

AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: Tuesday, 31st July 2018

Time: 9.30am-3.55pm

Place: Council Chamber, Shire Hall, Cambridge

Present: Councillors: I Bates (substituting for Cllr Hudson), C Boden (substituting for Cllr McGuire), J French (substituting for Cllr Wells), N Kavanagh, M Shellens, (Chairman), T Rogers (Vice Chairman) and J Williams

Apologies: Councillors Hudson, McGuire and D Wells

The Chairman welcomed everyone to the meeting.

112. DECLARATIONS OF INTEREST

Councillor French declared a non-statutory disclosable interest under the Code of Conduct as a Member of March Town Council and Fenland District Council.

113. PETITIONS AND PUBLIC QUESTIONS

No petitions had been received.

As there were a large number of public questions, the Chairman proposed that standing orders should be suspended.

It was resolved unanimously to suspend standing order section 9 of Part 4- Rules of Procedure, Part 4.4 –Committee and Sub-Committee Meetings.

The Chairman advised that he would be taking the public questions at the relevant sections of the report.

114. COMMUNITY TRANSPORT

The Chairman explained that the main purpose of the meeting was for the Committee to consider the conclusions of a report by external consultant PKF Littlejohn LPP ('PKF'), an independent firm of Chartered Accountants, into issues raised regarding the operation of Community Transport in the county, specifically the operation of the Fenland Association for Community Transport (FACT), Huntingdonshire Association for Community Transport (HACT) and Ely & Soham Association for Community Transport (ESACT), together known

as 'FH&E'. Their report, which had been made public, considered 55 issues raised by Cambridgeshire Bus, Coach and Taxi Association (CBCTA) on this subject.

The Chief Internal Auditor explained to the Committee why the report had been commissioned, setting out the chronology from where concerns had first been raised in 2013. In 2016 PKF had been commissioned as an independent external investigator to examine 55 issues specified by the key complainants. The costs of this work to date were approximately £170,000. The County Council had fully accepted the findings of PKF, and had developed a full and comprehensive Action Plan to address all of the PKF findings. Additionally the Chief Executive had instituted a disciplinary investigation, having taken the advice of the Head of Human Resources. Two referrals had also been made to the Police, in relation to allegations of fraud – one relating to letters submitted in support of a grant funding request, and one regarding responses to a County Council Community Transport customer survey. There had been a Memorandum of Understanding between the consultants, the Council and the Police in relation to information sharing. The Police had concluded that the investigated actions did not highlight criminality but their conclusions were consistent with the PKF findings, and have therefore informed the Council's response in confirming that the issues raised were serious.

The external consultants, PKF, explained how they had produced the report, and the individual skillsets and experience the team had drawn upon when conducting its investigations. The 55 areas for investigation had been agreed with CBCTA in March 2017. The process used was set out, including how information was gathered from various sources, including legislation, and how meetings and telephone interviews with various parties involved, including F&HE, had been carried out.

The draft report had been submitted to Cambridgeshire County Council (CCC), Huntingdonshire District Council (HDC), East Cambridgeshire District Council (ECDC) and FH&E, for comments on accuracy. Following advice from CCC, all individuals' names were redacted, except those of Councillors. The final report was issued on 11 July 2018.

The Chairman invited the Chief Executive, to make a brief statement giving an overview of the council's response.

Firstly, the Chief Executive stated that many of the complaints put forward by the Taxi Association were legitimate and related to very serious matters, and she apologised to the taxi drivers for the way the County Council had failed to handle their complaints over a number of years, and she looked forward to meeting with the taxi drivers in the near future.

The Chief Executive advised that she had wanted any issues relating to County Council processes to be dealt with immediately, and had compiled an action plan with the assistance of the Chief Internal Auditor. Most actions had already been completed, with a few still ongoing, and there might be further

actions coming from this Committee. Moreover, she would be ensuring that the actions would continue to be adhered to rigorously going forward, and the Committee would receive reports on the implementation of actions. Additional staff would be employed to enforce the grant conditions.

The Chief Executive had had meetings with the three Trustees of FH&E. The action plan specified actions to be taken not only by the County Council but also the FACT Board. It had been made clear to FACT that the Council's trust and confidence in them must be restored if the Council was to judge them to be fit and proper to continue to contract with them going forward. The Chairman commented that his intention was that the Committee would also keep this issue under robust review and ensure that actions were carried out as agreed.

