

Minutes

Governance and Audit Committee
Thursday, 23 July 2020



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Committee members present

Councillor Ian Stokes (Chairman)
Councillor Paul Wood (Vice-Chairman)
Councillor Ashley Baxter

Councillor Gloria Johnson
Councillor Jacky Smith
Councillor Mark Whittington

Officers

Interim Director of Finance (Richard Wyles)
Assistant Director, Commercial and Operations (Ian Yates)
Head of Finance (Alison Hall-Wright)
Corporate Compliance Officer for Health and Safety (Phil Swinton)
Head of Governance (Jo Toomey)

Cabinet Members

Councillor Dr Peter Moseley, Cabinet Member for Commercial and Operations
Councillor Adam Stokes, Cabinet Member for Finance and Resources
Councillor Rosemary Trollope-Bellew, Cabinet Member for Culture and Visitor Economy

53. Register of attendance, membership and apologies for absence

A register of attendance was taken. An apology for absence was received from Councillor Woolley.

54. Disclosure of interests

No interests were disclosed.

55. Minutes of the meeting held on 4 June 2020

The minutes of the meeting held on 4 June 2020 were proposed, seconded and agreed as a correct record subject to the following amendment to page 6, paragraph 1 of the agenda pack:

“Members The Interim Director of Finance suggested that there was potential for the service to be given to a centralised group of officers, to standardise the compliance with procedures and quality of work undertaken in this area.”

Further comment was raised about the consolidation of contracts and whether concerns raised regarding performance in respect of procurement and contracts had been fully reflected.

There was also discussion around the date by which the Voids Policy, referred to on page 5 of the agenda pack, would be produced. No date had been included, but one Member recalled a statement that indicated that work on the policy would be completed by November 2020.

56. Updates from previous meeting

Committee Members noted that the actions raised at the last meeting of the Committee on 4 June 2020 had all been completed, with the required information provided to Members in advance of this meeting.

57. Counter Fraud Annual Report

The Interim Director of Finance presented the report of the Cabinet Member for Finance and Resources on the Counter Fraud Annual Report 2019/20.

The Committee noted that in addition to an in-house resource, the Council also contributed in the Lincolnshire Fraud Partnership, which was hosted by Lincolnshire County Council. The Partnership was developed to ensure collaborative working across Lincolnshire and improve fraud resilience by co-ordinating targeted fraud awareness campaigns; sharing fraud intelligence, best practice and expertise; delivering savings, and making effective use of resources.

The Interim Director of Finance highlighted the requirement for both officers and Members to complete fraud e-learning on an annual basis to ensure that they were aware of their responsibilities in respect of fraud prevention and detection, together with the relevant policies.

Members were advised that the National Fraud Initiative carried out a national data matching exercise every two years (every year for Council Tax Single Person Discount), which was useful to assist local authorities identify potential fraud in such areas as council tax, housing benefit, pensions, payroll, creditors and housing tenancy.

The 3,662 data matches in respect of Council Tax Single Person Discount were released in February 2020; investigation of the matches was delayed because of the Covid-19 pandemic. It was anticipated that this work would restart within the next few weeks.

Work was underway on a business case, which proposed alternative approaches to the current bi-annual Single Person Discount bulk review. The proposed new approach would see a move to a continuous rolling review, which was expected to increase revenue collection. This would help identify more expediently whether a customer had unintentionally forgotten to notify the Council of a change in their circumstances or if fraud was being committed.

Lincolnshire County Council managed the Confidential Reporting Line on behalf of the Fraud Partnership, acting as a single point of contact. In 2019/20 Assurance Lincolnshire referred 41 whistleblowing allegations to South Kesteven District Council; this was an increase from 35 in 2018/19. All of the allegations had been investigated and action taken where appropriate. It was noted that 7 of the referred allegations related to staffing matters. Each of these complaints were investigated under the relevant Council policy or procedure.

Finally, the Interim Director of Finance drew Members' attention to the action plan for 2020/21, which highlighted workstreams around the Counter Fraud Strategy, fraud awareness including e-learning, the National Fraud Initiative, Lincolnshire Counter Fraud Partnership and Housing Benefit investigations.

Members of the Committee were given the opportunity to discuss the report and ask questions on its content, when the following points were raised:

- The Council made an annual contribution of £3,000 to the Lincolnshire Fraud Partnership; if Members required more information, representatives from the partnership could be invited to talk to the Committee at a future meeting.
- The collection rate cited within the report was a snapshot of the position at the end of March 2020. From an audit perspective a collection rate of 67% was considered acceptable. The bad debt provision was budgeted at 10%.
- Whistleblowing allegations regarding human trafficking could be made through the Assurance Lincolnshire reporting line. Allegations received through the line were referred to the relevant organisation. It was noted that no such allegations had been signposted to South Kesteven District Council.
- The process for issuing grants to businesses as part of the Covid-19 response embedded robust counter fraud arrangements, including each recipient signing a declaration to say that they would be liable for any misdemeanours.
- The areas highlighted within the action plan for 2020/21 were thematic and were therefore consistent across reports covering different years.
- When pursuing debt, the Council followed its Recovery Policy, the stages of which were the sending of an invoice, a reminder and then a final notice. A decision would then be made as to whether further action should be taken by referring the debt to a credit agency or pursuing it through other means.
- Bad debt arrangements were set out in the Financial Regulations; debts were usually written-off once every other recovery avenue had been exhausted, confirmation received that the individual could not be located, or where the value of the debt was disproportionate to the cost of recovering it.
- The Council kept records for six years and had provision for debt write-ons, so if an individual resurfaced, the debt could once more be pursued.

