

Performance and Audit Scrutiny Committee

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 26 May 2022** at **5.00 pm** in the **Conference Chamber, West Suffolk House**, Western Way, Bury St Edmunds IP33 3YU

Present **Councillors**

Chair Ian Houlder
Vice Chair Karen Richardson

Mick Bradshaw	Elaine McManus
Nick Clarke	Robert Nobbs
Victor Lukaniuk	Cliff Waterman

In attendance
Sarah Broughton, Cabinet Member for Resources and Property

108. **Substitutes**

The following substitution was declared:

Councillor Mick Bradshaw substituting for Councillor Andy Neal.

109. **Apologies for absence**

Apologies for absence were received from Councillors James Lay and Andy Neal.

Councillors John Augustine and Peter Thompson were also unable to attend the meeting.

110. **Minutes**

The minutes of the meeting held on 27 January 2022 were confirmed as a correct record and signed by the Chair.

111. **Declarations of interest**

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

112. **Public participation**

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

113. **Internal Audit Annual Report (2021 to 2022)**

[Councillor Karen Richardson arrived at 5.20pm during the consideration of this item.]

The Service Manager (Internal Audit) presented Report No: PAS/WS/22/005 which provided members with an overview of the work carried out by Internal Audit for the year ending 31 March 2022.

The annual audit opinion, attached at Appendix A to the report was split into the 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.

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.

The Committee considered the report in detail and asked questions, to which responses were provided. In particular discussions were held on the implementation of the new cash system, the Welcome Back Fund and claims to the Department for Levelling Up, Housing and Communities.

In response to a question raised relating to revenues and benefits fraud and how it compared with other local authorities, officers explained that on a fraud perspective, the council was broadly similar to other local authorities.

In response to a question raised asking whether the fee earning work carried out by internal audit was a competitive price, officers explained that the majority of the work carried out was for the Anglia Revenues Partnership under an agreement with the council's audit team. East Suffolk Council and Fenland District Council also undertook some auditing work, but West Suffolk Council was the only council which charged.

In response to a question raised relating to the language and wording used in the report, officers thanked the Committee for its comments and agreed to look at the wording for future reporting to the Committee.

In response to a question raised on why "risk" had been given an audit opinion of "reasonable" and not "good" and further questioning what were the particular control issues affecting "risk", officers agreed to provide a written response to the Committee.

There being no decision required, the Committee **noted** the Internal Audit Annual Report 2021 to 2022, attached at Appendix A and the Annual Fraud Report 2021 to 2022, attached at Appendix B to Report No: PAS/WS/22/005.

114. **Outline Internal Audit Plan (2022 to 2023)**

The Service Manager (Internal Audit) presented Report No: PAS/WS/22/006, which provided members with a proposed 2022-2023 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 suggested that in Appendix B, Corporate and business area audits (IT Audit) that the council also considers speaking with stakeholders as well.

Councillor Victor Lukaniuk moved the recommendation, this was duly seconded by Councillor Robert Nobbs, and with the vote being unanimous, it was:

RESOLVED:

That the Internal Audit Plan for 2022 to 2023, attached at Appendix A and B to Report No: PAS/WS/22/006, be approved.

115. **CIPFA Financial Management Code**

The Committee received report number PAS/WS/22/007, which set out the details on the CIPFA Financial Management Code (FM Code), published in October 2019.

The FM Code provided guidance for good and sustainable financial management in local authorities and would provide assurance that authorities were managing resources effectively. The FM Code required authorities to demonstrate that the processes they had in place satisfy the principles of good financial management. CIPFA's intention was that the FM Code would have the same scope as the Prudential Code for Capital Finance in Local Authorities, which promoted the financial sustainability of local authority capital expenditure and associated borrowing. Although the FM Code did not have legislative backing, it applied to all local authorities, including police, fire, combined and other authorities.

