



SOUTH NORFOLK FINANCE, RESOURCE, AUDIT AND GOVERNANCE COMMITTEE

Minutes of a meeting of the South Norfolk Finance, Resource, Audit and Governance Committee of South Norfolk Council, held on Friday, 20 January 2023 at 9.30 am.

Committee Members Present: Councillors: S Ridley (Vice-Chair, in the Chair), C Brown, K Kiddie, T Laidlaw and N Legg

Apologies for Absence: Councillors: P Hardy (Chairman), B Duffin and C Hudson

Cabinet Member in Attendance: Councillor: A Dearnley

Officers in Attendance: T Holden (Managing Director), P Courtier (Director of Place), D Lorimer (Director of Resources), R Fincham (Assistant Director of Finance), C Lawrie (Assistant Director of Transformation and ICT/Digital), F Haywood (Head of Internal Audit), S Carey (Strategy and Intelligence Manager), J Brown (Finance Manager), E Voinic (Internal Audit Trainee) and J Hammond (Democratic Services Officer)

Also in Attendance: S Burrell (The Development Director for Big Sky)

Other Members in Attendance *For minute item 320 only:*
M Dewsbury, Ellis, T Holden, J Hornby, K Mason-Billig, S Nuri-Nixon, I Spratt and A Thomas

312. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs Duffin, Hardy and Hudson.

313. DECLARATIONS OF INTEREST

No declarations of interest were received.

314. MINUTES

The minutes of the meeting of the Finance, Resources, Audit and Governance Committee held on 7 October 2022 were confirmed as a correct record.

315. STRATEGIC RISK UPDATE

Members considered the report of the Strategy and Intelligence Manager, which provided an overview of the current position in terms of Strategic Risk for South Norfolk Council.

The Strategy and Intelligence Manager outlined the salient points of the report, drawing attention to the changes in the status of risks and additions to the register, since the last update to the Committee.

Members noted that two risks had been de-escalated or removed since the last update to the Committee, these were:

- SNC A1 – risk of failure of our ICT Infrastructure

This risk had been closed and removed from the risk register as the mitigating actions had now been completed

- SNC SI1 – risk of the council being unable to respond effectively to further waves of the Covid-19 Pandemic

This risk had been de-escalated and removed from the risk register as the risk was now within an acceptable range. The risk continued to be monitored at an operational level.

Discussion turned to the three new risks which had been added onto the risk register since the last update to the Committee, these were:

- SNC SI14 – risk of insufficient private and social housing stock to meet growing demand on the Council and Temporary Accommodation
- SNC P2 – inability to find Gypsy and Traveller sites to meet the need and enable the Greater Norwich Local Plan (GNLP) to be found sound
- SNC SI15 – impacts on demand for council services as a result of the cost-of-living crisis

With regard to risk SNC P2, one member queried whether this risk should be downgraded, considering that sufficient sites had been identified to progress to a public consultation. The Director of Place explained to the Committee that whilst sufficient sites had been identified, they had not yet been agreed, which meant that there was a possibility that a site could be reclassified as 'unsuitable' following the consultation exercise. As such it was considered that this risk could not be removed from the register at this stage.

Discussion turned to Big Sky, where it was noted that Big Sky was not included in the current register, despite the added risks posed by nutrient neutrality on its ability to develop properties. One member felt that Big Sky's score on the Council's risk scoring matrix should be sufficient enough to warrant its inclusion on the register. The Head of Internal Audit agreed that a risk should be considered, as agreed by Big Sky as part of the Internal Audit position statement, she explained that its exclusion could be as a result of a timing issue as the

register presented to the Committee related to quarter 2. With regard to Big Sky's risk score, the Head of Internal Audit explained that it was for CMLT to evaluate the risk score and the Committee should consider that Big Sky did not represent the totality of the Council's investment risk. The scoring of the risk should therefore be scored to reflect the amount of risk to the Council achieving its overall aims and objectives.

