

**PRINCIPAL SCRUTINY COMMITTEE****12-September 2005**Attendance:

## Councillors:

Allgood (Chairman) (P)

Beckett (P)  
 Bidgood  
 Cook (P)  
 Clohosey (P)  
 Chamberlain (P)

Davies (P)  
 Lipscomb (P)  
 Mitchell (P)  
 Stallard (P)  
 Steel (P)

Others in attendance who addressed the meeting:

Councillor Campbell (Leader of the Council)  
 Councillor Collin (Portfolio Holder for Healthy and Inclusive Communities)

271. **APOLOGIES**

Apologies were received from Councillors Bidgood and Bennetts (Standing Deputy for Councillor Bidgood).

272. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman advised that he was unable to attend the meeting of the South East Employers Scrutiny Chairs Network on 5 October 2005. Any Member who wished to attend in his place was asked to advise him as soon as possible.

He also reported that the next meeting of the Scrutiny Chairs Liaison Group was to be held on 15 September 2005 at 4 pm.

273. **MINUTES**

Following a query from a Member regarding the minutes of the meeting held on 11 July 2005, the City Secretary and Solicitor advised that, with reference to Minute 168 Ex Gratia Payment (Report PS187 refers), it was not the usual procedure for Ward Members to be informed in matters where the Ombudsman had been involved, unless the Member had been asked by the complainant to make representations.

Members also noted that the list of attendees in the minutes of the meeting held on 11 July 2005 should be amended to show that Councillor Chamberlain was present.

## RESOLVED:

That the minutes of the previous meetings of the Committee held on 11 May 2005 (less exempt items) and on 6 June and 11 July 2005 be approved and adopted.

274. **PUBLIC PARTICIPATION**

The Chairman welcomed to the meeting Mr Robin Atkins, a resident of Alresford. Mr Atkins had indicated that he wished to address the Committee regarding the investigation by PricewaterhouseCoopers into the involvement of the Council with the Winchester Alliance for Mental Health (see Minute **276** below). The Chairman therefore agreed that Mr Atkins should address Members at the relevant point in the meeting, prior to the Committee's discussion of the report and that any response to his points should be made at that stage.

275. **BISHOPS WALTHAM CCTV - UPDATE**  
(Oral Report)

The Chairman reminded the Committee that they had previously discussed this matter at the meeting held on 6 June 2005 (Min 70 refers). Members had been addressed by representatives of Bishops Waltham Parish Council, the Chamber of Trade and local residents regarding matters concerning the implementation and running of CCTV in Bishops Waltham. It had been reported that, to date, this had been unsatisfactory and a number of operational issues had become apparent.

At the invitation of the Chairman, Councillor Collin (Portfolio Holder for Healthy and Inclusive Communities) addressed the Committee. He reported that CCTV was now fully operational in the town centre and he detailed both the remedial works undertaken and improvements to the service since the last meeting. The CCTV recording device was no longer situated within the Parish Council offices and was now located at Bishops Waltham Police Station. Some expense had been incurred by the Council in implementation and to improve signal strength. One week's worth of images were now stored at the Police Station and a screen situated for monitoring situations. Cameras were fully operative and could be manoeuvred by remote control.

Finally, Councillor Collin reminded the Committee that in advance of the Silver Hill development in central Winchester, the whole operational aspect of the existing control room (and the possibility of linkage to the Bishops Waltham service) would need to be re-appraised.

The Chairman thanked Councillor Collin for his report.

Responding to questions, the Director of Development advised that the final figure of additional costs to address the technological and operational issues relating to the service was approximately £14,000. There were ongoing discussions regarding possible recovery from third parties of an element of this expenditure.

As a Ward Member for Bishops Waltham, Councillor Chamberlain advised that he was pleased that CCTV was finally operational within the town. He stated that the situation would be further improved when a permanent link was established to the Winchester control room.

276. **WINCHESTER ALLIANCE FOR MENTAL HEALTH**  
(Report CAB118 refers)

The City Secretary and Solicitor advised that Cabinet was also to consider this report at its meeting on 14 September 2005.

