

Performance and Audit Scrutiny Committee

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 18 November 2021** at **5.00pm** in the **Conference Chamber, West Suffolk House**, Western Way, Bury St Edmunds IP33 3YU

Present **Councillors**

Chair Ian Houlder
Vice Chair Karen Richardson

John Augustine
Nick Clarke
James Lay
Victor Lukaniuk
Andy Neal

Robert Nobbs
Peter Thompson
Cliff Waterman
Phil Wittam

Substitutes attending for a full member
Stephen Frost

In attendance
Sarah Broughton, Cabinet Member for Resources and Property

78. **Substitutes**

The following substitution was declared:

Councillor Stephen Frost substituting for Councillor Elaine McManus.

79. **Apologies for absence**

Apologies for absence were received from Councillor Elaine McManus.

80. **Minutes**

The minutes of the meeting held on 30 September 2021 were confirmed as a correct record and signed by the Chair.

81. **Formal decision making on 'minded to' decisions**

Taking into account the 'minded to' decisions made during the non-decision-making virtual meeting of the Performance and Audit Scrutiny Committee held on 30 September 2021, the Committee was required to formally resolve the following matters:

1. Minutes of the meeting held on 29 July 2021.

2. Regulation of Investigatory Powers Act 2000 – Annual Report and Review of RIPA Guidance.

It was then proposed by Councillor Robert Nobbs, seconded by Councillor Victor Lukaniuk, and with the vote being unanimous it was:

RESOLVED:

That:

- 1) The minutes of the meeting held on 29 July 2021, be confirmed as a correct record, and signed by the chair.
- 2) The Council's RIPA Guidance, taking into account the recommendations of the Investigatory Powers Commissioner's Office (IPCO), be approved.

82. Declarations of interest

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

83. Public participation

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

84. Ernst and Young - 2020 to 2021 Annual Results Report to those Charged with Governance

The Committee received Report number PAS/WS/21/018, which presented the results from Ernst and Young's (EY) audit of the 2020 to 2021 financial statements for West Suffolk Council. The report set out issues they were 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 (VM) in the use of resources.

The council's unaudited 2020 to 2021 Statement of Accounts, signed by the Chief Finance Officer (Section 151 Officer) on 21 July 2021, had been updated to reflect any adjustments recommended by EY over this period as a result of their audit work. Members were informed that these adjustments did not affect the council's 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, but there were still a number of audit procedures to be concluded.

A copy of the Audit Results Report dated 8 November 2021, 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 2021.

Mark Hodgson presented the report and referred the Committee to the executive summary on page 6, and updated members on progress made in completing outstanding audit procedures since 8 November 2021, as follows:

- Leases - Completed and no matters to report.
- Accounts Payable - Completed and no matters to report.
- Accounts Receivable - Completed and no matters to report.
- Property, Plant and Equipment testing (including Investment Property and the Solar Farm) – Awaiting assurance reports from our EY Real Estate team and Transaction Support teams.
- IAS 19 – Pensions Liability. Completed and the Liability had reduced by £0.488m as a result of an updated IAS 19 report from the valuer.
- Provisions - Completed and no matters to report.
- Reserves – underway and will be completed once other procedures are complete, as it is the summary position of the transactions.
- Covid-19 Grants – Some remaining queries with officers. Complete next week. One classification amendment to date as reported in Section 4 of the report.
- Housing Benefit Expenditure - Completed and no matters to report.
- Collection Fund Income - Completed and no matters to report.
- Related Party Transactions - Completed and no matters to report.
- Group Consolidation – waiting to complete closing inventory procedures at the subsidiary.
- Whole of government accounts submission – This would not be completed by the time of issuing the audit opinion as HM Treasury had not issued the guidance to auditors.

The overall message was 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 6 (Changes in materiality) – EY was working towards an overall materiality assessment of £1.992m.
- 2) Page 14 (Accounting for Covid-19 related grant funding) – There was one minor disclosure.
- 3) Page 15 (Valuation of property, plant and equipment) – needs to be concluded.
- 4) Page 18 (Pensions valuations and disclosures) – The Suffolk Pension Fund had increased to £7.62m. West Suffolk Council's share of the increase was £0.488m.

