



Improving Environmental Services and Corporate Governance – Achievements to date and planned further action

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Purpose of the Report

1. To update the Audit Committee on the response to the independent investigations in relation to the whistleblowing letter received in April 2021, the improvements made to date and planned further action in progress to improve corporate governance and control weaknesses within Environmental Services.

Forward Plan

2. This report appeared on the Audit Committee Forward Plan with an anticipated Committee date of May 2022.

Public Interest

3. There has been local and national public interest in the issues surrounding the independent investigations. It is in the public interest to report on the recommendations and progress being made to address them.

Recommendations

4. It is recommended that the Audit Committee:
 - a) consider and comment on the progress that has been made in addressing the recommendations, and the further planned actions;
 - b) consider if the committee would wish to receive any further progress reports

Background

5. On 22nd April 2021, the Leader of the Council and the former Chief Executive received a whistleblowing letter about the conduct of a number of council officers.



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6. The former Chief Executive commissioned the SWAP Internal Audit Counter Fraud team to conduct a fact finding investigation into the allegations. As a result of the findings from SWAP, the allegations were further investigated, and on 29th June 2021 in line with the Council's Disciplinary Process and the Council's Constitution, Mr Richard Penn was appointed as an Independent Investigator to conduct a disciplinary investigation into the former Director of Commercial Services and Income Generation.
7. The SWAP Counter Fraud Team continued investigating activities which related to policies and procedures within the Environmental Services Team, mainly at the Lufton Depot. A report was finalised on this in September 2021 and presented to the Director of Strategy, Support & Environmental Services.
8. Mr Penn presented his report to the Chief Executive in September 2021. A disciplinary process into the allegations against the former Director of Commercial Services and Income Generation followed, resulting in her summary dismissal.
9. In relation to the focussed investigation into issues in the Environmental Services team, it became apparent that there were several control weaknesses, which if left untreated could put the council at risk.
10. SWAP also identified instances where procedures and controls had been disregarded or bypassed, some of which negatively impacted the Council. These examples of disregard for Council policy were indicative of wider cultural changes needed within the service area.

Key Recommendations made

11. In addition to the findings about the behaviour of the former Director of Commercial Services and Income Generation, Mr Penn also found areas of corporate governance requiring improvement. He made the following recommendations.
 - a) The Council's policy on allowing senior managers and other employees to own and manage businesses or take on other paid work should be reviewed and clarified both at interview and in the conditions attached to appointment.
 - b) The Council's Code of Conduct should clarify and strengthen the provisions in respect of declarations of interest for gifts and payments in kind and for the declaration of related party transactions. Employees need to be clear what needs to be declared, when and to whom.
 - c) Training on the Code of Conduct (including the Principles of Public Life) should be compulsory for all staff as part of their induction, and should be refreshed when necessary, potentially on a yearly basis.
 - d) The Council's policy on allowing staff and elected members to use Council resources such as (but not limited to) the facilities at the Lufton Depot for their



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own benefit should be reviewed and strengthened, and the systems for invoicing and recording payment for such work should be similarly reviewed and strengthened.

- e) Agency contracts and suppliers should have to go through a procurement process and should be part of a preferred supplier list to ensure that personal relationships and any other connections are declared centrally. The use of agency and contractors at SSDC should be reviewed to ensure that the allocation of funds are in the best interests of the public and the Council.
 - f) The recruitment of family members and what should be declared should be part of SSDC's Recruitment Policy.
 - g) Corruption and bribery training should be a mandatory part of the induction process for all new employees and should be given to employees on a periodic basis, including a test of their understanding.
 - h) The financial process for using Procurement cards and expenses must be reviewed and updated to prevent the improper use of the facility.
12. In September 2021, SWAP Counter Fraud Team issued a control weakness report, which identified a number of recommendations, particularly in strengthening policies and procedures at Lufton Depot. A number of these were a duplicate of those identified in Mr Penn's report, but additional ones were:
- a) Review of all services delivered by the Lufton depot is undertaken to include all practices and processes that support each area of delivery.
 - b) Training and awareness should be provided to all staff to ensure they understand the importance of compliance with practices and processes and the risk to themselves and the Council if these are not followed.
 - c) The culture at the depot was also identified as a concern and work to develop and promote a more positive culture is also needed.
 - d) All leave is booked and approved through the Council's i-Trent, as a single record. Training, support and relevant technology should be provided to staff to ensure they are clear on expectations and are comfortable in using the system.
 - e) Consideration should be given to revisiting the amount of leave taken by staff in the current period through reconciliation between the records. Any adjustments to leave should then be made in line with the allocation stated in the employee's contract of employment.
 - f) The processes for vehicle checks and key sign-out should be enforced more strongly at Lufton Depot. This should apply to all fleet vehicles so that there is adequate audit trail on driver history in the event of issues arising.