The Chairman welcomed to the meeting Mr M Hepenstal and Mr G Rubins from PricewaterhouseCoopers.

Mr Robin Atkins, a resident of Alresford, addressed the Committee.

Mr Atkins referred to the final report of the investigation undertaken by PricewaterhouseCoopers (PwC) to review the arrangements that the Council had entered into with the Winchester Alliance for Mental Health (WAMH) to provide payroll services. He also referred to the ensuing matters relating to the debt owed to the Council prior to the liquidation of the organisation.

Mr Atkins recommended that the Committee should not endorse the PwC report, as it had not investigated the responsibility of Cabinet Members into the matters leading up to the escalation of the debt owed to the Council. He stated that the Leader and the Portfolio Holder for Finance & Resources should have therefore been interviewed. Councillor Hollingbery, who had previously been a trustee of the charity until he had resigned, should also have been interviewed as part of their investigation.

Mr Atkins also suggested that the Director of Finance had not undertaken any financial risk assessment regarding the provision of a payroll service from the outset and that this aspect had also not been investigated by PwC. He also commented that the continued authorisation of payments to the charity had not been investigated, especially after it became apparent that it was likely that the organisation would go into liquidation. He suggested that such payments at this time must have been agreed in meetings with relevant officers and the Portfolio Holder and/or Leader.

Finally, Mr Atkins reminded Members of the additional costs incurred regarding the matter associated with officer and Committee time and also the investigation fee paid to PwC.

In conclusion, Mr Atkins stated that the matters relating to the debt had not been properly analysed by PwC. He also suggested that it was appropriate that the Leader, Portfolio Holder for Finance & Resources and Director of Finance should resign from the Council as a result of the matter if they were not able to give adequate answers to the points raised.

The Chairman thanked Mr Atkins for his comments and stated that they would be taken into account as part of the Committee's discussion of the PwC report.

Following a question, the City Secretary and Solicitor advised that although many Councillors on Scrutiny bodies were aware of the situation regarding WAMH's financial position; they had not taken the formal decisions which were a matter for Cabinet. Therefore, he considered that there was not a prejudicial interest to be declared in respect of the matter and that it was still appropriate that Members comment upon the PwC investigation.

The City Secretary and Solicitor distributed an e-mail from Mr John Hayter, a resident of Bishops Waltham, setting out his comments regarding the report. In summary, Mr Hayter made the following points:

- The Committee should debate whether a formalised risk assessment of the WAMH's financial position had been undertaken, and whether this risk-based approach was now embedded within Council procedures.

- The discussion of financial information about third parties in the case of the WAMH (such as Hampshire County Council and European grants etc) was barely relevant. For existing payroll clients the current Council policy allowed clients to get into up to 2 months arrears before terminating the service. This risk should be removed by requiring all clients to pay in advance.

The Chairman referred to PwC's report 'Debt of Winchester Alliance for Mental Health' as set out as Appendix A.

The Chairman referred to the chronological list of decisions taken at meetings of the Council that had discussed the debt and financial situation of WAMH and noted that these did not include reference to meetings of Cabinet. The Chairman made particular reference to the meeting of the Central Services Performance Improvement Committee on 20 March 2003, where a recommended minute to Cabinet that stated that the situation regarding WAMH 'cannot be allowed to continue'.

At the invitation of the Chairman, and responding to the points raised, Mr Hepenstal stated that the purpose of the chronological listing of relevant meetings and their minutes was to demonstrate that Councillors had been kept fully informed of the situation regarding WAMH. Furthermore, he observed that all minutes of the Performance Improvement Committees (and their predecessors) went to Cabinet.

At the invitation of the Chairman, Mr Rubins believed that the recommendation of the Central Services Performance Improvement Committee on 20 March 2003 had been intended for guidance to Council officers, in their discussions with the management of WAMH. This minute had therefore largely been referred to Cabinet for its information. He added that he could find no evidence from the minutes of any Committee meeting of a formal request stating that payments should be stopped.

