

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 20 September 2023 commencing at 1.00 pm and finishing at 4.20 pm

Present:

Voting Members: Councillor Roz Smith – in the Chair
Councillor Brad Baines (Deputy Chair)
Councillor Yvonne Constance OBE
Councillor Trish Elphinstone
Councillor Ted Fenton
Councillor Jenny Hannaby
Councillor Nick Leverton
Councillor Ian Middleton
Councillor Judy Roberts

Other Members in Attendance: Dr Geoff Jones

Officer Attendance:

Whole of meeting Lorna Baxter (Director of Finance), Anita Bradley (Director of Law & Governance and Monitoring Officer), Sarah Cox (Chief Internal Auditor) and Shilpa Manek (Democratic Services Officer)

Part of meeting Simon Harper (Head of Governance), Tim Chapple (Treasury Manager), Richard Quayle (Chief Accountant), Sean Collins (Service Manager (Pensions)), Councillor Calum Miller (Cabinet Member for Finance), Adrian Balmer and Maria Grindley (EY)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports [agenda, reports and schedule/additional documents], copies of which are attached to the signed Minutes.

58/23 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies for absence were received from Louise Tustian, Head of Insight and Corporate Programmes.

59/23 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

No Declarations of Interest were received.

60/23 MINUTES

(Agenda No. 3)

The Committee approved the minutes of the meeting held on 19 July 2023 and authorised the Chair to sign them as a correct record. All actions had been completed.

The Monitoring Officer informed the Committee that the Terms of Reference of the Committee had been postponed to the next Committee meeting. The Committee were also informed that there was no reference to the RIPA Policy being presented to the Committee. It would be approved by Cabinet.

Resolved: that the minutes of the meeting held on 19 July 2023 were a true and accurate record.

61/23 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were no petitions or requests of public address received.

62/23 TREASURY MANAGEMENT QUARTER 1 PERFORMANCE REPORT

(Agenda No. 5)

The Chair welcomed the Cabinet Member for Finance, Councillor Miller. The Treasury Management Quarter 1 Performance Report was presented by Lorna Baxter, Director of Finance. It was reported that the performance was for the quarter to June 2023 and measured against the budget agreed by Council in February 2023.

The following points were reported to the Committee:

- The Councils outstanding debt totalled £302m and the average rate of interest paid on long-term debt during the year was 4.41%. There had been no new external borrowing arranged during the quarter, whilst £4m of maturing Public Works Loans Board (PWLB) loans were repaid during the quarter. The Treasury Management Strategy for 2023/24 that was agreed in February 2023 assumed an average base rate of 4.25%.
- The budgeted average daily balance of temporary surplus cash invested in-house was expected to be £480m in 2023/24, with an average in-house return of 3%.
- During the quarter the Council achieved an average in-house return of 3.29% on average cash balances of £490.534m, producing gross interest receivable of £4.030m. In relation to external funds, the return for the quarter was £0.593m, bringing total investment income to £4.623m. This compares to

budgeted investment income of £3.341m, giving a net overachievement of £1.282m.

- At 30 June 2023, the councils investment portfolio of £580.537m comprised £436.500m of fixed term deposits, £50.242m at short term notice in money market funds and £93.795m in pooled funds with a variable net asset value.
- Given the forecast for borrowing rates, the strategy for 2023/24 assumed no external borrowing during the year, with any increase in capital financing requirement met through internal borrowing.
- The authority had 44 PWLB loans totalling £252.383m, 9 Lender's Option/Borrower's Option (LOBO) loans totalling £45m and one £5m money market loan. The average rate of interest paid on PWLB debt was 4.72% and the average on cost of the LOBO debt was 3.94%. The cost of debt on the money market loan was 3.95%. The combined weighted average interest paid on long term debt was 4.41%. The weighted average interest rate payable on matured loans was 5.63%. The forecast outturn for interest payable was £13.00m which was below the budgeted figure of £13.15m.
- The Council continued to adopt a cautious approach to lending to financial institutions and continuously monitored credit quality information relating to counterparties.
- The actual average daily balance of temporary surplus cash invested in-house was £490.534 for the first quarter and the average in-house return was 3.29%, producing gross interest receivable of £4.030m. Gross distributions from pooled funds totalling £0.593m were also realised in the quarter, bringing total investment income to £4.623m. This compares to budgeted investment income of £3.341m, giving a net overachievement of £1.282m.
- The cash balances for the year were forecasted to be lower than they would have been as a result of negative DSG balances, forecasted to be £59.50m, which was an estimated opportunity cost of £1.76m in unearned interest for the year.
- The Council operated a number of instant access call accounts and money market funds to deposit short-term cash surpluses. The average balance held on instant access was £69.704m, at an average of 4.33%.
- The total value of pooled fund investments was £93.796m, this was down from 31 March 2023 due to global financial volatility as a result of the war in Ukraine.
- The Councils investment portfolio of £580.537m, comprised £436.500m of fixed term deposits, £50.242m at short term notice in money market funds and £93.795m in pooled funds with variable net asset value.