Mark Hodgson confirmed that EY was working towards signing off the audit by 30 November 2021. He explained that there was a very limited number of corrections; EY had not identified any value for money risks; there were no matters to report under the audit opinion, and EY would be issuing its Annual Audit Opinion in December 2021. The draft Financial Statements were

robust, and he wished to thank Rachael Mann, Director (Resources and Property) and her team for their assistance during the audit.

The Committee scrutinised the report and asked questions to which Mark Hodgson provided comprehensive responses.

In response to a question raised regarding the understated pension fund, Mark Hodgson explained this was a result of an increase in the valuation of the Pension Fund's Investment assets identified through the audit of the Suffolk Pension Fund (£7.62m). West Suffolk Council's share of the increase was £0.488m. This was due to a timing difference of available actual valuations for certain investment asset classes within the Pension Fund. The impact of the increase in the Pension Investment Asset valuation was a reduction in the West Suffolk Council's pension liability.

In response to a question raised regarding the timing of the accounts, officers explained that typically, the statement of accounts would be brought to the Committee in September each year. In setting the Committee's timetable it was unfortunate that the accounts fell in November, as well as the state of the audit sector in completing the audit process. EY had honoured the audit statement date and were on track to sign off the statement of accounts by 30 November 2022.

The Director (Resources and Property) was pleased with the audit and the results and wished to thank the Councils finance team and EY's audit team for their work.

Councillor Phil Wittam then moved the recommendations, this was duly seconded by Councillor John Augustine, and with the vote being unanimous, it was:

RESOLVED: That

- 1) The work in respect of the External Auditors unqualified audit opinion, as of today (18 November 2021) on the Financial Statements of West Suffolk Council for 2020 to 2021 (Appendix A) attached to Report number PAS/WS/21/018 was ongoing, 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/21/018, 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 2020 to 2021 accounts.

85. **West Suffolk Annual Governance Statement 2020 to 2021**

The Committee received Report number PAS/WS/21/019, which sought members approval of the draft West Suffolk Annual Governance Statement for 2020 to 2021, attached at 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. 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 second annual governance statement.

The Director (Resources and Property) informed members that there were no issues to raise with the Committee.

The Committee considered the draft West Suffolk Annual Governance Statement for 2020 to 2021 and did not raise any issues.

Councillor Robert Nobbs then moved the recommendation, this was duly seconded by Councillor Stephen Frost, and with the vote being unanimous, it was:

RESOLVED:

That the draft West Suffolk Annual Governance Statement 2020 to 2021, attached as Appendix A to Report number PAS/WS/21/019 be approved for signing by the Leader of the Council and the Chief Executive.

86. **2020 to 2021 Statement of Accounts**

The Committee received Report number PAS/WS/21/020, which sought members approval of the 2020 to 2021 Statement of Accounts for 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 report 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, currently Ernst and Young (EY) by 31 May each year, with member scrutiny and approval of the accounts required once the audit had been concluded by 31 July each year. Due to Covid-19 and in response to a consultation exercise carried out by it, the government had issued regulations – the Accounts and Audit (Amendment) Regulations 2021, to amend these deadlines in relation to the 2020 to 2021 and 2021 to 2022 accounts. The revised dates were 1 August for the draft accounts and 30 September for final approval and publication.

Due to the planned phased approach to delivering the 2020 to 2021 audits across Suffolk, the external audit of the draft accounts for West Suffolk did not begin until mid-September and it was therefore not possible to complete the audit and publish the accounts by the end of September in line with the regulations. This situation was allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015.

The outcome of EY's review of the accounts was provided in the Annual Results Report, which were included on the Committee's agenda (PAS/WS/21/018 – Appendix A), along with a verbal update by EY giving their current position as of this evening (18 November 2021).

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.

The covering report summarised financial highlights in 2020 to 2021; revenue expenditure; capital expenditure; usable reserves; pension fund; annual governance statement and payments to councillors.

The Director (Resources and Property) drew the Committee's attention to a couple of key areas, such as the narrative report being user friendly; the audit to date showed no change to the revenue outturn; the councils net worth; the balance sheet, in particular long-term assets and the pension liability.

The Director (Resources and Property) also wished to thank EY and the council's finance team for its work, as it had continued to be a challenging time in carrying out audits.

