

Agenda

Audit and Governance Committee

Date: **Wednesday 12 October 2022**

Time: **10.15 am**

Place: **Committee Room 1, Herefordshire Council Offices,
Plough Lane, Hereford, HR4 0LE**

Notes: Please note the time, date and venue of the meeting.

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Agenda for the meeting of the Audit and Governance Committee

Membership

Chairperson	Councillor Nigel Shaw
Vice-chairperson	Councillor Jenny Bartlett

Councillor Polly Andrews
Councillor Christy Bolderson
Councillor Dave Boulter
Councillor Clare Davies
Councillor Peter Jinman

Agenda

	Pages
1. APOLOGIES FOR ABSENCE To receive apologies for absence.	
2. NAMED SUBSTITUTES To receive details any details of members nominated to attend the meeting in place of a member of the committee.	
3. DECLARATIONS OF INTEREST To receive declarations of interest in respect of items on the agenda.	
4. MINUTES To approve and sign the minutes of the meeting held on 25 July 2022. Further to minute 18 / action 170, a document containing queries from Councillor Shaw and the responses of the Director of Resources and Assurance in relation to the 2021/22 Draft Statement of Accounts is included at Appendix A. The action log for the committee is also attached at Appendix B. HOW TO SUBMIT QUESTIONS The deadline for the receipt of questions is 9.30 am on Friday 7 October 2022. Questions must be submitted to councillorservices@herefordshire.gov.uk . Questions sent to any other address may not be accepted. Accepted questions and the response to them will be published as a supplement to the agenda papers prior to the meeting. Further information and guidance is available at https://www.herefordshire.gov.uk/getinvolved	11 - 24
5. QUESTIONS FROM MEMBERS OF THE PUBLIC To receive questions from members of the public.	
6. QUESTIONS FROM COUNCILLORS To receive any questions from councillors.	
7. DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22 To seek the view of the committee as to whether the draft Annual Governance Statement (AGS) for 2021/22 properly reflects the internal control environment the council is operating in and the appropriateness of actions identified to improve.	25 - 42
8. ICT BUSINESS CONTINUITY, RESILIENCE AND DISASTER RECOVERY To provide further general information relevant to the committee's wish to 'explore issues around disaster recovery and related risks in greater depth' and to 'consider matters in relation to ICT business continuity and cyber security resilience'.	43 - 48

9. ENERGY FROM WASTE LOAN UPDATE

49 - 54

To update the committee on the current status of the energy from waste loan arrangement to enable the committee to fulfil its delegated functions.

10. WORK PROGRAMME

55 - 60

To consider the committee's work programme. Since the last meeting, the work programme has been updated to reflect that the Corporate Risk Register item has been moved to the scheduled meeting on 31 October 2022 and the 2021/22 Auditor's Annual Report has been moved to the scheduled meeting on 30 January 2023.

11. DATE OF NEXT MEETING

[Monday 31 October 2022, 2.00 pm](#)

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We will review and update this guidance in line with Government advice and restrictions.

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- Inspect agenda and public reports at least five clear days before the date of the meeting. Agenda and reports (relating to items to be considered in public) are available at www.herefordshire.gov.uk/meetings
- Inspect minutes of the council and all committees and sub-committees and written statements of decisions taken by the cabinet or individual cabinet members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting (a list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
- Access to a public register stating the names, addresses and wards of all councillors with details of the membership of cabinet and of all committees and sub-committees. Information about councillors is available at www.herefordshire.gov.uk/councillors
- Have access to a list specifying those powers on which the council have delegated decision making to their officers identifying the officers concerned by title. The council's constitution is available at www.herefordshire.gov.uk/constitution
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The location of the office and details of city bus services can be viewed at:

www.herefordshire.gov.uk/downloads/file/1597/hereford-city-bus-map-local-services-

The Seven Principles of Public Life (Nolan Principles)

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

Guide to the Audit and Governance Committee

The Audit and Governance Committee comprises seven members of the council and may also include an independent person who is not a councillor but is appointed by council and has the same voting rights as other members of the committee.

Councillor Nigel Shaw (Chairperson)	Conservatives
Councillor Jenny Bartlett (Vice-Chairperson)	The Green Party
Councillor Polly Andrews	Liberal Democrats
Councillor Christy Bolderson	Conservatives
Councillor Dave Boulter	Independents for Herefordshire
Councillor Clare Davies	True Independents
Councillor Peter Jinman	Independents for Herefordshire

The Audit and Governance Committee is responsible for proving assurance on the council's audit, governance (including risk management and information governance) and financial processes in accordance with the functions scheme.

The committee shall:

- (a) review and examine, and where required in depth examine, matters relating to internal audit, external audit, risk management, governance, assurance statement, anti-fraud and anti-corruption arrangements as well as any other function to meet the Council's audit committee requirements
- (b) enhance and promote the profile, status and authority of the internal audit function and to demonstrate its independence
- (c) contribute towards making the authority, its committees and departments more responsive to the audit function
- (d) review compliance with the relevant standards, code of conduct, codes of practice and corporate governance policies
- (e) act within the Council's Constitution.

Minutes of the meeting of the Audit and Governance Committee held in The Conference Room, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Monday 25 July 2022 at 11.00 am

Committee members present in person and voting: **Councillors: Jenny Bartlett (Vice-Chairperson, in the chair), Chris Bartrum, Clare Davies and Peter Jinman**

Committee members participating via remote attendance: **Councillors: Christy Bolderson and Dave Boulter**

Note: Committee members participating via remote attendance, e.g. through video conferencing facilities, may not vote on any decisions taken.

Others in attendance: B Baugh (Democratic Services Officer), S Cann (Democratic Services Officer), I Halstead (Assistant Director, South West Audit Partnership), R Hart (Head of Strategic Finance), K Lloyd (Performance Team Lead), A Lovegrove (Director of Resources and Assurance) and A McAlpine (Senior Solicitor, Governance and Major Projects)

12. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Polly Andrews and Councillor Nigel Shaw. Councillor Christy Bolderson and Councillor Dave Boulter were unable to attend the meeting in person but participated via remote attendance.

13. NAMED SUBSTITUTES

Councillor Chris Bartrum attended the meeting as a substitute member for Councillor Polly Andrews.

14. DECLARATIONS OF INTEREST

No declarations of interest were made.

15. MINUTES

The minutes of the previous meeting were received. The action log for the committee was noted.

In response to a question about Action 154 of the action log, the Director of Resources and Assurance confirmed that a number of grants received from the government included 'new burdens' payments to cover some of the costs of administering those grants but there was no underspend in terms of internal audit work undertaken in 2021/22.

[Note: Other matters identified in the action log were discussed later in the meeting, see 'Work Programme', minute 23 below]

RESOLVED:

The minutes of the meeting held on 27 June 2022 be confirmed as a correct record and be signed by the Chairperson.

16. QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions had been received from members of the public.

17. QUESTIONS FROM COUNCILLORS

No questions had been received from councillors.

18. 2021/22 DRAFT STATEMENT OF ACCOUNTS

The Director of Resources and Assurance introduced the report, the key points included: the draft Statement of Accounts had been published on the council's website; the statement and supporting information had been passed to Grant Thornton for auditing purposes; there would be a period for the exercise of public rights in relation to the inspection of, and asking questions about, the accounts; and the final accounts would be presented to the committee for approval in due course. The Director added that: Councillor Nigel Shaw had indicated an intention to submit questions on the accounts; and the finance team had identified typographical errors which would be corrected.

The following points were made in response to questions from committee members:

- i. With attention drawn to the significant movement in unusable reserves (£177.6m at 31 March 2022, compared to £122.4m at 31 March 2021), the Director advised that the unusable reserves were linked to a range of funds, such as the pension reserve and revaluation reserve, and undertook to provide a paper for committee members. In response to a further question, the Director outlined arrangements in relation to the Local Government Pension Scheme, including the position for interim employees, and agreed to provide further details in the paper.
- ii. The differences between useable and unusable reserves were explained.
- iii. It was noted that precepting authorities could borrow without providing an asset as security through the Public Works Loan Board lending facility.
- iv. Further details were provided about the arrangements for the public inspection of the accounts and the subsequent reporting to the committee by the external auditor on the position with any queries.

It was suggested that any questions to be submitted by Councillor Nigel Shaw and the responses of the Director of Resources and Assurance be attached as an appendix to the minutes.

RESOLVED:

That the draft, unaudited, Statement of Accounts for 2021/22 be noted.

Action(s):

Action 169: That the Director of Resources and Assurance provide a paper on the increase in unusable reserves and on the Local Government Pension Scheme.

Action 170: That the questions to be submitted by Councillor Nigel Shaw and the subsequent responses of the Director of Resources and Assurance be attached as an appendix to the minutes.

[Note: See Appendix A]

19. UPDATE ON INTERNAL AUDIT RECOMMENDATIONS

The Performance Team Lead introduced the report, the key points included: the proportion of recommendations reported as completed had reduced since the previous report, partly due to issues with obtaining updates from officers; audit recommendations were now being included in service business plans and directorate leadership teams would receive quarterly updates, this information would also be provided to cabinet portfolio holders; in terms of recommendations due in the future, 82% were on track to be completed within planned timescales; and, following a request made by the committee in November 2021 ([minute 55 of 2021/22 refers](#)), the recommendations were now grouped together in one document.

The following points were made in response to questions from committee members:

- i. The Performance Team Lead acknowledged that there had been limited challenge on the updates submitted by officers in the past but it was anticipated that the inclusion of audit recommendations in service business plans would improve visibility, provide additional opportunities for challenge, and enhance forecasting.
- ii. The Senior Solicitor, Governance and Major Projects confirmed that work was ongoing in terms of Significant Partnerships (agenda page 161) and an update would be provided for the next scheduled meeting.
- iii. The Performance Team Lead advised that no further updates had been received since the publication of the report in respect of recommendations relating to Education, Health and Care (EHC) Plans; it was noted that Ofsted was carrying out a children's services inspection currently. In response to a suggestion, further consideration would be given to the grouping of EHC Plans and EHCP Preparation for Adulthood recommendations.
- iv. The Director of Resources and Assurance confirmed that the relevant internal audit reports had been provided to the consultants engaged to support the new approach to the delivery of Section 106 schemes; a further report would be provided to Cabinet in October or November 2022.
- v. The Assistant Director of South West Audit Partnership advised that follow up audits would be undertaken where the auditor could only provide limited assurance. The Performance Team Lead provided an overview of the internal processes for accepting audit recommendations and for update reporting on completion. A committee member suggested that a definition of completion could be provided with future reports to aid understanding.
- vi. A committee member reminded the committee that it had been suggested previously that sampling of priority 3 actions be undertaken and an update was expected in the next report to the committee (Action 95 refers). The Performance Team Lead said that the inclusion of audit recommendations in service business plans should release performance officers to undertake further checks.

RESOLVED:

That the status of current audit recommendations be noted.

Action(s):

Action 171: That an update on work being undertaken on significant partnerships be provided for the next scheduled meeting.

Action 172: That an update be provided in respect of recommendations relating to Education, Health and Care (EHC) Plans.

20. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2021/22

The Assistant Director of South West Audit Partnership (SWAP) introduced the report, the key points included: an overview was provided of the recent changes to SWAP personnel and the intention to restructure the team; the purpose of the annual report was outlined; attention was drawn to Appendix A - Internal Audit Annual Opinion 2021/22, particularly to the key areas of concern which included project management, data quality / data management, business continuity, Education Health and Care (EHC) Plans, contract management, and baseline assessment for the maturity of fraud; there were no areas of significant corporate risk reported to the committee; 57 reviews had been delivered, resulting in 75 agreed actions; Covid grants from central government required audit work to be undertaken and SWAP were working with the council to streamline grant certification; 'reasonable' internal audit opinion was provided and there was 'generally a sound system of governance, risk management, and control in place'.

The following points were made in response to questions from committee members:

- i. It was commented that environmental concerns were part of the everyday process and working practices.
- ii. It was noted that main accounting, treasury management, and capital accounting were financially critical areas and had received 'substantial' assurance opinions.
- iii. A committee member drew attention to the high proportion of grant certification work, with broader assurance comprising 26% of the audit work undertaken. The Assistant Director advised that grant certification went beyond financial checking and could include actual delivery of outcomes, and reiterated the intention to streamline the process.
- iv. It was commented that there was a need for assurance mapping in future years, with clearer linkages to corporate objectives. It was explained that a significant corporate risk would be a risk or a concern where the council was likely to fail one of its corporate objectives.
- v. It was noted that there was a need for coordination between internal audit and the performance team to ensure that there was assurance that identified actions were being delivered.
- vi. It was confirmed that internal audit was working with the project management team to look at data quality / data management across the council.
- vii. In view of issues with some previous projects, it was recognised that the committee would want assurance that project management processes were in place and were embedded.

RESOLVED:

That the assurance provided by the annual opinion report be noted.

21. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

The Assistant Director of South West Audit Partnership (SWAP) introduced the report, the key points included: attention was drawn to Appendix A – Report of Internal Audit Activity which identified that 5 audits had been completed to date and 13 audits were in progress; in particular, the advisory work on ‘S106 Holmer Road – Special Review’ and ‘Payment Authorisation outside of Financial Management System’ were noted; work was ongoing on the development of the fraud risk assessment, streamlining the grant assurance process, and improving internal audit coverage of corporate risks; a customer satisfaction questionnaire had returned a score of 95%; the acceptance rate of internal audit recommendations was 100%; the purpose of the 2022/23 Pipeline of Audits, as part of the agile audit planning process, was outlined; and the attention was drawn to Appendix B – Counter Fraud Update which identified national risks and actions/ongoing work.

The following points were made in response to questions from committee members:

- i. There was a discussion about the audit ‘Property Flood Resilience Support Scheme (Bellwin / Resilience Management) Quarter 1’ which had reasonable assurance. The Director of Resources and Assurance explained that the premise of the Bellwin scheme was to provide financial assistance from the government to a council where there had been an extraordinary event or disaster, such as flooding. The scheme could reimburse the cost of actions taken in the immediate phase of an emergency but it was not intended to fund longer term repairs or costs. Therefore, as a claim would be retrospective, there was minimal inflation risk associated with Bellwin but other capital programme schemes for permanent repairs were exposed to inflation. In response to a question, the Director confirmed that Cabinet and Council had agreed to fund priority flood works as the Bellwin scheme had not funded all the repairs needed following flooding in 2020; a link to the relevant papers would be provided.
- ii. The Assistant Director of SWAP commented that: there would be reasonable internal audit coverage of corporate risks and the need for further work on joining corporate risks and corporate objectives to the planning process was acknowledged; the Pipeline of Audits was not ranked in priority order currently and this could be developed, albeit it would need to remain a live and agile document; the need to reflect movement into and within the pipeline was recognised; there would be opportunities for committee members and officers to input into the planning process to ensure that local priorities were considered; and there was the potential to re-assess the need for some audits which were rolled over repeatedly to accommodate other audit activity.
- iii. The Director of Resources and Assurance briefly outlined the arrangements in relation to audit capacity and obtaining additional services if considered necessary. The Assistant Director of SWAP advised the committee that that enough audit work had been undertaken to enable the internal audit annual opinion but this did not prohibit further investment.

