

## **Audit and Governance Committee**

Monday 24<sup>th</sup> April 2023

At 2:00 pm in the Council Chamber, The Cube, George Street, Corby, NN17 1QG

### **Members in Attendance:**

Councillor Andrew Weatherill (Chair)	Councillor Anne Lee
Councillor Kirk Harrison (Vice Chair)	Councillor Richard Levell
Councillor Jean Addison	Councillor Paul Marks
Councillor Valerie Anslow	Councillor Elliot Prentice
Councillor Ian Jelley	Councillor Russell Roberts

### **Also in Attendance:**

Mr Michael Whitworth (Independent Member)  
Paul Harvey (Grant Thornton – External Audit)  
Councillor Lloyd Bunday  
Councillor Matt Binley

### **Officers in Attendance:**

Janice Gotts	Executive Director of Finance and Performance (S151 Officer)
David Watts	Executive Director of Adults, Communities & Wellbeing
Kerry Purnell	Assistant Director of Housing and Communities
Claire Edwards	Assistant Director of Finance and Accountancy
Evonne Coleman-Thomas	Assistant Director for Strategic Housing, Development and Property Services
Rachel Ashley-Caunt	Chief Internal Auditor
Dean Mitchell	Chief Accountant
Dan Hannam	Interim Strategic Lead for Housing Property Services
Anne Ireson	Democratic Services Manager (Kettering)

## **99. Apologies for non-attendance**

Apologies for non-attendance were received from Councillor Mark Pengelly and Adele Wylie. It was noted that Councillor Valerie Anslow was acting as a substitute for Councillor Pengelly.

## 100 Members' Declarations of Interest

None.

## 101 Minutes – 20<sup>th</sup> February 2023

Updates on the following minutes were noted:

### Minute 95 – Audit Plan 2020- Corby Borough Council

Members noted that the original aim was to complete the audit by the end of April 2023. However, was taking longer than originally forecast for the Council and the auditors to work through necessary checks to finalise the audit report. It was hoped to bring the report to the meeting of the Committee to be held on 12<sup>th</sup> June 2023.

### Minute 98 – Presentation of Northamptonshire children's Trust Audit Reports 2021-2022

Follow-up relating to the Intelligent Client Function (ICF) recommendation was provided in item 04 of the agenda.

West Northamptonshire Council (WNC) had agreed that the Head of Internal Audit would attend the meeting as frequently as required. Feedback from WNC was expected but had not yet been received.

It was **agreed** to request the attendance of Jen Morris (Head of Audit and Risk Management WNC) at the next meeting of the Committee to be held on 12<sup>th</sup> June 2023, specifically in relation to the following key points:-

- Update on 2022/23 programme
- Progress and current position on 2023/24 programme
- Clarification of inconsistencies in identifying the relevant 2021/22 Head of Internal Audit opinion, as conflicting statements were made at the last meeting regarding three separate audit reports.
- An expected date for the 2022/23 Head of Internal Audit opinion. This was a source of assurance as it would feed into North Northamptonshire Council's (NNC) Chief Internal Auditor opinion.
- Progress on the development of a risk management approach and methodology and the "inadequate" report from Ofsted which needed to feed into the significant overspends. The Audit report was directed towards payments when it should have been fostering.

**RESOLVED** that the minutes of the meeting of the Audit and Governance Committee held on 20<sup>th</sup> February 2020 be approved as a correct record and signed by the Chair.

## 102 Withdrawal of Agenda Items

With the agreement of the Chair, it was noted that the following items had been withdrawn from the agenda and would be placed on the agenda for consideration at the next meeting of the Committee which was due to be held on 12<sup>th</sup> June 2023:-

08 – Statement of Accounts 2020-21 – Corby Borough Council

09 – Audit Results Update

### **103 Internal Audit Progress Report**

A report was submitted which provided the Committee with a progress update on the work of the Internal Audit team and the key findings from audits completed to date.

93% of the audit plan assignments for delivery by the in-house audit team were completed to at least draft report stage. The remainder were in advanced delivery stages and all outcomes would be reflected in the Annual Internal Audit Report for 2022/23.