Action points:

- **The Interim Director of Finance to circulate additional information regarding the business case developed for an Invest to Save project which highlighted scope to deliver Council Tax recoveries of £10.5m**
- **Officers to clarify when fraud e-learning would be rolled out to Members**

It was proposed, seconded and on being put to the vote **AGREED** that:

- **The Governance and Audit Committee approves the contents of the Counter Fraud Annual Report 2019-20, including the action plan for 2020-21**

58. Treasury Management Annual Report

The Head of Finance presented the 2019/20 Treasury Management Annual Report, which was required by Regulations issued under the Local Government Act 2003. Members were advised that the report, which was presented as part of the agenda pack, met the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance.

It was noted that during 2019/20 the Committee received three reports relating to treasury management activity. The Committee was also reminded that it had delegated powers from Council to deal with matters relating to the Council's treasury management activities.

Link Asset Services, the Council's Treasury Advisers, had provided commentary on the economic outlook, including the range of economic growth, changes to the bank rate and changes to the Public Works Loan Board's borrowing rates.

The report gave a summary of the treasury position as at 31 March 2020, which set out both the Council's actual borrowing position and its investment position.

Members were advised that on 30 March 2020, an HRA loan for £25 million matured; this was replaced with a new loan through the Public Works Loan Board for £25 million with an interest rate of 1.63%, which was 1.2% below published rates. This would generate an annual saving of £90,000 on HRA interest payable. The Council repaid £3.2 million on an annual basis against the HRA loan.

As at 31 March 2020, the Council held short and long-term investments of £55.150 million, which was compliant with the Council's policy to hold not more than 35% of investments as long-term. This included a £1.12 million investment in Gravitas and a £3 million investment in the CCLA property Fund, in respect of which the Council received a quarterly dividend.

The total amount of variable rate investments held by the Council had increased between 31 March 2019 and 31 March 2020 as the interest rates achievable on notice accounts and Money Market Funds were comparable to fixed-rate investments. This decision ensured that the Council was able to cashflow the Capital Programme; it has

also meant that the Council has not had any cashflow issues during the Covid-19 response period.

Graphs included within the report gave Members an indication of the Council's investment counterparties and the duration of investments. Benchmarking data provided by the Council's treasury advisers indicated that the Council's treasury performance was favourable. Members' attention was also drawn to Appendix 1, which set out actual performance against the Council's treasury indicators.

The report asked the Committee to consider a change to an investment counterparty limit. The limit within the 2020/21 Treasury Management Strategy specified an investment threshold limit of £10m for investments with other local authorities. To ensure greater diversity in the Council's investment portfolio following a reduction in interest rates as a result of the Covid-19 crisis, it was recommended that the upper investment limit be removed, and instead adding a limit to allow the Council to place up to £5 million with each local authority, increasing the available investment options.

To conclude the presentation of the report, Members were assured that during 2019/20 the Council had complied with its legislative and regulatory requirements. Repayment of principal has been secured from all deposits and investment returns had exceeded budget as investment levels and the rates achieved were higher than originally estimated.

In debating the report, the following points were discussed:

- The Treasury Adviser made recommendations to the Head of Finance, who, in consultation with the Interim Director of Finance approved where investments should be placed in line with the principles set out in the Council's Treasury Management Strategy. One Member who spoke indicated that he would have expected the involvement of the Cabinet Member for Finance and Resources in the decision.
- A question was raised about why the report did not include commentary around ethical lending. It was noted that ethical lending was incorporated in the 2020/21 Treasury Management Strategy, and so commentary would be provided as part of the 2020/21 Annual Report.
- Local authorities were considered sound investments because they were sovereign by nature. In the event of local government reorganisation, any liabilities would be split between the newly formed council.
- Any local authority to which the Council was considering lending money would be subject to the same scrutiny processes as any other prospective investment. A lot of authorities had been in the market for short-term borrowing as a result of the Covid-19 pandemic to ease cashflow challenges; this did not affect the robustness of the authority as an investment prospect.
- All investments were made in line with the Council's Treasury Strategy, which set out where the Council would invest and the maximum investment that could be made with each institution. Advice was taken from Link to determine those institutions that were considered to be of high credit quality.

- The Public Works Loan Board was undertaking a consultation exercise on future lending terms, to which the Council would respond.
- The Council had undertaken some internal borrowing where the Council did not want to commit resources to permanently finance capital spend.

