

**NORTH DEVON COUNCIL**

Minutes of a meeting of Governance Committee held at Barum Room - Brynsworthy on Monday, 26th September, 2022 at 6.30 pm

PRESENT: Members:

Councillor Roome (Chair)

Councillors Bushell, Henderson, Luggar, Phillips and Walker

Officers:

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

Also Present in person:

Internal Auditor (PM) – Devon Audit Partnership.

Also Present virtually:

External Auditor (PB) – Grant Thornton.

External Auditor (AD) – Grant Thornton.

Internal Auditor (MW) – Devon Audit Partnership.

**15. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Campbell and Turton.

**16. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 14 JUNE 2022**

RESOLVED, that the minutes of the meeting held on 14<sup>th</sup> June 2022 (circulated previously) be approved as a correct record and signed by the Chair.

**17. DECLARATIONS OF INTERESTS.**

There were no declarations of interest announced.

**18. INTERNAL AUDIT PROGRESS REPORT 2022/23**

The Committee considered a report by Devon Audit Partnership regarding the Internal Audit progress report for 2022-23 (circulated previously).

The Internal Auditor highlighted the following points in relation to the Internal Audit Progress Report 2021-22:

- There were three audit reports, which were summarised on page 19 of the agenda all with reasonable assurance ratings.
- The Council's target to deliver Net Zero emissions by 2030 was still a challenge and there should be a focus on mitigation by the Council to achieve this objective.
- The audit of security measures for the Council explored the mechanisms that were in place to protect Officers and Members in lone working situations and whilst the risk to Members was relatively low at the present time as there were no surgeries taking place, this risk is likely to increase with the elections in 2023. Members had been offered Personal Safety Awareness training but less than half had attended them. They faced the same risks as lone working Officers, and it was appropriate that they be risk assessed in the same way.
- Staff and Officers had Reliance Protection 'Pulse' devices while they were out working alone and had been given training on their use. However, they needed to use them more often and test them regularly and managers should follow this up. Staff had limited knowledge of the threat/risks posed by intruders therefore could benefit from generic training on keeping themselves and others safe, particularly during ingress/egress from secure areas.
- The Council had a Scheme of Members' Allowances, which was updated annually with an Independent Remuneration Panel undertaking a fundamental review every four years. All members currently received a Basic Allowance of £4,970.22 / annum a twelfth of which was paid to them monthly. One member had elected to forgo his annual increase in Basic Allowance and received payment based upon the amount agreed at time of his election. Several members also received a Special Responsibility Allowance in addition to the Basic Allowance. All payments made to members in May 2022 were found to be in accordance with the scheme in place with each member receiving the correct allowances due.
- Since Covid-19 the number of members claiming travel allowance had reduced significantly, in line with a reduction in the travel being undertaken. Personal safety was potentially compromised with the publishing of residential addresses.
- The grants system was audited and all payments had been made accurately via the Councils processes.

Councillor Luggar joined the meeting at 6.38pm.

- There had been no reported fraud issues in the year to date. Management was aware that they could refer any suspected issues to the counter fraud team.
- The Council had agreed with Devon County Council that they would fund an exercise to review the Single Person Discounts claimed by individuals.
- The audit plan was broadly on schedule for the delivery of the plan.

The Chair thanked the Auditor for his informative report and acknowledged the comments made in relation to climate change.

In response to questions, the Internal Auditor advised the following:

- The business case in relation to grants was ready and the Director of Resources and Deputy Chief Executive advised that the Economic and Regeneration team were reviewing processes regularly.

- The Council Tax review of Single Person Discounts claimed by individuals was in part an exercise to ascertain that claimants were still eligible for the reduction or whether their circumstances had changed.

RESOLVED that the Internal Audit Progress report be noted.

**19. ANNUAL GOVERNANCE STATEMENT 2021/22**

The Committee considered a report by the Head of Governance regarding the Annual Governance Statement 2021/22 (circulated previously).

