

Performance and Audit Scrutiny Committee

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held via **MS TeamsLive** remote meeting platform on **Thursday 27 May 2021** at **5.00pm**

Present

Councillors

Chair Ian Houlder

Vice Chair Karen Richardson

John Augustine
Victor Lukaniuk
Elaine McManus
Andy Neal

Robert Nobbs
Peter Thompson
Cliff Waterman
Phil Wittam

In attendance

Sarah Broughton, Cabinet Member for Resources and Performance

Mark Hodgson, Associate Partner, Ernst and Young LLP

47. **Substitutes**

No substitutions were declared.

48. **Apologies for absence**

Apologies for absence were received from Councillor John Smith.

49. **Minutes**

The minutes of the meeting held on 28 January 2021 were noted as a correct record and would formally be voted on at its meeting on 29 July 2021.

50. **Declarations of interest**

Members' declarations of interest are recorded under the item to which the declaration relates.

51. **Public participation**

No members of the public had registered to speak.

52. **Ernst and Young - Presentation of External Audit Plan and Fees (2020-2021)**

[Councillor Peter Thompson joined the meeting at 5.07pm during the consideration of this item].

The Committees received Report No: PAS/WS/21/005, from EY, the council's appointed external auditors, who were required to provide an audit plan, attached at Appendix A, which covered the work they planned to perform in order to provide the Council with:

- An opinion on whether the financial statements of the Council gave a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and
- A conclusion on the Council's arrangements to secure economy, efficiency and effectiveness (value for money).

Mark Hodgson, Associate Partner from EY presented the report, which summarised EY's assessment of the key risks which drive the development of an effective audit for the Council and outlined their planned audit strategy in response to those risks. Officers would be working with EY over the coming months to ensure that these risks were managed and where possible to come to an agreement over their treatment prior to issuing of the Annual Results Report, and Audit Opinion.

He drew Members' attention to the summary of audit risks set out on pages; pages 15 – 17 relating to new Covid-19 grant income, omission or understatement of NDR appeals provisions; group account consolidation; collection fund accounting and recoverability receivables (bad debt provision); page 18 relating to the materiality level which remained the same as last year at £1.991m and would be updated in July/August 2021 and pages 31 to 33 relating to value for money. The main change to the value for money conclusion was that EY would only need to report by exception.

It was reported that the Ministry of Housing, Communities and Local Government had put in place the Accounts and Audit (Amendments) Regulations 2021, that extend the statutory deadlines for the accounts relating to the financial years 2020 to 2021, and 2021 to 2022. Draft accounts needed to be prepared by 31 July instead of 31 May and the publication of the audited accounts moved from 31 July to 30 September.

Due to resourcing issues throughout the sector as well as the increased complexity around local authority accounts work, EY would not be in a position to issue the Audit Results Report by the end of September. Instead, they had set out a provision phasing plan to ensure that they were able to deliver both the 2020 to 2021 statement of accounts work and the housing benefits subsidy work they were responsible for. It was expected that the Audit Results Report would be presented to the Performance and Audit Scrutiny Committee in November 2021.

The Committee considered the report and asked questions to which responses were provided. In particular members sought clarification on the risks associated with "incorrect capitalisation of revenue expenditure" set out on page 15 of the report and "omission or understatement of NDR appeals provisions" on page 16 to which Mark Hodgson provided responses.

There being no decision required, the Committee **noted** the Provisional Audit Plan and Fees for 2020-2021, attached at Appendix A to Report No: PAS/WS/21/005.

53. Internal Audit Annual Audit Report (2020-2021)

The Service Manager (Internal Audit) presented Report No: PAS/WS/21/006 which provided members with an overview of the work carried out by Internal Audit for the year ending 31 March 2021.

The annual audit opinion, attached at Appendix A to the report, had been split into the four constituent elements of governance, risk, internal control and financial control with a specific conclusion drawn on each area as well as the direction of travel.

The council recognised that fraud, theft and corruption were an ever-present threat to the resources available in the public sector. Appendix B attached to the report demonstrated West Suffolk's progress in developing and maintaining an anti-fraud and anti-corruption culture and publicised the action taken where fraud or misconduct had been identified.

As a result of Covid-19, less 'direct' audit assurance work was carried out within the period than would normally be the case. However, the majority of the priority 1 and some of the priority 2 work included in the approved audit plan were completed as well as other significant work as set out in Appendix A. In response to a question raised regarding this, the Service Manager (Internal Audit) explained that any audits included within the 2020-21 audit plan, but not completed, had been considered for inclusion in the 2021-22 plan of work and included in that plan of work if this was deemed appropriate, based on a consideration of current risks.