RESOLVED: That

- (a) performance against the approved plan has been reviewed;**
- (b) the assurances provided and the recommendations have been considered; and**

(c) the Corporate Fraud Update has been noted.

Action(s):

Action 173: A link to the Cabinet and Council papers on funding for priority flood works be provided.

[Note: Follow this link to [Revision of Capital Programme Budget for Priority Flood Works](#)]

22. UPDATE TO FINANCE AND CONTRACT PROCEDURE RULES

The Director of Resources and Assurance introduced the report, commenting that the proposed updates reflected an evolution of the documents and attention was drawn to the track change versions appended to the report.

The following points were made in response to questions from committee members:

- i. Section 6 – Contract Procedure Rules, Low Value (agenda page 307): Clarification would be provided about the reason for the precise figure in the sentence ‘Where the opportunity is above £20,833 you must publish a contract award notice on Central government’s Contracts Finder’.
- ii. Section 6 – Contract Procedure Rules, section 4.6.31 (agenda page 317): The sentence would be changed to read ‘As part of the evaluation process the Council must undertake due diligence checks which seek to determine the commercial stability of the shortlisted Bidders to inform the decision to award a contract. ~~This can include~~ *A minimum of one of the following must be undertaken:*’
- iii. Finance Procedure Rules – Guidance Notes, 59 – Netting off of expenditure (agenda page 347): The Director of Resources and Assurance commented that there was reliance on members of the finance team to ensure that changes to policy were delivered in practice. The Assistant Director of South West Audit Partnership said that confirmation would be provided as to whether this new paragraph satisfied a related internal audit recommendation.
- iv. The Director of Resources and Assurance did not highlight any other changes specifically arising from audit recommendations but said that the documents had been looked at in the round. It was noted that previous issues with compensation events had been due to policies and procedures not being followed appropriately.
- v. Section 6 – Contract Procedure Rules, UK Tenders (agenda page 308): The Senior Solicitor, Governance and Major Projects confirmed that the precise figures reflected the public procurement thresholds published by the government.
- vi. Section 6 – Contract Procedure Rules, section 4.6.28 (agenda page 317): The Senior Solicitor, Governance and Major Projects said that the potential inclusion of explicit reference to sustainability considerations and environmental characteristics in this paragraph would be discussed with the relevant teams.

It was agreed that the authorisation to make appropriate changes to this paragraph be delegated to officers if this was possible from a technical perspective.

RESOLVED:

That the following updated Council documents be approved:

- (a) **The Contract Procedure Rules at Appendix 1 to the report, subject to:**
- (i) **Officers being delegated to make appropriate changes to Section 4.6.28 to reference sustainability considerations and environmental characteristics if this was possible from a technical perspective; and**
 - (ii) **Section 4.6.31 being amended to reference ‘A minimum of one of the following must be undertaken:’.**
- (b) **Financial Procedure Rules at Appendix 2 to the report.**
- (c) **Financial Procedure Rules Guidance Notes at Appendix 3 to the report.**

Action(s):

Action 174: Section 6 – Contract Procedure Rules, Low Value: A reason be provided for the precise figure in the sentence ‘Where the opportunity is above £20,833 you must publish a contract award notice on Central government’s Contracts Finder’.

Action 175: Finance Procedure Rules – Guidance Notes, 59 – Netting off of expenditure: SWAP provide confirmation that this new paragraph satisfied a related internal audit recommendation.

Action 176: As per recommendation (a)(i) above.

23. WORK PROGRAMME

The work programme for the committee was considered.

The following matters from the action log for the committee were discussed:

- Action 158 - It was agreed that an agenda item on Disaster Recovery, including issues around ICT business continuity and cyber security resilience, be added to the work programme.
- Action 109 - It was noted that dates for value for money audit training during October 2022 had been circulated and committee members had been asked to identify a preferred date.
- Action 126 - It was noted that a skills matrix document had been circulated for completion by committee members.

RESOLVED

That subject to the inclusion of an agenda item on Disaster Recovery, the updated work programme be agreed.

24. DATE OF NEXT MEETING

[Monday 19 September 2022, 2.00 pm](#)

The meeting ended at 1.15 pm

Chairperson

Further to minute 18 of the Audit and Governance Committee held on 25 July 2022, this document contains queries from Councillor Shaw and the responses of the Director of Resources and Assurance in relation to the 2021/22 Draft Statement of Accounts, as at 2 September 2022			
No	Page Ref.	Query	Response
1	27	Collection fund. Income/expenditure from council taxpayers and business ratepayers £21.4m increase (12% on 2020/21). Why?	The increase in Collection Fund income in 2021/22 is as a result of the reduction in relief offered by Central Government (funded through the s31 Grant). In 2020/21, 100% Covid Retail Relief was granted to businesses totalling £29m; in 2021/22 this relief was reduced to £15m.
2	42	What proportion of these are competitive (ie. bid for) grants as opposed to allocated funding. What proportion are capital and what revenue? Could they be shown separately in the pie chart?	Capital grants are shown separately in the pie chart and represent 4% of gross funding and income for 2021/22. Receipts of grant income are recorded in the Council's accounting system, analysed by 'Government grants' and 'Other grants, reimbursements and contributions' to allow for reporting in the annual statement of accounts in the format prescribed by the CIPFA Code. The accounting system does not analyse amounts bid for/allocated for financial reporting purposes.
3	46	Provision for outstanding insurance contracts £1.6m Legal provision £2.6m . Why are these not earmarked reserves or are they accruals? What risk is allotted as they are not reflected in the risk register?	The Council's Earmarked Reserves represent amounts set aside from the General Fund for specific policy purposes and general contingencies. The amounts recognised as provisions per Note 20 represent amounts assessed as an obligation to settle a liability as a result of a past event, in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets. At the reporting date, amounts recognised as provisions are measured as a reasonable estimate of the probable economic outflow and expected settlement, taking risks and uncertainties into account. Risks recorded in the Council's Corporate Risk Register are identified as future events which may have an impact on the Council's activity and delivery of services. Such risks are identified and classified to understand the potential impact and severity as part of effective risk management and governance arrangements. As per the Risk Management Plan, the Council operates 3 tiers of risk registers: a corporate risk register, directorate risk register and service risk register in addition to project and programme risk registers to record relevant risks with one set of risk scores to evaluate and move risks between registers. Communication and sharing of information between Heads of Service and Directors ensures that risks are managed and reported at the appropriate level.
4	46	March 2003 for triannual revaluation of pensions. Concern that both bond and share markets have fallen. Is there any implication for the MTFs? Should any associated specific risk been reflected in risk register?	The Pension Fund briefs member organisations on a regular basis on the Fund's financial performance and in particular will consult with the Council on any changes as a result of triannual revaluations. In practice this takes place over a period of time which enables the Council to consider as part of the financial planning process and include the latest implications for the MTFs.
5	47	Has such a significant capital underspend have implications for the overhead of project management, which, as a revenue expense, remains fixed, until the project progresses to the point that such costs can be capitalised? Have all such revenue costs been written off in year? Are there any project costs that are at risk of being decapitalised?	There are controls in place to ensure that only eligible costs (those directly attributable to bringing an asset to the location and condition necessary for it to be operating) are capitalised and these costs are subject to testing by external audit. Whilst eligible salary costs may be capitalised, general overheads and admin costs are not eligible for capitalisation and are accounted for as revenue expenditure. The revenue budget is based on the establishment with a recharge budget for a proportion of time expected to be attributed to work on capital projects. Recharges of eligible staff costs are based on timesheets and accounted for as the work is completed. Performance against budget is monitored and reported through monthly budget monitoring processes. There are no capitalised project costs at risk of reverting to revenue expenditure at this time.
6	49	C&Fs s106 what is C&F doing with a s.106 capital budget – is this education spend?	Children & Families S106 amounts represent education based expenditure.
7	50	In 2021/22 actual spend £37m from original budget of £97m. 2022/23 budget is £133m, now we are in month 4 are we on budget to spend this amount? Do we anticipate a re-profiling?	Q1 Capital return to Cabinet reports a forecast spend position of £64.3m which represents and underspend of £69.5m against the £133.8m budget. The underspend comprises £2.6m of projects that are expected to deliver below the project budget and a further £66.9m of budgets to be carried forward to 2023/24. In line with standard practice, capital budgets will be reprofiled at Q2 to reflect expected project delivery.
8	50	EXTERNAL AUDIT might comment on Capital expenditure planning?	The Council's Capital Strategy is considered as part of the Value for Money review undertaken by external audit in the area of financial sustainability. This work includes a review of the delivery of the capital programme against agreed budget and arrangements to report performance in year.
9	67	Management aim for a 4% return on investment costs perhaps should be better expressed as CPI + X% (eg CPI +2%) now that inflation has returned as a factor? EXTERNAL AUDIT comment ?	Disclosure in the accounts refers to the Council's aim to achieve a 4% return on investment property assets. As part of external audit's review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources for VFM purposes, the Council's investments will be considered in the context of its approved Treasury Management Strategy.
10	83	Movement in Usable reserves analysis. Impairment/downwards revaluation 13.7m This is an upwards revaluation- what does it relate to? Why does capital grants unapplied (£7.9m) now appear in a revenue reserve? Capital Financed by grants and contributions 15.7m comes from 9.3m of revenue and 6.4 m from capital grants unapplied (is this from a previous year or an in year movement). Where is this reconciled?	£13.7m represents the net upwards movement of assets revalued in 2021/22 as part of the Council's rolling programme. Valuations are performed by RICS registered external valuers: Wilks Head & Eve LLP and the results of this work is subject to additional audit scrutiny and testing by Grant Thornton to ensure that source data (in respect of the usage, condition, floor and land areas for land and building assets) on which the valuations are based is accurate. Grant Thornton's 2021/22 Audit Plan identifies the valuations of Land & Building and Investment Properties as a significant audit risk on account of its material value and, in accordance with their approach at similar councils, an auditors valuation expert has been appointed in this areas for 2021/22. Increases in asset values in year are as a result of a variety of factors which inform the valuation methods used by the valuers: BCIS Cost index prepared by RICS (informed by location factor and unit build cost), general inflation, wage awards, change in material prices, contractor and supply chain activity, market competition and availability of labour and materials. When capital grants/contributions have been recognised in the CIE&S but expenditure to be financed has not been incurred at 31 March, the amount is transferred to the Capital Grants Unapplied Account. When expenditure is subsequently incurred, the grant is transferred from the Capital Grant Unapplied Account through the Capital Adjustment Account to reflect the application of capital resources to finance expenditure. £7.9m represents amount received in 21/22 transferred to the Capital Grants Unapplied Account where expenditure has not been incurred. £15.7m represents £9.3m capital grants received and applied in 2021/22 plus £6.4m of capital grants (received and unapplied in prior years) transferred from the Capital Grants Unapplied Account in 2021/22. Details of these transactions are prepared to support the entries in the accounts and are provided to Grant Thornton for sample testing as part of the annual audit.
11	85	Revaluation and impairments provides a movement of £13.7m in the capital adjustment account. As this is in brackets I infer that it is an increase in the value (see P83 above?) Why is there a movement related to capital financed by grants and contributions of £15.7m.. What is the explanation for the final two entries in the table relating to DSG operating balance and closedown?	Please see explanation above for revaluation increase of £13.7m and movement between reserves of £15.7m. In line with the School and Early Years Finance (England) Regulations 2020, the DSG earmarked reserve was reclassified as an unusable reserve from 1 April 2020.
12	87	Settlement monies. These have now been in the accounts for 7 years+? Why can they not be transferred to E&P for roads?	The settlement monies balance was retained until a final agreement reached. This reserve balance may be considered as part of use of one-off reserves to achieve a balanced budget for 2023/24.
13	92	Depreciation –Is there a schedule of depreciation for assets whose lives are known? Is there a schedule for depreciation by class? (Presumably so – such would normally be published in a commercial set of accounts?)	The Council's accounting policy for depreciation is disclosed at Note 1.29 (page 71 of the Report pack). Depreciation is charged over the useful life of each assets as per IAS 16: Property, Plant and Equipment and the CIPFA Code. The useful life of each asset is considered at initial recognition and assessed annually as part of asset management procedures to identify impairment and as informed by the Council's external valuers as part of the rolling programme.

No	Page Ref.	Query	Response
14	99	Cash Flow – Am I correct to interpret figures as an improvement in cash flow of £32m (2020/21 £67m). Why in a fiscally challenged climate are we achieving such an improvement? Do we expect it to continue? Does it relate to government remittance of grant funding ahead of spending of same and therefore mask any “real” issues? (Comparable to the sea of inventory favourite of operational analysis).	Note 13: Cash and Cash Equivalents discloses the cash balances at 31 March: £21.2m in 2020/21 and £40.2m in 2021/22, consistent with amounts disclosed on the face of the Balance Sheet and Cash Flow Statement. This increase is largely explained by the value of short-term deposits held at 31 March 2022 (£36.7m) compared with £17.6m at 31 March 2021. This represents short term investment balances at the Balance Sheet date, in accordance with the Council's Treasury Management Strategy. This balance is subject to movement as a result of the timing of cashflows, as the Council ensures it is making efficient use of its cash resources. £32.1m disclosed per Note 14 represents the total non-cash movements (such as depreciation) over the 12 month reporting period and does not reflect physical cash.
15	104	Rental properties asset revaluation movement . An increase in £6.2m?	Following revaluation by the Council's external valuers in 2021/22, as per the rolling programme of asset valuations, retail properties have increased in value by £6.2m since their last formal valuation.
16	106	Pooled budgets Capital pool. Non attributed by Herefordshire CCG ? Are these pooled budgets working? (eg Improved better care fund budget...no CCG involvement?) On a note of accuracy is this Herefordshire CCG or NHS Herefordshire and Worcestershire Clinical Commissioning Group (CCG) (which has already changed title again as of last month).	Disclosure to be amended in final version of accounts to show "NHS Herefordshire & Worcestershire CCG". The Better Care Fund pooled budget is made up of three funding streams from government which must be pooled: Better Care Fund Minimum Mandatory Revenue Fund (revenue), Disabled Facilities Grant (capital), and Improved Better Care Fund (revenue). The annual BCF plan is approved by the Health and Wellbeing Board each year, and is subject to regional and national assurance by NHS England. We report on performance and finance monthly to a partnership board comprising directors of the council and CCG. Within the BCF, funding is received and spending undertaken by one partner or the other because of the conditions of the funding; but commissioning decisions on use of all of the pooled funds are jointly agreed between the council and the CCG (now the ICB). The relationships we have with health partners, the levels of integration in Herefordshire, and the coherence and transparency of our pooled budgets are considered to be effective.
17	112	Agreed departures numbered 32 – 100% up on previous year Cost of exit packages now approaching £0.5m . EXTERNAL AUDIT Is this something that will get a vfm comment?	Grant Thornton will review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources as part of its Value for Money review in 2021/22 - this will include arrangements for improving the way that services are delivered, financial sustainability and governance/decision making. Audit testing of agreed exit packages in 2021/22 will confirm whether amounts have been accurately reported, are accounted for in the correct accounting period and that packages have been agreed and authorised in line with appropriate policies and procedures. Amounts disclosed in 2021/22 represent amounts approved for leavers in respect of redundancy, lieu of notice, ill-health retirement etc as required by the CIPFA Code.
18	126	Contingent Liabilities . These do not feature in the risk register –why?	The contingent liabilities disclosed in the accounts provide explanation, in accordance with IAS 37, in respect of possible obligations (at the reporting date) whose existence will be confirmed by uncertain future events. The amount cannot be reliably measured at the reporting date and the likelihood of settlement has been assessed as not probable. Where a contingent liability arises from an event which is considered to represent a future risk to the Council's activities, it will be managed through the Risk Management Plan and the relevant risk register appropriate to its risk score. A risk in respect of amounts repayable by the Council in respect of the refurbished building is included in the Legal Services' risk register which is not publicly reported due to sensitivity and confidentiality.

