

MINUTES of a meeting of the **AUDIT COMMITTEE** held on 2 February 2021.

PRESENT

Councillor K S Athwal (in the Chair)

Councillors N Barker, S Brittain, L M Chilton, A Griffiths and P Murray

Officers in attendance – D Ashcroft, P Handford, C Hardman, J Lakin, P Spencer and P Stone (representing Derbyshire County Council) and J Pressley (representing Mazars)

Apologies for absence were received on behalf of M Surridge (Mazars)

Declarations of Interest

There were no declarations of interest

1/21 **MINUTES RESOLVED** that the minutes of the meeting held on 8 December 2020 be confirmed as a correct record.

2/21 **MATTERS ARISING (a) (Minute No.45/20) Cipfa Financial Management Code** The Assistant Director of Finance (Financial Management) updated Members on the progress that had been made in the areas where further work was required. The Committee would receive a report in due course which would set out the actions that had been taken.

Mr Pressley reported that a briefing note relating to the new value for money conclusion will be circulated to Members at the next meeting of the Committee in March.

(b) (Minute No.48/20) Redmond Review At the last meeting, Members of the Committee had discussed the benefits of producing simplified accounts along the lines of the County Council's council tax leaflet. The Director of Finance & ICT informed the Committee that it was unlikely that this could be produced this year due to the Covid-19 pandemic, but the finance team would hope to have this in place next year.

3/21 **PERFORMANCE AND BUDGET MONITORING/FORECAST OUTTURN 2020-21 AS AT QUARTER 2 (30 SEPTEMBER 2020)** The Assistant Director of Finance (Financial Management) provided Members with an update of Council Plan performance and the Revenue Budget position/forecast outturn for 2020-21 as at September 2020.

The Assistant Director of Finance (Financial Management) highlighted the new format of the report which the finance team had been working towards with colleagues in the Policy & Research team. These reports would now be submitted on a quarterly basis. The report presented both the Council Plan performance and financial budget monitoring and forecast outturn data. The Performance Summary set out the progress the Council was making on delivering the Council Plan with a focus on the achievement of the Council Plan priorities. The Revenue Budget Position and Financial Summary provided an overview of the Council's overall budget position and forecast outturn as at 30 September 2020.

The remainder of the report summarised progress on Council Plan deliverables and the controllable budget position by Cabinet Member Portfolio as at 30 September 2020. Further reports would be considered at Audit Committee and Council in accordance with the Budget Monitoring Policy and Financial Regulations.

The Council Plan 2020-21 set out the future direction of the Council and the outcomes that the Council was seeking to achieve. The Plan identified a small number of focused priorities to direct effort and resource, supported by "deliverables" under each priority. These set out what the Council aimed to deliver over the forthcoming year and were supported by key measures which enabled the Council to monitor the progress it was making. The Council Plan had been refreshed in July 2020 to reflect the impact, opportunities and challenges resulting from the pandemic.

The Performance Report for Quarter 2, attached at Appendix One to the report, set out the position in full up to the end of September 2020 for each deliverable and associated key measures, and an overview of performance was presented.

The latest progress of the deliverables showed an improvement from the previous quarter. Of the 51 deliverables in the Council Plan, 38 (75%) had been categorised as strong or good, 11 as requiring review and 1 as requiring action as at 30 September 2020. An overview of the latest performance for each deliverable by Council Plan priority was highlighted. With 75% of deliverables rated as strong or good, there was much to celebrate in the progress the Council was making in delivering the Council Plan. Key highlights were set out by Cabinet Member portfolio in the report, together with areas for consideration which detailed the actions the Council was taking to improve performance where this was required. Further detail was set out in Appendix One to the report.

The Assistant Director of Finance (Financial Management) summarised the forecast outturn for 2020-21 as at Quarter 2 compared to controllable

budget. The Covid-19 pandemic was having a significant impact on the Council's 2020-21 forecast outturn.

