

Meeting of the Governance and Audit Committee

Wednesday, 20 July 2022, 2.00 pm

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



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Committee Members present

Councillor Paul Wood (Chairman)
Councillor Kaffy Rice-Oxley (Vice-Chairman)
Councillor Ashley Baxter
Councillor Richard Dixon-Warren
Councillor Gloria Johnson
Councillor Ian Stokes

Cabinet Members present

Councillor Adam Stokes, Deputy Leader of the Council and Cabinet Member for
Finance and Leisure

Officers

Richard Wyles, Chief Finance Officer
Alison Hall-Wright, Assistant Director of Finance
Graham Watts, Assistant Director of Governance (Deputy Monitoring Officer)
Tracey Elliott, Governance and Risk Officer
Sarah Downs, Democratic Officer

11. Apologies for absence

An apology for absence was received from Councillor Sue Woolley.

12. Disclosure of interests

No interests were disclosed.

13. Minutes of the meeting held on 8 June 2022

The minutes of the meeting held on 8 June 2022 were proposed, seconded and
AGREED as a correct record.

14. Updates from previous meeting

The Chief Finance Officer informed the Committee that the money in respect of the fuel theft has yet to be paid. An extension of 3 months was granted by the Court, expiring on 30 September 2022.

A Member asked how the Scrutiny Review was going to be presented and which Committee would receive the report.

The Assistant Director for Governance informed that the Scrutiny Review would go before either the Governance and Audit Committee or the Constitution Committee and that this would be confirmed with the Cabinet Member for Corporate Governance and Licensing, Councillor Linda Wootten.

15. Auditor's Annual Report 2020/21

The External Auditor's Annual Report prepared by External Auditors, Grant Thornton was presented to the Committee. The report provided an overview of the planned timeline of the statutory audit of South Kesteven District Council.

The Auditor clarified that amendments to the Code of Audit Practice meant that auditors now report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses identified. The specific criteria were:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

The Auditor confirmed that overall the report was positive. There were recommendations for improvement to risk management and the consideration of assets – both operational assets and investment property. Maintenance was a considerable cost with some assets perhaps no longer required.

During discussion, Members raised the following points:

- The report was welcomed as very positive with minor recommendations that were constructive.
- Were all future reports to be following a similar format?
- A Member commented that in reference to the review of scrutiny, it was a positive recommendation to involve Committees at an earlier stage.
- When was the report finalised, there was a discrepancy in the dates of the timeline of the audit?

- A Member asked for further detail on how the auditors arrived at the conclusion that 'the challenging scrutiny was adequate'.

The Chief Finance Officer requested that his thanks to Grant Thornton Auditors be recorded. The Officer noted that more evidence had been requested in order to inform the findings contained in the report during thorough investigation and the conclusion was the Council is well-positioned with robust arrangements in place.

The Auditor confirmed that the format and scope of future reports were determined by the statutory requirements of the Audit Code. He confirmed that the report was drafted in February 2022 and finalised in May 2022 as there was a delay in the completion of some elements of the work. It was clarified that a range of Committee minutes were reviewed as part of the work which led to the conclusion that 'challenging scrutiny was adequate'.

AGREED:

- a) That the Governance and Audit Committee noted and approved the Auditor's Annual Report 2020/21.**

(Councillor Baxter asked that his vote to object to the report be recorded)

16. Draft Financial Outturn 2021/22

The Deputy Leader of the Council presented the Draft Financial Outturn Report for 2021-2022 and informed the Committee that despite ongoing economic uncertainty, the overall position of the Council was favourable. An overview of the provisional outturn was presented along with detailed information for the General Fund and the Housing Revenue Account.

Continued uncertainty has brought financial pressures, particularly in the areas of Markets and Car Parking and this was expected to continue. The Covid Reserve Fund that was introduced to protect the Council against unexpected costs during the Pandemic could now be closed down and transferred into other reserves.

It is proposed to carry a number of budgets forward into 2022/23 to fund specific and previously approved projects. The Finance, Economic Development and Corporate Services Overview and Scrutiny Committee recommended these on 27 June 2022 for Cabinet approval on 12 July 2022.