The Head of Governance advised the Committee:

- In conjunction with Internal and External Audit, compliance with the Framework in meeting the principles, where governance can be seen in action, and the assurance received and issued identified, had been assessed in detail and were included in full in Appendix A.
- During the year Internal Audit undertook 18 audits with the reports then sent to Senior Management Team for review. Their overall opinion was 'reasonable assurance' that a generally sound system of governance, risk management and control was in place.
- Any areas that had been identified for improvement were detailed within the report.

In response to a question, the Head of Governance confirmed that all elements of the audit process were reviewed and assessed together.

In response to a question regarding the placing of items on an agenda, the Chair confirmed that all proposed items were discussed at the Chair's meeting and that his agreement was sought prior to the publication of the agenda.

In response to question regarding the level of detail within the reports and whether they could be rationalised to simplify the process and reduce costs, the Director of Resources and Deputy Chief Executive advised that the reports had been reduced significantly. However, whilst officers were working with the auditors to reduce the length of some reports, certain reports had to be presented with a high level of detail owing to the decisions that were required to be taken by the Committee.

RESOLVED that the Annual Governance Statement 2021/22 be approved and proceed to Council for consideration.

**20. STATEMENT OF ACCOUNTS 2021/22**

The Committee considered a report by the Director of Resources and Deputy Chief Executive regarding the Statement of Accounts 2021/22 (circulated previously). The Director of Resources and Deputy Chief Executive highlighted the following points for the Committee:

- The draft accounts for 2021/22 financial year were signed off by the Chief Financial Officer on 5<sup>th</sup> July.

- An Unqualified opinion had been issued by the auditors, which was a clean audit of the accounts.
- The Council had originally budgeted to spend £13.639m in 2021-22. As at 31 December 2021, the Council was forecasting a net surplus of £89,000 against the budget.
- The last quarter of the financial year had seen some favourable variances since the last reported position; most notably additional recycling sales income and reduced spend in the Waste and Recycling service, together with general employee vacancy savings.
- It was pleasing to report that the final out turn position was a budget surplus of (£604,000) against original budget, which was an overall movement of (£515,000) from the last forecast at quarter 3.
- The original budget for 2021-22 included a forecast to achieve £225,000 worth of salary vacancy savings, this was exceeded by £99,000 giving an overall actual salary vacancy saving of £324,000. The movement from Q3 of £515,000 could be attributed to:
  - ICT reduced spend £78,000.
  - Waste & Recycling reduced spend £110,000.
  - Waste and Recycling Sales income £74,000.
  - Car parking income £60,000.
  - Crematorium contribution £41,000.
  - Employee vacancy savings £60,000.
  - Borrowing costs – Interest Payable £41,000.
  - Other Reduced costs £51,000.
- Members approved in June 2021 to proceed with the acquisition of Green Lanes Shopping Centre; for which the Council completed the purchase in November 2021.
- The purchase of Green Lanes Shopping Centre was a once in a lifetime opportunity to acquire a strategic asset and complement other significant regeneration improvements being delivered within the Barnstaple town centre through the Future High Streets project.
- The financial modelling demonstrated that revenue income generated from the centre would cover both the repayment of the loan and asset management costs and would return a contribution to the Council, which could be used towards mitigating future risks on income volatility, investment back into the centre and the overarching council budget.
- The financial outturn for the Centre produced a net return (income less costs) for the 2021/22 year of (£243,600) due to minimal borrowing costs for last financial year as those would start in 2022/23. This was a positive return for the Council for the four and half months ownership in the 2021/22 year. The net return to the Council of (£243,600); of this it was proposed to place £75,000 into an earmarked reserve to protect the council budget and mitigate against any future income volatility that could materialise as it moved forward with the centre and a further £168,600 into an earmarked reserve to fund future asset management initiatives to promote, market and maximise the occupancy of the Centre over the next few years, which the Council

anticipated would then have a positive financial return on ongoing revenue streams.

