

SWT Audit, Governance and Standards Committee - 12 April 2021

Present: Councillor Lee Baker (Chair)

Councillors Derek Perry, Simon Coles, Hugh Davies, Caroline Ellis, Steven Pugsley, Vivienne Stock-Williams, Andrew Sully, Ed Firmin, Dave Mansell and Loretta Whetlor

Officers: Paul Fitzgerald, Aditi Chandramouli, Jackson Murray, Clare Rendell, Alastair Woodland, Amy Tregellas, Richard Doyle, Marcus Prouse, Andrew Randell, James Barra, Ian Candlish, Adam Evans and Malcolm Riches

Also Present: Councillors John Hassall, Ross Henley, Hazel Prior-Sankey, Sarah Wakefield and Brenda Weston

(The meeting commenced at 6.15 pm)

45. Apologies

Apologies were received from Councillors Janet Lloyd, Martin Hill and Terry Venner.

Councillors Whetlor, Firmin and Mansell attended as a substitutes.

46. Minutes of the previous meeting of the Audit, Governance and Standards Committee held on 8th March 2021

(Minutes of the meeting of the Audit, Governance and Standards Committee held on 8 March 2021 circulated with the agenda)

Resolved that the minutes of the Audit, Governance and Standards Committee held on 8 March 2021 be confirmed as a correct record following minor amendments.

47. 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
Cllr L Baker	All Items	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 C Ellis	All Items	Taunton Charter Trustee	Personal	Spoke and Voted
Cllr D Mansell	All Items	Wiveliscombe	Personal	Spoke and Voted
Cllr D Perry	All Items	Taunton Charter Trustee	Personal	Spoke and Voted
Cllr V Stock-Williams	All Items	Wellington	Personal	Spoke and Voted
Cllr L Whetlor	All Items	Watchet	Personal	Spoke and Voted
Cllr G Wren	All Items	Clerk to Milverton PC	Personal	Spoke and Voted

Councillor Mansell declared an interest as a recipient of a Local Government pension.

48. **Public Participation**

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

49. **Audit, Governance and Standards Committee Forward Plan**

(Copy of the Audit, Governance and Standards Committee Forward Plan, circulated with the agenda).

Councillors were reminded that if they had an item they wanted to add to the agenda, that they should send their requests to the Governance Team.

Resolved that the Audit, Governance and Standards Committee Forward Plan be noted.

50. **Grant Thornton Annual Audit Letter 2019/20**

The report introduced the Annual Audit Letter from Grant Thornton, which summarised the key findings arising from their work carried out at Somerset West and Taunton Council for the year ended 31 March 2020.

Somerset West and Taunton Council's external audit function was undertaken by Grant Thornton. The external auditor, as part of their work, provide an Annual Audit Letter which summarised their findings and updates regarding the actual audit fees.

The Annual Audit Letter provided a commentary on the results of the auditor's work to the Council and external stakeholders, and highlighted issues that they wish to draw to the attention of the public and those charged with governance.

Further to the Audit Findings Report, presented to this Committee on 1 February 2021, the Annual Audit Letter confirmed that Grant Thornton have issued an unqualified opinion in respect of Somerset West and Taunton Council's accounts for 2019/20 and in respect of the Council's arrangements for ensuring value for money.

The main audit fees proposed to be charged for 2019/20 totaled £82,075. This was £21,750 higher than initially set, and some £29,000 higher than the scale fee for the year which included a one-off £6,000 as it was the first year of accounts for the new Council. Grant Thornton proposed to include additional fees due to changes in scope of work, which included the impact of additional response to regulation, COVID and the extended audit period. This was summarised on page 15 and set out in detail on pages 17 and 18 of the Letter, and subject to agreement by Public Sector Auditor Appointments (PSAA) – the body that procured the audit services for the Council.

During the debate the following questions and comments were raised:-

- The Committee were made aware of an inability to certify closure of the previous Annual Audit due to a standing objection. The Audit committee would be made aware of this and provided a summary of the issue and what the findings were from the outstanding objection. This could be reported via to committee once the objector has received the response.
- The fee for engaging the Auditors expert on the Firepool scheme was considered a one off charge in the 19/20 financial statement.
- A single valuer would undertake all valuations from the asset portfolio in 2020/21.
- The existing property balance and the impact on income and expenditure was considered. The finance statement identified an error made in populating the balance sheet and the balance was overstated, the final statement of accounts had been corrected as a result this error.
- There remained a material uncertainty in relation to the valuation of land which was questioned. This was recognised as a national uncertainty in the current climate.
- The valuers were a mix of in house and external valuers. 2021 valuations were undertaken by external valuers.
- Surveyors had to be RICS registered to undertake asset valuations.

