

**NORTHUMBERLAND COUNTY COUNCIL
AUDIT COMMITTEE**

At a meeting of the **Audit Committee** held at County Hall, Morpeth on Wednesday, 22 January at 10.15 a.m.

PRESENT

G Hill (Chair)

COUNCILLORS

G Castle
L Grimshaw
M Purvis

M Swinburn
I C F Swithenbank

CO-OPTED MEMBERS

A Hall

A N Haywood-Smith (part)

ALSO PRESENT

Councillor N Oliver, Portfolio Holder for Corporate Services & Cabinet Secretary

OFFICERS IN ATTENDANCE

K Angus	Executive Director of HR and OD and Deputy Chief Executive
C Hand	Executive Director of Finance (Section 151 Officer)
D Lally	Chief Executive
K McDonald	Group Assurance Manager
B McKie	Group Assurance Manager
A Mitchell	Chief Internal Auditor
K Norris	Democratic Services Officer
J Roll	Democratic Services Manager
A Stewart	Finance Manager

ALSO IN ATTENDANCE

Councillors D Bawn, B Flux, T Cessford, R Dodd, I Hutchinson, C Seymour, G Stewart, R Wearmouth.

A Bridges, Head of Communications

Ch.'s Initials.....

Press:
B O'Connell, Northumberland Gazette
S Spowart, Hexham Courant

Public:
B Elliott
J Gebhard, Independent
D Puttick, Bradley Hall Planning & Design
L Snowball, Labour Group
J Wood, Bradley Hall Planning & Design

31. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Rickerby and Towns.

32. MINUTES

RESOLVED that the minutes of the Audit Committee meeting held on 27 November, as circulated, be confirmed as a true record and signed by the Chair.

33. REPORT OF THE CHIEF EXECUTIVE

County Council Planning Function - Information relevant to the Framework of Governance, Risk Management and Control

The Chief Executive introduced the above report (a copy of which is filed with the signed Minutes as Appendix A).

On a point of clarity, the Chief Executive said it would be taken as read that committee members had read the report. A pack of additional confidential information was supplied to Committee members as supporting evidence to assist in the Committee's consideration of those matters of control and governance set out in the report. The report set out a number of clear matters of concern, and the Chief Executive felt it would be beneficial for Audit Committee members to have sight of some of the evidence which had informed the reporting on these areas, in order that Audit Committee members could be assured on the clear evidence base which existed for the concerns raised. Each section was numbered and it was emphasised that the pack must be returned to officers at the end of the agenda item.

Introduction

- The purpose of the report was to inform the Audit Committee of significant matters of concern relating to the Council's Planning function, raised initially via a whistleblowing disclosure in 2017/18.
- The Chief Executive highlighted that the Council had taken the concerns very seriously and that an independent investigator was appointed to undertake the whistleblowing investigation. She assured members that following the findings of the report, senior

Ch.'s Initials.....

Audit Committee, 22 January 2020

management had taken swift and immediate action to address a number of serious and significant weaknesses identified in control systems relating to planning.

- The reason the report had been brought to Audit Committee that day was because the Chief Executive had felt that the matters were of concern and directly relevant to the Council's framework of governance, risk management and control.
- She was keen to make sure that Audit Committee had appropriate oversight and also that there was transparency in the process. Also, that the expenditure incurred in relation to the legal responses made on behalf of the County Council for herself, as the Chief Executive (Head of Paid Service), the Leader of the Council and the Cabinet Member for Planning and Resilience were clear.
- It was important that Audit Committee could be assured that such processes and expenditure were being made appropriately, proportionately and in line with the expectations of good governance.
- The circumstances had been extremely challenging for the Planning Department, and the Chief Executive personally commended the openness of the Planning Team, who had continued to do an excellent job in their day to day jobs, and had been honest and willing to make sure that the Council operated in an open and transparent way, where decisions were made objectively and on a sound basis.
- The report focused on the conduct of a very small number of senior staff and elected members who appeared to have been operating in an opaque, rather than transparent way, and who appeared to have engaged in poor practice and poor governance, and in behaviour and conduct which was not acceptable in the workplace.
- She confirmed that senior staff involved in this investigation no longer worked for the Council.
- The legal action taken against Northumberland County Council by Lugano Dissington Estate Ltd had now been withdrawn, therefore, she was now able to make a formal report to the Audit Committee that day.

Background

- Members would be aware that a number of letters and documents had been circulated to and amongst elected members, and others, regarding a specific planning application for a major residential development during 2017 through 2019, called Dissington Garden Village.
- During that time there had been widespread reporting and comment on the planning matters in question, via a variety of websites, blog sites and in the media, which had not been accurate or correct, and a number of which were fundamentally misleading.
- The report also explained enquiries undertaken by senior management in response to concerns raised, the outcomes of those enquiries and action taken to address weaknesses identified and to strengthen systems of control, as these related to planning functions, to make sure inappropriate practices could not be repeated.

