed properties would be expected to be included in the expanded service, and that officers would seek to work with developers to ensure that the properties supported recycling arrangements.
- **Current recycling practices:** It was identified that the borough's current household waste recycling waste was 55%, above the national target of 50%, and placing the Council 36th of 350 local authorities nationally, and that it was hoped that the introduction of the additional service would increase this. It was noted that the Council's approach of collecting separated recyclates provided an increased financial return relative to non-separated collection. It was noted that the Council also offered a paper trade waste collection service.

Committee Members were generally supportive of the recommendations of the report. Cllr Essex indicated that he hoped the Council would commit to providing the service to all properties in the borough.

It was suggested that clarification be provided around the implementation phases and options, as identified in the notes of the discussion above.

RESOLVED that the Flats Recycling Service report, and the Committee's comments to support the Executive's consideration of the report, be noted.

23. BUDGET SCRUTINY REVIEW PANEL 2018/19

The Committee received a report detailing the proposed membership, timetable and scope of the Budget Scrutiny Review Panel during 2017/18.

The nominations for membership of the panel were confirmed at the meeting, and were as follows:

Conservative Group: Councillors T. Archer, G. Curry, J. King and J. Stephenson.

Residents Association Group: Councillors N. Harrison and B. Stead

Green Group: Councillor J. Essex

It was noted that all Councillors were welcome to attend the meeting of the panel, even if they were not a member of the panel.

RESOLVED that:

- (i). The membership of the Budget Scrutiny Review Panel and the timetable for the preparation of the Budget for 2018/19 be agreed as set out in the report and confirmed at the meeting.

- (ii). The scope of the Budget Scrutiny Review Panel work during 2018/19 be agreed as set out in the report.

24. EXECUTIVE

It was reported that there were no items arising from the Executive that might be subject to the 'call-in' procedure in accordance with the provisions of the Overview and Scrutiny Procedure Rules.

25. ANY OTHER URGENT BUSINESS

None.

The Meeting closed at 9.16 pm

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Agenda Item 5

Overview & Scrutiny Committee
11 October 2018

Agenda Item: 5
Internal Audit Partnership Agreement



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

REPORT OF:	DIRECTOR OF FINANCE AND ORGANISATION
AUTHORS:	Jocelyn Convey
TELEPHONE:	01737 276560
E-MAIL:	Jocelyn.Convey@reigate-banstead.gov.uk
TO:	OVERVIEW & SCRUTINY COMMITTEE
DATE:	11 OCTOBER 2018

SUBJECT:	INTERNAL AUDIT PARTNERSHIP AGREEMENT
RECOMMENDATION: To note the Internal Audit Partnership Agreement report to be considered by the Executive on 18 October 2018, and to make any comments to support the Executive's consideration of the report.	
SUMMARY: Attached as Annex 1 is the report to be received by the Executive on 18 October 2018. The Overview and Scrutiny Committee is requested to consider the report in advance of its consideration by the Executive, to note the contents of the report, and to offer any comments resulting from this pre-scrutiny process to the Executive to support its consideration of the report. The Committee's attention is drawn to the Part 2 report (Agenda Item: 8) accompanying this item containing supporting exempt information.	

REPORT OF:	JOCELYN CONVEY, DIRECTOR OF FINANCE & ORGANISATION
AUTHOR:	Yvonne Parish
TELEPHONE:	01737 276007
E-MAIL:	Yvonne.parish@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	18 OCTOBER 2018
EXECUTIVE MEMBER:	COUNCILLOR T SCHOFIELD

