



Morecambe Town Council

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Proper Officer: Mr Luke Trevaskis

31 October 2020

To: **Members of Morecambe Town Council**

Dear Councillor,

Dated this twenty-sixth day of September 2020, you are hereby summoned to attend the ordinary meeting of Morecambe Town Council to be held at 19:00 on the first day of October 2020.

The meeting will be held remotely, via the online meeting platform 'Zoom'.

The members and public can join the meeting via the internet by inserting the following link into the address bar of their browser:

<https://us02web.zoom.us/j/87508729455?pwd=dWJLNWxkbXN5VGdmWGtocHk4alpCZz09>

Alternatively, if members or the public have a personal Zoom account, they may join the meeting with the following details:

Meeting ID: 875 0872 9455

Passcode: 134991

Alternatively, the meeting can be joined by dialling +44 (0) 20 3901 7895 from a landline or mobile telephone.

Your sincerely,

Mr Luke Trevaskis
Proper Officer

AGENDA

1. **Apologies** - to receive apologies for absence.
2. **Declarations** - to note declarations of members' interests.
3. **Minutes**
 - i. To receive and confirm the minutes of the meeting held on 2 July 2020.
 - ii. To receive and confirm the minutes of the meeting held on 1 October 2020.
4. **Public Participation** - to adjourn the meeting for a period of public discussion.
5. **Standing Orders** - to consider the Standing Orders, recommended for adoption by the Finance and Governance Committee.

Recommendation(s): The Council approves the Standing Orders.

6. **Financial Regulations** - to consider the Financial Regulations, recommended for adoption by the Finance and Governance Committee..

Recommendation(s): The Council approves the Financial Regulations.

7. Committees

- i. Environment Committee - to consider, the creation of an Environmental Committee, its Terms of Reference, and its membership.

Recommendation(s): The Council approves the creation of an Environment Committee, proposed Terms of Reference, and its membership.

- ii. Innovation Working Group - to consider, the creation of an Innovation Working Group, its Terms of Reference, and its membership.

Recommendation(s): The Council approves the creation of an Innovation Working Group, proposed Terms of Reference, and its membership.

- iii. To consider the 'criteria' for the Grants Committee and consider the proposed addition to condition (i) - "on completion of the project/purchase..." at the beginning of the paragraph.

Recommendation(s): The Council approves the grants criteria amend.

- iv. To consider the 'criteria' and 'application form' for the Festivals, Sponsorships and Events, as recommended by the Festivals, Sponsorships and Events Committee.

Recommendation(s): The Council approves the criteria and application form for the Festivals, Sponsorships and Events.

8. Finance

- i. To note the Proper Officer has now gained access to the bank account.
- ii. To consider the purchase of 'Alpha' Rialtas Business Support software which total £645.00 for the first year, as recommended by the Finance and Governance Committee and the internal auditor.
- iii. To note the contractual requirements for particular payments to be paid by particular dates and approve that standing order / direct debit payments continue for contractors including CF Corporate Finance, M B Digital, Plus Net, Kingfisher Leasing, and employees.

- iv. To note that the Proper Officer has investigated the outstanding invoice from Royal Mail. The annual fee for the business reply licence is £119.40, however since May 2019 there has been only seven items of mail returned totalling £3.65 (the last items being in December). In simple terms, the Council may be paying for a licence that does not have the returns of mail to warrant the licence fee. It may therefore be more cost effective for the Council to pay for stamps. The Council should therefore give consideration to closing this account. Royal Mail have agreed to close the account down and cancel the invoice of £119.40 if this is approved.

Recommendation(s): The Council approves the closure of the Royal Mail annual licence fee.

- v. The Council has received a renewal reminder for the insurance from Zurich Municipal. It is understood the Council is receiving a three-year preferential rate with the insurer to reduce the price of the policy. The quote received for the insurance is £827.11

Recommendation(s): The Council approves the insurance premium quoted.

- vi. To consider and accept the midyear internal controls review as considered by the Finance and Governance Committee.

Recommendation(s): The Council accepts the midyear internal controls review.

9. Audit (2018-2019)

- i. To consider the report of the Proper Officer and note the recommendations of the Finance and Governance Committee.

