

Minutes

Governance and Audit Committee

Wednesday, 26 January 2022, 14:00

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



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Committee Members present

Councillor Mark Whittington (Chairman)
Councillor Paul Wood (Vice-Chairman)

Councillor Gloria Johnson
Councillor Kaffy Rice-Oxley
Councillor Jacky Smith
Councillor Sue Woolley

Cabinet Members in attendance

Councillor Kelham Cooke (The Leader of the Council)
Councillor Adam Stokes (The Deputy Leader of the Council)

Officers in attendance

Alan Robinson (Deputy Chief Executive (Monitoring Officer))
Richard Wyles (Assistant Director of Finance (S151 Officer))
Emma Whittaker (Assistant Director of Planning)
Craig Spence (Assistant Director of Housing)
Alison Hall-Wright (Head of Finance)
Tracey Elliott (Governance and Risk Officer)
Sarah Downs (Democratic Services Officer)

52. Apologies for absence

An apology for absence was received from Councillor Ashley Baxter.

53. Disclosure of interests

No interests were disclosed.

54. Minutes of the meeting held on 20 October 2021

The minutes of the meeting held on 20 October 2021 were proposed, seconded and **AGREED** as a correct record subject to the following amendment:

- That the word 'Finance' be added in reference to the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee.

55. Updates from previous meeting

At the request of the Committee at the previous meeting on 20 October 2021, updates were presented to Members on the following items:

The Assistant Director for Housing updated the Committee on the recent installation of the 'Propeller' Housing Compliance computer system. It was confirmed that fire, gas and electric certification record installation was complete. The priority remained management of fire actions, of which a module had been added so as to track fire assets such as fire doors and extinguishers and to enable specific monitoring. The Officer further informed the Committee that the asbestos module was two weeks away from completion.

The Assistant Director of Finance updated the Committee on IT access removal from ex-staff members. He confirmed that a system change had now eliminated the risk of IT access not being removed in a timely manner. HR sent an automatic notification to IT Services when a staff member left and all access was promptly cancelled.

The Assistant Director of Planning confirmed to Members that the latest infrastructure funding statement as at 31 December 2021 had been published, setting out Section 106 funds held, spent and funds allocated. The overall process was to be looked at to ensure better engagement with the stakeholders and a robustness of process.

Members raised the following points:

- That the Section 106 process was to come before the Governance and Audit Committee and performance issues were relevant to Planning Committee and Rural and Communities Overview and Scrutiny Committee.
- Was the Council keeping up to date with communication with Town and Parish Councils, who may have been able to offer valuable input?
- A process where potentially unspent funds were highlighted before they expired would have been welcomed. This could include access by Members to the relevant data for information purposes.

The Assistant Director of Planning confirmed that no funds were returned to Developers, which was positive. The whole process was being improved and to facilitate better engagement with Town and Parish Councils. Further training for Officers and Members was being looked into. It was confirmed that processes were to ensure the funds were put to the best possible purpose.

ACTION 1

That the Governance and Audit Committee receive updated 'Propeller' reports to be circulated prior to the next meeting.

ACTION 2

That a Section 106 updated report be brought before the Governance and Audit Committee in six months time.

56. Internal Audit Progress Report

A report was presented to the Committee by Internal Auditors, RSM, following completion of a review as part of the approved audit annual plan for 2021/22.

The Auditor confirmed three reports had been finalised since the Committee last met. These were Council owned companies, medium term financial planning and a third follow up report.

The Auditor confirmed the whole audit was to be complete by the financial year end. He also confirmed that the audit on medium-term financial planning recommended that the Council ensure budget proposals were linked to the corporate plan.

The Assistant Director of Finance added that the corporate plan and budget proposals were not fully aligned until the budget setting process for 2022/23 as the corporate plan was approved in October 2020.

The review of the Council-owned companies enabled the auditors to assess the controls that had been put in place and how those controls ensured governance. It was noted that EnvironmentSK Ltd was using an out of date specification that was being reviewed.

The Auditor continued that all Council-owned companies had to ensure terms of reference were updated, to focus on strategic detail as well as operational tasks.

The Auditor paused for questions at which point the following points were raised:

- A Member expressed concern at the consistency in working processes of the SK companies and asked if a Governance review could be considered.
- It was noted that no further training workshops for the Companies Committee had taken place over the last 18 months. A Member asked when the next available training would be taking place?

Councillor Paul Wood declared an interest at this stage of the meeting as he was appointed as a Director of EnvironmentSK Ltd which was noted by the Committee.

The Auditor added that suggested timescales for completion of the workshops were within the report.

The Assistant Director of Finance informed that in reference to the consistency of business templates, there was no agreed format as these were put together according to each company's style and preference. As shareholder of the Council-owned companies, the Companies Committee was required to request exactly what they want to see in terms of performance information and the frequency required for being presented to Members.

