

Minutes

Governance and Audit Committee
Wednesday, 9 June 2021



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Council Chamber - South
Kesteven House, St. Peter's Hill,
Grantham. NG31 6PZ

Committee Members present

Councillor Ian Stokes (Chairman and Vice-Chairman of the Council)
Councillor Paul Wood (Vice-Chairman)

Councillor Ashley Baxter
Councillor Gloria Johnson
Councillor Jacky Smith
Councillor Mark Whittington
Councillor Sue Woolley

Cabinet Members

Councillor Robert Reid (Cabinet Member for Housing and Property)
Councillor Adam Stokes (Cabinet Member for Finance and Resources)

Members in attendance

Councillor Breda-Rae Griffin (Chairman of the Council)

Officers in attendance

Chief Executive (Karen Bradford)
Deputy Chief Executive (Alan Robinson)
Interim Director of Finance, Section 151 Officer (Richard Wyles)
Strategic Director of Commercial and Operations (Gary Smith)
Monitoring Officer (Shahin Ismail)
Head of Finance (Alison Hall-Wright)
Head of Democratic Services (Graham Watts)
Acting Principal Democratic Officer (Shelley Thirkell)
Democratic Officer (Anita Eckersley)

Internal Audit

Rob Burnett (RSM)

1. Agenda

The Chairman used his discretion to amend the order by which the Committee would consider the agenda.

Agenda Item 6, Annual Report and Opinion would be considered prior to Agenda Item 5, Progress report.

2. Apologies for absence

No apologies for absence had been received.

It was noted that all Members of the Committee were present.

3. Disclosure of interests

No interests were disclosed.

4. Minutes of the meeting held on 18 March 2021

In response to a member's query regarding minute 45, and whether the "Fire Safety" element could include electrical, the Chief Executive confirmed that "electrics" was a separate element under Housing Compliance. The Chief Executive assured members that the Fire Safety Management Plan covered all types of causes of fire. She also commented that the Fire Safety Management Plan, recently submitted to Environment Overview and Scrutiny Committee, would be considered by Cabinet on 15 June 2021.

The minutes of the meeting held on 18 March 2021 were proposed, seconded, and agreed as a correct record.

5. Updates from previous meeting

The Cabinet Member for Housing and Property referred to minute 45 on the Action Sheet and provided an update on the work undertaken so far. He noted that:

Electrical Contracts and Specifications:

- Contract with Gas UK – The electrical arm undertaking the inspections.
- Currently 700 inspections had been carried out.
- The aim was to complete the inspections and works by March 2022.
- One exception was Category 3 works which would take longer to complete.

Gas:

- Works had been completed apart from 49 residents who had refused to allow entry.
- Those residents would be receiving a letter from the magistrates enforcing entry.

Legionella:

- Compliant – All water inspections had been carried out.

Asbestos:

- Issues at properties in Earlesfield. Consultation with the Housing Regulator was being undertaken.
- Health and Safety Executive had also been contacted. An update on Riverside would also be sought.

Fire Safety:

- The Fire Safety Management Plan would go before Cabinet on 15 June 2021.
- The Fire Risk Assessments (FRAs) were being undertaken by Pennington Choices who were Fire Safety Consultants.

- 74 risk assessments out of the 173 inspections had been completed, leaving 99 to be undertaken.
- Aiming to complete the inspections by the end of June 2021.

Performance Management Software (Propeller Software Package):

- Now up and running since 25 May 2021.
- Gas, Electric and Legionella uploaded onto the new system with other areas being added all the time.
- Proposals for a “Rant and Rave” Customer service link to be added.
- Monitoring was being undertaken monthly.

Stock Condition:

- Stock Condition Survey underway and should be completed by the end of October 2021.
- This would provide time to balance expenditure, housing stock, Capital, and the new build programme.

Green Homes Grant:

- Two-fold process – First stage – eligibility passed.
- Second stage: completed and submitted – Aimed to be on site in July 2021.
- Aim to use all the monies by December.
- Solid Fuel Properties: Aiming to introduce air source heating.

