

**SWT Audit and Governance  
Committee**

**Monday, 12th September, 2022,  
6.15 pm**

**Somerset West  
and Taunton**

**The John Meikle Room - The Deane  
House**

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**Members:** Lee Baker (Chair), Ed Firmin (Vice-Chair), Simon Coles,  
Hugh Davies, Tom Deakin, Dawn Johnson, Marcus Kravis,  
Janet Lloyd, Andy Milne, Steven Pugsley and Terry Venner

**Agenda**

**1. Apologies**

To receive any apologies for absence.

**2. Minutes of the previous meeting of the Audit and  
Governance Committee**

To approve the minutes of the previous meeting of the  
Committee held on 13<sup>th</sup> June 2022.

(Pages 5 - 16)

**3. Declarations of Interest**

To receive and note any declarations of disclosable pecuniary or  
prejudicial or personal interests in respect of any matters included  
on the agenda for consideration at this meeting.  
(The personal interests of Councillors and Clerks of Somerset  
County Council, Town or Parish Councils and other Local  
Authorities will automatically be recorded in the minutes.)

**4. Public Participation**

The Chair to advise the Committee of any items on which  
members of the public have requested to speak and advise those  
members of the public present of the details of the Council's public  
participation scheme.

For those members of the public who have submitted any  
questions or statements, please note, a three minute time limit  
applies to each speaker and you will be asked to speak before  
Councillors debate the issue.

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you are welcome to view and listen to the discussion. The link to  
each webcast will be available on the meeting webpage, but you  
can also access them on the [Somerset West and Taunton  
webcasting website](#).

<b>5. Audit and Governance Committee Forward Plan</b>	(Page 17)
To receive items and review the Audit and Governance Committee Forward Plan.	
<b>6. Audit and Governance Committee Terms of Reference Update</b>	(Pages 19-26)
This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen	
Report Author: Amy Tregellas, Governance Manager and Monitoring Officer	
To review and approve the updated Terms of Reference for the Audit and Governance Committee	
<b>7. SWAP Internal Audit - Progress Report 2022/23</b>	(Pages 27 - 44)
This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen.	
Report Author: Alastair Woodland, Assistant Director, SWAP	
This report summarises the work of the Council's Internal Audit Service and provides:	
<ul style="list-style-type: none"> <li>• Details of any new significant weaknesses identified during internal audit work completed since the start of the 2022/23 financial year</li> <li>• A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these</li> </ul>	
<b>8. Summary of Level 1 and 2 Internal Audit Actions</b>	(Pages 45 - 56)
This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen	
Report Author: Malcolm Riches, Business Intelligence & Performance Manager	
The purpose of this report is to update the Committee on progress against level 1 and 2 Internal Audit Actions as at end July 2022.	
<b>9. SWAP Baseline Fraud Maturity Report</b>	(Pages 57 - 76)
This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen	
Report Author: David Warren, Principal Investigation Officer, SWAP	
The purpose of this report is to provide the Committee with an update on the baseline assessment of organisational maturity in	

relation to fraud, undertaken in August 2022.

**10. Treasury Management 2021/22 Annual Report**

(Pages 77 - 94)

This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen

Report Author: John Dyson, Corporate Finance Manager

The purpose of this report is to provide the Committee with an update on the Treasury Management activity of the Council and performance against the Prudential Indicators in respect of the 2021/22 financial year.

**11. Local Government Ombudsman summary of complaints for 2021/22**

(Pages 95 - 102)

This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen

Report Author: Jess Thomas, Customer Experience Manager

The purpose of this report is to provide the Committee with details of the complaints made to the Local Government Ombudsman in 2021/22.

**12. Health and Safety Update**

(Pages 103 - 116)

This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen

Report Author: Sean Papworth, Assistant Director – Corporate

The purpose of this report is to provide the Committee with to provide the Audit and Governance committee with progress updates on the Health & Safety Performance Framework and delivery of the H & S Management System (HSMS) Improvement Programme.



**ANDREW PRITCHARD**  
**CHIEF EXECUTIVE**

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## SWT Audit and Governance Committee - 13 June 2022

Present: Councillor Lee Baker (Chair)

Councillors Janet Lloyd, Simon Coles, Hugh Davies, Dawn Johnson, Steven Pugsley and Hazel Prior-Sankey

Officers: Jackson Murray, Oliver Durbin, Amy Tregellas, Alastair Woodland, Ian Candlish, John Dyson, Malcolm Riches, Sean Papworth, James Barrahan and Jessica Kemmish

Also Present: Councillors Benet Allen, Francesca Smith and Federica Smith-Roberts

(The meeting commenced at 6.15 pm)

### 75. **Appointment of Chair**

The Committee resolved to elect councillor Lee Baker as the Chair of the Audit and Governance Committee.

### 76. **Appointment of Vice Chair**

The Committee resolved to elect councillor Janet Lloyd as Vice Chair of the Audit and Governance Committee.

### 77. **Apologies**

Apologies were received from Councillors Tom Deakin who was substituted by councillor Hazel Prior-Sankey, Ed Firmin, Marcus Kravis, Andy Milne and Terry Venner.

### 78. **Minutes of the previous meeting of the Audit and Governance Committee**

The Committee resolved to approve the minutes from the meeting held on 14<sup>th</sup> March.

The Committee resolved to approve the minutes from the meeting held on 22<sup>nd</sup> March.

### 79. **Declarations of Interest**

Members present at the meeting declared the following personal interests in their capacity as a Councillor or Clerk of a County, Town or Parish Council or any other Local Authority:-

Name	Minute No.	Description of Interest	Reason	Action Taken
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Cllr L Baker	All Items	SCC, Cheddon Fitzpaine & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr S Coles	All Items	SCC & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr H Davies	All Items	SCC	Personal	Spoke and Voted
Cllr D Johnson	All Items	SCC	Personal	Spoke and Voted
Cllr J Lloyd	All Items	Wellington & Sampford Arundel	Personal	Spoke and Voted
Cllr H Prior-Sankey	All Items	SCC & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr S Pugsley	All Items	SCC	Personal	Spoke and Voted
Cllr F Smith	All Items	SCC & Taunton Charter Trustee	Personal	Spoke
Cllr F Smith-Roberts	All Items	SCC & Taunton Charter Trustee	Personal	Spoke

Councillors Janet Lloyd and Hazel Prior-Sankey declared that they were a member of the Local Government Pension Scheme and were receiving their pension at present.

Councillor Fran Smith advised that they were a member of the Local Government Pension Scheme but not yet in receipt of their pension.

The monitoring officer advised that councillors Janet Lloyd and Hazel Prior-Sankey would need to leave the room should a question be raised in regard to the Local Government Pension Scheme. Councillor Fran Smith could remain as they were not yet in receipt of their pension.

During Item nine of the agenda Councillor Simon Coles declared a personal interest due to being the Chair of the Pensions Committee at Somerset County Council.

80. **Public Participation**

No members of the public had requested to speak on any item on the agenda.

81. **Audit and Governance Committee Forward Plan**

The Committee resolved to note the Audit and Governance Committee Forward Plan.

82. **External Audit Progress Report and Sector Update**

John Dyson, the Corporate Finance Manager, introduced the report:

- Introduced Oliver Durbin from Grant Thornton who was new to the authority and had started working on audits for Somerset West and Taunton Council this year.
- For the report being brought for item nine the audit was effectively underway, but the report was being brought to the Committee now due to the national delay which meant the report had not been shared with the Committee at the previous meeting as originally intended.

Oliver Durbin, Audit Manager, Grant Thornton further introduced the report:

- The report provided a progress update as of May 2022. It outlined the work completed to date on the audit. This included the initial understanding of the internal audit and control environment at the Council, the IT general controls in place and the work on value for money. These was a finding raised on the general controls around segregation of duties between those who can edit the system and those who can grant access.

During the debate the following points were raised:

- It was asked if there might be delays in getting a final report out on Somerset West and Taunton as an authority. It was responded by the representatives from Grant Thornton that no delays were expected. Discussions had been started about what would be done for the 2022-23 financial year as the new unitary authority would be in place by then.
- It was asked if the external auditors felt that a desktop survey would be satisfactory for Commercial Investment Assets. The Grant Thornton Audit Manager responded that they had worked with officers to agree the process and were satisfied with it.

The Committee resolved to note the recommendation in the report:

2.1 Members are requested to consider and note the Progress Report and Sector Update received from Grant Thornton.

## 83. **External Audit - Audit Plan 2021/22**

The representatives from Grant Thornton introduced the report:

- The Audit Plan was issued later than hoped due to the ongoing CIPFA consultation on some accounting policies. Therefore, the report could not be brought to the Committee in March as planned.
- Key areas of risk had been identified as had key areas of focus for the audit. Investment Property evaluations were included as a separate item for the first time to give assurance of the value of the investment properties.
- There were two items to consider on the value for money segment this included the Commercial Investment Strategy and a new risk on the merging of the local authorities in Somerset. This would be addressed in the auditor's value for money work.
- Detail was provided in the report on how risks would be approached as well as how accounting estimates would be approached.

- The audit fee included the costs of an expert being involved in the work on infrastructure assets. There may also be an additional fee dependant on whether auditing was done remotely.

During the debate the following points were raised:

- It was asked who agreed the valuations for properties and whether this was done in conjunction with Somerset County Council given the upcoming transition to a unitary authority. It was responded by Grant Thornton that valuations were carried out by independent valuers, the external auditors then challenged both the valuers and management at the Council and looked at methods used and the assumptions made to review how accurate they were.
- It was raised that the valuations were done annually and they were not seen as a risk last year but were this year. It was asked why this was. The Grant Thornton representatives responded that the property, plants and equipment were raised as a risk in the previous year's audit, but the difference was this year the Commercial Investment assets were included separately due to the level of investment which had doubled since the last financial year. The methods used to value the Commercial Investment properties were different to the methods used to value other assets which was another reason the two risks had been separated.

Councillors Janet Lloyd and Hazel Prior-Sankey left the room due to a pecuniary interest. Councillor Simon Coles declared an interest due to being the Chair of the Pensions Committee at Somerset County Council. The monitoring officer advised the Councillor Coles could remain in the room as the interest was not a pecuniary interest but instead a personal interest.

- It was asked regarding the council's pension fund net liability if reassurance could be given that the proposed response to the risk would be actioned and reviewed in detail. It was responded by Grant Thornton that the pension fund net liability had been flagged as an additional risk and additional work was being done around it because it had been identified as an area more likely to have a material area. It would be reviewed in detail.

Councillors Janet Lloyd and Hazel Prior-Sankey returned to the chamber.

- Concerns were raised about a sample being used in terms of housing assets with the valuation of a single property then being extrapolated to estimate the value of other housing properties the Council owned and this not being a very accurate method of valuation. The Grant Thornton Director responded that all local authorities used the same method of valuation for their housing stock, this was a beacon method. Multiple assets, 'beacons' would be valued and any other properties within a certain distance of similar type would then be given the same value. This did result in a margin of error, but the CIPFA code specified this method of valuations for local authorities to use.
- It was raised that Local Government Reorganisation was flagged as a significant risk in terms of preparations for the transition not being place. It was asked if the work of the external auditors would overlap with work being done by consultations for the new unitary authority. The Grant Thornton Director responded that for the 2021-2022 financial year a single auditor



would do all the work for value for money on the transition for all the Somerset authorities whom Grant Thornton did auditing for. The governance and financial arrangements would be considered as would improving economy, efficiency and effectiveness. Local government reorganisation was flagged as a risk because it was an administrative significant risk.

- It was asked if Grant Thornton were liaising with PricewaterhouseCooper (PwC) who were the consultants for the local government reorganisation programme. It was responded that members of Grant Thornton would liaise with PwC and would work with to gain necessary information for assurance as they would work with officers of the council to gain information.

The Committee resolved to note the recommendation in the report:

2.1 Members are requested to consider and note the SWTC External Audit Plan for the financial year ending 31 March 2022 received from Grant Thornton.

#### 84. **SWAP Internal Audit - Outturn Report 2021-22 Internal Audit Plan**

The Assistant Director for SWAP provided an introduction to the report:

- The report was to provide an update on the internal audit plan, to update on changes to that plan and to update on significant findings from the work conducted since the previous update.
- There were three reviews finalised since March. Those were two limited assurance reviews and one follow up review.
- There were some areas of good control which were given good assurance, such as housing rents.
- There was a significant risk in regard to Procurement Cards. This was due to the nature and extent of control weaknesses identified in this area and the potential risk regarding reputational damage to the authority if any inappropriate spending occurred.
- Progress against the Audit Plan was detailed in the report. The changes to the plan were also included. There had been a minor change to the ICT Review since the last update in March.
- There was a breakdown of the recommendations from reviews throughout the year. There were two reviews ongoing on staff retention and regeneration project governance.

During the debate the following points were raised:

- Concerns were raised about the risk with the Procurement Cards and a stop check not having been done for two years. Likewise, concerns were raised that VAT receipts had not been provided for all purchases given that the risk was listed as high. The SWAP Assistant Director responded that there was a significant value spent through purchase cards, around £400,000. The risk was high due to reputational damage but management were taking actions to address the risk.
- It was asked where purchase cards were used within the Council. The SWAP Assistant Director responded that they were used in departments throughout the Council. There were 26 cards within the authority but the audit had revealed that details were sometimes shared between officers which was problematic.

- It was asked who monitored purchase cards. The finance manager responded that officers were taking action following the review. A relaunch of the system for Purchase Cards was being undertaken, including a new policy which all staff who had a card would have to sign and agree to. Arrangements were going to be co-ordinated with the policies Somerset County Council had in place to improve efficiency down the line for the unitary transition. A review of who had a purchase card was being undertaken and officers would be provided with training. Whilst use of purchase cards could pose a risk, they also enabled services to respond quickly, decisively and effectively when needed.
- It was asked about spot checks being undertaken by the authority and concerns were raised that they were not occurring. The SWAP Assistant Director responded that in terms of checks it was important that the governance could stand up on its own and the plans of the council's management team were intended to address this. The finance manager added that there were plans to have an administrative officer independent to the card holder in each department to check that spending was responsible and appropriate.
- Concerns were raised about the poor governance and monitoring of purchase cards and the lack of reassurance that members could obtain about how cards were being used and reassurance that cards had only been used for legitimate purchases. The SWAP Assistant Director responded that there would be a review of expenditure in quarter one so it was hoped that assurance could be given following the review.
- It was asked when the stricter policy around purchase cards would be in place and what would be done in the meantime. The Finance Manager responded that the policy was anticipated to be in place by the end of August. The SWAP Assistant Director responded that a recommendation was made to solidify the rules with officers immediately through communication with all card holders and this recommendation had been implemented by management as an interim arrangement ahead of the new policy and framework being implemented.
- It was asked how it was discovered that card details were being shared amongst officers. The SWAP Assistant Director responded that it had been uncovered from conversations with officers.

The Committee resolved to note the recommendation in the report:

2.1 Members are asked to note progress made in delivery of the 2021-22 internal audit plan and significant findings since the previous update in March 2022.

## 85. **SWAP Internal Audit - Annual Opinion Report 2021/22**

The Assistant Director for SWAP provided an introduction to the report:

- Internal Audit was required to give an annual opinion on governance and controls at the Council.
- Reasonable Assurance had been given to the Council for the 2021-2022 financial year. Reasonable Assurance was also given in the previous financial year. Reasonable insurance was the second highest out of four potential categories.
- Some medium and high risks had been identified but no critical risks.

- The Annual Opinion was based on the work included in the Audit Plan for the year. There were therefore some gaps in coverage of the Internal Audit Plan and for areas not covered the Committee may wish to seek assurance from other sources in relation to those areas.
- SWAP was in conformance with the Public Sector Internal Auditing Standards.

During the debate the following points were raised:

- It was asked about the significant increase in the metrics for the total risk the Council had and whether this was concerning. The SWAP Assistant Director responded that it could be difficult to compare year to year due to each audit plan being different. 2021 was significantly impacted by Covid and more advisory work was done by SWAP. As plans became more normal the number of advisory reviews had dropped and so recommendations made had increased.

The Committee resolved to note the recommendation in the report:

2.1 Members are asked to note the Annual Opinion on the effectiveness of the internal control environment in the delivery of SWT objectives

## 86. **Summary of Level 1 and 2 Audit Actions**

Malcolm Riches, the Business Intelligence & Performance Manager, provided an introduction to the report:

- The report was to update the Committee on progress against the level 1 and level 2 actions identified from Internal Audits.
- The report gave the position at the end of April this year.
- Since the last report Housing Compliance and Risk Management Audits had had all the level 1 and 2 actions completed.
- 11 actions had been completed since the last report to the Audit and Governance Committee.
- There were 13 actions open, three of which were overdue. All the overdue actions were relating to Health and Safety.

During the debate the following points were raised:

- It was asked in relation to the Health and Safety audit actions whether member induction sessions had been booked as it was noted that the date these were intended to take place in June 2022. Officers advised that an answers to this question would be provided during item 17.
- It was asked if further updates could be given on the progress on the Health and Safety actions. Officers advised that an answers to this question would be provided during item 17.

The Committee resolved to note the report:

2.1 The Committee reviews the overdue actions contained in the report and notes progress to date.

## 87. **Going Concern Assessment 2021/22**

John Dyson, the Corporate Finance Manager, introduced the report:

- The report was a formal and routine part of the governance process. The report outlined that Somerset West and Taunton Council planned and expected to remain a going concern.
- The Section 151 Officer's opinion was that the Council remained a going concern.
- There were challenges including rises in interest rates and the unitary transition. Despite the challenges the Council was not experiencing financial difficulties and remained a going concern.

During the debate the following points were raised:

- Officers were thanked for their comprehensive report.

The Committee resolved to note the recommendation in report:

2.1 Members review and note the assessment made of the Council's status as a "going concern" as a basis for preparing their 2021/22 Statement of Accounts.

Sean Papworth joined the meeting.

## 88. **Annual Governance Statement 2021/22**

Amy Tregellas, the Monitoring Officer, introduced the report:

- The Annual Governance Statement was for the financial year 2021-22.
- The Annual Governance Statement for the next year would be brought to the Audit and Governance Committee in March 2023 due to unitary.
- Each year CIPFA included a list of what should be included in annual governance statements. The CIPFA requirements for this year included that the impact of Covid-19 be covered in the report.
- The report also included reflections on weaknesses in governance and details on internal audits. Updates on changes made, particularly around Health and Safety were included.
- The Council remained compliant against the financial management code.
- Key strategic risks were included in the report as was the management strategy for those risks.
- The report included information on local government reorganisation.
- There were two action plans attached to the report, one contained actions from this year's review and the other an update on actions from last year's statement.

During the debate the following points were raised:

- It was raised that there had not been an equalities group meeting recently. The Monitoring Officer responded that they would speak to the relevant officer and provide an update to members.
- It was asked how serious queries, for example in relation to fraud, could be raised in relation to audit and governance once the authority no longer existed after March 2023. The Monitoring Officer responded that this was being picked up as part of work on local government reorganisation. Audit trails would be maintained.

The Committee resolved to approve the recommendations in the report:  
That the Committee:

2.1 Approves the draft Annual Governance Statement and Action Plan (Appendix B) for 2021/22.

2.2 Notes the outturn position for the 2020/21 Action Plan

89. **Fraud Outturn Report 2021/22 and Annual Fraud Plan for 2022/23**

Amy Tregellas, the Monitoring Officer, introduced the report:

- The report set out the arrangements for Fraud and set out plans for the 2022-23 financial year. The level of work had been reduced due to some work being conducted as part of the local government reorganisation work.
- The report provided an update on the progress against the recommendations following the SWAP baseline maturity assessment. The actions which would be picked up during the current financial year were outlined.

The Committee Resolved to note the recommendations in the report:

2.1 The Committee approve the Fraud Outturn Report and Annual Plan for 2022/23.

90. **Landlord Health and Safety Property Compliance Update Report**

Ian Candlish, Assistant Director for Housing Compliance introduced the report:

- The report was in the same format as previous reports.
- The report covered key compliance areas such as asbestos and gas safety checks. Most areas were at 100% compliance.
- Key areas of activity since the last update to the Committee included work around procurement with new electrical contractors, fire risk assessments now being at 100% compliance and 100% compliance having been maintained in relation to gas safety checks, fire detection emergency lighting, lifts and other areas.
- A process of third-party audits on gas and electrical safety checks had begun.
- The HRA asbestos dwelling surveys were currently at 84% for surveys having been completed post August 2018.
- The capital programme and void property surveys were also being undertaken.
- Electrical property testing, including any remedial work to gain certification were at 74% completion. This remained a challenging area as it was difficult to obtain sufficient qualified electricians, both internally and through contractors.
- Weekly monitoring meetings were conducted to monitor progress on compliance.

