

## Minutes of the Audit and Governance Committee

Lakeview Room, County Hall, Worcester

Friday, 21 July 2023, 10.30 am

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### Present:

Cllr Nathan Desmond (Chairman), Cllr Peter Griffiths, Cllr Luke Mallett and Cllr Emma Stokes

### Available papers

The members had before them:

- A. The Agenda papers (previously circulated); and
- B. The Minutes of the meeting held on 26 May 2023 (previously circulated)

### 694 Apologies and Named Substitutes (Agenda item 1)

Apologies were received from Cllrs Salman Akbar, Matt Jenkins and Dan Morehead.

### 695 Declarations of Interest (Agenda item 2)

None.

### 696 Public Participation (Agenda item 3)

None.

### 697 Confirmation of Minutes (Agenda item 4)

**RESOLVED** that the Minutes of the meeting held on 26 May 2023 be confirmed as a correct record and signed by the Chairman.

### 698 Risk Management (Agenda item 5)

The Committee considered a report on Risk Management.

At the request of the Committee, John Hobbs, Strategic Director for Economy and Infrastructure and Andrew Spice, Strategic Director for Commercial and

Change were in attendance to answer questions about the Council's approach to risk management.

Rob Morris, the Head of Business Intelligence introduced the report and commented that future reports would include a risk management dashboard rather than the screenshots presented to this meeting.

In the ensuing debate, the following points were made:

- How did the Council capture the integration between risks, for example pressures on safeguarding impacting on the risk of the death of a child? Rob Morris responded that the Power BI system created a dashboard that gave a corporate overview and exception reporting for the corporate risks flagged as red, and those flagged as amber deteriorating. The dashboard was supported by a wider piece of risk management information which provided details of how risks could impact on each other.
- It was queried why the Pentana system was no longer considered an appropriate risk management system for the Council and whether it had represented a waste of Council resources. Rob Morris explained that the investment in Pentana had provided a valuable means of capturing information but there were issues with the way that the system presented that information. The system captured approximately 1,000 rows of information which it then interpreted as a 1,000 risks. It was therefore difficult to convert this information into risks relevant to the organisation. As a result, the decision had been taken to procure an alternative database. Andrew Spice added that Pentana had been a good system for the Council but was not sufficiently integrated or coherent for the Council's needs. The Council had now introduced the Power BI system which provided a coherent risk management strategy which met the needs of the Council
- Phil Rook, the Chief Financial Officer indicated that a training session would be arranged prior to the next Committee meeting in September to help members of the Committee understand how the new Power BI risk management system worked in practice
- Why had the Council developed its own risk management system rather considering other available systems? Rob Morris responded that the benefit of creating a bespoke system was that it allowed the development of a more agile approach to risk management. It meant that all relevant information was pulled together in one place
- In response to a query regarding the process for capturing risks, John Hobbs advised that new risks were emerging all the time. A standard item had been established on the agenda for the Directorate Management Team (DMT) to discuss emerging risks. In addition, the red risks were monitored at directorate level to establish whether anything was changing. It was important not only to focus on the dashboard but to look forward and to identify emerging and future risks. Many of the risks were managed as part of business as usual but it was important to check whether outcomes were different from expectation

- In response to a query, John Hobbs explained that Power BI was predominately being used as a database. It was essentially a spreadsheet-based solution with a dashboard front sheet
- The Chairman indicated that he was confident that the Council's approach to risk management was moving in the right direction and he supported the approach being taken, particularly with Strategic Directors taking overall ownership of the risk management process
- In response to a query, John Hobbs explained that it was important to understand the compound effect of events and analyse the underlying cause, for example a change in the law in relation to the treatment of waste could have an impact on many other areas of the Council's business.

**RESOLVED** that the contents of the report, including an update on the Council's risk management arrangements and a risk report identifying corporate risks and mitigating activity be noted.

## **699 People Directorate - May 2023 Debt Position Statement (Agenda item 6)**

The Committee considered the People Directorate - May 2023 Debt Position Statement.

In the ensuing debate, the following points were made:

- At what stage in the process was the Council able to put a charge on a service users property for the receipt of residential care? Mark Fitton the Director for People explained that during the lifetime of the loan, daily compounded interest was applied. Statements were issued to the service user/representative/estate every 6 months to show the balance of accrued debt. Agreements ended on the death of the service user or on the sale of property, the loan would be repaid in full and the charge against the property would be lifted. The property could not be sold without the Council receiving its money back. However, it was not possible to take the same approach for Domiciliary Care from a legal perspective
- What approach did the Council take when there was insufficient equity in a property to pay for the care? Mark Fitton advised that when deferred payment arrangement were being considered, an assessment was made as to whether the care was appropriately costed to the service user's needs and whether there was sufficient equity in the property for a two-year period (the average life-expectancy) to cover costs. The aim was always to keep people in their own homes
- How did the Council approach a request for funding where a mortgage already existed on a property? Corinne Paton, Debt and Deferred Payments Team Manager explained the Council assessed whether there was enough equity in the property to cover costs when agreeing to enter into a loan in the first instance. The market price of the house was monitored and an assessment of the equity left in the property was

carried out every six months. A traffic lights system was used to assess the risk and the monitoring arrangements were adjusted accordingly

