

# 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 19 November 2020** at **5.00 pm**.

Present            **Councillors**

**Chair** Ian Houlder  
**Vice Chair** Karen Richardson

John Augustine  
Mary Evans  
Victor Lukaniuk  
Elaine McManus  
Andy Neal

Robert Nobbs  
John Smith  
Peter Thompson  
Phil Wittam

**In attendance**

Sarah Broughton and Susan Glossop  
Mark Hodgson, Associate Partner, Ernst and Young LLP

**Observing the meeting**

Susan Glossop, Cabinet Member for Growth

22.    **Substitutes**

No substitutions were declared.

23.    **Apologies for absence**

Apologies for absence were received from Councillor Cliff Waterman.

24.    **Minutes**

The minutes of the meeting held on 30 July 2020 were confirmed as a correct record by the Chair.

25.    **Declarations of interest**

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

26.    **Public participation**

There were no members of the public in attendance on this occasion.

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**27. Ernst and Young - 2019-2020 Annual Results Report to those Charged with Governance**

[Councillor Karen Richardson joined the meeting at 5.15pm during the consideration of this item, and prior to the vote being taken].

The Committee received Report number PAS/WS/20/014, which presented the results from Ernst and Young's (EY) audit of the 2019-2020 financial statements for West Suffolk Council. The report set out issues they were formally required to report on to those charged with governance. EY were also required to report on the results of the work undertaken to assess the council's arrangements to secure value for money (VFM) in the use of its resources.

The councils' unaudited 2019 to 2020 Statement of Accounts, signed by the Chief Finance Officer (Section 151 Officer) on 9 July 2020, had been updated to reflect adjustments recommended by EY over this period as a result of their audit work. Members were informed that these adjustments did not affect the councils' overall financial position and were in most cases merely presentational changes.

At the time of writing the report, it was not anticipated that there would be any significant issues with the accounts and the auditor expected to issue an unqualified opinion on the financial statements for 2019 to 2020.

A copy of the Audit Results Reports dated 5 November 2020, attached at Appendix A to the report was presented to the Committee by Mark Hodgson (Associate Partner). Attached at Appendix B to the report was West Suffolk Council's Letter of Representation, on behalf of the Council in accordance with the audit of the financial statements for West Suffolk Council for the year ended 31 March 2020. EY had also now issued their final fee letter (Appendix C) in relation to the audit of the 2018 to 2019 financial statements. It was a requirement that the letter was presented to the committee in order to complete the formal reporting process.

Mark Hodgson presented the report and explained that the results report should be taken in the context of the impact of Covid-19, namely that the draft financial statements had wholly been produced during lockdown, and the whole of the audit had to be conducted remotely. There had been additional financial reporting considerations as a result of Covid-19 and therefore, additional audit procedures were required. The overall message was that the Committee could take a lot of assurance from the report and from EY's findings. He then drew the Committee's attention to the following key matters:

- 1) Page 18 (Changes in materiality) – EY was working towards an overall materiality assessment of £1.98m.
- 2) Page 19 (Status of the audit) – property, plant and equipment valuations: EY's valuers had now reported and EY had four audit queries with officers which were or were about to be responded too, which EY needed to conclude on.

- 3) Page 19 (Status of the audit) – Pensions liability – EY had now received the necessary assurances from the Suffolk Pension Fund auditor, and that had raised 3 factors which needed to be taken into account:
  - McCloud judgment – In July 2020 there was a remedy which impacted on how actuaries estimated the assumptions behind the liability, and that had seen a reduction in the liabilities of £252k.
  - There was a new pension challenge called the “Goodwin Case”, which had the effect of increasing the pension liability by £118k.
  - The audit of the pension fund found that that the pension fund assets were understated by £1.079m, of which West Suffolk’s share was 6.2% or £69k. This meant the pension fund liability would go down by £203k and that adjustment was now being amended by officers.
- 4) Page 19 (Status of the audit) – investment confirmations – there was still two outstanding queries and officers were chasing these with the necessary financial institutions.
- 5) Page 19 (Status of the audit) – payroll – This was now completed and there were no further matters to report.
- 6) Page 23 (Fraud risk) – EY had not identified any incidents of management override or financial misreporting as a result of EY’s procedures.
- 7) Page 30 (Pension liability) – This resulted in an adjustment of £203k.
- 8) Page 31 (Going concern disclosure) – Officers had provided a detailed going concern assessment which EY had proof reviewed and stress tested in order to get part assurance, with a specific focus on future reserves and liquidity of the Council to be able to continue to provide its services. EY’s conclusion was that this was robust and there were no further reporting requirements as a result of this work.
- 9) Pages 38 to 39 (Audit differences) – There were no unadjusted audit differences to report. Mr Hodgson concluded that he was therefore able to issue an unqualified opinion on the financial statements.
- 10) Pages 41 to 42 (Value for money) – There were no significant matters to report, which meant EY was able to issue an unqualified opinion on the value for money conclusions.
- 11) This year there was one specific representation which EY had requested in relation to the valuation of the West Suffolk Hub. At the time of incorporation into the Council’s accounts, the asset had not been subject to revaluation and as a result the value of the asset stated was not materially different from the cost.