The Chief Executive reminded Members that the Council had self-referred to the Social Housing Regulator in September 2020. Monthly meetings had been taking place with the Regulator with the last meeting taking place on 28 May 2021. Monthly reports were being sent to the Housing Regulator along with weekly reports regarding the Earlesfield Estate. Positive feedback had been received from the Housing Regulator regarding the progression of the actions being undertaken by the Council to ensure compliance with Housing Regulations.

Members queried the following:

- Whether the proposed timing of October 2021 for the completion of the Stock Condition Survey allowed sufficient time to incorporate a programme of works into next year’s budget.

Members were advised that timescales for the Survey allowed sufficient time for budgets to be considered, prior to budget setting for 2022/23.

- Whether there was confidence that the green home measures would be delivered by December 2021; what the procurement process was, whether installers had been appointed and how bottle necks would be avoided.

The Committee was informed that when the Council received notification that they would receive the green grant, the necessary preparation works had been undertaken. Members were also informed that assurance had been given that works would start by July 2020.

DECISION:

Members noted the Action Sheet and updates from the previous meeting.

6. Internal Audit - Annual Report and Opinion

The Interim Director of Finance reminded the Committee that their key action was to reflect on the Audit Report findings and focus on the implementation of the recommendations and follow up works undertaken by the Auditors. Reassurance was given that the Council now had new improved software which would enable closer monitoring of the agreed actions and ensure significant improvements to the Control Framework.

The Head of Internal Audit Services presented the Internal Audit – Annual Report and Opinion for 2020-21. The report provided an overview and gave an audit opinion on the individual audit assignments undertaken throughout the year. The areas covered had been Governance, Risk Management, and the Overall Control Framework in place. An overall amber/red opinion had been given. This was due to weaknesses being identified in the control framework within the areas where audits had been undertaken.

The Committee were informed that 3 of the 8 assurance opinions given were positive, 5 were negative. Although two follow up actions agreed by Management had been positive, it was noted that 30 actions had missed the implementation date. Reference was made to the number of actions raised and agreed by Management, 40 high priority, 69 medium, 21 low priority. The 8 advisory actions were linked to the General Data Protection Regulations (GDPR) Review. Comment was made on the high number of actions, but it was recognised that focus had been in the right areas when the plan was developed and agreed with Management at the start of the year.

The Chairman commented that although he was disappointed with the outcome, he understood the opinion. He also commented that the Committee had been seeking more detail on the gas compliance for a considerable number of years. The Chairman also noted that an audit of the two areas, Housing compliance and Repairs Stock Control, had been requested by the Council and that he was pleased that the Chief Executive had picked up these concerns and taken them forward.

In response to Members concerns about the 30 outstanding actions that had not met the implementation date, the Chief Executive assured the Committee that a new plan was in place and all actions were being monitored regularly by the Corporate Management Team. The Chairman also reminded the Committee that the report was outlining historic actions for 2020/21 following the audits in August and November.

The recommendations of the report were proposed, seconded, and agreed:

DECISION:

To accept the Internal Audit Annual Report and Audit opinion for 2020/21.

7. Internal Audit - Progress Report

The Head of Internal Audit Services presented the final Internal Audit Progress Report for 2020/21. The report on Remote Working and Operational Resilience had been undertaken by an IT Audit Specialist and had now been finalised. This meant the work for 2020/21 had concluded.

Members were informed that there was a partial assurance and that the Management Team had agreed actions and implementation dates. The negative opinion was based on the following 7 medium actions.

- 1 No training programme on Cyber Security/Cyber Risk for staff and this not being included in the induction for new starters.
- 2 No review of Firewall logs.
- 3 No Firewall change/management policy (what had changed/when/by whom or appropriate authorisation).
- 4 No incident management policy.
- 5 No formalised backup procedures or policies.
- 6 No periodic review of privileged access rights/super users. No overall Change Management Policy.
- 7 Third Party Access.

It was noted that these were key controls and had to be addressed to improve the resilience of the Council's IT System's security and infrastructure.

