

# AUDIT AND MEMBER STANDARDS COMMITTEE

**22 JULY 2021**

**PRESENT:**

Councillors Spruce (Chair), Ho (Vice-Chair), Norman, Robertson, White and M Wilcox

**58 APOLOGIES FOR ABSENCE**

Apologise of absence were received from Cllr Silvester-Hall and Cllr Grange

**59 DECLARATIONS OF INTEREST**

There were no declarations of interest

**60 MINUTES OF THE PREVIOUS MEETING**

The minutes of the Meeting held on the 27 April 2021, were taken as read and approved as a correct record.

**61 ANNUAL TREASURY MANAGEMENT REPORT**

Anthony Thomas (Head of Finance and Procurement) outlined that the Annual Treasury Management Report is one of three reports presented to the committee on an annual basis. This report includes capital expenditure, funding, borrowing, investments and prudential indicators;

There are three cyclical treasury management reports:-

- (1) Treasury Management Strategy – what we plan to do.
- (2) Mid-Year Treasury Management Report – how we are doing.
- (3) Annual Treasury Management Report – what we did.

Anthony Thomas outlined some of the key points of the report to the committee:

- Forecasting cash flow has been challenging due to the ongoing pandemic and the number of grants being issued on a reactive basis to offset the impact of the pandemic on the community.
- Predicted capital spend reduced significantly during the year, this is due to Council approving the deletion of the Property Investment Strategy, this also impacted capital funding as borrowing has reduced.
- Capital finance requirement is higher than estimated. An element of the Burntwood Leisure Centre early repayment option is still being identified given the removal of the planned capital receipt for Leyfield & Netherstowe.
- The earmarked reserves were higher than projected due to the number of government grants received, spend was delayed during the pandemic which meant more money was available in investments.

Anthony Thomas outlined the impact of the pandemic on investment return has been minimal which has provided reassurance following the financial shock the pandemic has had on the economy as a whole.

Anthony Thomas updated the committee on the two CIPFA issued consultations related to the Prudential Code and the Treasury Management Code during 2020/21. Councillor Greatorex, who was Chair of Audit & Member Standards at the time of the consultation, was engaged in the consultation responses. The Prudential Indicators were all compliant.

The Committee requested additional information on the information obtained to establish the figures outlined in 1.3 of the report. Anthony Thomas confirmed that a pipeline of sales is requested on an annual basis in December. He acknowledged that Right to Buy Sales fluctuate based on demand and therefore these figures are based on the most recent information provided by Bromford.

The Committee requested additional information on the unallocated s106 Affordable Housing Monies outlined in 3.10 of the report. Anthony Thomas outlined that a Key Decision was made by Cabinet on the 12 March 2019 to use these allocated S106 monies to purchase affordable housing, which will reduce the incidence of homelessness and rough sleeping. While Lichfield District Council have successfully purchased two properties, it is a challenging market to be making acquisitions within.

**RESOLVED:** The Committee noted the report

## 62 CIPFA RESILIENCE INDEX

Anthony Thomas (Head of Finance and Procurement) provided the committee with a report on the Chartered Institute of Public Finance and Accountancy (CIPFA) Resilience Index. Anthony Thomas outlined that this Resilience Index is part of the CIPFA Financial Management Code Framework which had been reported to and noted by the Audit and Member Standards Committee on the 12 November 2020. The Resilience Index provides a baseline to assess the impact of the pandemic. Financial resilience is becoming increasingly important. There have been some Councils, such as Slough Borough Council, which have issued s114 notices. Eight other authorities have received exceptional support from the government as part of a funding package and will be subject to independent reviews.

Anthony Thomas provided assurance that Lichfield District Council performed well against the Index. However, the Strategic Risk Register does have risk allocated on the availability of finance. This is outside of appetite at the moment, principally due to the uncertainty of reforms in local government finance.