The Chairman explained that in view of the considerable public interest in this matter, the Committee had waived Standing Orders to enable members of the public to speak. The report would be considered in different sections, and speakers invited to speak at the appropriate section. A transcript of all the questions asked would be published on the County Council's website.

Grant applications

The consultants PKF summarised their findings on Grant Applications. The main issues that were considered were whether the grant applications from FH&E were factually accurate, and whether grant money had been used for the purpose specified. The following issues had come to light during the investigations:

- correspondence from FACT in relation to funding indicated it was a registered charity, i.e. a charity registered with the Charities Commission, but this was not the case. FACT was an exempt charity registered under the Co-operative and Community Benefit Societies Act 2014;
- specific grant applications made by FACT indicated that FACT had over 5000 members, when it had far fewer (less than 1500) at the time of the applications;
- annual grants had been paid by CCC to FH&E every year since 2013/14, totalling at least £52,360 per annum. The purposes specified for these loans were noted. There was no segregation of accounts in the FH&E organisations, so it was unclear whether this funding had been spent appropriately. In addition, FACT and HACT had received grants and loans from the County Council for radio equipment, and HACT had received a grant and loan totalling over £200,000 for its start-up costs;
- FACT did not provide monitoring milestones by which performance was to be judged in its grant application, and CCC did not follow this up.

The Chief Executive set out the actions identified in the Action Plan, including the reframing and redrafting of the grant monitoring framework, and a grant agreement. Copies of the relevant documents had been made available to the Committee Members. Mandatory guidance had been issued to all staff involved in grants to charities and voluntary organisations. Additional staff were being employed to enforce grant conditions, as monitoring by CCC was something that had been seriously lacking. In response to a Member question, it was confirmed that those staff should be in post by autumn, or the end of November at the latest.

A number of public questions were raised under grant applications (see p1-7 of **Appendix 1**).

On the subject of taxation raised in the public questions, the consultants PKF reiterated that FACT was an exempt charity with HMRC, but was not regulated by or registered with the Charity Commission. Activities fulfilling the organisation's primary purpose were not taxable, but any commercial income from other (trading) activities was subject to Corporation Tax after a £50,000 threshold.

The Chief Executive commented on the following points raised by the speakers:

- not only had the County Council objectively assessed the actions required to address the findings in the PKF report in terms of its own actions and processes, but the Council would also be objectively assessing the actions taken by FH&E in relation to this report;
- that she had commissioned the external consultants PKF to investigate these matters following her initial meetings with the Taxi Association, and had asked the Taxi Association to specify the scope of the report, as she took the allegations extremely seriously. Moreover, she had taken immediate action following publication of the report to assess the County Council's position and had committed to objectively assessing the fitness of FACT by 06/08/18.

Individual Members raised the following points:

- asked PKF whether there was any evidence that the County Council's representative on the FACT Board had challenged or raised concerns in any way about FACT's activities. PKF confirmed that they had found no such evidence. The Member suggested that the County Council's representative should be asked to resign, but further felt that such appointments to outside bodies should be scrutinised. In discussion, Members agreed and felt that the exact nature of the membership on the Board i.e. as a full Member or as an observer, needed to be established, and the broader issues of Member appointments by the Council to outside bodies, and Members' responsibilities on those bodies, should be clarified, and training provided as appropriate;

- in relation to the apparent significant failures in FH&E's management and stewardship, a Member commented that he found it unbelievable that a junior member of staff was personally responsible for all false statements made in numerous grant applications, and asked the consultants if that was their view. PKF responded that in interviews with Mrs Philpott, she had advised the actions had been taken by a junior member of staff, but had conceded that it was her responsibility to oversee those members of staff and the paperwork they had issued. The Member asked if PKF believed that response. PKF responded that further independent evidence from elsewhere would be required to establish this point, e.g. seeking the expertise of a handwriting expert to confirm or disprove this issue;
- referring to documents provided by one of the questioners, a Member noted that there was a letter from FACT stating that income generated through bus and car services totalled £238,847 for the year in question (2011), but a Profit and Loss statement for the same year indicated that the FACT income was £408,814. PKF agreed to take some time to consider this matter;
- whilst welcoming the establishment of FACT's Finance and General Purposes (F&GP) Committee to deal with governance matters, a Member commented that he felt that that in itself was not sufficient.