The Interim Director of Finance commented that IT Services had undergone recent line management changes and now had a new Head of Service. It was also noted that 6 of the 7 actions had been implemented and Action 5, Core IT Processes – back up procedures would be met by the agreed end of June implementation date.

The Committee was informed that a discussion had taken place with the Auditors around the robustness of the actions, as the processes were in place and being undertaken as a matter of course by the Team. The auditors had highlighted the requirement for them to be documented.

In response to Members concerns regarding the actions, specifically the back-up of the IT system, the Committee were assured that all the issues highlighted within the actions were undertaken routinely and in accordance with the proper processes by the Team. It was acknowledged that the lack of documentation was a weakness and was being resolved.

DECISION:

Members noted and accepted the contents of the report.

8. Financial Management Code

The Interim Director of Finance presented a report on the new Financial Management Code. He explained that although Local Government Finance was governed by primary legislation and regulation, this had not been supported by a professional code. CIPFA (The Chartered Institute of Public Finance and Accountancy) had drafted a Financial Management Code, which was not a legislative document, but was one the Auditors were keen the Council adopted. The Code had been due to be implemented in shadow form in 2020/21 and then implemented in 2021/22 but this had been delayed due to COVID. The external Auditors would be referencing the Code from 2021/22 and expected the Council to adopt it.

The focus of the Code was around value for money, governance and financial management styles, financial resilience, and financial sustainability. It set out an overarching framework of assurance that would build on existing financial management good practice. The Code had been designed on a principles-based approach which would assist in determining whether the local authority was financially sustainable.

The Code would be structured around 7 specific standard references:

- The Responsibilities of the Chief Finance Officer and Leadership Team.
 - Governance and Financial Management Style.
 - Long to Medium Term Financial Management.
 - The Annual Budget.
 - Stakeholder Engagement and Business Plans.
 - Monitoring Financial Performance.
 - External Financial Reporting.
- Each of these areas would be supported by a set of guidance standards against which Councils would be assessed. CIPFA's expectation was that authorities would comply with all the financial management standards to demonstrate compliance with the Financial Management Code and statutory responsibilities.

The main aim of the Code was to ensure that Council's undertook good practice and had an organisational wide responsibility for financial management, so it did not just sit within the finance team or with the Chief Finance Officer.

The first step the Council would need to take would be to draft a self-assessment against the Code. Reference was made to 1.16 of the report that set out some key proposed areas of focus. The action plan had been created around these areas and was outlined at Appendix 1. The Self-Assessment would be regularly reviewed and refined and would be brought back to the Committee in six months-time. The Committee could also determine whether there were other areas they felt should be covered. Progress would be monitored through the Governance and Audit Committee and would also be included in the Annual Governance Statement. The Committee was being asked to approve the proposed action plan.

In response to a member's query about the process for Whistle-blowing the Committee was informed that there was a link on the website and there were several ways to submit an issue. The Chief Executive, S151 Officer and Monitoring Officer considered all submissions and directed the appropriate action. If contact details for the Whistle-blower were available, they would be updated on any outcomes.

A Member queried whether the standards of the Code would be met if the Committee accepted the Action Plan. It was noted that the Code was voluntary and provided a framework for the Council to work towards. The Council had discretion on how far it wanted to comply with the Code which set a very high baseline. When determining how to meet each requirement, consideration would need to be given to the Council's finite resources and capacity.

The action plan had been drafted for consideration and was relatively subjective and it would be for the Council to determine which points, they felt should be addressed.

Members felt the Code contained some good points but were mindful of the potentially prohibitive costs for some of the actions and whether these costs would outweigh the benefits.

ACTION:

That the Financial Management Code action plan update is brought back to the December 2021 meeting of the Committee.

That the recommendations of the report, were proposed, seconded, and agreed:

- **That the Governance and Audit Committee noted the requirements of the Code.**
- **Approved the implementation of the action plan as set out at Appendix 1 in so far as the actions fell within the Committee's remit.**

9. Risk Management & Business Continuity Annual Report 2020 - 2021

The Interim Director of Finance presented the Risk Management 2020-21 element of the report. He noted that during 2020-21 risk management activities had been undertaken in accordance with the Framework and that adaptations had been made in response to the ever-changing operating framework. The Risk Management Group had met to consider issues relating to risk management, internal audit, insurance, counter fraud governance, procurement, data protection business continuity and safeguarding.