The following points were raised by the Committee:

- The Money Market Funds were clarified, where some were used for daily liquidity, so funds are used and then replaced. Some of these had not yet had the interest added hence were round figures. The Money Market Funds had no property market exposure.
- The figures at page 19 of the Authorised limit for external debt should read £570,000,000 and the Operational limit for external debt should read £555,000,000. The Council were not near either of the limits.
- No LOBO debts had been called in during Quarter 1, however, one had been called in the second quarter. For the last year, since there had been a risk of

them being called, the ability to repay anyone that had a risk to be called, had been included in the cash flow. The one that had been called in the second quarter for £5,000,000 had been repaid. There was a potential £15m that could be called in the remainder of the financial year.

- A very detailed cash flow profile was kept for 12-18 months, broken down to a daily basis. All were very comfortable with this. There was also a medium-term forecast going out five years so all was monitored very carefully.
- The risk in lending to local authorities that may issue a section 114 was managed. There was no reason to strike of any that had or were going to as the security was unquestionable as the money would be returned and we would be prioritised to be repaid.
- All cash invested by the treasury function is earmarked to be spent at some future point. Before they are due to be spent, they will be invested by the Treasury Management Team as agreed in the annual investment strategy.

Resolved: that the Committee noted the Council's Treasury Management activity for the first quarter of 2022/23.

63/23 MONITORING OFFICER ANNUAL REPORT

(Agenda No. 6)

The Monitoring Officer, Anita Bradley, presented the Monitoring Officer's Annual Report. The Monitoring Officer highlighted that the terms of reference of the Audit and Governance Committee included the responsibilities to promote high standards of conduct by councillors and co-opted members. The Committee were reminded that there were two Independent Persons that supported the Monitoring Officer and Members in the consideration of Code of Conduct complaints.

The report included the number of complaints that had been dealt with in terms of complaints or allegations for breaches of the code of conduct and it was pointed out that not all allegations amounted in a complaint. The Monitoring Officer investigated any allegations that were received along with an Independent Person and decided if no further action needed to be taken, refer the complaint for an informal resolution or refer the complaint for investigation. There had been 24 cases received in 2022/23 that had been determined. Of the 24 cases, none had formal action. Member training and awareness raising sessions had been run, including a session on Code of Conduct. An update was given on the democratic process and decision-making governance, closed sessions and closed sessions and urgent decisions. There had been no scrutiny call-ins and accountability and transparency had been maintained.

The Committee raised the following points:

- Any complaints that went directly to the Ombudsman were corporate complaints, however, if the complainant had been unhappy with the Monitoring Officer's decision, that could also be taken to the Ombudsman.
- The Monitoring Officer's report dealt specifically on Member Code of Conduct complaints.
- It would be very useful to have a short description of the outcome in the table provided to the Committee, going forward.

- The Committee noted that each complaint took a significant amount of time to consider and take a decision on.
- Could training be provided to Members on using social media to provide guidance on keeping to the Nolan principles.
- The engagement to training would be revisited and the Monitoring Officer would be looking to recommend that the Member Code of Conduct training be made compulsory.
- Members asked for a column which showed if the complaint was from a Member or Public.