During the debate the following points were raised:

- It was asked if there was a reluctance amongst tenants to let staff into their homes to conduct works or surveys. The Assistant Director responded that there was still a level of anxiety amongst tenants around allowing access, this was not just for compliance activities but also for improvement works.
- It was asked what level of confidence officers had that all compliance work could be completed by the end of the Council's existence in March 2023. Officers responded that this was a challenge. Officers had looked to appoint

as many contractors as possible to ensure as much work could be completed as possible. Regular monitoring would continue.

- It was asked regarding remedial action that there was no remedial actions remaining and whether the work regarding the flooring at Churchill Road had been completed. Officers responded that they would provide a written response after the meeting.

The Committee resolved to note the recommendation in the report:

2.1 The contents of the report and progress being made in relation to landlord property safety compliance be noted.

91. **Health & Safety Management System - Performance framework and Improvement Programme**

Sean Papworth, Assistant Director for Corporate, provided an introduction to the report:

- The report was in the same format as previous reports to the Committee with the addition of a scorecard in Appendix A.
- Some of the key areas to highlight from the scorecard were that more incidents were now being reported which would allow more work to be done to prevent future incidents.
- There had been an increase in incidents involving vehicles, so training was being reviewed.
- The contractor management process would also be shared more widely across the organisation, as would details around site security.
- Additional staff members had joined the Health and Safety Committee which made up part of the governance process for health and safety.
- SWAP would be undertaking a further audit in Quarter Two to review progress to date on health and safety.
- The Corporate Health and Safety Policy was being worked on and would be shared shortly.
- Risk Management was a key aspect of the improvement plan for Health and Safety. The highest risk activities and areas of the Council were being prioritised for having risk assessments reviewed and updated.
- A training programme was being created. There was a focus on compliance training being completed and the right records on training completion being stored centrally.
- Improvements still needed to be made but the progress to date was significant.

Councillor Smith-Roberts left the meeting at 20:04

The Director for Housing and Communities provided a further introduction to the report:

- Excellent progress had been made on health and safety.
- The organisation was now data led in its arrangements around health and safety.
- Progress the Council had made was being fed into the local government reorganisation programme as Somerset West and Taunton was currently likely in a better position than other local authorities in Somerset. As part of this, a new software system for health and safety was being considered.

During the debate the following points were raised:

- It was asked how it would be ensured that risk assessments would be completed by March 2023. Officers responded that they were working on the highest areas of risk first, in terms of timescales they would seek to provide a response to members after the meeting. Risk assessments did already exist, the work was about reviewing and assessing the risk assessments in place to ensure they were appropriate.

Cllr Fran Smith left the meeting 20:09

- It was raised that delivery dates for courses for members on health and safety had been listed as being scheduled for June 2022 but had not yet been scheduled. An update on this was requested. Officers responded that some aspects of work around health and safety improvements had taken longer than initially been hoped. The relevant policies were now in place and plans for member training were in progress. A more specific update on timings would be provided after the meeting.

The Committee resolved to approve the recommendations in the report:

2.1 The committee is asked to note and endorse:

- A) the H & S Performance Scorecard data, together with the observations/recommendations/conclusive summary (appendix A)
- B) the HSMS Improvement Programme progress update (detailed in section 4.4.3)

(The Meeting ended at 8.16 pm)





	AUDIT AND GOVERNANCE COMMITTEE		
Meeting Date	Draft Agenda Items	Lead Officer	Unitary/SWT
<b>12 September 2022</b>	Internal Audit - Progress Report 2022-23	SWAP (Alastair Woodland)	
Report Deadline	Summary of Level 1 and 2 Audit Actions Progress	Malcolm Riches	
31 August 2022	Treasury Management 2021/22 Annual Report	John Dyson	
	SWAP Baseline Fraud Maturity Report	David Warren (SWAP)	
	Local Government Ombudsman Summary of Complaints	Amy Tregellas	
	Health and Safety Update	Sean Papworth	
<b>27 September 2022</b>	External Auditor's 2020/21 Key Recommendation Update	Paul Fitzgerald	
<b>SOA Special Meeting</b>	External Audit - Progress Report	Grant Thornton LLP (Jackson Murray)	
16 September 2022	External Audit Findings Report 2021/22	Grant Thornton LLP (Jackson Murray)	
	External Audit Auditor's Annual Report 2021/22	Grant Thornton LLP (Jackson Murray)	
	Annual Governance Statement 2021/22 (Final)	Amy Tregellas	
	Approval of Statement of Accounts 2021/22	John Dyson	
<b>12 December 2022</b>	External Audit Progress Report and Sector Update	Grant Thornton LLP (Jackson Murray)	SWT
Report Deadline	Internal Audit - Progress Report 2022/23	SWAP (Alastair Woodland)	SWT
30 November 2022	Treasury Management 2022/23 Mid Year Review	John Dyson	SWT
	Update on Annual Fraud plan 2022/23	Amy Tregellas	SWT
	Summary of Level 1 and 2 Audit Actions Progress	Malcolm Riches	SWT
	Landlord Compliance Report	Ian Candlish	SWT
	H&S Update	James Barrah	SWT
<b>13 March 2023</b>	External Audit Progress Report and Sector Update	Grant Thornton LLP (Jackson Murray)	<b>SWT and/or possibly Unitary</b>
Report Deadline	External Audit Plan 2022/23 Accounts	Grant Thornton LLP (Jackson Murray)	<b>SWT and/or possibly Unitary</b>
	External Audit Informing the Risk Assessment 2022/23	Grant Thornton LLP (Jackson Murray)	<b>SWT and/or possibly Unitary</b>
01 March 2023	Internal Audit - Progress Report 2022/23	SWAP (Alastair Woodland)	SWT
	Internal Audit - Audit Plan and Charter 2023/24	SWAP (Alastair Woodland)	<b>Unitary - confirmed by AW that this is correct</b>
	Internal Audit Annual Opinion Report 2022-23	SWAP (Alastair Woodland)	SWT
	Summary of Level 1 and 2 Audit Actions Progress	Malcolm Riches	SWT
	H&S Update	James Barrah	SWT
	Audit and Governance Chair's Annual Report 2022/23	Chair of Committee	SWT
	Annual Governance Statement 2022/23	Amy Tregellas	SWT
	Local Code of Corporate Governance	Amy Tregellas	<b>Unitary</b>
	Risk and Opportunity Management Strategy	Amy Tregellas	<b>Unitary</b>
	Treasury Management Q3 2022/23	John Dyson	SWT



Report Number: SWT 121/22

## **Somerset West and Taunton Council**

### **Audit and Governance Committee – 12 September 2022**

#### **Audit and Governance Committee Terms of Reference update**

**This matter is the responsibility of the Leader of the Council, Cllr Federica Smith-Roberts**

**Report Author: Amy Tregellas, Governance Manager and Monitoring Officer**

#### **1 Executive Summary / Purpose of the Report**

- 1.1 The purpose of this report is to provide the Committee with an update version of the Audit and Governance Committee Terms of Reference.
- 1.2 The reason for the update is to reflect changes recommended in the SWAP Baseline Fraud Maturity Report (also on the Audit and Governance Committee agenda on 12 September 2022).

#### **2 Recommendations**

- 2.1 The Committee recommends to Council that the updated Terms of Reference for the Audit and Governance Committee are approved.

#### **3 Risk Assessment**

- 3.1 Failure to have an up to date Constitution could result in a negative opinion and recommendations arising from Internal and External Audits, as well as an action being included in the Annual Governance Statement Action Plan.

#### **4 Background and Full details of the Report**

- 4.1 The Audit and Governance Committee are asked to consider amendments to the Committee's Terms of Reference (Attached as Appendix A – proposed changes are in ***bold italics***).
- 4.2 The key changes are:
  - Adding in the Committee's responsibility for approving the Council's Annual Fraud Plan (as per the SWAP Baseline Fraud Report)
  - Adding in the Committee's responsibility for monitoring and reviewing the Council's performance against the Annual Fraud Plan – half yearly (as per the SWAP Baseline

Fraud Report)

- Reflecting that the Risk Management Strategy is now called the Risk and Opportunity Management Strategy
- Reflecting that the suite of Fraud Policies now includes the Anti-Money Laundering Policy

## **5 Links to Corporate Strategy**

- 5.1 Having a robust governance framework and Constitution overarches everything that the Council does, including the delivery of the Corporate Strategy.

## **6 Finance / Resource Implications**

- 6.1 None arising from this report

### **Unitary Council Financial Implications and S24 Direction Implications**

- 6.2 None arising from this report

## **7 Legal Implications**

- 7.1 None arising from this report

## **8 Climate, Ecology and Sustainability Implications**

- 8.1 None arising from this report

## **9 Safeguarding and/or Community Safety Implications**

- 9.1 None arising from this report

## **10 Equality and Diversity Implications**

- 10.1 None arising from this report

## **11 Social Value Implications**

- 11.1 None arising from this report

## **12 Partnership Implications**

- 12.1 None arising from this report

## **13 Health and Wellbeing Implications**

- 13.1 None arising from this report

## **14 Asset Management Implications**

- 14.1 None arising from this report

## **15 Data Protection Implications**

15.1 None arising from this report

## **16 Consultation Implications**

16.1 None arising from this report

### **Democratic Path:**

- **Audit and Governance Committee – Yes, 12 September 2022**
- **Executive – No**
- **Full Council – Yes, Next meeting**

**Reporting Frequency: Ad-hoc**

### **List of Appendices (background papers to the report)**

Appendix A	Audit & Governance Committee Terms of Reference
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### **Contact Officers**

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# AUDIT AND GOVERNANCE COMMITTEE

## Membership and Meetings

The Audit and Governance Committee will be composed of 11 elected Councillors, except any councillor who is a member of the Executive;

The Quorum for the Audit and Governance Committee shall be 4 voting members of the Committee.

The Committee will normally meet on a quarterly basis.

## Scope

The Audit and Governance Committee will have overall responsibility for governance and audit matters as set out in the terms of reference.

## Terms of Reference

The Audit and Governance Committee will have the following roles and functions:

### A. Corporate Governance

1. Oversee the Council's use of risk management.
2. Approving the Local Code of Corporate Governance.
3. Approving the Annual Governance Statement.
4. ~~Considering and a~~ Approving the Council's Risk **and Opportunity** Management Statement and Strategy.
5. **Approving the Council's Annual Fraud Plan**
6. Monitor and review the Council's internal and external audit functions.
7. Monitor and review the Council's systems of internal control
8. **Monitor the progress on delivering Audit Actions on a quarterly basis.**
9. To make recommendations to the Council regarding any suggested major changes to the Constitution, particularly in respect of financial procedures and protocols, procurement procedures and guidelines.

10. Monitoring and reviewing the operation of the Council's Constitution, particularly in respect of financial procedures and protocols, procurement procedures and guidelines.
11. Reviewing any corporate governance issue referred to the Committee by the Chief Executive, the Section 151 Officer or the Monitoring Officer, the Leader/Executive or any other committee of the Council.
12. Considering the Council's arrangements for corporate governance and necessary actions to ensure compliance with best practice, together with any relevant issues referred by the Leadership Team or Statutory Officers.
13. Considering the Council's compliance with its own and other published standards and controls.
14. Considering the annual report regarding complaints about the Council referred to the Local Government and Social Care Ombudsman.
15. Approving payments or other benefits of a value greater than £5,000 arising from complaints to the Local Government and Social Care Ombudsman.
16. Monitoring the effectiveness of the Council's policies and procedures that ensure sound governance arrangements, including:
  - a) whistle-blowing procedure;
  - b) anti-fraud and corruption policy;
  - c) anti-bribery policy and procedure;
  - d) ***anti-Money Laundering Policy***
  - e) complaints procedure;

and making appropriate recommendations to the Executive.

17. ***Monitor and review the Council's performance against the Annual Fraud Plan. Updates to be provided to the Committee on a half-yearly basis.***

18. Monitoring and auditing of the Council's equalities and diversity policies.

## **B. Audit and Accounts**

1. Agreeing the internal and external audit plans and monitoring delivery of the plans.
2. Review and challenge any significant issues and the action plans arising in the annual audit report and management letter for the Council.
3. Monitoring the implementation of significant audit recommendations.



4. Raising the profile of internal control within the authority.
5. Reviewing and approving the annual Statement of Accounts and Narrative Statement.
6. To regularly review the effectiveness of overall governance arrangements for the Hinkley Point Project and receive both internal and external audit reports including those undertaken by EDF.
7. Considering reports dealing with the management and performance of the providers of the internal audit function.
8. Considering reports from internal audit on recommendations agreed with service leaders as a result of an internal audit review which have not been implemented within a reasonable timescale.
9. Considering specific reports submitted by the internal or external auditors.
10. Commenting on the scope and depth of external audit work and ensuring that it gives value for money.
11. Considering any other matter referred by the Section 151 Officer.

## **Annual Report**

The Audit and Governance Committee must report annually to the Full Council on its work undertaken during the year, its future work programme and amended working methods if appropriate.



# **Somerset West and Taunton Council**

## **Audit and Governance Committee – 12 September 2022**

### **SWAP Internal Audit Plan 2022-23 Progress Report**

**This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Councillor Benet Allen**

**Report Author: Alastair Woodland, SWAP Assistant Director**

#### **1 Executive Summary / Purpose of the Report**

- 1.1 The Internal Audit function plays a central role in corporate governance by providing assurance to the Audit, Governance and Standards Committee, looking over financial controls and checking on the probity of the organisation.
- 1.2 The 2022/23 Annual Internal Audit Plan is to provide independent and objective assurance on SWTC's Internal Control Environment. This work will support the Annual Governance Statement

#### **2 Recommendations**

- 2.1 The Committee is recommended to note progress made in delivery of the 2022/23 internal audit plan and significant findings as identified in this update.

#### **3 Risk Assessment**

- 3.1 Any large organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the risks it may face. SWTC has a risk management framework, and within that, individual internal audit reports deal with the specific risks and issues that arise from the findings. These are translated into mitigating actions and timetables for management to implement.

#### **4 Background and Full details of the Report**

- 4.1 This report summarises the work of the Council's Internal Audit Service and provides:
  - Details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in June 2022.
  - A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these.
- 4.2 The SWAP Internal Audit Plan 2022/23 Progress Report is included as an appendix to this report.

## 5 Management Update

- 5.1 A separate report is provided to Audit and Governance Committee summarising progress in completing agreed management actions to address Priority 1 and Priority 2 recommendations arising from individual internal audit reports.
- 5.2 In the last report to committee on 13 June 2022 Members were advised of two (out of the seven) audits completed during the previous quarter where the SWAP's assurance Opinion was "Limited". This section of the report provides the Committee with a brief update on progress made addressing the control weaknesses reported.

### Purchasing Cards

- 5.3 This report contains 7 recommendations that management has accepted and committed to action to address. Of the recommendations, 3 are Priority 1, and 4 are Priority 2. Management has made good progress addressing the issues concerned with all actions completed as summarised below:

	Recommendations	Completed	In Progress
Priority 1	3	3	N/A
Priority 2	4	4	N/A

- 5.4 Actions completed by management includes:

- An interim review of existing purchasing card credit limits has been completed with credit limits reduced where these exceeded current business need.
- The S151 Officer, with support from SMT, issued an immediate notice to all card holders reminding of the controls to be applied by all cardholders include stronger security of card details and improved administration of financial records for all purchases made. This included a warning that cards would be withdrawn if proper controls are not maintained.
- The S151 Officer has commissioned further focussed assurance work with a larger sample of transactions being tested. This is at draft report stage, and SMT including the S151 Officer have considered a measured response to the findings of this further information. Whilst there are some gaps in assurance in respect of some transactions, having reviewed the information SMT's judgment is that the risk of fraud or error is low and that the improvements being made to policy and process will provide adequate controls in future. A further reminder about accepted practice and valid use of cards will be issued to cardholders.
- Completely new Purchasing Card Policy and Guidelines together with a new Cardholder Declaration have been prepared that provide comprehensive information to cardholders and defines responsibilities of all those involved in the processes of approving, using, and administering the cards. This was approved by SMT on 31 August 2022.
- New card account arrangements are agreed and in process of implementation, with these being set up with the bank, following which new cards will be issued to all staff identified as requiring a card to meet business requirements under the new Policy. Requirements for individual officers to hold a purchasing card will be carefully considered by Service Managers/Assistant Directors with Procurement Officers to ensure a card is required to meet business need and establish an appropriate credit limit.

- Improved administration and supervisory procedures are completed and being implemented with the new purchasing cards when issued, with interim measures in place to strengthen the process pending the formal rollout. Managers or budget holders are required to review and sign off that the monthly card statements are complete and accurate, and the expenditure is properly authorised, to be submitted to Finance in a timely manner.

5.5 The S151 Officer is satisfied that SMT has given robust direction and support for purchase card controls to be improved and require much improved assurance that the improved financial procedures are maintained with compliance issues and concerns to be escalated to Directors promptly in future. The agreed actions in response to the audit have been addressed and either implemented or are in the course of implementation. The S151 Officer has discussed this also with the Chair of Audit and Governance who acknowledges the consideration of the issues and the rationale for this way forward.

### **Management of Material Supplies Chains (Stores)**

5.6 This report contains 5 recommendations that management has accepted and committed to action to address. Of the recommendations, 1 is Priority 1, and 4 are Priority 2. Management has made good progress addressing the issues concerned with 1 action completed as summarised below:

	Recommendations	Completed	In Progress
Priority 1	1	0	1
Priority 2	4	1	3

5.7 Actions completed by management includes:

- A review of the current stocktaking process has been undertaken. This has established the need for training and a review of the stocktaking module of our Open Contractor software.
- Sharing of Purchasing Cards has ceased following instruction by the Assistant Director Finance (S151 Officer).
- A review of the current materials supply chain has been undertaken, and procurement of a specialist materials supply chain framework provider has subsequently been carried out and a preferred bidder selected.

5.8 Actions in progress includes:

- Training and a review of the stocktaking module of our Open Contractor software is currently being arranged for urgent implementation in a test database during 2022, and an initial baseline stocktake will then be undertaken as part of this process within the live database.
- Working with the newly procured specialist materials supply chain framework provider to develop and implement improved processes.
- A review of appropriate staff to approve orders and payments, incorporating separation of duties. Following this work, revised material supply management arrangements will be put in place.
- A review of suppliers used, and a communication strategy advising of their need to ensure they only fulfil orders that are supported by an approved requisition, in advance of supply, is being developed. A monitoring system is also to be put in

place with the support of our material supply chain framework partner.

## **6 Links to Corporate Strategy**

- 6.1 Delivery of the corporate objectives requires strong internal control. The attached report provides a summary of the audit work carried out to date this year by the Council's internal auditors, SWAP Internal Audit Services.

## **7 Finance / Resource Implications**

- 7.1 There are no specific financial implications or additional resource requirements within this report.

### **Unitary Council Financial Implications and S24 Direction Implications**

- 7.2 Not applicable.

### **Democratic Path:**

- **Audit and Governance Committee – Yes (12/09/2022)**
- **Executive – No**
- **Full Council – No**

### **Reporting Frequency: Quarterly**

### **Appendices**

Appendix	SWAP Internal Audit Plan Progress Report 2022/23
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### **Contact Officers**

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# Somerset West and Taunton

## Report of Internal Audit Activity

### 2022-23 Progress Report September 2022

Page 31

# Contents

## The contacts at SWAP in connection with this report are:

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## Summary:

Contents

Page 1

Role of Internal Audit

Page 2



## Control Assurance:

Internal Audit Work Programme

Page 3

Significant Corporate Risks

Page 4

Summary of Limited or No Assurance Opinions

Page 4



## Plan Performance:

Support for LGR

Page 5

Approved Changes to the Audit Plan

Page 6



## Appendices:

Appendix A – Audit Framework Definitions

Page 7

Appendix B – Summary of Work Plan

Pages 8 - 11

Appendix C – One page report summaries

Page 12



## Internal Audit Plan Progress 2022-23

### Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



### Role of Internal Audit

The Internal Audit service for Somerset West and Taunton Council is provided by SWAP Internal Audit Services Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit, Governance and Standards Committee at its meeting in March 2022.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Senior Leadership Team. The 2022-23 Audit Plan was reported to the Audit, Governance and Standards Committee and approved at its meeting in March 2022. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

## Internal Audit Plan Progress 2022-23

### Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 3 being minor or administrative concerns to 1 being areas of major concern requiring immediate corrective action.