The Chief Internal Auditor advised in respect of issues highlighted by questioners relating to Key Forensics and the Police. Key Forensics issues were not included in the scope of the PKF investigation, and were therefore not included in the report. Information had been shared between PKF and the Police which had informed these findings, but the County Council had to respect the Police decision not to take the matter further. The Council had noted both the Police findings and the PKF report, and was taking these matters seriously, and as a result the Council was seeking to restore confidence and trust in FH&E. The recommendation was that further work would not be commissioned, as the Police findings were receiving proper consideration within the Council's action plan.

Councillor Boden proposed the following addition to the recommendations set out in the report, and this was seconded by Councillor French:

FH&E be invited critically to examine the current composition of their Board, with a view to rebalancing the Board to achieve a more appropriate balance of skills, experience and knowledge.

The Member acknowledged the contributions of the Chief Executive, and that many matters were historic, but felt that there had been failures of both management and stewardship within FH&E, and it was appropriate for the Committee to ask and expect the Board to reconsider its composition to ensure that it was capable of fulfilling its stewardship requirements in future.

It was noted that in view of this additional recommendation, additional or amended actions needed to be included in the Action Plan, and the Action Plan should be updated accordingly.

The Chairman asked Committee Members to consider whether the section of the Action Plan on grant applications was desirable, practical and proportionate, and whether anything needed to be added, deleted or changed.

It was agreed that recommendation (a), as set out in the covering report, be amended to note *and endorse*.

With regard to the earlier discussion on training and guidance for Members on outside bodies, a Member suggested that this was crucial, as many organisations had very specific rules and regulations. It was agreed that the Chief Executive should consider what actions may be appropriate. **Action required.**

In relation to the information and actions required from FH&E for the Council to have trust and confidence going forward, the Chairman suggested that if there were any further submissions with factual statements from FH&E, he would seek the reassurance of the Chief Internal Auditor that he had considered the details thoroughly, and was confident that the information was true and accurate. Members also discussed the possible shortcomings of FACT's external audit process.

The Chief Executive confirmed that along with the Deputy Monitoring Officer and Chief Internal Auditor, she would consider the information provided by FH&E, and judge whether there was sufficient evidence and reassurance to contract with them, based on the fit and proper person criteria. She added that determining whether the Council had confidence to contract with these organisations going forward was a very serious matter. Any changes to contracts to alternative providers would have to be carefully managed, especially given the need for continuity and the vulnerability of the clients involved. Members confirmed that they were content with that approach.

Annual Returns and Published Accounts

The consultants were invited to summarise their finding on the Annual Returns and Published Accounts. It was noted that as a membership organisation, FACT was governed by its rules and Memorandum of Association, which required that Members had to be approved at either an Annual General Meeting or by its Executive Committee. PKF had not found any evidence to demonstrate this had taken place. Accounts had been audited and given a 'true and fair' assessment.

On examination by PKF, there were disclosures of Related Party Transactions that had not been made e.g. in the 2016 Accounts, transactions between FACT and the County Council should have been disclosed as Related Party Transactions, by virtue of Councillors sitting on the Executive Committee. Various other errors in the Accounts were outlined.

HACT was registered and regulated by Charity Commissioners. In reviewing the HACT Accounts, it was noted that their accounts were not audited, as the organisation was beneath the threshold for an external audit. Accounting policies refer to the Accounts being prepared under the 2005 Statement of Recommended Practice (SORP) when they should be prepared under the 2015 SORP. As a result, there were a number of errors and omissions from the Trustees' Report. Capital grant received should have been registered as income received, which was not the case. As a general point, charities were required to undertake activities which fulfil their objectives, and there was a £50,000 threshold for trading activities, after which point Corporation Tax was payable.

The Chief Executive summarised the actions set out in the Action Plan in relation to this item. The Chairman commented that given some of the other issues under consideration, the issues raised in the PKF report relating to the Annual Returns and Published Accounts were not his greatest concern, however, there were clearly a number of issues to be learned and actions to be put in place going forward.

A Member asked if the Traffic Commissioner had been involved. The Chief Internal Auditor advised that the Traffic Commissioner had been made aware that the Council had commissioned PKF to carry out the investigation. The Traffic Commissioner had subsequently requested a copy of the PKF report.