The Director of Resources and Deputy Chief Executive read out some recent feedback that had been received from Knight Frank (Commercial Property Specialists) to the North Devon Council team, which stated

“As we discussed our involvement with Green Lanes is long standing. Prior to your purchase I have to say that the level of voids within the scheme provided a fairly depressing experience however on my most recent visit the overall feel of the scheme had changed with the recent lettings which have been undertaken both improving occupancy levels but also improving the customer ‘experience’ within the scheme”.

He added that this was really positive feedback for the Council and demonstrated its intent to make the Centre a success, both operationally and financially.

- As at 31st March 2022 the Collection Fund reserve balance held was £5,722,000. This earmarked reserve was created to deal with the timing impacts of the Collection Fund (Business Rates), which ensured the revenue budget was not unduly affected in the year the taxes were collected. Collection Fund deficits/surpluses were reversed out to bring the revenue account back to the budgeted figure for the year; the deficits/surpluses were recovered/distributed in the following financial years.
- This reserve included an £4,523,000 balance that would be utilised in 2022/23 and 2023/24 to mitigate timing differences of business rate reliefs awarded in 2021/22 that from an accounting perspective impact over the next two financial years; thus leaving the Collection Fund reserve with a residue balance of £1,200,000 protection against future volatility.
- The recommended level of general fund balance was 5%-10% of the Council’s net revenue budget. It was pleasing to report that the combination of in year measures and robust budget management saw the Council through the financial pressures and resulted in a general fund reserve balance at 31 March 2022 of £1,211,000, which was a level of 8.9%.
- The Balance Sheet indicated the Councils total net worth was £47m.
- The value of the Councils long term assets had increased from £98m as at 31<sup>st</sup> March 2021 to £121m as at 31<sup>st</sup> March 2022.
- The Councils long term borrowing had increased from £501,000 as at 31<sup>st</sup> March 2021 to £3m as at 31<sup>st</sup> March 2022.
- The Council’s Defined Benefit Pension Scheme Liability had decreased from £71m as at 31<sup>st</sup> March 2021 to £64m as at 31<sup>st</sup> March 2022 and there was a note related to the breakdown of the figures on page 149 of the report.
- The cash flow statement and collection fund information was detailed on pages 89 to 91 of the report.
- Pages 92 to 111 of the report detailing the accounting policies for which there were no material changes.
- The notes to the accounts were detailed on pages 112 to 161 and provided a breakdown of the accounts figures.

- Pages 162 to 168 detailed the draft auditor's report, which gave an unqualified opinion on the financial statements.

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

- The Council budget always shows annual vacancy savings as jobs were advertised and filled throughout the year.
- The Local Government Pension scheme changed in 2014 from a final salary scheme and was subject to a three yearly review, the next of which was scheduled for November 2022 and would provide a valuation and expected contributions for the next three years.
- The vehicle leasing scheme replaced the original capital programme purchase scheme, which allowed the Council earlier access to vehicles as and when required. The revenue costs from leasing were roughly the same as previous borrowing costs. However, the leasing scheme provided a better choice of vehicles. The transfer to a leasing scheme meant that the Council would no longer have to buy vehicles at the same time and the replacement of vehicles was spread out over a longer period. This also allowed the Council greater flexibility should it wish to transfer to electric vehicles in the future.

RECOMMENDED that the Statement of Accounts 2021/22 be approved and proceed to Council for consideration.

## **21. EXTERNAL AUDIT - AUDIT FINDINGS REPORT**

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

The External Auditor confirmed:

- The post-statements audit began in July 2022 and as of 15<sup>th</sup> September 2022 it was substantially complete.
- This year a hybrid approach was adopted by the auditors with a combination of on site and remote working and the auditor expressed his thanks to the Finance team for agreeing to that approach.
- The work undertaken to date had not identified any material errors or adjustments to the financial statements.
- No adjustments had been identified that had resulted in any changes to the Council's financial statements or financial position.
- Subject to the completion of the remaining audit pieces of work and receiving responses to outstanding queries and having regard to any national guidance, it was anticipated that an unqualified audit opinion would be issued following the receipt of the letter of assurance from the Devon Pension Fund auditor in October 2022.
- North Devon Council's audit was one of the most progressed audits and well ahead of its November 2022 deadline.
- A significant area identified for testing was the use of internal journal transfers, for which no areas of concern were identified.