COMPLETED ACTIONS WILL BE MOVED TO 'REPORTED COMPLETE' ONCE THEY HAVE BEEN NOTIFIED AT AUDIT AND GOVERNANCE COMMITTEE MEETING					RED TEXT INDICATES UPDATES MADE SINCE THE LAST MEETING BLUE TEXT INDICATES NEW ACTIONS ADDED AT THE LAST MEETING PURPLE TEXT INDICATES UPDATES MADE FOLLOWING THE COMMITTEE BRIEFING ON 16-SEP-22			
Action Number	Meeting Date	Agenda item	Action	Owner	Directorate	Progress Update	Due date	Reported complete
91	16 March 2021	Corporate risk register	Consider how corporate centre will look at the aggregation of similar risks in or across directorates.	Head of Corporate Performance	Corporate Services	A process to define the approach to aggregation of risks, both horizontal and vertical, needs further definition and testing. This was planned as part of the annual refresh of the Risk Management Plan, which has been delayed due to staffing issues and the desire to incorporate any findings from the Risk Management Maturity Assessment. This will be picked up following the appointment of a new Head of Corporate Performance. At the meeting on 27 June 2022, it was requested that consideration be given to the earlier completion of this action. Due date now identified as September 2022. This should be picked up as part of the work being taken forward by the Director of Strategy in looking at the council's approach to risk.	01/11/2021 31-May-2022 November 2022 September 2022 October 2022	
94	04 May 2021	Update on internal audit recommendations	The head of corporate performance and interim deputy monitoring officer agreed to look at the processes for ensuring internal audit actions are brought to the attention of new post holders.	Head of Corporate Performance and interim DMO	Corporate Services	Internal audit recommendations are now included in service business plans, which are updated on a regular basis. Reports will be presented quarterly to directorate leadership teams, commencing from July. This should remove the potential for recommendations to be 'missed' in the event of a lead officer leaving, as well as increasing visibility of progress. At the meeting on 27 June 2022, it was requested that an example of a service business plan be provided in order to evidence completion. A separate briefing will be arranged for this purpose. Could the committee please identify those members that wish to receive a briefing on the incorporation of audit recommendations in service business plans and a virtual meeting will be arranged to illustrate the approach.	01/09/21 30-April-2022 July 2022 September 2022 October 2022	
95	04 May 2021	Update on internal audit recommendations	The committee suggested that a discussion with internal audit take place at the next meeting with regard to sampling of priority 3 actions are followed up by internal audit in line with the same way as priority 1 or 2 recommendations.	SWAP internal audit services and Head of Corporate Performance	Corporate Services	SWAP advise 'Internal Audit follow up the significant findings priority 1 and 2. Priority 3 are through self-assessment from officers. The Council provides a report every 6 months on progress against all actions which includes priority 3 actions'. At the meeting on 12 April 2022, the committee requested that the Head of Corporate Performance / Corporate Performance Team review this action and report back in the November 2022 update on internal audit recommendations. Head of Corporate Performance / Corporate Performance Team to report to the committee in November 2022.	30-September-2021 November 2022	
97	04 May 2021	Corporate risk register	The deputy S151 officer also explained that performance and budget were reported to Cabinet on a quarterly basis but that consideration would be given to the role of the audit and governance committee.	Section 151 Officer	Corporate Services	This has been added to the work programme of the Scrutiny Management Board.	3-May-2022 June 2022	Yes
99	04 May 2021	Corporate risk register	The committee agreed that there would be need to be further consideration of identifying 1 or more risks in the directorate risk registers and undertake a deep dive to provide assurance that the risk management framework was being applied appropriately.	Head of Corporate Performance	Corporate Services	Discussed at the Risk Management Plan review session with committee on 25 June 2021. To be confirmed as part of Risk Management plan review. This will be picked up following the appointment of a new Head of Corporate Performance. At the meeting on 27 June 2022, it was requested that consideration be given to the earlier completion of this action. Due date now identified as September 2022. This should be picked up as part of the work being taken forward by the Director of Strategy in looking at the council's approach to risk.	25/06/2021 30-April-2022 November 2022 September 2022 October 2022	
101	28 June 2021	Progress report on internal audit activity	That training be arranged for councillors in relation to Section 106, including the facility to access publicly available information and the processes involved.	Lead Development Manager	Environment and Economy	A training session with Planning Committee members on Section 106 has been arranged for 10.00 am Friday 16 September 2022. [Also see Action 163 below in relation to all member sessions]	31/12/2021 June 2022 31-August-2022 16 September 2022	Yes 16-Sep-22
102	28 June 2021	Progress report on internal audit activity	Information on the position with Section 106 monies held, including timelines and quantification of the value of unspent money which exceeds the repayment dates be circulated to committee members.	Lead Development Manager	Environment and Economy	The review of the spreadsheet is complete and this will be circulated to committee members shortly.	30/09/2021 30-April-2022 [Date to be confirmed]	
106	28 June 2021	Progress report on internal audit activity	That follow-up audits completion be captured in action tracking by the head of corporate performance.	Head of Corporate Performance	Corporate Services	As per Action 94 above.	24/11/2021 30 April 2022	
109	30 July 2021	2019/20 external audit findings report	Training be arranged for committee members on the changes to regulations, particularly in relation to the value for money audit	Democratic Services / Section 151 Officer	Corporate Services	It is intended that a training session for committee members be held on 5 October 2022.	24/11/2021 01/07/22 September 2022 October 2022	Yes 05-Oct-22
110	30 July 2021	2019/20 external audit findings report	A briefing note on the management of council estate be provided to committee members	Interim Head of Property Services	Corporate Services	At the meeting on 12 April 2022, the committee noted the linkage to the Annual Governance Statement action plan (i.e. 'Produce the estates strategy for the use of council buildings'). A report is being prepared for Cabinet on the Strategic Asset Management Plan.	30-April-2022 Report to Cabinet in Autumn 2022	

Action Number	Meeting Date	Agenda item	Action	Owner	Directorate	Progress Update	Due date	Reported complete
115	27 September 2021	Corporate risk register	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	Head of Corporate Performance	Corporate Services	Feedback on potential impact on rural housing provided to the service for their consideration. This will also feed in to the Strategic Risk sessions due for Management Board. This will be picked up following the appointment of a new Head of Corporate Performance. At the meeting on 27 June 2022, it was requested that consideration be given to the earlier completion of this action. Due date now identified as September 2022. This should be picked up as part of the work being taken forward by the Director of Strategy in looking at the council's approach to risk.	24/11/2021 November 2022 September 2022 October 2022	
122	27 October 2021	Progress report on internal audit activity	The new Transformation Director be invited to meet with the Audit and Governance Committee to discuss where and how efficiencies following internal audit processes are being applied to Council working.	Head of Corporate Performance	Corporate Services	Potential for attendance at a future meeting when internal audit recommendations are considered. At the meeting on 27 June 2022, it was noted that the position of Director of Transformation had been removed from the organisation chart; see Action 164 below.	[Date to be confirmed]	
125	27 October 2021	Progress report on internal audit activity	The S151 Officer to explore and report back to the Committee on who in the Council undertakes the Carbon Audit.	Section 151 Officer	Corporate Services	At the meeting on 12 April 2022, it was noted that SWAP did not carry out this audit. [Update requested]	28/02/2022 July 2022	
126	27 October 2021	Audit and governance - committee effectiveness and performance, skills matrix	A date to be set for a workshop after the full Council meeting seeking agreement for the new constitutional changes.	Director of Governance and Law	Corporate Services	At the meeting on 12 April 2022, it was noted that it would be appropriate to action this following Annual Council on 20 May 2022. Discussed at Group Leaders meeting on 8 June 2022 and agreed this would be implemented as soon as possible. Training to be scheduled. At the meeting on 27 June 2022, it was confirmed that two skills matrixes were being developed, a specific one for the Audit and Governance Committee and a broader one for all councillors. It was requested that the matrix for the committee be circulated to committee members (to be circulated with other action updates, week commencing 18 July 2022). A Members' Development Working Group meeting is to be scheduled for September 2022. The Director of Governance having considered the time remaining until the next election believes that a members skill questionnaire would be best introduced as part of the members' induction after the next local election.	May 2022 July 2022 September 2022 [Date to be confirmed]	
129	24 November 2021	Update on internal audit recommendations	That information on relevant internal audit recommendations be circulated regularly to scrutiny committee members.	Head of Corporate Performance	Corporate Services	In progress to be aligned to proposed new arrangements for scrutiny committees. This will be picked up following the appointment of a new Head of Corporate Performance with the Interim Statutory Scrutiny Officer. At the meeting on 27 June 2022, it was requested that consideration be given to the earlier completion of this action given that there were interim officers in place for the Head of Corporate Performance and the Statutory Scrutiny Officer positions. Due date now identified as September 2022. This has not been progressed. A meeting will be held with the Statutory Scrutiny Officer to agree the approach so that internal audit recommendations can be more widely shared.	31-March-2022 November 2022 September 2022 October 2022	
138	25 January 2022	Progress report on internal audit activity	An update be provided on the 'longstanding issues with the reconciliation of the holding accounts.', particularly in the context of previous internal update progress reports.	SWAP internal audit services	SWAP Internal Audit Services	The Payroll follow up fieldwork is currently in progress. An update will be provided once this is completed.	June 2022 July 2022 [Date to be confirmed]	
140	25 January 2022	Annual governance statement 2020-21 actions	With reference to Action 13, an update be provided on how the Covid Recovery Plan will link to wider resilience plans, particularly in terms of adult social care.	Director of Public Health	Corporate Services	A Covid recovery plan is still In development and will likely form part of the new and emerging economic strategy and Health and Wellbeing Strategy. In terms of the health and wellbeing, an informal workshop was held with members of the Health and Wellbeing Board on 6 May 2022 where they were consulted on the scope and process for development the new Health and Wellbeing Strategy. This is now being taken forward. In terms of economic strategy, the council is in the process of developing a new Big Economic Plan for the county. Consultants have been appointed to help lead this work, including the development of the UK Shared Prosperity Investment Plan (required by government to access funding). The Big Economic Plan is due to be completed by December, to be considered by Cabinet at the start of 2023. An external Stakeholder Group has been formed to oversee the development of both plans. At the meeting on 27 June 2022, the committee requested an update on the schedule for the development of the Health and Wellbeing Strategy. The Health and Wellbeing Board received a briefing on the strategy on 21 July 2022; this identifies various milestones, including 'Cabinet approval to consult on draft strategy - December 2022' https://councillors.herefordshire.gov.uk/documents/s50102504/Appendix%201%20-%20HWB%20Strategy%20Briefing%20v2.4.pdf	31-May 2022 29 July 2022 December 2022	
143	25 January 2022	Annual report on code of conduct	The number of complaints referred to the police, even if nil, be included in the complaints received table in future reports.	Director of Governance and Law	Corporate Services	Information will be included in the next annual report. The annual report is due to be presented to the committee at its January meeting.	September 2022 30 January 2023	
146	12 April 2022	Corporate risk register	Where corporate or departmental risks have an integral component supplied by partnerships, consideration be given to identifying those partnerships in the relevant risk entries.	Head of Corporate Performance	Corporate Services	This will be picked up following the appointment of a new Head of Corporate Performance. At the meeting on 27 June 2022, it was requested that consideration be given to the earlier completion of this action. Due date now identified as September 2022. Not yet progressed. To be picked up in discussion between Head of Corporate Performance and Performance Lead (E&E and Corporate Services).	November 2022 September 2022 October 2022	
147	12 April 2022	Corporate risk register	A workshop be arranged in October or November 2022 to consider the first iteration of the strategic risk register and to examine one or two strategic risks in greater detail.	Head of Corporate Performance	Corporate Services	This will be picked up following the appointment of a new Head of Corporate Performance. This should be picked up as part of the work being taken forward by the Director of Strategy in looking at the council's approach to risk.	November 2022	

Action Number	Meeting Date	Agenda item	Action	Owner	Directorate	Progress Update	Due date	Reported complete
149	10 May 2022	Re-thinking governance	In the further review of the constitution and for the purposes of clarity, the presentation of the audit and governance functions be considered, in order to separate them from the 'Other functions'.	Director of Governance and Law	Corporate Services	To be included alongside other amendments to Planning Functions as set out in the constitution	October 2022	
153	10 May 2022	Auditor's Annual Report 2020/21	That further details be provided on the governance and oversight arrangements for the boards referenced in the report (e.g. Hoople Ltd), with an indication of a timeline for any updated arrangements.	Director of Governance and Law / Director of Resources and Assurance	Corporate Services	Work has commenced on updating the contractual arrangements between the council and Hoople. The new arrangements will reflect the broader range of services being delivered by Hoople on behalf of the council and clarity on reporting and oversight.	October 2022	
155	10 May 2022	Progress report on internal audit activity	Further information be provided to committee members on unspent grant funding in relation to the Green Homes Grant.	SWAP internal audit services	SWAP internal audit services	The unspent was repaid to BEIS (9 June), however, Internal Audit is still not able to sign off the grant, owing to documentation not having been provided by the contractor for four of the properties. Owing to this, the final invoice from the contractor can still not be paid. The service have taken legal advice and are liaising with BEIS on this matter.	July 2022	
158	10 May 2022	Progress report on internal audit activity	A briefing note be provided on Disaster Recovery, including issues around ICT business continuity and cyber security resilience.	Director of Resources and Assurance	Corporate Services	The Council has appointed a new IT client officer, starting on the 4 July 2022, who will prepare a paper for committee. At the meeting on 25 July 2022, the committee requested an agenda item on this topic. A paper is included in the agenda for 12 October 2022.	October 2022	Yes 12-Oct-22
159	10 May 2022	Progress report on internal audit activity	The member development team be invited to consider opportunities to enhance training for all members on raising concerns with statutory officers and on initiating call-ins and other scrutiny activity.	Director of Governance and Law	Corporate Services	A Members' Development Working Group meeting is to be scheduled for September 2022. The Director of Governance having considered the time remaining until the next election believes that this activity should form part of the members' induction after the next local election.	September 2022 [Date to be confirmed]	
160	10 May 2022	Progress report on internal audit activity	Further information be provided to committee members on the timeline for moving non-capital items onto the Verto system.	Director of Resources and Assurance	Corporate Services	A paper will be presented to the September 2022 meeting.	September 2022 [Update requested]	
162	10 May 2022	Work programme update	Further to Action 103 (relating to the treatment of Section 106 monies for transport / highways being circulated to committee members), clarification be sought from the Programme Management Office about the timeline for members to be contacted about projects in their wards and parishes.	Director of Resources and Assurance	Corporate Services	Meetings are being scheduled for September 2022.	September 2022	Yes 26-Sep-22
163	27 June 2022	Minutes and action tracker	That the Chairperson write to the Chief Executive to request an information session for all councillors on Section 106.	Chief Executive	Chief Executive's Office	Following the Chairperson's correspondence dated 7 July 2022, two all member sessions were arranged for 3.30 pm Wednesday 21 September 2022 and 6.00 pm Monday 26 September 2022.	July 2022	Yes 26-Sep-22
164	27 June 2022	Minutes and action tracker	Further to Action 122, the Chairperson write to the Chief Executive to request clarification on the Director of Transformation position.	Chief Executive	Chief Executive's Office	Following the Chairperson's correspondence dated 7 July 2022, the Chief Executive has met with the Chairperson and Vice-Chairperson to update on delivery of the Transformation Strategy and it was agreed to provide an update to all members on transformation strategy through the weekly members' update in September and to follow up with a member briefing session before Christmas.	July 2022 December 2022	
165	27 June 2022	Minutes and action tracker	That the Director of Resources and Assurance contact Councillor Jinman about the scope of the internal audit in relation to the South Wye Transport Package.	Director of Resources and Assurance	Corporate Services	Meeting being arranged with Councillor Jinman.	[Date to be confirmed]	
166	27 June 2022	Anti-Fraud, Bribery and Corruption Policy	The Members' Development Working Group be invited to consider the most appropriate means to raise the awareness of councillors to the Anti-Fraud, Bribery and Corruption Policy and the Counter Fraud and Corruption Strategy.	Director of Governance and Law	Corporate Services	A Members' Development Working Group meeting is to be scheduled for September 2022. The Director of Governance having considered the time remaining until the next election believes that this activity should form part of the members' induction after the next local election.	September 2022 [Date to be confirmed]	
167	27 June 2022	Anti-Fraud, Bribery and Corruption Policy	A link to the Anti-Fraud, Bribery and Corruption Policy on the council's website be provided in due course.	Counter Fraud Manager	Corporate Services	The new Anti-Fraud, Bribery and Corruption Policy is now publically available on the Council's webpage within the policy documents section: https://www.herefordshire.gov.uk/directory-record/6521/anti-fraud-bribery-and-corruption-policy It is also internally available to staff on the employee intranet page and this also links to the mandatory e-learning staff receive. Visibility to this policy and other relevant documents (such as CF strategy, whistleblowing policy etc) will be greatly increased once the counter fraud external webpage is live. The content of the CF webpage has been developed, and is now at the stage of final review and sign off, before being authorised to go live. We anticipate the CF webpage will be available from late September 2022, and we will further utilise the International Fraud Awareness Week in November 2022 to publicise the new development and increase awareness.	September 2022	Yes 07-Sep-22