The Committee scrutinised the draft accounts in detail and asked questions to which responses were provided on interest and investments; Barley Homes shares; external audit costs (fees); and senior officers' remuneration. In response to a question raised regarding external audit fees and what percentage fee increase would the council expect next year, Mark Hodgson, Associate Partner from EY explained that in working out audit fees for 2021 to 2022 EY would use this year's audit fee as a starting point. Discussions would then take place with the Director (Resources and Property) to reach an agreement. The Director (Resources and Property) explained that last year and this year there had been an increase in audit fees due to additional audit work needed to be carried out due to some extra Covid work.

In response to a question raised regarding staff remuneration, officers advised that the pay award for staff was 2% for last year.

Councillor Phil Wittam then moved the recommendations, these were duly seconded by Councillor John Augustine, and with the vote being unanimous, it was:

RESOLVED: That

- 1) The Committee approves the 2020 to 2021 Statement of Accounts for West Suffolk Council (Appendix A) attached to Report number

PAS/WS/21/020, in accordance with powers delegated to it under the council's constitution.

- 2) The Chair of the Performance and Audit Scrutiny Committee signs the certification of the 2020 to 2021 Statement of Accounts on behalf of the Committee.
- 3) The Chief Finance Officer, in consultation with the Cabinet Member for Resources and Property, be given delegated authority to make any changes that may be required up to the date of publication.

87. Arrangements for Appointment of External Auditors

The Committee received Report No: PAS/WS/21/021, which asked the Committee to consider options available for the appointing process for External Auditors from 2023 to 2024.

The Council could choose one of the following options:

- 1) Procurement via Public Sector Audit Appointments Ltd (PSAA);
- 2) Establish a stand-alone appointment; or
- 3) Set up a Joint Auditor Panel/local joint procurement arrangements.

The report set out in detail the advantages and disadvantages for each of the three options and legal implications.

Legislation required a resolution of Council if a local authority wished to opt into the national arrangement (the PSAA). The practical deadline for this decision was 11 March 2022.

The Committee was advised that opting into the PSAA arrangements for the appointing process would be the best option to work alongside other Councils and influence a particularly difficult market. The proposed contract duration was five years, with an option to extend for a further one or two years with supplier agreement using a single tender, restricted procedure.

The Committee scrutinised the report in detail and asked questions to which officers duly responded.

In particular the Committee asked how the PSAA process worked, to which officers explained the process was carried out last time in lots through a national procurement process, which was considered a guarantee for a good quality audit service; and whether officers had approached other authorities who did not use the PSAA.

In response to a question raised regarding audit fees, officers explained that the PSAA set the scale fees.

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

RECOMMENDED: That

1) The Committee notes the arrangements and options for appointing External Auditors to audit the Final Accounts of the Council from 2023/2024.

2) Subject to the approval of Cabinet and Council, it was recommended to continue to "opt-in" to the sector led body (Public Sector Audit Appointments Ltd (PSAA)) for the independent appointment of the Council's external auditor, beginning with responsibilities for the financial year 2023/2024.

88. Internal Audit Mid-Year Progress Report 2021 to 2022

[Councillor Andy Neal left the meeting at 6.25pm following the conclusion of this item.]

The Committee received Report number PAS/WS/21/022, which updated members on progress made against internal audit's 2021 to 2022 work plan approved by this committee in May 2021 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 2021 to 2022.

Based on the work completed to date, all audit opinions issued within the period had been "good" or "reasonable" with no "limited" or "no assurance" opinions being issued. Therefore, there were no significant areas of concern to highlight from the audit work completed to date.

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

There being no decision required, the Committee **noted** the progress made against the 2021 to 2022 Internal Audit Plan.

89. 2021 to 2022 Performance Report (Quarter 2)

The Committee received Report number PAS/WS/21/023, which set out the Quarter 2 performance and forecast year-end financial position for West Suffolk for 2021 to 2022.

The Service Manager (Resources and Performance) presented the budget monitoring and referred to page 295 of the report, setting out the key headlines for the current revenue outturn position, which showed a balanced forecast year end position. This position took into account the £2m provision for the effects of Covid-19 in the 2021 to 2022 approved budget, based on £1.1m anticipated pressures and utilisation of the £0.9m local authority Covid-19 support grant.