Local Planning Authority

- As Local Planning Authority, Northumberland County Council is "the public authority whose duty it is to carry out specific planning functions" for Northumberland.
- The Council therefore had specific duties to carry out these planning functions fairly and in accordance with prevailing laws, policy and due process.

Ch.'s Initials.....

Audit Committee, 22 January 2020

- Following investigation, there was significant evidence that suggested that attempts were made to subvert these functions for a planning application in respect of Dissington Garden Village.
- This was clearly of significant concern.

Identification of concerns and approach to investigation

- Members of the Audit Committee may recall that in 2017, the Council introduced a system called Safecall, an independent helpline for staff.
- Following publicity around Safecall, an individual came forward to highlight, that in their opinion, they had observed and witnessed a range of practices which they considered unethical and of concern, specifically relating to the authority's planning functions.
- Given the seriousness of the allegations received, an independent investigator was appointed to determine whether there was any objective evidence to confirm or deny the allegations made.
- Initial fact finding and analysis confirmed the concerns raised were founded.
- An independent whistleblowing investigation was therefore commissioned and many individuals were interviewed and information gathered to make sure that a robust investigation took place. This had taken a number of months due to the additional information which came to light, and other concerns raised as part of the investigative process.
- At the same time, independent information was also sought from the Planning Officers' Society.
- This information sought to understand the approach which a reasonable Planning Authority would be expected to adopt to the consideration of the planning application in question.

Planning application and planning process – summary of Investigation Findings

- The independent investigation report found that, in respect of the specific planning application, decisions and conduct by a senior planning officer and other senior officers were not transparent or appropriate.
- Several attempts were made to engage with individuals involved, however, they declined to engage with the process. Therefore, despite individuals having been invited to participate and provide information or explanations, no such information or rationale had been forthcoming. Given the information which was available, it was the Council's position that the decisions and conduct by a senior planning officer and other senior officers in relation to this specific planning application, were not transparent or appropriate.
- From the evidence available, it appeared that significant efforts were made by a number of senior individuals, who were in positions of authority and control within the Council, to collude with and secure a number of inappropriate advantages for the planning applicant/developer in the application in question.
- Such advantages would not have been conferred on any other planning applicant in the normal conduct of the authority's planning functions.
- Of particular concern was the advice provided by the Planning Officers' Society, that when objective criteria (including the County Council's own existing policies and reviews) was applied to the circumstances of the planning application, the evidence clearly showed that it would almost certainly have meant that any reasonable Planning

Ch.'s Initials.....

Audit Committee, 22 January 2020

Authority would have recommended the planning application in question for refusal. Instead, Senior Planning Officers recommended that the application should be approved.

- There were a number of very specific areas of concern which contributed to the overall governance concerns outlined. The pack provided to members that day was for reference so they could examine, if they so wished, some of the evidence considered, and which supported the conclusion reached.

Acceptance of Hospitality

- Evidence showed that a former Senior Planning Officer had accepted substantial and excessive hospitality from the planning applicant/their agents. Some examples of that and other hospitality was evidenced under Appendix 1 of the pack.
- None of this hospitality had been declared in line with Council procedures requiring that offers of such hospitality must be recorded, despite reminders to the senior officer involved, and was denied by a senior officer directly to the Chief Executive in a face to face meeting.
- There was therefore doubt on the behaviour and impartiality of that senior officer. The Chief Executive had met the officer in relation to an unrelated matter, who advised that they had never taken any hospitality. That was clearly untrue.
- With that and other issues in mind, a formal referral to the relevant professional bodies had now been made.

A loan to Fund the Development from the Council to the Planning Applicant

- Evidence showed that discussions between a previous Council Senior Executive and the developer/planning applicant had been ongoing and reached an advanced stage regarding the provision of a loan from the Council to them.
- The loan, for which heads of terms and other correspondence had been obtained, offered the planning applicant an initial £34million from the Council to fund the development, with further funding of 55% of the site value “once outline planning permission was granted”. The ‘site value’ was not clear but the planning applicant had indicated that the site was forecast to “have a gross development value of c.£772million”.
- That correspondence was conducted by a former Council Chief Officer, on a personal email account, not a work email account.
- It became clear that Senior Planning Officers were similarly using personal email accounts to transact Council business relating to this planning application.
- The Chief Executive said it was important that the Audit Committee were aware that it would be highly irregular for any local authority to enter into a funding arrangement with any planning applicant, particularly where that funding was contingent on planning permission being granted as was the case here, as this could clearly be seen as pre-determination of the planning application in question, and raised valid questions as to the impartiality and objectivity with which the application would be determined.
- In terms of financial governance, the values concerned in turn were likely to represent a serious financial risk to public finances.

Ch.’s Initials.....

