

# Audit and Standards Committee

Thursday 30 November 2023

## Minutes

### Attendance

#### Committee Members

John Bridgeman (Chair)  
Councillor John Cooke  
Councillor Sarah Feeney  
Councillor Bill Gifford  
Councillor Brian Hammersley  
Councillor Bhagwant Singh Pandher  
Councillor Ian Shenton  
Robert Zara

#### Officers

Virginia Rennie, Head of Strategic Finance  
Ross Caws, Head of SEND & Inclusion (Education Services)  
Sarah Duxbury, Director of Strategy, Planning and Governance  
Andrew Felton, Director of Finance  
Chris Norton, Head of Investments, Audit and Risk  
Rob Powell, Executive Director for Resources  
Paul Clarke, Internal Audit Manager  
Jan Cumming, Senior Solicitor and Team Leader  
Andy Carswell, Democratic Services Officer

#### Others Present

Avtar Sohal (Grant Thornton)

#### 1. General

The Chair welcomed everyone to the meeting. He told members this would be Andy Felton's last meeting before he left Warwickshire County Council for a new role. He said members would be sorry to see him go, and thanked him for all he had contributed to the Committee.

##### (1) Apologies

There were none.

##### (2) Disclosures of Pecuniary and Non-Pecuniary Interests

Councillor Sarah Feeney declared an interest in Item 9, as her son had an Education Health and Care Plan.

### **(3) Minutes of the previous meeting**

The minutes of the meeting held on 20 July 2023 were approved as an accurate record.

Arising from the minutes, the Chair asked if the closure certificate for the 2018/19 accounts had been completed. Avtar Sohal (Grant Thornton) said the auditor responsible had said it would be completed by Christmas, and there was pressure on him to have this done. The Chair said Committee members were concerned this had still not been completed, and suggested consideration of a formal letter regarding the failure to complete the closure certificate be sent to Grant Thornton. This was agreed by members.

## **2. Warwickshire County Council 2022/23 Audit Findings Report**

It was noted that an incorrect date had been included on page 13 of the report, and it should read 19 December 2023. The Chair stated there were some typographic errors that would need correcting before the final letter was signed, and the signatories would have the opportunity to make any amendments to the draft if they wished. Avtar Sohal asked if he could be informed of any changes that were made to the final draft.

Avtar Sohal said good progress was being made and there were only a few items that were still outstanding. Discussions were ongoing regarding pension assets, although it was anticipated this could be resolved shortly. However there were no significant material issues arising from those discussions. A final review by a member of the technical team would still need to be undertaken; again, it was not anticipated there would be material changes.

Three significant risks had been identified. These related to override of control, specifically control of authorisation of journals; valuation of land and buildings; and valuation of pension fund liabilities. Avtar Sohal stated his belief there was no evidence of potential material issues arising from the risks that had been identified, but said the Council ought to be wary of them. Andy Felton said the pension fund had moved from an £800million liability to a £40million asset.

The Chair noted a number of local authorities had recently been subject to Section 114 notices, and asked what an auditor would look for in the accounts to show Warwickshire County Council was not at risk from being given such a notice. Avtar Sohal said the Council would have to provide evidence to show it had appropriate arrangements in place. The answers that had been provided by the Council had provided reassurance that appropriate processes and governance structures were in place.

Responding to a question from Councillor Bill Gifford regarding borrowing rates, Avtar Sohal said there were restrictions depending on what the borrowed money was to be used for, and there needed to be arrangements in place to monitor its use. He said he had no concerns over the Council's levels of borrowing, and it had been demonstrated the money was being used appropriately. Chris Norton (Head of Investments, Audit and Risk) said strategies relating to borrowing needed to be agreed by Full Council and/or Cabinet, and these outlined specific parameters the Council needed to abide by. For example borrowed funds would not be put into overseas emerging markets as there was a higher risk associated with them.

Responding to a question from Councillor Bill Gifford in relation to recruitment issues, Avtar Sohal said this was a sector-wide problem as some positions were specialised. Chris Norton said new officers would then need to be in role for a year to understand the annual process of generating accounts. Promoting continuity was seen as important. Rob Powell (Executive Director, Resources) said most of the vacancies within the pensions team had been filled, but it was harder to recruit to some of the more specialised roles. There had been a big focus on strategic workforce planning across the Council and within the Finance Service to address this. Staff survey results had showed there were no issues associated with team morale or leadership within the pensions team.

Members said the issues identified within the report were relatively insignificant and, although important to raise, did not pose any major risks. The Chair noted the delay in publication of account certificates had knock-on effects on future years, and reiterated his earlier point about raising this formally with the external auditors.

Members noted the Audit Findings Report of the External Auditors for Warwickshire County Council. There were no matters that members wished to bring to the attention of Full Council. Members also approved the wording of the Letter of Representation, subject to some typographical errors being amended.

### **3. Warwickshire County Council Statement of Accounts 2022/23**

The Chair invited questions or comments from members on the statement of accounts. Councillor John Cooke said the use of infographics in the report had been very useful, and said members of the public were likely to appreciate them too.