It was acknowledged that the recommended £500,000 in order to establish an inflation reserve was most likely to be insufficient but the ongoing position was being closely monitored on a regular basis.

During discussion Members raised the following points:

- More Council housing needed to be built to replace to housing stock that the Council lost through Right to Buy sales.
- As there were underspends recorded within the Housing Revenue Capital Programme, could this be invested in the building of more Council Housing?
- Members acknowledged that progress had been made with housing inspections and energy efficiencies.

The Chief Finance Officer informed the Committee that the building of more Council housing was a complex issue. Funds were limited and there were competing pressures ensuring a balance had to be struck between building more houses and maintaining current stock. A mixed approach could be adopted as the Council could potentially consider working with partners or support local social Housing Associations. These considerations were to be put before the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee later this year but limited investment would be made until the findings of the stock condition analysis were confirmed.

The Vice-Chairman of the Committee noted that the format of the report was difficult to access clearly online and requested that the format be amended to make the information more clearly available. The Deputy Leader of the Council acknowledged this and explained the format had been agreed by the previous Chairman but that changes could be made in future publications.

AGREED:

That the Governance and Audit Committee:

- a) Reviewed and approved the provisional Revenue and Capital Outturn report and associated appendices for the financial year 2021/22.**
- b) Noted the budget carry forwards (appendices D and H) as approved by Cabinet on 12 July 2022.**
- c) Reviewed and approved the following reserve movements in respect of the General Fund:**
 - **The balance of the COVID recovery reserve of £1.286m transferred to the ICT reserve increased by £0.202m**
 - **Waste and recycling reserve increased by £0.084m**
 - **Creation of an Inflation reserve to £0.500m**
 - **Invest to save reserve increased by £0.500m**

17. Draft Statement of Accounts 2021/22 including Annual Governance Statement

The Assistant Director of Finance presented the report to the Committee. A draft copy of the 2021/22 Statement of Accounts was now available for review by the Governance and Audit Committee prior to the completion of the audit process. In accordance with the Accounts and Audit (Amendment) Regulations 2022, the statutory deadline for completing the 2021/22 audit and publishing the final accounts was 30 November 2022.

The proposed public inspection period was to begin on 2 August 2022 and continue until 12 September 2022. During this time members of the public could exercise their right to inspect the accounts. A notice to that effect was published on the Council's website. Following completion of the audit, the final accounts were to be presented to this Committee together with the audit opinion.

Members were asked to ensure that the Annual Governance Statement for 2021/22 was an open and transparent reflection of the governance arrangements for that financial year. The AGS formed part of the annual accounts and was reviewed by External Audit.

Group Accounts would be prepared to reflect the Council's relationship with Gravitas Ltd and LeisureSK Ltd on receipt of the draft financial statements for LeisureSK Ltd. Due to materiality thresholds, it was not a requirement to include the other Council owned companies in the group accounts.

As the audit progressed there may be further amendments which were to be incorporated into the accounts. The Committee would be informed of any changes when the final accounts were presented for their approval.

Members raised the following points during discussion:

- Why does the Governance and Audit Committee not receive detailed accounts of the SK Companies for scrutiny?
- Why are the accounts for EnvironmentSK Ltd not available on the Companies House website?
- What will happen to the loan that EnvironmentSK Ltd are responsible for paying if they cease to exist?
- Did the Chairman need to disclose an interest as a Director of EnvironmentSK Ltd?

The Chairman reported that no interest was required to be declared in the general consideration of the Council's statement of accounts as a Director of EnvironmentSK Ltd. He confirmed, however, should any specific discussion on the accounts of EnvironmentSK Ltd arise he would declare an interest and not take part in those discussions.

The Assistant Director of Finance confirmed that all SK Companies accounts were available for public view on Companies House website. The Companies

Committee would then consider the accounts at a future meeting. The Officer informed Members that the accounts for EnvironmentSK Ltd would be uploaded onto the website by 29 July 2022 in accordance with statutory regulations.