A Member commented that in his experience, the adoption of the new Charities SORP had been taken up in a surprisingly piecemeal manner by the sector. PKF responded that in 2016 they had engaged with clients to ensure that the SORP was appropriately applied. However, as with any new legislation or regulations, there have been lessons learned, and the SORP Committee had issued subsequent guidance to the sector.

A number of public questions were raised under grant applications (see p7-10 of **Appendix 1**).

In response to a point raised in one of the questions, the consultants PKF confirmed that information had been received from FACT and HACT relating to the changes in the accounting figures, and PKF had also carried out a sample test of invoice figures. No anomalies had been found.

The Chief Executive commented on the matters relating to officer conduct, raised in the public questions. She advised that those matters were included in her report, and she confirmed that if there were matters for Head of Paid Service to consider, there was a process that needed to be followed, but that was not a matter for consideration at this Committee. The Chief Executive drew Members' attention to paragraph 2.5 of the report which stated *"In addition to the actions set out in Appendix 1, the Chief Executive has instituted a disciplinary investigation, having taken the advice of the Head of Human Resources in accordance with the County Council's disciplinary procedures"*. The Chairman commented that it was important not to prejudge any investigations that might take place.

The Monitoring Officer confirmed that any call for the resignation of the FH&E Board was a matter for FH&E, not for the Committee or Council.

A Member asked PKF if it was clear to them during their investigations who was an Executive Member, Non-Executive Member, observer or representative on the Executive Board. PKF advised it was unclear from some of the documentation they had seen, but it was made clear on the Financial Statements who was an advisor and who was an observer.

In noting and endorsing actions 4-8 in the Action Plan, it was noted that 4, 7 and 8 were proven, whilst 5 and 6 were not proven. It was confirmed that no actions were listed against items 5 and 6.

Funding

The consultants summarised their findings on Funding. They outlined the DfT guidance, the complexity of State Aid rules, and the DfT's suggested assessment framework for local authorities to identify potential issues under State Aid rules. The issues around cross-subsidisation were explained. FH&E had not established segregation of accounting information between their community transport services and commercial contracts. The County Council did not have any set procedures to ensure that DfT guidance relating to cross-subsidisation was applied. Specific issues relating to capital purchases for the set-up of HACT, financed by grants and loans by the County Council, were explained. The issues surrounding the emergency transfer of contracts from the dissolved Nene and Ouse Community Transport to HACT were also explained.

With regard to State Aid, the relevant EU legislation was summarised, and how those regulations were applied to grants and loans to FH&E. The Committee noted that the advice of two Barristers with expertise in this field had been sought in relation to the issues involved, and the advice given by those Barristers.

The Chief Executive referred back to the new grant agreements, and how procedures were now in place to ensure cross subsidisation did not take place, and how guidance had been issued to staff. The new process for open and competitive bidding ensured grants did not constitute "state aid". An annual review of outcomes and benefits would be reported to the County Council's Economy & Environment Committee. The new monitoring arrangements required segregated accounting by grant recipients, and spot check audits of operators. The policy on grants provided more detailed advice on State Aid, and the State Aid issue had been referred to the DfT in line with the barristers' advice. The Chief Executive had raised this issue with her counterparts at Huntingdonshire and Fenland District Councils, and was happy to advise other grant funders. All loans had been repaid but one, where the final repayment was due to be made on 30 August 2018. The interest had also been paid, and the Citroen vehicle returned. Everything had been covered either in agreements or by actions.

In response to a Member question, the Chief Executive confirmed that the PKF report would be considered as part of the disciplinary process.

The Chairman advised that he would be discussing this issue with the Section 151 Officer after the meeting, and clawback would be pursued where appropriate. He was reassured that the proper rules would be in place going forward.

A Member suggested that the issue of State Aid needed to be brought to the attention of the Mayor with regard to his Bus Review.

A number of public questions were raised under Funding (see p10-13 of **Appendix 1**).

In response to a question on cross-subsidisation, it was confirmed by PKF that grant funding has been used to expand FH&E's commercial fleet.

The meeting adjourned for lunch

The Chief Executive advised that in considering the fit and proper person issue, the Council would be seeking assurances from FACT. This request would be for evidence, not just information, to confirm compliance.

The Committee debated the Action Plan relating to Funding.

