

**NORTH DEVON COUNCIL**

Minutes of a meeting of Governance Committee held at Barum Room - Brynsworthy on Tuesday, 13th June, 2023 at 6.30 pm

PRESENT: Members:

Councillor Norman (Chair)

Councillors Orange, Bushell, Haworth-Booth, Jones, Walker and Whitehead

Officers:

Chief Executive, Director of Resources and Deputy Chief Executive, Head of Governance, Senior Solicitor and Monitoring Officer, Head of Customer Focus and ICT Manager

Also Present in person:

Paul Middlemass (Devon Audit Partnership (DAP)) Tony Rose (DAP)

Also Present virtually:

Roz Apperley (Grant Thornton), Peter Barber (Grant Thornton), Craig Moodie (DAP)

**1. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Quinn and Stevenson.

**2. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 27TH MARCH 2023**

RESOLVED that the minutes of the meeting held on 23<sup>rd</sup> March 2023 (circulated previously) be approved as a correct record and signed by the Chair subject to the amendment as follows: the correction to the list of those present be amended and that 'Paul Barber' is amended to read 'Peter Barber'.

**3. DECLARATIONS OF INTERESTS.**

There were no declarations of interest declared.

**4. INTERNAL AUDIT ANNUAL REPORT**

The Committee considered a report by Devon Audit Partnership regarding the Internal Audit Annual Audit (circulated previously).

The Committee was advised of the following in relation to the Internal Audit Annual Report 2022-23:

- Overall, the Head of Internal Audit's opinion was of "Reasonable Assurance".
- Further work was required within performance management. Progress had been made, with the number of corporate risks at a manageable level.
- A summary of the assurance opinions provided within the year confirmed the following at each level:
  - 16 Reasonable
  - 4 Substantial
  - 4 Limited
  - 3 Grant certification
- The Council were felt to have a low-risk appetite for investments.
- The Theatre Operating Contract had been added to the Contract Management Framework.
- There was a suggestion to rate/prioritise each contract – eg gold/silver/bronze.
- Customer satisfaction scores were included in the report. The Auditor thanked NDC for taking the time to complete the surveys.

In response to questions from the Committee, the Internal Auditor confirmed that:

- Quarterly monitoring meetings were held with the contractors involved with the Theatre. This enabled monitoring and regular updates to take place. They were now more focused on the management of contracts.

In response to questions from the Committee, the Director of Resources and Deputy Chief Executive confirmed that the Theatre contractor was supported by NDC and that they are scrutinised. Regular updates are provided to Members via the Strategy and Resources committee and at Full Council.

The Chief Executive advised that the contractor was assisted to seek funding from external finance in order to ensure any funding from NDC was reduced.

The Chair noted that there were very few 'red' markers on the report.

RESOLVED that the Internal Audit Annual report be noted.

## **5. EXTERNAL AUDIT - AUDIT PLAN**

The Committee considered a report by Grant Thornton regarding the External Audit - Audit Plan (circulated previously).

The External Auditor (PB) introduced himself and his colleagues to the Committee members.

The External Auditor (PB) confirmed:

- The Audit Plan included; materiality, the value for money (VFM) arrangements and opinion on the statements.
- Although the deadline for the accounts had been moved to the end of May this year, NDC had met that deadline (being within the 25% of South West councils who had done so).
- Although they did focus on risks, any item within the accounts could be subject to an audit.
- The significant risks had been identified and were set out within the audit plan.

18:48 Councillor Walker left the meeting.

The External Auditor explained that:

- much work, involving complex tools, had taken place to examine the journals and balance sheet.
- They had also examined the areas including large assets (land and buildings, and investments).
- Considerable time was spent examining the large, historic liability of the net pension fund liability.
- The VfM work within the public sector was based on financial sustainability planning in the medium term.
- Planning materiality was deemed to be £1.08m for the Council, which equated to 2% of the prior year's annual gross operating costs.

18:52 Councillor Walker re-joined the meeting.

The External Auditor confirmed that:

- In relation to "Audit Logistics and Team" there was nothing to update yet. It was planned to start in July however they had a recent resignation of an auditor and were presently looking for a solution. They were working closely with NDC's finance team.
- The final deadline for publication of audited accounts had been moved forward to 30 September 2023. This was unlikely to be met due to resource capacity with the auditors.

In response to a question from Councillor Bushell, the Auditor confirmed that there was no financial penalty to the Authority if this deadline was not met and that there was a nationwide shortage of auditors, and difficulties in recruiting. The only negative outcome in not meeting that deadline would be that the finance team would possibly be dealing with queries from the auditors covering a number of financial years, rather than just one.