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	ALL

SUBJECT:	INTERNAL AUDIT PARTNERSHIP AGREEMENT
RECOMMENDATIONS:	
<p>(i) That with effect from 1 April 2019, the Council join the Southern Internal Audit Partnership as a Key Stakeholder / Partner thereby securing market tested, quality assured and value for money Internal Audit services for the Council for a minimum period of five years.</p> <p>(ii) That the Section 151 Officer in consultation with the Monitoring Officer be authorised to enter into the joint working agreement with Southern Internal Audit Partnership.</p> <p>(iii) That the Section 151 Officer should represent the Council's interests by becoming a voting member of the Southern Internal Audit Partnership Key Stakeholder Board.</p> <p>(iv) That approval is given for exemption from the Councils contract procedures as detailed in part 2 of the report.</p>	
REASONS FOR RECOMMENDATIONS:	
<p>Following extensive market and quality assurance testing, it has been evidenced that the recommended provider offers the best value for money and quality of service.</p> <p>The Council will join the Partnership as a 'discharge of function' as permitted by the S101 (5) of the Local Government Act 1972</p>	
EXECUTIVE SUMMARY:	
<p>The Council's existing contract, for the provision of Internal Audit services, expires in March 2019.</p>	

A process of market testing and due diligence has distilled down the available options to identify a preferred provider.

The purpose of this report is to set before the Executive the options available, the recommendation for the way forward and to seek approval for the Council to enter into a partnership agreement with the Southern Internal Audit Partnership.

The above recommendations can be approved by the Executive.

STATUTORY POWERS

1. Under the *Local Government Act 1972* and the *Accounts and Audit Regulations 2015*, the Council is required to maintain an independent internal audit function which ensures that the Council operates within the law and has effective control procedures in place to make certain that public money is spent effectively and efficiently.
2. S101 (5) of the *Local Government Act 1972* makes provision for 'discharge of function'. Legal opinion is that the delegation of the Internal Audit function, to an external provider, is reasonable.

BACKGROUND

3. From 1 April 2012 internal audit arrangements have been provided by RSM (previously RSM Tenon) by means of a joint contract with Epsom & Ewell Borough Council, Mole Valley District Council, Reigate and Banstead Borough Council, Tandridge District Council, Waverley Borough Council and Surrey Police & Crime Commissioner's Office, known collectively as the East Surrey Internal Audit Consortium.
4. The contract was taken out for an initial period of five years followed by an extension for a further two years. The current arrangements are due to end on 31 March 2019. New internal audit arrangements need to be put in place for a start date 1 April 2019.
5. The East Surrey Internal Audit Consortium undertook market testing and evaluation of the options :
 - a. Joining a Shared Service
 - b. Use of established frameworks
 - c. Full OJEU Tender
6. The Consortium concluded that on both price and quality the preferred option is the Southern Internal Audit Partnership. This opinion has been examined and is supported by the responsible officer for Internal Audit and the Section 151 Officer of the Council.

Southern Internal Audit Partnership

7. The Southern Internal Audit Partnership (SIAP) was established in 2012. The Partnership is hosted by Hampshire County Council and is one of the largest providers of public sector internal audit in the region. As a public sector provider SIAP is a Not for Profit body.

8. Operating from their headquarters in Winchester (with a number of sub-offices across Hampshire and West Sussex), the SIAP currently employ 42 FTE staff delivering approximately 7,000 audit days across a diverse portfolio of 27 public sector / third sector organisations. RBBC will be allocated a Strategic Lead and Audit Manager as a permanent point of contact; they may work out of the Horsham sub office, which is within a short commute from RBBC.
9. The SIAP brings together the professional discipline of internal audit, pooling expertise and enabling a flexible, responsive and resilient service to their partner and client portfolio. To provide optimum benefits to their partners and clients, SIAP work with management to improve their control environment, assisting in the achievement of their objectives.
10. To enable effective outcomes, the SIAP provide a combination of assurance and consulting activities. Assurance work involves assessing how well systems and processes are designed and operating, with consulting activities available to help improve those systems and processes where necessary.

Ways of working with the Southern Internal Audit Partnership

11. SIAPs current portfolio of clients engage with the SIAP either through on-boarding as a key stakeholder through accession to the Partnership Agreement or on a fixed term contractual basis. The form of engagement is at the discretion of the organisation and their individual needs and requirements.

