

Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in the Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 18 January 2024 at 4.00 pm.

PRESENT

A C Beal (Chairman)

C J T H Brewis
N Chapman

M Geaney
I Sheard

Apologies for absence were received from or on behalf of Councillors M Le Sage and S-A Slade

In Attendance: The Assistant Director - Governance, the Interim Treasury and Investment Manager (PSPSL), the Business Intelligence and Change Manager, the Group Information Manager and Deputy Data Protection Officer, the External Audit Director – KPMG, and the Democratic Services Officer.

32. DECLARATION OF INTERESTS

There were none

33. MINUTES

AGREED:

That the minutes of the Governance and Audit Committee meeting held on 9 November 2023 be noted.

34. ACTIONS

Updated responses to actions which arose at the 9 November 2023 Governance and Audit Committee meeting and the tracking of outstanding actions were presented to the committee

Members considered the update and made the following comment:

- Regarding action 26 (c), members acknowledged receipt of the list of SHDC systems currently in place and observed that these were manifold. Were any duplicate systems in place and how many were shared across the partnership?
 - The Business Intelligence and Change Manager responded that:

Action By

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- PSPS ICT provided the list of systems in use; and
- Details of systems due to be aligned as part of the digital programme, and those which were common across of the partnership, would be shared with members.

AGREED:

That the actions from the Governance and Audit Committee meeting held on 9 November 2023 and tracking of previous outstanding actions be noted.

35. INFORMATION GOVERNANCE ANNUAL UPDATE

Consideration was given to the report of the Assistant Director – Governance which advised members in respect of the Council’s activity and compliance with Data Protection, Environmental Information Regulation and Freedom of Information requirements.

The Group Information Manager and Deputy Data Protection Officer introduced the report which updated the Panel on the Council’s activities and compliance in respect of the Data Protection Act 2018, Environmental Information Regulation and Freedom of Information requirements during the previous 12 months. The report included the following main areas:

- Background to the report; and
- Freedom of Information and Environmental Information Regulation update.

Members considered the update and made the following comments:

- Members noted a significant number of Freedom Of Information requests and suggested that the processing time would be considerable. Were officers able to identify common types of request which could be pre-empted by information available on the website?
 - The Group Information Manager and Deputy Data Protection Officer responded that identified patterns were passed to the Communications Team in order to adapt/increase the disclosure of information online. A recent example related to the increase in requests regarding Business Rates which had led to information being published on the website on a regular basis.
- Members referred to point 2.2.5 of the report in respect of data incidents reported to the Data Protection Team and queried

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the type of incidents involved.

- The Group Information Manager and Deputy Data Protection Officer responded that the occurrence of breaches was extremely low taking into account the total number of transactions undertaken. The following example was given to the panel:
 - A Direct Debit letter had been forwarded to an incorrect address;
 - When the Council were advised of the issue, an investigation was undertaken by PSPS;
 - The PSPS investigation was scrutinised by the Group Information Manager and Deputy Data Protection Officer to ensure a full and complete scope;
 - The investigation informed learning and assessment of any mitigations or safeguarding approaches that were required;
 - A change was implemented to the process that had led to the breach in order to prevent repeat occurrences; and
 - The Senior Leadership Team were informed of the breach and that it had been resolved.
- Members asked for details of the breach which was reported to the Information Commissioner's Office (ICO) and action taken.
 - The Group Information Manager and Deputy Data Protection Officer responded that:
 - A security breach of the Community Lottery Service provider's (Gatherwell) sub-processor (London and Zurich) had taken place;
 - A database held by London and Zurich had been stolen by hackers and a ransom had been demanded;
 - In accordance with due process, London and Zurich informed Gatherwell of the breach, who in turn, informed SHDC;
 - SHDC instigated its data protection response which included mitigation and management of risk to both the subjects and the council;
 - Regarding action taken:
 - Details of the incident were relayed to the Deputy Chief Executive, the Assistant Director – Governance, and the Cabinet;
 - The Information Management team liaised with wider Lincolnshire local authorities to ensure a managed and consistent approach was taken;
 - The incident had been reported to both the