### Internal Audit Work programme

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2022/23. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed. Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management.

In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed in **Appendix A**.

The following table summarised Audits finalised since the previous update in June 2022.

Audit Area	Opinion
Exacom - Section 106/CIL	Substantial
Post payment assurance on COVID-19 grants (ARG & Restart)	Reasonable
Staff Retention	Advisory
Income Collection Car Parking	Reasonable
Income Collection Litter Enforcement Fines	Substantial
Baseline Assessment for Fraud Risk	Advisory
Unitary Lessons Learnt	Advisory

Please refer to Table 2 in **Appendix B** for LGR complete and on-going work.

**Appendix C** at the end of this report provides the details on Baseline Assessment for Fraud Risk to assist with the Audit Committees role in oversight of counter fraud arrangements.



## Internal Audit Plan Progress 2022-23

### Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.

### Completed Assignments:

Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.

- Limited or No Assurance Opinions
- Follow-ups



### Significant Corporate Risks

We provide a definition of the 3 Risk Levels applied within audit reports and these are detailed in **Appendix A**. For those audits which have reached report stage through the year, I will report risks we have assessed as 'High'.

In this update there are no final reports with significant (High) corporate risks.



### Summary of Work Completed – Limited or No Assurance Opinions

No audits have been assessed as Limited or No Assurance during the period under review.

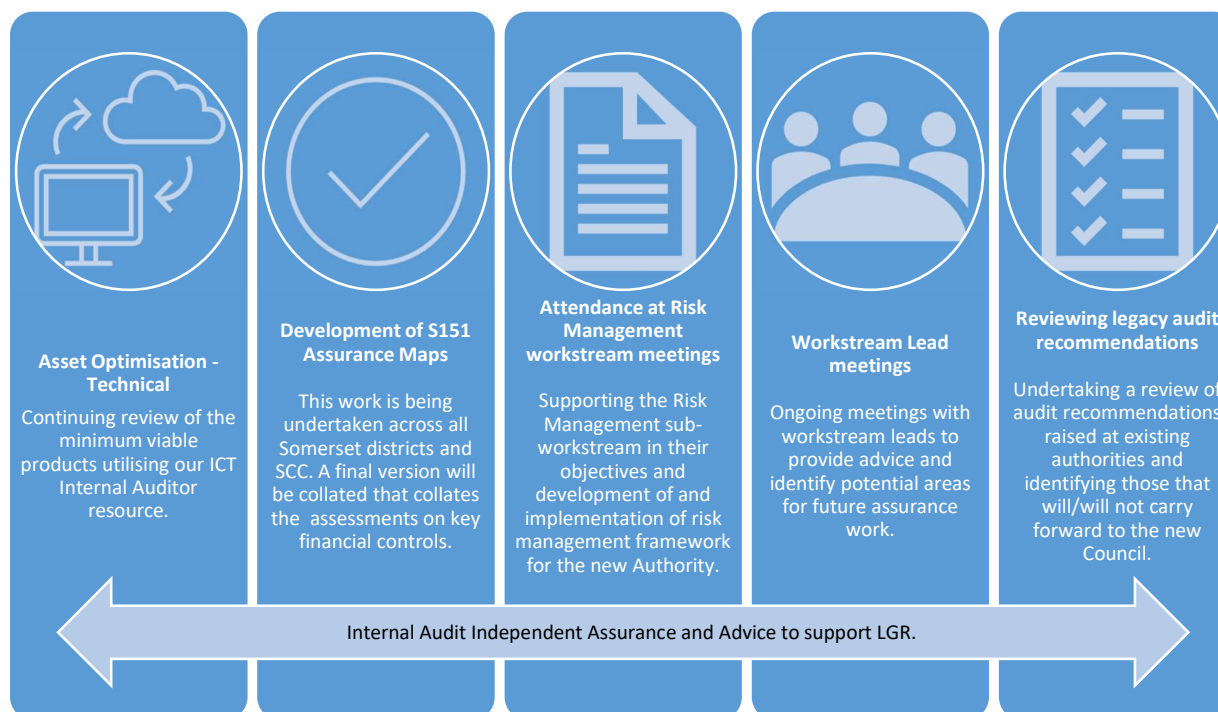


Supporting the formation of the new unitary authority by providing advice and independent assurance on activities being undertaken via the workstreams.



## Support for LGR

As part of our planning for 22/23 we have included time to provide Unitary Programme Assurance Work as well as Unitary Workstream support. Most Programme Assurance will be covered by the PWC Quality Reviews. We should be able to take assurance from their work to contribute to the Internal Audit Annual Opinion to avoid any duplication. We will provide a critical friend role to LGR work supporting delivery of outcomes. This is advisory/consultative work with rapid feedback via meetings/e-mail, or brief summary reports. Some of the areas we're focussing on are detailed in the chart below.



## Internal Audit Plan Progress 2022-23

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Audit Plans are undertaken on a rolling quarterly basis.



### Approved Changes to the Plan

We will regularly re-visit and adjust our rolling programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems, and controls. Details of our current work areas are provided in **Appendix B**.

The following table highlights changes to the plan since the previous update. There are also some required/requested timing changes of reviews which would be separately identified if considered to be significant.

Our rolling plans are agreed with the Senior Leadership Team quarterly from the list of unscheduled audit areas that constitutes the rolling Audit Plan. Members of the Audit Committee are welcome to identify area where they need assurance for priority work to assist in their role with oversight of governance, risk and control. **Quarter 2 audits shown in appendix B have been agreed with Senior Leadership Team since our previous update, additional changes to the plan are summarised in the table below.**

Revised Audit Plan	Agreed Change
Protect & Vaccinate – CIA Sign off	Removed - Sign off requirements were changed allowing Councils to opt for S151 Officer sign off.
Covid Outbreak Management Fund (COMF) – CIA Sign off	Added – grant expenditure requires Chief Internal Auditor Sign off
Creditors	Agreed priority areas for Q2.
Records Management	
Homelessness	
Debtors	
Income Collection – Deane Helpline	Originally included as a single opinion audit. We have focussed our testing on three separate areas and will provide an area on each.
Income Collection – Car Parking	
Income Collection – Litter Enforcement Fine	



## Assurance Definitions

<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Substantial</b>	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Non-Opinion/Advisory</b>	In addition to our opinion-based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance.

## Definition of Corporate Risks

<b>Risk</b>	<b>Reporting Implications</b>
<b>High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	Issues of a minor nature or best practice where some improvement can be made.

## Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

<b>Priority 1</b>	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

**Table 1**

Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
Complete								
Assurance	Exacom - Section 106/CIL	Complete	Substantial	0	0	0	0	
Assurance	Post payment assurance on COVID-19 grants (ARG & Restart)	Complete	Reasonable	0	0	0	0	
Assurance	Staff Retention	Complete	Advisory	4	-	-	4	
Assurance	Income Collection – Car Parking	Complete	Reasonable	1	-	1	-	Income collection audit split into three different opinions. Note: testing is still being undertaken on Deane Helpline.
Assurance	Income Collection - Litter Enforcement Fines	Complete	Substantial	-	-	-	-	
Advisory	Baseline Assessment for Maturity of Fraud Risk	Complete	Advisory	-	-	-	-	
Advisory	<b>NEW:</b> Unitary Preparedness – lessons learnt	Complete	Advisory	-	-	-	-	
Draft								
Assurance - ICT	ICT Security Policy & Awareness Audit	Draft						
Assurance	<b>NEW:</b> Regeneration Projects - Governance	Draft						



Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
Special Review	Procurement Card Transactions - Transactions review	Draft						
Follow Up	Health and Safety Follow Up	Draft						
In Progress								
Investigatory	Special Investigation – FTC Allegation	In Progress						
Grant Certification	<b>NEW:</b> Covid Outbreak Management Fund (COMF)	In Progress						
Assurance	<b>NEW:</b> Debtors – High Level Review	In Progress						Review focussing primarily on 2 <sup>nd</sup> line controls.
Assurance	Income Collection – Deane Helpline	In Progress						
Not Started								
Advisory	Fraud Awareness Training	Not Started						
Assurance	<b>NEW:</b> Creditors – incl. data analytics review	Not Started						
Assurance	<b>NEW:</b> Records Management	Not Started						
Assurance	<b>NEW:</b> Homelessness	Not Started						





Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
Dropped/Replaced								
Grant Certification	NEW: Protect & Vaccinate	Dropped						
Assurance	Income Collection	Replaced	Reported as three separate opinions on income collection for; Car Parking, Litter Enforcement and Deane Helpline.					

Table 2

Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
LGR Support Work								
Advisory	PCIDSS	Complete	Advisory	-	-	-	-	
Advisory	Data Centre	Complete	Advisory	-	-	-	-	This replaced the Data Centre Follow Up planned at SWT.
Advisory	IT Minimum Viable Products	Complete	Advisory	-	-	-	-	
Advisory	M365 and Active Directory	Complete	Advisory	-	-	-	-	
Advisory	Risk Management Workstream Support	Ongoing						Q1- Q4
Advisory	Asset Optimisation: Technical Workstream Support	Ongoing						Q1- Q4 (Cyber Security aspects Q3 & Q4)



Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
Advisory	S151 Assurance Map	In Progress						
Advisory	Legacy Audit Recommendations	In Progress						Q2 – Q4
Assurance	Business Continuity	Not Started						Q4
Assurance	Payroll – transfer of district staff	Not Started						

Please note that PWC are the Quality Assurance provider overseeing the whole LGR programme and provide monthly updates to the Programme Board.

**Baseline Assessment of Maturity in relation to Fraud – August 2022**  
**Follow Up review**

Somerset West  
and Taunton



**Baseline Assessment of Six Themed Areas**



**Scope and Ambition**

This baseline assessment is a corporate view of fraud maturity within the organisation. This exercise is a revisit of the assessment performed in 2021 and shows any progress with regards to counter fraud work and any increase in the level of maturity at the authority.

Management should ensure the key findings from this work are considered to reduce risk of fraud and to protect the public purse.

SWAP's Counter Fraud Team is committed to helping Partners and Clients to reduce the risk of fraud and to protect the public purse.

**Key Findings**

- The Terms of Reference for Audit, Governance and Standards Committee has not been expanded to include a requirement to monitor the council's counter fraud plan, performance of the contractor and regularity of reporting. This will be taken to Committee in September 2022.
- There has been no update to the contract template for third parties and contractors which advises them of the Council's Whistleblowing Policy, however the Council are aware of this recommendation, and it will be picked up as part of the Local Government Reorganisation workstream.
- Actions from the 2021 review have been implemented and this has led to visible progress in the comparison between years.
- An Anti-Fraud and Corruption Strategy and an Anti-Money Laundering Policy have been created and are available on the Somerset West and Taunton website.
- The Risk and Opportunity Management Strategy has been updated to reflect the risks of fraud and corruption and the Corporate Risk Register has been updated accordingly.

**Assessments per Area Reviewed**



**Comparison of Results Between Years**



stricted



# **Somerset West and Taunton Council**

## **Audit and Governance Committee – 12 September 2022**

### **Summary of Level 1 and 2 Internal Audit Actions**

**This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen**

**Report Author: Malcolm Riches, Business Intelligence & Performance Manager**

#### **1 Executive Summary / Purpose of the Report**

- 1.1 The purpose of this report is to update the Committee on progress against level 1 and 2 Internal Audit Actions **as at the end of July 2022.**

#### **2 Recommendation**

- 2.1 The Committee notes the progress being made with audit actions, and that there are currently no overdue audit actions.

#### **3 Risk Assessment**

- 3.1 It is important to ensure that the Council has actioned the high priority actions that come out of Internal Audit reports to strengthen governance arrangements.

#### **4 Background and Full details of the Report**

- 4.1 The Council has engaged the South West Audit Partnership (SWAP) to carry out its Internal Audit functions, checking the adequacy of controls and procedures across the whole range of Council services.
- 4.2 At the start of each financial year an audit plan is agreed between SWAP and the Council which identifies the areas of highest potential organisational and operational risk within the Council.
- 4.3 When an audit takes place, a report is provided to the service manager concerned which gives an audit conclusion and opinion.
- 4.4 Any control or procedural weaknesses are identified within an action plan within the audit report.

4.5 All findings will be allocated one of 3 priority ratings as follows:

Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management
Priority 2	Important findings that need to be resolved by management
Priority 3	Finding that requires attention

4.6 Each finding within the action plan contains a target implementation date which has been agreed between SWAP and the service manager concerned.

4.7 All priority 1 and 2 recommendations are captured in a register to ensure progress against the recommendations can be tracked and progress reported to the Audit, Governance and Standards Committee.

4.8 This report gives the Committee a progress update on all priority 1 and 2 audit actions. A summary of the priority 1 and 2 actions is provided in Appendix 1.

4.9 As the council moves towards being part of the new Somerset Council it is increasingly likely that some audit actions will be resolved as part of the transition process and new working arrangements within the new authority. Where this is the case it will be mentioned in the narrative for the relevant actions.

4.10 The current position as at 31<sup>st</sup> July 2022:

- 2 audit reports (Data Centre, and Climate Change) with all Priority 1 and 2 actions completed since the last report (see Appendix 1).
- 6 audit actions completed since the last report (see Appendix 2).
- There are currently no overdue audit actions that are beyond their current target date.
- 11 audit actions currently open whose due date is further ahead and detailed updates will be reported nearer the time. These actions are listed along with a RAG status of progress being made in Appendix 2.

## **5 Links to Corporate Strategy**

5.1 There are no direct links to corporate aims/priorities although good governance and robust controls form part of the overarching Governance Framework within which the Council operates.

## **6 Finance / Resource Implications**

6.1 Unmitigated risks identified by SWAP could expose the Council to unanticipated claims, expenditure or exposure to fraud.

## **7 Legal Implications**

7.1 There are no direct legal implications within this report although unmitigated risks could expose the Council to unanticipated claims.

**Democratic Path:**

- **Audit and Governance Committee – Yes 12 September 2022**
- **Executive – No**
- **Full Council – No**

**Reporting Frequency: Quarterly**

**Contact Officers**

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Summary/Status of Audit Reports

					Position as at 31 <sup>st</sup> July 2022	
Report	Status	Date	Judgement	Priority 1 and 2 identified	Priority 1 and 2 actions still open	Overdue (at 31/7/22)
Health and Safety	Final	Aug 2021	Limited	3	1	0
GDPR	Final	Jan 2022	Reasonable	2	1	0
Housing Rents	Final	Apr 2022	Reasonable	2	1	0
Purchasing Cards	Final	Apr 2022	Limited	7	4	0
Material Supplies Management	Final	May 2022	Limited	5	4	0
				19	11	0

Audit Reports with 1 & 2 Actions Completed (Since last report)

Report	Status	Date	Judgement	Priority 1 and 2's identified	All 1/2 actions complete
Data Centre	Final	Oct 2021	Reasonable	5	Yes
Climate Change	Final	Mar 2022	Reasonable	2	Yes



**Appendix 2 – Update on Priority 1 and 2 Audit Recommendations at 31<sup>st</sup> July 2022**

Audit Report	Recommendation/Agreed Action	Priority Scoring	Responsible Officer	Target Date	Progress	RAG Status
Health & Safety	In the short term we will request that an existing Portfolio Holder accepts the responsibility of championing health and safety. In the medium to long term we will look into health and safety being a specific responsibility of Portfolio Holder. We will endeavour to provide an overview of the Health and Safety Management System to Members to enable them to understand the health and safety risks within the organisation and help them to act in their capacity as critical friends. This may be done by video that can be reviewed remotely. We will also provide a quarterly update to Members on the Health and Safety work carried out to keep everyone safe, including performance against key targets set.	2	Health and Safety Specialist	31/8/21	Cllr Benet Allen has assumed the role of H&S Member Champion for the 22/23 municipal year leading the organisation into the new Somerset Council. Reports are taken quarterly to SMT and Audit & Governance committee to provide updates on all H&S metrics alongside the improvement programme. H&S training was delayed due to KL absence but the team continue to develop a plan to deliver this with a view to how we can assist the LGR programme too.	COMPLETE
Health & Safety Page 51	We will investigate the potential of iTrent to record the Training Needs Analysis, Learning and Development Records, develop training plans and produce detailed analysis on the training delivered.	2	Health and Safety Specialist	31/8/21	The compliance training figures to include upcoming expirations, lapsed tickets, those allowed to expire due to operational minimums already being met are all shared and discussed in the monthly Tier 2 senior management meeting. the figures are used by the L&D function to forecast training costs and ensure future training is booked.	COMPLETE
Data Centre	It was agreed to formally document emergency procedures relating to the data centres and that training would be provided to the appropriate staff according to their roles and responsibilities. This would support the Council's compliance with Health and Safety legislation	2	Head of ICT	30/06/22	This is now completed	COMPLETE
Climate Change	To ensure that the business cases developed include the timescales budgets and resources.	2	Programme Manager for Climate Change	Ongoing	Each action is reviewed individually, by going through the PMO gateway process to launch and monitor any new projects, gateways are approved at the monthly Directorate Board.  The partnership has quarterly meetings with the member led consultation panel. A highlight report is produced for this meeting providing updates on all projects.  We do not currently have a mechanism in place to identify carbon savings, this is one of the LGR workstreams within the Environment and Climate Change Sub Group 1 (Climate Change and Water)	COMPLETE

Audit Report	Recommendation/Agreed Action	Priority Scoring	Responsible Officer	Target Date	Progress	RAG Status
Housing Rents	It needs to be clear that the issue with high levels of voids at our Extra Care schemes is as a direct result of the Extra Care Placement panels not working properly and primarily the lack of (or poor quality) of referrals from Adults Social Care to place suitable residents into void properties. This issue has been raised by all of the Somerset Housing Providers – including at a Housing Directors meeting to the Adults Social Care Strategic Commissioning Manager. The action we commit to is to ensure the Lettings team challenges whether each Void property can be let outside of the agreed placement policy to a suitable household if the Panel is unable to find a suitable placement. This should lead to a reduction in the current number of Extra Care void properties.	2	Lettings Manager	30/06/22	This issue has now been addressed with available properties now allocated. The Lettings team had to step outside of the panel letting process and allocate extra care properties to existing SWT tenants from within our sheltered housing housing stock - sheltered housing tenants moved on because of need. Panel meetings are being held on a regular basis where applicant referrals are been considered.	COMPLETE
Purchasing Cards	Cardholders will be reminded of current policy and responsibilities; and advised that policy is under review. In addition, the following actions linked to findings above will further strengthen the controls around the use of cards: - The process for independent monitoring is to be reviewed and will include independent checks on processes - Rules around card usage will be tightened and will prohibit card-sharing - A review and reduction of card limits will take place - A reminder will be issued to cardholders/administrators of the requirement to complete logs and provide transaction evidence promptly. Internal Audit requested to complete further audit investigation into possible non-compliance, with any clear misuse escalated to Asst Director or Director for further action.	1	Assistant Director Finance	15/5/22	Extension to review period agreed by PF with SWAP team due to SWAP capacity and priorities. Close out meeting 30 June 2022 with final report imminent. Mark as Complete.	COMPLETE

There are a further 11 actions listed below where the due date is further ahead and detailed updates will be reported nearer the time.