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- g) Vehicle tracking should be consistently applied across the department to ensure good tone is set from the top at Lufton Depot and to ensure that there is adequate audit trail on driver history in the event of issues arising.
- h) Vehicle tracking information should be reviewed by a designated resource at an agreed interval. Journeys that fall outside of normal working parameters should be brought to the attention of a senior manager and further enquiries then made.
- i) Any breaches to working practices in relation to vehicle use, including unauthorised journeys and corrected odometers should be reported to the Director for Strategy and Support Services immediately.
- j) The Council should agree on a policy for taking work vehicles home overnight. Consideration should be given to the perceived advantages to the Council, any insurance implications and the responsibility for the safety of staff.
- k) Vehicles should not be used for private use during and outside of working hours. This should be reiterated to all staff and where breaches occur, these should be reported to the Director for Strategy and Support Services immediately.
- l) Staff should be reminded that property of the Council or hired equipment is not to be removed or used without prior approval from the Director for Strategy and Support Services. Communications or a written policy for staff guidance may be beneficial. Breaches to the above should be reported immediately to the Director for Strategy and Support Services.
- m) It should be ensured that Financial Regulations are complied with regarding disposals. This should include, where necessary, documented rationale, i.e., value for money and evidence of discussion with the Procurement and Risk Manager.
- n) Private works - The Council should decide on a stance regarding private works. Should these be allowed to continue, they must be declared and approved, where necessary by the Director for Strategy and Support Services, and not conflict with working arrangements or be done using work equipment, plant or vehicles.
- o) Employment contracts will also need to be reviewed and amended in line with the agreed approach.
- p) The Council should review the arrangement with the agency and consider its own Fair Recruitment Policy in this. Future posts should be filled using the correct process to ensure fairness and to avoid accusation and risk of favouritism.



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- q) A data cleansing exercise should be undertaken on the shared and local drives to remove any personnel files which would, if found, constitute a breach of Data Protection Regulations.
- r) All staff should be reminded of their individual responsibility to comply with the employee Code of Conduct and the Financial Procedure Rules. Training should also be provided to all staff on both.

Progress made to address the recommendations

- 13. Although SSDC has existing policies and procedures to mitigate against fraudulent activity where possible, this investigation has clearly identified some weaknesses that needed to be addressed to strengthen certain areas.
- 14. Two action plans have been developed to address the recommendations. The action plan and progress report in relation to Mr Penn's findings can be found at Appendix A. The action plan from the recommendations made by SWAP Counter Fraud Team can be found at Appendix B.
- 15. It seems that the culture at the Lufton Depot and potentially the rest of Environmental Services, has been impacted by the events that have occurred over recent years. The appointment of a new Environmental Services Manager, and the temporary long term transfer of a People Manager from within Strategy & Support Services to work at the Lufton Depot has made a considerable impact already. Both of these roles will work closely with the Director, and Assistant Director for Strategy, Support Services & Environmental Services to ensure this continues to improve.
- 16. Working closely with SWAP and a new multi-disciplinary team within SSDC, many changes as detailed in the action plan have already been implemented that should guard against similar breaches of the Code of Conduct and other SSDC policies, with the objective of also promoting a positive and transparent culture.

Next Steps

- 17. Senior Leadership Team and Senior Officers across the Council, in particular at Lufton Depot will continue to work to ensure the action plans are fully implemented. SWAP Internal Audit Services will follow up on the weaknesses identified through the investigation during Quarter 2 of 2022/23. Their focus will be to ensure the completion of the action plan to address the recommendations.

Financial Implications

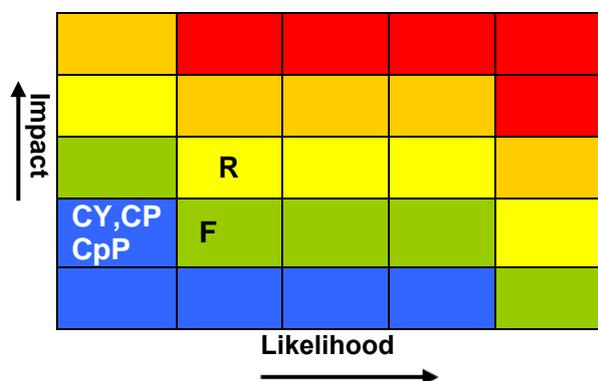
- 18. There are no new financial implications as a result of noting this report.



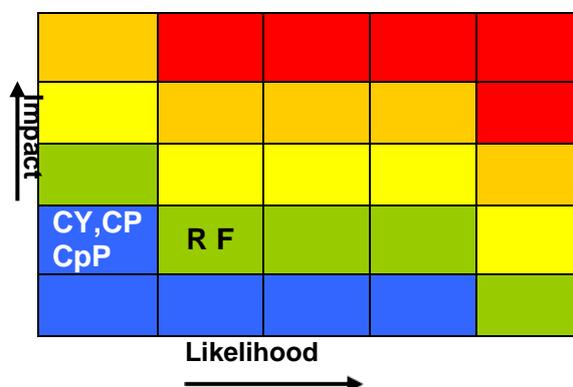
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Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key

| Categories | Colours (for further detail please refer to Risk management strategy) |
|---------------------------------|---|
| R = Reputation | Red = High impact and high probability |
| CpP = Corporate Plan Priorities | Orange = Major impact and major probability |
| CP = Community Priorities | Yellow = Moderate impact and moderate probability |
| CY = Capacity | Green = Minor impact and minor probability |
| F = Financial | Blue = Insignificant impact and insignificant probability |

Council Plan Implications

- Improving and strengthening corporate governance and Environmental Services enables the council to deliver better the priorities set out in the corporate plan.

Carbon Emissions and Climate Change Implications

- There are no carbon emissions or climate change implications in this report.

Equality and Diversity Implications

- There are no equality or diversity implications

Privacy Impact Assessment

- There is no personal information included in this report.

Background Papers

None