

TEWKESBURY BOROUGH COUNCIL

Minutes of a Meeting of the Audit and Governance Committee held at the Council Offices, Gloucester Road, Tewkesbury on Thursday, 23 March 2023 commencing at 2:00 pm

Present:

Chair

Councillor V D Smith

and Councillors:

C M Cody, P A Godwin, D W Gray and P D McLain

A&G.38 ANNOUNCEMENTS

- 38.1 The evacuation procedure, as noted on the Agenda, was taken as read.

A&G.39 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

- 39.1 Apologies for absence were received from Councillors H C McLain, H S Munro and P E Smith. There were no substitutes for the meeting.

A&G.40 DECLARATIONS OF INTEREST

- 40.1 The Committee's attention was drawn to the Tewkesbury Borough Code of Conduct which was adopted by the Council on 24 January 2023 and took effect on 1 February 2023.
- 40.2 There were no declarations made on this occasion.

A&G.41 MINUTES

- 41.1 The Minutes of the meeting held on 22 November 2022 and the Special meeting held on 12 December 2022, copies of which had been circulated, were approved as correct records and signed by the Chair.

A&G.42 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

- 42.1 Attention was drawn to the Audit and Governance Committee Work Programme, circulated at Pages No. 17-23, which Members were asked to consider.
- 42.2 The Head of Corporate Services advised that the annual update on the Council's arrangements for the General Data Protection Regulation (GDPR) was due to be considered at the meeting on 22 November 2023; however, this would be brought forward to the July meeting in order to follow the end of the financial year.

42.3 It was

RESOLVED

1. That the Audit and Governance Committee Work Programme be **NOTED**.
2. That the Annual Update on the Council's Arrangements for the General Data Protection Regulation (GDPR) be moved from 22 November 2023 to 19 July 2023.

A&G.43 EXTERNAL AUDITOR'S PROGRESS REPORT

- 43.1 Attention was drawn Grant Thornton's audit progress report and sector update, circulated at Pages No. 24-35, which reported progress in delivering its responsibilities as the Council's external auditors. Members were asked to consider the report.
- 43.2 The Grant Thornton Audit Manager advised that the initial planning and interim work for the 2022/23 audit had taken place in February and March 2023 and was now largely complete. It was intended to commence work on the draft financial statements in July and to report to the Audit and Governance Committee on 27 September 2023 ahead of the 30 September deadline. Reference was made to the requirement to report infrastructure in the balance sheet and he confirmed this change did not impact Tewkesbury Borough Council. With regard to value for money, the 2021/22 work would be ongoing over the next few months and he planned to report to the Audit and Governance Committee in July, subject to capacity as there continued to be pressures within the sector. The 2021/22 housing benefit calculation was also ongoing with the intention of this being completed by the end of April; this was later than the deadline but two months earlier than last year. It was noted that Grant Thornton had met with the Finance team in March as part of their regular liaison meetings and a meeting would shortly be arranged with the Head of Finance and Asset Management, the Head of Corporate Services and the Chief Executive around the value for money work. With regard to the deliverables, outlined at Page No. 29 of the report, Members were advised that the external auditor's annual report was timetabled for December 2023 but it was hoped this could be done earlier. The target date for the 2022/23 housing benefit subsidy certification had not yet been set and was largely dictated by Department for Work and Pensions expectations. Sector updates provided Members with a summary of emerging national issues and development with the latest topics outlined at Pages No. 30-34 of the report. The Grant Thornton Audit Manager advised that next year would be the final year of Grant Thornton being the external audit for Tewkesbury Borough Council.
- 43.3 A Member drew attention to Page No. 33 of the report in relation to the risk of Council's running out of money next year, particularly the suggestion that district councils would have the largest budget gap compared to net spending at 10.2%. He recognised that some authorities would be at higher risk than others and he asked for a view from Grant Thornton as to how Tewkesbury Borough Council's balance sheet compared. In response, the Grant Thornton Audit Manager advised that Tewkesbury Borough Council was less risky than others which was largely attributable to the way the authority was run in terms of financial control and statements; nevertheless, it needed to be highlighted as a risk in terms of financial planning as there were challenges and pressures generally for district councils with a lot of statutory services which needed to be delivered and relatively few opportunities to increase income to support those. Tewkesbury Borough Council was engaged in far fewer riskier activities but it would be interesting to see how that played out over the next few years in the face of government/political change. The Member asked whether the Redmond Review – an independent review into the oversight of local audit and the transparency of local authority financial reporting – had any implications for Grant Thornton and the Audit Manager for Grant Thornton