Partnering (Key Stakeholder)

12. The Southern Internal Audit Partnership is constituted under S101 (5) of the Local Government Act 1972. As such those Local Authorities joining the Partnership do so as a 'discharge of function' and therefore negate the requirement to undergo costly and resource intensive procurement / tendering exercises.
13. The underlying Partnership Agreement was refreshed in February 2018. The Agreement requires buy-in of an initial five year term (31 March 2023) after which the Agreement runs in perpetuity. Should any organisation wish to withdraw from the Agreement following the initial five year period or at any time in the future it may do so by serving 12 months written notice. However, both the partnering and contractual routes provide exit arrangements at any stage if the service does not meet its statutory requirements.
14. Due to the Partnership Agreement only recently being revised any members of the East Surrey Consortium wishing to join the SIAP would do so as an accession to the existing Agreement, meaning a reduced upfront commitment of only four years (31 March 2023) to align with the existing agreement. The accession agreement will incorporate any specific requirements set out by RBBC that are not covered in the Partnership Agreement.

Contracting

15. Whilst all local authorities that have joined the Southern Internal Audit Partnership have done so through the above 'discharge of function', SIAP does have a number

of clients that engage by way of a contract as part of a formal tender procedure for which the SIAP have submitted proposals and been assessed and awarded works against an open field of providers.

16. Typically contracts are of a fixed term nature (generally three years with the option to extend for a further two). Due to the short(er) term nature of the arrangements the SIAP's rates are indicatively higher than those experienced by 'partners'. (as a guide these should be expected to be approx. 10% - 15% higher than the composite partnership day rate). This is partly to contribute to the risk of increasing capacity for a fixed term arrangement and further to contribute to SIAPs costs of compiling tender submissions and managing client / contractor relationships.

Exit Arrangements

17. Both the partnering and contractual routes provide exit arrangements at any stage if service does not meet its statutory requirements.
18. The Partnership agreement clearly sets out the Exit Arrangements:
 - a. The withdrawing partners shall use their best endeavours to mitigate the withdrawal costs. (4.1.1)
 - b. The Partners (as represented on the Key Stakeholder Board) agree to discuss putting in place arrangements to release on a fair and equitable basis the Withdrawing Partner from any Ongoing Liabilities.(5.1.4)
19. It has been confirmed that TUPE will apply for 1 FTE employee who will transfer from RSM to SIAP. This will provide business continuity and local expertise. SIAP have confirmed that there will be no cost implications for RBBC.
20. Epsom & Ewell Borough Council as lead to the East Surrey Internal Audit Consortium have given notice to RSM that the contract for service will terminate on 31 March 2019.
21. RSM have been made aware that the members of the East Surrey Audit Consortium intend to separately enter into a new partnership agreement with SIAP or in the case of Waverley Borough Council a contract for service. Waverly BC has an in house Head of Internal Audit and is not seeking to 'discharge its' function'.

MARKET TESTING, VALUE FOR MONEY & QUALITY ASSURANCE

Market Testing

22. Joining a Shared Service - Consideration was also given to joining a shared service provider operating in the geographical region including: Surrey County Council (Orbis), South West London Audit Partnership and Southern Internal Audit Partnership (SIAP)
23. Use of established frameworks - Consideration was given to using a number of established frameworks including Crown Commercial Service – RS3747 and the Croydon Framework with Mazars – “APEX”. A number of suppliers on the framework would be ineligible to bid for the work due to conflicts of interest as they

already provide external audit services to members of the Consortium. Further, the day rates are significantly higher.

24. Full OJEU Tender - The current provider market is not strong as evidenced by the recent tendering of the Croydon Framework that only attracted two bidders. It is unlikely that given the limited purchasing power of the Consortium it would be possible to attract suitable providers to respond to an invitation to tender. It is on this basis that a full OJEU tender was considered and dismissed.

Value for Money

25. The financial model adopted by providers varies. Some charge a composite rate for all scheduled audits, including IT and Fraud. Others charge an enhanced rate for IT and Fraud Audits. SIAPs composite rate includes both IT and Fraud audits. Most providers charge an additional rate for non-scheduled audits with the exception of SIAP who offer a flexible solution with no additional charge to the partner organisations as long as parity is restored over a three year period. Further details are provided in the exempt part 2 section of the report.

Quality Assurance

26. Southern Internal Audit Partnership has been externally assessed as compliant with the Public Sector Internal Audit Standards. In September 2015 the Chartered Institute of Internal Auditors were commissioned to complete an external assessment of SIAP. The assessment will be repeated every five years.