A Member suggested that, as part of the commissioning of PwC, their brief was to carry out an investigation of the history of the WAMH debt and authorisation of the debt. Council procedures indicated that the responsibility for the authorising of the debt was that of Cabinet, as it was the executive decision making body. The Performance Improvement Committees were unable to authorise any decision regarding such matters. The Member therefore suggested that PwC had failed to undertake an adequate investigation.

Responding to the points made, Mr Rubins reiterated that the matters relating to the discussion of the debt by the Central Services Performance Improvement Committee were for officers to convey to the management of WAMH. Therefore, PwC had not considered it necessary to interview Cabinet members or the responsible Portfolio Holder. He suggested that the Performance Improvement Committee could have made stronger recommendations to ensure that Cabinet undertook action at an appropriate time. Mr Rubins also stated that minutes of Cabinet meetings were analysed by PwC as part of their work as the Council's external auditor.

A Member stated that he had assumed that PwC would have interviewed Cabinet members as he had been informed that the PwC investigation intended to ensure that a cross-section of all Councillors had been given the opportunity to partake in discussion of the WAMH matter. He was therefore concerned that there had been a positive intention not to interview Cabinet members from the outset of the investigation.

Responding, Mr Hepenstal stated that PwC had been guided by officers regarding which Councillors to interview. The purpose of the interviews and the investigation had been to ascertain that a full and thorough debate had taken place regarding the matter and that consideration had been given to the options available in the stages leading up to the situation when the debt become irretrievable and liquidation of the organisation inevitable.

Following discussion, Members concluded that a key period of time had been between October 2003 and January 2004, when the debt increased substantially as payments continued to be made. A Member suggested that PwC should have interviewed those who were party to the decisions during this period of time regarding the continuation of payments before the payroll service was finally withdrawn. Therefore, any meetings between the Portfolio Holder and/or Leader with the Director of Finance during this time should have been investigated.

In response, Mr Rubins stated that he had been informed that the Director of Finance had discussions with the Portfolio Holder but there were no minutes of any of these discussions for him to review. Furthermore, PwC was satisfied that there was no evidence of Cabinet or the key officers being advised to take a contrary position at any time regarding the continuation of payments.

A Member stated that all Councillors had a shared responsibility for the incurring of the debt as they had all had the opportunity to be more critical and to make more definite recommendations regarding the matter. The Member requested that PwC clarify four questions as follows:

- Would there have been any disadvantage in interviewing the Leader and/or Portfolio Holder between the period of time October 2003 to January 2004?
- Would there have been any advantage in interviewing Councillor Hollingbery as a member of the Central Services Performance Improvement Committee and previous trustee of the WAMH over the matter?
- In 2003 the Director of Finance had recommended to the Central Services Performance Improvement Committee that further payments to WAMH be stopped. However, this recommendation was not carried by the Committee and there was no explanation regarding this.
- An internal audit assessment of the Charity was suggested to be fundamentally flawed as it had only looked at cash flow for the organisation. Therefore what do PwC recommend that they should have investigated?

Responding to the points made, Mr Rubins responded as follows:

- There would have been no disadvantage. However, any advantage would have debatable.
- A meaningful interview with Councillor Hollingbery as a previous trustee of the Charity would have been difficult due to the duty of confidentiality owed in relation to knowledge gained as a Charity trustee. Mr Hepenstal added that PwC considered that only his work as a Councillor was relevant to their investigation.

- There was no clear recommendation made to the former Central Services Performance Improvement Committee by the Director of Finance. However, this recommendation may have been made to Members, but not at a formal Committee.
- The investigation undertaken by internal audit had given a cash flow forecast that had indicated immediate improvements in the Charity's situation. However, no long term forecast had been undertaken of the future expenditure and sources of income for the Charity and this may have indicated the ultimate failure of the organisation due to external funding problems. Furthermore, the Charity's own auditors had regularly signed-off the Charity's accounts. The organisation's finances only become irretrievable once Hampshire County Council had withdrawn grant funding.