Audit Committee, 22 January 2020

Instruction to communicate via personal, non-Council, non-secure email

- A Senior Planning Officer had instructed their staff that council business regarding the Dissington Garden Village planning application should be transacted via personal, non-secure email accounts, rather than the Council's secure email system.
- From the evidence and testimonies available, this was in order to ensure that any correspondence would be concealed and not be able to be subjected to potential scrutiny through the expected routes of transparency, such as audit or Freedom of Information processes.
- It was to the credit of junior planning officers that they brought the matter to senior management's attention and provided copies of the correspondence in question. It was also testament to those officers that they ensured they had auditable record keeping of all correspondence and that they did not themselves engage in such poor practices.
- The instructions highlighted extremely serious governance failings, the highly irregular and unethical behaviour was completely unacceptable.
- In addition, the nature and tone of the correspondence exchanged demonstrated a colloquial and inappropriate familiarity.
- It was important to note that in addition to unethical behaviour, the planning applicant was also party to information which other planning applicants would not enjoy. That included 'gossip' from the Senior Planning Officer regarding information from another planning application made by other developers, to the planning applicant/their agents, the purposes for the sharing of which, were unclear.

Threats to Independence of Authorship of Reports to Strategic Planning Committee

- The applicant and/or their advisers were invited/allowed by a Senior Planning Officer to write and alter parts of the Planning Officers' report to the Strategic Planning Committee. That report ultimately recommended approval of the application.
- The applicant was also allowed to view confidential drafts of the report which would not normally be published outside of the Council.
- There was therefore serious concern of undue influence/conflict of interest on the part of the planning applicant, enabled by a Senior Planning Officer having already been offered and given significant hospitality.

Disregard of Material Planning Considerations

- Significant efforts appeared to have taken place by those in positions of influence and control, with a view to subverting the evidence of the Council's own Green Belt Review in the report to the Strategic Planning Committee.
- The interests of the communities the Council, as Planning Authority existed to serve, were not safeguarded by the actions of officers in that matter, something which was taken very seriously by the Council.
- Due to concerns, advice was sought from the Planning Officers Society, which was attached for Audit Committee Members in Appendix 5.

Ch.'s Initials.....

Audit Committee, 22 January 2020

Legal advice

- Independent legal advice, apparently with the aim of supporting the planning applicant's stance was commissioned by the Senior Planning Officer, contrary to the interests of the Council as local Planning Authority. Objections and sound advice raised by officers were also ignored, and a Senior Planning Officer had sought to overturn decisions made within the wider planning team without any fair or reasonable rationale.
- There was also evidence that such privileged legal advice was then privately shared outside of the Council for unknown purposes.
- Privileged legal advice had been obtained without the authority of the Chief Executive, when she had specifically stipulated to the Senior Planning Officer and the individual's line manager that should legal advice be required, she would need to understand and agree the instructions of advice being sought, the rationale for it and also to authorise the seeking of such advice.

Legal Action initiated and then withdrawn by the Planning Applicant

- In August 2018, the Council received notice that the planning applicant had commenced legal action by issuing a writ in the High Court against the Council, the Chief Executive and elected members.
- Those named in the claim have always maintained that the legal action was both spurious and speculative, and further, that it was made in bad faith.
- As Audit Committee members would be aware, the High Court writ was subsequently withdrawn by the applicant. However, prior to its withdrawal, the Council was put to significant cost in defending the spurious court action, and it should be noted that at no time had the Council initiated legal action; it had always been put in the position of having no option but to defend such legal action.
- The planning applicant went to extraordinary lengths to publicise its legal action, which included sending information on the High Court writ to all elected members, as well as regularly sharing that information widely in the media through interviews and the publishing of legal documents.
- Whilst the Council was addressing the internal governance matters outlined earlier in the report, it would not have been appropriate for the Chief Executive or officers to comment publicly on the speculative claims as set out in the High Court writ.
- However, now that the internal governance matters had been addressed, the Chief Executive said she would now like to take the opportunity to set the record straight and provide Audit Committee with a factual account of those matters. This was particularly important as the issuing of the writ and associated actions by the planning applicant, even though this was ultimately withdrawn, did bring unwarranted and unfair reputational risk to the Council.
- There were a number of elements of the applicant's claim in the High Court writ which she would like to specifically comment on:
 - That the draft Local Plan Core Strategy was withdrawn – that was a manifesto pledge of the Conservative Group in the run up to the 2017 local election and part of the platform on which that political group stood and was elected.
 - It was entirely appropriate for any political group on the Council, of any persuasion, to develop a political stance of their choosing on any matter of policy. Trusted officers advised the withdrawal of the draft local plan core strategy was

Ch.'s Initials.....