Due to the emerging impact of the pandemic, one of the earlier pieces of risk work undertaken in April 2020, was Heads of Service being asked to review their services' risks, look at the potential impact of occurring risks, capture any additional controls that were required and categorise and assess their risk priority. A snapshot of the profile of the risks identified was outlined at 2.5 of the report. One of the biggest areas of impact had been the business continuity arrangements and this was detailed at section 3 of the report.

Reference was made to page 63 of the report which provided details of the work undertaken on the Annual Assurance Statement. A questionnaire containing a series of statements around key governance areas including COVID-19 had been sent to Managers asking whether they agreed with the statement. Their responses then informed an action plan that would be monitored and managed by the Council's Statutory Officer Group who would track the areas of concern. Thematically, this provided an insight into where there were potential issues.

Another significant piece of work had been the migration of the Corporate Risk Register to the Strategic Risk Register. Three meetings had taken place during the year that oversaw the moving of prescribed risks to a thematic approach. Details of this could be found at 2.11 of the report. Cyber Security had also been added as a new risk.

To bolster the Risk Management Framework, software for risk and action had been purchased and implemented across the organisation. This software would be used to track the recommendations from Internal Audit, actions arising from the Annual Assurance Statement and the Strategic Risk Controls. These platforms could be accessed by all Heads of Service and would provide better tracking and access to real-time information.

The Director of Commercial and Operations provided an update on the Business Continuity Plan. He referred to the robust continuity arrangements that were in place and the substantial assurance given by Internal Audit in February 2021. Reference was made to the significant live testing resulting from the pandemic and how the Council had shown how it had been able to respond to the challenges it faced. The Continuity Plan had been quickly adapted to maintain core statutory services to keep residents and staff safe. This had involved a range of things such as significant redeployment of staff to bolster key services and support work by the Council's IT Team that had enabled significant numbers of staff to work from home as well as facilitating virtual meetings. The Council had also been an active member of the Lincolnshire Resilience Forum. In

addition, a significant amount of work had been undertaken to enable the elections to take place smoothly and safely.

In response to a member's query about the number of managers who had responded to the Annual Assurance questionnaire, the Committee was informed that those managers who had not responded had been contacted and had subsequently responded.

The recommendations of the report were proposed, seconded, and agreed:

DECISION:

That the Governance and Audit Committee approves the Risk Management and Business Continuity Annual Review outlined in the report.

10. Risk Management Framework 2021 - 2023

The Interim Director of Finance presented the report on the new Risk Management Framework 2021-2023. The new Framework superseded the current Framework and would be the document used to assess the Annual Management Framework report. The Framework had not significantly changed but had moved from corporate risks to strategic risks. There had also been a move to risk appetite which the Committee had previously worked on. Risk appetite was where the Council saw itself against those risks in terms of exposure.

Reference was made to Page 89 of the report, the 7 strategic risks and the Council's risk appetite against those risks.

The Risk Management Framework provided details of the risk environment the Council operated within and the controls and mechanisms in place to ensure risk was sufficiently managed by officers and members. The Risk Management Framework had been updated and included the following key changes:

- To reflect the move from a corporate risk register to a strategic risk register.
- Inclusion of a Risk Management Policy Statement in line with best practice.
- Expansion of the Risk Management Strategy objectives and how they would be achieved.
- Refresh of the areas of risk, broken down into Strategic and operational risk areas of Service, Financial, Compliance and Regulatory, and Business as usual risks.
- Additional information around how risk assurance would be sought.
- Expansion of the Council's risk appetite by inclusion of a Risk Appetite Statement. This would include a risk appetite overview, risk appetite levels description, monitoring and reporting, and themes.

Appendix D of the report provided an outline of the Risk Management Process.

In response to a member's query about how the Council would avoid not delivering its' stated priorities, the Committee were reminded that financial resources were in place once approved by approved by the Council.