indicated that he hoped so in the longer term; one of the main things coming out of the report was in relation to the suggestion that the Financial Reporting Council (FRC) could become the public sector regulator which would be helpful in terms of linking issues in the sector to what the regulator cared about which the FRC was better placed to do. Grant Thornton had recently published a report highlighting a number of issues for public sector audit including property valuations, which was a significant risk every year and generated a large amount of work for both Grant Thornton and Tewkesbury Borough Council. Whilst this was a huge area of focus, it was not something the public cared about as it was not relevant to where Council Tax was being spent – there was a disparate balance between focus and effort compared with stakeholder interest.

43.4 It was

RESOLVED That the external auditor's progress report be **NOTED**.

A&G.44 EXTERNAL AUDIT UPDATE

44.1 The report of the Head of Finance and Asset Management, circulated at Pages No. 36-43, asked Members to consider the fee scale of £41,465 for the 2022/23 audit and the appointment of Bishop Fleming as the auditor of Tewkesbury Borough Council for five years from 2023/24.

44.2 The Head of Finance and Asset Management advised that the fee scale set for 2022/23 was an increase of £3,876 against the fee for 2021/22. Members were reminded that this may not be the actual fee as there could be variations to reflect additional work that may be undertaken. It was noted this was the last fee scale in the current appointing period and, as part of the new treasury arrangements, Public Sector Audit Appointments (PSAA) had advised of the likelihood of a major reset of total fees for 2023/24 involving an increase in the order of 150% on the total fees for 2022/23. The second part of the report related to the appointment of Bishop Fleming as the external auditor for Tewkesbury Borough Council for 2023/24-2027/28 and background to the company was provided at Page No. 38, Paragraph 3.3 of the report.

44.3 The Chair queried whether Bishop Fleming had won any other local authority contracts and was informed it had been appointed to the other district councils in Gloucestershire and many of the public sector organisations in the south-west. Another Member raised concern regarding the potential 150% increase in total fees for 2022/23 and asked whether the government was providing any support. In response, the Head of Finance and Asset Management reminded Members that, when the Audit Commission was the Council's external auditor, the audit fee had previously been in the region of £120,000; this demonstrated how much it had reduced over the period to a level that was now unsustainable for the sector. It would be a large increase for the Council but money had been set aside in the 2023/24 budget to meet the cost going forward.

44.4 It was

RESOLVED

1. That the fee scale of £41,465 for the 2022/23 audit be **NOTED**.
2. That the appointment of Bishop Fleming as the auditor of Tewkesbury Borough Council for five years from 2023/24 be **NOTED**.

A&G.45 CORPORATE RISK REGISTER

45.1 The report of the Head of Corporate Services, circulated at Pages No. 40-60, asked Members to consider the risks contained within the corporate risk register and assurance that the risks were being effectively managed.