Action Number	Meeting Date	Agenda item	Action	Owner	Directorate	Progress Update	Due date	Reported complete
168	27 June 2022	Anti-Fraud, Bribery and Corruption Policy	That figures on the completion of mandatory training by officers on 'Fraud Awareness and Prevention 2021' be circulated after the relevant deadline.	Counter Fraud Manager	Corporate Services	<i>As of 23 September 2022, the percentage completion of Fraud Awareness training for council employees by directorate is as follows: Children and Young People: 79% Community Wellbeing: 95% Corporate Services: 90% Economy and Environment: 95% A reminder has been sent out to directors, and the CEO has also reminded staff in his briefing, to further encourage increased completion rates in their areas. We anticipate to have an update on Hoople completion rates by the end of 2022, and we will include further updated figures within our annual fraud report in January 2023.</i>	September 2022	<i>Yes 23-Sep-22</i>
169	25 July 2022	2021/22 Draft Statement of Accounts	That the Director of Resources and Assurance provide a paper on the increase in unusable reserves and on the Local Government Pension Scheme.	Director of Resources and Assurance	Corporate Services	Paper to be provided to the committee meeting scheduled for 31 October 2022	31 October 2022	
170	25 July 2022	2021/22 Draft Statement of Accounts	That the questions to be submitted by Councillor Nigel Shaw and the subsequent responses of the Director of Resources and Assurance be attached as an appendix to the minutes.	Director of Resources and Assurance	Corporate Services	Responses to the queries were circulated to committee members by the Head of Strategic Finance on 2 September 2022 and will be attached to the minutes of the meeting held on 25 July 2022.	02 September 2022	<i>Yes 02-Sep-22</i>
171	25 July 2022	Update on internal audit recommendations	That an update on work being undertaken on significant partnerships be provided for the next scheduled meeting.	Director of Governance and Law	Corporate Services	Arrangements for the overview of Significant Partnership are part of the broader work being undertaken in relation to companies to which the council is a shareholder. This work is ongoing.	December 2022	
172	25 July 2022	Update on internal audit recommendations	That an update be provided in respect of recommendations relating to Education, Health and Care (EHC) Plans.	Head of Corporate Performance	Corporate Services	Update not yet received. The next report to the committee is scheduled for November.	November 2022	
173	25 July 2022	Progress report on internal audit activity	A link to the Cabinet and Council papers on funding for priority flood works be provided.	Director of Governance and Law	Corporate Services	The 'Revision of Capital Programme Budget for Priority Flood Works' item was considered by Cabinet on 30 September 2021 and by Council on 8 October 2021. Follow this link for related papers and minutes: https://councillors.herefordshire.gov.uk/ielIssueDetails.aspx?IId=50038920&Opt=3	<i>12 October 2022</i>	<i>Yes 12-Oct-22</i>
174	25 July 2022	Update to finance and Contract Procedure Rules	Section 6 – Contract Procedure Rules, Low Value: A reason be provided for the precise figure in the sentence 'Where the opportunity is above £20,833 you must publish a contract award notice on Central government's Contracts Finder'.	Director of Resources and Assurance	Corporate Services	Legal requirement is to publish contracts £25,000 (including VAT), as our current Public contracts regulations and our Contract Procedure Rules require public bodies and officers to determine contract values excluding VAT. To avoid confusion and mitigate the risk of not publishing contracts accordingly, the update reflects the required legal threshold excluding VAT. i.e. £20,833.	<i>12 October 2022</i>	<i>Yes 12-Oct-22</i>
175	25 July 2022	Update to finance and Contract Procedure Rules	Finance Procedure Rules – Guidance Notes, 59 – Netting off of expenditure: SWAP provide confirmation that this new paragraph satisfied a related internal audit recommendation.	SWAP Internal Audit Services	SWAP Internal Audit Services	This issue is being considered by SWAP,	October 2022	
176	25 July 2022	Update to finance and Contract Procedure Rules	Officers be delegated to make appropriate changes to Section 4.6.28 to reference sustainability considerations and environmental characteristics if this was possible from a technical perspective.	Director of Governance and Law / Director of Resources and Assurance	Corporate Services	This has been updated.	<i>12 October 2022</i>	<i>Yes 12-Oct-22</i>



Title of report: Draft Annual Governance Statement 2021/22

Meeting: Audit and Governance Committee

Meeting date: 12 October 2022

Report by: Head of Strategic Finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

All Wards

Purpose

To seek the view of the Committee as to whether the draft Annual Governance Statement (AGS) for 2021/22 properly reflects the internal control environment the council is operating in and the appropriateness of actions identified to improve.

Recommendation

That:

- a) **the Committee determines whether the draft annual governance statement in Appendix 1 properly reflects the risk environment the council is operating in and that actions identified represent an appropriate response.**

Alternative options

1. None; the publication of an annual governance statement is a requirement of the Accounts and Audit (England) Regulations 2015.
2. It is open to the committee to propose amendments to the draft statement to ensure it accurately reflects the council's governance arrangements and their effectiveness, and to ensure that proposed actions are appropriate.

Key considerations

3. The council is required, as part of an ongoing review of the effectiveness of its governance arrangements, to produce an AGS which forms part of the Annual Statement of Accounts. The AGS is primarily retrospective. It reports on the governance framework and internal controls in place for the financial year 2021/22 and considers any significant governance issues up to the date of publication of the audited Statement of Accounts. The AGS notes actions taken or proposed to address the governance issues identified.
4. The draft AGS is informed by Directors and Statutory Officers' declarations, reviews of compliance with laws and regulations, corporate strategies, policies, plans and arrangements and internal audit reports and opinions. It will be updated to include any governance issues identified between the balance sheet date and publication of the statutory accounts.
5. The AGS is a review of activities to ensure that the council's internal control and governance framework is operating effectively. The statement explains how the council has discharged its governance responsibilities during 2021/22 and the key governance mechanisms in place to manage risks of failure in delivering outcomes and decision making.
6. The preparation and publication of the AGS has been undertaken with reference to the seven core principles of good governance as identified in the Chartered Institute of Public Finance (CIPFA) Delivering Good Governance in Local Government Framework 2016.
7. This CIPFA guidance advises that statements should be meaningful but brief, high level, strategic and written in an open and readable style, and should include:
 - a. an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance.
 - b. reference to and assessment of the effectiveness of key elements of the governance framework (set out in the code of corporate governance) and the role of those responsible for the development and maintenance of the governance environment, such as the council, the executive, the audit committee, internal audit and others as appropriate.
 - c. an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
 - d. an agreed action plan showing actions taken, or proposed, to deal with significant governance issues.
 - e. reference to how issues raised in the previous year's annual governance statement have been resolved.
 - f. a commitment to monitoring implementation as part of the next annual review.
8. There are several components that contribute to the draft AGS as follows:
 - a. Statutory officer comments;
 - b. Manager's checklist to inform each director's statement;
 - c. Self-assessment of significant partnership.

9. The manager's checklist has been completed at assistant director level, with opportunity for other managers to complete from. This is then forwarded to the director in each directorate (or monitoring officer in the corporate centre) to review and contribute to their own statement.
10. A self-assessment of significant partnerships is also completed, and reviewed by the directors or assistant directors in the corporate centre.
11. The actions identified to deliver continuous improvement in governance arrangements following the review of 2021/22 will form part of an action plan and progress will be reported to this committee.

Community impact

12. Corporate governance is the term used to describe the systems, processes, culture and values the council has established to ensure we provide the right services, to the right people in a timely, open, and accountable way. Good corporate governance encourages better informed longer-term decision making using resources efficiently, and being open to scrutiny with a view to improving performance and managing risk.
13. The annual review ensures that our arrangements are effective in supporting achievement of the council's vision and county plan priorities.

Environmental impact

14. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
15. Whilst this is a decision to agree the AGS which is a back office function and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

Equality duty

16. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:
 - a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
17. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a factual update we do not believe that it will have an impact on our equality duty.

Resource implications

18. Whilst the recommendations themselves do not have a direct resource implication, some of the actions may result in additional expenditure. Where this is the case separate governance will take place. The AGS does take resource to produce and deliver action plans but these are from existing staffing. If the committee proposes further actions the resource implications of implementing those actions will need to be considered.

Legal implications

19. The Accounts and Audit (England) Regulations 2015 include a requirement for all councils to produce an AGS, and set out the timescales by which they must be published. Approval of the statement ensures that the council will comply with these requirements.

Risk management

20. The statement itself identifies any high level or strategic governance risks and the action plan provides mitigation to those risks.

Risk / opportunity	Mitigation
Not all relevant information is captured.	There are several routes to collecting information – including additional feedback to finalise the AGS.
Not all gaps in assurance are covered.	Where there are gaps in information internal audit will be considered; inspections and peer reviews.
Resources to implement.	Though no direct resource implications additional activity may lead to a resource impact.

Consultees

21. The consultees have largely been internal, with internal and external audit commenting on the draft. Independent persons will be asked for their view on the draft AGS, along with internal and external audit. This will influence to final version due to be presented to the Audit and Governance Committee.

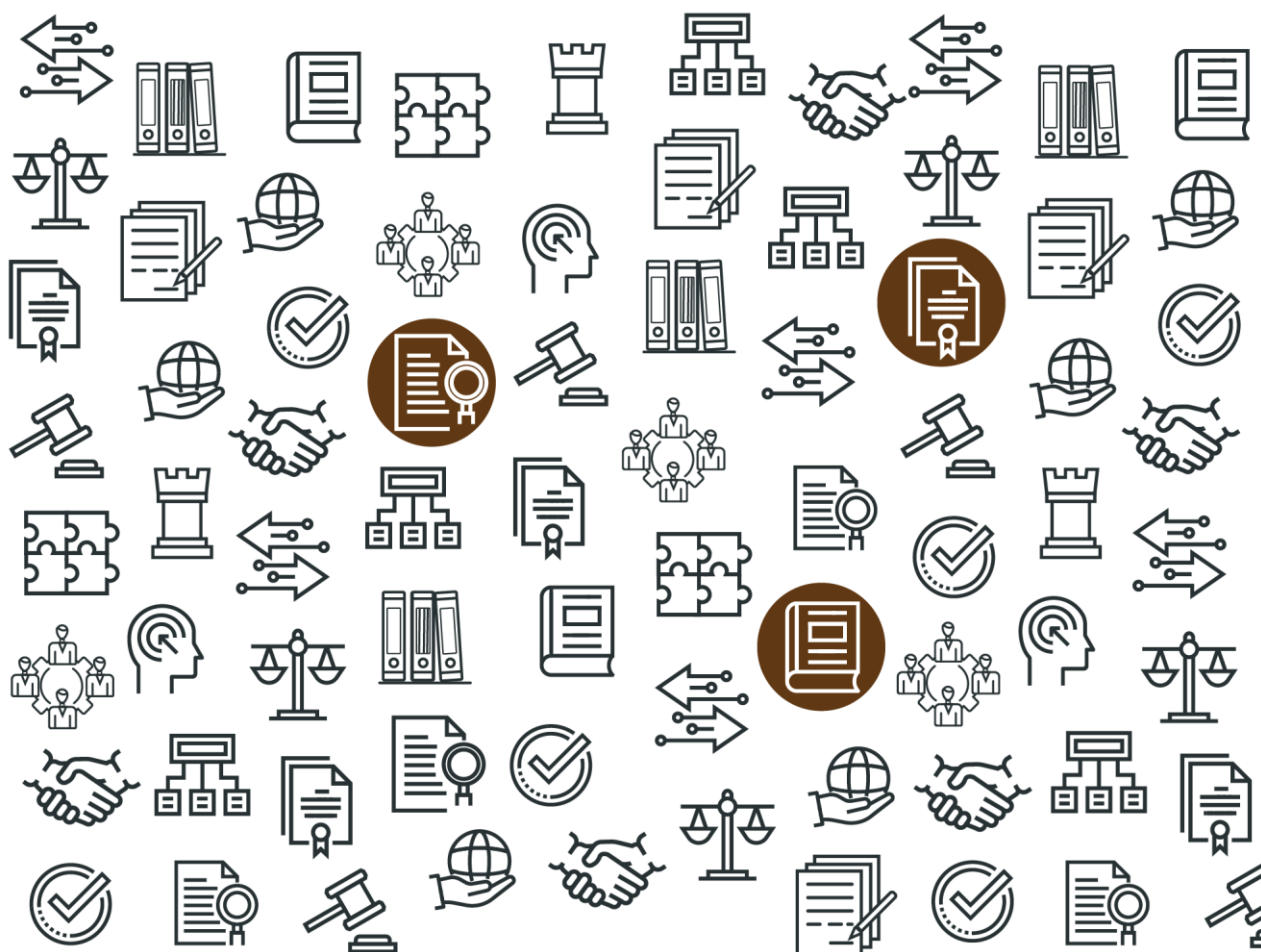
Appendices

Appendix 1 – Draft Annual Governance Statement 2021/22

Background papers

None identified.