Audit Committee, 22 January 2020

permissible. There was a clear evidence base for the withdrawal as set out in reports to County Council in July 2017. As such, legal action in connection with the withdrawal was unwarranted - this was particularly so given that the draft Local Plan Core Strategy had been given such limited weight in formal reports to the Strategic Planning Committee.

- Anonymous allegations – in December 2017, two anonymous letters were sent on to the Council by two elected members. However these elected members then circulated the anonymous letters widely, not only sharing these with the External Auditor, but also the (then) Police and Crime Commissioner, many officers and a number of elected members. The anonymous letters were clearly politically motivated and much of the content derogatory
- Following an impartial and evidence based investigation, it was established beyond any doubt that these were wholly without basis. However, these letters had been relied on so prominently in the legal action brought by DGE against the Council and others, despite the status being simply anonymous allegations rather than proven statements of fact.
- The motives for the anonymous allegations were unclear.
- It proved significantly costly to the organisation to investigate and time consuming, taking officers away from their day job.
- These allegations were reputationally damaging to the Council when the allegations presented were without basis, particularly that the applicant of the planning application also took them as fact and relied on them as part of their legal submission to the High Court in London.
- Financial Expenditure
- Within the report, members of the Audit Committee would see the summary of the legal costs incurred by lawyers acting on behalf of Northumberland County Council, in response to the High Court action brought by Lugano Dissington Estate Ltd (which is now in administration).
- This was a considerable amount of money - £273,389 in total.
- The Chief Executive said she would have much preferred this money to be spent on residents and providing services in Northumberland, rather than defending spurious legal claims in the High Court. However, the Council was left with no choice once the action had been commenced against it.
- Members of the Audit Committee should note that Lugano Dissington Estate Ltd subsequently transferred its assets and liabilities to Matterhorn Capital and had gone into liquidation/administration.
- The Council had always maintained that this legal action was both vexatious and speculative and entirely without basis and Lugano's withdrawal of that legal action would seem to support that position.
- Once legal action was withdrawn, the Council was entitled to apply to the court for recovery of all costs it had incurred and had duly made an application for reimbursement of costs.
- However, in a Statement of Affairs filing recorded at Companies House on 10 September 2019, the administrators for the estate had confirmed that the Council was one of 27 unsecured creditors with financial claims against Lugano. As such, it was highly unlikely that the Council would be able to recoup any of the funds spent, due to the poor financial condition of the company, which was evidenced further by the report from it's administrators.

Ch.'s Initials.....

Audit Committee, 22 January 2020

- Members of the Audit Committee should also note that the Council had been informed by the Administrators that they were now formally investigating the Company Directors of Lugano Dissington Estate Ltd, and a report regarding their conduct had been formally submitted to the Department for Business, Energy and Industrial Strategy (BEIS).
- The report was referenced in a publicly available record held by Companies House, and members had the report attached to the main report today for their information.

Other Issues

- The Council had contended with very serious matters over the last two years. The issues had been raised with Northumbria Police and correspondence exchanged with them.
- It was unfortunate that other individuals also appeared to have sought to undermine the Council's position.
- During that time, it was important for Audit Committee to be aware that several attempts were made to seek to discredit and/or intimidate senior council officers, including the Chief Executive and elected members. That included the circulation of misleading/false information, intimidating individuals including putting personal safety at risk and seeking to discredit individuals with external parties.
- The Council responded to those issues swiftly in a supportive manner, and took a number of actions, including reporting concerns to the police, as well as adopting enhanced security measures in order to support staff and members during that period. The personal safety and intimidation of both the Chief Executive and her staff was a significant matter of concern.
- The Chief Executive said she had never previously been threatened or intimidated in her full public service career, but members should be aware that those risks were of a significant nature and should not be underestimated in relation to the threat posed to senior officers of the Council, particularly to herself and family members during that time.

Moving Forward

- Significant progress had been made in moving forward, a new Director was in place for the Planning function and a new Executive Director, a planning professional, would commence with the Council on 3 February 2020.
- The Chief Executive said she was very grateful for the positive engagement and excellent developments made by the Planning Team, they were now working under a different regime, with quality and standards at the fore, and that would be the focus of how things were done now and in the future.
- There was a revised approach to the pre-application advice process and training had been given to all staff, focusing on ensuring applicants received a first class service, and importantly, a fair and equitable service.
- There were improved lines of peer review/input to case officers on applications before formal recommendations or final negotiations, which was important to ensure quality assurance processes were in place, and also that there was due rigour in systems.

Ch.'s Initials.....