Audit Report	Recommendation/Agreed Action	Priority Scoring	Responsible Officer	Target Date	RAG Status
Health & Safety	Risk Management Scoping Sessions have been delayed by a Health and Safety Partner leaving. They should now be completed by the end of July 2021. We are continuing with recruitment to fill the vacant post.	2	H & S Business Partner	31/8/22	In Progress
GDPR	A final sweep of the paper data held will be completed by the end of January, after which a discussion with Somerset CC to understand their storage system will be held. This is to establish whether paper data that needs to be retained can be incorporated into their storage facility. The overall review of paper data held, and the storage requirements will be completed thereafter.	2	Records Officer	31/12/22	In Progress
Housing Rents	The Housing Service has an established process to maximise uptake of capital works by tenants. This includes major contracts including specifications for tenant liaison as part of the implementation by contractors. This tenant liaison will include attempts at written and phone contact to persuade the tenant to participate. Where this is unsuccessful, the Tenancy Management team will also try and advocate the case to the tenant to allow access to undertake the works. We will investigate the option to bring in a bespoke Resident Liaison Officer into the structure, if this is affordable, to improve uptake of major works – particularly for tenants who are vulnerable and anxious about disruption.	2	AD (Housing Property) & AD (Housing & Communities)	30/09/22	In Progress
Purchasing Cards	The policy and guidance are being reviewed and updated. This will include tighter rules including usage to be limited to named cardholder only. Training and guidance will be provided to all cardholders as part of a card scheme 're-launch. [Note: Card holders will only be allowed to receive / hold cards with confirmed acceptance and understanding of policy and guidance.	2	Corporate Finance Manager	31/8/22	In Progress
Purchasing Cards	Process to manage registration of card and policy acceptance to be reviewed and implemented. Recent agreement with bank that opportunity to be taken to replace all cards with new Mastercard debit cards; this will ensure cards will only be provided following declaration of acceptance by prospective card holder.	2	Corporate Finance Manager	31/8/22	In Progress
Purchasing Cards	The policy and guidance are being reviewed and updated. This will tighten rules and clarify that usage shall be limited to the named cardholder only, with misuse subject to card blocking and/ or disciplinary action. In meantime, cardholders will be reminded they are responsible for all transactions on their cards; and requested to cease sharing details or allowing others to use their card pending the policy review that is underway. Departments will be required to nominate a co-ordinating officer who may make on-line purchases on behalf of colleagues so that card details are not passed to other officers; those transactions will be verified by originating officers.	1	Corporate Finance Manager	31/8/22	In Progress

Audit Report	Recommendation/Agreed Action	Priority Scoring	Responsible Officer	Target Date	Status
Purchasing Cards	Process to be reviewed to include confirmation of card administrator/ co-ordinator within cardholders' service areas prior to cards being issued. To ensure independent checks are in place, this may either require card holders to administer their transactions with a nominated second officer verifying, or a nominated administrator administering all department transactions (not same as cardholder). New guidance to include requirement for cardholder to identify budget and coding in advance of purchase, or in timely manner post purchase when used under urgency, and good practice for maintaining logs and coding after each transaction.	2	Systems and Project Accountant	31/8/22	In Progress
Material Supplies Management	Management should ensure a physical count of all stock levels is performed on an annual basis to ensure that records are bought up to date.	1	Assistant Director – Housing Property	30/04/23	In Progress
Material Supplies Management	Management should introduce a process for vans to be stocked with basic supplies, which are recorded on a van inventory and that it is maintained by operatives, with any surplus stock recorded.	2	Assistant Director – Housing Property	30/09/22	In Progress
Material Supplies Management	Management should restructure and reallocate responsibilities so that only skilled team leaders are approving orders and payments, and this should include the reintroduction of separation of duties in the process.	2	Assistant Director – Housing Property	30/09/22	In Progress
Material Supplies Management	Management should ensure that suppliers only fulfil orders that are supported by an approved requisition, in advance of supply.	2	Assistant Director – Housing Property	30/09/22	In Progress







*Report Number: SWT 124/22*

## **Somerset West and Taunton Council**

### **Audit and Governance Committee – 12 September 2022**

#### **SWAP Internal Audit – Baseline Fraud Maturity Report 2022**

**This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen**

**Report Author: David Warren, Principal Investigation Officer, SWAP**

#### **1 Executive Summary / Purpose of the Report**

- 1.1 The purpose of this report is to provide the Committee with an update on the baseline assessment of organisational maturity in relation to fraud.
- 1.2 This assessment reviewed where the Council was at the time of the last assessment in March 2021 and gives a picture of current performance.

#### **2 Recommendations**

- 2.1 Members are asked to note further information provided on the Baseline Assessment of Maturity in relation to Fraud Report 2022.

#### **3 Risk Assessment**

- 3.1 Any large organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the risks it may face. SWT has a risk management framework, and within that, individual internal audit reports deal with the specific risk issues that arise from the findings. These are translated into mitigating actions and timetables for management to implement.

#### **4 Background and Full details of the Report**

- 4.1 Local authorities have responsibilities for the effective stewardship of public money and for safeguarding against losses due to fraud and corruption. The Audit and Governance Committee should have oversight of the authority's counter fraud strategy, assessing whether it meets recommended practice and governance standards and complies with legislation such as the Bribery Act 2010.
- 4.2 To assist in this oversight a baseline assessment was completed at Somerset West and Taunton Council in March 2021, in line with requirements of the Fighting Fraud and Corruption Locally Strategy. Each of the 27 requirements were given a red, amber or green, rating based on a corporate view across the organisation.

- 4.3 The assessment was presented to the Audit and Governance Committee at their meeting on 13 September 2021.
- 4.4 Key officers have engaged with the initial findings and ensured that most of the actions have been implemented, resulting in significant progress in addressing the actions identified in the baseline assessment. This is demonstrated by the number of assessments that have moved to green in comparison to the 2021 review and is an indicator of the improved maturity across the council in relation to fraud risk.

## **5 Links to Corporate Strategy**

- 5.1 Delivery of the corporate objectives requires strong internal control, which include adequate measure to deter, detect and respond to any frauds identified. Incidents of fraud can reduce the available resources for front line services and corporate priorities. Ultimately this may impact on the Council being able to deliver its Corporate Strategy

## **6 Finance / Resource Implications**

- 6.1 There are no specific finance issues relating to this report, other than ensuring that robust anti-fraud arrangements are in place to safeguard Council finances and resources.

### **Unitary Council Financial Implications and S24 Direction Implications**

- 6.2 None arising from this report

## **7 Legal Implications**

- 7.1 None arising from this report

## **8 Climate, Ecology and Sustainability Implications**

- 8.1 None arising from this report

## **9 Safeguarding and/or Community Safety Implications**

- 9.1 None arising from this report

## **10 Equality and Diversity Implications**

- 10.1 None arising from this report

## **11 Social Value Implications**

- 11.1 None arising from this report

## **12 Partnership Implications**

- 12.1 None arising from this report

## **13 Health and Wellbeing Implications**

- 13.1 None arising from this report

## **14 Asset Management Implications**

14.1 None arising from this report

## **15 Data Protection Implications**

15.1 None arising from this report

## **16 Consultation Implications**

16.1 None arising from this report

### **Democratic Path:**

- **Audit and Governance Committee – Yes, 12 September 2022**
- **Executive – No**
- **Full Council – No**

**Reporting Frequency: Annually**

### **List of Appendices (background papers to the report)**

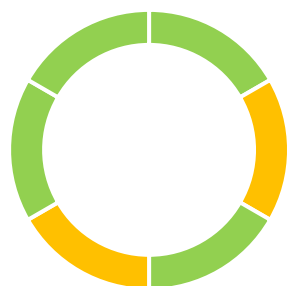
Appendix A	SWT Baseline assessment for Fraud Report 2022
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### **Contact Officers**

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### Baseline Assessment of Six Themed Areas



- Resource and Communication
- Fraud Risk Management
- Policy Related
- Committee Related
- Culture and Awareness
- Reporting, Investigating and Monitoring

### Scope and Ambition

This baseline assessment is a corporate view of fraud maturity within the organisation. This exercise is a revisit of the assessment performed in 2021 and shows any progress with regards to counter fraud work and any increase in the level of maturity at the authority.

Management should ensure the key findings from this work are considered to reduce risk of fraud and to protect the public purse.

SWAP's Counter Fraud Team is committed to helping Partners and Clients to reduce the risk of fraud and to protect the public purse.

### Key Findings

Page 61



The Terms of Reference for Audit, Governance and Standards Committee has not been expanded to include a requirement to monitor the council's counter fraud plan, performance of the contractor and regularity of reporting. This will be taken to Committee in September 2022.



There has been no update to the contract template for third parties and contractors which advises them of the Council's Whistleblowing Policy, however the Council are aware of this recommendation, and it will be picked up as part of the Local Government Reorganisation workstream.



Actions from the 2021 review have been implemented and this has led to visible progress in the comparison between years.



An Anti-Fraud and Corruption Strategy and an Anti-Money Laundering Policy have been created and are available on the Somerset West and Taunton website.



The Risk and Opportunity Management Strategy has been updated to reflect the risks of fraud and corruption and the Corporate Risk Register has been updated accordingly.

### Assessments per Area Reviewed

#### Resource and Communication



#### Fraud Risk Management



#### Policy Related



#### Committee Related



#### Culture and Awareness



#### Reporting, Investigating and Monitoring



### Comparison of Results Between Years



- Assessed not to be in place/ operating ineffectively – requires significant improvement.
- Assessed to be partially in place – requires improvement.
- Assessed as in place/ operating effectively.

## Appendix 1 Findings & Outcomes

### Theme 1: Resource and Communication

### Overall Theme Assessment for 2022:

2021 assessment:	2022 assessment:	Findings in Support of the Assessment:
<b>Requirement 1a</b> The organisation has internal audit and external audit planning aligned to fraud risks. Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.		<p>We found in the 2021 review that the Powys Counter Fraud Service is contracted to provide a counter fraud service to the Council. It was established that there is horizon scanning of key national fraud reports such as Fighting Fraud Locally to identify risks and to prompt discussion around local issues.</p> <p>SWAP Internal Audit Services in its creation of the Council's annual internal audit plan considers all risks to the Council, including fraud risks, and this is primarily driven by the corporate and service risk registers. During the annual audit planning process further meetings are held with Senior Management and this will highlight areas where public funds may be under threat to the risk of fraud and corruption.</p> <p>The Council's External Audit Findings Report for the year ending 31 March 2020 includes reference to the audit of the Council's accounts, including the financial reporting process and certification of Housing Benefit subsidy. In support of the External Auditors' Letter of Representation for the Financial Statements covering the year ended 31 March 2020, a report titled 'Informing the audit risk assessment' was produced and this included a Fraud Risk Assessment.</p> <p><b>2022 Update</b> The Council is still working with Powys Counter Fraud Service however it has taken on more of an informal approach and is now on a pay as you go basis rather than permanent contract. This is because the council did not want a new contract prior to formation of the Unitary Authority (April 23). Fraud issues are dealt with through SWAP or Powys depending on the nature of the issue – corporate issues that need investigating are passed to SWAP, benefit or housing concerns, and NFI (National Fraud Initiative), are reviewed by Powys.</p> <p>The annual Fraud Outturn Report confirms that "A report was brought to the Audit, Governance and Standards Committee on 12 April 2021, which included an update on the provision of Counter Fraud and Error Services from Powys. The next report from Powys will be brought to the Committee as soon as it is available" and the Fraud Plan for 2022/23 states that the council will continue to use both SWAP and Powys for counter fraud work.</p>

2021 assessment:	2022 assessment:	Findings in Support of the Assessment:
<b>Requirement 1b</b> The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity		<p>We found in the 2021 review that the Council Through discussion with the Senior Investigator at Powys Counter Fraud Service it was established that the team have worked with the NHS Trusts, National Crime Agency via the Police, Housing Associations and other Councils in the course of their work.</p> <p>The Council also participates in the National Fraud Initiative works and this includes elements of joint working across agencies.</p> <p><b>2022 Update</b> The Council continues to work with the National Fraud Initiative, as evidenced in the Anti-Fraud and Corruption Strategy and with both Powys and SWAP to support the counter fraud work.</p>

2021 assessment:	2022 assessment:	Findings in Support of the Assessment:
<b>Requirement 1c</b> There is a programme of counter fraud work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts. There is an annual fraud plan which is agreed by Audit Committee and reflects resources mapped to risks and arrangements for reporting outcomes.		<p>In the 2021 review the Senior Investigator at Powys Counter Fraud Service confirmed that a fraud plan is in place, which was agreed by Senior Management, and that covers both proactive and reactive activity. The proactive activity includes business rates changes, right to buy, single person discount and empty homes. Reactive investigations have been completed by SWAP's Counter Fraud Team and by the Powys Counter Fraud Service. Although we have not been provided with the Counter Fraud Plan, a report on the Team's activities will be outlined to the Audit, Governance and Standards Committee and Executive in April.</p> <p><b>2022 Update</b> The new Anti-Fraud and Corruption Strategy was presented to Committee (12 April 2021) and Executive (27 April 2021) as planned.</p> <p>There is an Annual Fraud Plan which was presented to the Audit and Governance Committee on 13 June 2022. This sets out the actions planned to mitigate risks and the staff responsible for each action.</p> <p>The risk assessment is reviewed on a quarterly basis and any risks that become 'key business risks' are fed through to SMT and Members. The outcomes of audits are reported on annually in the Fraud Outturn Report.</p>

2021 assessment:	2022 assessment:	Findings in Support of the Assessment:
<b>Requirement 1d</b> The organisation has access to a trained counter fraud resource.		<p>The Council's internet site confirms that Powys County Council Counter Fraud Team provide a counter fraud function for the Council. Their work is predominantly focused on Housing Benefit and Council Tax Support fraud.</p> <p>Whilst we were not provided with evidence to demonstrate officer qualifications and training, the Powys County Council internet site confirms that the service they provide includes:</p> <ul style="list-style-type: none"> <li>Investigation and prosecution.</li> <li>Fraud awareness training.</li> <li>Fraud audits, health checks and prevention.</li> <li>Fraud consultancy and policy.</li> </ul> <p>SWT Council can draw upon qualified members of counter-fraud staff from SWAP Internal Audit Services. SWAP has created its own Counter Fraud Team which consists of an Assistant Director and two Counter Fraud Investigation Officers. Two members of the SWAP Counter Fraud Team are Certified Fraud Examiners, the other is studying for qualification. SWAP also has two further qualified members of staff it can draw upon outside of the Counter Fraud Team.</p> <p>Finally, the Council has within its employment, a number of ex-Police Officers, which include:</p> <ul style="list-style-type: none"> <li>Cemeteries and Crematorium Manager</li> <li>ACM Halcon</li> <li>Case Manager ASB</li> </ul> <p>The Assistant Director – Finance and Section 151 Officer considers each allegation of fraud on its own merits and then allocates suitable resource accordingly.</p> <p><b>2022 Update</b> The Council still works with SWAP and Powys Council, so the situation remains unchanged.</p>

2021 assessment:	2022 assessment:	Findings in Support of the Assessment:
<p><b>Requirement 1e</b></p> <p>The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.</p>		<p>We found in the 2021 review that Powys Counter Fraud Service provide counter fraud services to Somerset West and Taunton (SWT) Council. SWT also has a suite of policies and procedures in place, which assist in the prevention and detection of fraud and corruption.</p> <p>An annual report is scheduled to go on to the Audit, Governance and Standards Committee on the 12<sup>th</sup> of April 2021 and the Executive on the 21<sup>st</sup> of April 2021. This report should include results the from Powys Counter Fraud Service work and any investigations undertaken by SWAP Internal Audit Services.</p> <p><b><u>2022 Update</u></b></p> <p><b>The Council continues to work with Powys and SWAP, and all policies and procedures are still in place.</b></p> <p><b>A report of the updated Anti-Fraud Framework &amp; Fraud Update was presented to committee on the 12 April 2021 and then to the Executive on the 27 April 2021 as planned. This included a report from Powys and a summary of SWAP audits.</b></p> <p><b>SWAP produced a year-end report for the Council regarding its own activity and this was used to feed into the Annual Outturn Report and Annual Fraud Plan presented to the Audit and Governance Committee on 13 Jun 22.</b></p>



Theme 2: Risk Management

Overall Theme Assessment for 2022:

2021 assessment:	2022 assessment:	Findings in Support of the Assessment:
<p><u>Requirement 2a</u></p> <p>The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.</p>		<p>We found in the 2021 review that the Council's Anti-Fraud and Corruption Policy and Strategy and Whistleblowing Policy state that the Council has a zero-tolerance approach to fraud and corruption. However, the Risk and Opportunity Management Strategy does not specifically recognise fraud and / or corruption as risks.</p> <p>Whilst it is appreciated that it could be argued the offences of fraud and corruption could be covered under the Strategic Risk heading as 'legislative', the Operational Risks heading as 'legal' and Project Risks as 'People' or 'Technical', if the risks are not specifically stated staff may fail to consider the fraud and corruption risks in their area of work.</p> <p>We also found that the Directorate Risk Registers for External Operations and Development and Place had no fraud and corruption risks listed. The register for Internal Operations did not acknowledge the risk of fraud and corruption in the following areas to underline this point:</p> <ul style="list-style-type: none"> <li>• Council Tax</li> <li>• Council Tax Support</li> <li>• Business Rates</li> <li>• Staff</li> <li>• Procurement</li> </ul> <p><b>2022 Update</b></p> <p>The Council has completed both recommendations from the original report and updated the Risk and Opportunity Management Strategy and the 2022-23 Corporate Risk Register to reflect the risks of fraud and corruption.</p>
<p><u>Requirement 2b</u></p> <p>The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members. Horizon scanning is completed to look for future fraud and corruption risks.</p>		<p>Prior to the 2021 review, the last assessment of how well the Council was managing the risk of fraud was undertaken in 2013. This included a SWAP review of the requirements within the Fighting Fraud and Corruption Locally Strategy at both Taunton Deane Borough Council and West Somerset Council.</p> <p>As above in theme 1, The Council's External Audit Findings Report for the year ending 31 March 2020 includes a Fraud Risk Assessment.</p> <p>SWAP's Baseline Assessment of maturity for fraud, followed by service level fraud risk assessments, will provide up to date assurance on the effectiveness of fraud risk management.</p> <p><b>2022 Update</b></p> <p>SWAP completed a fraud risk assessment exercise with management in October 2021. The results of this were shared with the Section 151 Officer and the Monitoring Officer. Ownership and ongoing assessment have not yet been formally agreed, including any target residual scoring and any further action required to treat risk.</p>

Theme 3: Policy Related

Overall Theme Assessment in 2022:

2021 assessment:

2022 assessment:

Findings in Support of the Assessment:

Requirement 3a

The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: Codes of conduct including behaviour for counter fraud, anti-bribery, and corruption; Register of interests; Register of gifts and hospitality; and Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked independently.

We found in the 2021 review that the Council Member Register of Gifts and Hospitality

Towards the end of the Code of Conduct reference to the Receipt of gifts and hospitality is made. Councillors are instructed as follows: 'You must, within 28 days of receipt, notify the Monitoring Officer in writing of any gift, benefit or hospitality with a value in excess of £25 which you have accepted as a member from any person or body other than the Council' (para 2.10 (1)). Councillors are also advised: 'The Monitoring Officer will place your notification on a public register of gifts and hospitality'.

Member Register of Interests

In the Code of Conduct, Councillors are instructed to disclose:

- Pecuniary Interests
- Personal Interests
- Prejudicial Interests
- Sensitive Interests

Under each section it is explained how, when and to whom the interest must be disclosed. Democratic Services have day-to-day responsibility for managing this.

Employee Register of Interests

Further down in the Code of Conduct (Employees) reference to Personal Interests is made. The paragraphs under this heading cover the need to disclose non-financial and financial interests, where the employee may be in debt to the Council and is also involved in the collection of debts and therefore has a need to enter into an agreement with the Council for the repayment of all sums. Finally, there is reference to needing to declare the membership of organisations that are not open to all members of the public, such as Freemasonry. These paragraphs explain how the declaration should be made and to whom.

Employee Register of Gifts and Hospitality

Towards the end of the Code of Conduct there is reference to Gifts and Hospitality. This section states: 'Employees should only accept offers of hospitality if there is a genuine need to impart information or represent the local Council in the community. Offers to attend purely social or sporting functions should be accepted only when these are part of the life of the community or where the Council should be seen to be represented. They should be properly authorised and recorded within the gifts and hospitality book held by the Monitoring Officer'.





A recent report taken to the Audit, Governance and Standards Committee was located which outlines how the Council is accountable for implementing some of the areas around conduct.

