

Audit and Standards Committee

Date: Monday 28 September 2020
Time: 10.00 am
Venue: Microsoft Teams

Membership

John Bridgeman (Chair)
Councillor Parminder Singh Birdi
Councillor Neil Dirveiks
Councillor Bill Gifford
Councillor John Horner
Councillor David Reilly

Items on the agenda: -

(3) Minutes of the previous meeting and matters arising Resolved:

3 - 14

That the minutes of the meeting held on 20 July 2020 be approved as an accurate record.

Matters arising

In response to the Chair, Sarah Duxbury (Assistant Director, Governance and Policy) advised that the recruitment pack for appointment of a new independent member of the Committee had been finalised with the intention to advertise the vacancy in October 2020. The process was on track for an appointment to be made by the end of the calendar year.

The Chair expressed his thanks to members for their contributions in response to the Local Government Association (LGA) Member Code of Conduct consultation. He praised Jane Pollard (Legal Services Manager) for her efforts in coordinating the Authority's response.

Councillor Gifford referred to the emphasis placed on 'civility' within the LGA's Model Code of Conduct, stating that Warwickshire County Council compared well to other authorities; members deserved to take pride in the high standards of courtesy and civility observed by the Council.

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Audit & Standards Committee

Monday, 28 September 2020

Minutes

Attendance

Committee Members

John Bridgeman (Chair)
Councillor Parminder Singh Birdi
Councillor Bill Gifford
Councillor John Holland
Councillor John Horner
Councillor David Reilly

Officers

Barnaby Briggs, Assistant Chief Fire Officer
Paul Clarke, Internal Audit Manager, Delivery Lead
John Cole, Trainee Democratic Services Officer
Sarah Duxbury, Assistant Director – Governance and Policy
Andrew Felton, Assistant Director, Finance
Carl Hipkiss, Development and Analysis Team Manager
Isabelle Moorhouse, Trainee Democratic Services Officer
Chris Norton, Strategy and Commissioning Manager – Treasury, Pension, Audit & Risk
Rob Powell, Strategic Director, Resources
Virginia Rennie, Strategy and Commissioning Manager (Strategic Finance)
Steve Smith, Assistant Director – Commissioning Support Unit

Others Present

Jim McLarnon, Engagement Manager – Grant Thornton
Grant Patterson, Engagement Lead – Grant Thornton

1. General

(1) Apologies

Apologies were received from Councillor Dirveiks, Councillor Holland was present as a substitute.

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

There were none.

(3) Minutes of the previous meeting and matters arising

Resolved:

That the minutes of the meeting held on 20 July 2020 be approved as an accurate record.

Matters arising

In response to the Chair, Sarah Duxbury (Assistant Director, Governance and Policy) advised that the recruitment pack for appointment of a new independent member of the Committee had been finalised with the intention to advertise the vacancy in October 2020. The process was on track for an appointment to be made by the end of the calendar year.

The Chair expressed his thanks to members for their contributions in response to the Local Government Association (LGA) Member Code of Conduct consultation. He praised Jane Pollard (Legal Services Manager) for her efforts in coordinating the Authority's response.

Councillor Gifford referred to the emphasis placed on 'civility' within the LGA's Model Code of Conduct, stating that Warwickshire County Council compared well to other authorities; members deserved to take pride in the high standards of courtesy and civility observed by the Council.

2. Warwickshire County Council External Auditors Governance Report 2019/20

Grant Patterson (Grant Thornton) introduced the report, stating that audits had been undertaken remotely since July 2020. He advised that work had been substantially completed and, to date, no issues had been identified which would require a modification of audit opinion. Work was ongoing to examine the Council's accounts in respect of property, plant and equipment; this was not anticipated to significantly alter overall findings.