Audit Committee, 22 January 2020

- The inappropriate use of "Minded to approve" officer recommendations on applications had ceased.
- The Chief Executive reiterated that she commended the Planning Team for their excellent work, the concerns had been caused by the practice of a very small number of individuals and, whilst the number was small, their influence was significant and that was not acceptable.
- It was time to move on but it was important that the Audit Committee was fully aware of the facts relating to the spurious legal action and the poor practices unearthed in the planning function and put right.
- She was very proud of the significant progress made as an organisation over the last two years which, in turn, had improved the overall performance of the Council.
- For the avoidance of doubt, the Chief Executive said that under her leadership, poor behaviour, actions and poor governance were not acceptable and would not be tolerated.
- Council officers were there to serve the residents of Northumberland and, as public servants, it was important they were transparent and fulfilled the duties and expectations asked of them, in accordance with the Council's code of conduct and professional body standards. On the occasions detailed, behaviours had fallen significantly short of those expected in public office, and also on a professional basis.
- Finally she hoped this meant that the episode could finally be put to an end and officers could get on with the job in hand.

The Chair thanked the Chief Executive for attending the meeting and presenting her report. She also condemned the personal intimidation that the Chief Executive and her staff had endured.

The Chair referred back to May 2017 when the current administration had been appointed. She said that certain Councillors had sided with the aforementioned developer, translating into the withdrawal of the Core Strategy which seemed to have been written to support them. The Cabinet Member for Corporate Services said this would need to be looked at by experts, however, the pack circulated suggested there was such evidence which might in turn constitute an abuse of power and position.

The Chair added that the Council's legal adviser, Liam Henry, had stated the legal position regarding the withdrawal of the Core Strategy but an elected member had taken alternative legal advice as a private individual regarding the Council's business. The Chair questioned why Councillors had obtained legal advice and was this seeking to contradict that of the Council's own legal adviser? In response, the Cabinet Member for Corporate Services said he did not wish to speculate what their motives had been, but the advice obtained would have been costly and the action of taking such legal advice in this way was not usual or likely to support the proper conduct of the Council's business.

Two members had circulated anonymous allegations, it was unknown who had written these allegations but they were clearly politically motivated and designed to undermine the change of policy and the approach to the Green Belt and Local Plan. It was also queried why the anonymous allegations had been circulated so widely by these elected members, when they were at that stage just anonymous allegations, the veracity of which had not been tested, rather than proven statements of fact.

Ch.'s Initials.....

Audit Committee, 22 January 2020

In response to a question, the Chief Executive advised that during discussions individuals should not be referred to by name.

In response to questions put forward by members of the committee, the following information was provided:

- The Senior Planning Officer referred to in the report had since left the authority. Their conduct had been reported to the appropriate professional body. The professional body would act according to its own procedures. It was hoped that this referral would be one of the measures to help to restore public confidence.

At 11:00 am Mr B Haywood-Smith, Independent Member, entered the meeting.

- The Council wished to hear from any stakeholder who had genuine concerns. From an Audit perspective, allegations which a person was prepared to put their name to had more value than anonymous allegations as discussion could take place with individuals to determine the evidential value and also to probe for any untoward motives such as if there was bias or malice, the likelihood of which was higher in the case of an anonymous allegation.
- That said, the Council would investigate any allegation received. The usual route was for concerns to be passed to a senior officer in order that the officer could apply the whistleblowing policy and ensure concerns were dealt with in the correct way.
- The motives of individual Councillors who disseminated letters containing anonymous allegations could not be commented upon, but it would have been prudent for them to follow the right course of action and pass concerns to Legal, Audit or HR to allow for appropriate handling, rather than sharing the anonymous allegations widely to a number of other individuals.
- A Committee member commented that some of the Councillors who were happy to share those allegations were the same as those who objected to the use of Council funding to defend the vexatious allegations against the Chief Executive and her team and to support them.
- It was confirmed that no declarations of hospitality were declared by the named planning officers for taxis, dining, first class travel or hotel stays provided by the applicant.
- An Audit Committee member commented that a number of these issues had transpired subsequently. The Chief Executive had met with the former Senior planning officer, when they were still employed by the Council, about barrister's advice taken without her consent alongside one example of hospitality accepted by the former senior planning officer, not related to that application. She queried it and was clearly told by the former senior planning officer that no hospitality had been received when in fact it had.
- It was acknowledged that the aforementioned hospitality received by planning officers was contrary, not only to the Council's Code of Conduct, but against the expected standards of planning officers which stated that they must disclose anything offered to them above a nominal value and it must be reported to the Council's Monitoring Officer. Therefore, planning officers had breached their code of professional standards.

Ch.'s Initials.....

Audit Committee, 22 January 2020

- It was clear from emails that a planning applicant had been active in constructing a planning report. It was acknowledged that there would have been, as a matter of course, some interaction with them but in this case it had gone way beyond what was usual and legal and was definitely not acceptable. Examples were referred to.
- Further examples of inappropriate emails between the applicant and senior planning officers were referred to.
- In response to a request for assurance that the report was definitive, the Chief Executive said it was a 'position in time' and investigations were currently on-going. It was a balance of taking all necessary action and drawing a line under it to take planning services forward. There had been an internal review and rigorous checks were in place but in order to move on she had felt it necessary to present the report to the Audit Committee that day.
- In response to concerns that queries could now be raised about other planning applications, the Chief Executive said that, when appointed, the new Director of Planning had been asked to look at other planning decisions and content. Focus had been made on applications dealt with by a small number of individuals, and she assured members and the public that, when needed, necessary steps had been taken on decisions previously made.

