

NORTH DEVON COUNCIL

Minutes of a meeting of Governance Committee held at Virtual - Online meeting on Tuesday, 8th September, 2020 at 6.30 pm

PRESENT: Members:

Councillor Roome (Chair)

Councillors Bushell, Campbell, Henderson, Jenkins, Luggar, Phillips, Topps and Walker.

Officers:

Chief Executive, Head of Resources, Business Information Systems Manager, Head of Place, Senior Solicitor/Monitoring Officer, Emergency Planning Officer and Public Protection Manager.

82. VIRTUAL MEETINGS PROCEDURE - BRIEFING AND ETIQUETTE

The Corporate and Community Services Officer outlined the virtual meeting procedure and etiquette guidelines to the Committee and attendees and confirmed that all expected attendees were present.

83. APOLOGIES FOR ABSENCE

No apologies were received.

84. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 9TH JUNE 2020

RESOLVED that the minutes of the meeting held on 9th June 2020 (circulated previously) be approved as a correct record.

85. ITEMS BROUGHT FORWARD WHICH IN THE OPINION OF THE CHAIR SHOULD BE CONSIDERED BY THE MEETING AS A MATTER OF URGENCY.

a) Order of agenda

The Committee agreed to consider item 15 (Update on Business Continuity) of the agenda prior to item 7 (Half Yearly Report of the Chair of the Governance Committee).

86. DECLARATIONS OF INTERESTS.

There were no declarations of interest announced.

87. BUSINESS CONTINUITY

The Committee considered the report by the Graduate Emergency Planning Officer regarding Business Continuity (circulated previously).

The Public Protection Officer and Graduate Emergency Planning Officer advised the Committee that:

The Committee were advised that:

- The Cabinet Office had produced guidance in line with ISO 22301:2019 Security and resilience – Business Continuity Management Systems. The proposal to refresh the current plans was deemed good-practice under this guidance.
- Success would be measured against the reduction in impact or improvement of the Authority's response when disruptions occur.
- The Graduate Emergency Planning Officer would be studying for a Business Continuity Diploma from November 2020.

In response to questions from the Committee, the Graduate Emergency Planning Officer advised that:

- Under the Civil Contingency Act 2004, Local Authorities had a duty to offer guidance and support to businesses and organisations in the area. North Devon Council would look to continue this work should any further localised flooding occur.
- She was not aware of any plans by the Government to change the parameters within which the Council would work in future.
- The Council was looking at its own internal ability to respond to disruptions, with normal services being defined at a pre-determined level.

The Head of Place advised the Committee that there were three major changes within Planning proposed within the White Paper which was currently out for consultation. The range of permitted dwellings had changed, along with the ability to now build at 3.5m above the ridgeline of a terrace or semi-detached dwelling under permitted development rules. The Government consultation was due to end on 1st October 2020, with a further consultation due to end on 31st October 2020 which would provide a more detailed plan of the changes to the system. A briefing regarding these changes would be presented to the Joint Local Plan Working Group on 22nd September 2020.

The Business Information Systems Manager provided the Committee with an update in terms of the ICT systems in place. She provide an infographic (circulated separately) showing an overview of the network. She advised the Committee that:

- There was a layered defence approach in protecting the network.
- A major risk was the possibility of cyberattack. This was a tier one attack and as such the avoidance of this was a very high priority. Principles employed to

avoid this cover hardware, software and cloud provision. Firewalls and Anti-virus and malware software were being used. Network traffic was monitored in real-time. Software and servers were updated monthly.

- Procedures were in place which enable hardware (such as ipads) to be wiped remotely if required.
- There were restrictions to access to the system, networks connections and online usage, to reduce the possibility of external access to the system via hack or virus.

The Chair thanked the Business Information System Manager for the work done by herself and her team in setting up the access for remote users in such a short period of time.