- 45.2 The Head of Corporate Services advised that three risks had been removed when the corporate risk register had last been considered by the Committee in November – Ref. 6 Safeguarding, Ref. 9 Growth Hub and Ref. 12 COVID-19 Recovery - and Members had discussed adding a risk around the Development Management improvement programme. Officers had discussed this following the meeting and it had now been added as Ref. 16. It was noted that Ref. 12 Wingmoor Farm could now be removed as Gloucestershire County Council had granted planning permission until December 2027. With regard to Ref. 11 National driver shortage, Members were informed that an internal audit review of how that risk was being managed had been undertaken which was detailed at Pages No. 93-95 of the Internal Audit Plan Monitoring Report being considered later on the Agenda. The audit had concluded that the risk had not really materialised, being somewhat mitigated by the market supplement, so whilst there was merit in keeping it under review, that could be done outside of the register and it was suggested it be removed. The Garden Town team was in attendance to take any questions in relation to Ref. 9 Ashchurch Bridge project and the commentary in respect of Ref. 10 Carbon neutrality acknowledged the investment required to meet the ambitions of being carbon neutral and made reference to the successful bid for funding towards a replacement heating system with a report due to be taken to Council following the Borough Council elections. The Head of Corporate Services indicated that the register included a risk around the IT network and he was pleased to report that Public Sector Network compliance had recently been achieved and penetration testing had been positive with testers unable to exploit full network administration. He felt it was important to acknowledge the fantastic work the team continued to do ensure the network remained secure.
- 45.3 A Member understood there was no statutory requirement to have a corporate risk register but she felt it was positive Tewkesbury Borough Council did have one and she found the format to be very useful in terms of the colour coding. She was looking forward to hearing more about the heating replacement system and how much additional money would be needed to supplement the grant funding. The Head of Finance and Asset Management advised this was on the Agenda for the Climate Change and Flood Risk Management Group meeting next week and it was planned to go to out to tender over the next couple of months with a report to Council to approve the balance of the funding. It should be noted that the cost was £1.1-1.2m when it had gone out to tender last year and inflation had risen considerably since that time so, whilst it was positive grant funding had been secured, there were still several hurdles until the heating system was actually replaced. The Member drew attention to Ref. 7, set out at Page No. 50 of the report, which related to maintenance of the Council's assets, and expressed the view that it was necessary to look at the bigger picture in terms of what the long term savings could be from investing in the replacement heating system and other energy efficiency measures, particularly in view of rising energy costs – whilst they did cost money to implement, the savings could be much greater. The Member indicated that this also applied to Page No. 55 of the report and Ref. 10 in relation to the climate change motion which talked about the benefits being outweighed by the costs and she expressed the view there was a need to change this language as if the Council had invested earlier in these things it would be in a better position now. She recognised the Council was doing a lot but it was a long way behind other authorities and she felt there would be bigger repercussions later down the line if it continued to delay investing which came with a reputational risk. The Head of Finance and Asset Management indicated that it was intended to be open and honest with Members about what it would be asked to decide to invest in going forward - some of the things being brought forward would have financial payback but others would not so Members may be asked to contribute to something which did not have a financial return. It would be necessary to look at all of the other benefits associated with each business case as and when they came forward. He confirmed he would be happy to add more positive wording to the commentary

going forward whilst continuing to highlight that financial capacity was the biggest risk.

- 45.4 A Member went on to draw attention to Page No. 49 of the report which stated that GDPR and cyber security training would form part of the Member Induction Programme and she asked whether it would be mandatory. In response, the Corporate Director advised that there was no way of enforcing training unless it was a requirement of sitting on a Committee, such as Planning or Licensing; however, GDPR was something all Members should be trained on and it was mandatory for staff. Group Leaders would need to play their part in encouraging Members to attend as it would ultimately help to protect them as well as the authority. In terms of Page No. 51 of the report, which related to Ref. 8 Garden Town status, a Member asked if it was possible to have a copy of the business case which was due to be submitted to government by March 2023 in relation to J9/A46. The Garden Town Programme Director explained that the development company would be the delivery vehicle, as discussed at Council, and the date was specific to the development company programme – he accepted this was not particularly clear from the commentary but confirmed they were now in a position to submit.
- 45.5 A Member asked if an additional risk could be added in relation to the DEFRA consultation on changes to waste services, particularly in terms of the possibility of all Councils having to offer a free garden waste service and separating recyclable materials – whilst it was likely to be preferable for residents to have consistent collections across the country, this would have a significant impact on Tewkesbury Borough Council which currently operated a comingled collection and charged for its garden waste service. The Head of Community Services agreed this was a significant risk and he would be happy to include it on the corporate risk register. If the changes were implemented, it was hoped that new burdens funding would be available and there may be opportunities for improvement for instance, changing the methodology was said to improve recycling and as Ubico provided the waste collection service for the majority of the county there would be benefits from consistency, for instance, Wingmoor Farm may not be necessary if there was an option to take all material directly to Javelin Park. A Member drew attention to Page No. 44 of the report, and the risk around the uncertainty of Council funding streams, and he asked how much of the waste budget was funded through New Homes Bonus. In response, the Head of Finance and Asset Management advised that approximately £1.25m New Homes Bonus was included in the base budget for next year and this supported all of the Council's core services; none was set aside for specific projects.
- 45.6 In terms of Page No. 59 of the report and Ref. 15 relating to delays in progressing the Joint Strategic Plan, a Member indicated that the Lead Member for Built Environment had suggested one of the other authorities being late to agree a five year housing land supply was impacting Tewkesbury Borough Council so he asked whether Officers were satisfied those scores were accurate. The Corporate Director felt this was a fair point; she would need to be reminded of the level of risk but she agreed that the position could change fairly quickly in relation to the housing land supply scoring which had been done in February.