Whilst the overall level of the council's General Fund and reserve would be reassessed in light of the pandemic, at the time of writing this report, around £421,000 of the £1,506,000 budgeted contribution of the General Fund was

proposed to be utilised in order to fund the remaining forecast deficit. The council's financial position and ability to reduce the impact where possible had been helped by previous financial planning and the creation of the West Suffolk Council as well as quick and effective action to reduce costs as guidance and infection rates changed.

The Service Manager (Resources and Performance) then referred to page 296 of the report, which set out a graphical representation on how Covid-19 had impacted the council over the year. The first graph showed the financial impact of Covid-19 and the second graph showed how the impact had been mitigated.

Pages 297 of the report, which set out the council's forecasting spend of £28.6m from its capital budget of £49.5m for 2021 to 2022 with a proposed carry forward of £20.6m as a result of project timings. The council's forecast balance on earmarked revenue reserves at the end of the financial year was £34.2m after Section 31 grant adjustments, against a budgeted closing balance of £32.2m.

Attached to the Quarter 2 performance report were a number of appendices, presented by the Service Manager (Policy, Projects and Performance) which set out the performance and financial position for 2021-2022, 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 (Policy, Projects and Performance) then drew members attention to two areas, being homelessness and channel shift.

The number of households in temporary accommodation reported this quarter was 73, compared to 69 in the previous quarter and 87 in quarter 2 (2020-2021). In July 2020 the highest figure reported was 132 households in temporary accommodation, with the average being 59 in the year before Covid.

The number of households in bed and breakfast accommodation this quarter was 9, compared to 10 in the previous quarter, and 19 in quarter 2 (2020-2021). In April 2020 the highest figure report was 74 households in bed and breakfast, with the average being 12 in the year before Covid.

The biggest development was the moratorium on evictions of tenants which ended on 3 October 2021, and the council was expecting to see the homelessness prevention caseloads increasing. Furthermore, there might be an increase in the numbers in temporary accommodation and bed and breakfast accommodation as the moratorium kicks in and furlough ends.

The percentage of contacts made online or by email (channel shift) was 55.96% this quarter, compared to 42% last year. In this quarter West Suffolk House reopened on 2 August 2021, offering a visitor management service for visitors and a signposting service for customers. The August footfall was 128 and in September 132.

Members considered the report in detail and asked questions to which responses were provided. In particular discussions were held on total debt over 90 days, specifically in relation to large debtors, and income from commercial waste.

In response to a question raised asking whether more detail could be provided on debt management, in particular the figures and the risk involved. Officers agreed to look into this request further, in relation to how best to present the information in a public forum.

In response to a question raised asking how long the government Covid grants for homelessness would continue to be provided, officers advised that there was no commitment by the government to carry them on. Officers further explained that the rough sleeping funding was for one year, but could be extended for three years, and the council was currently waiting for this to be confirmed by the government. In the meantime, officers continued to work with residents and landlords to enable them to stay in their homes.

There being no decision required, the Committee **noted** the 2021 to 2022 Performance Report (Quarter 2).

90. **Delivering a Sustainable Medium-Term Budget**

[Councillor Cliff Waterman left the meeting at 7.10pm, prior to the vote taking place.]

At its meeting on 30 September 2021, report number PAS/WS/21/016 outlined the process and approach to setting the council's 2022 to 2023 budget and the principles and challenges faced in achieving this.

The Committee received report number PAS/WS/21/024, which updated members on assumptions and anticipated savings and initiatives proposed or delivered to date to deliver a sustainable and balanced budget for 2022 to 2023.

The financial impact of Covid-19 on the council's budget was likely to be felt for many years. Therefore, the council would need to make provision in its medium-term budget plans for recovery to pre-covid levels. Any long-term impact of Covid-19 on the council's services would only be established in due course.

Proposals and key budget assumptions to date, 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 working budget deficit for 2022 to 2023 of £0.42m, £1.46m for 2023 to 2024, £2.06m for 2024 to 2025 and £2.60m for 2025 to 2026.