Five further audit reports had been finalised since the last meeting. Key findings were summarised by the Chief Internal Auditor. These five audit reports were:-

- Payment Card Industry (PCI) Data Security Standard (DSS) – Advisory
- Contract Extensions – Good Assurance
- Planning Fee Income – Satisfactory Assurance
- Housing Repairs – Limited Assurance
- Housing Voids Management – Satisfactory Assurance

#### Housing Repairs and Voids Management

The Committee received a presentation from David Watts, the Executive Director of Adults, Communities & Wellbeing, Evonne Coleman-Thomas, the Assistant Director for Strategic Housing, Development and Property Services and Dan Hannam, the Interim Strategic Lead for Housing Property Services. The presentation gave information to members on reducing the responsive repairs backlog. It was noted that the presentation would also be delivered to Scrutiny.

During the ensuing debate on Housing Repairs, members raised the following issues, with the responses summarised in the table below:

<b>Issue</b>	<b>Response</b>
<p>Concerns were raised that most of Corby councillors' casework was in relation to housing repairs. The backlog was felt to be out of control.</p>	<p>There was considerable activity around staff recruitment to reduce the backlog. Understanding the challenge had been important. Performance monitoring would be important in future and a red flag would be raised if repairs started to creep up.</p> <p>Detailed work would be undertaken around investment, cyclical programmes and understanding what could be done so that houses did not need as much in the way of responsive repairs.</p>
<p>Red cards were being issued on the second visit, which could impact on the property as the asset was not being maintained.</p>	<p>Estates were being dealt with as a whole and advance advisory flyers sent out. Tenants were given the opportunity to rebook appointments. If access was not achieved after unsuccessful attempts to contact the tenant, then the Council needed to be able to move on and a red card would be issued.</p>
<p>An update was requested on the planned stores facility at Corby so the Council did not have to rely on local suppliers.</p>	<p>Implementation of a stores department was imminent, with first deliveries of stock to Corby now being received. It was hoped this would contribute to a real improvement in the backlog.</p>
<p>Surprise was expressed with regard to the "satisfactory" outcome for Voids Management which was now far in excess of 21 days.</p>	<p>Members' attention was drawn to a later agenda item which reflected on assurance opinions, particularly in relation to the mid-range. Voids Management had been assessed as amber on the scale of risk assessment and it was acknowledged that there were gaps. Weekly meetings were taking place and voids were regularly monitored, which gave a level of comfort that had resulted in the "satisfactory" outcome.</p>

<p>A question was raised on the number of repairs needed due to damage by residents or neglect of property. The view was expressed that it may take a year to get the backlog of repairs done and the budget available was questioned.</p>	<p>The number of jobs had been tracked for 9-10 months and the actual backlog of repairs was known. Tracking would continue. The backlog had remained relatively stable.</p> <p>Most tenants looked after their property, but some people caused damage. The Council tried to work with tenants to understand the challenges and vulnerabilities faced, which included working with tenants' groups.</p> <p>The budget depended on the type of jobs required. The extent of repairs required was not always known until access to the property was gained.</p>
<p>The impact on the lives of people affected by having to wait for repairs to be carried out can be great, eg boiler repairs, damp, etc.</p> <p>The Council needed to improve communication, particularly in respect of appointments. It was not automatically clear to tenants that repair staff may knock on their door if they were working in the area. The Tenants' Forum at Kettering was useful in the past, but minutes should be in the public domain and also communicated to Councillors. Councillors also needed to know which repairs would be done by the Council and which were the responsibility of the tenant.</p>	<p>A Tenants' Handbook was currently being drafted. This would clarify which items were the tenants' responsibility.</p> <p>The Council would do its best to ensure appointment time slots were convenient for tenants.</p> <p>The Council has a Tenant Advisory Panel which received updates on repairs.</p>
<p>Council housing was an asset to the Council, but someone's home first and foremost. The Council's approach to responsive repairs was welcomed and could include something similar for open spaces on estates.</p> <p>It was felt that, once the backlog had been resolved, the housing stock condition should be lifted and brought under better control.</p>	<p>The Housing Revenue Account (HRA) had some responsibility for open spaces. Wider open spaces may not be in the HRA and officers would need to speak to colleagues in Assets and Environment.</p>

To issue a red card to tenants after two visits risked tenants giving up trying to get a repair. If there was subsequently no contact the Council would not take any further action. Tenants may then let the problem drop, but it would potentially get worse. Also, the backlog would not reduce.