In response to a question from Councillor Bushell, the Director of Resources and Chief Financial Officer confirmed that there would be no financial discount expected from the auditor's fee due to any delays, and that the contract was set by the Public Sector Auditor Appointments (PSAA). Works were ongoing and the draft accounts were ready.

The External Auditor confirmed that the fee had been set in conjunction with the Public Sector Auditor Appointments (PSAA).

RESOLVED that the External Audit - Audit Plan be noted.

## **6. STATEMENT OF ACCOUNTS**

The Committee considered a report by the Director of Resources and Deputy Chief Executive regarding the Statement of Accounts 2022/23 (circulated previously).

The Director of Resources and Deputy Chief Executive highlighted the following points for the Committee:

- The target date had been brought forward from end of November 30<sup>th</sup> September.
- The external auditors were expected to be examining the accounts over the summer months, and coming back hopefully with an 'Unqualified' opinion.
- Post-pandemic, the cost of living pressures, and the UK's rising inflation rate, were the main challenges. At the end of March 2023 the inflation rate was at 13.5%.
- The Council recognised the effects of world economic conditions on inflation and that this had impacted public finances which, it was recognised, would be experienced beyond 2022/23.
- In 2022/23 a cross-party workshop was held which looked at the budget. This was valuable assistance in the setting of the 2023/24 budget.
- A number of inflationary increases were built into the 2023/24 budget and Medium Term Financial Strategy.
- The refreshed forecasted cumulative budget gap for 2023/24 was £0m and at 2024/25 £0.499m. From 2025/26 to 2028/29 this increased to £3.307m (2025/26) and further increased to £3.455m (2028/29) due in part to the predicted impact of the Government's Fair Funding Review.
- The Business case for the purchase of the Green Lanes Shopping Centre (purchased November 2021) demonstrated that revenue income would cover both the loan repayment and asset management costs, and return a contribution to the Council. The Centre had provided a net return of £243,600 for Nov 2021 to March 2022, and a net return of £291,000 for 2022/23.
- As at December 2022 the Council forecast a net surplus of £19,000 against the budget.
- Adverse variances to the Q3 forecast position were mainly due to:
  - £116,000 Benefit Subsidy
  - £40,000 Reduction in Pannier Market income
  - £151,000 Costs award provision for Yelland Appeal. This figure was still to be finalised. It was hoped that the negotiated figure would be less.
- Favourable variances included:
  - £180,000 from Government Grants
  - £41,000 additional contribution from the crematorium
  - £395,000 Business rates and Pooling income
  - £136,000 Interest receivable
  - £110,000 Planning fees
  - £99,000 Temporary accommodation
- The Council's General Fund Balance as at 31<sup>st</sup> March 2023 was £1.238m, with £11.134m earmarked general fund reserves; leaving the Council in a strong position for 2023/24.

- A reduction in the employer pension liability on the balance sheet was due to change in financial assumptions of which these were outlined to members.
- There had been no material change in the accounting policies.

In response to questions from the Committee, the Director of Resources and Deputy Chief Executive confirmed that:

- No additional borrowing had been taken on and the same level at 31<sup>st</sup> March 2023 compared to the previous year
- The calculation of 'fair value' was included within the notes to the accounts.
- There would be no financial benefit in 'selling on' any loans.
- The Accounts would be presented to Full Council in September 2023 alongside the Annual Governance Statement (AGS)

In response to a question from the Committee, the Chief Executive confirmed that the Planning Appeal had involved Devon Highways and it was hoped that negotiations would take place regarding a contribution towards the settlement. Although there was no obligation for DCC to cover any of the costs.

In response to questions from the Committee, the Director of Resources and Deputy Chief Executive confirmed that:

- Changes to the Senior Management structure during 2021/22 had effected the salaries figures for part of that financial year but were presented in full year for the 2022/23 period.
- A full aged break down of short term and general debts would be presented to members in July as part of the performance report.

RECOMMEND that the Draft Statement of Accounts 2022/23 be approved and proceed to Council for consideration.

## **7. DRAFT ANNUAL GOVERNANCE STATEMENT**

The Committee considered a report by the Director of Resources and Deputy Chief Executive regarding the Draft Annual Governance Statement 2022/23 (circulated previously).

The Head of Governance advised the Committee:

- The Annual Governance Statement sets out the processes and procedures in place to enable the Council to carry out its functions effectively, based on the core principles of the governance framework.
- Key elements of the framework included work of the Strategy and Resources Committee and Full Council in setting budgets, strategies and corporate objectives.
- The review of the Council's governance arrangements had been supported by the internal auditor as the Devon Audit Partnership had carried out 16 audits during the year. Their Annual audit opinion was of 'reasonable assurance' that there was generally sound system of governance, risk management and control in place.
- During 22/23 there had been several improvements to the governance arrangements which included:

- The production of an Annual Equality Report & Communication Strategy
- Introduction of a new suite of key performance indicators and improvement of the reporting of progress towards the corporate plan
- Rationalising the number of risks on the corporate risk register
- There were some improvements that still required including:
  - Finalising of the Community Engagement Strategy
  - Updating the Procurement Strategy
  - Improving Information Governance (Information security & management)

In response to a question from the Committee, the Head of Customer Focus confirmed that there had been less complaints during the pandemic, with less being referred to the ombudsman. Only 2 of the 9 complaints passed to the ombudsman had been upheld.