Item 3.7 of the report outlines the results of the last two CIPFA Resilience Index statistical releases compared to nearest statistical neighbours and all District Councils. The Committee requested additional information on the higher risk indicated for business rates. Anthony Thomas outlined that this measure assesses the growth the Council have achieved compared to the baseline set by government in 2013/2014. Any increase in growth increases the following risks:

- Issues in local economy.
- Business rate reset which forms part of the local government finance reform, the growth above the baseline is likely to be redistributed within the sector to fund pressures

Anthony Thomas outlined that only a proportion of business rate growth is assumed to be retained by the Council as part of the Business Rate estimates from 2022/23 to provide mitigation for this risk

The Committee asked whether CIPFA vary their Resilience index and, if so, what impact this has had. Anthony Thomas confirmed that there have only been two publications to date and there have not been any changes to the Resilience Indicators or Comparators, but, there are likely to be changes in the future.

The Committee asked for further clarification on the difference between the reserves sustainability measure and the level of reserves, and why this had been indicated as a medium risk and the other as a lower risk than neighbouring authorities. Anthony Thomas confirmed the reserves sustainability measure is looking at how quickly the reserves are being used and how long they would last at that rate.

**RESOLVED:** The Committee noted the report

### 63 INTERNAL AUDIT PROGRESS REPORT

The Committee welcomed Andrew Wood, new Internal Audit Manager, to their first committee.

Andrew Wood presented the Internal Audit Progress Report which provides a summary of the internal audit activity and performance for the period from 1 April 2021 to 30 June 2021 and highlighted that 6% of the audit plan been completed so far which is against a profile of 22.5%. The first quarter is normally low in coverage, however, this has been exacerbated this quarter by the availability of staff, resources and timing in relation to the implementation of new systems.

Andrew Wood outlined that a number of steps have been taken to ensure completion of the audit plan:

- Tendered for a specialist IT Auditor to carry out 20 days of IT audit and to complete an IT risk assessment.
- Procurement complete for a general auditor.

There were five high priority recommendations, one of which has been implemented and the remainder will be under continued review with the relevant Head of Service.

There were three limited assurance reports:

- GDPR is now reported as substantial assurance
- Procurement is now a reasonable assurance
- Beacon Park is now a reasonable assurance

Andrew Wood noted that while GDPR has been reported to be a substantial assurance, this will continue to be reviewed by the Committee and one remaining high priority recommendation requires implementation.

The committee requested assurances that there would be an increase in pace during quarter 2. Andrew Wood provided assurances that with the support of the IT specialist and the new general auditor the pace will increase during the next quarter.

**RESOLVED:** The Committee noted the report

### 64 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME /PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Andrew Wood presented the Internal Audit's compliance with the Public Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP).

Andrew Wood outlined that Internal Audit's compliance with the PSIAS is required under the Accounts and Audit Regulations 2015 and this is therefore reported to this Committee on an

annual basis and no actions have been carried forward from last year's QAIP and no further actions have been identified this year.

**RESOLVED:** The Committee noted the report

## 65 RISK MANAGEMENT UPDATE

Andrew Wood presented the Risk Management Update Report and highlighted the key changes since the Committee's last risk update (March 2021) are:

- Removal of strategic risk, SR8 (Failure to safely, securely and legislatively compliantly deliver the May 2021 elections due to having to run them during pandemic conditions). Elections run.
- Removal of strategic risk, SR9 (Council strategic leadership compromised by the change in Chief Executive). Chief Executive appointed.
- Updates to mitigating controls, actions and lines of assurance have been updated on the Register where applicable.
- Other Horizon Scanning Risks Arising at June 2021 (at the end of the register) are risks which are not strategic risks currently, but that need a 'watching brief' have been reviewed and updated.

Andrew Wood provided assurances to the Committee that meetings are held with Leadership Team on a monthly basis to review the strategic risks affecting the council, and provided an overview of risks which have not yet been added to the strategic risk register but require some oversight.

The Committee asked whether SR2, the resilience of teams to effectively respond to a further serious disruption to services is under consistent review of Leadership Team, especially in terms of any staff required to self-isolate during the pandemic. Andrew Wood confirmed that he is also meeting with each Head of Service individually to discuss their service risk registers which include pandemic resilience.