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- Information Commissioner and the Gambling Commissioner, and SHDC awaited a response;
- SHDC advised affected Community Lottery customers of the breach which enabled individual protective action to be taken;
 - Following investigation of the incident by an external consultant, London and Zurich had provided assurance that breached data had not been sold on the dark web for re-use and was therefore unlikely to cause detriment; and
 - It was stated that responsibilities of service providers and sub-processors were stipulated in contracts as part of the procurement process which ensured due diligence.
- Members asked for data breach comparative data across the partnership;
 - The Group Information Manager and Deputy Data Protection Officer responded that whilst the number of data breaches at Boston Borough Council (BBC) were similar to SHDC, those at East Lindsey District Council (ELDC) were slightly higher.
 - Members asked whether best practice was shared across the partnership.
 - The Group Information Manager and Deputy Data Protection Officer responded:
 - That the Group Information Manager and Deputy Data Protection Officer held responsibility for this area across the partnership and that best practice had been shared; and;
 - That SHDC had benefitted from this approach as much as the other authorities within the partnership.
 - Members referred to point 2.2.1 of the report and noted that the Data Protection Policy was due for renewal in 2024. Would this be a partnership-wide policy or specific to SHDC?
 - The Group Information Manager and Deputy Data Protection Officer responded that a partnership aligned policy would be coming forward which would incorporate expected and significant changes to the Data Protection Act; and
 - The Assistant Director – Governance responded that when common ‘policy framework’ policies were reviewed, where possible these would be aligned

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across the partnership to assist with officer compliance.

AGREED:

That after consideration by the Governance and Audit Committee, the Information Governance Annual Update be noted.

36. TREASURY MANAGEMENT POLICY AND TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2024/25

Consideration was given to the report of the Deputy Chief Executive – Corporate Development (S151) which asked the Governance and Audit Committee to provide pre-decision scrutiny to the strategy being proposed.

The Interim Treasury and Investment Manager (PSPSL) introduced the report which outlined the following main points:

- Background to the item;
- Appendix A detailed the Treasury Management Policy Statement 2024/25;
- Appendix B detailed the Draft Treasury Management Strategy Statement which included the following areas:
 - Background to the report;
 - Capital Prudential Indicators 2023/24 to 2028/29;
 - Borrowing; and
 - Annual Investment Strategy;
- The following information was appended to Appendix B:
 - Prudential and treasury indicators;
 - Interest rate forecasts;
 - Treasury Management practice 1 – credit and counterparty risk management;
 - Approved countries for investments;
 - Treasury management scheme of delegation; and
 - The treasury management role of the Section 151 Officer.

Members considered the update and made the following comments:

- Members referred to point 2.2 of Appendix B and asked that the 2027/28 Total Capital Financing Requirement calculation be corrected to 99,717.
- Members referred to the historic losses borne by local

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authorities that had placed investments with Icelandic banks and asked whether SHDC's approach to investment ensured government protection of council funds.

- The Interim Treasury and Investment Manager (PSPSL) responded that:
 - Since the Icelandic Financial crash, Link Group's advice (SHDC's external treasury management advisors) considered the credit ratings of each financial institution and its parent group where applicable;
 - Link Group monitored the credit default swap prices (cost of insuring against default) of institutions and adjusted maximum investment duration advice where increased risks had become apparent; and
 - Investments were now only placed with institutions from countries which met the Council minimum sovereign criteria.

- Members referred to the recent nationally published data regarding the amount of debt held by local authorities per head of population and noted that different types of debt had not been distinguished. Had SHDC received any comments on the matter?
 - The Interim Treasury and Investment Manager (PSPSL) responded that:
 - He was not aware of any comments or issues;
 - In general, local authority debt had increased and reserve balances had reduced; and
 - In terms of Housing Revenue Account (HRA) debt, the borrowing was covered by the associated assets owned by the Council.

- Members referred to point 2.5 of the report and asked whether the change in accounting rules affected the Council as lessor and/or lessee.
 - The Interim Treasury and Investment Manager (PSPSL) confirmed that the change in rules applied to the Council in its position as both lessor and lessee. The change would impact the Council's Capital Financing Requirement where it acted as lessee.

- Members referred to point 1 of Appendix B regarding the adequate planning of cashflow and asked how funds were made available 'when' and 'where' needed.
 - The Interim Treasury and Investment Manager

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(PSPSL) responded that:

- The Council held working capital in the form of cash balances in its bank accounts;
 - All expected income and major items of expenditure were planned for the year ahead;
 - Bank statements were downloaded daily to check receipts and payments; and
 - This activity informed investment decisions.
- Members expressed concern if forecasted cashflow included potential debt that could be written-off.
 - The Interim Treasury and Investment Manager (PSPSL) confirmed that where any degree of uncertainty existed regarding the timing of debt repayments or other income, these were not included in cashflow forecasts.
 - Members asked for the percentage of non-collected council tax.
 - The Interim Treasury and Investment Manager (PSPSL) responded that the collection rate was high. Specific information on this matter would be sought from the Revenue and Benefits department.
 - Members referred to point 2.1 of the report and queried the notable increase in 'net financing need for the year' for 2025/26.
 - The Interim Treasury and Investment Manager (PSPSL) responded that:
 - The increase in need related to a change regarding how HRA expenditure was financed; and
 - Every Capital Programme scheme would be detailed in the budget setting report.
 - The External Audit Director – KPMG was in attendance to observe and members requested whether any initial observations regarding the item could be shared.
 - The External Audit Director – KPMG responded that he was encouraged by the detail of the report which would be taken into consideration as part of the risk assessment plan.