ACTION: Revisit the training for Social Media.

ACTION: Revisit table of complaints to add whether from the public or another Member and the formatting and making clear that no further action taken.

Resolved: that the Committee considered and endorsed the report.

64/23 FUTURE COUNCIL GOVERNANCE GROUP

(Agenda No. 7)

The Monitoring Officer introduced the Future Council Governance Group report. A number of Members of the Committee were part of the Group. A comment was made that there were many items on each Scrutiny Committee agenda that could not be effectively scrutinised and that four meetings a year were not enough. Many points were being considered by the Group and all the points were being considered by the Group.

Resolved: that the Committee noted the progress and the next steps presented in the report.

65/23 LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN'S ANNUAL REVIEW REPORT

(Agenda No. 8)

The report was present to the Committee by the Monitoring Officer. The Committee were asked to comment on the Local Government and Social care Ombudsman Annual Review for 2022/23 and the work that had been undertaken by the Council regarding its handling of complaints.

The Council had seen an increase in the number of complaints upheld in 2022-23. However, there had been a change in the LGSCO investigation processes.

A total of 102 complaints had been received by the LGSCO against the Council, of which 76 complaints related to special educational needs and disability (SEND) and the handling and issuing of Education Health and Care Plans.

The focus had been renewed for 2023-24 as highlighted in the report.

The Committee made the following comments:

- Paragraph 21 of the report referenced a joint complaint handling code that would provide a standard for organisations to work to. The timescales for this were not known.

ACTION: Inform Committee on timescales for the Joint Complaint Handling Code publication

- The Council were also in the process of carrying out an internal audit of the complaints process, across all services. The Committee requested that this be presented to the Audit Working Group.

ACTION: Add IA of Complaints process to be added to future Audit Working Group

- It seemed that a lot was being done on handling the complaint but were complaints being resolved. It seemed as if the same complaint was being logged numerous times. The complaints at the beginning of the year were the same as the end of the year and had not been resolved.
- No mechanisms were in place to address the complaints with SEND. The Committee were aware of the staffing issues, changes in management, but there seem to be very poor communication reported.
- The Committee considered looking at Partners that the Council worked with and understanding if any improvements could be made. There seem to be a lack of communication. This report highlighted the need for an Education Scrutiny Committee as that would have been a Forum to address and resolve these issues earlier.
- The Committee expressed dissatisfaction in terms of the performance in relation to dealing with the complaints relating to and particularly the special educational needs and cases with the health and care plans and where these should be addressed.
- The report referenced a quarterly quality assurance scheme but there was no reference to where this would report, but it was confirmed that the service area would ensure that there was management and quality assurance process taking place.
- Any compensation paid out to families was made from the Directorate budgets that was there to deliver the service.

Resolved: that the Committee received the report and made comments on the Annual Review and the work undertaken by the Council

66/23 CHANGES TO CONSTITUTION OF PENSION FUND COMMITTEE

(Agenda No. 9)

The report was presented to the Committee by the Service Manager (Pensions), Sean Collins.

The Committee were recommended to endorse the proposed changes to the Constitution agreed by the Pension Fund Committee and recommend them to Council. The changes were:

A) The addition of two voting Members, appointed by the County Council in accordance with the rules of political proportionality.

B) The deletion of the two non-voting positions representing the Academy sector.

Resolved: that the Officers recommendation be endorsed and recommended to Council

67/23 UPDATE ON STATEMENT OF ACCOUNTS

(Agenda No. 10)

Richard Quayle, Chief Accountant, reported that the 2020/21 accounts were ready to be signed and the Team were working really hard on the 2021/22 accounts and providing the responses to the auditors hoping to complete and sign off accounts by November 2023.

The Director of Finance updated the Committee that nationally there was supposed to be a consultation on the backstop dates that had been announced. However, this had slipped as things had not progressed enough. There seem to be a number of audits that would not be complete by the backstop date, so this was being considered.

Ernst and Young gave their update at this point.

Resolved: that the Committee noted the timing for the 2022/23 Statement of Accounts along with the updates on prior years.