45.7 Having considered the information provided, it was

RESOLVED

1. That the risks and mitigating controls contained within the corporate risk register be **NOTED**.
2. That it be **AGREED** that:
 - i) the following risks be removed from the corporate risk register:
 - Ref.11 – National driver shortage
 - Ref. 12 – Wingmoor Farm; and
 - ii) a risk around the DEFRA consultation on changes to waste services be added to the corporate risk register.

A&G.46 STATEMENT OF ACCOUNTING POLICIES

46.1 The report of the Financial Services Manager, circulated at Pages No. 61-79, set out the main changes in accounting policies under the Code of Practice on Local Authority Accounting in the United Kingdom in 2022/23. Members were asked to approve the accounting policies to be used in the preparation of the 2022/23 financial statements.

46.2 The Finance Manager advised that this was the annual report which sought approval of the accounting policies to be used for the 2022/23 accounts and outlined the principles and conventions that would be applied. There were no real changes to the Code of Practice for the financial year beginning 1 April 2022 and the new standard, IFRS16, had been deferred until 1 April 2024. The policies had been tidied up this year with interests in companies and other entities and heritage assets being deleted due to their immaterial impact on the transactions. A change had been made in relation to the useful economic life of vehicles, plant, furniture and equipment after reviewing the life of IT equipment and bins and reducing this from 5-7 years to 3-10 years on the basis that bins had a 10 year warranty and advice from the ICT Manager that three years was a more realistic lifespan for technology.

46.3 In response to a query regarding the carrying value of heritage assets, the Finance Manager advised that around £100,000 related to civic regalia. Another Member noted that it stated that heritage assets were not normally disposed of and, on that basis, she asked what had been. The Finance Manager indicated that nothing had been disposed of as far as she was aware - these tended to be things that were held in perpetuity which was what the report was trying to convey. A Member asked if these items were insured and confirmation was provided that all regalia was insured.

46.4 It was

RESOLVED

That the accounting policies to be used in the preparation of the 2022/23 financial statements be **NOTED**.

A&G.47 CIPFA FINANCIAL MANAGEMENT CODE

47.1 The report of the Financial Services Manager, circulated at Pages No. 79-83, asked Members to consider the progress that had been made against the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code action plan.

47.2 The Finance Manager advised that the Chartered Institute of Public Finance and Accountancy (CIPFA) had published the new Financial Management Code in October 2019 which was designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. An assessment against the Financial Management Code had been approved by the Audit and Governance Committee in March 2022 and Appendix A to the report attached the first annual monitoring report against the actions identified. Members were informed that some actions had been completed, for example, additional information such as outstanding debts, treasury indicators and vacancies had been included in the quarter three report to the Executive Committee and would continue to be reported going forward. Other actions were reliant on government clarity regarding long terms funding, for instance, understanding prospects for financial sustainability and budget consultation. In addition, actions such as compliance with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government and carrying out credible and transparent financial resilience assessment were ongoing.

47.3 Accordingly, it was

RESOLVED That the progress made against the CIPFA Financial Management Code action plan be **NOTED**.

A&G.48 INTERNAL AUDIT PLAN MONITORING REPORT

48.1 The report of the Chief Audit Executive (Head of Corporate Services), circulated at Pages No. 84-103, provided an overview of the internal audit work completed during the period. Members were asked to consider the work undertaken and the assurance given on the adequacy of the internal controls operating in the systems audited.