Mark Hodgson concluded his presentation by stating the council was in a good place ahead of the 30 November 2020 deadline; there were lots of assurances set out in the report, and it had been a good audit process given the lockdown and remote working since April 2020 impacting on both the preparation and the audit of the accounts. He then wished to thank the Assistant Director (Resources and Performance) and her team for their assistance during the audit.

The Committee considered the report and asked questions to which Mark Hodgson duly responded. Discussions were held on the total audit fee code work in relation to the additional fees. The Committee noticed an anomaly in the calculation of the figures in an overcharge of £200. EY confirmed this was a typographical error and the council had not yet been invoiced for the fee work, and the additional fee figure would be corrected from £28,255 to read £28,055. However, the final agreed fee was still being worked through with officers.

Councillor Victor Lukaniuk then moved the recommendations, this was duly seconded by Councillor Karen Richardson, and with the vote being unanimous, it was:

**RESOLVED:** That

- 1) The External Auditors unqualified audit opinion, as of today (19 November 2020) on the Financial Statements for West Suffolk Council for 2019 to 2020 (Appendix A) attached to Report number PAS/WS/20/014, be noted.
- 2) The External Auditors had no matters to report on the council's arrangements to secure economy, efficiency and effectiveness in its use of resources, issued by the Auditor, (Appendix A) be noted.
- 3) The Letter of Representation on behalf of West Suffolk Council (Appendix B) attached to Report number PAS/WS/20/014, be approved, before the Ernst and Young Associate Partner issues his opinion and conclusion.
- 4) The Chief Finance Officer, in consultation with the Chair of the Performance and Audit Scrutiny Committee be given delegated authority to conclude the signing of the 2019 to 2020 accounts.
- 5) The Committee notes the Final Audit Fees letter (Appendix C), in relation to the audit of the accounts of St Edmundsbury Borough Council and Forest Health District Council for 2018 to 2019.

**28. West Suffolk Annual Governance Statement 2019-2020**

The Committee received Report number PAS/WS/20/015, which sought members approval of the draft West Suffolk Annual Governance Statement for 2019-2020, attached as Appendix A.

The Annual Governance Statement provided stakeholders with assurance that the Council had operated within the law and that they had met the

requirements of the Accounts and Audit Regulations 2015 and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The Annual Governance Statement accompanied the Statement of Accounts.

The draft Annual Governance Statement had been prepared by the Officer Governance Group and was West Suffolk Council's first annual governance statement.

The Assistant Director (Resources and Performance) drew the Committee's attention to the review of the effectiveness of the governance framework for 2019-2020, which concluded that arrangements continued to be regarded fit for purpose in accordance with the governance framework. Similar to last year, the Council had not raised any significant governance issues to disclose within the annual governance statement.

The Committee was asked to review and approve the draft Annual Governance Statement 2019-2020 prior to it being signed by the Chief Executive and the Leader of the Council.

The Committee considered the draft West Suffolk Annual Governance Statement for 2019-2020 and did not raise any issues.

Councillor Victor Lukaniuk then moved the recommendation, this was duly seconded by Councillor Phil Wittam, and with the vote being unanimous, it was:

#### **RESOLVED**

That the draft West Suffolk Annual Governance Statement 2019-2020, attached as Appendix A to Report number PAS/WS/20/015 be approved for signing by the Chief Executive and the Leader of the Council.

#### **29. 2019-2020 Statement of Accounts**

The Committee received Report number PAS/WS/20/016, which sought members approval of the 2019-2020 Statement of Accounts for the West Suffolk Council (Appendix A), in accordance with powers delegated to it under the Council's Constitution.

