

Report of the Performance and Audit Scrutiny Committee: 26 May 2022

Report number:	CAB/WS/22/026	
Report to and date:	Cabinet	21 June 2022
Cabinet member:	Councillor Sarah Broughton Deputy Leader and Portfolio Holder for Resources and Property Telephone: 07929 305787 Email: sarah.broughton@westsuffolk.gov.uk	
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Decisions Plan: This item is not required to be included on the Decisions Plan.

Wards impacted: All wards.

Recommendation: It is recommended that Report number: CAB/WS/22/026, being the report of the Performance and Audit Scrutiny Committee, be noted.

1. Context to this report

- 1.1 On 26 May 2022, the Performance and Audit Scrutiny Committee considered the following items:
1. Internal Audit Annual Report (2021 to 2022)
 2. Outline Internal Audit Plan (2022 to 2023)
 3. CIPFA Financial Management Code
 4. Health and Safety Summary Report 2021 to 2022
 5. Annual Re-Appointments to the Financial Resilience Sub-Committee and the Health and Safety Sub-Committee (2022 to 2023)
 6. Work Programme Update 2022 to 2023
 7. 2021 to 2022 Performance Report (Quarter 4)

2. Proposals within this report

- 2.1 **Internal Audit Annual Report (2021 to 2022) (Report number: PAS/WS/22/005)**
- 2.1.1 The annual audit opinion attached at Appendix A to the report was split into four constituent elements of governance; risk; internal control and financial control with a specific conclusion drawn on each, as well as the direction of travel.
- 2.1.2 The council also recognised that fraud, theft and corruption was an ever-present threat to the resources available in the public sector. Appendix B 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.
- 2.1.3 The Committee considered the report in detail and asked questions to which responses were provided. In particular discussions were held on the fee audit work and whether the price was comparative; revenues and benefits fraud; the implementation of the new cash system; claims to the Department for Levelling Up, Housing and Communities; the language used in the report; and the difference between reasonable and good relating to "risk".
- 2.1.4 In response to a question raised on what control issues were affecting "risk", officers agreed to provide a written response to the Committee.
- 2.1.5 The Committee **noted** the Internal Audit Annual Report 2021-2022, attached at Appendix A and the Annual Fraud Report 2021-2022, attached at Appendix B to Report No: PAS/WS/22/005.

2.2 Outline Internal Audit Report (2022 to 2023) (Report number: PAS/WS/22/006)

- 2.2.1 This report provided details on the proposed 2022-2023 Audit Plan. The proposed Audit Plan, attached at Appendix B to the report was a risk-based plan of work for the internal audit team, which took into account the need to produce an annual internal audit opinion for the council which concludes on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control.
- 2.2.2 The Committee considered the report and suggested that in relation to Appendix B, Corporate and business area audits (IT Audit) that the council also considers speaking with stakeholders as well.
- 2.2.3 The Committee considered the report and **approved** the Internal Audit Plan for 2022 to 2023.

2.3 CIFA Financial Management Code (Report number: PAS/WS/22/007)

- 2.3.1 The Committee received details on the CIPFA Financial Management Code (FM Code), published in October 2019, which provide guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively. The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. CIPFA's intention is that the FM Code will have the same scope as the Prudential Code for Capital Finance in Local Authorities, which promotes the financial sustainability of local authority capital expenditure and associated borrowing. Although the FM Code does not have legislative backing, it applies to all local authorities, including police, fire, combined and other authorities.
- 2.3.2 Paragraphs 2.3 to 2.11 of the report set out the key points of the FM Code. As a first step towards ensuring the council meets the FM Code, the Chief Finance Officer produced a draft initial self-assessment against the FM Code, which was attached as Appendix A to the report. The self-assessment will be continually reviewed and refined on an ongoing basis, to ensure standards are maintained and any actions are implemented.
- 2.3.3 The Committee considered the report in detail and asked questions to which responses were provided. In particular discussions were held on peer reviews; whether the self-assessment was recognised by the council's external auditors and whether the self-assessment would be included in the council's audit plan for 2022-2023.
- 2.3.4 The Committee **noted** the key points of the CIPFA Financial Management Code as set out in paragraphs 2.3 to 2.11, and the initial self-assessment

of compliance with the Code, the associated actions arising to ensure full compliance and next steps as detailed in Appendix A to Report number PAS/WS/22/007.