68/23 INTERNAL AUDIT 2023/24 - PROGRESS REPORT

(Agenda No. 11)

The Committee received a report from the Chief Internal Auditor, Sarah Cox. Sarah Cox introduced the new members of the Team.

The Committee were informed of the following points:

- Some funds had been secured to use an external company to carry out four complex internal audits. The company had been used before and the quality was very good.
- First seven of the audits in the report were from last year and the remaining three are from this year's plan.
- There were no new red reports and in terms of management reports, were in a good place.
- There were no material concerns that needed reporting from the monthly chasing.

Members asked questions about performance indicators, identifying management actions, business continuity and the climate audit. Members were happy with the responses given by the Chief Internal Auditor.

Resolved: that the Committee noted the progress with the 2023/24 Internal audit Plan and the outcome of the completed audits.

69/23 AUDIT WORKING GROUP UPDATE

(Agenda No. 12)

The Chair of the Audit Working Group highlighted the work programme and that members of the Group had raised issues of the IT system, referenced as fleet management in the report and that since the HIF 1 item was not yet going to be presented, it would be good to get a presentation about the IT development plan at the next meeting in November 2023 as well as the Counter Fraud report.

Resolved: that the Committee noted the report.

70/23 RISK MANAGEMENT OVERVIEW

(Agenda No. 13)

The Director of Finance presented the report to the Committee. The Committee were informed that the report required some amendments. Risk training had been provided to Members and the training had been recorded for those that could not attend.

ACTION: Provide Risk Training link to Committee Members

Some of the points raised included:

- The financial risk had been increased.
- There were seven risks over 9 areas and these would be reviewed by SLT in October.
- It was worth Members noting that a number of risks had been removed as these had descaled to operational risk registers, they had not just been removed. These risks were being managed and monitored at an operational level and could be escalated if required.
- It was highlighted that the Audit Working Group did not receive regular risk management updates or the Strategic Risk Register, therefore the report needed to be amended.

ACTION: Amend Section 1.5, paragraph 3

ACTION: Information about the different parameters to be circulated to Members.

ACTION: Circulate latest version of Strategic Risk Register to Members

Resolved: that the Committee approved the Risk Management Strategy 2023-24

71/23 ERNST & YOUNG UPDATE

(Agenda No. 14)

Adrian Balmer and Maria Grindley updated the Committee on the final position of the 2020/21 audit and the matters arising from the audits – as part of this update they made with the following points:

- The 2020/21 accounts were ready to be signed off subject to final checks.

- The Pension Fund was substantially complete, there had been an adjustment of £183m due to a reclassification of some of the investment assets between level 2 and level 3. This had impacted both the 2020/21 and 2021/22 auditand accounts. This would be an unqualified audit opinion for the 2020/21 accounts.
- The infrastructure assets work had now been concluded and the revised disclosure had been agreed and was now in line with the guidance.
- The work on the triennial valuation and the updates that this would have on the open accounts. This work had been concluded and no impact had been noted.
- Currently the work was being completed on the going concern assessment.
- The Value for Money conclusion was being finalised as under the new code, commentary needed to be provided.
- The final checks were being carried out on the 2020/21 final accounts.

In response to a question from the Committee, Maria Grindley, EY, informed the Committee that across the firm, all Partners had pulled together the local resource boards positions and EY were looking at the national picture to see which of the outstanding audits could be completed with the resource available to ensure a fair and firm-wide approach.

The Director of Finance added that it was a very complex process because there were many reasons, many challenges and many requirements. The two key things that are required are robust and clear accounts, which OCC had, and they needed to be prepared and audited in a timely manner. Nationally there would be many accounts that still required to be audited and therefore there was a risk of unaudited accounts but there were a range of disclaimers that were being drawn up.

Resolved: that the Committee noted the update from Ernst and Young.

72/23 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

(Agenda No. 15)

The Committee noted the Work Programme and suggested a few minor amendments and requested that the private meetings be move to 12 noon so that the meeting could begin at 1pm.

Resolved: that the Committee noted the work programme

..... in the Chair

Date of signing