2022 Update

**There have been no changes to either Code of Conduct and both the Employee and Councillor Code of Conducts are available on the SWT website as part of the Constitution. There are plans to update the Members Code of Conduct as the Councils are working together to create a standardised model Code of Conduct ahead of the formation of the Unitary Authority.**

2021 assessment:	2022 assessment:	Findings in Support of the Assessment:
<p><u>Requirement 3b</u></p> <p>There are employee and member Code of Conducts in place, which include reference to fraud.</p>		<p>We found in the 2021 review that the Council A review of the Code of Conduct (Councillors) has established that overall standards of conduct are based on The Seven Principles of Public Life. An overview of standards of behaviour are covered under the section 'General Obligations'.</p> <p>Whilst there is no explicit reference within the Code of Conduct to counter fraud, anti-bribery and corruption, Councillors are instructed to: 'not conduct yourself in a manner which could reasonably be regarded as bringing your office or the Council into disrepute'.</p> <p>Therefore, it is reasonable to say that it may be interpreted these elements are covered.</p> <p>A review of the Code of Conduct (Employees) has established there is no specific reference to The Seven Principles of Public Life, however under the heading Standards it states: 'Employees must not conduct themselves in a manner which could reasonably be regarded as bringing the Council into disrepute'.</p> <p>While there is no specific reference to fraud or bribery within the Code of Conduct (Employees) it is reasonable to say that paragraph 1.2 covers a warning in relation to these offences. Under the heading Relationships there are expectations of how employees should behave with Councilors, the Local Community and Service Users, Contractors and Colleagues.</p> <p>Section 12 covers Corruption and states: 'Employees must be aware that it is a serious criminal offence for them to corruptly receive or give any gift, loan, fee, reward or advantage for doing, or not doing, anything or showing favour, or disfavour, to any person in their official capacity'.</p> <p><b><u>2022 Update</u></b> <b>As above, no changes have been made to the Codes of Conduct.</b></p>
<p><u>Requirement 3c</u></p> <p>The organisation has an appropriate and approved money laundering policy available to stakeholders.</p>		<p>The Anti-Money Laundering Policy is incorporated within the Anti-Fraud and Corruption Policy and Strategy, although not stated on the contents page as an Appendix. The Policy and Strategy is accessible to staff on the intranet. The Money Laundering Reporting Officer is recorded as the SWAP Assistant Director and the Deputy MLRO as the Strategic Finance Officer (S151 Officer).</p> <p>There is a risk that staff may not be able to easily find the Anti-Money Laundering Policy, know who to talk to or be familiar with their responsibilities. Whilst the risk of the Council contravening the money laundering legislation is low, if money laundering enquiries are not handled appropriately, the Council could be exposed to legal, financial and reputational damage.</p> <p>We are aware that the Monitoring Officer is currently updating the Anti-Money Laundering Policy, and this is due to be presented to the Audit, Governance and Standards Committee on the 12th of April 2021 and Executive on the 21st of April 2021 for approval.</p> <p><b><u>2022 Update</u></b> <b>The policy has been recently updated (2021) and is available on the SWT website.</b></p>

2021 assessment: <span style="background-color: yellow;"> </span>	2022 assessment: <span style="background-color: green;"> </span>	Findings in Support of the Assessment:
<b>Requirement 3d</b> The organisation has an appropriate and approved Anti-Fraud and Corruption Policy available to stakeholders.		<p>We found in the 2021 review that the Council On 17<sup>th</sup> of December 2018, the Shadow Full Council approved the Anti-Fraud and Corruption Policy and Strategy, which underlines the Council's zero tolerance of fraud, theft and corruption. Despite this, the only policy that can be found on the Council's intranet site is the version dated 1<sup>st</sup> of April 2016.</p> <p>Whilst the legislation referred to within the Strategy and Policy has not changed, other policies and staff have. The document also incorporates an outdated Whistleblowing Policy, Anti-Bribery Policy and Anti-Money Laundering Policy.</p> <p>Without an up-to-date Anti-Fraud and Corruption Strategy and separate Anti-Fraud and Corruption Policy, there is reduced assurance that the Council is applying the most current measures to counter-fraud and corruption. There is reduced assurance that staff will know what do in the event of a fraud occurring, exposing the Council to financial loss and reputational damage.</p> <p>We are aware that the Monitoring Officer is currently updating the Anti-Fraud and Corruption Strategy, Whistleblowing Policy, Anti-Bribery Policy and Anti-Money Laundering Policy and they are due to be presented to the Audit, Governance and Standards Committee on the 12<sup>th</sup> of April 2021 and Executive on the 21st April 2021 for approval.</p> <p><b><u>2022 Update</u></b>  <b>The Anti-Fraud and Corruption Strategy has been recently updated (2021) and is available on the SWT website. This meets the recommendations made in the previous review.</b></p>
2021 assessment: <span style="background-color: yellow;"> </span>	2022 assessment: <span style="background-color: green;"> </span>	Findings in Support of the Assessment:
<b>Requirement 3e</b> There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance. There is a zero-tolerance approach.		<p>Same as above</p> <p><b><u>2022 Update</u></b>  <b>The Anti-Fraud and Corruption Strategy has been recently updated (2021) and is available on the SWT website. This meets the recommendations made in the previous review.</b></p>
2021 assessment: <span style="background-color: green;"> </span>	2022 assessment: <span style="background-color: green;"> </span>	Findings in Support of the Assessment:
<b>Requirement 3f</b> Counter fraud staff are consulted to fraudproof new policies, strategies and initiatives across departments and this is reported upon to committee.		<p>We found in the 2021 review that the Council Through discussion with the Senior Investigator at Powys Counter Fraud Service, it was established that SWT Council has consulted them on the development of counter fraud policies and procedures. They have provided input into the development of documents relating to:</p> <ul style="list-style-type: none"> <li>• Anti-Fraud and Corruption.</li> <li>• Tenancy Fraud.</li> </ul> <p>Discounted Open Market Scheme.</p> <p><b><u>2022 Update</u></b>  <b>The Council are still working with Powys Counter Fraud Service and have plans to present their new policies to them for review following the formation of the Unitary Authority.</b></p>

2021 assessment: 	2022 assessment: 	Findings in Support of the Assessment:
<p><u>Requirement 3g</u> There is an independent and up-to-date whistleblowing policy which is monitored for take up and can show that suspicions have been acted upon without internal pressure</p>		<p>On 17<sup>th</sup> December 2018, the Shadow Council approved the Whistleblowing Policy. The Policy is accessible from the Council internet site. Having reviewed the Policy, the content is current and key contacts still work within the Council.</p> <p>There is evidence that whistleblowing concerns are acted upon, following two recent SWAP investigations.</p> <p><b><u>2022 Update</u></b> <b>The policy has been recently updated (2021) and is available on the SWT website.</b></p>
2021 assessment: 	2022 assessment: 	Findings in Support of the Assessment:
<p><u>Requirement 3h</u> Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.</p>		<p>We found in the 2021 review that although there is a Whistleblowing Policy on the Council's website which details how to raise concerns and there is a separate Report Fraud webpage, we were not provided with evidence to demonstrate that contractors and third parties sign up to the Whistleblowing Policy. If contractors and third parties are unaware of how to raise concerns, there is an increased likelihood that they will not do so.</p> <p><b><u>2022 Update</u></b> <b>Progress has been made regarding this requirement. The Whistleblowing Policy has been refreshed and is available online and now includes reference to contractors. The requirement for this has also been discussed within LGR workstreams.</b></p>







Theme 4: Committee Related

Overall Theme Assessment for 2022:

2021 assessment:	2022 assessment:	Findings in Support of the Assessment:
<p><u>Requirement 4a</u></p> <p>Audit Committees and Portfolio Lead roles in relation to fraud management are agreed and understood, including: Awareness and support counter fraud activity (including proactive and reactive) and receive training to support them; Receiving of regular reports on the work of those leading on fraud; Supporting counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources.</p>		<p>We found in the 2021 review that the Council's Constitution includes the Audit, Governance and Standards Committee Terms of Reference. This document references counter fraud activities as follows: 'the monitoring and review of audit functions; systems of internal control'; reviewing of corporate governance issues that have been referred by senior management; monitoring the effectiveness of the Council's policies and procedures including the anti-fraud and corruption policy and 'Agreeing the internal and external audit plans and monitoring delivery of the plans'.</p> <p>The coronavirus pandemic has delayed the reporting of the Council's counter fraud activities for 2020. The next report will be presented to the Audit Governance and Standards Committee on 12th of April 2021.</p> <p>The Section 151 Officer has confirmed that the Council has a Portfolio Holder for Corporate Resources. Part of his remit are the Council's Counter Fraud arrangements. Through discussion with the Senior Investigator at the Powys Counter Fraud Service, it was established that the team have held counter fraud surgeries with staff and delivered numerous fraud awareness sessions. The last sessions delivered were prior to the coronavirus pandemic. Although it is acknowledged that sessions and training have occurred previously, nothing has been provided for more than twelve months and there is no agreed plan moving forward.</p> <p><u>2022 Update</u></p> <p><b>Members have not been given any counter fraud training; however regular reports are shared with them. The terms of reference for Audit and Governance Committee, whilst being updated, do not include specific reference to the 'requirement to monitor the council's counter fraud plan, performance of the contractor and regularity of reporting'.</b></p>

Theme 5: Culture and Awareness

Overall Theme Assessment for 2022:

2021 assessment: 	2022 assessment: 	Findings in Support of the Assessment:
<p><u>Requirement 5a</u> The organisation educates and trains employees regarding the importance of ethics and anti-fraud programs and senior management exhibit and encourage ethical behaviour.</p>		<p>We found in the 2021 review that the Council SWAP send out frequent fraud alerts and two-weekly newsletters to the Section 151 Officer, which include fraud reference.</p> <p>Through discussion with the Senior Investigator at the Powys Counter Fraud Service, it was established that the team have held counter fraud surgeries with staff, developed an online e-learning tool and delivered numerous fraud awareness sessions. As previously stated, the last sessions delivered were prior to the coronavirus pandemic. Although it is acknowledged that sessions and training have occurred previously, nothing has been provided for more than 12 months and there is no plan moving forward.</p> <p><u>2022 Update</u> <b>Staff have been asked to complete e-learning modules around relevant policies and a training session is being organised, both aim to be completed by August 2022. However, this test has been marked as partially complete due to the low percentage of staff that have completed the training (a third as of July 2022).</b></p>
2021 assessment: 	2022 assessment: 	Findings in Support of the Assessment:
<p><u>Requirement 5b</u> The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p>		<p>We found in the 2021 review that the Council has a variety of policies and procedures that are designed to promote and ensure probity and propriety in the conduct of its business, this includes, but is not restricted to: Financial Procedure Rules, Contract Procedure Rules, Code of Conduct for Members, Code of Conduct for Staff, Anti-Fraud and Corruption Policy, Anti-Bribery Policy, Anti-Money Laundering Policy, Whistleblowing Policy.</p> <p><u>2022 Update</u> <b>In addition to the policies named above, the Council has an updated Anti-Fraud and Corruption Strategy.</b></p>
2021 assessment: 	2022 assessment: 	Findings in Support of the Assessment:
<p><u>Requirement 5c</u> Relevant staff and members are up to date with latest anti-fraud practice and trends in fraud.</p>		<p>We found in the 2021 review that the Whistleblowing Policy confirms that the key points of contact for raising concerns are the:</p> <ul style="list-style-type: none"> <li>• Section 151 Officer</li> <li>• People Business Partner (now Director of Internal Operations)</li> <li>• Monitoring Officer</li> <li>• Powys Fraud Investigation Team</li> </ul> <p>Whilst the Director of Internal Operations, Section 151 Officer and Monitoring Officer are not trained Fraud Investigators, they are qualified in other areas that enable them to understand where fraud has arisen. Their roles also require them to be aware of threats to the Council.</p> <p>Through discussion with the Senior Investigator at the Powys Counter Fraud Service, it was established that the Powys Counter Fraud Team are qualified members of staff, holding the designations Accredited Counter Fraud Officer (ACFO) or Accredited Counter Fraud Specialist (ACFS) and maintaining compulsory professional development.</p> <p>SWAP has four Certified Fraud Examiners, who stay up to date with latest practice and trends through professional development.</p>

**2022 Update**

In addition to the above, staff are completing mandatory e-learning modules relating to fraud, with the aim of all staff completing these by end of August 22.

2021 assessment:

2022 assessment:

**Findings in Support of the Assessment:**

**Requirement 5d**

The organisation routinely publicises successful cases of proven fraud and corruption to raise awareness and this is endorsed by the communications/ media team.

We found in the 2021 review that the Council Through discussion with the Senior Investigator at the Powys Counter Fraud Service, it was established that there have been cases in the past that have been publicised, but nothing recently. This is mainly down to the additional work being undertaken during coronavirus with business grants.

There has been an awareness within the Council, particularly with those officers who were processing grants that they had to prevent fraudulent applications and with time all Councils will report back to central government to advise how they have combatted fraudulent grant applications.

Despite the lack of publicity over the last year, it is clear from the Anti-Fraud and Corruption Policy and Strategy that there is a desire within the Council to publicise the effectiveness of counter fraud activities and a defined process to follow as required. The Council would always consider cases on their own merit.

**2022 Update**

**No cases have been publicised recently, but we believe this to be because there have been no identified cases of fraudulent activity at the Council. The Anti-Fraud and Corruption Strategy sets out the Council's position in regard to publicising cases.**

2021 assessment:

2022 assessment:

**Findings in Support of the Assessment:**

**Requirement 5e**

The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the relevant checks.

We found in the 2021 review that the Council complete checks on new employees, including:

- DBS (based on job description and online eligibility calculator)
- Right to work in the UK
- Criminal records
- Medical records
- References







**2022 Update**







**All checks are still in place.**



Theme 6: Reporting, Investigating and Monitoring

Overall Theme Assessment for 2022:

2021 assessment: 	2022 assessment: 	Findings in Support of the Assessment:
<p><u>Requirement 6a</u> Statistics are kept and reported which cover all areas of activity and outcomes. Are number of investigations and outcomes recorded.</p>		<p>In the 2021 review, through discussion with the Powys Counter Fraud Service Senior Investigator, it was established that they provide the Council with statistics on all areas of activity and outcomes. This information is derived from OPUS, the Fraud Management System and a large monitoring spreadsheet. The Senior Investigator provides the Council's Senior Management with the statistics they require, and the Monitoring Officer then utilises this to inform her own report to the Audit, Governance and Standards Committee. However, no evidence of this has been provided to us.</p> <p>The Report of the Governance Manager and Monitoring Officer should also include investigations and counter fraud work conducted by SWAP Internal Audit Services. Due to the coronavirus pandemic the Committee has not received a report over the last year, however an update on the team's activities along with a suite of counter fraud policies is scheduled to be provided to the Committee on 12<sup>th</sup> of April 2021.</p> <p><b>2022 Update</b> Through discussion with the Governance Officer, we can confirm that the Council still work with Powys and therefore they still keep a record of activity on the Fraud Management System. No report was forthcoming for 2021-22, so we are unable to change the requirement rating.</p>
2021 assessment: 	2022 assessment: 	Findings in Support of the Assessment:
<p><u>Requirement 6b</u> All allegations of fraud and corruption are risk assessed.</p>		<p>In the 2021 review, through discussion with the Powys Counter Fraud Service Senior Investigator, it was established that the team do not risk assess allegations in the traditional sense, but they review all available information.</p> <p>Each allegation is recorded in the OPUS fraud management system. Where information is sparse the team will do whatever they can to try and get more detailed information about the alleged offence. If the allegation is not anonymous and the reporter has left their details, they will go back to the reporter to try and get more information.</p> <p>SWAP's Counter Fraud Team would apply risk assessments to all allegations of fraud received from the Council.</p> <p>Both the Powys Counter Fraud Service and the SWAP's Counter Fraud Team have unfettered access to information.</p> <p><b>2022 Update</b> The council still work with SWAP and the Powys Counter Fraud team and working arrangements remain unchanged.</p>
2021 assessment: 	2022 assessment: 	Findings in Support of the Assessment:
<p><u>Requirement 6c</u> The organisation provides an anonymous way to report suspected violations of the ethics and anti-fraud programs.</p>		<p>We found in the 2021 review that the Whistleblowing Policy is accessible from the Council website and provides the contact details of the key individuals staff should contact, even anonymously, should they need to report an irregularity or fraud. The internet also has an online Report Fraud webpage. The reporter has the option on this form to provide their contact details or make a report anonymously.</p> <p><b>2022 Update</b> Any concerns that fraud has been committed can be reported on the SWT website anonymously. Arrangements remain unchanged from 2021.</p>

2021 assessment: 	2022 assessment: 	Findings in Support of the Assessment:
<b>Requirement 6d</b> Prevention measures and projects are undertaken using data analytics where possible and sharing of data across internal departments and between other enforcement agencies.		<p>In the 2021 review, through discussion with the Powys Counter Fraud Service Senior Investigator, it was established that there is a commercial arm of the counter fraud service and through this service they have analysed records, helped to correct errors and make financial savings. Where appropriate sanctions have been applied to individuals. Areas they have investigated include, but are not restricted to, business rates relief (NDR), right-to-buy, single person discount (Council Tax) and empty homes (Council Tax).</p> <p>Elements of joint working are included within the NFI work as previously mentioned. SWAP is also regularly performing audit work, using data analytics and the outputs are shared internally and externally where necessary/ beneficial.</p> <p>The Council also has access to the Cifas national database for business grants. The Covid grant work generally has led to development within the data analytics field. The Council are currently creating a data bank for Covid applications.</p> <p><b>2022 Update</b>  <b>The Council still work with Powys Counter Fraud team and therefore this has been found to still be satisfactory</b></p>
2021 assessment: 	2022 assessment: 	Findings in Support of the Assessment:
<b>Requirement 6e</b> Fraud incidents are promptly and thoroughly investigated by a designated and qualified resource, with unfettered access to premises and documents for the purposes of counter fraud investigation.		<p>We found in the 2021 review that the Council SWAP Internal Audit Services Audit Charter states:</p> <p>‘There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. SWAP have access to any records, personnel or physical property of Somerset West and Taunton Council.’</p> <p>We have not been provided with the Contract that the Powys Counter Fraud Service has with the Council. We are told that this will be commercially confidential. Powys Counter Fraud Service Senior Investigator confirmed that her team has unfettered access to information, within reason, and through the correct legal gateways, as appropriate. They have, for example, read only access to the OPEN Revenues and Academy application.</p> <p><b>2022 Update</b>  <b>The Council continues to work with SWAP and Powys Counter Fraud Service.</b></p>
2021 assessment: 	2022 assessment: 	Findings in Support of the Assessment:
<b>Requirement 6f</b> There is a fraud and corruption response plan which covers all areas of counter fraud work: – prevention – detection – investigation – sanctions – redress.		<p>We found in the 2021 review that the Council that The Council’s Anti-Fraud and Corruption Strategy and Policy covers:</p> <ul style="list-style-type: none"> <li>• Culture.</li> <li>• Prevention.</li> <li>• Detection and Investigation.</li> <li>• Deterrence.</li> <li>• Appendix 4 covers the Anti-Fraud Response Procedure.</li> <li>• Appendix 5 the Prosecution, Sanctions and Redress Protocol.</li> <li>• Appendix 6 the Communication and Publicity Plan.</li> </ul> <p><b>2022 Update</b>  <b>The Anti-Fraud and Corruption Strategy covers all areas above.</b></p>

### Actions completed since 2021 review

- ✓ The Risk and Opportunity Management Strategy is updated to reflect the risks of fraud and corruption.
- ✓ An up-to-date Anti-Fraud and Corruption Strategy has been approved as part of the Anti-Fraud Framework.
- ✓ An Annual Fraud Plan was presented to Audit and Governance Committee in June 2022, which includes staff responsible for each action.
- ✓ Anti-fraud training has started for all staff.
- ✓ A formal fraud risk assessment has been completed.
- ✓ The Anti-Money Laundering Policy is updated and approved.

### How as a priority

Present this report to key stakeholders and assign responsibility for management of actions.

- Assign responsibility for ongoing monitoring of the fraud risk assessment completed in October 2021, including any target residual scoring and any further action required to treat risk.

- Ensure all staff complete the recently organised e-learning training sessions.

### Immediate Future

- The Terms of Reference for the Audit Governance and Standards Committee are expanded to include requirement to monitor the council's counter fraud plan, performance of the contractor and regularity of reporting.
- Provide training to the Audit and Governance Committee in relation to counter fraud.

### Shorter-term

- Ensure contractors sign up to the Council's Whistleblowing Policy. The Council are aware and are going to do this as part of Local Government Reorganisation.

### Medium-term

- There are no actions to complete.

### Longer-term

- There are no actions to complete.



Improved  
Baseline  
Maturity  
Assessment



# **Somerset West and Taunton Council**

## **Audit and Governance Committee – 12<sup>th</sup> September 2022**

### **Treasury Management Outturn Report 2021/22**

**This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen**

**Report Authors: John Dyson, Corporate Finance Manager and Steve Plenty, Finance Specialist**

#### **1 Executive Summary / Purpose of the Report**

- 1.1 To provide Members with an update on the Treasury Management activity of Somerset West and Taunton Council and performance against the Prudential Indicators for 2021/22.
- 1.2 Treasury management performance during the year has reflected the agreed strategy for the Council.