The Interim Director for Finance reminded the Committee that the summarised Risk Register considered at the meeting in February 2021 had included more detail and had specifically referenced leisure and the development of a strategy to invest in high quality facilities across the district. It was an action that sat alongside supporting communities.

In terms of implementation, the Committee would be provided with the progress against the actions the Committee had agreed they wanted implemented.

A further comment was made on the importance of how risks at all levels needed to be managed.

ACTION:

It was noted that the Committee would receive an update on a six-monthly basis.

The recommendations of the report were proposed, seconded, and agreed:

DECISION:

That the Governance and Audit Committee, having reviewed the contents of the report, noted the content, and approved the draft Risk Management Framework attached at Appendix A.

11. Property Searches Update

The Monitoring Officer referred to the Committee's request from the previous meeting for a report on the current performance of the Council's Property Searches. It was noted that the Land Charges function had only recently transferred from Planning to Legal and Democratic. This move would provide greater focus on the service and remove planning pressures. The report reflected the background to both the long and short-term issues that had been identified.

The main short-term issue was the increase in supply and demand arising from the Government's announcement of a Stamp Duty Holiday which meant the demand for the service had exponentially increased. This had been compounded further when the Stamp Duty holiday had been extended further. Budgets had previously been incorporated with the Planning Service, but these had now been disaggregated which had identified two vacant posts. Understaffing and an increase in demand had meant lengthy turnaround times and turnaround times had increased even further since the last report to Committee.

In the short-term, to address this, specialised agencies and local authorities had been contacted and it was anticipated that two temporary resources would be in place next week to address the immediate issue of demand.

Looking at the longer-term, the service was dependent on other services such as IT and mapping data. A strategic discussion with corporate colleagues was taking place to better understand the issues. There was also a focus on the forthcoming migration of Land Charges to the Land Registry, so it was important to ensure the data was fit for purpose and that the Council's systems enabled this to happen. Stage 1 of the modernisation agenda for the service had identified inherent problems and the need for Council's processes to be improved which would, in the longer term reduce the issues the service was currently experiencing.

Whilst members welcomed the honesty of the report, they had concerns about using temporary or agency staff. Members were informed that these specialised resources often worked in short term appointments and that the aim was to try to encourage the temporary posts into permanent posts.

Discussion took place on performance, turnaround targets and whether the Committee should refer this to the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee (FED&CS OSC) so a policy decision on an appropriate turnaround target could be made. It was important to improve the Council's current reputation regarding delays in providing this service. The Committee was informed that the turnaround target was 10 days for Land charges and that the Personal Searches target of 20 days was within target. The focus had to be on performance and FED&CS OSC would be the appropriate forum to consider this as their remit was performance and KPIs.

The Vice Chairman of Finance, Economic Development and Corporate Services Overview and Scrutiny Committee noted he would speak with the Chairman and ensure it was on their workplan.

In response to members' concerns about the lack of a strategic approach for the service, the Committee was assured that these were being addressed.

Members also queried whether other local authorities had similar issues and what impact this would have on finding support and whether Internal Audit had been asked to review the service. It was noted that the Council's experience was indicative of other local authorities and Internal Audit were currently undertaking a review of Land Charges arising from an action from this Committee.

Further discussion took place on the Committee being kept informed of progress.

ACTION:

That the Committee would continue to receive updates on progress and improvements to the service.

The recommendations of the report were proposed, seconded and agreed:

DECISIONS:

- a) **That the Governance and Audit Committee, having reviewed the contents of the report, noted the content, and the land search turnaround times at Appendix 1.**
- b) **That the Governance and Audit Committee, recommends that the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee (FED&CO OSC) considers the KPIs for this area and oversees the performance of Land searches.**

12. Work Programme 2021-2022

The Committee agreed that the following items be included on the Work Programme:

- The Cratus External Planning Service Review – 21 July 2021.
- Section 106 – The Committee to receive a six-monthly report, next report to go to the 29 September 2021 meeting.
- Update on the new Financial Management Code – 22 December 2021.

13. Close of meeting

The Chairman closed the meeting at 16:17.