- During testing it was identified by the auditors that monthly bank reconciliations had not been completed for a period of the 2021/22 financial year owing to an issue with the software that was used. Management accepted this recommendation for improvement and advised that staffing and software issues had been the reason for issues within that area but this had now been resolved.
- The Value for Money assessment was working to a later deadline than normal, with an expected target of December 2022.
- The details in relation to the fees were set out on pages 196 to 197.

The Chair thanked the Internal Auditor for his report to the Committee. The Committee also expressed their thanks to the Finance team for their continued hard work in the delivery of a good audit.

The Director of Resources and Deputy Chief Executive advised that the Accountancy Services Manager and the team would ensure that the bank reconciliation issue would be rectified moving forward and that the Council had a good working relationship with Grant Thornton.

In response to a question regarding the Commercialisation Strategy and the increase to the workload to deliver the management of the Green Lanes shopping centre, the Internal Auditor advised that the opinion in the financial statements indicated that things were now very different. Councils were no longer as risk adverse and recognised the requirement to be risk aware when embarking on new projects to generate additional sources of income. He added that North Devon Council were very proactive in their approach to this new way of working.

The Committee thanked the Internal Auditor for his report.

RESOLVED that the External Audit - Audit Findings Report be noted.

**22. LETTER OF REPRESENTATION**

The Committee considered the Letter of Representation, presented by the Director of Resources and Deputy Chief Executive (circulated previously).

The Director of Resources and Deputy Chief Executive explained that the Letter of Representation formally outlined to the External Auditors, the governance arrangements in place and the Authority's responsibilities on the financial statements presented.

The Letter was presented to the Committee in advance of the Full Council meeting which would take place on 28<sup>th</sup> September 2022.

The Letter was required as part of the final process for the approval of the Statement of Accounts for 2021/22.

RECOMMENDED that the Letter of Representation be approved by Full Council.

**23. COMPENSATION PAYMENTS MADE UNDER DELEGATED POWERS**

The Committee considered a report by the Senior Communications and Feedback Officer (circulated previously) regarding Compensation Payments made under Delegated Powers.

The Director of Resources and Deputy Chief Executive advised that:

- This was an annual report on compensation payments made to customers through the complaints process from April 2021 to March 2022.
- The existing constitution gave delegated powers to Officers to agree compensation payments following investigation through the Councils complaints procedures, subject to consent from the relevant Head of Service and the Head of Governance.
- Compensation was only ever paid out when a customer had used excessive time and trouble to get their complaint resolved or where the investigating officer felt that the complaint warranted a refund and/or compensation due to the impact the service failure had on the customer. Most complaints were resolved without compensation being paid.
- A total of £561 had been paid out in compensation, which covered a variety of services:
  - One Trade Waste customer was refunded £60.28 and another £18.90 for missed collections.
  - Two customers were refunded for their £40 garden waste permits after issues with the service.
  - A bulky waste customer was refunded £17 for a missed collection.
  - Two customers were offered £30 each for errors in council tax processes.
  - £250 was awarded to a customer due to slow response to a planning application.
  - Three customers had their £25 parking fines refunded.
  - 32 customers had garden permits extended at a cost of £2,200 for missed garden waste collections.
  - One customer accepted some flowers after she tripped over in a car park and one customer was offered a day's free parking due to unclear instructions on charging leading to his overpayment.

In response to a question regarding the extension to garden waste permits, the Director of Resources and Deputy Chief Executive advised that there was no financial implication to the Council and the renewal date would just be extended by a couple of months.

In response to a question regarding planning application extension requests beyond the eight and sixteen week period, the Chief Executive advised that the performance data in relation to these requests formed part of the Council's Quarterly Performance report to Members.

The Chair advised that the Head of Planning, Housing and Health could be invited to a future meeting of the Committee to discuss any concerns that Members may have.