A member said he found it hard to believe that the former Leader of the Council had not known about an offer of a loan to the applicant when it had reached the 'heads of terms' stage. He said it should be a matter for the police and demanded that it be fully investigated. Discussion followed and, with regard to the loan, the Cabinet Member for Corporate Services said that denials had been made about it in the Council Chamber. However, there was clear correspondence between the Chief Executive of the Company and the previous Chief Executive of the Council discussing a loan totalling £110 million pounds of taxpayer's money, to a developer in the process of submitting an application for the biggest development the Council had ever seen, and said surely this was a conflict of interest? The first tranche of the loan was proposed ahead of the planning application being granted, this was a significant risk to the Council as the developer was unknown and based offshore. Email correspondence provided details of those involved.

On a point of clarification, the Chair stated that the former Senior Planning officer had been reported to the appropriate professional body; company directors would be investigated by the administrators. The matter had been referred to Northumbria Police with additional information. The Chief Executive said a number of issues had been raised about herself and her senior team so, from her perspective, the report to the Audit Committee had covered what she felt was required to redress misinformation which had been put previously by others into the public domain.

The Chief Internal Auditor added that if anonymous letters were received, it should always be borne in mind that the status of an anonymous letter is simply an allegation at the time that it is received, not a statement of fact at that stage. The purpose of an investigation is to determine whether there is an evidential basis of fact in the allegations; or not. Hence it would be unwise to circulate such anonymous letters widely when their content might have no basis at all in fact. To do so ran the risk that unfair or untrue statements might wrongly be promulgated as 'fact' when they were not. This also underlined the importance of allowing a proper investigation to take place. The correct course of action would be to share the anonymous letter with a trusted senior officer eg the Monitoring Officer who

Ch.'s Initials.....

would ensure it was investigated according to the relevant Council policy. If there was any basis of fact proven in the allegations, this would be reported appropriately for example to Audit Committee. But if there was no basis of fact, it was not appropriate for anonymous allegations to have been presented as if they were proven facts.

The Chair said that Northumbria Police did not appear to have taken any action, she queried why a member appeared to have spent money on alternative legal advice and if there would be any accountability for this course of action? The Cabinet Member for Corporate Services said a referral had been made to the Independent Officer for Police Complaints. Northumbria Police had been provided with a substantial amount of documentation but they had reached the conclusion that there had been no criminality and were not interested in taking any further action. The administration did not accept that, the police had not conducted any interviews when there was evidence it should be considered. No response had yet been received to the complaint submitted.

A member expressed sympathy for the remaining officers in the planning department. She said this matter reflected on everyone, members had sat on planning committees and had trusted in officers' guidance. There was a feeling of disgust as members had taken officer's advice as read. However, there was a need to move on and teamwork was needed to rectify this. She commended those officers still working for the Council who had been embroiled in the situation.

The Chair said staff had come forward to whistleblow and it should be placed on record that the Audit Committee applauded their actions. Members agreed, adding that it took courage to raise concerns against senior officers.

In response to a concern raised about staff receiving appropriate support for their health and wellbeing in the aftermath of the situation, the Chief Executive confirmed that supportive measures were in place. The Chief Executive had met with, and written to, employees in the planning department on a number of occasions to give them reassurance and it was pointed out that Safecall did not identify individuals. She believed there had been significant relief when changes were made and staff could put forward their professional views. For clarity, she pointed out that the initial whistleblower was not a member of staff.

In terms of the process, the Executive Director of HR and OD and Deputy Chief Executive explained that every concern raised through the Whistleblowing Policy and Safecall were recorded and those records were maintained, investigated and closed with a conclusion. Mr Haywood-Smith, Independent Member, acknowledged the comments made but said it would have been helpful for the Audit Committee to have sight of that information to see if there were lessons that could have been learned from the circumstances which arose. He said this could be a case study and test of the framework to ensure more safeguards were in place.

Discussion followed about whether there were extra safeguards in place for high value planning applications. It was explained that planning reports would go into more detail for such applications but the process was the same for all. In this case there had been an unusual set of circumstances which had allowed the system to be undermined.

Ch.'s Initials.....

Audit Committee, 22 January 2020

A member said the Chief Executive, Councillor Riddle and Councillor Jackson deserved praise for all they had endured during what must have been a very distressing time and asked that this be placed on record. Another member suggested that they also deserved an apology.

The Chief Internal Auditor stated that the matters which were reflected in the Chief Executive's report were significant and should thus be reflected in the Annual Governance Statement, which would be presented to Audit Committee in May.