Draft Annual Governance Statement 2021/22



1. The Annual Governance Statement 2021/22

The council is required by the Accounts and Audit Regulations 2015 to prepare and publish an annual governance statement. This statement has been informed by an annual review of the effectiveness of the council's governance framework and systems of internal control as set out in the [code of corporate governance](#). This statement demonstrates the degree of compliance and planned improvements in the coming year.

There has been many changes within the council during 2021-22 financial year.

During the year the council has continued to respond to Covid in several different dimensions. Foremost the health impacts on residents through work of testing, tracing and supporting health colleagues with the vaccine programme and supporting care homes to be safe. Secondly, is the delivery of the recovery programme addressing economic incentives or addressing the hardship faced by residents as part of the ripple effect of Covid and other national and global factors.

The council has seen significant staff changes. This included a new chief executive starting in May 2021, and complete change in the senior management team in Children and Families Directorate. There are a number of senior and middle managers who have left and retention of social workers remains an issue. The way the workforce is organised has also changed with adaption to remote working – with no longer a dependency of staff to be based locally. This rapid change has meant a dependency on interim appointments as the organisation aims to settle its permanent structure over the coming year.

An injection of effort, support and finance has aided changes in children's social care. An Improvement Plan was agreed by Cabinet in October 2021 and is due to be updated in 2022. The council recognises that the next year is crucial in seeing improved outcomes for children regarding responding to immediate needs as well as planning for the long term with investment in prevention services.

The council's constitution has had a route and branch review by a cross party group of members. This will be implemented during the course of the coming year with key changes to the scrutiny function and operation.

The financial services have supported hundreds of residents and businesses through Covid grants, with a balance of funding released swiftly whilst ensuring claims are not fraudulent. Covid grants have been subject to internal audits and the council's own Fraud Service have been active in this area along with an intensive programme of preventative and prosecution activity.

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 in good faith at the time but priorities, circumstance and required controls change.

The council has invested in the appointment of a Director of Transformation. This post holds the IT client with Hoople and there is opportunity to use advances in technology to use information and data within the parameters of information governance, to create a stronger co-ordinated approach to service delivery, performance reporting and improvement, risk management, evidence based decisions and long term planning.

2. Corporate Governance and the Annual Statement

Corporate governance generally refers to the processes by which an organisation is directed, controlled and held to account. Governance will determine who has authority to make the decisions to achieve the intended outcomes whilst acting at all times in the public interest. It is how the council ensures it provides the right services, to the right people in a timely, open, and accountable way. Good corporate governance encourages better informed longer-term decision making using resources efficiently, and being open to scrutiny with a view to improving performance and managing risk.

Effective governance leads to:

- ✓ Safeguarding public funds, ensuring spend is made in the right time and the right way.
- ✓ Public engagement and the right outcomes for residents and businesses of the county.
- ✓ Making the right decisions for the right reasons through leadership and management.
- ✓ Continuous improvement through understanding and managing risk and performance.

This annual statement incorporates:

- **Scope of responsibility and governance framework:** acknowledges responsibility for ensuring that there is a sound system of governance, summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- **The statement:** describes how the council has monitored and evaluated the effectiveness of its governance arrangements in the year, and outlines how the council has responded to any issue(s) identified in last year's governance statement; and
- **Improving governance:** reports on any key governance matters identified from this review and provides a commitment to addressing them, highlighted as "continuous improvement".

It should be noted that any system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk or failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance.

3. Scope of responsibility and governance framework

Herefordshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for whilst used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to continually review and improve the way it works. Key is the [constitution](#) as a published document that details how the council makes its decisions, who has responsibility and the procedures it follows. The constitution was reviewed in 2021-22 as part of the programme of "Rethinking Governance".

The council has adopted a code of corporate governance that is consistent with the principles of the Chartered Institute of Public Finance and Accountancy ("CIPFA")/Society of Local Authority Chief Executives ("SOLACE") framework for delivering good governance in local government (2016).

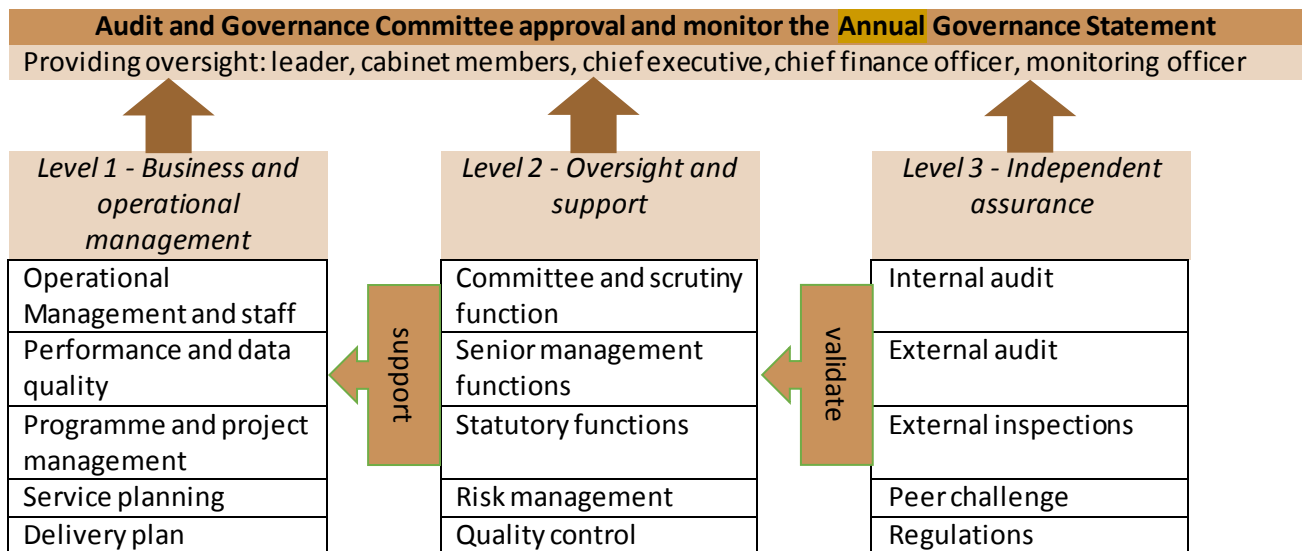
The framework operates at three levels, often referred to as the "three lines of defence" based on three opportunities to address risk and weaknesses in governance:

Level 1 - Business and operational management. Operational management and staff delivering objectives, identifying risks and improvement actions, implementing controls, reporting progress, providing management assurance, and ensuring compliance. This level is supported by:

Level 2 - Oversight and support. Portfolio holders, scrutiny and audit and governance committee, senior managers and statutory officers provide strategic, policy and direction setting, decision-making, and assurance oversight. This level is validated by:

Level 3 - Independent assurance. Internal and external audit, inspection and review agencies, and regulators provide independent challenge and audit, reporting assurance, and audit opinion in relation to assurance levels.

How these levels interact and operate across the organisation is described above but also is illustrated below showing the 3 levels of defence:



4. Preparing the Statement

The AGS is presented jointly by the Director of Resources and Assurance (who has the statutory role of Chief Finance Officer Section 151 officer), and the Director of Law and Governance (who has the statutory role of monitoring officer).

In preparing the AGS the council has:

- Reviewed existing governance arrangements against the guidance included in CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework – 2016 and the new governance risk and resilience framework from the centre for governance and scrutiny ("CFGs").
- Reviewed the code of corporate governance to ensure it reflects this guidance and includes the recommended seven principles of good governance.
- Assessed the effectiveness of our governance arrangements against the code of corporate governance.

The key sources of assurance that inform this review are as below:

- Review compliance with laws and regulations, corporate strategies, policies, plans and arrangements e.g. constitution, financial and performance monitoring and reporting, and risk management
- Directors and statutory officers' declarations
- Significant partnerships' governance risk assessments considered by Directors
- Internal audit reports and opinions
- Views of the council's appointed Independent Person(s) on the draft review.

The Statement sets these sources of information against the 7 Principles of Corporate Governance (A to G) as set out in the Herefordshire Council's [Code of Corporate Governance](#).

5. The Statement

The following information is a summary of actions and behaviours taken by the council in relation to each of the core principles (based on "Delivering Good Governance in Local Government" framework – 2016").

Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The council has undergone a major review of its governance arrangements based on a council resolution of 11 October 2019. A cross party group of members have been involved in reviewing elements of the constitution with the updated arrangements presented to Full Council on [4th March 2022](#) with changes effective from 20 May 2022. The main changes are based on:

- Reorganisation of scrutiny committee functions into 5 committees (see below).
- An annual effectiveness review of committees presented to the annual council meeting.
- Cabinet are provided the ability to hold Question and Answer meetings.
- Clarity has been given to the planning committee rules including redirection and a time allocation for ward member speaking.
- The Employment Panel functions relating to disciplinary and grievance meetings have been set out.
- Questions at meetings criteria has been changed.

The new committee structure will consist of:

- Scrutiny Management Board
- Environment & Sustainability Scrutiny Committee
- Connected Communities Scrutiny Committee
- Children & Young People Scrutiny Committee
- Health, Care & Wellbeing Scrutiny Committee

The council's [equality policy](#) is designed to demonstrate our commitment to equality, and evidence how we comply with the Equality Act 2010. It makes reference to the inequalities highlighted by the Covid-19 pandemic, and declares our solidarity with people who are protesting against racism.

The council has also made commitment to Modern Slavery through a published statement updated each year contained with dedicated [webpages](#).

The council has a [Procurement and Commissioning Strategy](#) with all members consulted on its update due for 2022. As part the council's purchasing power it has implemented its approach and increased social value through contracts, with a new measurement [framework agreed](#) 10 September 2021. Also revised thresholds will be linked to the changes implemented in 30 March 2022 as part the Public Contracts Regulations 2015.

As part of the General Data Protection Regulation (GDPR) the council will report data breaches. The council encourages the reporting of data breaches even if considered minor as can learn from incidents and register a pattern. From April 2021 to March 2022 6 breaches were reported to the Information Commissioners Office. Their findings are published for each council – [link](#).

Principle A: Continuous improvement

	Action	Council Leadership Team
a.1	Promote the changes in the constitution to officers and members, along with raising awareness with the public regarding changes and approach to questions.	Director of Law and Governance
a.2	Review the remaining element of the constitution in liaison with the working group.	Director of Law and Governance
a.3	Progress update of the Procurement and Commissioning Strategy (action brought forward).	Director of Resources and Assurance

Principle B

Ensuring openness and comprehensive stakeholder engagement

Based on the response to a unanimous vote of Full Council on 12 July 2019 the council introduced a new way of engaging with the public through the first Citizens Climate Assembly. The final 41 participants addressed the question 'How should Herefordshire meet the challenges of climate change?' which was considered over 2 weeks and 2 evenings in January 2022. The sessions included a range of expertise and experience from a local, national and even international level - this allowed the assembly members to work with their facilitators to form informed recommendations that were accepted by cabinet on [24 February 2022](#).

Sortition Foundation also supported the assembly by independently selecting participants. This was based on randomly selecting 14,400 addresses across Herefordshire (based on 300 addresses for every one of the needed assembly members). From this invite 520 people signed up as potential assembly members who were then asked to share information (including view of climate change) to ensure representation from which an algorithm was used to reach the final participants. A detailed report of the recruitment process can be found at the following [weblink](#).

The council also engages stakeholders in a range of consultation using a range of methods – face to face engagement has been restricted during the year because of Covid. The council has dedicated [webpages](#) for consultations.

The council has processes in place to make a [complaint](#), and to ensure complaints are investigated appropriately. Between April 2021 and March 2022 the council dealt internally with 641 complaints, of which the council upheld or partially upheld 12%. In addition, 23 complaints were processed under the children's complaints procedure for children's social care. From the latest annual review (1 April 2020 to 31 March 2021) three cases were upheld by the Local Government and Social Care Ombudsman (LGSCO) - view from LGSCO [website](#).

The council has also seen an increase in Subject Access Requests (SARs) – the council is legally obliged to provide information held on an individual and this can date back a considerable number of years, take significant time to process and of a sensitive nature. The Information Governance Team and the children's services are working together to take a more proactive approach in sharing the information in a sensitive way without the need for a SAR.

The Freedom of Information (FOI) Act 2000 gives the right to recorded information held by public authorities, with the Environmental Information Regulations (EIR) 2004 providing the same right of access for recorded 'environmental' information. This includes printed documents, computer files, letters, emails, photographs, audio and video recordings. There were 850 Freedom of Information requests for 2021-22 compared to 738 for 2020-21. The purchase of a new software system during the year has made it easier to produce a disclosure log on the [website](#) and an accompanying [Disclosure Policy](#) was published.

Items	2020-21	2021-22
Freedom of Information Requests	738	850
Environmental Information Regulations	78	79
Subject Access Requests	151	135

The council has a [Partnership Governance Framework](#) which was due for review this year but did not take place. However, an update of the process for registering significant partnerships did take place and for the first time Audit and [Governance Committee](#) was sighted on all the completed self-assessment forms. A SWAP audit also took place and is in the process of reviewing all the completed checklists. A register of the partnerships is held on the council [website](#).

The council have procured a new programme that will support customer queries in a more co-ordinated way. Called MyAccount this will be a feature on the website with residents able to have their own digital account with a register to track correspondence. The council also plans to produce Customer Services Strategy during the forthcoming year supported by an updated IT Strategy.

Principle B: Continuous improvement

	Action	Council Leadership Team
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	Director of Community Well Being
b.2	Produce a Customer Services Strategy	Director of Community Well Being
b.3	Produce an updated IT Strategy	Director of Transformation
b.4	Implement revised method of Subject Access Requests	Director of Resources and Assurance
b.5	Review Partnership Governance Framework in light of the governance risk and resilience framework (action brought forward).	Director of Law and Governance

Principle C

Defining outcomes in terms of sustainable economic, social and environmental benefits

Herefordshire Council cabinet agreed the Delivery Plan for 2022-23 on [31 March 2022](#), in delivery of the [County Plan](#) that runs from 2020 to 2024.

There are three key objectives of the county plan that are followed through with actions in the delivery plan:

Environment: Protect and enhance our environment and keep Herefordshire a great place to live

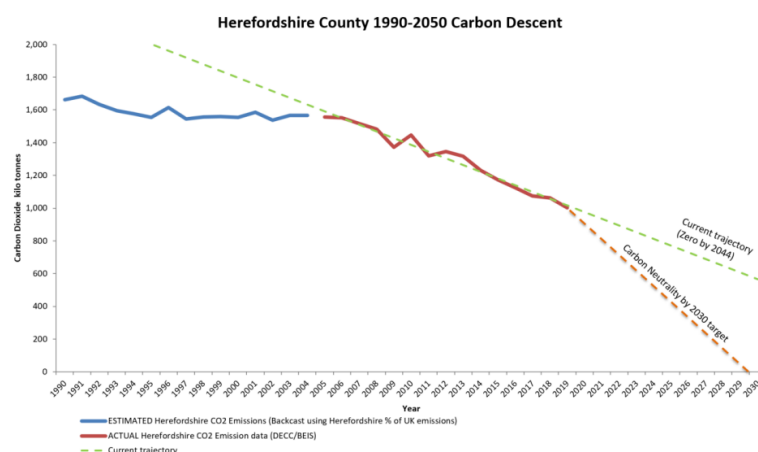
Community: Strengthen communities to ensure everyone lives well and safe together

Economy: Support an economy which builds on the county's strengths and resources

In recognition of the economic and social value of market investment plans (MTIPs) have been produced for Ross, Leominster, Ledbury, Kington and Bromyard. The development of the MTIPs highlights significant enhancement to infrastructure, public realm, shop front/ building etc. in creating the conditions for growth. Establishing a clear strategic rationale, local evidence base, and identification of prioritised projects with local stakeholders means the council is well placed to seek support through future rounds of government funding, such as the Levelling up Funds, UK Shared Prosperity Funding or Future Towns Funding. The plans can be found in the cabinet papers of [31 March 2022](#).