RECOMMEND that the Draft Annual Governance Statement 2022/23 be approved and proceed to Council for consideration.

## **8. RISK MANAGEMENT MODEL AND FRAMEWORK**

The Committee considered a report by the Head of Governance regarding the Risk Management Model and Framework (circulated previously).

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

- The Risk Management Model set out the Council's process for identifying, accessing and addressing risks. It also set out the risk escalation plan, with the aim that a member of staff could raise a risk that, if appropriate, can be escalated to the corporate risk register reported to the Governance Committee.
- Internal audit reviewed these documents during audit in March 2023. They reported that the documents were of good quality and explained the councils approach to risk.

RESOLVED that the Risk Management Model and Framework be approved.

## **9. 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:

- There was an error on the tracker (agenda page 143) as the recommendation 16 PL Planning Applications 2015/16 was not awaiting a report to be signed off.
- Table 2 detailed outstanding recommendations. The Chief Executive provided updates on those recommendations as follows:
  - 20 BC 04 An emergency planning exercise had been programmed for 5 June 2023. However, that date coincided with the date of the

Strategy and Resources Committee so would be rescheduled for later in June 2023.

- ICT and Cyber Security issues would be covered under item 17 of the agenda.
- 22 EM 01 and 22 EM 10 Progress had been made on a new asset management plan and condition surveys, but progress had been slow due to resource issues within the property team.
- 22 PO 06 Work was underway hence the request for a short extension.
- 22 RRS 01 This was now drafted and with UNISON for comment.
- 22 SO 02 There had been a suggestion to adopt a Lead Member for Community Safety. This required further discussion with group leaders. If they were in agreement, the appointment would be taken to Full Council for the final approval.
- 22 S 03 Safeguarding refresher training for all staff was ongoing but required a short extension to enable it to be completed.
- 22 TLSC 01 The issue regarding the screed depth at the pool at the ND Leisure Centre would be resolved by the end of June 2023.
- There were no overdue actions in table D.
- Table E (AGS) contained no overdue actions.

RESOLVED that the Audit Recommendation Tracker report be considered following item 17 “Internal Audit Report: Cyber Security 2022-23” on the agenda.

#### **10. COMPENSATION PAYMENTS MADE UNDER DELEGATED POWERS**

The Committee considered a report by the Head of Customer Focus (circulated previously) in relation to Compensation Payments Made under Delegated Powers.

The Head of Customer Focus advised the Committee of the following in relation to the report:

- There had been little change on the figures from the prior year.
- Of the 9 complaints received by the Ombudsman only 2 had been upheld
- From the complaints from Waste and Recycling two had not been resolved in a timely manner and were ‘stage two’ complaints. Compensation payment had been made due to the delays in resolution. The vast majority had been dealt with at stage one, and the number of complaints concerning waste and recycling had reduced dramatically.

The Chief Executive advised that the Corporate Plan prioritised Customer Focus and much work had gone into the ICT systems for Waste and Recycling, eg in-cab technology, round modelling. Staff were also managing issues such as missed collections themselves, to prevent escalation. There were still a few teething issues with new routes – such as the remodelled route for Roundswell.

The Head of Customer Focus advised that there had been 600-700 assisted collections recorded on the system. This had been fully reviewed and updated so that those in most need could be identified.

Councillor Walker wished to thank the staff involved for their assistance when she had contacted customer services to deal with an issue.

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

**11. WORK PROGRAMME 2023 - 2024**

The Committee considered the work programme for 2023-24 (circulated previously).

RESOLVED:

- a) that the work programme remain unchanged for 2023-24 and
- b) that the work programme for 2023-24 be noted.

**12. EXCLUSION OF PUBLIC AND PRESS AND RESTRICTION OF DOCUMENTS**

RESOLVED:

- (a) That, under Section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item as it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of the Schedule 12A of the Act (as amended from time to time), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).
- (b) That, all documents and reports relating to the item be confirmed as "Not for Publication".

**13. CORPORATE RISK REGISTER**

The Committee considered the Corporate Risk register report by the Chief Executive (circulated previously).