The Committee considered and noted the contents of the Annual Audit Letter.

51. **Grant Thornton External Audit - Audit Plan for 2020/21 Accounts**

The report introduced the External Audit Plan for 2020/21. This was prepared by the external auditors, Grant Thornton, and was detailed in the appendix to this report.

The report summarised their approach to the 2020/21 audit programme, together with the audit view on risk and materiality, plus an extended view on value for money reflecting the new requirements placed on them.

Each year the external auditors, Grant Thornton, provided a plan which detailed their approach to the audit work required in respect of the preceding financial year (2020/21). Specifically this audit work focused on the provision of an audit opinion in relation to the accounts, value for money (VFM) and associated key risks.

The plan for 2020/21 is set out in Appendix A.

The externally required changes on 'Accounting Estimates and related disclosures' (pages 7, 8 and 9) due to the updated ISA 540 were likely to have the

most significant impact on the preparation and audit of the accounts. These changes related to whether the entries in the accounts were reliable i.e. robust and resilient.

The nature and extent of evidence required for audit under ISA540 is a quantum leap from that required in previous years. It would be difficult to provide this for 2020/21 given these requirements were not necessarily formally reflected in the current systems.

There had been minor recognition of this as an issue nationally in the usual preparation/training seminars, so SWT would not be alone when these problems arise. This was a potentially significant risk for the timely delivery of the 2020/21 accounts

During the debate the following comments and questions were raised:-

- Trivial financial transactions were still picked up as part of the audits, the figure of £99k was an auditor's benchmark in the audit process. The section 151 officer provided certification of accounts which were a true and fair view of the overall position.
- Risks covered in the Audit were considered by the committee, There were concerns over pension scheme investments and liabilities in fossil fuels, which were stranded assets which won't be extracted. This was an ongoing issue and was acknowledged as a current and future risk.
- Large long term investments and risk due to PWLB loan board access was questioned, it was considered if this could be investigated and in scope as part of the Audit.
- The Council recognised its share of the net liability of the whole pension fund, an actuary calculated the liability and valuation of investments. The pension fund was separately audited from the pension fund auditor which provided SWT and Grant Thornton assurance. The pension fund decided the investment strategy, with Grant Thornton ensuring the liability is materially accurate and reflected the amount provided to members of the scheme and future projections of the fund and membership.
- The commercial strategy sets out the arrangements in place being accurate, this is what's audited to ensure the accuracy of information investment decisions are based on and Governance arrangements involved.
- It was questioned if there was confidence that information could be submitted to Grant Thornton in time for the audit for the current financial year.
- There was a vested interest to ensure an efficient and accurate audit. There had been improvements made since the first audit of the Council.
- There would be a report from the internal audit partnership reporting on the Commercial Investment Strategy.
- An opinion of the effectiveness of the committee in their role of scrutiny to external audit was requested. The External Audit team were confident the committee could ask detailed and relevant questions.

The committee considered and noted the External Audit Plan for 2020/21 received from Grant Thornton.

52. **Grant Thornton External Audit - Progress Report**

The report provided the Audit Governance and Standards Committee with a progress update regarding the work of the external auditors, Grant Thornton, together with information relating to emerging issues which may be relevant to the Council.

The Council's external audit function is undertaken by Grant Thornton. The external auditors, as part of their work, provided regular progress updates to Members via the Audit, Governance and Standards Committee together with updates in relation to emerging national issues which may be of relevance to the Council.

During the debate no comments or questions were raised.

The Committee considered and noted the Progress Report and Sector Update received from Grant Thornton.

53. **Summary of Level 1 and 2 Internal Audit Actions**

The purpose of the report was to update the Committee on progress against level 1 and 2 Internal Audit Actions as at the end of February 2021.

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.

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.

When an audit takes place a report is provided to the service manager concerned which gives an audit conclusion and opinion.

Any control or procedural weaknesses are identified within an action plan appended to the audit report.

All findings would 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

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

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, including those where the agreed remedial action is overdue. A summary of the priority 1 and 2 actions is provided in Appendix A.

The current position as at 28th February set out the following:-

- 16 audit actions currently open (see Appendix 1)
- 3 audit reports with all Priority 1 and 2 actions completed since the last report (see appendix 1)
- 8 audit actions completed since the last report in December (see Appendix 2)

- 2 audit actions currently overdue as at 28/2/21. Please see Appendix 2 for more details about the current progress on these.