For investment in Hereford £22.4 million has been awarded from the Government's Towns Fund for projects that support post-covid recovery and enhance economic growth through creating new jobs and helping to train local people. All business cases for shortlisted projects are to be complete by June 2022. The programme is being delivered through a Towns Fund board (called the [#StrongerHereford board](#)) of which Herefordshire Council is a key partner and the accountable body.

Herefordshire Climate and Nature Partnership was another key partnership established in 2021-22. It was established to drive and coordinate achieving zero carbon in the county by 2030. These actions have been grouped into a series of six different action plans including: Housing and Buildings; Transport; Energy; Farming and Land Use; Waste and Food. The details of the six themed action plans are set out in the dedicated [website](#). Herefordshire Council itself is on target to meet net zero by 2044 as the diagram illustrates.



Principle C: Continuous improvement

	Actions	Council Leadership Team
c.1	Submit Stronger Towns Bids by June 2022	Director of Economy and Environment
c.2	Produce a new Economic Strategy for the county	Director of Economy and Environment
c.3	Progress actions from the Citizens Climate Assembly	Director of Economy and Environment

Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

The key area of improvement for the council is social care within the Children and Families Directorate. This is in response to Mr Justice Keehan who delivered a [Judgement](#) that identified serious failings in Herefordshire Council's children's services. Full Council on [27 April 2021](#) unanimously supported on the establishment of an Improvement Board as part of the assurance and improvement strategy, and on 18 May 2021 the Department for Education issued the Council with a non-statutory improvement notice. A Focused Visit by Ofsted in [July 2021](#) identified shortfalls in the capacity of social workers, an inconsistency of social work practice, and insufficient management oversight and supervision. The previous inspection by Ofsted in [2018](#) had raised similar concerns and criticism of the lack of pace of improvement was identified.

Cabinet of [28 October 2021](#) endorsed the Children and Families Strategic Improvement Plan v1.0 and the council agreed a £5.2m investment to address the immediate issues raised in the High Court Judgement. The investment has led to reduced caseloads (particularly in the assessment teams), increased levels of personal and case supervisions, and increased frequency of visits to children and young people and their families. A requirement for further investment of £11.49m for 2022-23 and future funds for 2023-24 was outlined to cabinet members of [31 March 2022](#).

An independent audit project assessed in excess of 1,000 cases and whilst none of the audits raised serious safeguarding concerns requiring immediate action, the majority of cases audited were deemed as being Inadequate or Requiring Improvement.

Core transformation of the service is expected to take three years before a level of sustained and sustainable improvement is achieved and is aimed at:

- Improving outcomes for children, young people and their families.
- Making working in Herefordshire an attractive and rewarding career choice.
- Embedding systemic partnership approaches and exploring alternative models of delivery.

Another major area of development is modernisation of council services lead by the appointment of a Director of Transformation. This links closely to advances in IT, use of data and how the council uses its property in response to remote working and wider asset plans. The production of an estate strategy was planned for last year and this action has been brought forward, it was delayed to understand the needs of the different requirements of the service as part of hybrid working.

The council publishes its [plans and strategies](#). These have been updated and reviewed this year, but still lacks a process to create a managed pipeline linked to governance decisions. Another action to be brought forward is the production of an external funding strategy – though not a statutory requirement will be useful in outlining the council's criteria for sourcing funding, support for communities and economic schemes, accepting liabilities such as acting as accountable body.

Principle D: Continuous improvement

	Actions	Council Leadership Team
d.1	Updated Children Services Improvement Plan	Director of Children and Young People
d.2	Updated IT Strategy produced and supporting Technology Strategy	Director of Transformation
d.3	Corporate Asset Review produced for covering future use of council properties	Director of Resources and Assurance
d.4	External funding strategy produced (action brought forward)	
d.5	To instigate a pipeline of policies and strategies linked to governance decision making (action brought forward)	Director of Resources and Assurance
d.6	Produce the Estates Strategy for the use of council buildings reflective of service needs based on hybrid working (action brought forward)	Director of Resources and Assurance

Principle E

Developing the organisation's capacity including the capability of its leadership and the individuals within it

The council has seen a change in senior management during the last year. There are none of the remaining corporate directors from a year ago and a change within Economy and Environment and Children and Families at service director level. The Chief Executive conducted a restructure of the senior leadership team during the year with reassignment of roles between the corporate directors and directors with corporate responsibilities. The list of senior management can be found on the council [website](#). There has also been a change of Monitoring Officer / Solicitor to the Council with an interim replacement made until a permanent appointment is made.

To support the change required in Children and Young People Directorate there has been a number of interim and agency staff, though again the council is working to create permanency which is a key element of the Strategic Improvement Plan in 'developing a skilled and stable workforce'. Children and Young People Scrutiny Committee on the [22 February](#) 2022 received a comprehensive set of workforce information. As of 29 January 2022 five temporary teams have been brought in to provide additional capacity for the improvement activity with a further 2 temporary Assessment teams. There remains an issue of recruitment and retention, with almost half of social worker employees in the Children and Young People Directorate having been employed by the council for under 2 years (49.12%). Key points are:

- Social workers continue to feature on the UK national shortage occupations list.
- Difficulty attracting experienced social workers.
- Regional recruitment challenges (permanent and agency) due to Herefordshire's location on the fringes of the West Midlands, bordering Wales and Gloucestershire.
- Reliance on agency workers to cover vacancies (including management roles) and the resulting impact on stability of the workforce.
- Impact of recent national, high-profile child protection cases resulting in increased referrals which compounds the workforce issues we are already experiencing.

How the council operates as a workforce has changed significantly since Covid lockdowns, demonstrating that remote working is viable and cost effective in reducing spend on office accommodation. Included in part of the Flexible Futures is a workstream element that will confirm permanent arrangements for opportunities for remote working.

As a result of the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, all public sector employers (with 250 or more employees) are required to publish annual information about the difference between pay for male and female employees. The current gender pay gap for Herefordshire Council is 13.9% (on the snapshot date of 31 March 2021). That means for every £1 earned by a male employee, a female employee earns 86p. The gender pay gap in Herefordshire Council has increased since 2020, when it was 8.2% detailed statistics can be found within the [equality analysis of our workforce](#).

Mandatory Training subject	Complete by workforce
Information Governance	92%
Information Security	91%
Prevent	92%
Code of Conduct	93%

The council has a programme of mandatory training with subjects that are essential to the council. However, as figures show not all employees are completing the training which could be a compliance or data issue.

The council has revised its recruitment profile based on the "[Spirit of Herefordshire](#)" and is the process of commissioning a new IT system for recruitment. 2022-23 will see action from last year's annual governance statement implemented regarding policies and training.

Training includes members in specific subject areas along with working with officers. Actions also include promotion of being a council member in the run up to election in May 2023.

Principle E: Continuous improvement

	Actions	Council Leadership Team
e.1	Address compliance to staff not completing mandatory training	Director of HR and OD
e.2	Revised recruitment policy; publication of the ex-offenders policy; review market forces guidance to ensure fit for purpose (action brought forward)	Director of HR and OD
e.3	New recruitment software installed	Director of HR and OD
e.4	Action plan to address gender pay gap and equality issues highlighted in the equality analysis data	Director of HR and OD
e.5	Promotion of becoming a council member including flexibility with increased virtual meetings (action brought forward)	Director of Law and Governance (Monitoring Officer)
e.6	Run officer and member training and specific member development training (action brought forward)	Director of Law and Governance (Monitoring Officer)

Principle F

Managing risks and performance through robust internal control and strong public financial management

Herefordshire Council has adopted a [performance framework](#) and produces comprehensive performance and finance reports each quarter to cabinet with published papers. The framework outlines the process of risk assurance based on corporate, directorate and service risk. Audit and Governance Committee will consider the corporate risk register – and whilst the council is effective in understanding operational risks an overview of strategic risk would be helpful to understand external pressures on the council. Brought forward as an action from last year is embedding a risk culture in the organisation, which has gone some way but with new influx of staff it is important to reinforce the message.

The council has introduced PowerBI reporting for management board, supporting ease of access for tracking information, more efficient data recording and more use of live information. It would be useful for this system to be used for cabinet reports and subsequent published data for ease of access by the public. This is part of an action brought forward from last year.

A service planning tool is available to teams to use which records actions, performance and risks. It has been refined in February 2022 but again with a range of new starters to the organisation is not clear on its universal use. The council does not operate an overarching system for tracking actions – with action generated by the delivery plan, committees, cabinet, cabinet briefings, SWAP audits, external audits, with the risks being missed.

On [28 June 2021](#) Audit and Governance Committee approved the update of the Counter Fraud and Corruption Strategy 2021-2024. A great deal of work has been conducted in this area in the last year related to Covid 19 grants which was presented to Audit and Governance Committee via an annual report on [25 January 2022](#).

Covid 19 Business Grants - FEN (Fraud, Error, Non-compliance)	2020/2021
Total value of grants paid to all businesses	£103,990,160
Total number of cases investigated by the CFS	341 cases
Total value of clawbacks raised	£1,199,046
Total value claimed, but prevented before payment	£522,000
Total value paid, recovered	£699,722
Total value of grants paid, pending recovery	£499,324
Total value of pending recovery, on repayment plans	£149,102
Total FEN Detected	£1,721,046 (1.7%)

A new and bespoke 'Fraud Awareness and Prevention 2021' e-learning module was created in November 2021 which will assist in further educating employees across the organisation on how to understand, identify and report allegations of fraud. Also the council's parking enforcement team led on 12 prosecutions in 2021 against Blue Badge (disabled parking) fraud and misuse - [link](#).

In March 2022 the council published a [Value for Money Strategy](#). 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. As part of the investigation it was found that BBLP operated as a dormant company though financially operated under a parent company.

One of the issues concerned with HCCTP was the consideration of the capital expenditure and ensuring enough spend to complete the business case and objective of the programme. This has been addressed with a new capital spend cycle with actual costs to prepare capital submission and the establishment of the Programme Management Office has supported the scheme. Spend is at c86% of budget.

A settlement agreement was made in August 2021 with a member of staff leaving the organisation (this followed two settlement agreements in 2020/21 – one which was agreed by the employment panel on [9 September 2020](#) (though exempt from the public record). The remaining 2020/21 and the 2021/22 settlements were not presented to Employment Panel and considered an operational decision. The governance for settlement agreements needs to be reviewed and confirmed in policy.

In [November 2021](#) Cabinet approved the procurement route and implementation of the new delivery proposals, processes and expenditure of up to £9.3m of S106 agreements. These agreements are legally binding obligations

between Herefordshire Council (as the local planning authority) and developers to make acceptable development which would otherwise be unacceptable in planning terms – this is usually in the form of investment in infrastructure, public realm, parks, flood relief, schools, etc. The report found that there was delays in progressing schemes and potential loss of funds for communities.

Principle F: Continuous improvement

	Actions	Council Leadership Team
f.1	Audit or review of teams using corporate service planning tool	Director of Resources and Assurance
f.2	Investigate purchase of software for recording and monitoring actions	Director of Transformation
f.3	Regularly report progress to cabinet on the Major Contracts Board	Director of Resources and Assurance
f.4	For the record information shared with Employment Panel on settlements in 2020-21 and 2021-22, and policy on settlement payments when not necessarily consistently applied.	Director of Law and Governance (Monitoring Officer)
f.5	Confirmation of council's contracting with parent companies when operated via a dormant company.	Director of Resources and Assurance
f.6	Implementation improved and ease of access to performance information for staff, members and the public (action brought forward)	Director of Resources and Assurance
f.7	Introduction of strategic risk along with corporate and operational risk assessments embed as part of culture and practice (action brought forward)	Director of Law and Governance (Monitoring Officer)
f.8	Progress plans to ensure effective spend of s106 monies.	Director of Resources and Assurance
f.9	Implement improvement plan for value for money on the public realm contract (action brought forward).	Director of Resources and Assurance

Principle G

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

SWAP provide the council with internal audits. Their plan for audits is presented to Audit and Governance committee and present plans based on risk, known national pressures, and requests e.g. fraud on Covid grants for contract value for money. For the year ended 31 March 2022, the Head of Internal Audit issued a Reasonable Assurance opinion on the overall adequacy and effectiveness of the Council's governance, risk management and internal control environment.

For transparency the council includes publication of the following information:

[Grants awarded by Herefordshire Council](#)

[Council land and property assets](#)

[Council expenditure over £500](#)

[Contract Register](#)

[Business Rate dataset](#)

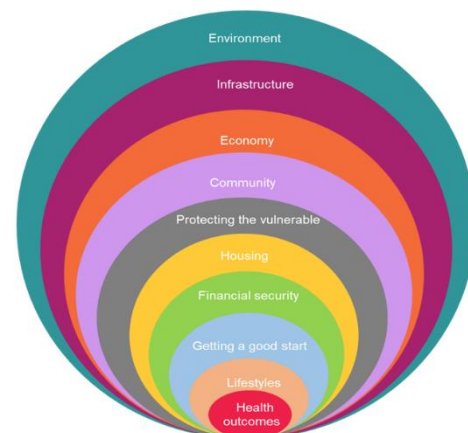
All council decisions are [published](#), along with agenda's and minutes. The constitution clearly sets out the accountabilities in the council including levels of decision making, though training and awareness on this would be good considering the new starters in the organisation and the loss of corporate knowledge.

The council has a system of cabinet member portfolio briefings which are used as a form of decision, reporting risks and performance. The terms of reference were reviewed in April 2022 but could do with a further consideration to ensure they are being implemented consistently and of benefit to members.

The council has a reporting publishing software which supports all reports to be available and a shared system for “sign-off”. As an action brought forward this is to be reviewed in terms of the council maximising the capabilities.

The revised constitution (operational from May 2022) includes updated process for the public to ask questions ([link](#)).

The council produces the [Joint Strategic Need Assessment](#) (based on the theme illustrated – right), supported by [Understanding Herefordshire](#) Facts and Figures. Including Facts and Figures from the [local area](#).



A Local Government Association review of the Strategic Intelligence Unit credits the service with the quality of information it provided, but was not universally used across the organisation to provide evidence based decisions.

Whilst the annual report on code of conduct to Audit and Governance Committee was considered in [January 2022](#) consultation is currently open with all Herefordshire Councillors (including town and parish) on a revised code of conduct for adoption at the council’s AGM in May 2022.