An overall Council underspend of £9.617m was forecast, after accounting for £45.037m of Ministry of Housing Communities & Local Government (MHCLG) Covid-19 emergency grant funding awarded and additional income of £4.853m compensation for lost sales, fees and charges income estimated to be claimable under the Government scheme announced on 2 July 2020. A Council portfolio overspend of £11.835m was forecast, after the use of MHCLG Covid-19 grant funding for Covid-19 related costs forecast to be incurred in 2020-21. The Covid-19 related costs across the portfolios was £34.023m and details were presented. Budget of £34.023m would be allocated to portfolios from the Risk Management Budget, where the emergency Covid-19 grant funding and reimbursement for lost income from sales, fees and charges received from Government had been temporarily allocated, to match these costs.

There was a forecast underspend on the Risk Management Budget of £19.116m, which represented the funding the Council had received, or was expected to receive, additional to its planned requirements and forecast Covid-19 related costs for 2020-21. However, there was considerable uncertainty about the impact on the Council's finances of future waves of the pandemic and any local or national restrictions imposed later in the year. Details of the forecast expenditure for the Risk Management Budget were provided.

A summary of the expected achievement of budget savings targets was provided at Appendix Four to the report. The budget savings target for 2020-21 was £18.795m, with a further £6.332m target brought forward from previous years. The savings initiatives identified to meet this target currently fell short by £8.074m, therefore further proposals would need to be brought forward to ensure the Council continued to balance its budget.

The General Reserve stood at £49.845m as at 30 September 2020. The level of General Reserve was currently 9.14% of the Council's Net Budget Requirement. Commitments were held against this General Reserve balance, which were referred to in the Council's 2020-21 Revenue Budget Report. At that time the General Reserve, in a pessimistic forecast, was predicted to decrease to 2.2% (£12.793m) of the Council's Net Budget Requirement by 2024-25. The majority of chief financial officers considered 3% to 5% of a council's net spending to be a prudent level of risk-based reserves. However, the Assistant Director of Finance (Financial Management) assured Members that there were sufficient General Reserves to help support the budget in the short term, but this situation would be continually monitored. The Chairman was very pleased with the position of the General Reserves as at 30 September 2020 and also the reimbursements from the Government.

A summary of each of the individual portfolio positions/forecast outturn for 2020-21 was presented.

The Chairman asked whether the savings of £400,000 on vacancy control within the Highways, Transport & Infrastructure portfolio had had a detrimental effect on the services within the department. The Assistant Director of Finance (Financial Management) reported that colleagues were aware of the pressures, particularly in relation to the recent flooding in the county and of the Covid-19 pandemic. The Director of Economy, Transport & Environment was looking at resources and considering how to move forward and progress projects.

Members of the Committee welcomed the report and praised the new format. The Chairman expressed their thanks to Mr Handford, Mr Stone and all the finance team for keeping the Council financially resilient.

RESOLVED that the Audit Committee (1) notes the update of Council Plan performance and the Revenue Budget position/forecast outturn for 2020-21 as at 30 September 2020 (Quarter 2);

(2) gives consideration as to whether there were any further actions that should be undertaken to improve performance where it has not met the desired level;

(3) notes a budget virement totalling £4.272m to centralise the Council's existing cleaning budgets had been approved by Cabinet; and

(4) Notes the funding of capital expenditure on the Property Planned Maintenance Programme 2020-21, estimated to be £1.236m, from borrowing, as an alternative to the planned contributions from revenue budgets.

4/21 AUDIT SERVICES UNIT PROGRESS AGAINST AUDIT PLAN 2020-21 Members were informed of progress against the approved Audit Plan for 2020-21 as at 31 December 2020.

At the last meeting of the Audit Committee on 8 December 2020 a report was presented following a detailed review of the Audit Services Plan, which included the status of individual projects identified, and forecast potential, available resources to 31 March 2021. The situation regarding delivery of the approved Audit Services Plan continued to be closely monitored and an updated forecast was attached at Appendix 3 to the report. This had not significantly changed from the previous forecast reported to the Committee on 8 December 2020.