A Member commented that he was shocked to discover that the Council did not have a policy in place to ensure that cross subsidisation did not occur, and that it had taken the PKF report to be produced for action to take place. Furthermore, he felt the actions of some Council officers were at best slipshod, in terms of documentation, recording decision making and ensuring policies were in place. He felt it unlikely that this poor performance was limited to Community Transport and sought reassurance from the Chief Executive that there were no other areas, particularly those where there was potential reputational, legal or financial liability that might emerge in the future, as a result of the Council failing to act in a professional way. The Chief Executive reassured Members that ensuring both procedure and compliance across the Council was her priority going forward.

Another Member commented that he had similar concerns in the area of contracts and agreements, the Chief Executive confirmed that this was an area that was being reviewed, and she had discussed this at length with the Chief Internal Auditor.

A Member asked PKF whether the Council could be fined by the EU for its actions. PKF responded that they this had not been brought to their attention by the barristers, but the Chief Executive agreed to follow that up. **Action required: Chief Executive.**

The Chief Executive explained that the next stage of the Action Plan would be demonstrating to the Committee that the actions put in place were being adhered to.

In response to a question on the new grant monitoring framework and grant agreement, the Chief Internal Auditor confirmed that he had reviewed this document and was satisfied with it.

The Chairman commented that there were essentially two key issues for the Committee's consideration: what was going to be done in future, and what was going to be done about the past. He was reassured by the Chief Executive's comments that if there was money to be reclaimed, State Aid or otherwise, it would be reclaimed.

Expansion and demand

The consultants summarised their findings on expansion and demand. They explained that Dial-A-Ride journeys and income between 2014 and 2016 had been relatively static, but expansion had been financed through grant funding, and the significant increase in vehicle numbers for both FACT and HACT were detailed. The expanded fleet was mainly used for commercial contracts, and funded principally from grants. Conditions on those grants specified by the County Council were either not followed up, or only cursorily followed up. Since these issues had been raised, most of the issues had been addressed, or measures were being put in place.

The Chief Executive covered specific issues in relation to the grant framework, membership applications and Public Liability Insurance cover levels, and the actions that had been taken. The issues of business continuity plans, emergency and subsequent procurement were also being addressed. In terms of tendering, all contract had been retendered, and awards would be taking place shortly.

A number of public questions were raised under expansion and demand (see p14-16 of **Appendix 1**).

The consultants PKF responded to points raised by the speakers as follows:

- confirmed Mr Humphrey's figures were correct, and that the figures requested were included in the report in the appendices. For FACT (Appendix H to the report), for 2011-2013 £198,710 (238,827E), 2012-2014 £200,690 (243,249 E), for 2013-15 £180,710 (227,045E). For HACT (Appendix I) for 2014-15 £303,065 (386,348E), and for 2014-16 £366,870 (464,987E). The exchange rate conversions given were based on mid-market rates from xe.com;
- in response to a question on the possible unfair advantage that FH&E's subsidies gave them compared to non-subsidised organisations, PKF confirmed they had not looked at how competitors were funded, or the impact of competitive tenders on the market place.

The Chief Executive commented that it was not acceptable for public money to cross-subsidise commercial services, and that she would be looking to ensure this would not happen again. With regard to market failure there needed to be proper procedures for the awarding of emergency contracts and or dealing with business continuity issues, and these needed to be in line with best practice.

A Member asked what assurances could be given that some competitive advantage might not be gained by FH&E, for external work, resulting from funding that had been awarded by the County Council in the past, which had not been used appropriately i.e. for commercial expansion. The Chief Executive responded that this issue must be considered, so that the Council did not continue to confer advantage on FH&E because of past actions, and action needed taking as a result. She reassured the Committee that if funding needed to be recouped, it would be recouped.

Observing the serious difficulties the collapse of Nene and Ouse Community Transport caused in Huntingdonshire, some Members commented that it was essential that robust processes must exist throughout Council to deal with business continuity. It was noted business continuity was a major plank of the Risk Register, and there were detailed plans. The Chief Executive responded that the business continuity plan was part of the evidence pack, and contractors/providers were also required to have their own business continuity plans. This should ensure a proper and smooth transition to a new provider.

The Chairman noted that the majority of actions set out in the Action Plan on this issue were for the FH&E Board, with the remainder for specific County Council officers. It was obvious that there was a clear intention that if historic transfers of money had been misapplied, that those be recovered. There were detailed plans for future practice.