48.2 Members were advised that overall the conclusion was very positive with only one limited opinion; this was particularly good considering the Council was coming out of the pandemic and the internal control environment had changed significantly. In terms of the work completed during the period, the audit of complaints had shown this process was generally sound and the Council was in the bottom quartile when benchmarked against other authorities, which was positive. There was one outstanding recommendation around refresher training for staff responsible for handling complaints and this would be delivered by the Corporate Director before she left the authority in June. The audit of cemeteries had shown payments were accurately received and reconciled but there was an issue regarding segregation of duties as one person carried out a number of stages so a recommendation had been made to give consideration to introducing a second Officer. Whilst the overall level of control was reasonable, the audit had highlighted the potential for digitalisation of processes and this was included in the Business Transformation work programme; however, the team was currently prioritising licensing and planning. As reported earlier on the Agenda, it was proposed that the national driver shortage be removed from the corporate risk register following the audit which had found a reasonable level of control with no recommendations being made. With regard to the cemeteries audit, a Member noted that income was almost £65,000 but expenditure was only around £13,500 and she asked how it was broken down. The Head of Finance and Asset Management advised that the figures were costs directly associated with burials; there were other costs in terms of delivering the service, for example, employment of the sexton and Ubico costs which would be included within grounds maintenance. The Member raised concern that the maps held at the cemetery may be out of date leading to duplication in allocation of plots but there was no start date for digitalisation. She noted that the Council had a duty to make necessary arrangements where no suitable funeral arrangements had been made for a deceased person who had died in the borough, with only one such

funeral taking place between 1 October 2021 and 30 September 2022, and she asked if this was likely to increase as she expected there would be more people without assets in future. The Head of Finance and Asset Management confirmed that the Council was keen to digitalise all services where possible but there was a lack of capacity within the Business Transformation team and, when considering all of the needs for the coming year, it was felt that licensing and planning were more important in terms of where to place reserves. The current service was very paper-based and it was unsustainable for just one or two individuals to have the knowledge of plots etc. so digitalisation was necessary to ensure the service continued to perform well. In terms of the Council's duty, the Head of Community Services advised that in most cases the costs could be recovered but the person referenced in the audit had no assets so it had fallen to the Council.

- 48.3 An audit of laptops had also been undertaken following the purchase and roll out of approximately 200 laptops to enable staff to work remotely during the pandemic. The audit had demonstrated that IT were often unaware when contractors stopped working for the authority which meant there was pressure to recover their IT equipment quickly, as such, there was an organisational recommendation around keeping IT up to date in order for kit to be returned in a timely manner. It was noted that, due to the need to purchase laptops quickly the requirements of the contract rules had not been followed which was appropriate under the circumstances; however, when the contract rules were not followed, a waiver was required and this was not in place. A Member asked whether Officers were satisfied that value for money was achieved and the Head of Corporate Services confirmed that was the case. The Member asked what this opinion was based upon in the absence of a tender and was advised that the laptops had been purchased for around £500/600, depending on availability, had they been purchased at a significantly lower cost the Head of Corporate Services would have been concerned as to the quality of the product. He indicated that he was confident that the laptops purchased were reflective of need and comparable to the market. The ICT Manager stressed that it had been an unprecedented time when demand for laptops was extremely high and stock was difficult to come by so Officers had to take action when stock was available in order to ensure services could continue - value was in availability rather than the cost of the items and that would be reflected in the waiver which would be completed. In response to a query regarding segregation of duties, the ICT Manager advised that the Head of Corporate Services and the Head of Finance and Asset Management had been consulted on all decisions made on large scale purchase of laptops. Another Member asked if there were penalties within contracts of employment if people did not return their IT equipment when leaving the authority and was advised that the issue was contractors who were not recruited in the same way as permanent staff and were subject to different contracts; the main problem was that their contracts could be terminated at very short notice. Contractors could be based in locations across the country so it could take time to retrieve equipment and raised concerns around data protection etc. The recommendation was around managers notifying IT if contracts were terminated in order to limit this risk. The Member raised concern that, if laptops had been provided for all new staff at the outset of the pandemic, they would shortly be coming to the end of their lives and would need replacing which she presumed would be a significant cost. She also questioned what happened to those laptops which were returned. The ICT Manager explained that the authority had been moving to a model of hybrid working in January 2020 so the pandemic had effectively accelerated a two year roll-out programme and the Council had been able to take advantage of collaborative and modern working practices at an earlier stage. In terms of disposal, laptops that had been rolled out in the first phase were now reaching end of life due to being used on a daily basis; however, they would have residual use so they would either be donated to charity or stripped for parts to fix stock, or they would be recycled.