Responding to a question from Councillor Bill Gifford regarding the reduction in reserves, Andy Felton said this was a natural reduction through the Medium Financial Strategy due to new investments. It was also confirmed the end date in the report should read 31 March 2023, not 2022.

Members noted the opening of Cherry Tree House, a new home for children in care. It was confirmed publicity on this had been released.

It was resolved that the Committee recommend the Statement of Accounts to Council for approval, and noted that the Executive Director of Resources would make any amendments required when the final Audit Findings Report was received, prior to their approval by Council.

### **5. Pension Fund - Audit Findings Report**

Avtar Sohal said the review of the Pension Fund audit had been completed. A few minor amendments had been suggested, although they did not change the overall tone. There were some outstanding issues, although assurance letters were able to be produced. It was confirmed the Pension Fund accounts would be signed by the same Council representatives who sign the Council's accounts.

Avtar Sohal said in response to a question from Councillor Sarah Feeney that the work of the auditor would be unlikely to significantly change as a result of the LGPS's aim of having up to ten per cent of a fund allocated to private equity. Andy Felton said it was the job of the pension fund to

agree an appropriate level of asset allocation. There had been a consultation on the ten per cent rate, but the outcome of this was advisory. This would be considered under the investment strategy, and the chosen figure would need to be justified by the Pension Fund Investment Sub Committee. It was accepted that investing in private equities generally carried a higher level of risk, but the pension fund already invests in private equity to meet specific objectives.

Councillor Ian Shenton noted the funding rate was 134 per cent in December 2022, an increase from the previous figure of 92 per cent from the 2019 valuation. He stated his belief the pension fund was in a strong position.

Responding to a question from Robert Zara, Chris Norton said the valuation of future liabilities had been calculated using some assumptions. He said the estimated value of liabilities had dropped significantly recently due to a higher discount rate being used to value them, and this was the main reason why the funding level was high. It was important for employer contributions to the pension fund to remain stable. Responding to a question from Councillor John Cooke, Chris Norton said assumptions would vary between local authorities. There is a Government Actuaries Department GAD13 report that attempts to apply uniform assumptions to pension fund valuations for the purpose of comparison.

Members noted life expectancy among the population was increasing, and it was unclear how this would impact the position of the pension fund.

The Chair said the report was encouraging and thanked officers for their work.

Members endorsed the Audit Findings Report for the Warwickshire Pension Fund and approved the wording of the Letter of Representation.

## **5. Pension Fund - Audit Findings Report**

This had been covered during the discussions on the previous item.

## **6. Annual Governance Report**

The item was introduced by Sarah Duxbury (Director of Strategy, Planning and Governance). She reminded members there was no statutory requirement for an annual governance report to be produced, but it was considered good practice to demonstrate the processes in place and provide assurances on governance matters. She drew members' attention to the fact the staff gifts and hospitality and whistleblowing policies had both been revised during the year, and made reference to the external inspections that had been undertaken. The staff code of conduct and modern slavery and human trafficking statements had also been updated, and the Constitution had been amended to reflect legislative changes. Proposed amendments to the health and safety framework were due to be completed by the end of December, following consideration by Corporate Board.

Responding to a question from the Chair regarding learning lessons from other authorities that had been subject to Section 114 orders, Sarah Duxbury said officers reviewed as many publications as possible and shared their outcomes to ensure the Council was aware of, and learning from, such cases. Warwickshire County Council was also part of various local government networks, such as a Monitoring Officer Forum, where examples of good governance and financial practice were shared.

Responding to a question from Councillor Bill Gifford about the Procurement Act and any changes required to the Constitution, Sarah Duxbury said this was likely to be considered by members in the July 2024 cycle of meetings. This would likely involve amendments to Contract Standing Orders, which would be considered by the Audit and Standards Committee before going on to Full Council for formal approval.

Responding to a question from the Chair, Sarah Duxbury said that, wherever possible, the Council's approach was to resolve member complaints informally at the earliest possible stage.

Members noted the contents of the report.

## **7. Annual Governance Statement 2022/23**

Chris Norton advised the Statement had been considered by external auditors and no amendments deemed necessary. It had also been subject to a period of public consultation, but no comments had been received.

Members agreed to endorse the Final Annual Governance Statement for 2022/23 and recommended its approval by full Council, and subsequent inclusion in the Council's 2022/23 Annual Report and Accounts.

## **8. Warwickshire County Council 2022/23 Annual Audit Letter**

Avtar Sohal said auditors had considered financial sustainability and value for money in terms of improving economy, efficiency and effectiveness. There had been no significant weaknesses identified in any of the criteria, with financial sustainability and governance being given a green rating. An amber rating had been given to improving economy, efficiency and effectiveness and three improvement recommendations had been made. These related to outstanding improvements from a CQC inspection relating to local area arrangements for SEND, and the outcome of a September 2023 inspection of Warwickshire Fire and Rescue Service from HMICFRS. Avtar Sohal said Warwickshire's report compared very favourably with other local authorities, and officers should feel proud of the arrangements they had put in place. Some councils had a number of red ratings which indicated significant issues with future financial sustainability; Warwickshire had some amber ratings, although this was not seen as a significant weakness.

