

Minutes of the meeting of Audit and Governance Committee held at Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Wednesday 27 September 2021 at 10.15 am.

Present: Committee Members:

Councillors Nigel Shaw (Chairperson), Christy Bolderson (Vice-chairperson), Sebastian Bowen, Peter Jinman, and Yolande Watson.

Officers:

Andrew Lovegrove (Chief Finance Officer and s151 Officer), Paul Harris (Head of Corporate Performance), Claire Ward (Solicitor to the Council and Monitoring Officer), John Coleman (Democratic Services Manager)

25 APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Jennifer Bartlett, Bob Matthews and Dave Boulter.

26 NAMED SUBSTITUTES

Councillor Sebastian Bowen attended the meeting as a substitute member for Councillor Bob Matthews.

27 DECLARATIONS OF INTEREST

No declarations of interest were made.

28 MINUTES

The minutes of the meeting held on 30 July 2021 were received.

The action log normally attached with the minutes was missing but would be included with the next set of minutes.

RESOLVED:

That the minutes of the meeting held on 30 July 2021 be approved as a correct record and be signed by the chairperson.

29 QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions had been received from members of the public.

30 QUESTIONS FROM COUNCILLORS

No questions had been received from Councillors.

31 ENERGY FROM WASTE LOAN UPDATE

Andrew Lovegrove, Chief Finance Officer, introduced the report the purpose of which was to update the Audit and Governance Committee on the current status of the energy from waste loan arrangement and to enable the Committee to fulfil its delegated functions.

During discussion the following principal points were made:

- The loan arrangement was being repaid as expected and the Section 151 Officer had no concerns about the financial viability of the project.
- There were concerns however about what would happen when the current contract arrangements came to an end and how new terms would be renegotiated.
- At the end of the current contract there would be a balance outstanding on the loan but the value of the Plant was far in excess of this amount.
- There were a number of options being considered for when the contract came to an end including agreeing an extension to the contract and refinancing, selling the Plant or the Council taking over the arrangements.
- The role of the Audit and Governance Committee was to oversee the role of the Council acting as a bank.
- It was never envisaged that the £40m would be repaid over the current contract as the value of the Plant greatly exceeded the cost of the loan.

The Committee **RESOLVED** that:

1. The risks to the Council, as lender, were confirmed as being reasonable and appropriate having regard to the risks typically assumed by long term senior funders to waste projects in the United Kingdom and best banking practice; and
2. Arrangements for the administration of the loan were reviewed and confirmed as satisfactory.
3. The Section 151 officer writes to the Worcestershire Committee, referring to the dynamic nature of the ownership change, and requests that the Audit and Governance Committee is kept up to date with any changes to the risk register kept by Worcestershire in relation to this matter.

32 CORPORATE RISK REGISTER

Paul Harris, Head of Corporate Performance, introduced the report the purpose of which was to consider the status of the Council's corporate risk register in order to monitor the effectiveness of risk management within the Performance Management Framework.

During discussion the following principal points were made:

- The report provided an update of the Council's risk register as at the end of July 2021. There had been some movement since the last report to the Committee including the following 3 escalated risks;
 1. The development of a Sufficiency Strategy which supports best value.
 2. High risk notable cases within the Courts.
 3. The sustainability and closure of a care-home which has been reintroduced as a risk in Adults and Communities.
- It had been a year since the new risk framework had been implemented. The new changes had been embedded by external risk training which had reinforced the benefits of managing risk effectively. In addition risk leads had been identified in each directorate which brought about an inter-directorship risk leadership team which meant that Management Board looked at risk much more readily.
- The approach to risk was similar to that taken by other Local Authorities.

