

**Minutes of the meeting of the Audit and Governance Committee held in The Conference Room, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Wednesday 12 October 2022 at 10.15 am**

**Committee members present in person and voting:**      **Councillors: Polly Andrews, Jenny Bartlett (Vice-Chairperson), Christy Bolderson, Dave Boulter, Clare Davies, Peter Jinman and Nigel Shaw (Chairperson)**

Others in attendance:      B Baugh (Democratic Services Officer), R Hart (Head of Strategic Finance), M Ibbitson (Interim ICT Client Lead), A Lovegrove (Director of Resources and Assurance), A McAlpine (Senior Lawyer), S Mortimore (Head of Information Technology, Hoople Ltd) and A Rees-Glinos (Democratic Services Support Officer)

**25. APOLOGIES FOR ABSENCE**

All members of the committee were present.

**26. NAMED SUBSTITUTES**

None.

**27. DECLARATIONS OF INTEREST**

No declarations of interest were made at the start of the meeting.

Arising from a topic of discussion during the Draft Annual Governance Statement 2021/22 item, the Director of Resources and Assurance declared an Other Registrable Interest as a non-executive director of Hoople Ltd.

**28. MINUTES**

The minutes of the previous meeting were received.

The action log for the committee was attached to the minutes. The committee reviewed the action log, the key points of the discussion included:

- i. Action 94: Committee members confirmed that they wished a virtual briefing to be arranged on the incorporation of audit recommendations in service business plans.
- ii. Action 102: The Director of Resources and Assurance advised that details of the Section 106 spreadsheet had been shared through a number of member briefings and would check with the Portfolio Manager whether this action could now be marked as complete.
- iii. There was a discussion about the slippage in a number of due dates and the potential for some degree of rationalisation. The Chairperson asked committee members to review the list and to identify priority actions for completion in the current municipal year, for discussion at the 21 November 2022 meeting.

- iv. Action 122: It was suggested that the due date should be aligned to that for related Action 164, i.e. December 2022.
- v. Action 147: It was suggested that the action owners be invited to identify a date for the workshop on the strategic risk register.
- vi. Action 149: It was requested that the action be expanded to include updates on progress with the operational delivery of outstanding actions arising from the Re-thinking Governance Working Group; the chair of the working group was to liaise with the clerk to identify the key elements to include within this action.
- vii. Action 155: The Director of Resources and Assurance and the Senior Lawyer provided an update on an ongoing contractual dispute with a contractor in relation to the Green Homes Grant. It was noted that, as there was no residual risk for the council, this action could be marked as complete.
- viii. Action 165: Arrangements were being made for the meeting between the Director of Resources and Assurance and Councillor Jinman.
- ix. Action 168: There was a brief discussion about the information awaited on the percentage completion of fraud awareness training by Hoople employees. As it was indicated that the completion rates would feature in the anti-fraud and corruption annual report in January 2023 and the percentage completion for council employees was operating at an adequate level to be a control, it was agreed that this action could now be marked as complete.
- x. Action 176: It was confirmed that the updated Contract Procedure Rules had been published but publication of the updated Financial Procedure Rules was pending; links would be provided to committee members in due course.

**RESOLVED:**

**That the minutes of the meeting held on 25 July 2022 be confirmed 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. DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22**

The Head of Strategic Finance presented the draft Annual Governance Statement (AGS) for 2021/22. It was reported that the AGS was primarily retrospective, it would be subject to audit by the External Auditor, and the final version would be published alongside the annual Statement of Accounts.

The committee discussed the draft AGS, the principal points included:

- 1. A committee member made a general comment that initiatives had been identified as controls within each principle but it was not stated whether these were effective or not.

2. With attention drawn to the sentence 'Value for money continues to be a concern of the council in the guardianship of public funds, with a focus on the Balfour Beatty Living Places (BBLP) contract, but could equally apply to other long term contracts that were agreed' (agenda page 30), a committee member questioned how assurance was gained that the services that Hoople Ltd was commissioned to provide represented value for money for the council.

