

AUDIT COMMITTEE
18 NOVEMBER 2020

Minutes of the meeting of the Audit Committee of Flintshire County Council held as a remote attendance meeting on Wednesday, 18 November 2020

PRESENT:

Councillors: Janet Axworthy, Geoff Collett, Chris Dolphin, Andy Dunbobbin, Patrick Heesom, Paul Johnson and Arnold Woolley
Co-opted members: Sally Ellis and Allan Rainford

IN ATTENDANCE:

Councillor Ian Roberts (Leader of the Council and Cabinet Member for Education), Councillor Glyn Banks (Cabinet Member for Finance), Billy Mullin (Cabinet Member for Corporate Management and Assets), Chief Executive, Chief Officer (Governance), Corporate Finance Manager, Internal Audit Manager, Strategic Performance Advisor, Civic & Member Services Officer and Democratic Services Officer

Chief Officer (Education & Youth) and Finance Manager - for minute number 6

Chief Officer (Housing and Assets) - for minute number 7

Interim Finance Manager (Technical Accounting) and Principal Accountant - for minute number 8

Gwilym Bury and Matthew Edwards of Audit Wales

1. APPOINTMENT OF CHAIR

Councillor Dunbobbin proposed that Councillor Dolphin be re-appointed as Chairman of the Committee. This was seconded by Councillor Johnson and on being put to the vote, was carried. No further nominations were received.

RESOLVED:

That Councillor Chris Dolphin be appointed as Chairman of the Committee.

(From this point, Councillor Dolphin chaired the remainder of the meeting)

2. APPOINTMENT OF VICE-CHAIR

Councillor Johnson's nomination for Sally Ellis as Vice-Chair was seconded by Councillor Woolley and on being put to the vote, was carried.

RESOLVED:

That Sally Ellis be appointed Vice-Chair of the Committee.

3. **DECLARATIONS OF INTEREST**

The following personal interests were declared on agenda item 7 - School Reserve Balances:

- Councillors Janet Axworthy, Geoff Collett, Andy Dunbobbin, Patrick Heesom and Arnold Woolley - as school governors.
- Sally Ellis - son employed at Mold Alun School.

4. **MINUTES**

The minutes of the meeting held on 9 September 2020 were approved, as moved and seconded by Councillors Woolley and Dunbobbin, subject to an amendment in the attendance list.

RESOLVED:

That subject to the amendment, the minutes be approved as a correct record.

5. **EMERGENCY SITUATION BRIEFING (VERBAL)**

The Chief Executive provided an overview of the current situation on which detailed information had been circulated. The update included the latest local and regional figures in the context of national figures, as well as the impact on the care sector.

RESOLVED:

That the verbal update be received.

6. **SCHOOL RESERVE BALANCES YEAR ENDING 31 MARCH 2020**

The Chief Officer (Education & Youth) presented the annual report on reserves held by Flintshire schools and the risks and internal processes associated with schools in deficit. The report had also been considered by the Education, Youth and Culture Overview & Scrutiny Committee.

The position at the end of March 2020 showed a significant decrease in the level of reserves compared with the previous year, with a 44% increase in the net deficit position for secondary schools and a 26% reduction in primary school balances. There were a number of factors contributing to significant risks on the financial resilience of school budgets, with secondary schools a particular concern and emerging risks in the primary sector. In recognising the difficulty for schools to manage these continuing pressures - in addition to the uncertainty around Covid-19 - the report summarised the balanced approach taken by the portfolio to robustly challenge and target support as appropriate, using the revised 'Protocol for Schools in Financial Difficulty'. Recommendations from an Internal Audit advisory review of the Protocol were in the process of being implemented.

Councillor Ian Roberts highlighted the significant impact from continued austerity measures and said that the key concern was for schools to maintain

standards of education and curriculum which required appropriate funding. He and the Chief Executive would continue to make representations to Welsh Government (WG) for an uplift in the Settlement and the end of year position on school reserve balances would be closely monitored.

The Chief Executive said that there were examples of some secondary schools with stable or deteriorating deficit budgets with no remaining local solutions for recovery, other than a budget intervention. The Council's Medium Term Financial Strategy had identified that a specific uplift in the funding formula was necessary for secondary schools to address the deficit position. The Council had continued its case to WG as amongst the lowest funded in Wales on the need for an increased Settlement to re-balance the deficit budgets of secondary schools.

In response to a question from Allan Rainford, officers provided clarification on the stages within the Protocol and stressed that the position of two schools highlighted in the report was due to the lack of funding and that all available options for recovery had been exhausted in those cases.