Grant Patterson stated that COVID-19 had resulted in significant disruption to property markets, prompting the Royal Institution of Chartered Surveyors to issue guidance to its members that disclosure of material uncertainty was likely to be required. This signified that less certainty had been expressed by valuers, but he stressed that it would not invalidate any existing valuations. He stated that Grant Thornton's report for both the Council and Pension Fund would be unqualified, however, it was proposed to include 'an emphasis of matter' to highlight the material uncertainty disclosures observed as a result of the pandemic; this would not require a modification or qualification of the audit opinion.

Grant Patterson drew attention to page 10 of the Draft Audit Findings Report which summarised the Dedicated Schools Grant, proposed McCloud remedy, and the Goodwin judgement. He stated that these were not material matters and no adjustment to the accounts was proposed. This was reflected in the draft Letter of Representation; the Committee's approval was being sought in respect of the Authority's judgement to qualify these findings as not material.

Grant Patterson stated that an unqualified opinion of the Financial Statement was proposed by the external auditor, alongside an unqualified value for money conclusion. Examination of the Medium Term Financial Strategy (MTFS) demonstrated that the Authority's arrangements were appropriate; he advised that WCC had achieved around 85% of the savings required over the

period of the last organisational plan. This compared favourably to other local authorities. He highlighted the challenges ahead, including the proposed increased use of reserves and the difficult choices the organisation faced to meet its updated savings targets.

Grant Patterson stated that the financial strategy adopted by the Authority placed it in a sound position; it remained a going concern.

The members of the Committee praised the quality of the report. Councillor Gifford stated that, given the circumstances, the outlook was promising. Councillor Singh Birdi commented that prudent spending had facilitated a good outcome for the organisation; he advocated caution given the uncertainties ahead.

In response to the Chair, the members of the Committee indicated that they were satisfied that the Letter of Representation be signed on behalf of the Council.

Resolved:

That the Committee:

1. Endorses the Audit Findings Report of the External Auditors for Warwickshire County Council;
2. Approves, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation.

3. External Auditors Governance Report 2019/20 - Warwickshire Pension Fund

Jim McLarnon (Grant Thornton) introduced the report, stating that its themes were consistent with those of the preceding report. Similar discussions had taken place to determine matters which were not considered material (Dedicated Schools Grant, McCloud, and Goodwin). He advised that the anticipated report was unmodified apart from the insertion of an 'emphasis of matter' paragraph relating to level two investments in pooled property funds where the investment manager had reported material valuation uncertainty.

Councillor Gifford stated that, although the depreciation of property values was concerning, the Authority had adequate cashflow to avoid the sale of assets in unfavourable conditions.

The Committee indicated that it was satisfied to commend the Letter of Representation for approval.

Resolved:

That the Committee:

1. Endorses the Audit Findings Report of the External Auditors for Warwickshire County Council;
2. Approves, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation.

4. Warwickshire County Council Statement of Accounts 2019/20

Andrew Felton (Assistant Director, Finance) introduced the Statement of Accounts, stating that, in ordinary circumstances, a significant underspend within a financial year would be viewed negatively, however, in the era of coronavirus it had proved to be advantageous. The underspend had helped to maintain healthy reserves, improved cashflow and positioned the Authority well to respond to the challenges posed by the impact of the pandemic and the departure of the UK from the European Union.

In response to Councillor Holland, Virginia Rennie (Strategy and Commissioning Manager, Strategic Finance) advised that, in recognition of the impact of coronavirus, central government had extended the statutory deadlines for the publication of accounts; WCC was on track to meet the revised deadlines comfortably.

Attention was given to the draft 'narrative' Statement of Accounts document which was orientated to be accessible to members of the public with images and statistics.

The Chair suggested that the Statement be revised so that it was clear from the introduction that the reader was being addressed by Rob Powell (Strategic Director, Resources) rather than authorship of the document being stated on the final page only.

In response to Councillor Horner, Virginia Rennie advised that the 'Revenue Spend by Service' figures did not include central overhead costs (such as Human Resources, for example). Andrew Felton stated that figures showing central overhead costs apportioned to service areas were available.