The Deputy Chief Executive confirmed that the Members Development training programme was constantly reviewed alongside Directors roles and responsibilities. It was acknowledged that 18 months was too long ago and would be updated as a matter of urgency.

The Leader of the Council acknowledged that the request for a Governance review expressed a valid point.

The Chairman noted that Internal Auditors could be asked to deliver a work plan for a Governance review initially. Members agreed with this point.

A Member asked if the performance templates were being prepared in a timely enough manner to be brought before the next Companies Committee meeting on 26 April 2022.

The Assistant Director of Finance confirmed that the Monitoring Officer would oversee this and required liaising with Companies Committee from the end of March.

ACTION 3

That the Governance and Audit Committee are provided with an update on the Members Development Programme and training for Companies Committee Members.

AGREED:

That the Governance and Audit Committee noted the Internal Audit Progress Report.

57. Internal Audit Follow Up Report

The Auditor informed the Committee that a review was undertaken to follow up on progress made of previously implemented management actions.

He further summarised that the 20 management actions considered comprised of 11 medium and 9 low categorised priority actions.

During discussion a Member asked when the new Head of Communications was expected to start their role?

The Leader of the Council explained that the role was recently advertised and an interview process undertaken but this had not been successful. The role was to be readvertised soon.

A concern was raised about the perceived lack of progress confirmed within the Housing report.

The Assistant Director of Housing informed the Committee that a new Voids policy had been adopted, following agreement by Cabinet and the process was supported by weekly management review meetings. Voids Inspectors were in the process of training the staff involved. He confirmed that since November 2021, the number of Voids awaiting relet had fallen from 130 to 47 currently. The Recharge policy was nearing completion and staff were trained in preparation for implementation.

A Member asked if the original Housing Compliance targets were perhaps too optimistic and were the amended targets going to be met. Concern was added that Officers may not have had the staff or support required to implement the required changes in a timely manner.

The Assistant Director of Finance clarified that the Housing Compliance targets were set by management alongside the Auditors and while original targets had not been met, the follow up targets would be.

The Chairman thanked the Internal Auditor on behalf of the Committee for all the work undertaken by RSM.

AGREED:

That the Governance and Audit Committee noted the Internal Audit Follow Up Report.

58. Counter Fraud Framework

The Assistant Director of Finance presented a report reviewing the Counter Fraud Framework. Within the report, key areas included were the Whistleblowing Policy, Fraud Response Plan and Anti-Money Laundering Policy. The Framework was updated in conjunction with Lincolnshire Counter Fraud Partnership, hosted by Lincolnshire County Council. A collaborative funding approach across Lincolnshire enabled consistency within the Framework going forward.

It was confirmed that the Counter Fraud Strategy was integrated with the Corporate Plan. The Whistleblowing Policy sets out the Council's zero tolerance approach to fraud and the Counter Fraud Anti-Corruption Policy was a regulated requirement. The Assistant Director of Finance continued that the Statutory Officer Group met once a month to monitor any whistleblowing information received and to oversee the governance of the Authority.

During discussion Members raised the following points:

- It was noted that in general, cash payments over £1,000 would not be accepted. A Member asked in what situation a cash payment of that amount or more would be offered in payment?
- The Counter Fraud Framework document was very positively received by the Committee and the Governance and Risk Officer was thanked for their hard work. A Member added that it was great to see positive changes as it was important to remember that the Council was looking after public funds.
- A Member asked how often the Counter Fraud Framework procedure was reviewed and updated.
- An explanation of how the Framework had recently led to a positive outcome was requested.

The Assistant Director of Finance confirmed that while large cash payments were rarely received, they have happened. It was explained that in the eviction process or council tax recovery, large amounts of debt could quickly accumulate and customers have presented large cash payments to stop recovery action. The Council had detection processes in place to scrutinise large amounts of cash received in this way.

The Governance and Risk Officer confirmed that the Counter Fraud Framework was constantly under review and updated regularly, generally every two years, to reflect changes in legislation.

The Assistant Director of Finance gave the Committee an example of recent use of the Counter Fraud Framework, describing a recent fuel theft that had generated media interest. It was confirmed that a call was made to the whistleblowing hotline in May 2020 and the incident was logged with Police a month later. The case went to the CPS resulting in a sentence levied in December 2021. The Officer continued that access to fuel was now limited and supervised and that CCTV cameras have been installed in the area where the fuel tank is situated. Spot checks and tracking of fuel consumption was also supported by the Fleet Supervisor. An improvement in culture has brought about a zero-tolerance approach to theft.