The Chief Executive added that he would also like the Committee to compare the figures for North Devon against other local authorities as this was a common theme in local government at the current time.

RESOLVED:

- (a) that the report be noted; and
- (b) that the Head of Planning, Housing and Health be invited to a future meeting of the Committee to discuss the extensions to planning application responses and other concerns that the Members might wish to discuss.

**24. 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 B detailed the actions that had been completed since the last meeting of the Committee.
- Table C detailed the outstanding recommendations together with Management requests for extensions to due dates.
- Table E contained information related to the Annual Governance Statement together with actions recently completed and some revised dates.

In response to a question regarding the reasons for requested extensions, the Director of Resources and Deputy Chief Executive advised that in light of recent events with the passing of Her Majesty the Queen and other areas of work that Government had asked the Council to prioritise help for such as supporting the ongoing refugee situation, that officers had been reassigned to other priority areas of work that were more pressing and so were unable to meet the current target deadlines within the report and thus why short extensions were now being requested.

The Committee agreed that when requesting extensions to deadlines that Managers should be realistic in their estimation of when an action was likely to be completed and if a longer extension was required then to request it rather than continually extending the deadlines at each meeting.

The Committee thanked the Housing Service for their efficiency in delivering a prompt response to the refugee situation and providing the necessary support.

The Internal Auditor suggested that the report be revised to include a traffic light system to make it easier for the Committee to interpret the urgency of each action.

RESOLVED:

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

**25. WORK PROGRAMME 2022-23**

The Committee considered the work programme for 2022-23 (circulated previously).

The Committee discussed the mental health awareness and requested an update report on the work that was being undertaken to address staff wellbeing and mental health.

The Chief Executive advised that as part of the Council's organisational development theme, there were currently a number of work streams in place to address issues such as regarding the cost of living, which consisted of a programme of support for employees and training for Managers to enable them to identify employees within their teams that might benefit from support from the Council.

He added that all proposals for support to employees were considered by the Organisation Group, which was made up of employees from across the authority. They also had input into the types of questions that would form part of any questionnaires to the workforce.

RESOLVED:

- (a) that the work programme for 2022-23 be noted;
- (b) that the Head of Planning, Housing and Health be invited to attend the meeting on 15<sup>th</sup> November 2022;
- (c) that the Chief Executive circulate an email to Members of the Committee outlining the Council's latest position regarding engagement with employees to provide support in the current climate.

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

Prior to moving into Part B and for the purpose of the recording and those joining the meeting virtually, the Chair read the following statement to the Committee:

"We have now reached the point in the agenda where the Committee will formally move into Part B to consider those item(s) which are not for consideration within the public domain.

At this point any members of the public or press are politely requested to leave the meeting for consideration of the remaining items on the agenda.

Following the consideration of the final two items in part b, the meeting will be officially closed by the Chair".

The Clerk was requested to stop the recording and all those attending virtually were thanked for their attendance at the meeting.

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 items as they involved the likely disclosure of exempt information as defined by 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 items be confirmed as “Not for Publication”.

**27. CYBER SECURITY UPDATE**

The Committee considered a report by the ICT Manager (circulated previously) regarding the Cyber Security Update.

The ICT Manager outlined the Council’s current cyber security position including potential costs moving forward. The highlight report outlined the work that had already been done in reducing North Devon Council’s attack surface.

The Committee asked questions and discussed the areas that were currently being focussed on by the ICT team.

RESOLVED, that the report together with the appendices attached and controls that had been put in place be noted.

**28. CORPORATE RISK REGISTER**

The Committee considered the Corporate Risk register report by the Head of Governance (circulated previously).

The Head of Governance took the Committee through the main highlights of the report and advised that:

- This report would be presented to the Committee on a quarterly basis.
- Each was shown with updated notes.

The Director of Resources and Deputy Chief Executive answered questions in relation to the report together with the risks identified within it.

In response to questions, the Chief Executive provided an explanation of the work that was currently being undertaken by the Council.

RESOLVED that the Corporate Risk Register be noted.

Chair

The meeting ended at 8.48 pm

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