Recommendation(s) and Report:

At its meeting held on 27 October 2020, the Finance and Governance Committee considered the problems that have arisen from the Council's historic accounting practices and noted that limited record keeping presents a number of challenges in revisiting and resolving many of these issues which span a number of years. The Committee resolved that the Council should consider a report from the Proper Officer and discuss the motion to solely focus on the accounts for the current financial year (2020-2021) and ensure better controls and practices are put in place to achieve clean audits in the future.

It is understood that the majority of issues raised in the audit report are conclusive, evidence-based and provide clear recommendations of how the authority can improve. It is the responsibility of the Proper Officer to guide the Council through these recommendations. Indeed, many new practices and procedures have already been implemented that satisfy a number of the recommendations in the audit.

It is noted that some members have raised concerns about the potential inaccuracies within the audit report. The Proper Officer has undertaken investigations and sets out findings based upon records accessible to the Council.

Page 66 of the audit highlights that 'in the absence of committee and officer delegation; the Council is responsible for authorising payments on expenditure items in advance'. The audit included a review of the 232 expenditure transactions incurred during 2018-2019 and provided a level of assurance as to whether each payment had complied with the Financial Regulations of the Council (or not). A full list of these transactions can be found on pages 65-83.

The internal audit report 2018-2019 concludes that out of 232 payments made in 2018-2019, only one was considered assured to a 'reasonable' degree, adhering to a sound system of governance. The remaining payments were found to either have 'limited' assurance or

'none'. Section 9.37 (page 25) of the audit report advises that the Council did not adhere to authorising payments in advance and 'a large amount of payments had been retrospectively approved by council for payments that had not been authorised in advance'. Section 9.38 indicates the length of time it took for some payments to be retrospectively approved by the Council after the expenditure had already been incurred. For example, it was found that payment schedules relating to payments made on 27 June 2018 were not presented to the Council until 20 September 2018 - three months after the payment had been made. All demonstrating a significant lack of adherence to the Financial Regulations over the entire year, with no action being taken by any member of the Council or officer to correct this.

In addition, pages 25-27 of the report detail a total of 37 expenditure entries incurred in March 2019 totalling £53,109.59 that had not received full council approval for payment, nor any presentation to the Council on a payment schedule retrospectively.

Whilst the 37 expenditure entries incurred in March 2019 were not presented to the Council on a payment schedule, the final accounts of the Council were presented on 6 June 2019 which included the expenditure of the 37 payments and the Council subsequently approved the expenditure of the Council for 2018-2019, indirectly accepting that the sum totalling £53,109.59 was indeed expenditure of the Council. The Council has confirmed this stance, in the approval of its statement of 1 October 2020. This is also demonstrated in the Annual Governance and Accounts Return (AGAR) 2018-2019.

It is noted some members are now minded that they were unaware of the expenditure totalling £53,109.59. However, it is unclear how members who approved the end of year accounts can reasonably assert they did so without noticing additional expenditure of this amount - a level of expenditure that should not easily go unnoticed.

Whilst it has been suggested that there was a lack of transparency regarding some of these payments made, and focus has been given to some payments in the report, there was discussion about some payments in a public meeting held on 4 March 2019. Some items were then further discussed during the Annual Meeting of the Council held on 16 May 2019 (with 23 members in attendance) - a video of which can be found on the below URL (the recoding of which could be said to evidence that the Council did indeed clarify the arrangements regarding the purchase of some items prior to approving the end of year accounts on 6 June 2019).

<https://www.youtube.com/watch?v=KoHDz5iAhqE>

It is understood there are draft minutes of an Annual Town Meeting that took place on 23 May 2019 that may give rise to the contrary. However, it should be remembered that the Annual Town Meeting is not a meeting of the Council and this meeting should not be confused with the Annual Meeting of the Council. It is also understood at this stage that the minutes of the Annual Town Meeting are currently in a draft form and open to amendment at the next Annual Town Meeting.

As members will be aware, the Council must arrange for the proper administration of its financial affairs and secure that one of its officers has responsibility for the administration of those affairs (Local Government Act 1972, s.151). It may be reasonable, therefore, that members of the Council expect an officer to advise on financial procedure and ensure internal controls are in place. The lack of good financial governance highlighted in the 2018-2019 audit report is not exclusively limited to 2018-2019. Poor practice has continued in 2019-2020 and 2020-2021, and ironically the commissioning of the audit itself failed to adhere to the Financial Regulations of the Council with no prior approval of a quote and a lack of three quotes obtained.