The recommendation was proposed and seconded, following a vote it was **AGREED.**

DECISION:

That the Governance and Audit Committee approved the Counter Fraud Framework.

59. Financial Management Code

The Assistant Director of Finance informed the Committee that the Chartered Institute of Public Finance and Accountancy (CIPFA) had published its Financial Management Code, produced to assist local authorities in ensuring better prominence of financial management best practice. An action plan was outlined against outstanding areas against the Code requirement following presentation to the Governance and Audit Committee at its meeting on 9 June 2021. Six-monthly updates to the Committee were to continue to monitor progress.

The Director continued that the focus was to be on the development of resilience to ensure financial sustainability, including a restriction on borrowing. The process was to include the understanding of risk when working with multiple partners and sharing accountability.

During discussion, the following points were raised:

- A Member asked for a timeline on the actions within the report.
- Is external benchmarking in place to ensure cost-effectiveness?

The Assistant Director of Finance confirmed that six-monthly updates were set in place for presentation to the Governance and Audit Committee.

AGREED:

That the Governance and Audit Committee noted the progress made in respect of the Financial Management Code Action Plan.

60. Treasury Management Mid-Year Review

The Head of Finance and ICT presented a report to the Committee which provided a review of the treasury management activity to 30 September 2021 and the draft treasury management strategy statement 2022/2023. Both reports confirmed the process to ensure the Council would meet the requirements of the CIPFA and the Prudential codes.

The Officer continued that the report covered the borrowing activities of the Council, confirming no additional borrowing undertaken and loan information which included a breakdown of cash investments, made with advice from Link Treasury Solutions. Following changes to the Financial Code, updates were to be required quarterly going forward, no longer six-monthly. The main change made to the strategy was that the borrowing indicators were amended to reflect the investment required for

the Deepings Leisure Centre. The Council was also required to have a Minimum Revenue Provision Statement which was also included within the report.

Members raised the following points during discussion:

- There was a substantial amount of funds in short-term investments so why were the Council considering borrowing?
- Interest rates will start to rise soon, along with inflation. What impact would that have on the Treasury Management Strategy?

The Head of Finance confirmed that cash balances were constantly reviewed and it may be decided to internally borrow in the short term. This was likely to secure the Council's ability to borrow in the long term. It was clarified that while interest rates remain low, investments were to be kept on a short-term basis. Advice would be followed and it was possible during the current financial climate that the Council would cap the length of investments to ensure that improving investment rates could be accessed.

The recommendations were proposed and seconded, following a vote it was **AGREED**.

DECISIONS:

- 1. That the Governance and Audit Committee noted and approved the contents of the mid-year review of treasury management activity for 2021/22**
- 2. That the Governance and Audit Committee recommended to Council the 2022/23 Treasury Management Strategy**

61. Planning Service Review - Progress Report

The Assistant Chief Executive provided an update, requested by the Governance and Audit Committee on the progress of the Planning review undertaken in 2020. The report covered two areas – the Officer service delivery and good practice and also the protocols and processes of the Planning Committee.

At a previous update, Members were considered to be broadly happy with the service delivery but there were concerns about the perceived lack of consultation with Members of the Planning Committee in particular. The report informed Members of the consultation and engagement that had recently taken place, led by the Assistant Director of Planning.

During discussion Members raised the following points:

- It was noted that the report was very thorough and consultation process was productive. The Assistant Director of Planning was thanked for their hard work.
- The report stated lessons were learnt, how did this translate into practice?
- Could Developers be enforced to adhere to conditions at an earlier opportunity within the process?

The Assistant Director of Planning confirmed that the consultation was a team effort and best practice was considered alongside great engagement so as to enable real positive change. They further clarified that enforcement, due to its nature is reactive not preventative. Enforcement cannot happen until conditions have been unmet.

The Leader of the Council added that there were likely to be challenges during the process but officers and members have been very proactive.

AGREED:

That the Governance and Audit Committee noted the Planning Review update and associated action plan.

62. Work Programme 2021 - 2022

The Committee considered the Work Programme for 2021 – 2022.

The Chairman acknowledged that the agenda for the 16 March meeting had a lot of items and Members agreed that a report on Effectiveness and Terms of Reference could be put back to the autumn period and was to allow for consultation with incoming auditors. However, contract procedure rules were to be added to the agenda so as to be in line with the Constitution review.

A Member asked if general risk management could be included within the strategic risk item at the March meeting of the Committee.

The Assistant Director of Finance confirmed the addition could be made. He added that the agenda was already full but some of the scheduled reports may not appear in the context indicated and this was to be clarified before the next meeting.

63. Any other business, which the chairman, by reasons of special circumstances, decides is urgent.

There were no other items of business.

64. Close of Meeting

The Chairman closed the meeting at 15:59.