During the debate no comments or questions were raised

The Committee reviewed the overdue actions contained in the report and noted progress to date.

54. **Anti-Fraud Framework & Fraud Update**

The purpose of the report was to present to the Committee with the Anti-Fraud Framework, which consisted of:

- The Anti-Fraud and Corruption Strategy (Annex 1)
- Anti-Bribery Policy (Annex 2)
- Anti-Money Laundering Policy (Annex 3)
- Whistleblowing Policy (Annex 4)

To present the Committee with the confidential report on the provision of Counter Fraud and Error Services from Powys (Confidential Annex 5)

It was considered essential to have these policies in place to promote good governance and to ensure that the public services provided by the Council are delivered with both confidence and credibility.

The Council is committed to the principles of effective corporate governance as set out in the guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), entitled 'Delivering Good Governance in Local Government (2016)'.

By having this framework of policies, the Council underpins the core principles of:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- Developing the entity's capacity including the capability of its leadership and the individuals within it.
- Managing risk and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

It was recommended that the strategy and policies outlined in section 2.1 was approved, to ensure that the Council has a robust Anti-fraud framework in place

During the debate the following comments and questions were raised:-

- Councillors were advised that they were entitled to use the whistleblowing policy.
- The Committee commended work undertaken and praised anti-fraud work as positive.
- None of the policy documents were confidential but the appendix held confidential information.
- The press and public were excluded from the meeting to consider item 17 appendix A.
- The empty homes review work was questioned. This related to houses which were registered as empty and not in occupation.

- The savings generated through anti-fraud activity were discussed.
- SWT costs of the service were shared with Powys which represented a proportion of the value of additional revenue collected as a result of the antifraud action from the service.
- The cost sharing was different depending on the nature of the funding scheme.
- There was a referral process for antifraud and reactive work that was undertaken and identify cases which were either errors or fraud.
- Inviting Powys County Council to attend and provide an update at a future meeting was encouraged by the Committee.

1. The Committee recommended approval of the Anti-Fraud Framework and associated documents (listed as Annex 1-4 above) to the Executive.

2. The Committee recommends that the Executive note the confidential report on the Counter Fraud and Error Services (Confidential Annex 5)

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

This report provided an updated position for the main landlord health and safety property compliance disciplines. The Covid-19 pandemic continues to significantly impact upon our ability to progress with a number of the required actions since the last update provided to the Audit, Governance and Standards Committee on 7th December 2020.

As well as resourcing issues (both internally, and for contractors), obtaining access from some vulnerable tenants who are shielding or are anxious about allowing people into their homes during the latest lockdown continues to create difficulties in maintaining compliance in some areas. However, we have continued with all compliance activities throughout the latest lockdown and have made considerable progress in many compliance areas.

In addition, an internal audit on Housing Compliance Governance and Reporting Processes has been carried out. This had an objective 'To provide assurance that housing compliance governance and reporting processes are adequately designed and operating effectively'. This provided an Assurance Opinion of 'Reasonable', with seven priority actions to be completed. We are developing a plan to undertake these actions.

The information within this report summarises the current compliance of Somerset West and Taunton Council in relation to the following six key areas:

- Asbestos management
- Electrical safety
- Fire safety
- Gas safety
- Lift and Stair-lift management
- Water safety

Each compliance area was monitored separately as defined by properties contained within either the Council's Housing Revenue Account (HRA) or General Fund (GF) accounts. HRA Blocks refer to all communal area(s) within the block (including any meeting halls), HRA Commercial refers to non-residential properties (e.g. shops or offices), HRA Dwellings refers to the individual property (e.g. house, bungalow, flat, etc.) and GF Property refers to the entire building.

The report identified:

- Somerset West and Taunton Council's current compliance status (as at 19th March 2021).
- Comparative performance from the previous report submitted on 7th December 2020 wherever possible. This is shown in brackets on each dataset on the relevant table. Table properties have changed since the last report following completion of a validation process of required compliance activities, and the separation of properties for ease of servicing and reporting.
- Achievements and successes since the last report.
- Issues adversely affecting compliance and action being taken.
- Regulations / legislation which affects the way Somerset West and Taunton Council manages its property safety compliance.

During the debate the following comments and questions were raised:-

- Asbestos surveys and the removal process were questioned. A maintenance survey was undertaken on a regular basis where communal asbestos had been identified. This was a requirement under regulations.
- The number of fire doors overdue was set at 97.
- Fire risk assessments were undertaken with fire doors as part of the process. Procurement activity was undertaken in relation to this. A supplier and installer had been identified to set up a programme of replacement.