In response to questions from the Committee, the Business Information System Manager advised that:

- Works to move the 2008 RT servers to the 2016 servers was now 60% completed. It was expected to be 90 to 95% completed by the end of December. It was anticipated there may be a need for a further extension of Microsoft support during the overlap period. The network would be replicated to the cloud.
- All emails received were filtered centrally before reaching the recipients. Any suspicious emails were then stopped before being opened. It was still imperative that any suspicious emails were not opened by users and if anyone was unsure about the validity of any email they should contact ICT helpdesk prior to opening the email.
- The process where an email is sent to an ipad advising of a missed call was not to be treated as suspicious as this would have been a missed skype call.

The Committee noted the update on Business Continuity.

88. HALF YEARLY REPORT OF THE CHAIR OF THE GOVERNANCE COMMITTEE

The Committee considered the Half Yearly Report of the Chairman of the Governance Committee (circulated previously).

RESOLVED that the report be noted and proceed to Council for consideration.

89. ANNUAL GOVERNANCE STATEMENT

The Committee considered the Annual Governance Statement (circulated previously).

The Senior Solicitor and Monitoring Officer advised the Committee that:

- The Annual Governance Statement set out the key elements of the Council's Governance framework based on seven core principals. The statement covered those seven principals in more detail, along with details of any areas of concern. One significant issue and two 'other areas' had been identified, with no additional 'Risks' identified from either External or Internal Audit.
- Statement of Assurance from the Chief Executive had been given.

RESOLVED that the report be noted and proceed to Council for consideration.

90. RECOMMENDATIONS TO UPDATE THE MEMBER CODE OF CONDUCT

The Committee considered the Report: Recommendations to Update the Member Code of Conduct (circulated previously).

The Senior Solicitor and Monitoring Officer advised the Committee that:

The Committee on Standards in Public Life had issued a letter to Local Authorities in July 2020 which included 15 recommendations for 'best practice; which would represent a benchmark for ethical practice. They had initially written to the Local Authorities in January 2019 and were now following up those recommendations. A visit from the Committee was expected in the autumn to check on progress.

The report sought to add an additional two updates to the existing code. Recommendation 1 related to the prohibition of bullying and harassment, Recommendation 2 specified that Councils make provision to comply with any standards investigation making a complaint against them. Once agreed a revised Code of Conduct would be drafted.

RESOLVED that the Recommendations to Update the Member Code of Conduct report be noted and proceed to Council for consideration.

91. STATEMENT OF ACCOUNTS

The Committee considered a report by the Head of Resources (circulated previously) regarding the Statement of Accounts for 2020/21.

The Head of Resources highlighted the following points for the Committee:

- (Draft) Statement of Accounts for year ended 31st March 2020 (signed 22nd July).
- Normally the final date for publishing audited accounts was 31st July – this year due to Covid-19 this had been extended to 30th November 2020
- The External Audit of the accounts (by Grant Thornton) had started on 8th September 2020 with a couple of 'interim' audit weeks having taken place in August 2020.