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 was meeting the FM Code, the

Chief Finance Officer had produced a draft initial self-assessment against the FM Code, which was attached as Appendix A to the report. The self-assessment would be continually reviewed and refined on an ongoing basis, to ensure standards were maintained and any actions implemented.

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.

In response to a question raised on whether this would be an annual process, officers explained that each year the council would need to reference its compliance with the Code, which would be embedded into the Annual Governance Statement.

There being no decision required, 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.

116. Health and Safety Summary Report (2021 to 2022)

The Service Manager (Health and Safety) presented Report No: PAS/WS/22/008, which summarised the work carried out by the Health and Safety Sub-Committee during 2021-2022.

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 the council was still providing covid tests for staff and whether there were any plans to improve the take-up of the e-learning modules.

There being no decision required, the Committee **noted** the Health and Safety Summary Report 2021-2022.

117. Annual Re-Appointments to the Financial Resilience Sub-Committee and the Health and Safety Sub-Committee (2022 to 2023)

The Committee received Report No: PAS/WS/22/009, which sought reappointments to the Financial Resilience Sub-Committee and the Health and Safety Sub-Committee.

The Constitution now expected that the 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) Reappoint 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 2022 to 2023; and
- 2) Reappoint 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 2022 to 2023.

The Committee considered the report and the proposed seating allocations for each sub-committee, and in doing so reflecting on political balance as far as practically possible.

Councillor Karen Richardson moved the recommendation, this was duly seconded by Councillor Elaine McManus, and with the vote being unanimous, it was:

RESOLVED: That

- 1) Councillors Ian Houlder (Conservative Group), Elaine McManus (Conservative Group) and Victor Lukaniuk (Independent Group), be appointed as full members to the Financial Resilience Sub-Committee, and Councillor Robert Nobbs (Conservative Group) as the Substitute Member for 2022 to 2023.
- 2) Councillors Ian Houlder, Nick Clarke, Elaine McManus and Robert Nobbs (Conservative Group), Andy Neal (Independent Group), and Cliff Waterman (Labour Group) be appointed as the full members to the Health and Safety Sub-Committee, and Councillors James Lay (Conservative Group) and Phil Wittam (Independent Group) as the Substitute Members for 2022 to 2023.

118. **Work programme update 2022 to 2023**

The Committee received report number: PAS/WS/22/010, which updated members on the current status of its rolling work programme of items for scrutiny during 2020-2021 (Appendix 1).

It was reported that the council's external auditors Ernst and Young (EY) had confirmed to officers that the West Suffolk external audit of the 2021/2022 Statement of Accounts was scheduled to take place week commencing 17 October to week commencing 21 November 2022.

Following that audit period, EY would need time to produce their final report and audit opinion so it is considered extremely unlikely that the November 2022 Performance and Audit Scrutiny Committee meeting date would be met.

It was therefore proposed that an additional committee meeting be 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).

The Committee considered the report, and there being no decision required, **noted** the update and the additional meeting being scheduled for Wednesday 14 December 2022.

119. **2021 to 2022 Performance Report (Quarter 4)**

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.

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 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.

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).

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 3 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.

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.

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

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 Portfolio Holders.
- Driving performance and the medium-term financial strategy.
- Reporting indicators more frequently to Portfolio Holders 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 red/amber/green (RAG) rating because the direction of travel was being ignored.
- Including more benchmarking, with some contextual indicators.

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.

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.

Note: The Chair of the Committee suggested members bring their laptops to future meetings to access the interactive performance dashboard when performance monitoring was being considered.

120. **Exclusion of press and public**

See minute 121 below.

121. **2021 to 2022 Performance Report (Quarter 3): Exempt Appendix F: Aged Debt Over 90 Days Monitoring (paragraphs 1 and 2)**

The Performance and Audit Scrutiny Committee considered the Exempt Appendix F to this report. However, no reference was made to specific detail and, therefore, this item was not held in private session.

The meeting concluded at 7.03 pm

Signed by:

Chair