The Director of Place updated members on the progress made with regard to nutrient neutrality mitigation. He explained that Cabinet had agreed to the creation of a Joint Venture who would source a portfolio of mitigations, which would then be sold as credits to developers to enable them to demonstrate their housing schemes were nutrient neutral. He further advised that the Joint Venture was due to 'go live' in April 2023 with a phasing in of schemes.

One member queried the risk of industrial action by the Council's staff, in light of the recent strikes held by other public sector workers. The Assistant Director of Finance advised members that the Council had already agreed its pay deal for 2022/23, with the negotiations for the 2023/24 pay deal starting. It was considered too early to judge whether industrial action was likely to occur. Members were also advised that funding for an increase in salary costs had been put aside in the upcoming budget.

The Committee thanked officers for the changes that had been made to the layout of the Strategic Risk Register, which they felt had greatly improved the understanding and tracking of risks.

It was then

RESOLVED

To note the Strategic Risk Register update for the Council.

316. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Members considered the report which reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2022/23 during the period 27 September 2022 to 11 January 2023.

The Head of Internal Audit explained that since the plan's approval in March 2022, the SNC2316 Network Security and Infrastructure Management audit had been deferred to 2023/24, as a security posture review had recently been completed to provide third party assurance over the controls. In order not to duplicate the work, the audit would be rescheduled post the move to the Horizon Centre.

Members noted that during the period of the report, 82 days of programmed work had been completed which equated to 52% of the Internal Audit Plan for 2022/23, and that two reports (Community Assets and Community Activity) had been issued, with 11 recommendations raised by Internal Audit. No Operational Effectiveness Matters had been proposed to management for consideration.

One member queried why Community Assets had not previously been audited. The Head of Internal Audit explained that as part of the audit planning process she spoke with all services to assess their needs and ascertain where assurances were required. She added that a tree incident at another Council had prompted the audit to provide assurance over the strength of relevant controls.

Turning to section 5 of the report regarding the outstanding internal audit work from 2021/22, the Head of Internal Audit explained that the report regarding Cyber Security had now been issued and formal management responses provided. She further confirmed the full and final report should be circulated to the Committee as a limited assurance grading overall had been concluded.

The recent cyber-attacks at the Post Office were highlighted by members and it was queried whether the number of attempts to access the Council's servers had increased. The Assistant Director of ICT/Digital and Transformation informed members there had not been any increase in the number of attempts made against the Council. However, it was agreed that the likelihood of this happening had increased, and as such had been reflected within the Strategic Risk Register.

She further reassured members that recent penetration tests carried out had prevented access to the network. The Council's policies relating to cyber security were in the process of being reviewed and strengthened and additional training was due to be provided to officers.

The Head of Internal Audit informed the Committee that the risk management position statement had been completed and the findings would be shared at an informal briefing, to be scheduled soon.

Moving on, the Head of Internal Audit drew members' attention to Appendices two and three of the report which detailed the status of agreed internal audit recommendations and outstanding recommendations for 2020/21 and 2021/22. She highlighted that the number of outstanding recommendations was higher than at this time last year. It was agreed that she would continue to monitor the situation and feedback to the Committee as required.

It was unanimously

RESOLVED

To note

1. The report on progress in relation to the completion of the Internal Audit Plan for 2022/23
2. The position in relation to the completion of agreed internal audit recommendations as at 11 January 2023.

317. FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE – INDEPENDENT PERSONS

The Head of Internal Audit presented the report which outlined the proposal for

appointing Independent Person's to the Finance, Resources, Audit and Governance (FRAG) Committee.

Members were reminded that at a meeting of the FRAG Committee in 2019 it was agreed that there were benefits to be gained from having an Independent Person on the Committee. However, it was not felt necessary to progress at that time.

Since that meeting in 2019, CIPFA had released further guidance which stipulated that *"Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise"*

The Head of Internal Audit informed the Committee that whilst it was not yet a legislative requirement to appoint Independent Persons onto the Committee, two other district Councils in Norfolk had appointed independent persons to their Audit Committee, those being Breckland Council and Norwich City Council. Both Councils offered a modest committee attendance allowance together with reimbursement for travelling and subsistence expenses.