- Audit Findings Report would be presented to the Governance Committee on 5th October 2020, with the Accounts formally signed off at Full Council on 7th October 2020.
- The narrative report sets out the challenges faced and how the Authority aimed to meet those challenges (Medium Term Financial Plan MTFP) and reviewed the last financial year 2019-20.
- Quarter 3 position reported at December 2019 forecasted a small net surplus of £6k.
Favourable variances seen in last quarter since last reported position; most notably additional income through the collection fund, additional investment interest, lower borrowing costs and additional savings achieved throughout our staffing establishment achieved a net budget surplus of £241k. The main variances were detailed on the report.
- It was proposed to allocate those funds into earmarked reserves as followed:
 - (£9,689) Museum Development – For the Museum garden path
 - (£17,144) Office Technology – ICT spend committed to but not paid in 19/20
 - (£46,000) Leisure Centre replacement – Works at Seven Brethren
 - (£18,000) Building Control Partnership reserve – 50% of surplus to protect against loss of income in 20/21
 - (£10,000) Harbour Repairs – Fender repairs
 - (£13,522) Lynton Agency – 19/20 works not completed due to COVID-19
 - (£100,000) Repairs fund – Additional contribution for planned maintenance
 - (£26,260) Legal Services – External Legal Fees
- MTFP 2020-2024 would need to be refreshed before it was presented to the 5th October Governance meeting.
- The refreshed forecasted cumulative budget gap / (surplus) for 2020-21 to 2023-24 was £0m for 2020-21, £1.781m for 2021-22, £2.110m for 2022-23 and £2.678m for 2023-24.
- Key Performance Indicators as reported in Quarter 4 Performance and Financial Management report were presented to Strategy and Resources on 3rd August 2020.
- The ‘Comprehensive Income and Expenditure Statement’ included a number of “non-cash” accounting entries that were subsequently reversed out resulting in no impact the council tax payer. End result was zero change in the cash position of the Authority.
- As per the Movement in Reserves Statement there were £9.7m in usable reserves, £28.9m in unusable reserves = Total net worth of £38.6m on the balance sheet. This was an increase of £11m on the prior year.

- Pension fund net liability reduced by £6m. The deficit would be made good by increased contributions over the remaining working life of employees; as assessed by the actuary every three years.

The Head of Resources advised that

- The Covid-19 pandemic had not impacted the accounts for 2019-2020 as the lockdown had taken place towards the end of March 2020. However, it had a huge impact on the work of the Authority. Any increased provision cost was accounted for within the 2019/20 figures and was included within the overall outturn surplus shown in the financial statements. It was early days in terms of the recovery and the provisions were estimates however they would be monitored ongoing through 2020-21 and reported as part of in-year monitoring. The Finance Team had looked at bad debt provision and adjustments had been made and accounted for within the accounts.
- The true scale of the impact of the pandemic on the Council's finances would be felt during 2020/21. The financial pressure on the Council would be substantial through 2020-21 and beyond even taking into account the emergency Covid-19 funding announced by the Government. The full impact was difficult to quantify at that stage as it was still unknown how long the pandemic would continue.
- The Government had provided some additional funding and would recompense towards the losses Councils have seen through their sales, fees and charges. At Quarter 1 position a forecast net budget gap for 2020-21 (taking into account assumed government funding for income losses) of around overall £400k net budget deficit had been reported to Members.
- The Council had both general fund and earmarked reserve balances which it could call upon in 2020-21 to mitigate the economic impact being experienced but this would have much longer term solvency implications for the authority.

In response to questions from the Committee the Head of Resources advised that the thresholds for Council Tax increases were set at 'no more than £5 or 3%' off banded levels.

The Chief Executive advised the Committee that the Members set the rates/levels charged for each Council Tax band.

The Chair thanked the team for their work over the pandemic, and for the regular updates provided to him as the Lead Member for Resources and Commercialisation.

RECOMMEND that the Statement of Accounts be approved.

92. COMPENSATION PAYMENTS MADE UNDER DELEGATED POWERS

The Committee considered a report by the Customer and Corporate Communications Manager (circulated previously) in relation to Compensation Payments Made Under Delegated Powers.

The Chief Executive advised the Committee of the following in relation to the report:

- There had been three compensation payments made over the six month period from January to June 2020 as covered by the report.
- A total of £3926 had been paid out:
 - £36 refund for a garden waste permit after multiple collections were missed.
 - £12 refund of a bulky waste collection which did not take place
 - £3874 after the Local Government and Social Care Ombudsman found fault in the Council's consideration of a planning issue.

The Head of Place advised the Committee that he took sole responsibility for the planning issue which led to the compensation payment. He had intervened in the issue with the two parties involved but once arriving at an agreed solution with all parties this had not been followed up. The payment was made to the complainant so he could undertake works to the property to reduce the impact from the neighbouring development.

RESOLVED that the Compensation Payments Made under Delegated Powers report be noted.

93. INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report by Devon Audit Partnership regarding the Internal Audit progress report for 2020/21 (circulated previously).