The Service Manager (Internal Audit) then drew relevant issues to Members' attention. In particular that audit opinions given to individual audits were all either good assurance or reasonable assurance as set out on pages 65 – 66 of Appendix A.

The Committee considered the report and asked questions to which responses were provided.

In response to a question raised regarding the reopening of the "high street fund" set out on page 69 of the report, and whether this was the same as the new "welcome back fund", officers explained that they were not the same and that there were a number of different business funds currently in progress and being discussed with stakeholders.

There being no decision required, the Committee **noted** the Internal Audit Annual Report 2020-2021, attached at Appendix A and the Annual Fraud Report 2020-2021, attached at Appendix B to Report No: PAS/WS/21/006.

54. Outline Internal Audit Plan (2021-2022)

The Service Manager (Internal Audit) presented Report No: PAS/WS/21/007, which provided members with a proposed 2021-2022 Audit Plan, attached at

Appendix B. Attached at Appendix A to the report was the covering Internal Audit Plan Report.

The proposed Audit Plan was a risk-based plan of work for the internal audit team, which took into account the need to produce an annual internal opinion for the council which concludes on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control.

It was important that the audit plan was flexible and able to adapt to changing risks facing the council, thereby ensuring that audit resources were used where they would add maximum value. During the year, specific audits might therefore need to be taken out of the plan or added in, according to changing circumstances.

The Service Manager (Internal Audit) drew relevant issues to Members' attention.

The Committee considered the report and in particular discussed Brexit and whether this had an impact on audits. In response the Service Manager (Internal Audit) explained that the council was still working through the implications of Brexit but did not envisage this would have a significant impact on the council's audit work.

The Committee **endorsed** the Outline Internal Audit Plan for 2021-2022 for formal adoption at its meeting on 29 July 2021.

55. **2020-2021 Performance Report (Quarter 4)**

The Service Manager (Resources and Performance) presented Report number: PAS/WS/21/008, which set out the impact of Covid-19 and the Quarter 4 performance and financial outturn summary for the year ending 31 March 2021.

The Service Manager (Resources and Performance) set out the key headlines for the outturn position and referred to page 105 of the report, which showed the outturn position for the year 2020-2021. The position had improved from the previous position reported in Quarter 3. Funding of additional Covid-19 related costs had been achieved through the work of the council, utilising existing budgets, delivery of Covid-19 related initiatives with existing resources and external grants. This meant the year end position showed these variances to reduce to an overall impact of £1,359,000. The deficit would be funded largely from the previously agreed use of the in-year 2020 to 2021 New Homes Bonus allocation which was previously allocated to support strategic projects. The net deficit balance of £159,000 would then be funded from the council's general fund balance as the council closed the final accounts for 2020-2021.

The Service Manager (Resources and Performance) then referred to page 106 of the report, which set out a graphical representation on how Covid-19 had impacted the council over the year. The second graph showed the council's income had reduced by £8.6m, with increased costs of £3.6m giving an overall impact of £12.2m on the council's finances over the year. The first graph showed how the impact had been mitigated and reduced the overall

impact by £159k. The majority of which had been achieved from central government grants to cover some of the shortfalls and costs incurred, and the use of the New Homes Bonus and in-year efficiencies.

From a financial perspective, the council had spent £31.9m of its capital budget, out of a total of £83.6m for the year on Barley Homes and the Mildenhall Hub projects. The difference was due to the phasing of some of the capital projects, for example the Western Way Development, which had been carried forward into 2021-2022, and some of the invest for growth funds which had also been carried forward.

The earmarked reserves position at the end of the year was £37.6m, which had improved from where the council thought it would be by the end of the year. This was primarily due to the net under-utilisation of underspends on fleet phasing in terms of what's spent on vehicle replacements. As the council had not borrowed externally in the year this had meant the council did not have to fund as much as originally expected.

Attached to the Quarter 4 report were a number of appendices which set out in more detail the performance indicators and financial outturn for 2020-2021, as follows:

- Appendix A: Performance Indicators – Commentary
- Appendix B: Performance Indicators – Growth
- Appendix C: Performance Indicators – Families and Communities
- Appendix D: Performance Indicators – Housing
- Appendix E: Performance Indicators – Day to Day
- Appendix F: Income and Expenditure Report
- Appendix G: Capital Programme
- Appendix H: Earmarked Reserves
- Appendix I: Strategic Risk Register

The Service Manager (Resources and Performance) then referred to page 109 of the report which set out the financial summary and the key performance indicators, which showed the same trends as previously reported during the year. There had been significant hits on the council's key income drivers, for example, car parking income, trade waste and the Apex over the year. The debt position had been rising over the year, which had continued into the quarter 4 performance. The other key impact all the way through 2020-2021 had been the challenges faced with homelessness, temporary accommodation and bed and breakfast accommodation against the targets set back in 2020.