In response, the Head of Strategic Finance explained that: value for money arrangements would be assessed separately by the External Auditors; the position and performance of Hoople Ltd was incorporated into the council's financial statements through the group accounts; and the company was subject to its own statutory audit.

The Director of Resources and Assurance declared an Other Registrable Interest as a non-executive director of Hoople Ltd. The Director offered to provide a briefing for committee members on the requirements for companies operating under the 'Teckal' exemption from public procurement.

In response to a discussion about potential mechanisms to look at how Hoople Ltd was delivering services, the Director re-iterated that Grant Thornton would provide commentary on value for money arrangements and noted that the Scrutiny Management Board had identified an item within its work programme on Hoople Ltd; scheduled for 9 January 2023, [link to the work programme](#).

The Senior Lawyer commented on: the origins of the company as a joint venture; the Service Level Agreement decision that was published each year; and the work being undertaken on its management and shareholding arrangements, particularly in the context of new procurement regulations.

The Chairperson suggested an action to ensure that the new membership of the Audit and Governance Committee received a briefing on Teckal arrangements and Hoople Ltd in the municipal year 2023/24.

It was considered that reference to the work being undertaken in terms of Hoople Ltd should be included in the AGS.

3. With reference made to the activities within 'Principle B: Ensuring openness and comprehensive stakeholder engagement' (agenda page 34), such as the Citizens Climate Assembly, a committee member questioned whether engagement had been effective and whether action was being taken as a result of the feedback.

The Chairperson suggested that it would be useful if the external consultations that had taken place during the reporting year, and the responses as a datum, could be included in the AGS.

A committee member questioned the level of engagement with staff, including the interaction between the Programme Management Office and service areas in the development and delivery of projects.

The Chairperson noted that staff were a significant stakeholder and suggested that internal consultations should also be reflected in the document.

The Head of Strategic Finance said that a statement on the council's assessment of effectiveness could be incorporated for each of the principles. It was commented that, with the AGS being subject to external audit, there was a balance in presenting the controls and the effectiveness of those controls from a governance perspective and documenting lots of detail on the nature of the activity.

4. The Vice-Chairperson commented that action b.1, 'Produced an Engagement Plan based on a review of lessons learnt from the Citizens Climate Assembly and the effectiveness of the budget consultation' (agenda page 25) was not presented as an action going forward, so could be referenced in the main text, with a link provided to the plan.

The Vice-Chairperson also commented that the development of the MyAccount feature, enabling residents to have their own digital account with a register to track correspondence, needed to be monitored and perhaps included as an action.

5. In relation to Principle D (agenda page 36), a committee member questioned whether the establishment of an Improvement Board, with an Improvement Plan, for children's services was the right intervention given the change in Ofsted rating from 'Requires improvement' to 'Inadequate'. It was also questioned how issues identified within that judgement which were endemic across organisation were being addressed.
6. With reference made to Principle C (agenda page 35), a committee member questioned how the council was tracking the Delivery Plan, particularly in light of comments made at a recent Scrutiny Management Board about the limited data that was available.

The Head of Strategic Finance commented that the document served to identify the areas where improvements to governance arrangements were needed.

The Director advised that Cabinet was tracking progress through quarterly reports.

A committee member questioned, if there were not sufficient resources to develop measures, whether this could be considered an effective control.

[Note: there was a short adjournment for ten minutes]

7. In relation to Principle E (agenda page 37), a committee member noted that all areas of the council had been impacted by staff vacancies and it was suggested that a further action may be needed in terms of organisational capacity.

In response to a question, the Director briefly commented on the positive impact of the Programme Management Office (PMO) in terms of capacity and said that this could be reflected in the next iteration of the AGS.