2.4 **Health and Safety Summary Report 2021 to 2022 (Report number: PAS/WS/22/008)**

2.4.1 The Committee received and **noted** the above report which summarised the work carried out by the Health and Safety Sub-Committee during 2021-2022.

2.4.2 The Health and Safety 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.

2.4.3 The Committee considered the report and asked questions. In particular discussions were held on whether the council was still providing covid tests for staff and whether there were any plans to improve the take-up of the e-module learning modules.

2.5 **Annual Re-Appointments to the Financial Resilience Sub-Committee and the Health and Safety Sub-Committee (2022 to 2023) (Report number: PAS/WS/22/009)**

2.5.1 The Committee received the above report, which sought appointments to 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 membership of the Performance and Audit Scrutiny Committee to sit on the Financial Resilience Sub-Committee for the remainder of 2022-2023; and
- 2) Recommend six members and two substitute members from the membership of the Performance and Audit Scrutiny Committee to sit on the Health and Safety Sub-Committee for the remainder of 2022-2023.

2.5.2 At the conclusion of the discussions the following nominations were put forward and **Resolved** 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

- Councillors Nick Clarke, Ian Houlder, Elaine McManus and Robert Nobbs (Conservative Group) wished to continue as the full members on the Sub-Committee.
- Councillor Cliff Waterman (Labour Group) wished to continue to serve as a full member on the Sub-Committee
- Councillor Andy Neal (Independent Group) wished to continue to service as a full member on the Sub-Committee.
- Councillor James Lay (Conservative Group) and Councillor Phil Wittam (Independent Group) wished to continue to service as the substitute members on the Sub-Committee.

2.6 **Work programme update 2022 to 2023 (Report number: PAS/WS/22/010)**

2.6.1 The Committee received Report number PAS/WS/22/010, which provided information on the current status of its forward work programme for 2022 to 2023.

2.6.2 West Suffolk's external auditors Ernst and Young (EY) have confirmed to officers that the West Suffolk external audit of the 2021 to 2022 Statement of Accounts is scheduled to take place week commencing 17 October to week commencing 21 November 2022.

Following the audit period, EY will need time to produce their final report and audit opinion so it is considered extremely unlikely that the November Performance and Audit Scrutiny Committee meeting date will be met.

2.6.3 It was therefore proposed that an additional committee meeting is held on Wednesday 14 December 2022, specifically to consider the Statement of Accounts, Annual Governance Statement and Report to those Charged with Governance from EY (their audit findings and opinion report).

2.6.3 The Committee **noted** the contents of its forward work programme and the additional meeting scheduled for Wednesday 14 December 2022.

2.7 **2021 to 2022 Performance Report – Quarter 4 (Report number: PAS/WS/22/011)**

- 2.7.1 The Committee received Report number PAS/WS/22/011, which set out the impact of Covid-19, the Quarter 4 performance and the 2021 to 2022 revenue and capital positions.
- 2.7.2 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.
- 2.7.3 The Council has played its part in responding to Covid-19 in supporting businesses and the most vulnerable as well as running essential services. The returns to the Department for Levelling Up, Housing, Communities have detailed the financial impacts of Covid-19, and generally the forecast impacts have remained consistent on a month-by-month basis. The latest submission covering the period from April 2021 to March 2022 shows a total impact of £3.8m (costs of £1.2m and lost income of £2.6m). However, it should be noted that these are required to be gross figures and therefore an element of the additional costs such as internal staff redeployment and costs savings have also been factored into the figures.
- 2.7.4 Covid-19 and our response to it has consequently impacted on a number of our local performance indicators, most noticeably around housing and homelessness, income indicators and our aged debt amount. Within these figures, the income generated by the council in the current financial year through sales, fees and charges has reduced by £2.6m, mitigated to a certain extent by the sales, fees and charges compensation from central government. (Further details of the financial impacts of Covid-19 can be found in Appendix B).
- 2.7.5 The level of debt over 90 days has been a focus for management during the year. Quarter 4 data shows that this now stands at a total of £1,104,724. This is an increase of £126,480 on the Quarter 3 figures. Commercial Property debt made up £701,446 (63.5%) of this position and £491,169 of this debt relates to just three tenants. We are continuing to work very closely with all our tenants to clear outstanding rent arrears. **Exempt Appendix F** shows the split of the Aged Debt by service area and a split of the commercial property debt.
- 2.7.6 The impact of Covid-19 is likely to be felt for years to come as the council continues to make provision in 2022 to 2023 for the impact on recovery to pre-covid income and expenditure levels.