Principle G: Continuous improvement

	Actions	Council Leadership Team
g.1	Training of decision making responsibility within the officer body	Director of Law and Governance (Monitoring Officer)
g.2	Delivery of recommendations for the LGA peer review of the Strategic Intelligence Unit	Director of Resources and Assurance
g.3	A revised code of conduct for members and new arrangements for dealing with allegations that members have breached the code (action brought forward)	Director of Law and Governance (Monitoring Officer)
g.4	Review portfolio briefing to ensure effectiveness and compliance (action brought forward)	Director of Law and Governance (Monitoring Officer)
g.5	Make the most of new features on Modern.gov (action brought forward)	Director of Law and Governance (Monitoring Officer)

Statement and opinion - Leader of Herefordshire Council

Name: Cllr Hitchiner

Title: Leader of Herefordshire Council

Date: (at final version)

Statement and opinion – Chief Executive of Herefordshire Council

Name: Paul Walker

Title: Chief Executive

Date: (at final version)



Title of report: ICT business continuity, resilience and disaster recovery

Meeting: Audit and Governance Committee

Meeting date: 12 October 2022

Report by: Interim ICT Client Lead

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To provide further general information relevant to the committee's wish to 'explore issues around Disaster Recovery and related risks in greater depth' and to 'consider matters in relation to ICT business continuity and cyber security resilience'.

Recommendation

That:

- a) **The Committee notes the current assessment of the status in all matters of scope noted above.**

Key considerations

1. The committee has previously discussed the current state of concern for the ICT industry about the prevalence of cyber attacks, most prominently ransomware where systems are encrypted and access denied until a ransom is paid. This applies to private companies and governmental organisations alike and there have been several notable attacks within the local government sector resulting in severe impacts on services to communities. The threat level is high and has been exacerbated by international tensions as many attacks are thought to be the work of hostile foreign states (aimed at destabilisation) as well as criminal groups (aimed at monetary gain). All organisations will be under some form of attack on a daily basis and the primary defence is to make systems difficult to attack and govern system user behaviour.

2. The council's ICT is run by Hoople Ltd on a platform which is mostly shared with other public sector customers. In July 2022 the council engaged an Interim Client Services Lead to carry out a review of arrangements and determine a technology strategy for the future. This work is underway and scheduled to complete by the end of December 2022. Some of the work referred to in this report was not undertaken by the author of this paper but by a predecessor and is believed to be correct.
3. The request by the committee covers outstanding audit recommendations and several related general areas of ICT operations. Therefore the report covers the following content:
 - a. The response to previous Internal Audit Recommendations;
 - b. Resilience – how resistant is the ICT infrastructure to any loss?
 - c. Business Continuity – how well can ICT continue to deliver technology services after the impact of an event?
 - d. Disaster Recovery – how quickly and completely could ICT recover after a disastrous event?

These above areas are covered in sequence in the following content.

Internal Audit Recommendations

4. The Internal Audit service (SWAP) reported on 22 April 2022 on Audit Plan Progress. There were at that stage two Priority 2 findings relevant to ICT under the heading of Disaster Recovery (page 8). The findings were as follows with response in italic font:
 - a) Finding 1 - Business Continuity – by 30 June 2022
 - The council must ensure all critical services and supporting systems identified as part of its recent review of business continuity (BC) arrangements are detailed on the council's Application Masters List. The priority of all systems listed should detail their priority for recovery and hence provide a link to the Service Level Agreement (SLA) with Hoople Ltd.

Following the audit, the application master list was updated with a prioritisation 1 and 2 indicator. This resulted in 17 Priority 1 systems, 28 Priority 2 systems and 105 others. The ICT Client Lead has viewed the list and is content that these generally align with the usual priorities for a Unitary Council. COMPLETE.

 - The back-up requirements for all systems identified on this list as processing sensitive data should also be confirmed and updated as necessary. For those systems that do require back up but where it was unclear if they were managed by Hoople Ltd (and therefore potentially not covered by the SLA), management need to obtain assurance that back up and restoration services will meet the council's system recovery requirements.

The requirement for inclusion on the backup schedule was reviewed within the same application master list document and therefore this is considered to be up to date. Specific assurances for systems not managed by Hoople have not been sought from suppliers (as far as is known) although the note below on system procurement is relevant here. There is one significant 'system' managed by Hoople, Office 365/Teams, which has been partly licensed and adopted but not fully commissioned into the current infrastructure. It therefore has an interim back up solution which was proposed and implemented by Hoople in June 2022 but for which there are still some outstanding concerns about its robustness as this is usually an entirely Cloud based

infrastructure using the Microsoft platform. Office 365/Teams and the configuration are being re-considered as part of work towards an ICT Strategy and therefore this solution is thought to be acceptable for a limited period, to be reconsidered as part of planned Audit work in Autumn 2022 and in any event before the end of 2022.

PARTLY COMPLETE

- In future all software procurement whether through Hoople Ltd or independent of Hoople Ltd should be supported by clear back-up and recovery contractual terms. For existing systems where these terms are unclear the contact terms will be reviewed at renewal.

Hoople have stated that they always consider DR and BCP considerations as part of their proposals and procurement and this is evidenced within the supplier assessment questionnaires used during the initiation and procurement stages.

COMPLETE

b) Finding 2 - Disaster Recovery – by 30 September 2022

- The above Priority 2 action was agreed to establish whether the backup and restoration arrangements (as detailed in the SLA with Hoople) adequately supported the BC requirements of all Hoople in-scope applications”

This was agreed verbally with no changes proposed by a previous Interim incumbent. There does not appear to be any pressing need to revisit this.

COMPLETE

- Confirm the adequacy of Disaster Recovery (DR) testing to demonstrate compliance against the SLA recovery (priority) targets, for all systems with due regard to the critical services identified.

See below

- With Hoople, undertake scenario-based test situations to inform current DR planning to reference the loss of all applications, loss of all Hoople supported services at all clients etc.

Hoople conducts internal scheduled BCP exercises on a variety of scenarios as part of our ISMS for ISO27001 compliance, these are recorded on our compliance schedule. However there have not been any exercises conducted alongside the Council, aside from the cyber exercise of the Local Resilience Forum for the regional Tactical Response Group last December, which involved several major regional providers. Therefore the recommendation has not been met and specific systems have not been recovered against SLA targets. INCOMPLETE – the proposal is to complete this work in Q4 of 2022

- For any system that is not covered by the SLA, confirm the adequacy of their DR arrangements including the testing for critical and non-critical services.

This work is not started as far as is known. It will require liaison and agreement with a range of suppliers assuming that this requirement is part of the contract that the Council holds (it may not be covered in some older contracts). INCOMPLETE – the proposal is to complete this work by end March 2023.

- Confirm the adequacy of DR decision making processes for those systems that are not supported by Hoople. Options include scenario-based planning/tabletop DR exercises for management. Such scenarios could reference the potential loss of the system itself, supporting hardware and so on.

Current testing and completion of a compliance log is carried out at points of major change and upgrade milestones. This may include the definition above of system loss and underlying hardware depending on the Hoople and system supplier roles. It cannot be stated that this covers all systems not supported by Hoople and it may also be worth considering these actions follow a defined schedule rather than at points of major change. PARTLY COMPLETE – proposal to review this as part of Audit work commencing in September 2022 to further define the objective and add assurance evidence where this is present.

Resilience

5. The resilience of ICT is the first stage in preventing loss of systems or data. It concerns the systems ability to withstand or recover from any shocks or events and still maintain service. This does include security but also includes concepts like redundancy where loss or failure of part of a system is immediately taken up by another component – for instance in the event of a power loss the Hoople datacentres have Uninterruptible Power Supply (UPS) that can sustain operations for a period of around 4 hours and a generator as back up. There are two main datacentres with separate routing of linkages into them. Many networking components are paired and can operate on one alone. Failover between components can be seamless and automated or manual with likely short periods of outage.
6. Resilience also has a relationship to capacity management where components are sized to meet exceptional demand and often function well below maximum for most of the time.
7. These features are built into the ICT infrastructure at design and managed throughout the lifecycle of components.
8. Resilience is also relevant to system defences. These are a key part of resisting cyber attack through technology such as Firewalls or Filters which aim to insulate the council network and users from attack. Every day malicious attacks are made on most ICT networks, filters identify suspicious content, for instance they may block some websites known to be risky or e-mail from risky sources. The software is updated very frequently, usually by suppliers and the council can also add blocks (or unblock) manually. Firewalls prevent the spread of any issues and there are often several layers.

Business Continuity

9. Hoople Ltd have provided the Interim Client Lead with a 15 page Business Continuity Plan. The document is up to date and contains all reasonable expected content of such a plan; invocation criteria, roles, process, objectives, communications, resources etc. This is a detailed operational document but it has been reviewed and approved by expert council client side scrutiny and therefore does not require escalation to this committee.

Disaster Recovery

10. In the paragraphs above note has been made of ICT resilience to avoid a disaster but planning does of course need to exist for the scenario where a disaster does happen and needs to be recovered.
11. Widespread and damaging disasters usually relate to the wholesale loss of systems or data say through fire, flood, error or, more commonly recently, cyber attack. It is important to have alternative computing hardware and facilities (such as the primary and secondary datacentre that Hoople operates) and access to a good set of data – both configuration and system data. The main means of having the access to data is by a backup where data is copied, either in real time, at intervals or say overnight and held securely. There are tiers of back up, related to system priorities, and data is first replicated to the secondary datacentre at suitable intervals and then a tape backup is taken. Tape backup is less common in recent years, options being

Cloud or third disk backup however it does give the advantage of being completely physically separated when taken and then stored securely.

12. However recovery from tape does take longer than from disk and can be problematic (as can any restore onto 'bare tin' – an unprepared server). This should be tested completely at intervals (see Audit Recommendation response in para 4b above).

General comments and currently planned work

13. The above responses are very specific to technology aspects of the areas identified by the committee. However there are other factors which significantly affect risk, the primary one for information security is human error where users might click on a link in an e-mail without considering its trustworthiness or unwittingly surrender user credentials allowing others to gain system access. These scenarios are still the most likely routes of cyber attack and the reason why the council runs simulated phishing attacks to try and educate users towards a zero trust approach.
14. There are hundreds of various scenarios and permutations of risks for system loss. Not all of these can be calculated or predicted – the exact scenario is usually unique. For instance the council may plan for loss of a building due to fire, loss of personnel due to pandemic and loss of systems due to cyber attack or component failure but these might all occur at once or more simply components which fail might be in short global supply but these are hard to plan for and might be well beyond the resources of a local council to address. It is therefore always hard to give categorical assurances about risk and likely recovery and impossible for every scenario.
15. Whilst the vast majority of ICT systems are provided to the council under its arrangements with Hoople Ltd neither the council nor Hoople are in complete control of all aspects of systems and are dependent on suppliers fulfilling their obligations and acting properly. For instance there have been widespread attacks on internet service providers which impact all ICT users as connectivity can be compromised or lost. There are also, and increasingly, a number of suppliers of 'hosted' systems which are run on their infrastructure and to which the council simply connect. They are completely responsible for safeguarding our data and reliability of system access (within the parameters the council specify when the council contract).
16. The assignment for the Interim ICT Client Lead has been noted earlier. This includes an assessment of current issues and risks and a plan to respond. The resulting work will include many aspects noted in this report such as the resilience of the ICT infrastructure and options for further technology investment which can reduce risks if this is thought to be sensible and cost effective. The planned work will include addressing any outstanding issues from Internal Audit work and the Interim ICT Client Lead has agreed a refreshed plan with SWAP for immediate further assurance work to start in September 2022.

Community impact

17. There are no immediate issues of Community Impact other than to note that loss of ICT systems would severely curtail the ability of the council to plan and deliver current services as virtually all aspects of service are underpinned by ICT systems. This is likely to grow more important as the council continues to modernise and increase digital services and ICT is already a crucial component for the internal work of the council including productivity in flexible working as has been adopted post COVID pandemic.

Environmental impact

18. There are no immediate environmental aspects to note. However it is an aspect which is important to address when planning future ICT infrastructure especially. For instance datacentres consume a lot of power for operation and cooling and it is possible to reduce this as the council plans into the future.

19. A positive aspect of increased digitisation is the reduction of paper and paper waste which can result in CO2 and cost avoidance.
20. The council takes care to ethically dispose of redundant ICT equipment in a way which ensures as much re-use as possible and to minimise waste. Disposal regulations apply here and these are adhered to via engagement of suitable contractors.

Equality duty

21. There are no immediate impacts or concerns for the Council's Equality duty. This is a factual report and there are no matters in this regard.

Resource implications

22. There are no resource implications arising from this report. Planned work is already budgeted for and underway.

Legal implications

23. This report is provided for information purposes and therefore there are no legal implications arising from the report.

Risk management

24. The entirety of this report is relevant to risk management and risk management is undertaken by Hoople Ltd covering these areas (the current Risk log has been inspected by the Interim ICT Client Lead and is satisfactory). There is no new content which suggests current risk levels should be changed. There is work underway which will reduce risk levels (Audit responses and review of ICT by Client Lead) but set against that is the increased recent threat level, especially in respect of cyber security. Therefore no change is recommended.

Consultees

25. No consultation has been undertaken for this report.

Appendices

None

Background papers

'Report of Internal Audit Activity - 2021/22 Plan Progress - as of 21st April 2022' - South West Audit Partnership (Herefordshire Council Internal Auditors) Link to report: [Contents \(herefordshire.gov.uk\)](https://www.herefordshire.gov.uk/audit/2021-22-plan-progress)



Title of report: Energy from waste loan update

Meeting: Audit and Governance Committee

Meeting date: 12 October 2022

Report by: Head of Strategic Finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

All Wards

Purpose

To update the committee on the current status of the energy from waste loan arrangement to enable the committee to fulfil its delegated functions.

Recommendations

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.**

Alternative options

- 1. None; the loan arrangement was contractually agreed in May 2014, no breaches or areas of concern have taken place during this reporting period. This report provides an update on the arrangement to the Audit and Governance Committee in its role as the waste loan governance committee which entails reviewing risks to the lender and monitoring administration of the loan.

Key considerations

2. In 1998 the council, in partnership with Worcestershire County Council, entered into a 25 year contract with Mercia Waste Management Limited (Mercia) for the provision of an integrated waste management system using the Private Finance Initiative.
3. A variation to the contract was signed in May 2014 to design, build, finance and operate an Energy from Waste plant through the use of prudential borrowing. Both councils provided circa 82% of the project finance requirement from their own planned prudential borrowing with the remaining 18% being provided by the equity shareholders of Mercia.
4. A total loan facility was agreed at £163.5m, with the council providing 24.2% of the loan value, this being £40m. The current status of the loan arrangement is considered satisfactory.
5. This report ensures the committee fulfils the functions delegated to it in relation to the governance of the waste loan arrangement; specifically to review the risks to the council as lender and to monitor administration of the loan.
6. Since the last report to the committee in September 2021 the loan arrangement has continued to be repaid in line with expectations. No decisions or courses of action have been identified for recommendation to the committee.