The Committee was advised of the following in relation to the Internal Audit Progress Report 2020/21:

- The Head of Internal Audit's opinion was of "Substantial Assurance" on the adequacy and effectiveness of the internal control framework
- Covid19 had impacted the way the Internal Audit work had been done. It was looking to perform the vast majority of the work remotely.

The Head of Devon Audit Partnership (DAP) advised that there had been changes to staffing at DAP with a new Manager starting in October.

RESOLVED that the Internal Audit Progress report be noted.

94. INFORMING THE AUDIT RISK ASSESSMENT 2019-2020

The Committee considered a report by Grant Thornton entitled Informing the Audit Risk Assessment 2019-2020 (circulated previously).

The External Auditor (PB) confirmed:

- The report set out the questions asked of the Authority. It was a standard suite of questions covering law, fraud, accounting estimates.

- Historically the Auditors had contacted the Head of Resources as section 151 officer and the Chair of the Governance Committee. For this report the Senior Management Team and the Committee Members had also been consulted.

In response to questions from the Committee, the Head of Resources advised that the process of awarding business grants and assistance throughout the pandemic had enabled the Authority to update its Non Domestic (Business) Rates (NDR) records as there had been controls in place which identified those applicants on the NDR system prior to allowing an application to be submitted. Further financial assistance through the discretionary scheme had also identified smaller businesses who had not advised the Authority of changes in their trade such as changes of address or new business. The Authority also subscribed to 'RV finder' which identified new business locations via aerial mapping of the area. Any discrepancies were then investigated further and the Valuation Office approached when needed.

RESOLVED that the Informing the Audit Risk Assessment 2019-2020 Report be noted.

95. EXTERNAL AUDIT - PROGRESS REPORT AND SECTOR UPDATE

The Committee considered a report by Grant Thornton regarding the External Audit Progress report and Sector Update (circulated previously).

The External Auditor (PB) confirmed:

- The report detailed the progress as at August 2020. Many post-Covid audits were taking place remotely.
- It was recognised that the Accounts had been ready ahead of the pre-arranged deadline. The extension to the end of November 2020 was for the completion of the Audit works.
- The Value for Money (VFM) conclusion focused on the risk for the health of North Devon with specific mention on how 2019-20 had delivered and the challenges faced in 2020-21 and beyond (with the loss of income due to Covid-19).

The External Auditor explained that the report contained articles in relation to the "In-depth insight into the impact of Covid-19 on Financial Reporting in the Local Government", "Future Procurement and Market Supply Review- Public Sector Audit Appointments (PSAA)" and "CIPFA Financial Scrutiny Practice Guide".

In response to a question from the Committee, the External Auditor (PB) confirmed that the Redmond Review findings had now been published

RESOLVED that the External Audit Progress Report and Sector Update be noted.

96. UPDATE ON BUSINESS GRANT SCHEMES

The Head of Resources provide the Committee with an update on the Business Grant Schemes.

In relation to the Small Business Grant and Retail, Hospitality and Leisure Grant Scheme, the Head of Resources advised that:

- The grant was announced on 11 March 2020 by the Chancellor in his Budget speech. On 17 March 2020 the scheme was expanded on in the Chancellor's announcement. Detailed guidance was issued by MHCLG (Central Government) on 25 March, with the hope that payments would start to be made by early April. This guidance had changed by the following week. On 25 March 2020 Civica the Software Company used by the Council announced work on their grant module and associated form. The Council's Communications team planned and updated messages on Website for businesses and automatic phone messages with updated information throughout.
- 1 April 2020 £51million funding was paid to NDC. This was the largest allocation and number of eligible businesses in Devon, including the unitary Councils.
- 6 April 2020 the online form was transferred to NDC for testing and that went 'Live' 9 April 2020. This was only 2 weeks after guidance received by MHCLG.
- The NDC online form was automatically integrated to the back office system, therefore applicants could only apply if 'identified as eligible' as it checked the back office system. A number of cross checks, including bank details enabled an interface with an automatic payment system which allowed daily payment runs in the early days. A much quicker end-to-end process for the business applying.
- Even though the Authority may have been few days after some Councils, assurance was gained which confirmed there was a competent online integrated process that carried out substantial checks (which a manual form would not have performed) and mitigated and reduced the risk of any fraudulent applications being paid. Many Revenues and Benefits Staff worked all Easter Weekend including the bank holidays plus the following weekend to deal with the initial surge of applications.
- On 9 April 2020 the first payments were made (same day as go-live).
- By 17 April 2020 almost 30% had been paid out (£12million in the first week)
- By 30 April 2020 (three weeks from go-live) 65% had been paid out (£29million) to 2500 businesses.
- As of 8th September, £43million had been paid to 3775 businesses (96% of those eligible). 163 eligible businesses did not apply even though the Council tried numerous times to write, contact, persuade etc. Grants had been awarded to 3775 of the 3802 applications so far.
- Monthly assurance returns were made to MHCLG, outlining that risk assessments had been carried out. In relation to the 3775 payments;
 - Four payments were identified where bank/Local Authority identified an error in the payment and/or account details (value £40,000); all four

payments have been returned to the Council and no grants had been identified as fraudulent transactions.

- Three grant payments were identified as non-compliant (Value £30,000); one had been recovered to date (value £10,000).
- This had all been reported to MHCLG and further assurance return was due shortly with updated position.
- In addition; Government announced “Discretionary Business Grant” scheme – to the value of 5% of the above main grant scheme (£2.25million); the Council ran this through our Economic Development team as they had close links to local businesses and especially those that had fallen outside the scope of the original grant scheme.
- The Discretionary Business Grant scheme was launched on 1 June 2020, using a Devon-wide set criteria and online application form, payments were made within first week. Scheme was now closed and team were processing the last tranche of applications; having fully allocated the £2.25million fund.
- Lobbying had taken place via the Member of Parliament to try to retain all/some of the residual funds (of £4,164,750 which was the amount unclaimed from the Small Business Grant and Retail, Hospitality and Leisure Grant scheme within North Devon) to further the discretionary scheme and support more local businesses that need the financial assistance.
- In addition, expanded retail discounts had been applied to 1100 Non Domestic Rates accounts: further adding to the workload.
- Overall financial assistance to support North Devon businesses of over £65million through the pandemic.
- The Head of Resources added that, bearing in mind the context of what he had outlined overall, the speed and pressure from Government to ‘support businesses’ quickly; he could not be prouder of the team for what they had delivered under exceptional circumstances.

RESOLVED:

- (a) that that possible options for Award Nominations for the team be sought by the Auditors,
- (b) that the report be noted.

97. AUDIT RECOMMENDATION TRACKER

The Committee considered the Audit Recommendation Tracker report by the Chief Executive in respect of actions taken to address internal and external audit recommendations (circulated previously).

The Committee noted the following updates:

- Table A detailed the ten live recommendations.
- Table B confirmed that two recommendations had been completed since the last meeting of the Committee.
- Table C detailed one recommendation for which a time extension was being requested.

- It was noted that Recommendation 17 SRR 08 required an extension to allow for delays in the implementation of the automated process due to the pandemic. Progress had reached 85% and could confidently be completed by the extension date requested.
- Table D confirmed there were no outstanding Audit Recommendations.

RESOLVED that:

- (a) the actions completed since the 9th June 2020 Committee meeting be noted;
- (b) a time extension be granted for the recommendation as listed in table C; and
- (c) the Audit Recommendation Tracker be noted.

98. WORK PROGRAMME

The Committee considered the work programme for 2020/21 (circulated previously).

RESOLVED that Work Programme 2020/21 be noted.

Chair

The meeting ended at 8.45 pm

NOTE: These minutes will be confirmed as a correct record at the next meeting of the Committee.