Members considered the report and asked questions to which responses were provided. In particular discussions were held on Barley Homes as set out in Appendix G (Capital Programme) regarding the revised budget for the year; the management of property units and whether these could be managed in-house; and the number of households in bed and breakfast accommodation. Officers explained they were working with landlords and the Anglia Revenues Partnership in managing evictions to try and avoid the use of bed and breakfast accommodation for people coming through the system.

In response to a question raised regarding whether there were any specific regulations for people setting up caravan pitches in back gardens, officers

indicated they would raise this matter with the planning and council tax services for a written response.

The Vice-Chair, Councillor Karen Richardson wished it to be minuted regarding the professionalism of the homelessness team who acted with speed in a recent homelessness case she had been involved in.

At the conclusion of the discussions, and there being no decision required, the Committee **noted** the:

- Impact of Covid-19 on the Council's current financial year 2020 to 2021.
- 2020 to 2021 Revenue and Capital positions as detailed in the report and appendices.

56. **Health and Safety Summary Report 2020-2021**

The Service Manager (Health and Safety) presented Report No: PAS/WS/21/009, which summarised the work carried out by the Health and Safety Sub-Committee during 2020-2021.

The summary report attached at Appendix A was produced to identify and document West Suffolk Council's health and safety performance and work carried out during the year to ensure legal compliance.

The Committee considered the report and asked questions. In particular discussions were held on whether incidents and accidents had increased during 2020-2021 due to Covid-19. In response the Service Manager (Health and Safety) explained that Covid-19 and not had an effect on the reporting of incidents and accidents, which had stayed the same when compared to previous reporting periods.

There being no decision required, the Committee **noted** the Health and Safety Summary Report 2020-2021.

57. **Annual Appointments to the Financial Resilience Sub-Committee and the Health and Safety Sub-Committee**

The Monitoring Officer presented report number: PAS/WS/21/010, which sought annual reappointments to the Financial Resilience Sub-Committee and the Health and Safety Sub-Committee.

The Constitution sets out that appointment of members to the Financial Resilience Sub-Committee and the Health and Safety Sub-Committee be undertaken at the first meeting of the Performance and Audit Scrutiny Committee, following Annual Council or following a review of the allocation of seats on committees during the year.

Attached at Appendix 1 and Appendix 2 to the report were the terms of reference for the Financial Resilience Sub-Committee and the Health and Safety Sub-Committee.

The Committee was asked to:

- 1) Recommend three members and one substitute member from the members of the Performance and Audit Scrutiny Committee to sit on the Financial Resilience Sub-Committee for the remainder of 2021-2022; and
- 2) Recommend six members and two substitute members from the members of the Performance and Audit Scrutiny Committee to sit on the Health and Safety Sub-Committee for the remainder of 2021-2022; and
- 3) Note that formal approval of the membership will occur at its meeting on 29 July 2021.

In considering the Conservative nominations for the Health and Safety Sub-Committee, the Monitoring Officer agreed to seek members and substitute members, following the meeting, with the Group Leader, which would then be brought back to the Committee on 29 July for formal approval.

At the conclusion of the discussions the following nominations were put forward as follows:

Financial Resilience Sub-Committee

- Councillors Ian Houlder and Elaine McManus (Conservative Group) wished to continue to serve as full members on the Sub-Committee.
- Councillor Victor Lukaniuk (The Independent Group) wished to continue to serve as a full member on the Sub-Committee.
- Councillor Robert Nobbs (Conservative Group) wished to continue to serve as the substitute on the Sub-Committee.

Health and Safety Sub-Committee

- Councillor Cliff Waterman (Labour Group) wished to continue to serve as a full member on the Sub-Committee
- The Monitoring Officer agreed to speak with the Leader of the Independent Group to see if Councillor John Smith wished to continue as a full member.
- Councillor Robert Nobbs (Conservative Group) wished to continue as a full member on the Sub-Committee. Councillor Elaine McManus wished to sit as a full member on the Sub-Committee to replace Councillor Karen Richardson. The Monitoring Officer agreed to seek two further full members, following the meeting with the Group Leader.
- The Monitoring Officer agreed to seek one substitute (Conservative Group) and one substitute (Independent Group) following the meeting with the relevant Group Leaders.

58. **Work programme update**

The Committee received report number: PAS/WS/21/011, which updated members on the current status of its rolling work programme of items for scrutiny during 2021 to 2021 (Appendix 1).

There Committee considered the report and there being no decision required, the Committee **noted** the update.

The meeting concluded at 6.27pm

Signed by:

Chair