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

56. **Report of the Council Governance Arrangements Working Group**

The purpose of the report was to provide Members with an update on the work of the Council Governance Arrangements Working Group and to make recommendations as to how to proceed.

Background and full details of the report were provided along with a risk assessment and update on the Council Governance arrangements working group. The committee were made aware of the timetable for delivery, organisational culture alongside the background of the Local Government Reorganisation in Somerset.

During the debate the following comments and questions were raised:-

- The formation of two Scrutiny Committees was seen as positive. Removing policy from the names was suggested.
- Do central government set out the Exec or Committee system to the shadow authority? It was questioned if the other districts were supportive of the committee system, this was still to be determined.
- Audit was requested to be stand alone and separate from Governance and Standards.
- Whenever possible reports are taken in the public domain and confidential information included in appendices.

- Concerns were expressed over considering Governance changes when in effect with the Unitary authority will be created and this Councils will be concluding.
- The report of the working group will be considered in its existing form at Council due to it being the report of the working group.
- Audit and Governance should be one committee with standards being separate.
- The role of the secretary of state and shadow authority would determine which Council will lead on the Shadow Governance arrangements.

The Council Governance Arrangements Working Group recommended to Full Council that:

Relating to the 2022 Municipal Year

1. The Council moves to a Committee system of governance from the Council AGM on 10 May 2022.
2. The Council proposes to the Unitary Shadow Authority that a committee system of governance is adopted, if set up as the principal council for the area.
3. The Council writes to the Chief Executives and Leaders of the County and Districts to request ask that they consider that the Shadow Authority governance arrangements are set up as a Committee system Relating to the 2021 Municipal Year
4. That a second Scrutiny Committee is introduced from the AGM in 2021, and the name is changed to Policy and Scrutiny Committees for the 2021/22 Municipal Year with the focus being Corporate and Scrutiny Committee and Community and Scrutiny Committee. The split of workload for the two Policy and Scrutiny Committees (see Annex A at the end of this report) is approved
5. That the number of seats on both Policy and Scrutiny Committees is 15 from the start of the 2021/2022 Municipal Year
6. The Audit, Governance and Standards Committee is split into two separate Committees from the AGM in 2021, for the 2021/22 Municipal Year and becomes Audit and Governance Committee and Standards Committee. The Terms of Reference for both Committees (see Annex B and Annex C at the end of this report) is approved.
7. That the number of seats on the Audit and Governance Committee is 11 from the start of the 2021/2022 Municipal Year
8. That the number of seats on the Standards Committee is 9 from the start of the 2021/2022 Municipal Year
9. The role of Shadow Portfolio Holders is included within the Constitution as per the wording in Annex D to this report
10. Officers and Portfolio Holders are reminded of requirements to provide information and notifications to Ward Councillors as per the Member Officer Protocol
11. The Corporate Policy and Scrutiny Committee are asked to work with officers to consider a system for communicating reports to Members from representatives from outside bodies.

57. **Member Training and Development Policy**

The Council is committed to supporting the training and development of all elected Members to enable them to perform effectively in their role and to develop to meet future challenges.

Member Training and Development is a key element of the Council's Corporate Governance framework and is one of the seven key principles within the CIPFA/SOLACE framework 'Developing the entity's capacity including the capability of its leadership and the individuals within it.'

The SWT Member Training and Development Policy (attached as Annex 1), sets out the key elements of Member Training, including Induction training, Personal Development Reviews, an annual Training and Development programme and training and development sessions.

The Policy also set out the roles and responsibilities of individual Members, Group Leaders, the Member Training and Development Working Group, Member Champion, the Executive and the Governance Team.

During the discussion no comments and questions were raised

That the Committee recommended that Executive:-

- a) Approves the Member Training and Development Policy
- b) Agrees to set up a cross party Members Working Group to focus on Member Training and Development (following the Member Working Group Protocol being approved by Council on 30th March)

58. **Update to the Constitution**

The purpose of the report was to make some recommendations for change to the Constitution to improve the democratic process.

Planning Committee

The first set of proposed improvements related to the operation of the Planning Committee. These changes had been discussed with the Planning Advisory Service (PAS) during their recent review.

The Planning Committee could often be the most visible part of the way that decisions within the Council are made, and can impact on public perception. It is therefore important that the Committee operates well.