A query was raised as to whether, due to a lack of activity during Covid, budget underspend was carried forward to the following years. The Council needed to ensure there was a sufficient budget to carry out all repairs that were required.

Every effort was made to make appointments with tenants. There was a small cohort where the Council consistently could not gain access. The tenant enforcement team could help operatives to gain access. People may be vulnerable and may not understand the process.

The budget for a specific repair may not be known until it could be inspected. Costs of building materials and spare parts had increased. A significant proportion of the £900,000 budget was spent on retaining staff during the pandemic and employing additional staff. Retaining tradespeople was a big challenge.

Innovative creative work by tenants in properties, carried out without consent, could be problematic, including potential health and safety concerns. This type of work may result in additional costs to correct.

The plan to reduce the backlog had started. Officers were now looking at a package of focused work to help understand the budget implications and plan the work going forward.

Tenants needed to be encouraged to report repairs in a timely and appropriate manner. Communication was important in this respect.

Officers were working hard to seek a solution to the problem and would come back to the Committee with updates in future.

<p>Action taken to recruit a ring-fenced team to reduce the backlog was welcomed. Information was sought on the contractual basis of recruitment.</p> <p>Two questions were then raised;</p> <ul style="list-style-type: none"> <li>• reduction or entire elimination of the backlog within the stated time period</li> <li>• value for money in terms of the backlog of post-inspections.</li> </ul>	<p>Agency staff were used with a view to recruiting them into team vacancies in the future.</p> <p>Actions outlined in the presentation were just the first phase. The overall aim was to eliminate the backlog, but it was recognised that this may not be achieved within the timescale.</p> <p>Some of the challenges faced by trades people have historically been around acquisition of stock to complete the job. The availability of stock from the stores would help to complete more jobs in a day. There was a need to understand the efficiencies associated with having stores available.</p> <p>In terms of post inspections, a surveyor was included as part of the team. The Council would post-inspect a high proportion of jobs and would also look at tenant feedback.</p>
<p>Tenant feedback was important. A question was asked as the response rate and proportions of negative and positive feedback.</p>	<p>The Council was looking to start this project soon. Consideration had been given to ways of ensuring feedback across the repairs service as a whole and not just on the backlog. A suite of questions had been developed and the survey had been kept short and snappy. If a score did not meet a certain level, tenants could indicate whether they were happy to be called back.</p> <p>Tenants also could call if they were not happy with the job.</p>

The Chair stated he was encouraged by the presentation, the recent appointment of the Assistant Director, the considered plan that had been presented and the level of attention and focus on Housing Repairs. However, he indicated that the Council's situation regarding housing repairs on its stock of 8,000 properties, with over 4,000 outstanding repairs, was of serious concern, especially when compared with other local social housing providers which had not experienced the same problems. It was accepted that the Covid pandemic had caused many of these problems, but he felt the Council had been slow in its response.

The Chair also expressed concern regarding the regulatory impact, particularly in respect of the Register of Social Housing with the focus on tenant surveys and tenant perception, which was required to be reported on at the end of this year. Until satisfaction surveys and stock condition surveys were in place, the Council was at risk of being unable to report back to the Regulator. Ten of the measures were directly from tenants and 12 from the Council. If stock condition surveys were only being completed in Corby, and no programme was yet in place, the scale of the problem was large, and it would be important to eliminate the backlog quickly.

In response, members noted that it was important to contextualise backlog activity from 2020 onwards as there may be items reported in December, January and February of that year which should be considered. It was noted that 90% of repairs were now outside timescale. Other local social housing providers did not have the same stock profile as the Council, which was faced with additional problems because of both its stock profile and age of stock.