48.4 The Head of Corporate Services indicated that a new HR self-service system had been launched in October 2022 and an audit had been undertaken in relation to timesheet recording and administration of annual leave. The audit had found a limited level of control in terms of being able to confirm that the correct amount of leave had been recorded on the digital system. The HR and OD Manager explained that there had been a number of different practices for recording annual leave across the Council services and when My HR had launched there had been reliance on individual staff inputting the correct information from the locally held records, as such, the lack of consistency, and the limited opinion, was unsurprising. A review was therefore required to ensure information was correct – this was a big piece of work but it was necessary. A Member noted there was a typographical error at Page No. 101 of the report which should refer to October 2022 rather than 2023.

48.5 It was

RESOLVED That the internal audit plan monitoring report be **NOTED**.

A&G.49 INTERNAL AUDIT SIX MONTH PLAN 2023/24

49.1 The report of the Head of Corporate Services, circulated at Pages No. 104-110, set out the proposed Internal Audit Plan for April-September 2023. Members were asked to approve the six month plan as set out at Appendix 1 to the report.

49.2 The Head of Corporate Services advised that the report set out the proposed areas for audits moving forward and there was a good range based on the corporate risk register including gifts and hospitality, budget control and the increased requirements for grant certification and disabled facilities grants. The Head of Finance and Asset Management had requested an audit of the commercial property portfolio – purchase of the properties had been well governed with Member engagement and approval so this would focus on management of the properties to ensure the correct lease charges had been raised and terms and conditions were being adhered to. An audit of the High Street Heritage Action Zone scheme was also proposed, as this was a £2m project, along with an audit of garden waste which generated income of £1.1m.

49.3 It was

RESOLVED That the Internal Audit Six Month Plan 2023/24 (April-September) be **NOTED**.

A&G.50 MONITORING OF SIGNIFICANT GOVERNANCE ISSUES

50.1 The report of the Corporate Director, circulated at Pages No. 111-117, set out the Significant Governance Issues identified in the Council's Annual Governance Statement and the action taken to address them. Members were asked to consider the progress made against those actions.

50.2 The Corporate Director advised that the majority of actions had progressed but there were some which would not be delivered by their target dates. For instance, Community Infrastructure Levy (CIL) governance had been outstanding for some time and required the three Joint Core Strategy authorities to agree the arrangements – whilst positive steps had been made, and this was further along than it had been in November when the report was last considered, it was unlikely to be achieved by the end of March. Work on the Local Code of Corporate Governance was yet to commence due to other priorities but all other actions had moved forward. A Member asked when the CIL governance was likely to be resolved and was advised there was no firm date but it was of great concern and needed to be urgently progressed. Several Members expressed concern regarding the delay and it was subsequently

RESOLVED

1. That progress against the Significant Governance Issues identified in the Council's Annual Governance Statement be **NOTED**.
2. That the Committee's concern regarding the lack of progress in relation to Community Infrastructure Levy (CIL) governance be passed on to the Head of Development Services and Chief Executive.

A&G.51 DATA PROTECTION POLICY REVIEW

- 51.1 Attention was drawn to the report of the Head of Corporate Services, circulated at Pages No. 118-131, which attached, at Appendix 1, the revised Data Protection Policy. Members were asked to recommend to the Executive Committee that the revised policy be approved.
- 51.2 The Head of Corporate Services advised that it was prudent to review policies every three years and the Data Protection Policy had last been reviewed in 2018. The main updates were set out at Page No. 120, Paragraph 3.1 of the report and were largely of a minor nature.
- 51.3 With regard to personal data, a Member drew attention to Page No. 124 of the report and asked why it was necessary to collect some of the personal data listed, such as cultural profile. In response, the Corporate Director advised that it would not always be relevant and the authority would only collect the data it needed to process. It was

RESOLVED

That it be **RECOMMENDED TO THE EXECUTIVE COMMITTEE** that the revised Data Protection Policy be **APPROVED**.

The meeting closed at 3:20 pm