#### **2 Recommendations**

- 2.1 To note the Treasury Management activity for the 2021/22 financial year and compliance with the Prudential Indicators.
- 2.2 To endorse the recommendation made by the meeting of the Executive Committee on 20 July 2022 to Full Council to approve a reduction of £35m to the Approved Borrowing Limits in the Capital, Investment and Treasury Management Strategy for 2022/23 reflecting a reduction in capital financing requirement for expenditure no longer required (as referred to in paragraphs 6.33 and 6.34 of this report).

#### **3 Risk Assessment**

- 3.1 The Council has an agreed Treasury Management Strategy (TMS) and effective management practices to ensure compliance and risks are monitored and managed.

#### **4 Background and Full details of the Report**

- 4.1 The Council's Treasury Management Strategy for 2021/22 was approved at Full Council on 30 March 2021. The Council invests substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's Treasury Management Strategy.
- 4.2 Treasury risk management at the Council is conducted within the framework of specific Codes of Practice issued by the Chartered Institute of Public Finance and Accountancy,

CIPFA. In abbreviated format, they are referred to as the 'Treasury Management Code of Practice' and the 'Prudential Code'.

- 4.3 The first Code is the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The version that is relevant to the start of the financial year 2021/22 was published in 2017 and requires the Council to approve a Treasury Management Strategy before the start of each financial year and to approve, as a minimum, a half-year and annual treasury outturn report. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 4.4 In December 2021, CIPFA published a new release of the 'Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.' Being a revision of the 2017 Treasury Management Code, it introduces strengthened requirements for skills and training, and for investments that are not specifically for treasury management purposes. Most aspects of the new 2021 update took effect from the time of publication, with the exception of new reporting requirements.
- 4.5 Reports prescribed by the Code are required to be adequately scrutinised by committee before being recommended to the Full Council. This role is undertaken by the Audit and Governance Committee.
- 4.6 Working alongside the Treasury Management Code, the 2017 CIPFA The Prudential Code includes a requirement for local Councils to provide a Capital Strategy. This is a comprehensive and high-profile document approved by Full Council covering capital expenditure and financing, treasury management and non-treasury investments.
- 4.7 Similarly to the Treasury Management Code of Practice, CIPFA published a new release of the Prudential Code in December 2021. The Council's latest Capital Strategy, complying with CIPFA's requirement, was approved by Somerset West and Taunton Full Council on 29<sup>th</sup> March 2022.
- 4.8 For continuity and clarity, CIPFA defines Treasury Management as:

"The management of the local Council's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks".
- 4.9 Overall responsibility for treasury management remains with the Council with operational responsibility delegated to the S151 Officer. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.

## **5 External Context – Analysis by Arlingclose**

- 5.1 This Council relies on the resources and experience of its appointed Treasury Management advisors, Arlingclose. Commentary relating to the external context and economic analysis by Arlingclose can be found in Appendix A to this report.

## **6 Local Context**

- 6.1 On 31<sup>st</sup> March 2022, the Council had net cash investments of £77.030m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These components, which stem from the Council's Balance Sheet, are summarised in Table 1 below.

**Table 1: Balance Sheet Summary**

	<b>31.3.22 Actual £m</b>
General Fund CFR	135.243
HRA CFR	113.284
<b>Total CFR</b>	<b>248.527</b>
Less: External borrowing	-180.500
<b>Internal borrowing</b>	<b>68.027</b>
Less: Usable reserves	-87.653
Less: Working capital	-59.404
<b>Net Investments</b>	<b>-79.030</b>

- 6.2 Historically low official interest rates have reduced the cost of short-term, temporary loans and, similarly, reduced investment returns from cash assets that can be used in lieu of borrowing. The Authority pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.
- 6.3 The treasury management position as at 31<sup>st</sup> March 2022 and the change during the year is shown in Table 2 below.

**Table 2: Treasury Management Summary**

	<b>31.3.21 Balance £m</b>	<b>In-year Movement £m</b>	<b>31.3.22 Balance £m</b>
Long-term borrowing	-115.500	15.000	-90.500
Short-term borrowing	-47.000	-33.000	-90.000
<b>Total borrowing</b>	<b>-162.500</b>	<b>-18.000</b>	<b>-180.500</b>
Long-term investments	0.003	0.000	0.003
Short-term investments	3.254	-3.254	0.000
Cash and cash equivalents	41.507	-1.253	40.388
<b>Total investments</b>	<b>44.764</b>	<b>-4.507</b>	<b>40.391</b>
<b>Net Borrowing</b>	<b>-117.736</b>	<b>-22.507</b>	<b>-140.109</b>

### **Borrowing Update**

- 6.4 Commercial property is any property which the local authority purchases or holds primarily for financial return. The value of the Council's commercial property portfolio as

at 31<sup>st</sup> March 2022 was £96.835m. All purchases were made prior to the revised CIPFA Prudential Code and shaped the Council's new external borrowing for 2021/22. As a result, £54.9m was added to the financing requirement following the in-year property acquisitions.

- 6.5 A requirement of the new CIPFA Prudential Code is that the Council will review the options for exiting these investments before undertaking further additional borrowing. Whilst this does not commit the Council to exit the investments, the ongoing continuation of holding commercial investments will be an ongoing matter for decision-making by the new Somerset Unitary Council after March 2023. Such decisions are expected to form a part of the Council's overall Capital, Investment and Treasury Strategy from 2023/24 and beyond.
- 6.6 **Municipal Bonds Agency (MBA):** The MBA has been working to deliver a new short-term loan solution, available in the first instance to principal local councils in England, allowing them access to short-dated, low rate, flexible debt. The minimum loan size is understood to be £25 million. With alternative sources of borrowing available to it for smaller amounts, this was not an option that was required by SWT Council during 2021/22.
- 6.7 **UK Infrastructure Bank:** £4bn was reported to have been earmarked for lending to local authorities by the UK Infrastructure Bank high-value and complex economic infrastructure projects. The Bank is wholly owned and backed by HM Treasury. It is understood that this service will launch in due course and will scale up its activity incrementally. Whilst SWT Council was, therefore, unable to participate, its borrowing needs did not match the objectives of the UK Infrastructure Bank.

### **Borrowing strategy**

- 6.8 As at 31<sup>st</sup> March 2022 the Council held £180.5m of loans as part of its strategy for funding previous and current years' capital programmes. This represented an increase of £18m compared to the previous financial year-end, 31<sup>st</sup> March 2021. Outstanding loans on 31<sup>st</sup> March are summarised in Table 3 below.

**Table 3: Borrowing Position**

	<b>31.3.21 Balance £m</b>	<b>Net Movement £m</b>	<b>31.3.22 Balance £m</b>
Public Works Loan Board (Long-term)	92.5	-5.0	87.5
Public Works Loan Board (Short-term)	10.0	-5.0	5.0
Banks (Fixed term)	3.0	0.0	3.0
Local Councils (Long-term)	10.0	0.0	10.0
Local Councils (Short-term)	47.0	28.0	75.0
<b>Total borrowing</b>	<b>162.5</b>	<b>18.0</b>	<b>180.5</b>

- 6.9 For clarification, long-term loans are defined as any loan with a maturity date exceeding 365 days from the date of a reported balance. The Council's chief objective when taking new borrowing during 2021/22 has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for



which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

- 6.10 The Council has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark, which also takes into account usable reserves and working capital. Having considered the appropriate duration and structure of the borrowing need based on realistic projections, it was decided to take a mixture of short-term and long-term borrowing. The Council currently has £100.5m of longer-term borrowings in respect of the Housing Revenue Account and General Fund, details of which are below. These loans provide some longer-term certainty and stability to the debt portfolio. It is also worthy of note that loans shown in the table with a higher rate of interest reflect historically higher interest rates at the time when they were advanced to the Council.

**Table 4: External Long-term Borrowing Position as at 31 March 2022**

Long-dated Loans borrowed	Amount £m	Rate %	Maturity Date
Public Works Loan Board	7.0	2.70	28 Mar 2024
Public Works Loan Board	6.0	2.82	28 Mar 2025
Public Works Loan Board	7.0	2.92	28 Mar 2026
Public Works Loan Board	16.0	3.01	28 Mar 2027
Public Works Loan Board	7.0	3.08	28 Mar 2028
Public Works Loan Board	5.0	3.15	28 Mar 2029
Public Works Loan Board	5.5	3.21	28 Mar 2030
Public Works Loan Board	1.0	8.38	03 Aug 2056
Public Works Loan Board	1.0	7.38	06 May 2057
Public Works Loan Board	2.0	6.63	05 Sep 2057
Barclays	3.0	4.25	14 Jun 2077
Public Works Loan Board	10.0	1.64	12 Nov 2070
Buckinghamshire Council	10.0	0.44	22 Aug 2023
Public Works Loan Board	20.0	1.89	26 Mar 2071
<b>Total borrowing</b>	<b>100.5</b>		

- 6.11 The Council's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing was maintained.
- 6.12 PWLB funding margins have lurched quite substantially and there remains a strong argument for further diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields plus 0.80%. The Council (including the new Unitary Council) will evaluate and pursue such lower-cost solutions and opportunities with its advisor Arlingclose, taking into consideration the amalgamation of the merging five Councils' borrowing and cash balances.

### **Treasury Investment Activity**

- 6.13 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held for a wide range of purposes. During the year, the Council's investment balances ranged between £30.137m and £82.754m due to timing differences between income and expenditure as well as cashflow movements. 2021/22 cashflow movements were unusually pronounced as a result of

Covid grant funding and due to liquidity management ahead of property purchases. The investment position is shown in Table 5 below.

**Table 5: Treasury Investment Position**

	<b>31.03.21 Balance £m</b>	<b>Net Movement £m</b>	<b>31.03.22 Balance £m</b>
Banks and Building Societies (unsecured)	0.867	0.763	1.630
Government (including local authorities)	14.042	-11.144	2.898
Money Market Funds	13.150	4.750	17.900
Cash Plus Funds	1.010	-0.027	0.983
Strategic Bond Funds	2.080	-0.095	1.985
Equity Income Funds	2.011	-0.031	1.980
Property Funds	4.898	0.799	5.697
Multi Asset Income Fund	6.706	0.018	6.688
<b>Total Investments</b>	<b>44.764</b>	<b>-5.003</b>	<b>39.761</b>

- 6.14 The new CIPFA Treasury Management Code of Practice, already referred to above, was published on 20th December 2021. The Code defines treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 6.15 During 2021/22 the Council received central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. £19.71m was received during the year, temporarily invested in short-dated, liquid instruments such as call accounts and Money Market Funds. £18.49m was disbursed by the end of March 2022.
- 6.16 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.17 Ultra-low short-dated cash rates, which were a feature since March 2020 when Bank Rate was cut to 0.1%, prevailed for much of the 12-month reporting period which resulted in the return on sterling low volatility net asset value (LVNAV) Money Market Funds being close to zero even after some managers had temporarily waived or lowered their fees. However, higher returns on cash instruments followed the increases in Bank Rate in December, February and March. At 31st March 2022, the 1-day return on the Council's MMFs ranged between 0.51% - 0.58% p.a.
- 6.18 Similarly, deposit rates with the Debt Management Account Deposit Facility (DMADF) initially remained very low with rates ranging from 0% to 0.1% but, following the hikes to policy rates, increased to between 0.55% and 0.85% depending on the deposit maturity. The average return on the Council's DMADF deposits was 0.04% in 2021/22.
- 6.19 The progression of risk and return metrics are shown in the extracts from Arlingclose

quarterly investment benchmarking in Table 6 below.

**Table 6: Investment Benchmarking – Treasury investments managed in-house**

	<b>Credit Score</b>	<b>Credit Rating</b>	<b>Bail-in Exposure</b>	<b>Weighted Average Maturity (days)</b>	<b>Rate of Return %</b>
31.03.2021	4.37	AA-	49%	7	4.36%
<b>31.03.2022</b>	<b>4.54</b>	<b>A+</b>	<b>87%</b>	<b>1</b>	<b>1.83%</b>
Similar Local Authorities	4.37	AA-	61%	43	1.18%
All Local Authorities	4.39	AA-	60%	14	0.97%

- 6.20 Arlingclose provided the Council with a report as at 31<sup>st</sup> March 2022 which shows that £14.380m of the Council's investments are held in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives are, instead, regular revenue income and long-term price stability. These funds generated dividends of £0.563m in 2021/22, an income return of 4.15% which is used to support services in year, and an unrealised capital gain of £0.804m (5.93%).
- 6.21 In the nine months to December improved market sentiment was reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of the Authority's property, equity and multi-asset income funds in the Authority's portfolio. The prospect of higher inflation and rising bond yields did, however, result in muted bond fund performance. In the January to March quarter the two dominant themes were tighter UK and US monetary policy and higher interest rates, and the military invasion of Ukraine by Russia in February, the latter triggering significant volatility and uncertainty in financial markets.
- 6.22 In light of Russia's invasion, Arlingclose contacted the fund managers of our MMF, cash plus and strategic funds and confirmed no direct exposure to Russian or Belarusian assets had been identified. Indirect exposures were immaterial. It should be noted that any assets held by banks and financial institutions (e.g. from loans to companies with links to those countries) within MMFs and other pooled funds cannot be identified easily or with any certainty because that level of granular detail is unlikely to be available to the fund managers or Arlingclose in the short-term, if at all.
- 6.23 Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates. Investments within these funds have been maintained during 2021/22.

### **Non-Treasury Investments**

- 6.24 The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the

definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

- 6.25 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also broadens the definition of investments to include all such assets held partially or wholly for financial return. This represented a significant feature of CIPFA's new Code of Practice published in December 2021.
- 6.26 The Council holds £96.835m of such commercial property investments held as directly owned property and £5.069m as loans to local businesses, charities, partnerships and sports clubs as at 31 March 2022.
- 6.27 Commercial property investments generated £5.557m of gross investment income representing an average rate of return of 5.74% and the loans to local businesses generated £181k of investment income representing an average rate of return of 4.41%.
- 6.28 The Commercial Property Investment Strategy was developed to invest £100million between 2020/21 and 2021/22 to create a diversified, cross-sector, institutional grade property portfolio which will bring in gross additional income to the General Fund. The Strategy follows a reduction in Council income streams and increasing volatility around other funding sources, requiring Somerset West and Taunton Council to generate new sources of additional revenue to support front line services. Acquisition of the Council's capital investment portfolio of commercial properties was successfully completed on 17 December 2021. The Council has no plans to extend its investment in this field any further.

### **Treasury Performance**

- 6.29 The Council measures the financial performance of its treasury management activities in terms of its impact on the revenue budget as shown Table 7 below.

**Table 7: Performance**

	<b>Budget 2021/22 £m</b>	<b>Actual 2021/22 £m</b>	<b>Variance 2021/22 £m</b>
Interest Paid	3.507	2.940	-0.567
Interest Received	-0.594	-0.786	-0.192

- 6.30 The above excludes interest paid relating to commercial properties. Using a notional average interest rate of 1.5% for the year, £567k of interest costs was applied to the Council commercial property investment fund (compared to budget estimate of £525k).

### **Compliance**

- 6.31 The Section 151 Officer is pleased to report that all treasury management activities undertaken during the year fully complied with the CIPFA Code of Practice and with every one of the Council's approved Treasury Management Strategy parameters – see Table 8, below.

**Table 8: Investment Limits**

	<b>2021/22 Maximum</b>	<b>31.3.22 Actual</b>	<b>2021/22 Limit</b>	<b>Complied</b>
Any single organisation, except the UK Government	£7.0m	£5.5m	£7m	Yes
UK Government	£36.966m	£2.898m	Unlimited	Yes
Any group of organisations under the same ownership	£7.0m	£5.5m	£7m per Group	Yes
Any group of pooled funds under the same management	£5.0m	£5.0m	£21m per Manager	Yes
Negotiable instruments held in a broker's nominee account	nil	Nil	£21m per Broker	Yes
Foreign Countries	nil	Nil	£7m per Country	Yes
Registered providers and registered social landlords	Nil	Nil	£21m in Total	Yes
Unsecured investments with building societies	Nil	Nil	£7m in Total	Yes
Loans to unrated corporates	nil	Nil	£7m in Total	Yes
Money Market Funds	£28.0m	£17.9m	£42m in Total	Yes
Real Estate Investment Trusts	nil	nil	£21m in Total	Yes

- 6.32 Compliance with the authorised limit and the operational boundary for external debt is demonstrated in Table 9 below, relating to 2021/22:

**Table 9: Debt Limits**

	<b>2021/22 Maximum</b>	<b>31.3.22 Actual</b>	<b>2021/22 Operational Boundary</b>	<b>2021/22 Authorised Limit</b>	<b>Complied</b>
Borrowing	£180.5m	£180.5m	£300.0m	£340.0m	Yes
<b>Total debt</b>	<b>£180.5m</b>	<b>£180.5m</b>	<b>£300.0m</b>	<b>£340.0m</b>	Yes

- 6.33 For the purpose of updating the Capital Investment and Treasury Strategy for 2022/23, at the meeting of the Executive on 20 July 2022 it was agreed to recommend to Full Council that a reduction is made to the approved capital programme budget for reported underspends totalling some £35.312m. Of this sum, £1m was on the Commercial Investment portfolio and £252k on vehicle acquisitions. In addition, in September 2020 Full Council, through a confidential report, approved a large capital investment of over £33m for town centre regeneration development in Taunton. Agreement for land acquisition was not concluded with the owners for a variety of reasons including purchase and development costs, and the impact of phosphates on new schemes that incorporate overnight accommodation. We are no longer in an active negotiation on the purchase of the site and conclude that the capital programme should be updated to

reflect the removal of this scheme (further information was provided in confidential Appendix F to the report for the July meeting of the Executive Committee).

- 6.34 Members of the Audit and Governance Committee are therefore requested to endorse the recommendation from the Executive Committee to reduce the overall capital programme for budget allocations no longer required and, as a consequence, it is now recommended that Full Council approves a reduction of £35m in the Authorised Limit for borrowing in 2022/23 and subsequent years' estimates within the Capital, Investment and Treasury Management Strategy, which was approved by Council in March 2022. If approved, the effect would be to reduce the Authorised Limit for borrowing for each of the three years' estimates to the following:

Authorised limit & Operational boundary for external debt			
	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Operational Boundary:			
Borrowing	265,000	315,000	335,000
Leases	10,000	10,000	10,000
<b>Total Operational Boundary</b>	<b>275,000</b>	<b>325,000</b>	<b>345,000</b>
Authorised limit:			
Borrowing	315,000	315,000	335,000
Leases	20,000	20,000	20,000
<b>Total Authorised limit</b>	<b>335,000</b>	<b>335,000</b>	<b>355,000</b>

### Treasury Management Indicators

- 6.35 The Council measures and manages its exposures to treasury management risks using the following indicators.
- 6.36 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.3.22 Actual	2021/22 Target	Complied
Portfolio average credit rating	A+	A-	Yes

- 6.37 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	31.3.22 Actual	2021/22 Target	Complied
Total cash available within 3 months	£39.76m	£20.00m	Yes

- 6.38 **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk in the General Fund. The upper limits on the one-year revenue impact of a 1% rise or fall in interest upon variable rate investments and loans were:

Interest rate risk indicator	31.3.22 Actual	2021/22 Limit	Complied
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£20,177	£50,000	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£20,177	£50,000	Yes

- 6.39 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates, and that the business cases for commercial properties (costs and income) are stand alone.
- 6.40 Maturity **Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.3.22 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	44.32%	100%	0%	Yes
12 months and within 24 months	9.42%	100%	0%	Yes
24 months and within 5 years	16.07%	100%	0%	Yes
5 years and within 10 years	9.70%	100%	0%	Yes
10 years and above	20.50%	100%	0%	Yes

- 6.41 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
- 6.42 Principal **Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2021/22	2022/23	2023/24
Actual principal invested beyond year end	£nil	£nil	£nil
Limit on principal invested beyond year end	£30m	£25m	£25m
Complied	Yes	Yes	Yes

#### **Other Matters – Revised CIPFA Codes, Updated PWLB Lending Facility Guidance**

- 6.43 In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans.

Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

- 6.44 CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 6.45 The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. SWT Council has adopted this deferral because the joining of Somerset councils into the new Somerset Unitary Council means that reporting will not be continuous. The new reporting requirements are, naturally, anticipated to commence from 2023/24.
- 6.46 To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.
- 6.47 Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.
- 6.48 Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.
- 6.49 The Council will follow the same process as the Prudential Code, i.e. delaying changes in reporting requirements to the 2023/24 financial year.