The Head of Governance advised the Committee that:

- The Corporate Risk Management Group (CORGI) met on the 22<sup>nd</sup> May to review the risk register and provide members with an updated position for each risk.
- A new risk has been added this quarter 'failure to secure the Data Centre from fire and flood'. Details are provided on page 204 and 205. The risk score has a likelihood of two but an impact of four giving a total of eight.
- All the other risk scores have stayed the same as in the previous quarter. The highest risk score of 16 remains the inability to meet temporary accommodation need resulting in increased homelessness.



- The impact and likelihood of each risk was reviewed by the CORGI group.

In response to questions from the Committee, the Chief Executive confirmed that any orange colour-coded risks would remain on the register until they could be reviewed as no-longer being classed as a corporate risk.

In response to a question from the Committee, the Chief Executive confirmed that the Cyber risk would be covered in a later report.

In response to a question from the Committee the External Auditor confirmed that all Auditors were fully trained, and had knowledge of authorities which had experienced hacking / attacks on their systems. There was training available to Councillors on this issues.

The Chair confirmed that the Councillors had also received training.

In response to questions from the Committee, the Chief Executive advised that:

- Local Authorities across the country were all experiencing issues in employing and retaining staff. The job market was very competitive and methods of mitigating this were being used. This had included increasing graduate schemes and apprenticeships.
- Use of agency staff was standard during times of seasonal fluctuation in workload, such as covering leave and sickness in waste and recycling. The Authority did not want, nor intend, to increasingly rely on agency staff but that it was only temporary where they had been unable to recruit in some areas. This was required to maintain service levels.

The Head of Resources and Deputy Chief Executive confirmed that suggested hourly rates of pay to employ agency staff were not comparable with permanent staff rates as they included fees to the agencies, and statutory amounts such as National Insurance contributions.

RESOLVED that;

- a) the Corporate Risk Register be noted, and
- b) a report on the use of agency staff together with current and prior year spend be provided for a future meeting.

**14. INTERNAL AUDIT REPORT: INFORMATION MANAGEMENT  
2022-2023**

RESOLVED that the Internal Audit Report: NDC Information Management 2022-23 be considered together with the Internal Audit Report: Cyber Security 2022-23 (item 17 of this agenda)

The Committee considered a report by Devon Audit Partnership regarding the Internal Audit Report: NDC Information Management 2022-23 (circulated previously).

The Internal Auditor advised the Committee:

- The recommendations within these two reports would be completed by the end of December 2024.
- Data Protection and Data Security were a high priority
- World-wide Cyber Risk and Cyber Crime were a bigger problem than gun-crime.
- The FBI were working with world Governments to improve security.
- The limited assurance opinion was due to the world-wide issue.
- Good progress had been made against recommendations.
- Further cyber training would be considered.

The ICT Manager advised that with regard to the Information Management 2022-23 report:

- The Authority hadn't agreed with the limited assurance opinion.
- Three of the four high level recommendations had been completed. With the remaining on track to be completed by the end of June 2023.

In response to a question regarding the PAG Capital bid, the ICT Manager advised that now the future of Lynton House had been decided the Authority was in a position to proceed. DLUHC advised that better use of the remaining funds could be made by resolving other outstanding actions on the Cyber Treatment Plan.

RESOLVED that the Internal Audit Report NDC Information Management 2022-23 be noted.

#### **15. INTERNAL AUDIT REPORT: CYBER SECURITY 2022-23**

The Committee considered a report by Devon Audit Partnership regarding the Internal Audit Report: Cyber Security 2022-23 (circulated previously).

The Internal Auditor advised the Committee:

- The recommendations within these two reports would be completed by the end of December 2023.
- Data Protection and Data Security were a high priority
- World-wide Cyber Risk and Cyber Crime were a bigger problem than gun-crime.
- The FBI were working with world Governments to improve security.
- The limited assurance opinion was due to the world-wide issue.
- Good progress had been made against recommendations.
- Further cyber training would be considered.

Regarding the Cyber Security 2022-23 report:

- Three risks had been given reasonable opinions, with the remaining three at limited.
- He advised of the progress of the risks.
- A PAG capital bid had been submitted with regards to back-up provision and business continuity.

In response to a question regarding the PAG capital bid, the ICT Manager advised that the original product that was being considered was no longer available and that an alternative required a bid to be submitted to fund it.

RESOLVED that the Internal Audit Report: Cyber Security 2022-23 be noted.

**16. RE-ADMITTANCE OF PUBLIC AND PRESS**

RESOLVED that the public and press be re-admitted to the meeting.

**17. AUDIT RECOMMENDATION TRACKER**

RESOLVED:

- (a) that the time extensions requested in the Audit Recommendation Tracker be approved; and
- (b) that the Audit Recommendation Tracker be noted.

Chair

The meeting ended at 9.08 pm

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