2.7.7 Attached to the Quarter 4 performance and year-end-financial outturn position for 2021 to 2022 were a number of appendices as follows:

- Appendix A: Key Performance Indicator Dashboards
- Appendix B: Income and expenditure report
- Appendix C: Capital Programme
- Appendix D: Earmarked reserves
- Appendix E: Strategic Risk Register
- EXEMPT Appendix F – Aged debt over 90 days

2.7.8 The Chief Executive introduced the new dynamic interactive performance dashboard, and set out the new approach to performance management, which was about:

- Achieving clarity around governance arrangements, with indicators being set and owned by Cabinet and Portfolio Holders.
- Driving performance and the medium-term financial strategy.
- Reporting indicators more frequently to Cabinet and the Performance and Audit Scrutiny Committee.
- Having the ability to invite Portfolio Holders to meetings of the Performance and Audit Scrutiny Committee.
- Refreshing the indicator settings to focus more on areas which were important.
- Moving away from targets and replacing with trends.
- Removing the old RAG rating because the direction of travel was being ignored.
- Including more benchmarking, with some contextual indicators.

2.7.9 Members welcomed the change to using trends, and the new dashboard system. Members then considered the report in detail and asked questions of officers, to which responses were provided. In particular discussions were held on inviting Portfolio Holders to meetings of Performance and Audit, vacant shops, the solar farm and the amount of energy produced, inflation rates, continuing low interest rates available, aged debt and the strategic risk register and suggested including how the direction of travel has changed.

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

- Impact of Covid-19 on the Council's current financial year 2021 to 2022.

- 2021 to 2022 Revenue and Capital positions, as detailed in the report and appendices.

3. Alternative options that have been considered

3.1 Please see background papers.

4. Consultation and engagement undertaken

4.1 Please see background papers.

5. Risks associated with the proposals

5.1 Please see background papers.

6. Implications arising from the proposals

6.1 Financial:

Please see background papers.

6.2 Equalities:

Please see background papers.

7. Appendices referenced in this report

7.1 Please see background papers.

8. Background documents associated with this report

8.1 Report number: [PAS/WS/22/005](#) and [Appendix A](#) and [Appendix B](#) to the Performance and Audit Scrutiny Committee: Internal Audit Annual Report (2021 to 2022)

8.2 Report number: [PAS/WS/22/006](#) and [Appendix A](#) and [Appendix B](#) to the Performance and Audit Scrutiny Committee: Outline Internal Audit Plan (2022 to 2023)

8.3 Report number: [PAS/WS/22/007](#) and [Appendix A](#) to the Performance and Audit Scrutiny Committee: CIPFA Financial Management Code

- 8.4 Report number: [PAS/WS/22/008](#) and [Appendix A](#) to the Performance and Audit Scrutiny Committee: Annual Report from the Health and Safety Sub-Committee
- 8.5 Report number: [PAS/WS/22/009](#) and [Appendix 1](#) and [Appendix 2](#) to the Performance and Audit Scrutiny Committee: Annual Re-Appointments to the Financial Resilience Sub-Committee and the Health and Safety Sub-Committee (2022 to 2023)
- 8.6 Report number: [PAS/WS/22/010](#) and [Appendix 1](#) to the Performance and Audit Scrutiny Committee: Work Programme Update 2022 to 2023
- 8.7 Report number: [PAS/WS/22/011](#) and [Appendix A](#), [Appendix B](#), [Appendix C](#), [Appendix D](#) and [Appendix E](#) and **Exempt Appendix F** to the Performance and Audit Scrutiny Committee: 2021 to 2022 Performance Report (Quarter 4)