## **IFRS16**

- 6.50 The implementation of the new IFRS 16 Leases accounting standard was due to come into force for local authorities from 1st April 2022. Following a consultation CIFPA/LASAAC announced an optional two-year delay to the implementation of this standard, a decision which was confirmed by the Financial Reporting Advisory Board in early April 2022. Councils can now choose to adopt the new standard on 1st April 2022, 1st April 2023 or 1st April 2024. It is not yet known at which date the new Council, Somerset Council, intends to adopt the new standard, although this will undoubtedly form a part of the Local Government Review work being undertaken by staff across the



five Somerset authorities.

## **7 Links to Corporate Aims / Priorities**

- 7.1 The Capital, Investment and Treasury Management Strategies support the delivery of the Corporate Aims.

## **8 Finance / Resource Implications**

- 8.1 The Treasury Management function has been well-managed during the year in compliance with the Treasury Management Strategy. As interest rates remain historically low, the opportunities to generate significant income through short-term investments has been limited.

- 8.2 This report provides full details of the Treasury Management activity during the year. A summary of the key points follows:

- As at 31 March 2022, Somerset West and Taunton Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was indicatively £248.527m, while usable reserves and working capital which were the underlying resources available for investment were £87.653m and £59.404m respectively.
- As at 31 March 2022, Somerset West and Taunton Council had external borrowing of £180.50m, with £105.50m attributable to the Housing Revenue Account and £75.00m attributable to the General Fund.
- Somerset West and Taunton Council also had £39.761m of investments as at 31 March 2022.
- The Council's current strategy was to maintain borrowing and investments below their underlying levels, referred to as internal borrowing.

## **9 Legal Implications**

- 9.1 The S151 Officer has a statutory responsibility to ensure appropriate arrangements are in place to adequately control the Council's resources. The Council is required to have regard to the Prudential Code, Treasury Management Code and relevant statutory guidance.

## **10 Climate and Sustainability, Safeguarding and/or Community Safety, Equality and Diversity, Social Value, Partnership, Health and Wellbeing, Asset Management, Data Protection and Consultation Implications**

- 10.1 None in respect of this report.

**Democratic Path:**

- **Audit, Governance and Standards Committee – Yes**
- **Full Council – Yes**

**Reporting Frequency: Annually**

#### **List of Appendices**

Appendix A	External Context – Analysis by Arlingclose
Appendix B	List of Investments as at 31 March 2022

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## External Context – Analysis by Arlingclose

### External Context

**Economic background:** The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.

Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.

UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% y/y from 4.4%.

The government's jobs furlough scheme insulated the labour market from the worst effects of the pandemic. The labour market began to tighten and demand for workers grew strongly as employers found it increasingly difficult to find workers to fill vacant jobs. Having peaked at 5.2% in December 2020, unemployment continued to fall and the most recent labour market data for the three months to January 2022 showed the unemployment rate at 3.9% while the employment rate rose to 75.6%. Headline 3-month average annual growth rate for wages were 4.8% for total pay and 3.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 0.1% while regular pay fell by 1.0%.

With the fading of lockdown – and, briefly, the 'pingdemic' – restraints, activity in consumer-facing sectors improved substantially as did sectors such as oil and mining with the reopening of oil rigs but materials shortages and the reduction in the real spending power of households and businesses dampened some of the growth momentum. Gross domestic product (GDP) grew by an upwardly revised 1.3% in the fourth calendar quarter of 2021 according to the final estimate (initial estimate 1.0%) and took UK GDP to just 0.1% below where it was before the pandemic. The annual growth rate was revised down slightly to 7.4% (from 7.5%) following a revised 9.3% fall in 2020.

Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase

scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.

In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.

GDP growth in the euro zone increased by 0.3% in calendar Q4 2021 following a gain of 2.3% in the third quarter and 2.2% in the second. Headline inflation remains high, with CPI registering a record 7.5% year-on-year in March, the ninth successive month of rising inflation. Core CPI inflation was 3.0% y/y in March, was well above the European Central Bank's target of 'below, but close to 2%', putting further pressure on its long-term stance of holding its main interest rate of 0%.

The US economy expanded at a downwardly revised annualised rate of 6.9% in Q4 2021, a sharp increase from a gain of 2.3% in the previous quarter. In its March 2022 interest rate announcement, the Federal Reserve raised the Fed Funds rate to between 0.25% and 0.50% and outlined further increases should be expected in the coming months. The Fed also repeated its plan to reduce its asset purchase programme which could start by May 2022.

**Financial markets:** The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.

Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.

The 5-year UK benchmark gilt yield began the quarter at 0.82% before rising to 1.41%. Over the same period the 10-year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%.

The Sterling Overnight Rate (SONIA) averaged 0.39% over the quarter.

**Credit review:** In the first half of FY 2021-22 credit default swap (CDS) spreads were flat over most of period and are broadly in line with their pre-pandemic levels. In September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but then fell back. Fitch and Moody's revised upward the outlook on a number of UK banks and building societies on the Authority's counterparty to 'stable', recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK.

Fitch also revised the outlook for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable. The agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.

The successful vaccine rollout programme was credit positive for the financial services sector in general and the improved economic outlook meant some institutions were able to reduce provisions for bad loans. However, in 2022, the uncertainty engendered by Russia's invasion of Ukraine pushed CDS prices modestly higher over the first calendar quarter, but only to levels slightly above their 2021 averages, illustrating the general resilience of the banking sector.

Having completed its full review of its credit advice on unsecured deposits, in September Arlingclose extended the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days; a similar extension was advised in December for the non-UK banks on this list. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

## Investments as at 31 March 2022

<b>Borrower</b>	<b>Amount £</b>	<b>Rate of Interest %</b>	<b>Date of Investment</b>	<b>Date of Maturity</b>
National Westminster Bank	1,630,092	0.01	N/A	On Demand
Debt Management Office	2,898,000	0.14	17/01/2022	18/04/2022
Federated Money Market Fund	5,200,000	Variable	N/A	On Demand
Aberdeen Standard Liquidity	5,500,000	Variable	N/A	On Demand
Aviva	3,200,000	Variable	N/A	On Demand
CCLA Public Sector Deposit Fund	4,000,000	Variable	N/A	On Demand
CCLA Local Authority Property Fund	5,697,030	Variable	N/A	On Demand
Ninety-One (Formerly Investec)	2,752,351	Variable	N/A	On Demand
Columbia Threadneedle	1,980,392	Variable	N/A	On Demand
Royal London Enhanced Cash Fund	983,176	Variable	N/A	On Demand
Payden Sterling Reserve Fund	1,984,727	Variable	N/A	On Demand
AEGON Diversified Income Fund (Formerly Kames)	1,889,091	Variable	N/A	On Demand
Schroder Income Maximiser Fund	2,046,194	Variable	N/A	On Demand
<b>TOTAL</b>	<b>39,761,053</b>			

*Report Number: SWT 126/22*

## **Somerset West and Taunton Council**

### **Audit and Governance Committee – 12 September 2022**

#### **Local Government Ombudsman Summary of Complaints for 2021/22**

**This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen**

**Report Author: Jess Thomas, Customer Experience Manager**

#### **1 Executive Summary / Purpose of the Report**

- 1.1 To present the Committee with the Local Government Ombudsman (LGO) Summary of Complaints for 2021/22.

#### **2 Recommendations**

- 2.1 That the Committee notes the contents of the Local Government Ombudsman complaints – 2021/22 Annual Report.

#### **3 Risk Assessment**

- 3.1 Failure to deal with complaints in an appropriate manner could impact on the Council's ability to operate in an economic, efficient and effective manner and lead to action being taken by the Local Government Ombudsman.

#### **4 Background and Full details of the Report**

- 4.1 The Local Government Ombudsman looks at complaints about Councils and investigate them in a fair and independent way once the complaint has

exhausted the Council's complaints process.

4.2 Each year the Local Government Ombudsman publishes the Annual Summary of Complaints for each Council on their website.

4.3 The purpose of this report is to present the Committee with the Summary of Complaints from the Local Government Ombudsman for Somerset West and Taunton Council for the 2021/22 financial year.

4.4 The Committee are asked to note this report.

## **5 Links to Corporate Strategy**

5.1 Having effective and efficient governance arrangements for dealing with complaints and feedback from the Local Government Ombudsman is a fundamental element of being a 'well managed' council

## **6 Finance / Resource Implications**

6.1 None arising from this report

## **7 Legal Implications**

7.1 None arising from this report

## **8 Climate, Ecology and Sustainability Implications**

8.1 None arising from this report

## **9 Safeguarding and/or Community Safety Implications**

9.1 None arising from this report

## **10 Equality and Diversity Implications**

10.1 None arising from this report

## **11 Social Value Implications**

11.1 None arising from this report

## **12 Partnership Implications**

12.1 None arising from this report

## **13 Health and Wellbeing Implications**

13.1 None arising from this report



**14 Asset Management Implications**

14.1 None arising from this report

**15 Data Protection Implications**

15.1 None arising from this report

**16 Consultation Implications**

16.1 None arising from this report

**Democratic Path:**

- **Audit, Governance and Standards Committee – Yes**
- **Cabinet/Executive – No**
- **Full Council – No**

**Reporting Frequency:** Annually

**List of Appendices (delete if not applicable)**

Appendix A	Local Government Ombudsman Complaints – 2021/22 Annual Reports
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**Contact Officers**

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# LOCAL GOVERNMENT OMBUDSMAN

## COMPLAINTS – 2021/22 ANNUAL REPORT

### INTRODUCTION

Each year the Local Government Ombudsman (LGO) produces statistics for each local authority showing how many complaints it received, what they were about and how they were resolved.

The statistics included within this report cover the period of 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 for Somerset West and Taunton Council.

This 'for information' paper provides the headlines from the report including a comparison of statistics between SWT and the other Somerset district councils in order to show how we performed in relation to others.

[Insert other comments]

### TOTAL LGO COMPLAINTS RECEIVED – BY AUTHORITY

The table below provides the **total number** of complaints received by the LGO for each of the 4 Somerset districts. The table also splits the total by broad complaints subject.

Council	Benefits & Tax	Corporate Services	Environmental & Public Protection	Housing	Planning & Development	Other	Total
Mendip	1	2	2	1	16	0	<b>22</b>
Sedgemoor	0	1	0	3	5	0	<b>9</b>
South Somerset	6	4	6	0	9	0	<b>25</b>
Somerset West and Taunton	2	2	5	6	10	1	<b>26</b>

The main source of LGO complaints for SWT during this period was Planning & Development which tends to be the highest each year. The number of Planning & Development complaints we received during this period was lower than the average of 12 across all councils.

This year the number of complaints received by the LGO for our Council was lower than last year's figures of 32 complaints received.

The national average for total complaints received by the LGO during this period was 88, compared to 2020-21 which had an average of 33 and 2019-20 which had an average of 91. Please note that this covers all local authorities including county and unitary councils. This shows that the reduction due to the Covid-19 pandemic has ceased and the volume has returned to a more normal level.

## OUTCOME OF LGO COMPLAINTS – DECISIONS ISSUED

The following tables shows the outcomes of the complaints that were made to the LGO. Please note that this table covers decisions received during the 2021/22 period, therefore it includes complaints received during 2020/21 for which decisions were not issued before 1<sup>st</sup> April 2022 and excludes any complaints received during 2021/22 which have yet to be decided.

Complaints received during 2021/22 that have yet to be decided will be included in the 2022/23 annual report in a year's time.

Council	Invalid or incomplete	Advice given	Referred back for local resolution	Closed after initial enquiries	Not upheld	Upheld
Mendip	0	0	6	13	0	3
Sedgemoor	2	0	0	4	2	0
South Somerset	0	0	12	7	4	3
Somerset West and Taunton	1	3	6	11	4	6

### Outcome descriptions

- **Invalid or incomplete** - Withdrawn, insufficient information, etc.
- **Advice given** – LGO provided early advice to complainants or explained where to go for the correct help.
- **Referred back for local resolution** – Premature (Council's internal complaints procedure has not yet been completed).
- **Closed after initial enquiries** – Other statutory appeals process is available, outside of LGO jurisdiction, not warranted (insufficient evidence of injustice or maladministration).
- **Not upheld** – Investigation has taken place. Council not at fault.
- **Upheld** – Investigation has taken place. Council at fault – LGO may or may not have recommendations for remedy.

### UPHELD COMPLAINTS

You will see that for SWT there were 6 complaints marked as upheld. This compares to 7 upheld for last year. Our upheld rate is again higher than the other districts as it was in 2020-21 however still much lower than the national average, which was 15 for 2021-22.

The below table shows the comparison between this period and the previous periods for SWT/TDBC&WSC

Period	Complaints received	Complaints upheld
2018/19 for TDBC & WSC combined	35	6
2019/20 for SWT	28	3
2020/21 for SWT	32	7
<b>This period:</b> 2021/22 for SWT	26	6

## REMEDY AND COMPLIANCE

The LGO also report on the recommendations that were made in order to remedy complaints and whether the local authority complied with those recommendations.

Upheld complaints are broken down into two outcomes:

- **Authority provided a satisfactory remedy before the complaint reached the Ombudsman** - The LGO recognise cases where an authority has taken steps to put things right before the complaint went to them. These are complaints that the authority upheld and the LGO agreed with the remedy offered.
- **Ombudsman issued recommendation(s)** - In cases where the ombudsman has made a recommendation, they monitor authorities to ensure compliance with said recommendations. The compliance rate records the percentage of cases where the authority provided satisfactory evidence of compliance.

In 2 of the upheld cases no further action was required as although the LGO found fault they decided that remedy action had already been completed. In the remaining 4 cases the LGO recommended remedy action with all 4 cases requiring a formal apology and financial remedy and one case require a revised assessment of the complainant's circumstances.

During this period our compliance with recommendations was 100% however we were late to comply in 1 case.

## FOR FURTHER INFORMATION CONTACT

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*Report Number: SWT 127/22*

## **Somerset West and Taunton Council**

### **Audit and Governance Committee – 12<sup>th</sup> September 2022**

#### **Health & Safety Management System – Performance framework and Improvement Programme**

**This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen**

**Report Authors:**

**Sean Papworth – Assistant Director, Corporate Services**

**Dan Webb – Health & Safety Improvement Programme Manager (temp)**

#### **1. Executive Summary / Purpose of the Report**

**1.1** The purpose of this report is to provide the Audit and Governance committee with:

- A) a progress update on the Health & Safety Performance Framework
- B) a progress update against delivery of the H & S Management System (HSMS) Improvement Programme.

**1.2** The HSMS Improvement Programme sets out the various workstreams within the programme, including the H & S Committee governance structure. All Improvement delivery activity will be tracked within a single consolidated action plan (implemented since November 2021) and through the established Corporate Programme Management Office (PMO) arrangements and processes (monthly reporting to the Internal Operations Directorate Board, and Senior Management Team - SMT).

#### **2. Recommendations**

**2.1** The committee is asked to note and endorse:

- A) the H & S Performance Scorecard data, together with the observations/recommendations/conclusive summary (appendix A)
- B) the HSMS Improvement Programme progress update (detailed in section 4.4)

#### **3. Risk Assessment**

**3.1** An efficient and effective H & S Management System helps the council comply with its duties under the Health & Safety at Work Act (1974) and the Management of Health & Safety Regulations 1999. This will thereby mitigate the legal, financial, and reputational risks associated with non-compliance of these key legal requirements and associated legislation, based on operational activity.

**3.2** Subsequently, effective measurement of the performance of Health & Safety systems will galvanise the continuous improvement of risk mitigation controls.

**3.3** During Quarter 1 (2021/22) an audit on Health & Safety was carried out by SWAP – this was reported to the Audit & Governance committee 13<sup>th</sup> September 2021, with an audit opinion reported as ‘limited assurance’.

**3.3.1** A summary of the work completed and findings by SWAP is as follows:

- “The Council has a statutory duty to keep its employees, members, customers, contractors and anyone else who uses its services safe from risks to their health and safety under the Health and Safety at Work Act 1974. The failure to adhere to relevant health and safety legislation and regulations puts health and safety at risk and exposes the Council to legal, finance and reputational damage.
- The Council had not received an audit of corporate health and safety since 2014 and therefore assurance was sought by senior management that the Council was adhering to health and safety legislation and regulation and the risks in these areas were minimised. Despite the absence of a recent audit the Council has been developing its approach to health and safety and this continues to be work in progress. The audit scope was designed around the Health and Safety Executive’s HSG65 framework”. (please see para 4.2 for further details of HSG65)
- The Council is currently at the ‘PLAN’ and ‘DO’ stages of HSG65 and therefore only limited testing could be done under ‘CHECK’ and ‘ACT’. Our audit focussed on the high priority areas the Council need to address and therefore contractors were only looked at briefly. When looking at accidents and incidents we relied upon second line of defence controls. Landlord Health and Safety was considered out of scope for this audit. This area has been covered by previous audit work.
- There were three Priority 2 recommendations - *“Important findings that need to be resolved by management”* (and eight Priority 3 recommendations) made within this review. The three priority 2 recommendations raised in our report are detailed below. Health and Safety is on the Senior Management Issue log to monitor improvements. The recommendation made in this review will be followed up to ensure they have been implemented and reported back to the Audit Committee.
  - **SWAP recommendation 1)** Corporate Governance matters need to be strengthened, including raising the profile of health and safety through a Member Champion and reporting of health and safety work to Members. Sub-Committees would be advisable for all Directorates, as currently they only exist for Housing & Communities and External Operations.
  - **SWAP recommendation 2)** While the Risk Assessment Scoping sessions have been scheduled and are underway, they are not complete, therefore the Council does not have a complete record of the health and safety risks it needs to manage. To date the Audit Framework has not been developed.
  - **SWAP recommendation 3)** Health and Safety training is being carried out upon induction and refresher training is also being delivered, however Members have not received any. Reports can also be run from Learning Management System (LMS), but analysis in this area could be better and this would provide greater assurance that staff and Members know to manage health and safety.



**3.4** Subsequent to the SWAP audit (outlined above), together with an additional External Audit report (August 2021) - commissioned by the Director of Housing & Communities - on some of our operational / trade services by the Building Safety Group (BSG), plus internal reviews by the H & S team, it was decided by SMT to include H & S on the Corporate Issues Register.

- The summary Issue description is - "Low maturity health and safety management systems"
- The key impacts of this issue are stated as - "To date we have seen the impact through personal injury and associated insurance claims. We have continued risk of further injury, financial and reputational damage".

### **3.5 Actions in Response to Audit recommendations (SWAP & BSG)**

Further information detailing the recommendation response to date can be found in 4, and the committee may wish to note that a review of the 2021 SWAP audit is currently underway and is expected to be ready for final reporting in Quarter 3 2022/23.

## **4. Background and Full details of the Report**

**4.1** The Health & Safety at Work Act 1974 contains general and specific duties with which all workplace environments (public authorities such as the Council) must comply. The general duty requires a robust HSMS structure to deliver to the requirements of the Act, within a framework recommended by The Health & Safety Executive (this is known as the HSG65 framework). This constitutes implementing process controls for:

- H & S Policy and Procedure
- Risk Management and Risk Assessment
- Safe Systems of Work/Safe Work Procedures
- Audit Framework
- Mechanisms for continuous improvement

These process controls all form part of the HSMS Improvement Programme outlined in section 4.4 of this report.

**4.2** Under Section 2 (4-7) of The Health & Safety at Work Act (H&SaWA), law also stipulates a link to the Safety Committee and Safety Representatives Regulation 1977. This outlines the legal requirement to ensure that a suitable safety committee is in place (where necessary) and that key H & S Performance indicators are monitored, to measure the effectiveness and efficiency of the HSMS. There areas are namely:

- Changes to workforce that could affect H & S
- Accidents/Incidents/Near Miss
- Risk Management & Risk Assessment
- Occupational Health/Sickness/Wellbeing
- H & S Training
- Emergency Arrangements (Evacuation/First Aid/Emergency Response)
- Audit/Inspection – conclusive reporting

**4.2.1** The Audit & Governance committee should note that the 'Safety committee' referred to above in 4.2 is what is in place through the 'Tier 2' H & S Committee (Officers) - which is specifically to comply with H&SaWA obligations. As part of the 'Tier 1' governance arrangements, however, Elected Members are involved through the Audit & Governance committee.