Significant working was continuing to take place to achieve a 2022 to 2023 balanced budget by February 2022. It was report that a number of areas were already in progress, including:

- Conclusion of the income and expenditure line by line review and the identification of saving initiatives and opportunities.
- Discussions with Barley Homes Limited (the Councils wholly owned Housing Company) regarding any dividend announcement for the 2021 to 2022 years financial performance.
- The setting of the councils Council Tax Base for council tax setting purposes (Council decision, December 2021)
- The monitoring of the councils in year Council Tax Collection.

The Committee at its January 2022 meeting would receive an update on the Capital Programme which was currently being revised and updated with known changes.

The Committee considered the report and asked questions to which responses were provided. Discussions were held Table 1, in particular the Solar Farm sales income for 2022 to 2023.

In response to a question raised regarding the £0.42m budget gap for 2022 to 2023, officers advised the council was working towards a balanced budget without using council reserves.

Councillor Phil Wittam then moved the recommendation, this was duly seconded by Councillor Nick Clarke, 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 3.6 of report number PAS/WS/21/024, in the medium-term financial plans to 2026.

91. Treasury Management Report - September 2021

The Committee received Report No: FRS/WS/21/005, which had been considered by the Financial Resilience Sub-Committee on 8 November 2021. The Service Manager (Finance and Performance) provided a verbal update on the Sub-Committee's consideration of the report, which provided a summary of investment activity for the first half of the 2021-2022 financial year.

The 2020-2021 Annual Treasury Management and Investment Strategy sets out the Council's projections for the current financial year. The budget for investment income for 2021 to 2022 was £45,000, which was based on a 0.25% target interest rate of return on investments.

At the end of September 2021, interest earned during the first half of the financial year amounted to £34,122 against a profiled budget for the period of £22,500, a budget surplus of £11,622.

External borrowing as at 30 September 2021 remained at £4m with the council's level of internal borrowing increasing slightly to £48,039,000 as at 30 September 2021. Overall borrowing, both external and internal was expected to increase over the full financial year, but not by as much as was originally budget for.

The report also included a summary of the borrowing activity during the period; borrowing strategy and sources of borrowing; borrowing and capital costs – affordability; borrowing and income – proportionality; borrowing and asset yields; CIPFA consultation on prudential code and market information.

The Service Manager (Finance and Performance) referred the committee to paragraph 4.5 of the report, which set out the forecast for the council's Capital Financing Requirement (underlying need to borrow) over the next three years. The council, along with Arlingclose would continue to explore alternative sources of borrowing to ensure the council was ready to externally borrow in the most advantageous way, when it needed to.

Attached at Appendix 1 to the report was Arlingclose economic and interest rate forecast.

The Sub-Committee has scrutinised the report on 8 November 2021, and asked questions to which responses were provided. In particular detailed discussions were held on the Council preparing itself for external borrowing by the end of the financial year, whilst interest rates were at an historic low; and lending monies to other local authorities as set out in the report.

The Performance and Audit Scrutiny Committee scrutinised the report in detail and asked questions to which responses were provided. In particular detailed discussions were held on external borrowing and what was the council's trigger point in borrowing externally, as inflation was on the rise and interest rates remained historically low.

In response to a question raised on what the trigger point might be to borrow externally, officers advised that about £23m needs to be returned to central government next year which could be a trigger in exercising the need to borrow externally.

The Committee suggested the council needed to get some interest rate certainty now and should be looking to lock in the low borrowing rates, externalising our underlying need to borrow. In response, the Cabinet Member for Resources and Property welcomed the Committee's comments on external borrowing.

It was then proposed by Councillor Nick Clarke, seconded by Councillor Peter Thompson, and with the vote being unanimous, it was:

RECOMMENDED: That

- 1) Subject to the approval of Council, the Treasury Management Report (September 2021), as contained in Report number: FRS/WS/21/005, be approved.**
- 2) The Committee recommends to Cabinet the externalisation of our underlying need to borrow in order to manage the Councils interest rate risk exposure.**

92. **Work programme update 2022**

The Committee received report number: PAS/WS/21/025, which updated members on the current status of its rolling work programme of items for scrutiny during 2020-2021 (Appendix 1).

The Committee considered its rolling work programme and did not raise any issues.

There being no decision required, the Committee **noted** the update.

The meeting concluded at 7.30pm

Signed by:

Chair