The Council was required to report to the Regulator from May this year. The risks were acknowledged, but if the Council reported on where it was and what was planned, the Regulator would understand that the Council was on a trajectorial journey. Although there were risks, there were also bonuses in letting the Regulator know what was planned to achieve improvement, which would include working with other organisations, communities and residents to establish an initial baseline to enable the Council to progress.

It was noted that, at present, there was no dedicated Housing Strategy for North Northamptonshire, but this was planned to be developed soon. There was a need to look at planning and priorities and ensure everything was done to a high standard. The HRA constrained what could be done, especially regarding a 30-year housing strategy. This was compounded by the housing crisis and stock depletion due to right to buy. The position remains challenging and a recognised risk.

Members then expressed views in relation to the housing market and it was suggested there was a need for the vibrance of the private sector but with the provision of housing with a purpose, ie Council houses. The importance of ensuring sufficient budget move forward was stressed.

Members felt they would like to see a breakdown of repairs and the method of tackling the backlog. It was noted that repairs were done on an estate-by-estate basis. However, repair requests were described by tenants in a variety of ways, so it was not always evident as to the type of repair required.

Making innovative ideas stack up financially within the current rules was a challenge. Interest rates were high in respect of borrowing, and so a variety of opportunities must be looked at. Business plans existed with slightly different investment strategies. Bringing them together was a priority, but it was a complicated process. This would enable the Council to move into a much bolder strategy around development. The Council did have examples where people were moved out of properties for significant investment projects. However, it was important to build up relationships with tenants so they could



be moved into a temporary property nearby to enable improvements to their property to be completed.

Members felt there was one HRA for North Northamptonshire and the Council needed to manage it as such, and not as separate Kettering and Corby HRAs. Advice was sought from the S151 Officer in this respect. It was noted that there was a medium-term financial plan this year which indicated a deficit for the Corby account for next year, part of which was due to inflationary influences coupled with the cap on rents. It was important to get this under control and look at how the Council prioritised within the HRA, and also look at the cost-effectiveness of the Capital Programme.

In terms of the Kettering account, a slight deficit was indicated for 2024/25 but much better by 2026/27 which was mainly due to how Kettering had financed its loans for the HRA. Corby's deficit did start to come down within this timescale but not as quickly as Kettering's. HRAs must be self-financing and housing stock income must finance new builds. Otherwise, the Council was faced with residents having to pay for the new builds for others and this should not be the case as their rental income should be used for maintenance and decent homes for them as residents, as opposed to new builds. Although it was acknowledged that the HRA presented a challenge, building the Housing Strategy should help give a better picture on general place-shaping, the variety of housing and its deliverability and give details on what the Council can achieve, together with partners, to ensure a range of housing is available for residents.

Debate then moved onto the subject of voids, which it was felt gave people a choice of a property and it was therefore important that this be looked at closely.

At this point, it was **Agreed** that officers should provide a short one-page summary to the Committee, including timescales, in connection with the major issues raised during the debate as follows:

- Adoption of the Housing Strategy
- A single HRA 30- year plan
- Consolidating neighbourhood budgets into a single HRA
- An update on regulatory requirements in connection with the Register of Social Housing, in particular the need to report by the end of 2023

Additionally, it was felt that these points should be included in the scope of next year's audit, and potentially placed on the strategic risk register.

The Executive Director of Adults, Communities & Wellbeing outlined actions taken by the corporate leadership team, together with the Executive, to enable more focus on Housing-related work. He also gave assurances that officers would work tirelessly and that the Portfolio Holder would also be included and kept fully informed as work progressed.

Debate then ensued on the age of stock, which it was felt created additional problems. It was felt that new stock for the future was an important issue to bear in mind. Also, as an authority with responsibility for Housing, the Council must also take into account that there were thousands of people on the

housing list for accommodation, which was another issue to look at as part of the Housing Strategy. Members noted that funding mechanisms through the HRA make it difficult to undertake new builds, and this was a problem nationally as well as locally.