The Chair drew attention to page 10 of the Statement which advised that 246,910 calls had been answered by Customer Services. He suggested that some extrapolation of the proportion of complaints resolved within a measurable timescale would provide a more insightful infographic.

In response to Councillor Horner, Rob Powell stated that the 80.7% employment rate cited on page 10 of the Statement ('Our Performance in 2019/20') could require additional context. He advised that input would be sought from Economic Development to clarify within the text how this figure had been determined.

The Chair highlighted the lower rates of educational achievement in Nuneaton referred to on page 14 of the Statement. He asked if there was scope to develop the commentary relating to the Nuneaton Education Strategy. Rob Powell advised that this represented an ambitious strategy for the organisation and that attention would be given to the prospect of exploring the issue in more detail in the final, published version.

Councillor Horner highlighted the sections of the Statement which addressed underspending against budgets in specific service areas. He suggested that an explanation of the rationale for reduced spending in these areas would benefit the readers' understanding.

Rob Powell advised that budgets were determined on the basis of projected demand. Regarding the significant underspend recorded for Environment Services, he explained that funds had been allocated in anticipation of a harsher winter; milder conditions had resulted in a saving. He

supported the ethos to avoid unnecessary spending and highlighted the attention which had been given to 'right-sizing'. Services were not encouraged to spend to budgets.

The Chair commented that in certain areas, such as care for the environment or child protection, there was a likely expectation amongst members of the public that budgetary allocations would be fully utilised. Rob Powell stated that Children's Services was an area which had consistently made use of its full allocation.

In response to Councillor Horner, Rob Powell stated that there was scope to provide an explanation of the impact of COVID-19 on budgetary spending within the narrative Statement.

Resolved:

That the Committee notes the Statement of Accounts 2019/20 and recommends it to Council for approval.

5. Warwickshire Pension Fund Statement of Accounts 2019/20

Andrew Felton (Assistant Director, Finance) introduced the item, stating that the Pension Fund was in a good position leading into the end of the financial year. He advised that the Pension Fund was a long-term investment consideration, managed over a 19-year period. As a result, short-term impacts, such as coronavirus, could be effectively controlled. He stated that the pandemic had brought about an initial drop to 2016 valuation levels (approximately 82%), however by the end of the first quarter, levels had recovered to around 86%. Concerns remained in respect of the prospect of a second wave of the virus.

The Chair drew attention to the Executive Summary of the report which provided details of the net assets of the scheme alongside membership details. He commented that it was equally important for details of liabilities and deficit to be stated.

Councillor Gifford stated that the value of the deficit could potentially have a serious effect, leading to the Authority being required to raise its contributions to the scheme.

The Chair observed that, in periods of uncertainty, government reforms to the prescribed schedule for repair of deficits could not be ruled out; the prospect of addressing the deficit within a more compressed period could pose significant financial challenges.

Chris Norton (Strategy and Commissioning Manager – Treasury, Pension, Audit & Risk) stated that the Authority's assumptions in respect of the size of the deficit tended to be prudent estimates.

Resolved:

That the Committee notes the 2019/20 Pension Fund Statement of Accounts and recommends it to Council for approval.

6. Annual Governance Statement 2019-20

Andrew Felton (Assistant Director, Finance) introduced the item. He stated that the Annual Governance Statement (AGS) enabled an examination of governance arrangements within the

organisation to ensure that they have been fit for purpose during the period of the accounts. An examination of emerging risks had also been undertaken, including the impact of coronavirus. He stated that the external auditor was satisfied that systems had not been compromised at any stage of the Authority's response to the pandemic.

The Chair observed that uncertainty relating to Brexit and the potential consequences of future government policy changes had been included within the AGS.

In response to the Chair, Virginia Rennie (Strategy and Commissioning Manager, Strategic Finance) advised that a 'Trade and EU Matters' Group was in place, chaired by the Strategic Director for Communities and attended by key personnel across the organisation (including representation from Economic Development, Human Resources, Legal Services, Adult Social Care, Communications, Finance, Welfare Support and Trading Standards). The Group reported to Cabinet via Corporate Board.