8. A committee member recommended that a further review of the document be undertaken in terms of explaining the reporting period, the use of Plain English, consistency in the treatment of numbers, checking references, and clarifying terminology. The Chairperson added that technical terms and phrases could include links to relevant explanations.

The Head of Strategic Finance outlined the quality control process prior to publication of the final version of the AGS.

9. In response to a further comment about the document needing to be clear about the reporting period given the intensity of work undertaken in terms of children's services in recent months, the Head of Strategic Finance advised that the final version would reflect any governance arrangements that had occurred since April 2022, including an update on children's services; this was being prepared with the input of the Commissioner for Children's Services.

10. The Vice-Chairperson welcomed the actions to address compliance with mandatory training and to address gender pay gap and equality issues.
11. In response to a question from a committee member about the reference to 'a service planning tool' (agenda page 39), the Director recognised the need to review the wording of the paragraph. The Director commented on the challenges in terms of project management at that point in time and on the improvements made in relation to the use of the 'Verto' solution and the operation of the PMO; it was noted that the committee had requested further information on the Verto system (Action 160 refers) and a paper would be provided.

Another committee member commented that, where improvements had been made, consideration should be given to the use of past tense, such as 'The council ~~does~~ *did* not operate an overarching system for tracking actions...'

12. In response to questions about action f.2, 'Investigate purchase of software for recording and monitoring actions', the Director advised that the council had introduced 'PowerBI' as a reporting tool which was able to interrogate other systems used within the council.
13. The Chairperson drew attention to the sentence 'The governance for settlement agreements needs to be reviewed and confirmed in policy' (agenda page 39) and suggested that clarification should be provided about the availability of this policy.

With reference made to the sentence 'Cabinet in 29 July 2021 received a major contract performance update including summary of investigation into the Hereford City Centre Transport Package (HCCTP), and recommendations of establishing a Major Contract Improvement Board, with an Improvement Plan agreed on 1 March 2022.' (agenda page 39), a committee member questioned whether the Improvement Plan was driving positive outcomes. The Chairperson added that responsibility for the Improvement Plan should also be made clear.

A committee member suggested that clarification was needed in relation to the sentence 'Spend is at c86% of budget'.

The Director advised that the minutes of the Improvement Board were in the public domain. The Chairperson suggested that a link could be provided in the AGS.

14. At the end of the item, a committee member commented that the last set of published board meeting minutes for Hoople Ltd appeared to be 28 March 2022. The Director said that this would be queried at the next board meeting.

The committee considered and agreed the following resolution.

**RESOLVED:**

**That the committee has determined that the draft Annual Governance Statement properly reflects the risk environment the council is operating in and that actions identified represent an appropriate response, subject to:**

- i. **The inclusion of a commentary on effectiveness being included with each principle, with appropriate clarifications provided, including in relation to: Hoople Ltd; internal and external consultation; the availability of the Engagement Plan; the tracking of Delivery Plan actions; organisational capacity; the availability of the policy on settlement payments; the capital expenditure percentage in terms of HCCTP and responsibility for the delivery of the Improvement Plan.**

- ii. **The document being reviewed in terms of the use of Plain English, including an explanatory paragraph on the reporting period, and with appropriate links to relevant glossaries.**

Action(s):

- 177 The new membership of the Audit and Governance Committee receive a briefing on Teckal arrangements and Hoople Ltd in the municipal year 2023/24.

### **32. ICT BUSINESS CONTINUITY, RESILIENCE AND DISASTER RECOVERY**

The Interim ICT Client Lead introduced the report, the key points included: the section of the report dealing with Internal Audit Recommendations (paragraph 4, agenda page 44) was highlighted and it was reported that the Internal Audit service (South West Audit Partnership – SWAP) had commenced a new piece of work, covering a number of different areas, at the request of officers; and it was not possible to fully ensure protection against all risks but the Technology Strategy that was in development would explore opportunities for improvement.