AGREED:

After consideration of the Treasury Management Policy and the Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Annual Investment Strategy

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2024/25, that the comments of the Governance and Audit Committee be noted prior to consideration by Cabinet on 13 February 2024 and Council on 29 February 2024 of the documents as part of the budget report.

37. RISK MANAGEMENT FRAMEWORK

Consideration was given to the report of the Assistant Director – Governance which asked the Governance and Audit Committee to review a revised Risk Management Framework.

The Business Intelligence and Change Manager introduced the report which outlined the following main areas:

- Introduction and definition;
- Key principles and objectives of the Risk Management Framework;
- Risk Management;
- Benefits of Risk Management;
- Key tasks of Corporate and Executive leaders;
- Responsibilities of the Governance and Audit Committee;
- Responsibilities of officers;
- The role of Internal Audit to provide independent assurance;
- Key components of risk management; and
- The risk management process.

The draft Risk Management Framework was detailed at Appendix A

Members considered the update and made the following comments:

- Members noted that both Boston Borough Council and East Lindsey District had already approved Risk Management Frameworks at their authorities, and asked whether comments from members at the current meeting would shape the framework to be adopted at South Holland District Council.
 - The Business Intelligence and Change Manager responded that:
 - Comments from the Committee would be taken forward in the final version of the framework to be recommended to the SHDC Cabinet for adoption; and
 - Whilst the approach to risk management was aligned across the partnership, each sovereign council held its own respective

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- Risk Management Framework, and a unique risk register.
- The Assistant Director – Governance responded that:
 - Due to the approval scheduling differential of Risk Management Frameworks across the partnership, the Assistant Director – Governance had been granted delegated authority to make minor amendments to frameworks should these be identified; and
 - In relation to this, the scheduling of processes in respect of policy approvals across the partnership would be reviewed.
 - Members asked whether the designated ‘Risk Officer’ and the ‘Risk Owner’ were the same.
 - The Business Intelligence and Change Manager responded that:
 - The ‘Risk Owner’ applied to the respective Assistant Director of the department where a specific risk had been identified; and
 - The ‘Risk Officer’ applied to the role of the Assistant Director – Governance. This role included responsibilities for the risk register with support provision from the Business Intelligence and Change Manager.
 - Members requested the following additions/amendments:
 - Regarding responsibilities of the ‘Governance and Audit Committee’ detailed on page 41 of the agenda:
 - Members noted a text amendment was required to the first Governance and Audit key task;
 - Members requested that wording reflect risk ‘mitigation’ treatment measures; and
 - Regarding self-assessment, members requested that the upcoming self-assessment questionnaire be forwarded to members in advance.
 - Regarding key tasks of the ‘Insights and Transformation Team’ on page 42 of the agenda:
 - Members asked that ‘weaknesses’ be described as ‘perceived weaknesses’
 - Regarding the demonstration of commitment of ‘Managers’ to risk management on page 42 of the agenda:
 - Members asked that where owned risks were

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- monitored and updated that any changes be 'circulated accordingly' to ensure that knowledge and learning was shared.
- Regarding the 'All Staff' narrative on page 43 of the agenda:
 - Members requested that this clarified that the council understood the nature of the different risks that could impact on its daily activities and goals.
- Regarding 'Procedure for Escalation and Delegation' on page 44 of the agenda:
 - Members requested the insertion that 'risks still needed to be reassessed regularly'.
- Regarding 'Risk Description' on page 47 of the agenda:
 - Members requested that the description of the risk be written as 'short and adequate'.
- Regarding recommendations when risks were being reviewed or considered on page 48 of the agenda:
 - Members requested that where 'risk owners were correctly identified' that they also fully understood the nature of the risk being accepted.
- Regarding the 'Risk Response Transfer' risk control on page 48 of the agenda:
 - Members asked that this be strengthened and include necessary action that needed to take place if the risk occurred.
- Members asked whether interpretation of risk management training was given to new employees.
 - The Business Intelligence and Change Manager responded that following agreement/adoption of the new framework, risk management training would be formulated for both new and existing staff.