Whilst the recommendations of the internal auditor to involve further authorities such as the Police are noted, they are not conclusive, and the report does not clarify any evidential findings that any crime has been committed. While lacking in good governance, the actions of the Council have not been identified as unlawful in themselves and it is not uncommon for officers to act on behalf of a Council in the procurement of projects such as street furniture. Indeed, the actions taken by Morecambe Town Council mirror that of most local authorities and indeed Lancaster City Council. Unfortunately, as the audit report highlights, the policies in place at Morecambe Town Council have never been updated to align with the practices, and the argument of 'implied consent' is not covered within the scope of the audit report.

It should be noted that since the audit report, policies have been amended, and the Council at its meeting of 3 September 2020 approved a new scheme of delegation which enables an officer to discharge a budget of £74,542 to achieve the Council's objectives up until March 2021. Therefore, with this simple resolution, many of the issues highlighted in the audit report have been satisfied moving forward.

Further recommendations of the internal auditor suggest an officer may raise a debt against suppliers. However, it is not known what grounds the Council would have to implement such a recommendation. If the Council discussed a product/service, paid for it, and received delivery, and the Council has not raised any issue with the supplier since the product/service was delivered, it is unclear how the Council can lawfully decide eighteen months later to raise a debt against the supplier. It should also be noted when the auditor was made aware of the fact that the Council had not approved the quote for the internal audit prior to the report being supplied, advice was somewhat contrary to the recommendations within the report, with no such suggestion of a debt against the audit invoice being raised and rather confirmation that the Council had engaged services that must be paid for whether or not prior approval was undertaken.

Feedback from the auditor suggests that the narrative and focus of some areas of the report may have been without the approval of the Council and it is understood some members have spoken directly to the auditor which raises questions of political bias and/or undue pressure.

As an officer, it is difficult to see any action taken in relation to the payments totalling £53,109.59 that appear at odds with the standard practice at the authority (albeit a practice not in line with its own procedures).

The use of members as signatories on a bank account, whilst not ideal, is unavoidable in an authority with only one member of staff. However, it must be remembered that the responsibilities of signatories must not be confused with the responsibilities of the Responsible Financial Officer, nor the Council. Signatories act upon the instruction of the Responsible Financial Officer who is expected to set payments up for release that have been approved in line with the Council's procedures. Whilst it is the responsibility of the Responsible Financial Officer to make recommendations to the Council regarding policies and procedures, it is ultimately up to the Council to ensure it has an effective system of internal control in place, and it is fulfilling its various duties to achieve best value and adhere to procedures as outlined in finance and governance legislation.

To give an example, if salary payments for twenty new members of staff were set up by the Responsible Financial Officer to be released by members acting as signatories, would members of the Council be reasonably expected to have the payroll knowledge required to know how to check the correct PAYE calculations had been undertaken and that pension contributions, student debt repayments, and taxes had been applied correctly? Furthermore, would it be appropriate for such untrained and unremunerated members to have access to the information to undertake these calculations including the tax code of

each employee, their contractual terms, timesheets, and any other documentation such as information relating to sick leave etc?

The scenario must also be considered if signatories were to refuse to sign the release of the payments or are unable to do so due to being abroad, ill, or otherwise engaged. Legislation does not allow that the members acting as signatories be then held personally accountable for the Council as a corporate body failing to pay its employees. Legislation ensures it remains the responsibility of the Council to adhere to its duty of care to its employees and put appropriate procedures in place to ensure all staff are paid in line with contractual and statutory terms. Put simply, the Council's lack of internal controls should not be misdirected to individual members.

10. Policies

- i. To consider the Grievance Procedure.

Recommendation(s): To approve the grievance procedure.

- ii. To consider the Disciplinary Procedure.

Recommendation(s): To approve the disciplinary procedure.

- iii. To consider the Data Protection Policy.

Recommendation(s): To approve the Data Protection Policy.

- iv. To consider the Publication Scheme.

Recommendation(s): To approve the Publication Scheme.

- v. To consider the Privacy Notice.

Recommendation(s): To approve the Privacy Notice.

11. Next Meeting - to note the date of the next meeting is to be held on 3 December 2020.