The Chair said people should be greatly encouraged by the contents of the letter and thanked everyone who had been involved in its production. Rob Powell said he was confident in how well-run the Council was from a financial perspective.

## **9. SEND Funding**

The item was introduced by Ross Caws (Head of SEND and Inclusion). He said there had been an increase in the number of children requiring SEND provision, and the complexity of their needs had also increased. The number of children with an Education Health and Care Plan (EHCP) had risen to 5,800. Ross Caws explained that an EHCP was a legal agreement that meant the Council was responsible for any additional funding over £6,000 for each child in receipt of an EHCP. It was anticipated the number of children needing an EHCP would continue to rise, although this was a national trend. Ross Caws drew members' attention to Appendix 2 of the report, which outlined

concerns raised in 2021 by the Local Government Association. Off the back of this, the Council was one of 55 education authorities now engaging with the Department for Education as part of the Delivering Better Value programme. This aimed to review the systems in place and identify ways of continuing to meet the growing funding needs of children needing SEND support.

Ross Caws said there were particular concerns around in-year funding pressures. Budget overspends had been anticipated and identified, and officers were trying to manage these with the resources available. However the trends in SEND provision meant this would continue to remain an issue.

Rob Powell said the high needs block funding came from the Government. Following reforms in 2015, local authorities had to fund young people with additional needs through the ages of 19-25. This, and other systemic issues, meant that a substantial deficit had been generated in Warwickshire and in councils across the country. Some income generated from Council Tax was being used to provide coverage for the cumulative deficit on the Council's balance sheet in case Government ever required the Council to make good the deficit. Rob Powell said increasing costs associated with home to school transport for children with SEND were also causing issues. Responding to a point raised by Councillor Sarah Feeney, Rob Powell said the Council had previously written to the government repeatedly asking for greater action to be taken to address the increasing demands associated with SEND provision.

Councillor Bill Gifford said officers were doing their best to address the issues with limited resources. He said members of the public would blame the Council for perceived failings, and said they ought to contact their MP to raise concerns as often the issues were out of the Council's hands. Councillor Bill Gifford said mainstream schools were disincentivised from taking children with additional needs because of the associated increased costs.

Ross Caws said there had been a national review of SEND prior to the publication of a Green Paper in 2021, which had led to the SEND and alternative provision improvement programme being implemented. This had led to the delivering better programme that the Council were engaged with. This set out things mainstream schools were expected to do regarding different types of education provision.

The Chair noted members' concerns that it appeared the Government was not acting on concerns raised by local authorities relating to funding for SEND. Councillor Ian Shenton said Warwickshire was a well-run council, but was still experiencing the same issues as those from others in a more impecunious position. He said there had been no marked improvements in outcomes for children with additional needs despite an increase in available funding. Councillor Ian Shenton expressed concerns over how support would be provided if demand continued to increase. Rob Powell said the Council was duty bound to provide the required levels of support for a child with an EHCP, regardless of cost or affordability.

Councillor Sarah Feeney noted the number of school exclusions was increasing, which indicated that mainstream school settings were not always the best outcome for children with additional needs.

Members noted the contents of the report.

## **10. Strategic Risk Management**

The item was introduced by Chris Norton, who stated each service area had its own risk register. Risk appetites had been introduced to describe what would be an appropriate level of risk for each service area. Until now the assumption was that the higher a risk was, the worse the service area's overall position was.

Responding to a point raised by Councillor Brian Hammersley, Rob Powell said the Council had a good notion of the level of demand for each service area. Sometimes there were unexpected pressures, but the Council had historically been able to demonstrate an aptitude for meeting unanticipated levels of demand.

Members noted the high risks associated with a potential cyber attack. Councillor Ian Shenton said this was something that had been discussed numerous times at the Local Pension Board, and members had said they were satisfied there was adequate resilience in place to deal with a cyber attack. Councillor Ian Shenton said the current cost of living crisis would lead to possible funding challenges in certain service areas.

In response to a question from the Chair, Councillor Brian Hammersley stated his belief that elected members were generally aware of the risk profiles of service areas. Members were told that reports on risks would go to Cabinet and the various Overview and Scrutiny Committees on a regular basis. Avtar Sohal said the processes were in line with those used by other councils and no weaknesses had been identified.

Members noted the contents of the report.

## **11. Work Programme and Future Meeting Dates**

Members noted the contents of the work programme and the dates of future meetings.

## **12. Any Other Business**

There were no additional items of business to discuss.

## **13. Reports Containing Exempt or Confidential Information**

It was resolved that members of the public be excluded from the remainder of the meeting as it would involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

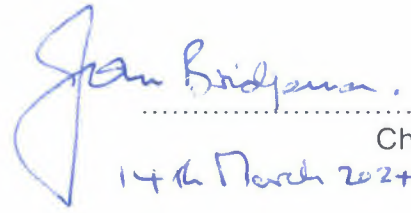
## **14. Exempt Minutes of Previous Meeting**

The exempt minutes of the meeting held on 20 July 2023 were approved as an accurate record.

## **15. Internal Audit Update Report**

Members discussed the contents of the report.

The meeting rose at 12.05pm

  
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Chair  
14th March 2024