A Member of the Central Services Performance Improvement Committee stated that the Committee had debated the situation thoroughly. He was satisfied that no Councillor had acted contrary to the advice of the Director of Finance.

A Member also stated that there had been continued pressure to support the ongoing work of the WAMH during the escalation of the debt. It may have been appropriate for PwC to interview an employee of the charity, as it had given regular assurances to officers that the debt would not continue to escalate. The Member was also critical of the Charity's auditors, as by signing off WAMH's accounts, this implied that cash flow problems were not a major problem for the organisation.

In response, Mr Hepenstal reported that as part of their investigation, a representative of the liquidator of WAMH had been interviewed and PwC had also been satisfied that nothing unlawful or negligent had taken place regarding the auditing of the Charity's accounts. Furthermore, PwC was satisfied that there was no evidence that misleading information about European Union funding to offset the debt was given to the Council. By January 2004, when Hampshire County Council ceased its funding, it then became inevitable that the debt meant that the Charity was no longer a going concern and that the organisation could no longer operate.

Following debate, the Committee agreed that the PwC investigation had not covered the points raised above and that two further courses of action should now be taken.

- (i) A group of Members from the Committee investigate the matter further before the next meeting of the Committee on 17 October 2005 with a view to making recommendations to Council regarding the matter.
- (ii) PricewaterhouseCoopers be requested to undertake further investigation by the next meeting of this Committee on 17 October 2005. PwC should be specifically requested to undertake the following:
  - Interview the Portfolio Holder for Finance and Resources and/or Leader of the Council.
  - Interview Councillor Hollingbery due to his previous involvement in the organisation and as a Councillor.
  - Undertake an analysis of what financial auditing was carried out, or should have been carried out, during the period October 2003 and January 2004.

Councillor Mitchell, as previous Chairman of the Central Services Performance Improvement Committee, stated that the Committee did not believe that the Charity would go into liquidation due to the apparent imminence of European Union funding. However, when it became apparent that the debt was escalating, the Committee requested that procedures be changed in the way that the payroll was paid. He suggested that any further investigation, if this was to be undertaken, should be of individuals within the Trust's management.

The Chief Executive suggested that as Head of Paid Service he could carry out an investigation on behalf of the Committee of processes and procedures leading up to the escalation of the debt with a brief from the Committee.

Following further discussion, the majority of Members supported the proposal for the continuation of an independent investigation of the matter to be undertaken by PwC, with terms of reference agreed by the Chief Executive in consultation with the Chairman of the Committee and that PwC endeavour to report back to the meeting on 17 October 2005.

The Chairman thanked Mr Hepenstal and Mr Rubins for their attendance at the meeting.

RESOLVED:

1. That PricewaterhouseCoopers be asked to produce a further report to cover issues raised by the Committee at the meeting, and that the Chief Executive, in consultation with the Chairman, be authorised to settle the final terms of reference to include the following points:
  - (a) that the Portfolio Holder for Finance and the Leader to be interviewed about their roles in the decision-making processes.
  - (b) that Councillor Hollingbery also be interviewed, to the extent that he is able to comment, taking account of any duty of confidentiality he owed to WAMH in respect of the period when he was a trustee of the charity.
  - (c) in relation to the meeting of the Central Services Performance Improvement Committee held on 28 October 2003, why there was no recommendation made to suspend or cease to provide further payroll services, given that the Director of Finance had previously written to WAMH to indicate that this approach would be recommended to the Committee.
  - (d) an analysis of what issues should have been considered in the period between 28 October 2003 and 27 January 2004 when the debt rose from £201,903 to £385,000.
  - (e) during the period between 28 October 2003 to 27 January 2004 who authorised the continuation of the payroll payments, and who was consulted as a part of that authorisation.

2. That the further report from PricewaterhouseCoopers be brought back to the next meeting of the Committee on 17 October 2005 and that consideration of the recommendations in Report CAB1118 be deferred until that meeting, to enable the additional information to be considered.