The Audit Services Unit had continued to progress its approved programme of work, including those areas of additional, unplanned work which

were necessary to support Senior Management facing the challenges of the pandemic, and undertaking “deep dives” into specific areas of risk in greater detail. The potential impact of the coronavirus had previously been reported to the Audit Committee and these factors still remained.

The country was currently in lockdown and it was now approaching a year since the start of the first lockdown and it was still not possible to determine if, how and when the Council’s services would return to normal. It was clear that the coronavirus will have an impact on the Unit’s activities for some time and will be a factor in the preparation of the Audit Services Plan for 2021-22.

The Assistant Director of Finance (Audit) had submitted formal notification of his intention to retire on 31 March 2021 after over thirty years’ service with the Council. A Principal Auditor had recently resigned and approval was being sought to fill this post. The vacant Senior Auditor post had been filled by internal promotion with effect from 18 January 2021 and action was being taken to fill the resulting vacancy at Auditor level. The Unit’s sickness absence continued to remain at a higher level than estimated and at 31 December 2020 220 days had been lost through sickness absence. Consequently available staffing resources remained under considerable pressure.

Despite the impact of the coronavirus and reduced resources, Audit staff would continue to focus on the delivery of the Audit Services Plan and supporting Senior Management during these challenging times for the Council. Current restrictions had prevented certain planned activities from taking place including school and establishment Audits.

The delivery of Audit work was routinely monitored on a weekly basis by Senior Audit Management and progress against the Audit Services Plan would continue to be regularly reported to the Audit Committee. It was essential that the Audit Services Plan can continue to respond to changing and emerging threats to the Council’s governance, control and risk management framework.

At 31 December 2020 1,894 productive days had been delivered against the pro-rata target of 2,163 days (total planned days for 2020-21 was 2,884). This included 477 days deployed on projects not specifically included in the original Audit Services Plan.

The Chairman once again acknowledged that this had been a very difficult year and the Committee appreciated the flexibility of the Unit in the work that had been carried out. Members of the Committee congratulated Mr Hardman on his forthcoming retirement and thanked him for all his work and the service he had given to the County Council.

RESOLVED that the Committee note the information on progress to date against the approved Audit Services Plan.

5/21 LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT

Members will recall that the Governance Group was established to conduct an ongoing review of key systems and processes operated within the Council to ensure that effective Corporate Governance was promoted and delivered. The Governance Group had a key role in the ongoing review and development of the Local Code of Corporate Governance and the Annual Governance Statement and Action Plan.

The Local Code of Corporate Governance was currently being finalised by the Governance Group and would be presented to the Audit Committee and published on the Council's website when it was completed. Progress against the Annual Governance Statement Action Plan based on comments received was shown at Appendix 1 to the report.

Members welcomed this document which had identified areas for improvement, allocation of responsible officers and the current status. Hopefully this would provide Members with assurances and the progress of each area for improvement could be followed and monitored.

RESOLVED to note (1) the information provided in the report regarding the production of the Local Code of Corporate Governance and Annual Governance Statement; and

(2) the progress against the Annual Governance Statement Action Plan.

6/21 MEETING DATES AND AGENDA ITEMS 2021-2022

The proposed dates and potential agenda items for 2021-22 were presented for Members' consideration. The items were based on the existing business of the Committee and specific dates would be confirmed with Members in due course. To this schedule may be added any Member training proposals and any additional reports arising.

RESOLVED that Members agree the proposed programme for 2021-22.

7/21 EXTERNAL AUDIT – UPDATE REPORT

John Pressley from Mazars informed Members that the Audit Strategy Memorandum would be presented to the Committee in March. An update on the new Audit Code of Practice along with the value for money briefing note would also be provided.