4.2.2 As part of the response to the corporate risk and issue (as outlined in the Risk assessment – section 3 above), a new governance structure for H & S Committee was launched in November 2021, implementing a 3-tier approach:

- **Tier 1** – Senior Management Team
- **Tier 1** – Elected Members and Executive Portfolio Holder, Audit & Governance Committee
- **Tier 2** – H & S Committee (Consultative & Reporting)
- **Tier 2** – H & S Committee (Corporate Management Group) – steering and decision making
- **Tier 3** – Directorate Groups (x4)

#### **4.3 H & S Performance Framework**

**4.3.1** Focusing on the key reporting requirements (4.2), Tiers 1, 2 & 3 have reporting mechanisms to measure these categories of performance and future reporting will follow these categories.

**4.3.2 Scorecard** – the content of the scorecard reporting categories is summarised in appendix A. Reporting will also include a summary of observation/recommendation and conclusive actions. Scorecard reporting is reflected from Tier 3 up to Tier 1.

#### **4.3.3 Progress Update:**

- Directorate Scorecards are in place and deliver a statement of health, reporting on all key indicators identified in 4.2. Reporting has been developed (within Power BI software) to allow a 3 year analysis across all data sets.
- Ahead of each monthly meeting (-7 days), a committee pack is circulated via the TEAMS H & S channels, containing links to scorecards, action plans, sickness data, Learning & Development update and the agenda for the next meeting. Committee groups are encouraged to analyse the data, observations and recommendations in preparation for discussion at the next meeting, with an objective to encourage engagement and improve the overall effectiveness of the committee.
- Action owners are asked to update the progress notes within 'paths to green' tasks and to update the RAG status, ahead of the committee meetings. This allows a bird's eye view on progress and to identify additional H & S support requirements. Currently a report is being developed to provide a summarised snapshot/status report on all outstanding actions.

#### **4.4 HSMS Improvement Programme**

4.4.1 In addition to the implementation of the new governance arrangements described in 4.2 above, the response to the corporate risk and issue (as outlined in the Risk assessment – section 3 above) has also been to implement a robust programme management approach. The HSMS Improvement Programme has been formed to manage a series of projects and initiatives that will ensure the organisation transforms to a new improved operational state, as well as responding to recommendations made within SWAP & BSG Audits.

4.4.2 All audit recommendations and improvement programme workstream actions are included and tracked through a centralised H & S Action Plan, which can be filtered by specific workstream or Directorate. Workstream leads provide progress updates at monthly Tier 2 Corporate H & S Management Committee meetings.

4.4.3 The H & S Team have been working with SWAP on the H & S audit follow-up review (one year on from the report completed in August 2021), and this is near to completion. A final report is anticipated in the next few weeks, however an early draft received 25<sup>th</sup> August indicates that “considerable progress has been made in respect of The Council’s Health and Safety arrangements. Most findings are completed, and the two findings assessed as ‘In Progress’ will also be complete upon the implementation of the new Health and Safety Management Software. Two findings that will not be completed by SWT are not considered high risk and have been classed as ‘Superseded’ as part of LGR”.

#### **4.4.4 HSMS Improvement Programme Work-stream progress summary:**

##### **a. Governance work-stream:**

As referenced above in 3.3.1, the SWAP Audit recommendation addressed through this workstream is: “Corporate Governance matters need to be strengthened, including raising the profile of health and safety through a Member Champion and reporting of health and safety work to Members. Sub-Committees would be advisable for all Directorates, as currently they only exist for Housing & Communities and External Operations”.

- Since the inception of the new H & S governance arrangements in November 2021, Tier 2 and 3 groups have built up good momentum and are now in the rhythm of meeting either monthly or bi-monthly and are following a consistent and structured agenda.

##### **b. Policy work-stream:**

- The overall SWT Corporate H & S Policy has been reviewed and refreshed to include an A-Z suite of H & S arrangements. This was approved by SMT 27<sup>th</sup> April and included in the previous report to this committee 13<sup>th</sup> June 2022.
- The revised H & S Policy and additional work completed on sub-policies is also providing good preparation to contribute to the LGR alignment processes. Collation and harmonisation of a suite of core H & S policies is a key LGR ‘product’ for Vesting Day, and a process of priority policy reviews and sign-off will commence in the next few months.

##### **c. Risk Management work-stream:**

As referenced above in 3.3.1, the SWAP Audit recommendation addressed through this workstream is: “While the Risk Assessment Scoping sessions have been scheduled and are underway, they are not complete, therefore the Council does not have a complete record of the health and safety risks it needs to manage. To date the Audit Framework has not been developed”.

- The H & S Partners continue to support each Directorate with their risk management plans. Each team has been allocated a risk action plan (defined by the previous risk scoping exercise). The action plans are a statement of risk appetite, to establish where risk is apportioned and what specific control measures are required. This encompasses both corporate and operational H & S requirements.

- Recent months have focused on the completion of generic risk assessments suites; these are assessments for common theme corporate type activities that are essential for basic H & S (i.e. DSE, Lone Working, working from home). Team managers have been tasked with sharing the suites with their teams and completing a declaration (with all audit trails saved on SharePoint centrally).
- All risk action plans and completion statistics are discussed at Tier 3 Directorate Group Committee meetings to illustrate a statement of risk management for each team.
- Current completion rates are reported as follows: -

Directorate	Total number of risk assessments required	Percentage complete
Housing & Communities	315	96%
External Operations	219	99%
Development, Place and Planning	116	100%
Internal Operations	215	94%

*Please note – the number of Risk Assessments required figures above have been adjusted since the previous report in June. The specific assessments relating to COSHH (Control of Substances Hazardous to Health) and PUWER (Provision and Use of Work Equipment) have been removed and are being recorded separately. The table above is now a true reflection of where SWT are in completing the risk assessments in line with the risk assessment action plans.*

- Work continues to develop the risk assessment audit framework, to ensure sufficient review dates are scheduled, to ensure continuity of compliancy. Target date for completion of all risk assessments as identified in the risk scoping exercise is 31<sup>st</sup> August 2022.
- The content of the risk assessments (in relation to formatting) enables the risk assessment to be used as a safe system of work.
- All relevant risk assessments are to be loaded onto the new H & S software system (see H & S Support & Systems section below) by end of September, with the intent of going live end October.
- Lone Working – through the Risk Management process, it has been identified that SWT does not have a complete understanding of the current lone working across the Authority and what equipment is required to ensure all staff are safe (this also encompasses the duty of care with many staff homeworking). As such, this is now included as a separate corporate issue and is a high priority on the H & S Improvement action plan.
  - A survey has been sent to SWT managers to gather information around teams and individuals lone working operations. This will enable us to risk assess the hazards that each team faces in their day-to-day duties, and the efficacy of current controls.
  - Information gained during this exercise will be used to implement the correct level of control from the range of solutions offered by 'People Safe' currently used by SCC, which we will adopt by vesting day, allowing us to easily align with this system, and provide an enhanced level of safety for our staff compared to where we are today.

#### **d. People work-stream:**

- Work continues to progress the collation and assessment of 'must have' compliancy training for all Depot operational teams. All team managers have a

statement of training requirements and subsequently are responsible for arranging refresher/training for their teams. Reporting and processes have been embedded for the Learning & Development/People Team to review training requirements with managers on a monthly basis. The H & S Team is also involved in the monthly assessment to ensure a competent workforce is delivering services; any areas of risk are issued with a SAN (Safety Action Notice – RED Cards) until training has been refreshed.

- H & S Induction Training has remained up to date, with regular weekly sessions programmed in to capture the latest onboarding activity. Training continues to be delivered across MS Teams with some specific Depot operations inductions being delivered face-to face.
- Member H & S training has suffered further delays (due to the absence of the SWT H & S Specialist), the H & S team continue to develop a plan to deliver this and are also assisting the LGR H & S training working group, which is also working towards Members' H & S training. In the meantime, the SWT Governance team are progressing the recently updated Risk Assessment for Member Safety along with some LGA guidance, which we can utilise for some specific risk-based training.
- Reporting has been developed within the LMS (Learning Management System) to allow managers to view a statement of completed mandatory e-learning modules. In addition, the Learning & Development/People Team has also been running a campaign of refresher reminders for all mandatory suites, thus ensuring that the workforce is prepared to step into Somerset Council in a 'safe and compliant' position. This scorecard reporting is also monitored at the Tier 2 and 3 H & S Committee meetings.
- A new monthly joint meeting for the H & S and HR/People teams has been implemented allowing for all pertinent data and cases to be reviewed and actions identified, areas covered include Sickness, Executor risk assessment / Occupational Health cases & trends, Recruitment and 'on-boarding', Training / Learning & Development. The first meeting was a productive session, but no obvious themes were evident from the data across all Directorates.

**e. Contractor work-stream:**

Significant progress has been made in relation to Contractor Management:

- Contractor policy – there is a draft policy, and initial process analysis work completed leading to improved set-up process for new contractor / suppliers.
- The priority remains with the retrospective vetting / cleansing of existing Construction Industry Scheme (CIS) / high-risk contractors. Agency resource has been retained to undertake this work, and some key outputs achieved to date are:
  - A database of all 'CIS' contractors has been produced, with an accurate picture of 'active' and 'inactive' contractors
  - A significant number of deactivated contractors have been removed from the database (due to not being used by SWT in the last 2 years)
  - All CIS contractors have been contacted, and most active contractors have now responded to requests for H & S and Insurance information and have been successfully processed and vetted
  - An even smaller number have failed H & S verification – and these are being actively engaged with

**f. H & S Support & Systems (including 'Business-as-usual') work-stream:**

- **H & S software solution** - Following the approval of the Business Case by SMT 23<sup>rd</sup> June 2022, a project to introduce a new H & S software solution is currently underway and gathering momentum. The software project is a key element of the H & S support and systems workstream of the HSMS Improvement Programme, and will enable staff in highest risk work areas (ie Repairs and Maintenance Teams at Depot, Voids, Street Scene and Parks & Open Spaces and teams associated with construction project management), to remotely access a user-friendly system for:
  - H & S event reporting (accidents / incidents / near misses and hazards) - stage 1 - to be implemented by the end of September 2022
  - Risk management (i.e., dynamic risk assessment) - stage 2 – to be implemented by the end of October 2022
  - Contractor management – stage 3 – to be implemented by the end of November 2022

The software will also enable the H & S Team to undertake risk auditing and profiling, monitor risk assessment completion, and identify and track risk mitigation actions.

- **Site H&S Inspections** – A new programme of site H & S inspections undertaken by the H & S team began in July. The intent of a site inspection is to benchmark the safety practices observed on site against relevant criteria in legislation and regulations. Following inspections action plans are developed to assist the site in recording and monitoring any recommended corrective actions. The intent is to complete a weekly inspection of identified SWT owned or operated sites. The inspections also extend to the monitoring of contractor safety performance and compliance with the implementation of their risk assessments and method statement pertaining to the work being undertaken.

g. **Leadership / Culture & Communications:**

- **A Communications Plan** is in place that enables a focus on both proactive and responsive H & S messages – a number of recent corporate and targeted communications have occurred, eg:
  - Hot weather advice
  - E-learning mandatory modules (including Fire Safety, DSE);
  - Lone worker questionnaire (for managers)
  - Reporting (accidents / incidents / near misses);
  - Safe driving / Speed reduction initiative
- **Local Government Re-organisation programme (LGR)** - the H & S 'sub-workstream' (part of the overall 'People' workstream) involving the SWT H & S team and representatives of all 5 partner authorities continues to prepare the essential 'products' and align H & S management approaches in preparation for Vesting day (1<sup>st</sup> April 2023) and beyond.

## 5. Links to Corporate Strategy

**5.1** Paragraphs 4.1, 4.2 and 4.3 above outline legal and statutory responsibilities for Health and Safety, for which of course the Council must comply in the delivery of all its operations.

**5.2** In addition, the delivery of a robust H & S function – both internally, and externally (e.g. to contractors and partners), with transparent monitoring and reporting – relates to the corporate aim of being ‘a transparent and customer-focussed council’.

## **6. Finance / Resource Implications**

**6.1** There are no financial / resource implications directly because of this report.

**6.2** The Health & Safety Management System provides a vehicle for the avoidance of detrimental financial risks and may even present opportunities for cost savings (e.g., reductions in insurance premiums and claim payments).

**6.3** There are approved operational budgets in 2022/23 to enable the delivery and improvement of the H & S function

## **7. Legal Implications**

**7.1** There are no legal implications directly because of this report.

**7.2** The Health & Safety at Work Act 1974 places duties and obligations upon the Council. The Health & Safety Management System provides a vehicle to meet those obligations to ensure compliancy, and therefore for the avoidance of detrimental legal risks, and may even present opportunities for cost savings (e.g., reductions in insurance claim payments).

## **8. Climate and Sustainability Implications**

**8.1** There are no Climate and Sustainability implications directly as a result of this report.

## **9. Safeguarding and/or Community Safety Implications**

**9.1** There are no Safeguarding and/or Community Safety implications directly because of this report.

**9.2** Improved Health & Safety processes and effective risk management assist the mitigation of risk and promote the welfare of vulnerable children and adults. Operational procedure is strengthened by integrated Health & Safety and Safeguarding processes, in turn providing the necessary protection for vulnerable groups and individuals delivering the services.

## **10. Equality and Diversity Implications**

**10.1** There are no Equality and Diversity implications directly because of this report.

**10.2** The Health & Safety at Work Act 1974 places duties and obligations upon the Council. The Health & Safety Management System provides a vehicle to meet those obligations to ensure compliancy, and therefore for the avoidance of detrimental Equality and Diversity risks (e.g., disability / pregnancy & maternity risk assessments).

## **11. Social Value Implications**

**11.1** There are no Social Value implications directly because of this report.

## **12. Partnership Implications**

**12.1** There are no partnership implications directly because of this report.

**12.2** The HSMS Improvement Programme is made of actions that are deliverable within the H & S Committee Corporate Structure at all three 'tiers.' Various specialist Workstream Leads have been identified within the Committee Management Group (Tier 2) therefore all partnerships at the present time are associated to internal services.

## **13. Health and Wellbeing Implications**

**13.1** There are no Health and Wellbeing implications directly because of this report.

**13.2** The Health & Safety at Work Act 1974 places duties and obligations upon the Council. The Health & Safety Management System provides a vehicle to meet those obligations to ensure compliancy, and therefore for the avoidance of detrimental Health & Wellbeing risks, and may even present opportunities for improved Health and Wellbeing (e.g. reduced staff sickness levels).

## **14. Asset Management Implications**

**14.1** There are no Asset Management implications directly because of this report.

**14.2** The Health & Safety at Work Act 1974 places duties and obligations upon the Council. The Health & Safety Management System provides a vehicle to meet those obligations to ensure compliancy, and therefore for the avoidance of detrimental Asset Management risks, and may even present opportunities for improved asset management (e.g., through robust 'FABRIC' assessments – buildings / assets / locations / places)

## **15. Data Protection Implications**

**15.1** There are no Data Protection implications directly because of this report.

## **16. Consultation Implications**

**16.1** There are no Consultation implications directly because of this report.

**16.2** The introduction of the new 3-tier governance arrangement provides significant opportunities for consultation on Health & Safety matters with all levels and areas of the Council.

## **17. Scrutiny/Executive Comments / Recommendation(s) - N/A**

### **Democratic Path:**

- **Scrutiny / Corporate Governance of Audit Committees – Yes**



- Cabinet/Executive – No
- Full Council – No

**Reporting Frequency: Quarterly**

**List of Appendices (delete if not applicable)**

Appendix A	H & S Scorecard High Level Summary (with observations & recommendations)
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**Contact Officers**

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**Glossary of Terms**

Abbreviation	Full Description
CDM	Construction Design Management
COSHH	Control of Substances Hazardous to Health
CPP	Construction Phase Plan
H & S	Health & Safety
HAVS	Hand Arm Vibration Syndrome
HSE	Health & Safety Executive
HSMS	Health & Safety Management System
IP	Injured Party
LGR	Local Government Reorganisation
LOLER	Lifting Operations and Lifting Equipment and Regulation
PCI	Pre-Construction Information
PQQ	Pre-Qualification Questionnaire
PUWER	Provision and Use of Working Equipment Regulation
RA	Risk Assessment
RAMS	Risk Assessment and Method Statement
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulation
SAN	Safety Action Notice
SSOW	Safe System of Work
SWT	Somerset West and Taunton

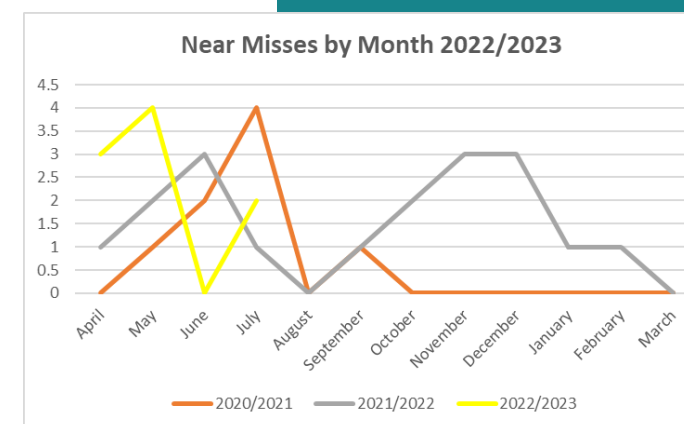
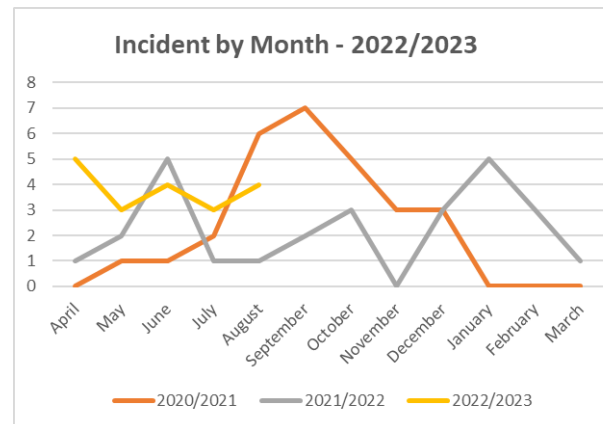
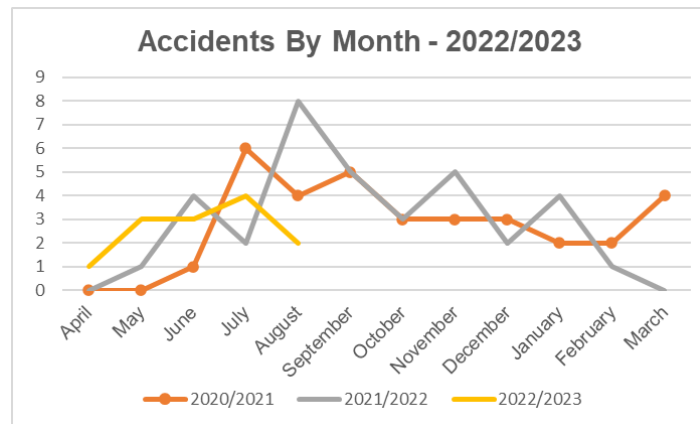


# Health & Safety progress update

Appendix A

(for Audit & Governance committee report September 2022)

## Annex A - H & S Performance



### General Observations

- Accidents – Show a steady decline so far based on previous years. The most common cause remains Slips, Trips and Falls at the same level with 6 so far this year (3 Members of Public and 3 Employees)
- Incidents – Incident frequency is definitely increasing markedly. 50% of incidents are vehicle related. Remaining potentially serious incidents have involved contractors.
- Near Miss reporting did increase based on previous years in the first 3 months although has dropped off considerably in the last month. Ease of reporting these events is key to obtaining accurate data.
- SANs – Main Reasons for Issue - failed risk assessments/risk assessment not present, failure to report incidents, Contractor Management
- Executor Risk Assessments (ERA) – Questionnaire sent to all to highlight any existing medical issues that may need actioning.
- Contractor Management – Greater communication with procurement and engaging managers to assist with vetting and management., with a huge body of work well underway to build database.

### Actions

- Speed reduction initiative implemented using fleet management software.
- Workplace/Asset/Site Inspections(continue to galvanise risk management and reduce MOP events.
- Regular un-announced audits of both staff and contractors.
- Access to risk assessment/SSOW – employee declarations (strengthen ownership)- Digital solution being implemented for sharing and reviewing (H&S Software).
- Imminent H&S Software to also improve ease and accuracy of reporting events such as Accident, Incident and Near Miss. Actions will be able to immediately be allocated to managers/stakeholders.
- Contractor Management module of software will allow swift and accurate induction, allocation of work permits and monitoring of contractors.
- Links between H&S and HR are being galvanised to synchronise workstreams and allow better data sharing re. OH concerns and completion of ERAs.