In praising the level of challenge given by the Education, Youth & Culture Overview & Scrutiny Committee on the report, Sally Ellis suggested that more regular updates be given to that Committee to help monitor progress. She asked about the impact of a specific uplift applied to support school budgets previously and ensuring that any future uplift would help to resolve the situation.

The Chief Executive clarified that the additional levy on Council Tax in 2018/19 was to maintain a cash flat position and assist with inflationary pressures in school budgets as a temporary measure at that time. No such investment was planned for next year beyond pay and inflation and a longer term funding strategy was required from WG.

Officers explained that schools were continuing to bear some inflationary costs with no capacity to invest in increased demand and costs for services (such as those for children with additional learning needs) and the range of curriculum options. This ongoing cumulative impact had not been resolved and the teachers' pay award for this year had only been part-funded by WG.

Councillor Johnson acknowledged that this was a long-standing issue that was mainly beyond the control of schools. On levels of reserves, officers explained the role of the School Accountancy Team in working with schools to plan for future budget requirements. A rigorous process was in place for the approval of spending plans for schools. Councillor Johnson's request that future reports show data over a three year period was noted by officers.

Councillor Dunbobbin recognised that the reasons for the deficit position included the impact of national agreements that were not fully funded. He paid tribute to the Chief Officer and her team for their support to schools going through the process.

In recognising the scale of the pressure, Councillor Axworthy spoke about the impact of parental preferences and the need to consider the sustainability of schools.

Following her earlier suggestion, Sally Ellis acknowledged that whilst more frequent updates to Overview & Scrutiny would not change the position, they would help to assure the Audit Committee that any potential future uplift in school budgets was being monitored to achieve the right outcome. She asked that officers consider how best the situation could be monitored.

The recommendations were moved and seconded by Councillors Dunbobbin and Johnson.

RESOLVED:

- (a) That the school reserve balances as at 31 March 2020 be noted; and
- (b) That the changes to the Protocol for Schools in Financial Difficulty be noted.

7. ASSET DISPOSAL AND CAPITAL RECEIPTS GENERATED 2019/20

The Chief Officer (Housing & Assets) presented the annual report summarising land disposals and realisation of capital receipts during 2019/20. Capital receipts were aligned to contribute towards the Council's programme of capital schemes across all portfolios. The revenue implications from capital expenditure were highlighted, along with the continued reduction in Welsh Government (WG) support for capital expenditure.

In response to questions from Allan Rainford, the Chief Officer explained the approach to dealing with surplus assets including options to mitigate other pressures. He also spoke about the importance of WG grants to support the Capital Programme due to the decreasing number of capital receipts.

The recommendation was moved and seconded by Councillors Dunbobbin and Johnson.

RESOLVED:

That the report be noted.

8. TREASURY MANAGEMENT MID-YEAR REVIEW 2020/21 AND QUARTER 2 UPDATE

The Interim Finance Manager (Technical Accountancy) presented the draft Treasury Management mid-year report for 2020/21 to recommend to Cabinet, together with an update on Quarter 2 activities received for information.

Amongst the key points were the impact of the emergency situation, the continuation of low interest rates and ongoing use of short-term borrowing. As part of the update on Quarter 2, it was noted that the outcome of consultation on the future of Public Works Loans Board (PWLB) was awaited, on which the Council had made representations.

In response to questions from Allan Rainford, the Interim Finance Manager described the effectiveness of regular communications and information sharing between the teams during the pandemic. He provided information on interest-free loans from the Government which were subject to criteria and the approach to borrowing due to uncertainty on the current situation.

On the investment portfolio, Councillor Johnson was informed that investments with the Debt Management Office reflected the cautious approach being taken during the emergency situation and that differences in interest rates for short-term borrowing were due to timings.

In welcoming the report, Councillor Banks took the opportunity to encourage all Members to attend one of the two Treasury Management training sessions in December.

The recommendation was moved and seconded by Councillors Johnson and Dunbobbin.

RESOLVED:

That the Committee notes the draft Treasury Management Mid-Year Report 2020/21 and confirms that there are no matters to be drawn to the attention of Cabinet on 15 December 2020.

9. RISK MANAGEMENT FRAMEWORK

The Chief Executive presented a report on progress with implementing the updated risk management framework, shared with the Committee earlier in the year, which had been impacted by the emergency situation.

The updated framework was to introduce a more systematic approach to identifying and escalating risk which was viewed as best practice. The robust approach to risk reporting during the emergency situation had been supported by Members and regulators. As part of regular reviews, corporate governance arrangements in the document would be strengthened to more clearly reflect the escalation of high level risks to Members.

The Strategic Performance Advisor said that the range of consultation on the framework had helped to ensure a clearer understanding of the system for escalating risks. The new risk registers, which had been accelerated during the emergency situation, were subject to regular scrutiny.