- Members voiced concern that there was an overarching risk for the Council, as the place of last resort, to bail out partner organisations.
- The Council did not have an automatic right to access partners' risk registers but it could do so if there was a provision of information clause in the contractual arrangements with them and if it was appropriate to do so for audit purposes.
- Emergency planning for Covid was still in place so the Covid Risk Register remained as a separate operational risk register. However it was likely that some aspects, for example, the impact of Covid on learners, would push out and more fittingly reside in a strategy risk setting.
- Officers would explore whether service areas' sensitivity to risk from external factors such as interest rate rises or the availability of fuel, could be captured in any new risk systems. The Strategic Risk Management Board however had a responsibility to horizon scan for any potential risk.
- The Treasury Management Strategy which was reviewed every year by Council addressed issues such as interest rate rises. The majority of the Council's current borrowing was fixed term so any changes in interest rates did not affect it and any spare cash was invested so a rise in interest rates would be positive.

The Committee **RESOLVED** that:

1. The significant Partnership Framework should consider how risks held by partners are assessed and how they affect the Council.
2. Third party risks will be considered as part of the refresh of the Annual Management Plan.
3. 'Global' factor risks such as interest rate fluctuations and workforce shortages are reviewed in relation to their sensitivity to sudden change.

ACTIONS:

- a) The Head of Corporate Performance to provide the Committee with a briefing paper on how risks such as EP-24 flood risk and EP-27 fuel poverty are being managed in rural areas.
- b) The Head of Corporate Performance to consider the increase of housing developments in rural areas and the impact these may have on the risk register.

33 ANNUAL GOVERNANCE STATEMENT – DRAFT FOR 2020/21

The Committee received the Annual Governance Statement report the purpose of which was to seek the views of the Committee as to whether the draft Annual Governance Statement for 2020/21 properly reflected the risk environment the Council was operating in and the appropriateness of any actions required to improve it.

During discussion the following principal points were made:

- Members sought assurances that where there was missing information on significant partnerships that these gaps would be investigated and completed.
- The high level overview format used to show information about Strategic Partnerships and shown at Appendix 3 was welcomed by Councillors.
- The old performance challenge sessions were now called oversight and improvement sessions.
- The Monitoring Officer confirmed that going forward the number of meetings where the public were excluded would be recorded and reported to full Council in the Leader's report.
- Although some sections had been signed off by officers who no longer worked for the Council this reflected a point in time and there would be a final overall sign off by the Solicitor to the Council and the Chief Finance Officer.

The Committee **RESOLVED** that:

1. The draft annual governance statement in appendix 1 properly reflected the risk environment the Council was operating in and that actions identified were an appropriate response.
2. Having considered the register of significant partnerships, they would request that the s151 Officer commission a SWAP audit on the outstanding self-assessment.
3. Where there were incomplete partnership statements that these be completed, and that the format being used for the statements' current presentation should continue, and be applied to all new significant partnerships and completed within a six month timeframe.

ACTIONS:

- a) The Solicitor to the Council to produce a briefing note on the approach, process and timing of the refresh of the Strategic Partnerships.
- b) The Solicitor to the Council to recirculate the SWAP audit on the transparency and governance of strategic partnerships.
- c) The Section 151 officer to inform the Committee of the percentage figure of employees with budget responsibilities who had completed the on-line awareness module regarding finance.

34 WORK PROGRAMME UPDATE

During discussion of the work programme the following points were noted:

- The report on the review of Governance arrangements and changes to the Constitution would most likely come before the Committee at a special meeting in November, prior to presentation to full Council in December.
- Councillors expressed an interest in receiving an overview on the sources and scale of funding for the authority.
- Councillor Bolderson had been working on a skills matrix for the Committee which would involve elements of self-assessment.

The Committee **RESOLVED** that the work programme be agreed.

ACTIONS:

1. The s151 to write a briefing note for the Committee on sources of funding for the Council over the preceding few years.
2. The Chief Executive be invited to the next meeting of the Committee to discuss the risks that the Council is carrying.
3. Councillor Watson to circulate to the Committee the Rural Services Network paper on sources of funding for rural authorities.

35 DATE OF NEXT MEETING

27 October 2021

The meeting ended at 12.30 pm

Chairperson