It was reported that the statutory requirements for the reporting and approval of the Council's annual financial statements were set out in the Accounts and Audit Regulations 2015. The regulations require the Council to submit draft accounts to its external auditors by 31 May each year, with approval of the accounts required once the external audit had been concluded by 31 July each year. Due to Covid-19 the government had issued regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 to amend the deadlines in relation to the 2019 to 2020 accounts. The revised dates were 31 August 2020 for the draft accounts and 30 November 2020 for the final approval and publication.

The results of EY's review of the accounts were provided in the Annual Results Reports, which were included on the Committee's agenda (PAS/WS/20/014),

along with a verbal update by EY giving their current position as of this evening (19 November 2020).

The attached Statement of Accounts (Appendix A) had been amended, as appropriate, to take on board issues raised by the audit process up to the date of distribution.

EY had confirmed this evening (19 November 2020) that the audit of West Suffolk Council had been substantially concluded and would be issuing an unqualified opinion on the financial statements and the value for money conclusion that the Council had made the appropriate arrangements to secure economy, efficiency and effectiveness in the Council's use of resources. This meant the Committee was in a position to sign the 2019 to 2020 Statement of Accounts off.

The covering report summarised financial highlights in 2019-2020; revenue and expenditure; capital expenditure; usable reserves; pensions fund; annual governance statement and payments to councillors.

The Assistant Director (Resources and Performance) drew the Committee's attention to a couple of key areas (financial highlights for 2019 to 2020) within the comprehensive income and expenditure account, the balance sheet and cash flow statement.

Since the agenda was published on 12 November 2020, a number of adjustments had been made in line with EY comments, such as the Mildenhall Hub and the Solar Farm adjustments. These had been worked through with EY in the new version, which would ultimately be signed off by the Chief Finance Officer, in consultation with the Cabinet Member for Resources and Performance, under delegated authority to make any changes that may be required up to the date of publication.

The Assistant Director (Resources and Performance) wished to thank EY and the council's finance team, as it had been a challenging time to carry out audits this year under a pandemic.

The Committee scrutinised the draft accounts in detail and asked questions on the pensions fund; the current deficit position, and the total short-term debtors to which comprehensive responses were provided.

The Chair on behalf of the Committee wished to convey its thanks and commended the Assistant Director (Resources and Performance) on the teams work involved in preparing the accounts.

Councillor Karen Richardson then moved the recommendations, these were duly seconded by Councillor Mary Evans, and with the vote being unanimous, it was:

**RESOLVED:** That

- 1) The Committee approves the 2019 to 2020 Statement of Accounts for West Suffolk Council (Appendix A), attached to Report

number: PAS/WS/20/016, in accordance with the powers delegated to it under the Council's Constitution.

- 2) The Chair of the Performance and Audit Scrutiny Committee signs the certification for the 2019 to 2020 Statement of Accounts on behalf of the Committee.
- 3) The Chief Finance Officer, in consultation with the Cabinet Member for Resources and Performance, be given delegated authority to make any changes that may be required up to the date of publication.

### 30. **2020-2021 Performance Report (Quarter 2)**

The Service Manager (Finance and Resources) presented Report number PAS/WS/20/017, which set out the Quarter 2 performance and financial outturn position for 2020-2021 up to 30 September 2020, and the impact of Covid-19; next steps and principles for future financial planning.

Since the outbreak of Covid-19 in the UK, a number of events had occurred which had had a significant impact on West Suffolk Council's financial position. Some of these had been restrictions imposed by Government that had affected West Suffolk Council's investments and services; and others had been announcements of Government financial support.

The Council had played its part in responding to Covid-19 in supporting businesses and the most vulnerable as well as running essential services. The monthly returns to the Ministry for Housing, Communities and Local Government had detailed the financial impacts of Covid-19, and generally the forecast impacts had remained consistent on a month by month basis. The latest submission showed a total impact of £11.2m (costs of £2.9m and lost income of £8.3m). However, it should be noted that these were required to be gross figures and therefore an element of the additional costs such as internal staff redeployment and costs savings had also been factored into the figures.

Through the work of the council and funding of these costs through existing budgets the current forecast showed these variances to reduce to a cost of £1.1m and has impacted on a number of our local performance indicators, most noticeably around housing and homelessness. Equally the income expected to be generated by the council in the current financial year through sales, fees, and charges and so on was expected to reduce by £6.8m.

The impact of Covid-19 was likely to be felt for years to come as the council will need to make provision in its medium-term budget plans for the impact on the collection fund deficits, and the replenishment of its earmarked reserves and general fund balances.