Comments were also made in respect of solar farms and clean technology investments and about whether the Council was also seeking to borrow from other local authorities to fund its leisure centre development programme.

It was proposed, seconded and **AGREED** that:

- **The Committee approves the annual report on the treasury management activity for 2019/20**
- **The Committee approves the amendment to the 2020/21 Treasury Management Strategy with respect to the financial limits for investments with Local Authorities**

59. Risk Management and Business Continuity Annual Report

The Risk Management and Business Continuity Annual Report was presented by the Interim Director of Finance. Members were also reminded about the changes that were agreed at the Committee's previous meeting in respect of risk management arrangements.

The Committee was advised that risk management was included on the Audit Plan for 2019/20 and substantial assurance had been given.

The Committee was also advised that the Council's Risk Management Group, which was composed of all Heads of Service plus key officers, met twice during the year to discuss issues relating to risk management, internal audit, insurance, counter fraud, governance, procurement, business continuity and safeguarding.

A review of services' risks was undertaken in October 2019, which covered both 'business as usual' and 'exceptional' risks. Heads of Service also reviewed service risks in the context of the impact of the Coronavirus. The Corporate Risk Register was last approved by the Governance and Audit Committee on 18 December 2019. The Committee also agreed at its meeting on 4 June 2020 to subsume corporate risks within a set of proposed strategic risks.

Members were informed that Heads of Service had produced an Annual Assurance Statement for 2019/20, which assessed the effectiveness of their internal control environment. The overall level of assurance revealed that managers fully agreed with 82% of the statements on the assurance with the remainder being 8% partially agreed, 3% not agreed and 7% did not know.

The attention of the Committee turned to the Business Continuity portion of the report, which was dominated by two key areas: Britain's exit from the European Union and

Covid-19. The Council's business continuity plan moved into a live environment to respond to the Coronavirus pandemic, which saw the formation of a recovery team, and the rollout of IT solutions and arrangements for homeworking.

The Assistant Director, Commercial and Operations provided further assurance to Members that the Council's business continuity plans had been well-tested by the pandemic and the Council was well positioned should another incident occur where arrangements needed to be put into place. Councillors were also informed about a local exercise in which the Council had participated, along with Lincolnshire Police, Lincolnshire Fire and Rescue and Lincolnshire County Council.

Members who spoke on the report endorsed comments that had been made at other meetings, including Cabinet and Council, about how well officers and the council coped with the pandemic. One question was raised about the health and safety measures that were in place to support officers working from home. Members were given assurance that staff completed online workplace assessments, with a questionnaire going to every member of staff to ensure the right support was put in place.

15:29 – Councillor Whittington left the meeting

60. Health and Safety Annual Report

The Cabinet Member, Commercial and Operations presented the Annual Health and Safety Report for 2019/20. The report highlighted key areas of focus and looked back on the Council's performance during the year.

In highlighting the decrease in accidents, the Cabinet Member stated that the target number of accidents should be zero. He did, however, recognise that much of the work that was carried out by the Council, specifically referring to refuse collection, environmental health, street scene and cleaning, and leisure centres, was high risk. He outlined the importance of continually looking for improvements in safety and ways of minimising risk. This was particularly pertinent where new activities were introduced.

The Cabinet Member stated that significant challenges had needed to be overcome as a result of the Covid-19 response period, with specific reference made to the continuation of waste collection services through the pandemic. Challenges around service delivery had been overcome by reviewing guidance, considering how services worked and carrying out robust risk assessments.

The report included a number of charts and tables, which set out information regarding risk areas and accidents, both in terms of volume and category. A further table within the report set out accidents that had to be reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR). Numbers in respect of one incident were high as the same incident affected 16 individuals. The table also captured a small number of other incidents.

The Cabinet Member for Commercial and Operations concluded by stating that he believed the Council was making good progress and the report reflected the Council's

good performance in reducing risks for its employees, while accepting that there was still more to be done.

In response to a question that was raised, Members were given assurance that all of the guidance that was due to be reviewed had been. The updated documents were available to be viewed on the health and safety page.

Committee members were interested in the frequency of refresher training. This was dependent on activity; for example, waste operatives were required to undergo initial training, together with a programme of ongoing training. Fire and display screen equipment training was carried out annually, while training for fire wardens and first aiders was refreshed on a three-yearly basis. Service-specific requirements around refresher training were set out in risk assessments, by which services were bound.

Further detail was requested about those accidents that were categorised as other; examples were given.

Action Point:

Greater detail to be provided to Members of accidents categorised as “other” and for these accidents to be listed in future versions of the Health and Safety Annual Report.

A request was also made for additional information in respect of the accidents recorded at leisure centres. The Cabinet Member, Commercial and Operations agreed to the inclusion of a table providing additional information in future reports.

Action Point

Future versions of the Health and Safety Annual Report should include a table setting out additional information relating to accidents that had occurred in the leisure centres.

61. Work Programme

The Committee noted the work programme, which was circulated as part of the agenda pack.

62. Close of meeting

The meeting was closed at 15:43.