AGREED:

After consideration of the Risk Management Framework by the Governance and Audit Committee:

- a) That the comments of the committee be noted; and
- b) That the Risk Management Framework be supported and recommended to the Cabinet for adoption.

38. CO-OPTED INDEPENDENT MEMBER REPRESENTATION ON THE GOVERNANCE AND AUDIT COMMITTEE

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Consideration was given to the report of the Assistant Director – Governance which asked members to consider Co-opted Independent Member representation on the Governance and Audit Committee.

The Assistant Director – Governance introduced the report and outlined the following main points:

- The background to the report which included that CIPFA best practice recommended that Local Authority Audit Committees contain at least two Co-opted Independent members; and
- That the report sought support of the Committee to recommend to Full Council that membership be amended to include up to two Non-Voting Co-opted Independent Members.

Members considered the report and made the following comments:

- Members stated that for optimum performance of the Committee, an assimilation of knowledge and skills was required by members and queried whether the appointment period for a Co-opted Independent Member of 'up to four years' was considered a sufficient duration.
 - The Assistant Director – Governance responded that the proposed (up to) four-year period of appointment coincided with the local government term of office and Co-opted Independent Members could reapply/be reappointed for a further term.
- Members welcomed the proposal and asked whether independent representation was in place for any other committee(s).
 - The Assistant Director – Governance responded that counterpart committees at BBC and ELDC included independent representation within their memberships, and that such committees had benefitted from this approach.
- Members asked whether Co-opted Independent Members would receive travel expenses and subsistence allowance.
 - The Assistant Director – Governance responded that:
 - Any Co-opted Independent Member allowance needed to be approved by an Independent Remuneration Panel and

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- approved at Full Council; and
 - Different approaches existed within the partnership in respect of such allowances.
- Members asked whether the role(s) would be advertised publicly and whether applicants would be required to hold relevant qualifications.
 - The Assistant Director- Governance responded that:
 - Subsequent to approval of the proposed amendment at Full Council, a recruitment pack, which included a specification for the role, would be brought forward to the next scheduled Governance and Audit Committee meeting for consideration;
 - Whilst qualifications were not essential, the specification for the role would include skills and experience in key areas covered by the Committee's remit: such as Finance, Risk Management, and Internal Audit; and
 - Following approval of the recruitment pack by the Governance and Audit Committee, the role would be advertised publicly.
- Members asked whether appointed Co-opted Independent Members could be subject to a probationary period.
 - The Assistant Director – Governance stated that the terms proposed to Full Council could include an element of appointment flexibility relating to performance in areas such as attendance and engagement.

AGREED:

After consideration of the report by the Governance and Audit Committee:

- a) That amendment to the membership of the Governance and Audit Committee to include up to two Non-Voting Co-opted Independent Members; and that appointment to these positions be delegated to the Governance and Audit Committee, with each appointment (which included any re-appointments) to be for a term of up to four years, be recommended to Full Council; and
- b) That, at the request of the Governance and Audit Committee, the Independent Remuneration Panel be approached in respect of their views regarding Co-opted Independent Member allowances.

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39. GOVERNANCE AND AUDIT WORK PROGRAMME

Members considered the report of the Democratic Services Manager which set out the Work Programme of the Governance and Audit Committee.

The Democratic Services Officer introduced the report and updated the Committee on the following:

- In respect of Appendix A, the following items had been rescheduled from the current meeting to meeting to be held on 14 March 2024:
 - Progress Report on Internal Audit Activity 2023/24; and
 - Unaudited Financial Statements including Annual Governance Statement 2022/23.
- Appendix B detailed the training record of the Committee:
 - The 'self-assessment exercise', led by the Scrutiny and Policy Officer, was scheduled to take place on 14 March 2024 at 5pm.

Members considered the update and made the following comments:

- Members noted the busy agenda schedule for the 14 March 2024 meeting and requested that draft reports be circulated to all Governance and Audit Committee members in advance of agenda publication where possible.
- Members were aware that a survey would form part of the 'self-assessment exercise' on 14 March 2024 and asked that this be circulated to all Governance and Audit Committee members in advance of the session.
- Members referred to Appendix B and asked whether training undertaken prior to the current administration could be repeated, particularly in respect of Unaudited Financial Statements and Pensions.
 - The Democratic Services Officer responded that:
 - Unaudited Financial Statements training would be scheduled by PSPS Finance colleagues prior to the report coming forward to the Committee; and
 - Pensions training would be investigated.
 - The Assistant Director – Governance confirmed that

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internal training could be repeated.

AGREED:

That the Work Programme of the Governance and Audit Committee be noted.

40. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT.

There were none.

(The meeting ended at 5.41 pm)

(End of minutes)