277. **CUSTOMER SERVICE CENTRE – PROGRESS REPORT**

It was agreed that, to allow for meaningful debate of this matter, this item be deferred to the next meeting of the Committee to be held on 17 October 2005.

RESOLVED:

That the report be deferred to the next meeting of the Committee.

278. **FINANCIAL STRATEGY**  
(Report CAB1099 refers)

The City Secretary and Solicitor advised that Cabinet at its meeting held on 26 July 2005 had considered this item and agreed the report's recommendations.

The Chairman welcomed to the meeting Councillor Campbell, Leader of the Council. He also referred to the minutes of the Resources Scrutiny Panel held on 13 July 2005 that requested that Principal Scrutiny Committee thoroughly scrutinise the Financial Strategy.

The Leader responded to a number of questions regarding the Strategy, including clarification of linkages to the capital strategy in terms of committed funds, especially regarding the River Park Leisure Centre, as well as distinctions made between the Bapsy Bequest and other funds allocated to the Guildhall community facilities.

The Director of Finance also explained that Annexes A and B to the report showed simplified and amalgamated projections.

RESOLVED:

That the Financial Strategy 2005, including the key principles to be applied to the General Fund and Housing Revenue Account revenue funds for 2006, be noted.

279. **CONSIDERATION OF ITEMS UNDER THE COMMITTEE'S POWERS OF CALL-IN**

- (i) **GUILDHALL REFURBISHMENT WORK – REQUEST FOR SUPPLEMENTARY ESTIMATE**  
(Report CAB1105 refers)

The City Secretary and Solicitor advised that Cabinet was also to consider this report at its meeting on 14 September 2005.

Further to questions, the Director of Finance and the Chief Estates Officer reported that there were no funds put aside within the Capital Programme, nor within the Property Reserve, for the refurbishment of The Guildhall. Furthermore, it was confirmed that the Capital Repairs Programme was not intended to cover internal decorations.



The Chief Executive confirmed that this proposal was intended to be a separate programme, self-contained from any other improvements under consideration for the Guildhall, including those related to the Bapsy Bequest.

Following discussion, Members noted with concern that elements of the Community Services budget for 2004/05 were overspent, and it was agreed that this proposal must not be considered in isolation and other competing budget claims should be taken into account. It was also agreed that the improvements proposed should be part of a wider programme of improvements to the Guildhall.

It was therefore agreed that the proposal be called-in for review and that a group of Members consider the matter further and report back to the next meeting of the Committee, as to whether the scheme should be authorised to be progressed.

RESOLVED:

1 That the proposal for a supplementary capital estimate of £78,000 to fund the refurbishment works to the King Alfred Hall in the Guildhall be called-in for review.

2 That the following Members constitute an Informal Scrutiny Group to investigate the proposal as set out above and report back to the next meeting of the Committee as to whether the call-in can be released:

Councillors Allgood, Beckett, Davies and Steel.

280. **INTERNAL AUDIT UPDATE**  
(Report PS197 refers)

It was agreed that to allow for meaningful debate of the items contained within the report, this item be deferred to the next scheduled meeting of the Committee on 17 October 2005.

RESOLVED:

That the report be deferred to the next meeting of the Committee.

281. **ANNUAL REPORT ON COMPLAINTS RECEIVED BY THE COUNCIL – 2004/05**  
(Report PS190 refers)

It was agreed that, to allow for meaningful debate of the items contained within the report, this item be deferred to the next meeting of the Committee scheduled for 17 October 2005.

RESOLVED:

That the report be deferred to the next meeting of the Committee.

282. **MINUTES OF SCRUTINY PANELS**

The Committee considered the minutes of the following meetings:

- (i) Resources Scrutiny Panel held 13 July 2005  
(Report PS191 refers)
- (ii) Local Economy Scrutiny Panel held 18 July 2005  
(Report PS192 refers)
- (iii) Environment Scrutiny Panel held 19 July 2005  
(Report PS193 refers)
- (iv) Social Issues Scrutiny Panel held 21 July 2005  
(Report PS194 refers)

The City Secretary and Solicitor advised that the minutes of the Scrutiny Panels as set out above were also to be considered by the meeting of Cabinet on 14 September 2005.