A number of members queried what criteria would be used to evaluate the suitability of candidates. The Head of Internal Audit explained that she would work in collaboration with the Committee to determine the criteria used. She added that the criteria would likely look to fill any perceived skills gaps and add desirable qualities or diversity to the Committee. It was also considered that different sector risk management experience or commercial experience would also be beneficial. Officers clarified that the Independent Person should not currently be involved in the running of the Council as either a Councillor or employee.

Members further queried what role the Independent Person would have on the Committee. They were informed that the Independent Person would have an advisory position only and would not be a voting member of the Committee.

In response to a query regarding the likelihood of finding a suitable candidate for the role, the Head of Internal Audit speculated that suitable applicants may become harder to find in the event that it became a legislative requirement and more local authorities began seeking candidates.

Discussion turned to the best time to appoint an Independent Person onto the Committee. It was noted that whilst there was stability in terms of the makeup of the Committee, there could be a number of changes made to the membership following the District Elections in May 2023. Members considered that there was benefit in waiting until after the elections, when the Committee membership was known, and potential skill gaps assessed.

With regard to the options available to the Committee, the Assistant Director of Finance summarised that the Committee could make one of three recommendations to Cabinet/Council, those being:

1. Recommend that steps be taken to appoint an Independent Person now (as outlined in the recommendation)
2. Recommend that no Independent Person be appointed onto the FRAG Committee at this time

3. Recommend that the proposal be investigated further, will a look to appointing an Independent Person in the future, potentially after the District Elections

Members expressed their support in principle for appointing an Independent Person onto the Committee and endorsed the potential benefits this would have. But it was felt that further investigation was required before candidates were sought.

It was then

RESOLVED

To recommend to Cabinet and Council that steps be taken to fully investigate the appropriateness of appointing an Independent Person to the Finance, Resources, Audit and Governance Committee

318. FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

Members noted the Finance, Resources, Audit and Governance Committee's Work Programme.

The Head of Internal Audit suggested that Democratic Services would be best placed to produce the Annual report of the FRAG Committee instead of Internal Audit. It was agreed that officers would consider outside of the meeting who was best placed to deliver the report.

The Assistant Director of Finance updated members on the progress made by Ernst & Young in finalising the Statement of Accounts for 2020/21. He explained that he was optimistic the accounts would be brought to the Committee at its meeting on 24 March 2023, but that he could not guarantee they would be ready.

319. EXCLUSION OF THE PRESS AND PUBLIC

It was

RESOLVED

To exclude the public and press from the meeting under Section 100A of the Local Government Act 1972 for the following items of business on the ground that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act (as amended)

320. FUNDING COMMITMENT FOR THE BIG SKY BUSINESS PLAN

The Development Director and Managing Director presented the Big Sky Group Business Plan and proposed funding commitment, where they advised the Committee of the following:

- The governance structure of the Big Sky Group

- A summary of the key priorities within the plan
- The budgets for Big Sky Property Management Ltd and Big Sky Developments Ltd, including projected profits or losses.
- Housing delivery for 2020 to 2030
- Funding requirements
- Equity and loan position.

The Assistant Director of Finance outlined the role of South Norfolk Council as the Shareholder and Lender for Big Sky Group, which included the main responsibilities:

- Agreeing the level of resources invested in the company, and the terms of these investments.
- Ensuring its investments comply with its key Investment Principles of Security, Liquidity and Yield.

He then advised members of the implications the business plan and funding requirements had on South Norfolk Council as well as the potential risk and return of the three types of investment made to the Big Sky Group, which were:

1. Equity Shareholding in Big Sky Ventures Ltd
2. Loans to Big Sky Property Management Ltd
3. Loans to Big Sky Development Ltd

Following an in-depth discussion on the financial implications of the proposed funding commitment alongside questions relating to nutrient neutrality mitigation and the risks surrounding inflation, housing markets and the construction industry, it was unanimously

RESOLVED

To recommend to Council the approval of the proposed funding commitment for the Big Sky Business Plan.

Verbal Report

(The meeting concluded at 11.38 am)

Chairman