In response to a question regarding right to buy receipts and the timescales for these to be spent, it was noted that officers were working with finance colleagues to ensure this money was not lost, as there was a staggered opportunity over the next two and a half years to use these receipts. However, it was noted that spending receipts within the rules was becoming more challenging. In an ideal world, people would get into a position where they would invest in older properties and this was where discounts were of significant benefit, but this did cause challenges because the Council could not directly replace that property. Refreshing and reviewing the housing stock would also involve working with social landlords in the area. Changes to legislation now gave the Council 100% of right to buy receipts but the cap on funding had not changed. The Council had lobbied and continued to lobby the government regarding interest rates and constraints within the HRA. If the government could lift the ability for the HRA to cross-fund in different ways, it would help the Council to deliver housing projects.

Members commented that there was also a need to work on a strategy for the whole of North Northamptonshire and not just look at housing needs in Kettering and Corby as there needed to be investment in other areas that did not have Council housing stock.

The remainder of the Internal Audit Progress Report was summarised in respect of rolling risk reviews and the implementation of recommended actions. Members' attention was drawn to the high priority actions overdue for the more than three months, which were both in respect of the Intelligent Client function for the Children's Trust Audit 2021/22 and referred to more fully in Minute 101 of these minutes. It was noted that the latest status updates had been received at the end of March. These would continue to be followed up and it was hoped to have a confirmed timescale or further details at a future meeting.

Officers were thanked for their hard work in putting the report together. A suggestion was made that a list of recommendations at the end of each item could be included in future. It was noted that this had not been done previously but could be considered in future subject to further discussions with the Chair and Deputy Chair.

Officers in attendance were thanked for their presentation.

**RESOLVED** that the progress report attached as Appendix 1 to the report be noted.

#### **104 Internal Audit Plan 2023/24**

A report was submitted which provided the Committee with the draft Internal Audit Plan for 2023/24 for review and approval.

It was noted that members of the Audit and Governance Committee had met with the Chief Internal Auditor and Section 151 Officer last month, which was felt to be a useful exercise in relation to the internal audit development process and the areas that would be highlighted as part of the audit plan.

The Internal Audit Plan had been developed in accordance with the planning process presented to the Committee in November 2022 and in line with the requirements of the Public Sector Internal Audit Standards. The plan would remain subject to ongoing review to ensure it remained focused on the Council's key risks and continued to add value. Preparatory work undertaken was outlined.

Resourcing the new Internal Audit service was ongoing with new staff appointments being made. Arrangements to ensure flexibility and specialisms within the team were outlined.

The following points were raised during the debate:-

- Time and budget allocated for audits, from planning to conclusion, particularly in relation to the review for the Children's Trust
- The reserve list and the potential inclusion of absence management on the audit plan for the year to give this topic more priority
- Embedded assurance was welcomed and clarification on output expected was sought
- Adequacy of resources and future recruitment
- Right to buy applications, buy backs and discounts of up to £87,000 offered

It was noted that time allocated for individual audits was considered adequate. The Council was only required to look at the governance around the Children's Trust, and so was not a full audit of the Children's Trust itself, which was subject to their own audit plan. The Chief Internal Auditor felt there was sufficient time and budget allocated to this audit.

In relation to inclusion of absence management, based on conversations with management, this was not felt to be a significant risk area at this time. Absence management would be a comprehensive review and something would need to be taken out of the audit plan if absent management was prioritised for inclusion.

Embedded assurance was explained as a process that was pioneered with the previous shared service, which gave committee engagement throughout every key gateway of the life cycle of the project. This could be done on an ad hoc basis or at the right time to report.

The Committee noted that the plan was based on the level of resources available and took into account future planned recruitment.

It was noted that right to buy discounts were a national requirement.

The Chair thanked those members of the Committee who had attended the Audit Planning meeting in March.

**RESOLVED** that:-

- (i) the Internal Audit Plan for 2023/24 be approved, as provided in Appendix 1 to the report; and
- (ii) In-year amendments to the Internal Audit Plan 2023/24 be delegated to the Executive Director of Finance and Performance (S151 Officer) as necessary, in consultation with the Chair of the Audit and Governance Committee.