Responses were provided to questions from committee members, the key points included:

1. The Interim ICT Client Lead advised that the management responses marked as 'partly complete' would be flagged as part of the SWAP work and considered in completing the strategy. In particular, the Service Level Agreement (SLA) with Hoople Ltd would be reviewed thoroughly.
2. The Head of Information Technology for Hoople Ltd made a number of points, including: the company took its responsibilities around information security seriously; operational and procedural guidelines were followed; the company would look to achieve assurance on any platform it procured or managed; there was a dedicated Information Security Officer; the principles of information security were embedded across the organisation through standards such as ISO27001 and Cyber Essentials Plus, these were not explicitly required by Herefordshire Council but were in place due to being a delivery partner for other local agencies; staff development into new qualifications was encouraged; there were other measures taken to connect to government networks; and the audit process helped to achieve assurance.

The Chairperson suggested that consideration could be given to the inclusion of performance indicators within the SLA in relation to conformity with particular standards.

3. The Interim ICT Client Lead said that 'hosted' systems would be adopted where and when that was sensible and cost effective, with additional care taken in terms of selection and ensuring compliance with acceptable standards.
4. The Interim ICT Client Lead briefly commented on the complexities and opportunities of the digital integration of health and care systems. The Head of Information Technology reported that: Hoople Ltd was engaging with the Herefordshire and Worcestershire Integrated Care System to represent the technical interests of Herefordshire Council and a number of local health bodies; Herefordshire was 'quite far ahead' in terms of progress; and the Integrated Care Board had mature processes in terms of information governance and managing risks.

**RESOLVED:**

**That the current assessment of the status in all matters of scope set out in the report be noted.**

**33. ENERGY FROM WASTE LOAN UPDATE**

The Head of Strategic Finance advised the committee that the report provided assurance to the council as lender that amounts had been repaid in line with expectations and on the ability of Mercia Waste Management Limited (Mercia) to make future repayments in line with the terms of the loan arrangement. It was noted that a Ratio Compliance Certificate had been received and there were currently no indicators of risk to note.

In response to questions, the Head of Strategic Finance confirmed that the loan agreement included a review of the ratios every six months, the arrangements were monitored jointly with Worcestershire County Council, and the interest rate was fixed.

The committee discussed the implications of recent rises in the Bank Rate and the potential need for officers involved in monitoring to consider any additional risks which may result from changes to national monetary policy. The Head of Strategic Finance advised that the Ratio Compliance Certificate looked at both historic performance and future cashflow and attention was drawn to the risks and mitigating actions identified in the joint risk register (Appendix A, agenda page 53). The Director of Resources and Assurance added that the committee would be informed if there was any indication of the position changing.

In response to further questions, the Director provided brief overviews about the repayment terms associated with the Public Works Loan Board, and the purpose of the council's waste reserve.

**RESOLVED: That:**

- a) The risks to the council, as joint lender, are 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**
- b) Arrangements for the administration of the loan are reviewed and confirmed as satisfactory.**

**34. WORK PROGRAMME**

The work programme for the committee was considered. The following adjustments were noted:

- Corporate Risk Register: This item would be considered at the meeting on 31 October 2022.
- 2021/22 Auditor's Annual Report: Following correspondence from the External Auditor (Appendix B, agenda page 59), it was anticipated that this item could be considered at the meeting on 30 January 2023.
- 2021/22 Statement of Accounts and 2021/22 External Audit Findings: It was anticipated that these items could be considered at the meeting on 31 October 2022; the Head of Strategic Finance briefly commented on the implications of a national infrastructure asset issue.

- Re-presentation of the Constitution: This item would be moved to the meeting on 13 March 2023.

**RESOLVED:**

**That, subject to the identified adjustments, the updated work programme be agreed.**

**35. DATE OF NEXT MEETING**

The date of the next meeting was noted. Committee members agreed to move the start time from 2.00 pm to 10.15 am.

[Monday 31 October 2022, 10.15 am](#)

The meeting ended at 12.50 pm

**Chairperson**