Key loan features and update

7. The council and Worcestershire County Council provided a loan facility of £163.5m in total, with the council providing 24.2% of the loan value, £40m.
8. Total loan interest and fees charged to Mercia are fixed and are representative of commercial bank charges. These total £69m, £17m for the council.
9. During the last year, since the previous report to the committee, loan repayments of £3.8m have been received, representing £1.7m in principal and £2.1m in interest. A summary of repayments received to date is shown in the table below:

Date	Interest (£m)	Principal (£m)	Total (£m)
December 2021	1.1	0.7	1.8
June 2022	1.0	1.0	2.0
Totals	2.1	1.7	3.8
Previous repayments	9.8	6.2	16.0
Total repaid to date	11.9	7.9	19.8

10. At this date Mercia anticipates being able to continue to make payments as per the loan agreement.

Loan Agreement Ratio calculations

11. The ratios are a financial covenant imposed by Lenders (in this case the council and Worcestershire County Council together as Lenders) as a monitoring mechanism to provide early warning of project distress and potential Borrower (in this case Mercia) default on their repayment obligations. The ratios provide a measure of the project's historic and future performance in relation to its ability to service current and upcoming debt liabilities.

12. A Ratio Compliance Certificate which assessed the position as at 31 December 2021 confirms that all relevant ratios are within the levels outlined in the Senior Term Loan Facilities Agreement and therefore there are currently no areas of concern to highlight to the committee.

Community impact

13. In accordance with the adopted code of corporate governance, the council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. Effective financial management, risk management and internal control are important components of this performance management system. The committee's assurance that any risks associated with the loan arrangement have sufficient mitigation actions applied supports adherence to the code.
14. The loan arrangement supports the continued viability and affordability of the contracted waste disposal arrangement.

Environmental impact

15. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
16. This is a factual update on an existing loan arrangement and will, in isolation, have minimal environmental impacts. However consideration to minimise waste and resource use in line with the council's Environmental Policy is considered as part of the overall waste collection and disposal service provision.

Equality duty

17. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:
 - a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
18. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a factual update we do not believe that it will have an impact on our equality duty.

Resource implications

19. There are no financial implications arising from the recommendations of this report.
20. The loan arrangement is being repaid as expected, the implications of the agreed loan arrangement are reflected in the council's medium term financial strategy and treasury management strategy as agreed by Council in February 2022.

Legal implications

21. The terms and arrangements for this loan agreement are set out in the senior term loan facilities agreement. There are no specific legal implications arising from this report.
22. The function of the committee is set out in the constitution under 3.5.13. This report relates to functions (a) to review risks as lender and (b) to monitor the administration of the loan.

Risk management

23. Attached at Appendix A is the open risks as per the joint risk register with Worcestershire County Council.

Consultees

24. None

Appendices

Appendix A – Joint Risk Register

Background papers

None identified.

Risk Reference	Description of risk	Gross Impact	Gross Likelihood	Gross Risk Score	Risk control approach	Mitigating Actions	Residual Impact	Residual Likelihood	Residual Risk Score	Assigned to (Risk Owners)
a	Default of loan repayments by borrower to lenders due to SPV (Mercia) or HZI falling into administration.	Critical	Medium	15	Risk transferred	Due to the security package negotiated by the Councils a fall away analysis indicated that Mercia, its Shareholders and HZI would need to have entered administration at the same time to put a repayment at risk during the construction phase. The maximum exposure to the Councils has been calculated and included within the sufficiency assessment of the Council's reserves. All press articles are scanned regularly for indications of financial strength issues and followed up to ensure counterparty risk is not increased. An example is where ACS Construction and Services S.A., through its subsidiary ACS Services y Concessions S.L., executed the sale recently of its total interest in URBASER S.A. To Firion Investments S.L.U, a company controlled by a Chinese group. The Councils then obtained legal advice that reassured lenders that no action was required by any parties arising from this change in ownership, as there were no changes to the Shareholder (Urbaser Limited).	Substantial	Very Low	6	The risk owners are the Section 151 Officers of each Council supported by Ashurst as advisors in case of contract default and Deloitte had monitored Mercia's actual quarterly cash flow tests and cover ratios that have to be maintained by Mercia. KPMG conducted a review of the ratios as at the 31st December and all passed
f	Mercia loan principal and / or interest repayments are below the required values as per the rates agreed in the STFLA .	Substantial	Very Low	6	Risk treated	The Council's treasury team maintain a spreadsheet detailing drawdowns to date and expected future principal and interest payments. This is reconciled to Mercia's repayment spreadsheet and will be matched to principal and interest repayments received from Mercia during the post construction period. Mitigating actions have continued to be taken by Mercia to combat the effects of COVID-19 and the latest assurance statement within the Committee Report of the 2nd July 2021 reflect the actions taken	Substantial	Almost Impossible	5	The risk owners are the Section 151 Officers supported by Treasury and Financing Teams.

Key

High 19 – 24	Unacceptable Risk: Immediate control/improvement required
Medium 8 – 18	Acceptable Risk: Close monitoring and cost effective control improvements sought.
Low 1 –7	Acceptable Risk: Need periodic review, low cost control improvements sought if possible.

Scoring Matrix

Likelihood				
Very High	9	19	21	24
High	8	12	20	23
Medium	4	11	15	22
Low	3	10	14	18
Very Low	2	6	13	17
Almost Impossible	1	5	7	16
	Negligible	Substantial	Critical	Extreme
Impact				

Title of report: Work programme

Meeting: Audit and Governance Committee

Meeting date: 12 October 2022

Report by: Democratic Services Officer

Classification

Open

Decision type

This is not an executive decision.

Wards affected

(All Wards)

Purpose

To consider the committee's work programme (Appendix A). Since the last meeting, the work programme has been updated to reflect that the Corporate Risk Register item has been moved to the scheduled meeting on 31 October 2022 and the 2021/22 Auditor's Annual Report has been moved to the scheduled meeting on 30 January 2023; paragraph 5 provides further information.

Recommendation(s)

That subject to any further updates made by the committee, the work programme for the Audit and Governance Committee be agreed.

Alternative options

- 1 There are no alternative options, as the committee requires such a programme in order to set out its work for the coming year.

Reasons for recommendations

- 2 Updating the work programme is recommended, as the committee is required to define and make known its work. This will ensure that matters pertaining to audit and governance are tracked and progressed in order to provide sound governance for the council.
- 3 The committee is asked to consider any further adjustments.

Key considerations

- 4 The routine business of the committee has been reflected as far as is known, including the

regular reporting from both internal and external auditors.

5 Since the last meeting, the following updates have been made:

- An item expected at this meeting on the Corporate Risk Register has been moved to the meeting on 31 October 2022; the Performance Team advise 'Rather than present the committee with a risk register which reflected the situation at the end of quarter one, it was felt that it would be more beneficial to provide the committee with a risk register that better reflected the current situation, picking up some of the issues that were highlighted in the recent Ofsted report'.
- An item expected at the 21 November 2022 meeting on the 2021/22 Auditor's Annual Report has been moved to the scheduled meeting on 30 January 2023; the audit letter explaining the reasons for delay is included at Appendix B.

Community impact

6 A clear and transparent work programme provides a visible demonstration of how the committee is fulfilling its role as set out in the council's constitution.

Environmental impact

7 Whilst this is an update on the work programme and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

Equality duty

8 This report does not impact on this area.

Resource implications

9 There are no financial implications.

Legal implications

10 The work programme reflects any statutory or constitutional requirements.

Risk management

11 The programme can be adjusted in year to respond as necessary to risks as they are identified; the committee also provides assurances that risk management processes are robust and effective.

Consultees

12 The Director of Finance and Assurance / S151 Officer, Director of Governance and Legal Services / Monitoring Officer, and committee members contribute to the work programme; the work programme is reviewed at each meeting of the committee.

Appendices

Appendix A Work programme for the Audit and Governance Committee

Appendix B 'VFM extension letter' from Peter Barber, Grant Thornton dated 28 September 2022

Background papers

None identified.

Audit and Governance Committttee Constitution		Report	May	June	July	September [Rescheduled to 12 October 2022]	October	November	January	March
3.5.9	The purpose of an audit committee is to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes.									
3.5.10	Internal Audit	Internal Audit								
a	To consider the Head of Internal Audit’s annual report and opinion, and a summary of internal Audit activity (actual and proposed) and the level of assurance it can give over the Council’s corporate governance arrangements.	Internal Audit Plan and Internal Audit Charter Progress Report on internal audit plan (see part b for timing) Internal Audit Annual Opinion			Opinion					Internal Audit Plan and Audit Charter
b	To consider summaries of specific Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary.	Progress Report on internal audit plan	Progress report				Progress report		Progress report	Progress report
c	To consider reports dealing with the management and performance of the providers of Internal Audit Services.									
d	To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.	Tracking of internal and external audit recommendations		Tracking Report				Tracking Report		
e	To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee.	No specific activity required as part of normal questioning activity								
f	The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the Council.	Progress Report on internal audit plan (see part b for timing)								
3.5.11	External Audit	External Audit								
a	Review and agree the External Auditors annual plan, including the annual audit Fee and annual letter and receive regular update reports on progress.	Annual audit fee letter External Audit progress update (see part b for timing) Tracking of internal and external audit recommendations (see part 3.5.10d for timing) Annual Audit Letter Auditor's Annual Report External Audit Annual Plan	Auditor's Annual Report	External Audit Plan (including indicative fee)				[Auditor's Annual Report moved to January 2023]	External Audit Plan Auditor's Annual Report	
b	To consider specific reports from the External Auditor.	External Audit progress update	Progress Report						Progress Report	Progress Report
c	To meet privately with the External Auditor once a year if required.	Not required to be scheduled on work programme								
d	To comment on the scope and depth of external audit work and to ensure it gives value for money.	No specific activity required as part of normal questioning activity								
e	To recommend appointment of the council’s local (external) auditor.									
f	Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised.	No specific activity required as part of normal questioning activity. External Audit can place limited reliance on Internal Audit Work.								
3.5.12	Governance									
a	To maintain an overview of the council’s Constitution, conduct a biennial review and recommend any changes to council other than changes to the contract procedure rules, finance procedure rules which have been delegated to the committee for adoption.	Accounting Policy Update Contract and Finance Procedure Rules Re-thinking Governance	Re-thinking governance report		Accounting Policy Update (if required) Contract and Financial Procedure Rules		Re-presentation of the Constitution			
b	To monitor the effective development and operation of risk management and corporate governance in the council.	Work programme Corporate Risk Register	Work programme Corporate Risk Register (update received in April)	Work programme	Work programme	Work programme [Corporate Risk Register moved to 31 October 2022]	Work programme Corporate Risk Register	Work programme Corporate Risk Register	Work programme	Work programme Corporate Risk register
c	To maintain an overview and agree changes to the council policies on whistleblowing and the ‘Anti-fraud and corruption strategy’.	Whistleblowing policy Anti-fraud & corruption strategy	Anti-fraud update as part of internal audit progress report	Anti-fraud, bribery and corruption policy				Whistleblowing	Annual update on anti-fraud, bribery and corruption	Anti-fraud update as part of internal audit progress report
d	To oversee the production of the authority’s Statement on Internal Control and to recommend its adoption.	Statement of Accounts			Statement of Accounts					
e	To annually conduct a review of the effectiveness of the council’s governance process and system of internal control which will inform the Annual Governance statement.	Annual Governance Statement				Draft AGS	Final AGS			
f	The council’s arrangements for corporate governance and agreeing necessary actions to ensure compliance.	Annual Governance Statement Progress Report					Progress update			Progress update
g	To annually review the council’s information governance requirements.	Information Governance Review						Annual review of information access / governance		

Audit and Governance Committee Constitution		Report	May	June	July	September [Rescheduled to 12 October 2022]	October	November	January	March
h	To agree the annual governance statement (which includes an annual review of the effectiveness of partnership arrangements together with monitoring officer, s151 officer, caldicott guardian and equality and compliance manager reviews).	Annual Governance Statement Annual Governance Statement Progress Report								
i	To adopt an audit and governance code.									
j	To undertake community governance reviews and to make recommendations to Council.	On an ad hoc basis only								
3.5.13	Waste Contract									
a	To review, in conjunction with external advisers advising the council as lender, the risks being borne as a result of the funding provided by the council to Mercia Waste Management Ltd and consider whether the risks being borne by the council, as lender, are 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.	Energy from Waste Loan Update				Energy from Waste Loan Update				
b	To monitor the administration of the loan to the waste project in line with best banking practice having regard to any such external advice, including the terms of any waivers or amendments which may be required or are desirable.	Energy from Waste Loan Update				Energy from Waste Loan Update				
c	Consider what steps should be taken to protect the interests of the council as lender in the event of a default or breach of covenant by Mercia Waste Management Ltd, and make recommendations as appropriate to Council, the council's statutory officers or cabinet as appropriate to ensure the appropriate enforcement of security and litigation in relation to the loan to Mercia Waste Management Ltd	Energy from Waste Loan Update				Energy from Waste Loan Update				
d	Consider and recommend appropriate courses of action to protect the position of the council as lender to the waste project: (i) make recommendation as appropriate to Council with regards to its budget and policy framework and the loan to the waste project (ii) generally to take such other steps in relation to the loan within the scope of these terms of reference as the committee considers to be appropriate.	Energy from Waste Loan Update				Energy from Waste Loan Update				
3.5.14	Code of Conduct: To promote and maintain high standards of conduct by members and co-opted members of the Council									
a	To support Town and Parish Councils within the county to promote and maintain high standards of conduct by members and co-opted members of the Council.	Annual Code of Conduct Report							Annual code of conduct report	
b	To recommend to Council the adoption of a code dealing with the conduct that is expected of members and co-opted members of the Council.	Part of Re-thinking Governance Review	Re-thinking Governance							
c	To keep the code of conduct under review and recommend changes/replacement to Council as appropriate.	Part of Re-thinking Governance Review	Re-thinking Governance							
d	To publicise the adoption, revision or replacement of the Council's Code of Conduct.	Part of Re-thinking Governance Review	Re-thinking Governance							
e	To oversee the process for the recruitment of the Independent Persons and make recommendations to Council for their appointment.	Recruitment done on an as required basis and not currently scheduled.								
f	To annually review overall figures and trends from code of conduct complaints which will include number of upheld complaints by reference to individual councillors within unitary, town and parish councils and when a code of conduct complaint has been upheld by the Monitoring Officer or by the Standards Panel, after the option of any appeal has been concluded, promptly to publish the name of the councillor, the council, the nature of the breach and any recommendation or sanction applied.	Annual Code of Conduct Report							Annual code of conduct report	
g	To grant dispensations under Section 33 (2)(b)(d) and (c) Localism Act 2011 or any subsequent amendment.	On an ad hoc basis only								
h	To hear appeals in relation to dispensations granted under section 33 (2)(a) and (c) Localism Act 2011 by the monitoring officer.	On an ad hoc basis only								
3.5.15	Accounts									
	To review and approve the Statement of Accounts, external auditor's opinion and reports on them and monitor management action in response to the issues raised by external audit.	Statement of Accounts External Auditor Report			Statement of Accounts					

Your ref: VfMextension/Sept22

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28 September 2022

Dear Nigel

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest.

Given that we only finalised our 2020/21 VFM Auditors Annual Report for Herefordshire Council in April 2022 we are proposing to delay the commencement of our 2021/22 VFM review until October 2022. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we now expect to publish our 2021/22 Auditor's Annual Report, including our commentary on arrangements to secure value for money no later than January 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully



Peter Barber

Director