The Council had experienced a number of lengthy Planning Committee meetings over the last two years, which has generated negative feedback from Members, officers and the public. Therefore, a number of changes are proposed which, it is anticipated will improve the democratic process and the way that the Committee operates. This in turn will improve public perception of the Planning Committee.

Number of Members on the Committee

Currently there were 15 Members on the Planning Committee. Discussions

with PAS endorsed reducing the number of Members on the Planning Committee from 15 to 11.

It was suggested that a reduction in the number of Members would allow for more focused debate, improved accountability and consistency of decision making, and would give the ability to conduct business with greater efficiency and effectiveness.

Section 101 of the Local Government Act 1972 provides for a local authority to arrange for the discharge of its functions by a committee. The SWT Constitution delegates the powers relating to town and country planning and development control to the Planning Committee. The Committee has made delegations to Officers, which are included within the Planning Committee terms of reference and the scheme of delegation.

It was local choice as to the size of the Planning Committee. The Association of Democratic Services Officers (ADSO) suggest that 'the size of a Committee can range from very small, say 7 members up to 20 plus members. Best practice would generally err on the side of smaller rather than larger.' Discussions with PAS concluded that 11 is the optimum number for SWT, with a pool of appropriately trained substitute Members.

During the discussion the following comments and questions were raised:-

- Splitting of Standards, it was requested if there were any examples which had been considered in the last 18 months.
- Reasons for reducing numbers sitting on the committee were questioned, this was considered an optimum number by the Planning advisory service and aligned with other committees and similar authorities.
- Limiting the numbers of supporters and objectors on an application was considered best practice and limiting to five was generous in comparison to some Councils.
- It was questioned if there would be a discretionary allowance for the Chair of new committees. The member's allowances and special responsibilities were being reviewed with a report due back to Full Council in July.
- Concerns were expressed around proper representation for different areas of the district on the committee, with a reduction in numbers reducing representation.
- The Special responsibility allowance for the additional committees were set out in the previous reports.
- The quality of planning reports needed to be improved to ensure the committee had all the information in relation to the application.

The Committee recommends to Full Council that:

1. The number of Members on the Planning Committee is reduced from 15 to 11 from the start of the 2021/22 Municipal Year
2. A minimum of Five Councillors are trained to be able to substitute for members of their own political group in the absence of a Planning Committee member of their political group.
3. The number of public speakers for each application going before the Planning Committee is set out as follows:
 - Up to 5 supporters (including the applicant/agent)
 - Up to 5 objectors
 - Town/Parish Council representative
 - County Councillor
 - Ward Member(s)
4. The Planning Committee Procedure (attached as Appendix A) is adopted and added to the Constitution, as well as being published on the SWT website
5. Planning Committee meetings should be 4 hours maximum (with the Chair having discretion to conclude an agenda item if part way through), and the procedure rules within the Constitution amended to only allow 2 x 30 minute extensions beyond the original 3 hour meeting.
6. Regular breaks are introduced for 15 minutes every two hours (to be taken off the duration of the meeting)
7. Where there is a controversial planning application going before the Planning Committee, that a single item agenda meeting is held.
8. Site visits for the Planning Committee are introduced for specific reasons only, and follow the guidance set out on the revised Planning Committee Member's Code of Good Practice (Appendix B)
9. The number of Members on the Licensing Committee is reduced from 15 to 11 from the start of the 2021/22 Municipal Year
10. That the amended Financial Procedure Rules (Appendix C) are approved
11. Confidential reports where possible being considered in the public domain with confidential information being included as a confidential appendix if appropriate.

59. **Access to Information - Exclusion of the Press and Public**

Resolved that the press and public be excluded during consideration of agenda item 16 on the grounds that, if the press and public were present during the item, there would be likely to be a disclosure to them of exempt information of the class specified in Paragraph 2 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended as follows: The items contained information that could release confidential information that would reveal the identity of an individual. It was therefore agreed that after consideration of all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

60. **Monitoring Officer Update (Verbal Update)**

The Monitoring Officer provided a verbal Governance update and set out updates in relation to complaints received and Governance matters.

The Committee noted the update.

61. **(Item 10) Confidential Appendix Anti-Fraud and Error Annual Report**

Following the exclusion of the press and the public the Confidential Appendix set out in Item 10 was considered by the Committee as part of the Anti-Fraud Framework and Fraud Update.

1. The Committee recommended approval of the Anti-Fraud Framework and associated documents (listed as Annex 1-4 above) to the Executive.
2. The Committee recommends that the Executive note the confidential report on the Counter Fraud and Error Services (Confidential Annex 5).

(The Meeting ended at 9.59 pm)