27. In considering all sources of evidence the External Assessment concluded:

“It is our view that the Southern Internal Audit Partnership generally conforms to all principles within the Standards. This performance is within the top decile of EQA reviews we have performed. This is a notable achievement given the breadth of these Standards and the operational environment faced by SIAP. It is therefore appropriate for the Southern Internal Audit Partnership to say in reports and other literature that it “conforms to the IIA’s professional standards” and that its “work has been performed in accordance with the International Professional Performance Framework (IPPF)”

28. References have been received from recipients of services provided by SIAP including: Winchester City Council, Hampshire County Council, East Hants DC & Havant BC, West Sussex County Council and Office of Sussex Police & Crime Commissioner. . All references provide assurance that a good quality of service is consistently delivered.

INSURANCE

29. London Borough of Sutton, the Council’s current insurance provider, has indicated that there would be no impact on the Council’s existing insurance policy as a result of entering into the partnership. However, they would like to see a copy of the contract when the arrangement has been agreed, to review what the agreements on liability would be if a claim was made.

30. Hampshire County Council (as host) Insurance provision for both Public Liability and Professional Indemnity has been evidenced and is deemed to be appropriate and sufficient.

GOVERNANCE ARRANGEMENTS

Key Stakeholder Board Meetings

31. As a member of the partnership the Council would have a place on the Key Stakeholder board which is comprised of the Chief Finance Officer of each Key Stakeholder. Each Key Stakeholder Board Member has one vote.
32. It is proposed that as part of the arrangements for RBBC joining the partnership, the S151 Officer / Director of Finance is appointed to represent the Council on the Key Stakeholder Board.
33. In the event that a Key Stakeholder Board Member is unable to attend a Key Stakeholder Board Meeting, a substitute may attend in his or her place subject to the substitute being a financial officer of sufficient seniority and duly authorised to make any decision that the Key Stakeholder Board Member would have been authorised to make had they attended
34. The Key Stakeholder Board shall meet bi-annually and at such times as the Key Stakeholder Board consider necessary), providing the opportunity to engage in performance reporting, business planning, resourcing, updates, and future direction of the Partnership.

Overview and Scrutiny Committee

35. The Annual plan, annual report and quarterly performance report will continue to be presented to the Overview and Scrutiny Committee for approval. All service audit reports will continue to be available on eMembers room.

LEGAL IMPLICATIONS

36. The proposal is for the Council to join a public sector to public sector partnership, which is permitted under S101 (5) of the Local Government Act 1972 that makes provision for 'discharge of function' for the provision of Internal Audit services.
37. This will ensure that the Council complies with its statutory duty, Under the Local Government Act 1972 and the Accounts and Audit Regulations 2015. This legislation requires the Council to maintain an independent internal audit function which ensures that the Council operates within the law and has effective control procedures in place to make certain that public money is spent effectively and efficiently.

38. Legal services working in partnership with the Project Manager have undertaken due diligence of the Joint Working Agreement and obtained satisfactory references from existing Key Stakeholders and Clients of SIAP.

FINANCIAL IMPLICATIONS – see section above on finance & manpower

39. There are no financial implications arising from this report as the cost of service will be met from within the existing revenue budget.
40. The day rate will be reviewed annually and any increase over the previous years shall be in line with inflation.
41. It is anticipated that on average 180 audit days will be commissioned each year.
42. It is a requirement, of the Council's contract procedural rules, that a contract procedure exemption be granted to allow the Council to enter into the partnership arrangement outside of the procurement process. This approach is recommended as it provides value for money by securing the services of a quality provider at a competitive rate. Full details are provided in the exempt part 2 section of the report

EQUALITIES IMPLICATIONS

43. Hampshire County Council, as host of the SIAP, has adequate and appropriate Equalities policies and procedures in place and provides training and guidance for staff on all aspects of the equalities agenda
44. An Equalities Impact Assessment is not required as the service provision will remain the same with only change being the service provider.

