

PUBLIC

MINUTES of a meeting of the **AUDIT COMMITTEE** held on Tuesday, 5 December 2023 at County Hall, Matlock, Derbyshire.

PRESENT

Councillor G Musson (in the Chair)

Councillors N Atkin, R Mihaly and P Rose.

Apologies for absence were submitted for Councillor R Parkinson and J Nelson.

Officers present: D Ashcroft, N Bailey, T Kearsey, M Kenyon, J Lakin, M Lunn and P Spencer (Derbyshire County Council) and M Surridge (Mazars)

49/23 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

50/23 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 19 SEPTEMBER 2023

The minutes of the meeting held on 19 September 2023 were confirmed as a correct record.

51/23 PERFORMANCE AND BUDGET MONITORING 2023/24

The Committee was provided with an update on Council Plan performance monitoring and the Revenue Budget/forecast outturn for 2023-24 as reported in the Quarter 1 (Q1) and Quarter 2 (Q2) reports.

The Q1 report had identified a forecast revenue budget overspend of £46.4m by 31 March 2024. This forecast position reflected higher than anticipated inflation in respect of pay, fuel, energy and materials, resulting in budget pressures across all areas, along with increased demand for Adult Social Care and Children's Services.

The Q2 report set out the progress that was being made to reduce expenditure, with the forecast to 31 March 2024 now anticipating an overspend of £32.9m. This improved position reflected the impact of strict cost control measures that had been in place since mid-September, departmental savings and the use of additional funding. It was anticipated that further reductions could be achieved during the second half of the year to reduce the overspend further.

If the forecast overspend was not addressed, the Council's General Reserve balance would be depleted. The General Reserve stood at £27.734m as at 30 September 2023 (Q1 report, £28.025m). This was considered to be the minimum level of general reserve for an organisation the size of the Council. The current forecast £32.947m overspend for 2023-24 would more than deplete the available General Reserve.

The Director of Finance & ICT addressed the Members' concerns with regard to the financial challenges the organisation faced and assured the Committee that the tools were in place to further reduce the level of expenditure. The Committee would be kept informed on the implementation and progress of these actions.

RESOLVED that the Committee:

- a) Notes the update of Council Plan performance and the Revenue Budget position/forecast outturn for 2023-24 as reported in the Quarter 1 and Quarter 2 reports;
- b) Notes the position on General Reserves; and
- c) Notes significant actions are required and will be undertaken across the Council to reduce the significant revenue overspend detailed in the report.

52/23 PRODUCTION OF REVENUE BUDGET

During 2023-24, the Council's financial position had remained challenging with the Q2 revenue monitoring report forecasting an overspend of almost £33m (£46m at Q1). In recognition of the Council's revenue forecast, a series of financial controls were announced in September 2023.

The Council's Constitution required that a timetable was publicised for making proposals to the full Council in relation to the annual Revenue Budget along with arrangements for consultation with stakeholders. The proposed timetable was attached at Appendix 2 to the report.

A key element of the Council's budget setting process was consultation with stakeholders and it was proposed to undertake the following consultation activities:

- The annual online "Your Council, Your Voice Survey"
- Statutory consultation with business ratepayers
- Trade unions
- The Improvement and Scrutiny Committee – Resources

Specific savings proposals were currently being considered with a view to presenting these at the meeting of Cabinet on 11 January 2024 in relation to the content of the 2024-25 budget.

The Five Year Financial Plan would be updated again as part of the budget setting process to reflect the Government's Autumn Statement and the Provisional Local Government Finance Settlement.

The Council had in place a Reserves Policy, which set out the framework within which decisions would be made regarding the level of reserves. Further details of the framework were provided.

RESOLVED:

That the Committee:

- a) Notes the proposed timetable and arrangements for consultation;
- b) Notes the proposals for reviewing and updating the Five Year Financial Plan; and
- c) Notes the arrangements for reviewing Earmarked Reserves and updating the General Reserve projections.

53/23 OVERVIEW OF FINANCE & ICT RISKS

Mark Kenyon, Director of Finance & ICT provided the Committee with an overview of risk management within the department.

There were three risks owned by Finance & ICT on the current strategic risk register which were listed below. Full details of the risks were provided in Appendix 2 to the report and all Finance & ICT strategic and operational risks were provided in Appendix 3:

- Impact of a prolonged recovery and a funding gap
- Failure to manage contracts across the county council
- Information governance and data security

RESOLVED that the Committee notes the information provided in this paper for discussion with Mark Kenyon.