The Chief Finance Officer informed the Committee that the Cabinet had made no decisions on the future of EnvironmentSK Ltd and had chosen to consider the market. The procurement and marketing process was due to start imminently.

The Vice-Chairman asked for clarification on the Annual Governance Statement and referred to the areas of focus that were to be considered soon:

- The report confirmed plans to undertake a 6-month assessment of the Peer Review. Who would be consulted and was it to be published with results against targets?
- What format was the action plan to take to respond to the recent scrutiny review?
- Which companies were to be part of the planned review and which Committee would receive it?

The Chief Finance Officer confirmed that the Annual Governance Statement was part of a draft document and the final document would return to the Governance and Audit Committee for approval. Progress on the Peer Review was to be considered in September 2022 before returning to Cabinet later in the year. InvestSK Ltd had dissolved and Gravitas Housing Ltd was expected to provide a closing report once all sales were completed. The Council had commenced a grounds maintenance procurement process; the outcome of which would have an impact on the future of the company. LeisureSK would be undertaking a review with particular reference to the management fee and pressures in terms of inflation and utility costs.

Information on the scrutiny review action plan was referred to the Assistant Director of Governance to confirm with Members as soon as possible.

ACTION:

That the Assistant Director of Governance confirmed what format the action plan would undertake and when it would be brought before the Governance and Audit Committee.

AGREED:

That the Governance and Audit Committee:

- a) **Have reviewed the draft Statement of Accounts 2021/22 prior to the commencement of the external audit.**

(Councillor Baxter requested that his abstention from the vote be recorded)

18. Prevention of Right to Buy Fraud - Procedural Information

The Chief Finance Officer presented the report on the prevention of Right to Buy (RTB) fraud. The report provided an update on the processes in place to safeguard the Right to Buy sales of Council Housing. The report summarised two parts to the process:

- Procedural information – the process undertaken.
- Anti-Money Laundering declaration form – every applicant would be asked to complete this as a method of confirming all information required, to show transparency in the process.

All secure Council tenants have a right to buy their home and must have been a social housing tenant of at least 3 years, though not necessarily within the authority of South Kesteven District Council. Tenants receive a 35% discount if they have been a public sector tenant for between 3 and 5 years. For each extra year after that, they receive another 1% for each year of tenancy up to a maximum of 70%.

The Chief Finance Officer informed the Committee that the discount and application criteria was contained in legislation and therefore there were no discretionary rules that the Council could apply in respect of RTBs. Approximately 40 properties were sold each year through the Right to Buy Scheme and there was a legal obligation on the Council to ensure that the process was followed accurately. The Council has taken the opportunity to compare the declaration form with those of other Councils.

One of the priorities within the process is that the Council is focussed on establishing the origin of the funding of each sale, so as to fully understand how the funds are secured. More information was to be requested through a more robust process so any potential fraud could be identified.

During discussion Members raised the following points:

- The updated process was welcomed as good practice.
- Had there been any reason to suggest that fraud had been detected?

The Chief Finance Officer confirmed that it was good practice to review the process on a periodic basis, to ensure it was sufficiently resilient.

AGREED:

That the Governance and Audit Committee:

- a) **noted the Prevention of Right to Buy Fraud – Procedural Information as shown at Appendix A and approved the Anti-Money Laundering Declaration Form (Right to Buy) attached as Appendix B.**

19. Work Programme 2022 - 2023

The Work Programme was discussed and the following points raised:

- The first report by the new internal auditors was to be heard at the next Committee meeting on 28 September 2022. Members were looking forward to receiving it.
- As the scrutiny review was to come before the Governance and Audit Committee, it was suggested that it was to be added to the Work Programme.

Reference was made to the proposed meeting of the Governance and Audit Committee with the internal and external auditors. The Chairman confirmed he had met with the auditors and a meeting with the Committee would be arranged in the future.

AGREED:

The Work Programme for 2022/23 to be amended to add the scrutiny review to the agenda of the 28 September 2022 meeting.

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

There was no other business.

21. Close of Meeting

The meeting closed at 15:00.