**105 Internal Audit Charter and Strategy**

A report was submitted which sought the Committee's annual approval of the Internal Audit Charter and Strategy.

It was noted that the Charter and Strategy was approved by the Committee last year and the content and format had been fully reviewed. The content remained consistently aligned with the Public Sector Internal Audit Standards and elements agreed at the last review.

As part of the review, some changes were proposed in terms of the assurance opinion definitions. It was proposed that the assurance category of "satisfactory assurance" be removed and replaced with "moderate assurance". This was considered to better reflect the level of findings associated with this category and avoided potential interpretation that the control environment was acceptable without further action.

A change to the organisational risk categories was also proposed from "major", "moderate" and "minor" to "high", "medium" and "low" to better align with standard risk management frameworks and terminology.

The changes proposed were welcomed by the Committee.

Discussion was held on consistent delivery against the performance target of reports being issued within 10 working days. It was noted that this could be factored in, but this target was generally being met and it was agreed that no additional performance indicator was considered of value.

**RESOLVED** that the Internal Audit Charter and Strategy as provided in Appendix 1 to the report be approved.

**06 Strategic Risk Register Update**

A report was submitted which provided the Committee with a quarterly update on the Council's Strategic Risk Register entries.

The report gave a brief overview of updates since the last meeting of the Committee in relation to Risks 02, 08 and 13.

Feedback from the Committee was sought on its preference for two risk register entries it wished to prioritise for coverage in the rolling Internal Audit risk reviews over the next six months.

Concern was expressed that OFSTED were being used both as a control and source of assurance in relation to Risk 01. It was agreed that the Chief Internal Auditor would take this comment back to the risk owners and management. Further work in respect of the Intelligent Client Function was required, and this may result in a further list of controls.

During debate, the following priorities for rolling risk register reviews were suggested:-

- Failure to Safeguard Vulnerable Adults
- Inability to Remain within Budget in the current year
- Housing (not currently on the risk register but raised by the committee for consideration)

It was noted that the Head of Internal Audit from West Northamptonshire Council would be invited to the next meeting in relation to the Children's Trust Audit for 2022/23. Safeguarding had been the subject of Committee training prior to the meeting and would be continued prior to a future meeting and was therefore ongoing.

Members acknowledged that high interest rates, inflation and the global economic situation impacted all authorities, organisations and individuals across the country which could not have been planned for when the Council's budget was set. In terms of controls and mitigations, the Scrutiny Committee provided internal arrangements to look at the authority's finances and in-year mitigations to ensure spending was reduced as much as possible whilst ensuring services were delivered to residents and organisations. These would then be built into next year's budget. There had been surprises this year and the Children's Trust was a significant issue for the Council. There was a need to ensure the Council was operating in line with the contract and also ensure it safeguarded children's wellbeing as well as safeguarding the child. The Council was working with Trust and West Northamptonshire Council on looking at placements and the overall wellbeing of children. The number of cases of children in need and looked-after children were rising.

Forecasting children's services was problematic, but the Council was also working with the Children's Trust around its forecasting model. There needed to be a better understanding of services and costs to make sure the forecasting was clear.

Members also raised the question of legacy legal claims at item 13, but subject to clarification by the Head of Legal Services, it was thought these were not major claims.

It was agreed that the Committee's concerns regarding the Budget should be noted at this time.

It was noted that it would be useful for officers to have a steer on specific areas of risk in relation to Adult Social Care as this was a broad subject. It

was agreed that the scope of the rolling risk review would be based on the entries included in the risk register.

**RESOLVED** that:-

- (i) the risk management update be noted; and
- (ii) Housing Strategic Risks and Adult Safeguarding be prioritised for coverage in the rolling Internal Audit risk reviews over the next six months.

**107 Withdrawn Reports**

Items 08 and 09 on the agenda were withdrawn and would be considered at the meeting to be held on 12<sup>th</sup> June 2023. A verbal update was given by the External Auditor and the S151 Officer on topics and issues that were scheduled for discussion at the June meeting.

**108 Urgent Business**

None.

(The meeting commenced at 2.00 pm and ended at 4.30 pm)

Signed .....  
Chair