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Overview and Scrutiny
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Dear Member

OVERVIEW AND SCRUTINY BOARD - MONDAY, 23 NOVEMBER 2015

I am now able to enclose, for consideration at the Overview and Scrutiny Board to be held on Monday, 23 November 2015, the following reports that were unavailable when the agenda was printed.

Agenda No	Item	Page
6.	Oddicombe and Meadfoot Beach Huts - Review of Capital Budget Standing Orders	(Pages 175 - 178)

Yours sincerely

Kate Spencer
Overview and Scrutiny Lead

Monitoring Officer's Further Report

Works undertaken at Meadfoot and Oddicombe Beaches

Reason for the report

At the Council meeting on 26 February 2015 the Council decided;

“That, in light of the issues raised at the Overview and Scrutiny Board meetings on 18 and 24 February 2015 regarding the governance of the decision making in connection with Oddicombe and Meadfoot beaches, the Executive Director of Operations and Finance be requested to complete a thorough investigation into this matter and report back at the earliest opportunity.”

On behalf of the Executive Director, I undertook this investigation.

I provided a report to the Overview and Scrutiny Board on the 2 April 2015. The report recommended that;

1. The Monitoring Officer to undertake a review of Standing Orders in respect of the Capital Budget, with a view to incorporating additional safeguards to ensure the good governance of the same. Proposals to be discussed with the Mayor and Group Leaders following the election.
2. Following any changes to the Constitution, the Monitoring Officer to brief SLT on the revised requirements. SLT to consider any specific teams/departments who would also benefit from any training in this regard.
3. Projects requiring Capital funding to be considered by SLT at a formative stage, to enable peer challenge, and to enable identification of future decisions that would need to be taken.

Whilst these recommendations were accepted, when the report was considered by the Committee, it was accepted as an interim report. Whilst the report detailed that Senior Managers had failed to identify the need for Full Council approval/further approval for these capital projects, members sought further information as to the extent to which Officers within Financial Services had been aware of the spend/overspend, and the extent to which they could have assisted in highlighting the need for Full Council approval.

This further report deals with the question arising from the last meeting, as well as giving an update in respect of the recommended actions.

Financial Services

It is important to note that it is not the role of Financial Services to authorise orders and items of expenditure incurred by officers in other departments. The Constitution delegates authority to Directors, Assistant Directors and Executive Heads to spend within their allocated budget and they are responsible for ensuring that decisions are within the parameters of Financial Regulations and procurement rules. Specifically the constitution provides that Directors, Assistant Directors and Executive Heads must ensure that;

'2.8 All decisions shall be in accordance with the Council's Budget and Financial Regulations.'

Financial Services will alert managers to potential overspends and non compliance with rules as soon as they are aware of them, but officers within Finance will not be aware of, or party to, all decisions made by services.

In respect of the specific works that are under consideration I can advise;

1. Meadfoot

Finance officers were first alerted to the projected overspend at a meeting with the departmental Manager on 14 January 2015. As a result of officers within Finance becoming aware, the issue was reported to members at the earliest opportunity in the Quarter 3 2014/15 Capital Monitoring report, which was presented to Overview and Scrutiny Board on 18 February 2015 and Full Council on 26 February 2015.

2. Oddicombe

In mid January 2015 Finance officers observed that there was unusual expenditure in the Beaches revenue codes. The costs were queried and advice was provided that approval would be required as the works were not in the capital plan. As with Meadfoot, Finance Officers then reported to members in the Quarter 3 2014/15 Capital Monitoring report, which was presented to Overview and Scrutiny Board on 18 February 2015 and Full Council on 26 February 2015.

It can therefore be seen that Finance Officers did respond appropriately as soon as they became aware of the issues.

Update on recommendations

Recommendation 1 : The Monitoring Officer to undertake a review of Standing Orders in respect of the Capital Budget, with a view to incorporating additional safeguards to ensure the good governance of the same. Proposals to be discussed with the Mayor and Group Leaders following the election.

Following the election, a review of the whole Constitution has been undertaken. This has been a significant piece of work to undertake which has taken a long time, alongside other pressures. There have been a number of meetings with the Mayor and Group Leaders whereby the review of the Constitution has been progressed. The remaining element, which is due to be considered at the next meeting in December, is the Financial Regulations and Contract Standing Orders. Officers within Finance and Procurement have completely re-drafted the same for consideration. The re-draft incorporates the same into one document, which systematically goes through the 'rules' and practice that Officers need to follow in order to procure goods and services, whilst ensuring good governance. As is highlighted above, officers within Financial Services will not always be aware of spend until it has been committed. The re-draft (together with documentation to support the same) includes at the commencement of a procurement process a safeguard to ensure compliance with Financial Regulations. The re-draft also includes such a safeguard in the event of a contract modification.

Should the Mayor and Group Leaders not unanimously agree the changes to the Constitution these will be presented to Full Council for consideration.

In addition to this, the Procurement Team are in the process of completing Sourcing Plans for each area of the Council. The Sourcing Plans will detail planned expenditure, and incorporated into the same is a check to ensure that teams are aware of the decisions that will need to be taken in furtherance of the plans and compliance with Financial Regulations and Standing Orders. The Plans will be regularly updated. This will provide an early safeguard, to highlight decisions that need to be taken.

Recommendation 2 : Following any changes to the Constitution, the Monitoring Officer to brief SLT on the revised requirements. SLT to consider any specific teams/departments who would also benefit from any training in this regard.

Following my last report to Overview and Scrutiny, SLT were reminded as to the requirements of the Constitution in respect of capital projects and cascaded this to their teams.

Governance Support have also been providing training to all management teams throughout the Council as to decision making and good governance, including for capital projects.

When any changes are approved to the Financial Regulations and Contract Standing Orders, a full programme of communication and training will be undertaken.

Recommendation 3 : Projects requiring Capital funding to be considered by SLT at a formative stage, to enable peer challenge, and to enable identification of future decisions that would need to be taken.

The Senior Leadership Team (SLT) have reviewed the structure of their agenda, and there is now a standing agenda item for 'Future Programming.' This ensures that SLT are involved at a formative stage for any projects (including capital projects), that they identify the decisions that will need to be taken alongside the appropriate decision making route.

Anne-Marie Bond
Monitoring Officer
18.11.15