The Internal Audit Manager provided an overview of advisory work carried out by her team which helped to give assurance on the robustness of risk management arrangements.

Sally Ellis spoke about the importance of ensuring that risk processes and escalation formed part of Overview & Scrutiny reports. As mentioned, the Chief Executive said that these areas would be highlighted in the document. He cited school reserve balances as an example where Members and officers should be proactive about the risks and that effective forward work programming was key to risk management.

In response to a question from Allan Rainford, officers clarified the process to capture and monitor risks to ensure that mitigation and controls were updated. Whilst the Chief Officer detailed the process for the review, challenge and publication of risk registers, the Chief Executive spoke of the importance of prompt escalation of risks from operational to corporate.

When asked by Councillor Johnson about applying the framework during the emergency situation, the Chief Executive praised the level of ownership on risks and joint work on mitigating actions.

The recommendation was moved and seconded by Councillors Dunbobbin and Johnson.

RESOLVED:

That the Committee is assured by the renewed risk management framework and the progress of its implementation.

10. APPROACH TO THE 2020/21 ANNUAL GOVERNANCE STATEMENT

The Chief Officer (Governance) presented the report to set out the process for Member involvement on the Annual Governance Statement for 2020/21 which had been delayed due to the emergency situation. The report proposed that Members of the Committee be invited to participate in a 'Member Challenge' workshop in March or April 2021 following development of the draft AGS by officers.

In supporting the proposed arrangements, Sally Ellis was assured that processes were in place to encourage public feedback on services during the pandemic.

The five Committee Members who volunteered to participate in the workshop were the Chair, Councillor Heesom, Councillor Johnson, Sally Ellis and Allan Rainford. Arrangements would be made with those individuals nearer the time.

Councillor Heesom thanked officers for the report and asked that any supporting documents be provided in advance of the workshop.

The recommendation was moved and seconded by Councillor Heesom and Sally Ellis.

RESOLVED:

That the proposed approach for the involvement of Audit Committee Members in the Annual Governance Statement process be endorsed.

11. AUDIT COMMITTEE ANNUAL REPORT

The Chairman introduced the Audit Committee Annual Report 2019/20 for endorsement prior to its submission for approval at County Council in December.

In summarising the key areas, he said that no areas of concern had been identified and that the Committee's self-assessment exercise had been deferred due to the emergency situation.

Sally Ellis said that whilst resolving to 'note' reports was often appropriate, the Committee could add value by considering additional recommendations where necessary. The Chief Officer said that officers could assist by putting forward more proactive recommendations.

The recommendation was moved and seconded by Councillors Dunbobbin and Johnson.

RESOLVED:

That the annual report for 2019/20 be endorsed prior to its submission to Council for approval on 8 December 2020.

12. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit Manager presented the regular report showing progress against the Plan, final reports issued, action tracking, performance indicators and current investigations.

Since the last report in January, no Red (limited assurance) reports had been issued. Progress on reports with an Amber Red (some assurance) status showed that most actions had been implemented. On Action Tracking, progress in completing overdue actions was being monitored, recognising the impact from the emergency situation. An update was also given on Internal Audit resources as set out in the report.

The recommendation was moved and seconded by Councillors Dunbobbin and Axworthy.

RESOLVED:

That the report be accepted.

13. ACTION TRACKING

The Internal Audit Manager presented an update on actions arising from previous meetings, which were either completed or in progress.

The recommendation was moved and seconded by Sally Ellis and Allan Rainford.

RESOLVED:

That the report be accepted.

14. FORWARD WORK PROGRAMME

The Internal Audit Manager presented the current Forward Work Programme for consideration.

In response to comments from Councillor Heesom on school reserve balances, Councillor Roberts said that assurances had been given on the level of scrutiny and monitoring on the matter.

Allan Rainford asked if there was potential for the Committee to request a briefing following the outcome of the budget-setting process for 2021/22 to understand the risks and challenges faced by the Council.

Councillor Roberts suggested that a report to the Committee may be more appropriate to prevent any duplication of roles.

During discussion, the Chief Officer (Governance) said that the budget was subject to approval by County Council in February 2020 and that sharing the process to manage risks identified may help the Committee to fulfil its role.

The recommendations in the report were moved and seconded by Councillor Heesom and Sally Ellis.

RESOLVED:

- (a) That the Forward Work Programme be accepted; and
- (b) That the Internal Audit Manager, in consultation with the Chair and Vice-Chair of the Committee, be authorised to vary the Forward Work Programme between meetings, as the need arises.

15. ATTENDANCE BY MEMBERS OF THE PRESS

There were no members of the press in attendance.

The meeting commenced at 10am and finished at 12.20pm

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Chairman