During its consideration of the minutes of the Local Economy Scrutiny Panel, the Committee supported the recommendation for Cabinet to establish an Informal Member/Officer Working Group to assist the Portfolio Holder for Economy and Transport to consider the costs and scope of the Winchester Resident's Parking Scheme.

During consideration of the minutes of the Environment Scrutiny Panel, the Committee endorsed the proposal to establish the Open Space Funds Informal Scrutiny Group.

During consideration of the minutes of the Social Issues Scrutiny Panel, the Committee supported the Panel's recommendation that Cabinet be reminded of the recommendations of the recent Scrutiny Review of Affordable Housing to increase expenditure on the work of the Rural Housing Enabler within the district. The Committee also approved the request to establish an Informal Scrutiny Group to carry out an in-depth review of policies related to former tenant arrears, provided the work commenced when one of the other Informal Scrutiny Groups had concluded to take account of available resources for Scrutiny work.

**RESOLVED:**

1 That the minutes of the Resources Scrutiny Panel held on 13 July 2005, Local Economy Scrutiny Panel held on 18 July 2005, Environment Scrutiny Panel held on 19 July 2005 and Social Issues Scrutiny Panel held on 21 July 2005, be received and noted.

2 That the in-depth review of Open Space Funding as proposed by the Environment Scrutiny Panel and the in-depth review of policies related to former tenant arrears as proposed by the Social Issues Scrutiny Panel, as detailed above, be approved.

283. **SCRUTINY WORK PROGRAMME (REPORT PS195 REFERS) AND SEPTEMBER 2005 FORWARD PLAN AND ITEMS FOR FUTURE CONSIDERATION**

Referring to the Scrutiny Work Programme, the Committee noted that a Milestones report on the Silver Hill (Broadway/Friarsgate) development had been due to be considered at this meeting. The Chief Estates Officer advised that this had been delayed due to the ongoing negotiations with the developer in advance of a formal planning application expected later in the autumn.

Following discussion, it was agreed that an update report on the detail and negotiations related to the Silver Hill development to date be produced for the meeting of the Committee on 17 October 2005.

RESOLVED:

1. That an update report on the negotiations related to the Silver Hill development to date be produced for the meeting of the Committee on 17 October 2005.

2. That the Scrutiny Work Programme and Forward Plan for September 2005 be noted.

284. **EXEMPT BUSINESS**

RESOLVED:

That the public be excluded from the meeting during the consideration of the following items of business because it is likely that, if members of the public were present, there would be disclosure to them of 'exempt information' as defined by Section 100I and Schedule 12A to the Local Government Act 1972.

<u>Minute Number</u>	<u>Item</u>	<u>Description of Exempt Information</u>
285	Upper Brook Street Car Park, Winchester	Any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services. (Para 9 to Schedule 12A refers).
		)
		)
		)
286	Exempt minutes of the previous meeting held on 11 May 2005	Information relating to the financial or business affairs of any particular person (other than the authority). (Para 7 Schedule 12A refers).
	• Depot Services Contract – Review of Performance	)
		)

285. **CONSIDERATION OF ITEMS UNDER THE COMMITTEE'S POWERS OF CALL- IN**

- (i) **UPPER BROOK STREET CAR PARK, WINCHESTER**  
(Report CAB1121 refers)

The City Secretary and Solicitor reminded Members that this report was also to be considered at the meeting of Cabinet to be held on 14 September 2005.

The Committee considered a report that set out a proposal for the disposal of Council owned land and for the acquiring of associated elements of the site (detail in exempt minute.)

286. **EXEMPT MINUTES**

RESOLVED:

That the exempt minutes of the previous meeting of the Committee held on 11 May 2005 be approved and adopted.

The meeting commenced at 6.30 pm and concluded at 9.20 pm.