Andrew Wood also confirmed that potential up and coming elections would be added to the Horizon Scanning Risks from June 2021 and would be kept under review in conjunction with the service risk register.

The Committee reviewed SR4, failure to meet governance and or statutory obligations and asked what external factors would prevent Lichfield District Council meeting statutory obligations. Christie Tims, Head of Governance and Performance confirmed the risk has increased to 9 as the Leyfield & Netherstowe Final Action Plan had not been approved at the time the report was written. This has since been approved and the implementation will be overseen by this committee.

**RESOLVED:** The Committee noted the report

## 66 RIPA REPORTS POLICY AND MONITORING

Christie Tims, Head of Governance and Performance, presented a report to the Committee on the Council's Code of Practice for carrying out surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA).

Christie Tims updated the Committee on the findings of the recent IPCO inspection which recommended an annual review of the RIPA policy to be approved by this committee which will form part of the annual report going forward. There has been an update to the Policy to

include reference to the developing use of CHIS and noting the increase in use of social media. It also makes clear that Human Rights Assessments should be undertaken and documented for all types of surveillance, not just that falling within RIPA.

Christie Tims confirmed that the Council has not used directed surveillance in the current financial year and that there have been no authorisations for the use of CHIS.

The Committee questioned whether there would be a benefit of using covert surveillance in certain circumstances, such as fly tipping and whether or not this has been considered. Christie Tims provide assurances to the Committee that there isn't a reluctance of Officers to use covert surveillance, however, it is considered a last resort option and suitable alternatives which are as effective have been sourced where required.

**RESOLVED:** The Committee accepted this as the RIPA monitoring report for the last financial year.

The Committee approved the updates to the Corporate Policy and Procedure for RIPA.

The Committee noted the RIPA Investigatory Powers Commissioner's Office (IPCO) Inspection Report 2021.

## **67 MODEL CODE OF CONDUCT**

Christie Tims presented a report on the LGA's Model Code of Conduct. This Model Code of Conduct, published and circulated to Members in December 2020, is still awaiting Government consideration of the Committee on Standards in Public Life recommendations, and therefore the recommendation to this Committee is to await the outcome of these recommendations but undertake a consultation in the interim period.

The Committee commented on the current limitations of available sanctions under the Localism Act 2011 which does not give sufficient weight to ensure compliance with the existing Code of Conduct.

The Committee discussed the appropriate Committee to undertake a consultation in the interim period.

**RESOLVED:** The Committee noted the report and resolved to undertake a consultation while awaiting the recommendations from the Committee on Standards in Public Life.

## **68 LEYFIELD & NETHERSTOWE FINAL ACTION PLAN**

Christie Tims presented the Final Action Plan as set out in Appendix 1 of the Leyfields & Netherstowe Lessons Learnt report approved by Cabinet on Tuesday 6 July 2021. In recommendation 1.2 of this report Cabinet referred the Final Action Plan to Audit and Member Standards Committee to monitor and ensure implementation of each individual action.

Christie Tims updated the Committee that all actions have been implemented, with the exception of training which is scheduled to take place by autumn for officers and in due course for members. The final agreement of the settlement in relation to the decision to cancel the sale has been signed by all parties, formal exchange will take place in due course.

The Committee requested further information on what checklists and policies existed previously. Christie Tims confirmed that there had not been a disposal policy in place previously, there had also not been a checklist to follow. In relation to signing & sealing, this

has always been outlined in the constitution, however in this instance, this did not reach the signing & sealing process.

The Committee commended the efforts of the Monitoring Officer, Head of Service and officers who had been involved in the implementation of the recommendations and actions which have arisen from the Lessons Learnt Report.

**RESOLVED:** The Committee noted the action plan

## **69 WORK PROGRAMME**

Members noted the Work Programme and the Chairman requested any additions/alterations to the programme.

(The Meeting closed at 7.20 pm)

CHAIR