54/23 CORPORATE RISK MANAGEMENT UPDATE (2023-24 QUARTER 2)

This report covered the updates to the Council's strategic risk register up to the end 2023-24 Quarter 2 (Q2).

Risk scores and Red/Amber ratings had been adjusted to reflect the new corporate risk matrix. The old and new risk severity matrices were shown in Appendix 2 to the report, for information and comparison. The register was summarised within the report and the full register was provided in Appendix 3 to the report.

There had been changes in the overall severity of seven risks. The increase in severity of the 'failure to respond to emergency situations' risk reflected important work was still needed to update and implement the council's business continuity plans, flood risk management plans, and all related arrangements.

RESOLVED that the Committee notes the report.

55/23 AUDIT SERVICES PROGRESS REPORT 31 OCTOBER 2023

Members were informed of the progress against the approved Audit Services Plan for 2023-24 as at 31 October 2023.

The Assistant Director of Finance (Audit) provided an update on audit resources and staffing issues. Following the Council's announcement on the budget pressures and the need to control its expenditure, including a freeze on recruitment, the Audit structure would remain at its current level for the immediate future with two vacant posts. If it was considered that the audit resource was not sufficient to provide an opinion on the Council's control, risk and governance frameworks, then the situation would be addressed.

At 31 October 2023, a total of 1,263 productive days had been delivered which was below the anticipated 1,363, though this was an improvement to the position that was reported in July. It was not anticipated that this would impact on the ability to deliver the annual Head of Internal Audit Opinion in the Annual Report.

RESOLVED that the Committee notes the performance of the Audit Services Unit during this period.

56/23 CO-OPTED INDEPENDENT AUDIT COMMITTEE MEMBERS

CIPFA's Audit Committees: Practical Guidance for Local Authorities and Police 2022 had highlighted the potential benefits of introducing co-opted independent members to the Audit Committee.

The addition of two co-opted independent members would increase the Committee's current composition, as defined within the Constitution, from six members to eight. A detailed Role and Person Profile had been

developed utilising guidance offered by CIPFA's Audit Committee: Practical Guidance for Local Authorities and the Police, and this was attached at Appendix 2 to the report.

The arrangements for recruitment would be delegated to the Chairman of the Committee, in consultation with the Monitoring Officer.

RESOLVED:

That the Committee:

- a) Notes the proposal to appoint two co-opted independent members to the Audit Committee in line with the recommendations of the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022, and support referral of the proposal to full Council for approval;
- b) Notes the Role and Person Profile for the co-opted independent members as included in Appendix 2 to the report;
- c) Approves that the proposal is referred to the Governance, Ethics and Standards Committee and thereafter full Council, to seek a constitutional change to the Committee's composition to reflect the introduction of two co-opted independent members; and
- d) Agrees that subject to full Council approval, a recruitment process should be commenced to appoint two co-opted independent persons and authorises the Monitoring Officer to commence the recruitment process and make arrangements for a cross-party, politically balanced recruitment panel of three members drawn from the Audit Committee, and one Lead Officer to interview candidates and recommend them for approval, initially to the Committee and then to full Council.

57/23 AUDIT PROGRESS REPORT - MAZARS

Mark Surridge from Mazars, attended the meeting and provided the Committee with an update on the progress against their audit.

Audit Opinion on the 2021-22 Financial Statements

Following the settlement of the legal case relating to the Long-Term Waste Contract, discussions had been held with management to determine whether any changes to the 2021-22 draft financial statements was required. Management had provided a response to these enquiries and copies of relevant documentation in November 2023. Once this final matter had been resolved, Mazars would hopefully be in a position to give an unqualified opinion on the County Council's updated and Financial Statements before the end of December 2023.

The Committee would be provided with a follow-up letter confirming the completion of the audit.

Audit Opinion on the 2022-23 Financial Statements

At the Committee meeting in September 2023, Mazars reported that the audit work was being completed in two stages, with the first phase carried out at the end of July 2023. The second stage had started as scheduled to in October 2023. Although the audit work was virtually complete, there were some significant matters still in progress which needed to be finalised before Mazars could issue the audit opinion. Details of these significant matters were provided.

On behalf of the Committee, the Chairman thanked Mr Surridge for his comprehensive update.

RESOLVED that the Committee notes the progress report.

58/23 EXCLUSION OF THE PUBLIC

To move that under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraphs 3 & 7 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

59/23 TO CONFIRM THE EXEMPT MINUTES OF THE MEETING HELD ON 19 SEPTEMBER 2023

The exempt minutes of the meeting held on 19 September 2023 were confirmed as a correct record.

The meeting finished at 3.32 pm