Licensing and Permit 19 and 22 issues

The consultants summarised their findings on Licensing and Permit 19 and 22 issues. There was conflicting advice on the Permits for Community Transport Organisations from the DfT, Traffic Commissioner, etc. The County Council had taken its own legal advice on this issue, especially relating to organisations that undertook both commercial and non-commercial work. PKF's conclusion was that the County Council needed to introduce appropriate legal advice to ensure its procedures were amended to assist in ensuring that organisations to which it issued transport grants and contracts were compliant both with such grant and contract agreements, and relevant legislation. Individual contraventions by FH&E were also set out. FH&E were granted operators' licences in 2018.

The Chief Executive advised that, given the conflicting advice, the Council had adopted a prudent and cautious approach, with greater scrutiny being applied to all Section 19 Permits issued, requiring all commercial services to operate under an O Licence or taxi licence. This cautious approach, based on the DfT advice, appeared to be the best way to minimise the risks involved. The Chief

Executive outlined how this would be managed and monitored in practice, including annual checks through the grant monitoring agreement. It was noted that enforcement would be for Community Transport only, as District authorities had the responsibility to regulate taxi licensing.

A Member observed that driver CPCs had been introduced less than ten years previously, and there had been a transitional period before they became enforceable. He asked if time had been allowed to make the transitional arrangements. It was noted that the DfT had made it clear that operators would be given a period of grace to secure the relevant licences. It was confirmed that the Council would be checking those licences were in place.

A number of public questions were raised under Licensing and Permits 19/22 and Service Level Agreements (see p16-19 of **Appendix 1**).

A Member asked what consideration was given to the financial resources available to that entity, when an entity applied for an O licence. He pointed out that the Traffic Commissioner needed to be reassured that an entity had sufficient resources available, e.g. so it could undertake proper maintenance. Therefore the Traffic Commissioner needed to be made aware of potential breaches. The Chief Executive confirmed that any issues would be raised with the Traffic Commissioner, e.g. if any significant amounts of money had to be repaid to the Council. It was agreed that this would be an addition to the Action Plan. **Action required.**

A Member also noted the EU Commissioner's role, and suggested that this issue should be dealt with in the Action Plan. **Action required.**

Conflicts of Interest and Complaint Handling and Freedom of Information responses

The consultants summarised their findings on Conflicts of Interest and Complaint Handling and Freedom of Information responses. The following key points were raised by PKF:

- it was unclear how the County Council's Community Transport Officer's signature appeared on the grant application: PKF were satisfied that he attended meetings only as an observer;
- some of FACT's Financial Statements were misleading;
- there was no evidence from FH&E meetings on how conflicts of interest had been dealt with;
- there were a number of cases where Fenland District Council and Cambridgeshire County Council had not responded appropriately to complaints;

- there had been a number of Freedom of Information (FOI) requests made by the complainants to the County Council, and examples were given where FOI responses were inadequate or inaccurate.

The Chief Executive advised:

- in relation to Conflicts of Interest, she had issued an email to all County Council staff on 23/07/18, which covered this issue comprehensively, and alerted staff to be aware when dealing with other organisations, not just in relation to Community Transport;
- the role of Community Transport Officer had been further clarified in terms of attending FH&E Board meetings. This guidance and clarity would be provided to all officers involved in this work;
- the Deputy Monitoring Officer would be taking a report to Constitution & Ethics Committee on providing guidance to Members on their roles and responsibilities on outside bodies, which was a complex and challenging area;
- with regard to the FOI requests, an officer (who was not employed by the County Council) had been commissioned to identify exactly where this issue emanated from i.e. from the FOI team or Transport team. There had been a review of record keeping and filing practices in the Transport team to ensure the required information was readily available. The Chief Executive would report back to the Audit & Accounts Committee when she had the outcome of that report.

Members raised the following points:

- asked about Membership on the FACT Board by Cambridgeshire Councillors. PKF confirmed Members attended in an advisory role, and they had investigated this issue in some detail;
- asked if other Councils could be informed of the actions the County Council was taking. **Action required.** It was also suggested that the report on Outside Bodies, to be considered by the Council's Constitution & Ethics Committee, should be shared with District authorities. **Action required.**
- expressed astonishment at the allegation of a transport officer's signature being forged, and asked what actions the Chief Executive was taking to ensure that individual was protected. The Chief Executive confirmed that she had accepted PKF's findings;
- suggested that such misconduct in public office was a criminal offence that should be brought to the attention of the Police, as this went beyond the remit of the Committee. If an individual wished to raise a complaint against any Councillor, all Councils had open and transparent policies for dealing with such complaints. (*The Member,*

Councillor Boden, declared a non-statutory disclosable interest under the Code of Conduct as a Fenland District Councillor and Chairman of the Overview and Scrutiny Committee on that Council);

- suggested that a thorough report back, on the Freedom of Information issues, needed to be provided to a future meeting of the Committee, as this was particularly concerning from a governance perspective.