The Chair then read out recommendations (a) to (d) as set out on page 2 of the report and these were unanimously agreed.

Councillor Swinburn proposed that a further recommendation be added. Given the evidence shown in respect of the actions of the two elected members, he asked that it be recommended that the two elected members be referred to the Council's Standards Committee. A member said that there was no evidence about the Councillors in the report before the committee that day and said the extra recommendation should not be added.

The Chair agreed there were concerns and questions to be asked of the two Councillors and questioned how the committee could go about that?

The Chief Internal Auditor advised that any member could take this up with the Monitoring Officer as an individual.

A member said that it was not appropriate for the committee to make this recommendation and the extra recommendation should not be added. Another member said that this was being raised as a political matter, the Chair replied by highlighting that the two elected members concerned were of differing parties and therefore this could not be claimed in this instance.

After further discussion, the Chair proposed an amendment to the recommendation in that the Audit Committee write to Liam Henry, the Council's Monitoring Officer, to obtain further advice as to how to proceed regarding the two named Councillors. Councillor Castle seconded the motion stating that concerns had arisen during discussion of the report.

The Chair advised that, in line with the Council's constitution, Independent Members were not allowed to vote but their opinions were welcome.

Mr Hall supported the proposal. Mr Haywood-Smith recommended caution because of the politics and sensitivities. He felt that more time should be taken to think all of the options through, especially if there were other channels available.

A member reiterated that any member could approach the Monitoring Officer with concerns and this did not need to be a recommendation from the Audit Committee. Another member said that, although he was not against seeking advice from the Monitoring Officer, this was not the correct vehicle for doing so.

Upon being put to the vote 3 members voted in favour of the proposal and 3 voted against it. The Chair exercised her casting vote and it was therefore agreed that the extra recommendation be added to the report as proposed.

Ch.'s Initials.....

Audit Committee, 22 January 2020

RESOLVED that

- (a) the information in the report be received and evaluated as part of its ongoing consideration of the Council’s framework of governance, risk management and control, in accordance with the Committee’s Terms of Reference as stated in the Constitution;
- (b) it be noted that due to the significance of the weaknesses identified in the County Council’s planning functions, specific reference to this matter be included in the Annual Governance Statement for the 2019/20 year;
- (c) it be noted that swift action was taken by senior management to address and correct all irregularities, once identified, and that new senior personnel and supervisory arrangements had subsequently been introduced within the Authority’s planning department. Adherence to proper systems and processes was being carefully monitored and enforced and the Director of Planning would ensure that all the necessary steps be taken to strengthen systems of control;
- (d) it be noted that the conduct of a number of senior officers previously employed by the County Council had fallen short of expected standards of behaviour, conduct and ethics and, as a result, significant concerns had been raised with Northumbria Police and an external referral had been made to the relevant professional body, given the nature of the concerns which had arisen.
- (e) Audit Committee write to Liam Henry, the Council’s Monitoring Officer, to obtain further advice as to how to proceed regarding concerns raised by the actions of two named Councillors.

At 12:04 pm the committee adjourned for a short break and reconvened at 12:20 pm.

35. REPORT OF THE CHIEF INTERNAL AUDITOR

Preparation of the Strategic Audit Plan 2020/21

A Mitchell, Chief Internal Auditor, introduced the above report which outlined the approach to preparing the 2020/21 Strategic Audit Plan, for consideration and endorsement by the Audit Committee. The report also ensured the Audit Committee, as a key stakeholder of Internal Audit’s work, was engaged at an early stage in the planning process. (A copy of the report is attached to the signed minutes as Appendix B.)

K McDonald, Group Assurance Manager, said this was a short procedural report to show the committee the approach taken for Audit planning next year. The Strategic Audit Plan was scheduled to be presented to Audit Committee for approval in March.

The committee’s attention was drawn to paragraph 9 on page 3 of the report which set out the stages involved in preparing the Strategic Audit Plan and comments/suggestions were invited.

The Chief Internal Auditor said it would be worthwhile, at the next meeting, for members to be provided with an explanation as to how the plan was put together and how available resources were allocated to areas to be audited.

Ch.’s Initials.....

Mr Haywood-Smith, Independent Member, said the document was presented in the same format every year and it would be interesting for members to see some examples of how Internal Audit's perspective had changed over the year as other risks would have materialised. In response, it was emphasised that it was important for the Group Assurance Manager to set out the reasons why Internal Audit needed to be involved in each audit. Internal Audit utilised an assurance mapping approach to ensure appropriate coverage.

Mr Hall, Independent Member, said there should be a review to look at other areas of high risk and exposure and there should be some illustration to show the committee what had happened in order to give reassurance.