In response to the Chair, Councillor Gifford indicated that he did not feel that enough attention had been given to the potential impact of Brexit, including a no deal scenario.

Councillor Singh Birdi indicated that he was reasonably content with the provisions in place to secure the Warwickshire economy following the end of the transition period.

Councillor Horner indicated that he was satisfied that the Council was taking the necessary steps.

Councillor Holland suggested that the response of the Council was dependent upon the eventual resolution to international negotiations.

The Chair commented that contingency planning should be prioritised by the organisation, stating that, in instances where national arrangements had failed to cover all eventualities, there would be an expectation for the Authority to act. He cited animal welfare, movement of livestock and immigration as potential areas of concern. He stated that the outlook was clouded by a high degree of uncertainty. The Committee supported the suggestion of a report being presented to the next meeting on the Authority's preparedness for an EU exit.

The Chair commented that the AGS had not referred to the potential implications of the HS2 scheme; Andrew Felton agreed to assess the outlook for inclusion of this matter.

Resolved:

That the Committee endorses the Annual Governance Statement 2019/20 prior to submission to Council for approval.

7. Governance of Change Programme

Steve Smith (Assistant Director, Commissioning Support Unit) introduced the report, stating that, as the Authority moved from the Change Programme to the Change Portfolio, it had been necessary to ensure that appropriate governance arrangements were in place. This was especially relevant in recognition of coronavirus and the measures introduced by the COVID-19 Recovery Plan.

In response to Councillor Gifford, Steve Smith advised that the Gateway Group was chaired by Andrew Felton (Assistant Director, Finance) and attended by senior personnel across the organisation. The purpose of the Group was to assess emerging proposals and to make a recommendation to Corporate Board. He stated that the Gateway Group was not a decision-making body; its recommendations would be progressed to Cabinet or Council as necessary. The terms of reference for the Group would be circulated to the members of the Committee to provide clarity.

Resolved:

That the Committee notes and takes assurance on the arrangements for governance of the Change Portfolio.

8. Work Programme and Future Meeting Dates

The Committee noted the Work Programme and future meeting dates.

The Chair requested that a report summarising the Authority's response to Brexit be provided at the meeting of the Committee on 5 November 2020.

Sarah Duxbury (Assistant Director, Governance and Policy) advised that consideration of the Local Government Association's Member Code of Conduct consultation would be retained on the Committee's work programme, however, it would likely be too early for details of the outcome of the consultation to be reported to the 5 November 2020 meeting and would be brought to a subsequent meeting.

9. Any Other Business

In response to Councillor Holland's suggestion of a special meeting of the Audit and Standards Committee to consider the implications of Brexit negotiations for Warwickshire, Rob Powell (Strategic Director, Resources) advised that many of the relevant issues fell within the ambit of the Communities OSC.

The Chair requested that the report to the Committee in November 2020 provide assurance in respect of WCC's exposure to unforeseen financial costs resulting from the departure of the UK from the EU; and that these risks would be taken into consideration and kept under review.

10. Reports Containing Confidential or Exempt Information

Resolved:

That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.

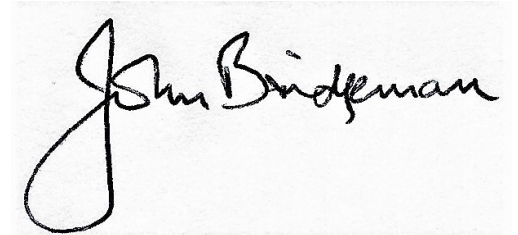
11. Internal Audit Interim Progress Report

The Committee received a confidential briefing.

12. Exempt Minutes of the meeting of the Audit and Standards Committee held on 20 July 2020 and matters arising

It was agreed that the exempt minutes be signed by the Chair as a true record.

The meeting rose at 11:57

A handwritten signature in black ink that reads "John Bridgeman". The signature is written in a cursive style with a large, looping initial 'J'.

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Chair