Attached to the Quarter 2 performance report were a number of appendices which set out the performance and financial outturn position for 2020 to 2021 up to 30 September 2020, 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

Members considered the report in detail and asked questions of the Assistant Directors, to which responses were provided, such as whether the council would be looking at new ways of working digitally and solar panels on business units. Detailed discussions were also held on:

**Appendix A:** (Income from entire property portfolio) – Members questioned the process regarding tenancy/lease renewals during the pandemic.

Members were informed that Hazels were the council's agents for industrial properties in Mildenhall under question. Hazels maintain dialogue with the council regarding their discussions with tenants on lease/tenancy renewals which was an ongoing process. Understanding the current difficulties for some businesses during the pandemic, tenants were encouraged to engage early in such discussions to explore what flexibility could be offered to support them in this process.

**Appendix C:** (Homelessness and the impact of Covid).

Members were informed that the Council still had a high number of people requiring accommodation. The Council had increased its winter weather provision and was supporting families so they could stay in their homes.

**Appendix C:** (Number of fly-tipping incidents recorded in West Suffolk) – Members asked how much was a fixed penalty notice?

Members were informed that the cost was £90.

**Post meeting note:** The above figure was given in error at the meeting. The actual cost was as follows - Any person issued a Fixed Penalty Notice for fly-tipping would have 14 days to comply by paying £200, which was reduced to £120 if paid within 10 days.

**Appendix E:** (Car park income) – Members asked whether the parking figures and fixed penalties reported were after costs, and if not, whether the figures could be reported separately.

Members were informed that the figures reported were purely income derived. Costs would need to be split between on and off-street parking.

In response to a question raised regarding the playpark on Great Heath Estate, Mildenhall and whether the monies which had been allocated to the project were protected, officers agreed to provide a written response.

At the conclusion of the discussions, the Committee **noted** the:

- Impact of Covid-19 on the Council's current financial year 2020 to 2021 (Section 1 of the report).
- Next steps and principles for future planning (Section 2 of the report).
- 2020 to 2021 Revenue and Capital positions as detailed in the report and appendices.

### 31. **Internal Audit Mid-Year Progress Report 2020-2021**

The Committee received Report number PAS/WS/20/018, which updated members on progress made against internal audit's 2020-2021 work plan approved by this committee in May 2020 and provided a flavour of the work undertaken in the year to date.

Attached at Appendix A to the report was the Mid-year Internal Audit progress report 2020-2021.

During the period, significant time had been spent by the audit team on supporting the council in its response to the impacts of Covid-19, as well as some redeployment of internal audit staff to assist other services.

It had always been the case that the 2020-2021 internal audit work plan needed to be fluid and flexible enough to respond to changing risks and priorities, particularly in the light of Covid-19. The fluid nature of the internal audit work plan was particularly demonstrated in the "added value" work which had always been concerned with using internal audit resources where the most impact could be achieved. An important added value area for the internal audit team to focus on was to support process around the payment of Covid-19 related grants to businesses, and therefore significant audit time had been spent in this area.

As a result of the above less audit assurance work had been carried out within the period than would normally be the case and therefore some re-balancing of the internal audit plan was necessary to work towards an annual internal audit opinion being issued at the end of the year.

There were no significant areas of concern to highlight from the audit work completed to date.

Members considered the report and did not raise any issues.

There being no decision required, the Committee **noted** the progress made against the 2020-2021 Internal Audit Plan.

### 32. **Delivering a Sustainable Medium-Term Budget**

The Committee received Report No: PAS/WS/20/019 which explained that at its meeting on 30 July 2020, the Performance and Audit Scrutiny Committee (PASC) supported Cabinet in the next steps and principles for future financial planning across the medium term. The approach was designed to enable the

council to respond effectively to changing circumstances whilst maintaining a medium-term focus on the council's financial sustainability.

The Committee was updated on the development of the flexible and responsive recovery plan, a plan that would continue to follow (and test) the agreed financial strategy and six key medium-term financial strategy themes.

It was reported that the in-principle medium term budget envelope, detailed in the February 2020 budget papers for 2021 to 2022 and beyond, already included the need to make significant savings across the medium-term financial plans. The impact of Covid-19 and the key budget assumption changes, as set out in section 2 of the report, were in addition to these saving requirements and had the council not experienced Covid-19, this committee would have still been receiving a report setting out the key assumptions and approach to addressing those savings requirements. The difference now was the scale of the saving requirements as a direct result of Covid-19 and the local and national recovery impacts.