The Chief Internal Auditor said that a number of areas were examined and weighed in determining audit coverage. These included the value and volume of transactions, integrity of management, culture and other control factors which might impact governance or the application of controls in a system. She emphasised the importance of spending time on looking at the way forward in order to get the most value from the audit resource.

Mr Hall suggested that the Chief Executive should write to all staff to reassure them about the whistleblowing process and Safecall. In response, reference was made to the log kept to record all information relating to whistleblowing and Safecall which was monitored every month by HR and the Head of Legal Services to ensure records were up to date. There were posters displayed around County Hall reminding staff about the whistleblowing process and information about Safecall was included in the on-line staff bulletin each month. Mr Hall acknowledged that but said it was about confidence and reiterated that, in his opinion, the Chief Executive should write to all employees to give them further reassurance.

The Cabinet Member for Corporate Services said he would pick this up as part of staff communications and it could be included in a future Leader/Chief Executive's bulletin.

RESOLVED that Audit Committee endorse the approach to preparation of the 2020/21 Strategic Audit Plan.

36. REPORTS OF THE EXECUTIVE DIRECTOR OF FINANCE

Treasury Management Strategy Statement for the Financial Year 2020-21

C Hand, Executive Director of Finance, introduced the above report which set out the Treasury Management Strategy, Treasury Management Policy Statement, the Annual Investment Strategy for the Financial Year 2020-21, Prudential Indicators 2020-21 to 2022-23 and the Minimum Revenue Provision Policy 2020-21 (a copy of which is filed with the signed Minutes as Appendix C).

Ch.'s Initials.....

A brief overview of the report was provided. The Treasury Management Strategy Statement gave a forecast of the future economic outlook and provided some context to borrowing and investment. Details of the potential economic risks were also highlighted.

Reference was made to Appendix 3 of the report (Treasury Management Practices) which outlined the day to day controls and operational practices for Treasury Management activities, Appendix 2 (Credit and Counterparty Criteria Policy) which detailed the risk-based decision-making framework for investments and Appendix 6 (Capital Strategy 2020-21 to 2022-23) which outlined the capital programme for the next 3 years and also provided the longer term strategic context. The Annual Minimum Revenue Provision Policy Statement was set out at Appendix 5 with the Estimated Capital Prudential Indicators 2020-21 to 2022-23 (Appendix 4).

Members were advised that the budget documents had been amended following a slight increase to the planned capital programme, but that this would not materially change any of the figures or any of the indicators within the report. In addition, a statement around climate change has been added to the Capital Strategy to provide the strategic context for the planned investment in this area.

In response to questions the following information was provided:

- In terms of the merger between Northumberland College and Sunderland College, loans would be transferred to the new organisation.
- In response to comments that a capital receipt could be used as part of a particular project, it was pointed out that was a way of producing money to reinvest in the Corporate Plan and was taken into account within the Capital Strategy.
- In terms of interest rates for borrowing, there was a risk of uncertainty and the situation would be reviewed. Current rates for borrowing were relatively cheap but the situation would change over time.
- It was confirmed that, from the Council's point of view, it would be better if rates for borrowing were reduced, however, an increase was envisaged due to Brexit and other variables.
- In terms of political stability, reports indicated this was a good time for investment.
- In response to comments about an article relating to Northumberland having borrowed money from a Council in Cornwall, the Cabinet Member for Corporate Services said it was not unusual for Councils to borrow money from other Councils at a preferential rate, rather than using an alternative form of finance. The Chief Internal Auditor said that when dealing with treasury management the objective was to minimise the risk rather than maximising the return and that transacting with other local authorities, who were on Northumberland County Council's approved counterparty list, was a common and normal practice in most local authorities. The Finance Manager added that the policy of borrowing from other local authorities was included within the Council's Treasury Management practices.
- Mr Haywood-Smith asked if there were any risks members should be aware of which may be out of the Council's control. In response the Executive Director of Finance said risks included any slippage or acceleration of the capital programme, changes in interest rates and, inevitably, no matter how good the Finance Team, there was an element of human risk. There was a degree of risk in any budget.

Ch.'s Initials.....

Audit Committee, 22 January 2020

Councillor Castle left the meeting at 12:54 pm.

The Chair then read out the recommendations set out on page 1 of the report.

Members unanimously agreed each recommendation and it was

RESOLVED that

1. Members recommended that County Council approve the Treasury Management Strategy Statement including the Treasury Management Policy Statement, the Annual Investment Strategy and Borrowing Strategy for the Financial Year 2020-21.
2. Members recommended that County Council approve the Prudential Indicators (Appendix 4) for three years 2020-21 to 2022-23 to ensure that the Council's capital investment plans were affordable, prudent and sustainable.
3. Members recommended that County Council approve the Minimum Revenue Provision Policy (Appendix 5) 2020-21.

CHAIR: _____

DATE: _____

Ch.'s Initials.....

Audit Committee, 22 January 2020