COMMUNICATION IMPLICATIONS

45. This report has been reviewed and commented upon by the Corporate Governance Group.
46. Subsequent to approval being given, details of the approved provider and on boarding arrangements will be communicated to the organisation.

RISK MANAGEMENT CONSIDERATIONS

47. Should approval not be given to enter into a partnership with SIAP, then it would be necessary to commence a procurement process. Given the lead time needed, this could prove to be very challenging and could result in the Council not having an audit plan in place at the beginning of the financial year 2018/19.
48. Consideration is given to the risk that SIAP is not able to expand its operations and mobilise staff to undertake on-boarding in a time to produce the annual plan before the start of the financial year. Assurance has been given that SIAP has begun to recruit additional Auditors and will reduce the amount of ad hoc and client work they undertake in order to divert resources to the new strategic partnerships. SIAP currently employs 42 FTE staff delivering approximately 7,500 audit days. This Council's requirement is for 180 audit days.

49. These risk are to be mitigated through strong managerial leadership, effective use of the Council's decision making process and good project management.

CONSULTATION

50. The Leader, Portfolio Holder for Finance and Chairman of the Overview & Scrutiny Committee have been briefed during the preparation of this report. The report was considered by the Corporate Governance Group on 30 August and by Overview and Scrutiny Committee on 11 October 2018.

POLICY FRAMEWORK

51. There are no policy framework considerations resulting from this report.

Agenda Item 6

Overview & Scrutiny Committee
11 October 2018

Agenda Item: 6
Companies Performance Update



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

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TO:	OVERVIEW & SCRUTINY COMMITTEE
DATE:	11 OCTOBER 2018

SUBJECT:	COMPANIES PERFORMANCE UPDATE
RECOMMENDATIONS: To note the October 2018 Companies Performance Update, as detailed in the report.	
SUMMARY: The Committee is requested to consider the update on the performance of the companies owned, or partly owned, by the Council. These companies currently consist of Greensand Holdings Ltd, Horley Business Park Development LLP, Pathway for Care Ltd and RBBC Ltd. An overview of the performance of each of these companies is provided below. Additional supporting information is provided in an accompanying Part 2 report.	

GREENSAND HOLDINGS LTD

1. Greensand Holdings Ltd is a property investment and development company, established to facilitate the Council's property investment activities.
2. The company has looked at a number of possible new acquisitions. These have been discussed with the Executive Sub-Committee comprising the Leader, Deputy Leader and the portfolio Holders for Property and Finance. Some of those potential acquisitions have progressed as Council purchases. The company will continue to explore opportunities.

HORLEY BUSINESS PARK DEVELOPMENT LLP

3. Horley Business Park LLP is a joint venture which was set up to promote development of a Business Park site within Horley. Work is progressing with the aim of achieving an allocation of the site for employment purposes through the examination in public and adoption in the DMP.
4. Steps are also being taken to acquire land owned by two other parties. The Executive have resolved to purchase land from one owner, and negotiations continue with the other owner to include them in promoting the site. Again, Executive Sub-Committee members are briefed on progress.

PATHWAY FOR CARE LTD

5. Pathway for Care Ltd provides supported living facilities and support for their residents, and is part owned by the Council and Fairhome Group.
6. Loans totalling £1.1m were made to Pathway for Care Ltd. Following the sale of RBBC's majority interest in Pathway to Care Ltd, this loan was converted to £1.1m in redeemable preference shares.
7. The new business has been operating for about 5 months. The major shareholder, Fairhome Group, is providing the necessary resources to ensure the company can grow rapidly. The business model involves Fairhome Group acquiring properties. Tenants, who live in a property indefinitely, pay a rent to occupy a flat in the property which generates an income for Fairhome. The rent is covered by housing benefit as the tenants are rarely able to secure employment. Pathway for Care delivers services to look after the tenants of the properties.

PATHWAY DIGITAL (RBBC LTD)

8. It was intended in April 2018 to split Pathway into a supported living business (as described above) and into a digital company funded supported by external investment.
9. The hoped for external investment was ultimately not secured, and it is therefore expected that the digital company will be closed, subject to consideration by the Executive. Relevant Executive members have been briefed on this development.