Proposals and key budget assumptions to date, which were set out in Section 2 of the report. The net impact of the key assumption changes were included in Table 1 of the report. These changes gave rise to a budget gap of circa £1.0m for 2021 to 2022, £2.0m for 2022 to 2023, £3.0m for 2023 to 2024 and £3.4m for 2024 to 2025.

The committee at its January 2021 meeting would receive an update on the savings proposals and initiatives to address the budget gap set out in section 3 of this report. Cost certainty would play a particular focus on this year's budget process to enable, where possible, greater certainty of the council's financial plans given the volatility of income streams.

The Committee considered the report including the assumptions.

At the conclusion of the discussions, the Cabinet Member for Resources and Performance thanked the Assistant Director (Resources and Performance), and the finance team on the budget report, and members who had attended the budget briefings held on 16 and 17 November 2020.

Councillor Phil Wittam then moved the recommendation, this was duly seconded by Councillor Victor Lukaniuk, and with the vote being unanimous, it was:

**RECOMMENDED:**

That Cabinet be recommended to include the proposals as detailed in Section 2 and Table 1 at paragraph 3.2, of Report number PAS/WS/20/019, in the medium-term financial plans.

**33. Financial Resilience Report (September 2020)**

The Committee received Report number FRS/WS/20/003, which had been scrutinised in detail by the Financial Resilience Sub-Committee on 9 November 2020. The Service Manager (Resources and Performance) provided a verbal update on the Sub-Committee's consideration of the report,

which summarised the investment activities from 1 April 2020 to 30 September 2020.

It was reported that the total amount invested at 1 April 2020 was £29,900,000 and at 30 September 2019, £27,900,000.

The 2020-2021 Annual Treasury Management and Investment Strategy Statements, sets out the Council's projections for the current financial year. The budget for investment income for 2020-2021 was £142,141 which was based on a 0.65% target average rate of return on investments.

As at 30 September 2020, interest actually earned during the first six months of the financial year amounted to £54,297.81, against a profiled budget for the period of £71,070 a budgetary deficit of £16,772.69. The deficit related to continued low interest rates as a result of the Covid-19 pandemic which started in mid-March.

The report also included a summary of the capital borrowing budget 2020 to 2021; borrowing and income – proportionality; borrowing and asset yields; borrowing and temporary loans and other market considerations.

As at the end of September 2020, the Council had not had any additional external borrowing or temporary loans over the long-term £4 million loan.

The Sub-Committee had scrutinised the report in detail and asked a number of questions to which comprehensive responses were provided.

The Committee considered the report. In response to a question raised relating to the Brandon Leisure Centre development, officers explained the project was being funded from earmarked reserves and not external borrowing.

Councillor Andy Neal then moved the recommendation, this was duly seconded by Councillor Phil Wittam, and with the vote being unanimous, it was

**RECOMMENDED:**

**That subject to the approval of Cabinet and Council, the Financial Resilience Report – September 2020, being Report No: FRS/WS/20/003, be approved.**

**34. Local Government Ombudsman Annual Report 2019-2020**

The Committee received and noted Report number PAS/WS/20/020, which set out the background and context; number of complaints raised about West Suffolk Council; the outcome of complaints considered by the Local Government Ombudsman (LGO) and conclusions.

The LGO issues an annual report on its activity, which maps the volume and nature of complaints received across the Country. Each Council was also issued with its own performance report. The report presented to the Performance and Audit Scrutiny Committee informed members on the

outcome of the complaints considered by the LGO during the first year of West Suffolk Council.

Attached to the report were two appendices:

- Appendix 1 set out the cases which the LGO had upheld against West Suffolk Council during April 2019 to March 2020; and
- Appendix 2 set out the cases which the LGO upheld against the former St Edmundsbury Borough Council which had not been concluded by 1 April 2019.

Whilst four cases were upheld this year, this remains a very small number in the context of the many thousands of people that the Council interacts with each year. Overall, the number of complaints made to the LGO about West Suffolk Council was consistent with other authorities of a similar size and the Ombudsman was satisfied the Council had taken the necessary steps following their investigations.

The Committee considered the report and did not raise any issues.

### 35. **Work programme update**

The Committee received Report number: PAS/WS/20/021, which updated members on the current status of its rolling work programme of items for scrutiny during 2020-2021 (Appendix 1).

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

The meeting concluded at 7.05pm

**Signed by:**

**Chair**

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