Action required.

Thomson Local Advertising

The consultants summarised their findings on Thomson Local Advertising. The complainants had advised that FACT had advertised on both Thomson Local and Google, and that the adverts seemed to imply that FACT was a taxi company. During the investigation, PKF were unable to identify if this was a deliberate or not.

The Chief Executive advised that as the licensing authority for FACT, the County Council would investigate and report on the relevant matters.

A number of public questions were raised under Thomson Local Advertising (see p19-20 of **Appendix 1**).

Arising from the report, Members:

- a Member commented that she had personal experience of her business's advertisements appearing in the Thomson Local, without her contacting or advertising through them;
- a Member commented that he fully accepted that it was not impossible that this had happened accidentally. However, he felt a large number of unfortunate accidents had happened in relation to FH&E, and the reputation of FH&E had suffered badly as a result;
- another Member suggested that some of the evidence provided, of an email exchange with FACT, was very damning, and did suggest that FACT had effectively been trying to operate as a taxi business.

The Committee adjourned for a break.

The Chairman gave those present an opportunity to make statements and/or questions, summarising any final thoughts they had on the matters under consideration (see p20-22 of **Appendix 1**).

In response to a question from Mr Mason, the Chief Internal Auditor reiterated that the costs of the investigations undertaken to date by PKF were approximately £170,000, including VAT. These costs were currently being channelled through the Milton Keynes City Council (MKCC) budget, as the Chief Internal Auditor was employed by that Council, as part of the LGSS arrangement. It had been agreed with PKF to submit invoices to MKCC, and

these would be recharged to Cambridgeshire County Council in full. There was a slight time lag before they would appear on the County Council's system as paid. The Chief Internal Auditor assured Mr Mason and the Committee, that along with the County Council's Section 151 Officer, he would ensure that this transfer would take place.

Arising from the public questions:

- a Member asked the Chief Executive why she was recommending that FH&E were permitted to get their house in order rather than just terminate contracts immediately. The Chief Executive advised that the Council had to make lawful and legal decisions, taking into consideration all the information available. This process would be undertaken, and a judgement made and decision enacted;
- the Chairman commented that the County Council should be providing essential community transport services to those living in remote areas in the most cost effective and efficient way, and asked Members who they felt was best placed to provide those services, and what governance arrangements needed to be put in place. A number of Members responded that consideration would be premature, before all possibilities, including the Mayor's Bus Review, had been taken in to consideration.
- a Member commented that he had not yet heard an apology from FH&E.

The Chairman gave those the present one final opportunity to make any final comments, where no notification had been given (see p22-25 of **Appendix 1**).

The Chief Executive concluded by saying that she had a big important task, and remained committed to going through the report recommendations. She would be meeting with the Taxi Association, and also with FACT, and would be very clear on what was required from FH&E to ensure the relationship with the County Council continued. Community Transport was extremely important, and it was vital to have the right Community Transport operating in the right way going forward.

A Member expressed her thanks to the Chief Executive for taking this difficult issue on in a very robust manner, and expressed confidence in the Chief Executive's ability to take this issue forward and to continue to monitor it.

Another Member commented that there were a large number of recommendations, but he had confidence that the Chief Executive would leave no stone unturned. He suggested that it would be helpful to have a meeting to review all actions in the action plan to ensure completion. The Chairman reassured him that the Committee would have this matter under close scrutiny, given its importance and urgency. It was agreed that an interim report would be considered in three months. **Action required.**

The Chairman thanked all those who had attended for their contributions to the meeting.

It was resolved unanimously to:

- a) note and endorse the PKF report and the Management Response, as amended in the meeting;
- b) receive updates to future meetings until all agreed actions are confirmed as implemented;
- c) invite FACT, HACT and ESACT to critically examine the current composition of their Board, with a view to rebalancing the Board to achieve a more appropriate balance of skills, experience and knowledge.

Chairman