- In relation to the levels of outstanding debt, did the Council have an analysis of the reasons for non-payment. Nicky Hardman, FOS Manager – Income and Debt Team commented that this level of analysis was not available yet but it was the next piece of work to be undertaken by the Income and Debt Team
- There appeared to be a worrying downward trend in terms of the collection rates for monthly invoices up to May 2023 as set out in Table 5 in the report. Nicky Hardman explained that when a Direct Debit arrangement was agreed with the client, the collection rate rose to 88-90%. It showed that when the service was able to engage with a client, collection rates rose over time. The majority of clients paid around the 30 days period and therefore the lower collection rate percentages shown in the table for early 2023 would increase over time. However, more analysis was needed to understand the reasons certain service users would not pay. Mark Fitton added that regular project management discussions were held to understand the percentage of debt not being collected and why the Council was accruing a debt in the first place
- Had consideration been given to providing incentives to pay, for example a reduction in payment or alternatively a surcharge to improve payment rates? Mark Fitton responded that it was important to encourage as many service users as possible to pay by direct debit. The Council took the approach of encouraging payment and being better at what it did rather than any form of incentive or surcharge. The Assistant Director for Adult Social Care held regular meetings with social workers to emphasise that whilst their role was to meet their client's needs, there was also a fiduciary responsibility to achieve best value for the Council
- In response to a query, Corinne Paton explained that the Council was embarking on a process of making the payment process easier for the client. Clients were now able to make one-off payments over the telephone
- In response to a query, Phil Rook explained that the Council arranged the necessary care and a financial assessment was carried out on the amount the client was able to pay. The debt was then chased. The key factor was ensuring that the Council got its money back
- It was requested that the Committee receive a further update at its meeting in March 2024.

**RESOLVED that:**

- a) The Debt Position Statement for the People Directorate be noted; and**
- b) A further update be reported to the Committee at its meeting in March 2024.**

## 700 Draft Annual Governance Statement 2022/23 (Agenda item 7)

The Committee considered the Draft Annual Governance Statement 2022/23.

Hazel Best, Assistant Director for Legal and Governance introduced the report and made the following points:

- The Action Plan was in a draft version at this stage. The Committee would receive a fuller report with a timetable of work at its next meeting in September 2023
- A review of the Constitution would be undertaken particularly focusing on Contract Standing Orders, Financial Regulations, the Scheme of Delegation to Officers and the Member/Officer Protocol. Officer working groups would be established for each of these streams. A report outlining the proposed amendments to the Constitution would be brought to the March 2024 Committee meeting. The final decision would be taken at Council in May 2024
- She would liaise with the Chairman of the Standards and Ethics Committee to see if that Committee would wish to review the changes to the Member/Officer Protocol at its meeting in January 2024
- A rolling programme of governance training would be arranged to ensure that officers and members were fully aware of the key principles
- A training programme would be arranged for members on the new Code of Conduct recently agreed by Council. In addition, the register of interests would be updated to ensure that it aligned with the Code of Conduct.

Phil Rook provided an update on the Audit of the Statutory Accounts. He explained that unfortunately, it was not expected that the Council and Pension Fund's Accounts would be signed off by the statutory deadline of 30 September 2023 due to staffing issues at Grant Thornton, the Council's external auditor. There was a backlog of unaudited accounts nationally. The Government was looking at amending the statutory guidance in order to speed up the process and possibly simplify local government accounting. The Committee would be kept informed on progress.

In the ensuing debate, disappointment was expressed that the Council had done all the necessary work to produce its Accounts on time and yet there would be a delay in their publication. Phil Rook responded that the Council was a decent position compared to many other councils in terms of progress made to date. Unfortunately, audit staff shortages were a national issue which was out of this Council's control. Chris Bird, Chief Accountant added that Grant Thornton had indicated that it was likely that their external audit fees would be increased next year by as much as 150%. The increase would allow more resources to be invested in the external auditing process. He was confident that a better position would emerge in 2024.

**RESOLVED that the draft governance action plan for 2023/24 be noted.**

**701 2022/23 Internal Audit Annual Report (Agenda item 8)**

The Committee considered the 2022/23 Internal Audit Annual Report.

Kate Kenderdine introduced the report and commented that the Council had been given an overall opinion of Moderate Assurance of the Council’s control environment for 2022/23.

**RESOLVED** that the Internal Audit 2022/23 Annual Report and assurance level be agreed.

**702 Internal Audit Progress Report (Agenda item 9)**

The Committee considered the Internal Audit Progress Report.

**RESOLVED** that the Internal Audit progress report be agreed.

**703 2022/23 Treasury Management Annual Report (Agenda item 10)**

The Committee considered the 2022/23 Treasury Management Annual Report.

In the ensuing debate, it was queried whether a link had been established with sources of Pension Fund investment information. Phil Rook commented that although the Treasury Management team used their own sources of market information, there was a degree of cross intelligence of information between the two teams.

**RESOLVED** that the Treasury Management Annual Report 2022/23 be noted.

**704 Work Programme (Agenda item 11)**

**RESOLVED** that the work programme be noted.

The meeting ended at 12.50pm.

Chairman .....