

BATH AND NORTH EAST SOMERSET COUNCIL

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Wednesday, 7th February, 2024, 4.00 pm

Councillors: David Biddleston (Chair), Lucy Hodge, George Leach, Malcolm Treby and Sam Ross

Independent Member: John Barker

Officers in attendance: Enfys Hughes (Democratic Services Officer), Jeff Wring (Director of One West & Avon Pension Fund), Gary Adams (Head of Financial Management), Jamie Whittard (Corporate Finance Manager), Claire Read (Group Accountant – Financial Accounting & Treasury) and Andy Cox (Head of Audit and Assurance (One West))

Guests in attendance:

37 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer drew attention to the emergency evacuation procedure.

38 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Andy Rothery, Section 151 Officer sent his apologies.

39 DECLARATIONS OF INTEREST

There were none.

40 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

41 ITEMS FROM THE PUBLIC - TO RECEIVE STATEMENTS, PETITIONS OR QUESTIONS

There were none.

42 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

43 MINUTES - 1ST NOVEMBER 2023

RESOLVED that the minutes of the meeting held on 1st November 2023 be confirmed as a correct record and signed by the Chair.

44 MINUTES - 22ND NOVEMBER 2023

RESOLVED that the minutes of the meeting held on 22nd November 2023 be confirmed as a correct record and signed by the Chair.

45 INTERNAL AUDIT PLAN CONSULTATION 2024/25

The Head of Audit and Assurance One West (Finance) presented the report. Firstly, he stated the report provided an update on 2023-24 audit work. Since the last meeting in November there was need for further assessment, 4 audits had been merged into 2 and 6 audits had been postponed. These changes were due to a reduction in resources, unplanned work including an investigation into Homes for Ukraine and requests for audit reviews on public health grant budget management and cash handling in resource centres. He stressed the audit plan must be responsive.

Secondly internal audit planning methodology was based on the reasonable assurance model. The plan must deliver sufficient work to allow the independent assessment of the control framework of the Council and give a reasonable assurance opinion. The model considered 3 areas of organisation context, high level and detailed assessment. Consultation had taken place with senior management and statutory officers and views of the Committee are now sought.

During Members' questions the following issues were clarified:

- audits had been postponed due to capacity and unplanned work. Some audits changed to a more appropriate time. Difficulty in recruitment over an extended period was having an impact at a senior level (Councillor Malcolm Treby);
- the in-year financial position of the Council was difficult with a forecast overspend of £1-2 million at end of Q3 and therefore stringent cost control was necessary (Jeff Wring Director of One West);
- during the pandemic staffing levels were maintained at a satisfactory level as job security was critical for many officers but there had been a lot of movement since then and the service was now in a less favourable position than April last year. The recruitment freeze did allow for some selected exemptions and certain sectors were protected like care services and statutory functions such as waste and recycling but this did not cover Internal Audit (Councillor Lucy Hodge);
- it was noted that staff had left the authority as there was a competitive market place on pay and other sector salaries were increasing more (Councillor Sam Ross);
- BANES had already entered into partnership options with other local authorities on a push/pull basis to flex resources but there were clearly cost implications (Jeff Wring);
- the impact of all these circumstances impacted on audits being rescheduled. Committee was concerned that audits on areas such as Climate Change were key and this could create long-term issues if they persisted (Councillor David Biddleston);
- it was important to ensure the Council delivered value for money and audit was an important element in forming an independent view on assurance in this area (Councillor Malcolm Treby);
- long term specific issues could impact on the external auditors' view of the internal control framework if there were ongoing problems with resources (John Barker Independent Member);

- Committee asked whether the recruitment freeze be relaxed for internal audit to allay concerns/risks of audits not being completed due to capacity issues (Councillor Malcolm Treby);
- the staffing capacity issue and the impact on the audit plan could be raised as a question to full Council or Cabinet;
- Director of One West advised that the issues presented in this report were difficult but not systemic and in the main caused by long term forces in the recruitment marketplace. Budgeted resources had not reduced and all the audits were simply being rescheduled but it was important to be transparent with the committee on the rationale for this. He committed to keep this area under review in relation to the recruitment freeze;
- adult social care was a large part of the Council's budget and in the 2024-25 plan staff were very busy with the HCRG handover working closely with colleagues (Councillor George Leach);
- Head of Audit stated that appendix 3 gave a feel for the planned areas for 2024/25. Some were thematic such as IT audits and these would need to be built into the detail of the plan;
- Committee raised risks as regards capital expenditure, an example of a specific project was funding the move of the Fashion Museum to the Bath Post Office (Councillor Malcolm Treby);
- further comments were raised around the allocation of resources to third sector providers which were reducing and had been for some time (Councillor Lucy Hodge) and it was queried how BANES compared to other local authorities;
- many of the third sector providers were valuable (Councillor David Biddleston) it would be useful to look at the figures from different directorates/services and see how funds were allocated, could these areas be considered within the plan;
- this was supported by the Committee, as an example the money spent on wellness and medical needs was not equitable, if more money was spent on wellness in the long-term it would reduce the money needed on medical (Councillor Sam Ross).

On a motion from Councillor Malcolm Treby, seconded by Councillor Sam Ross it was

RESOLVED

- 1) that the Corporate Audit Committee note the progress in delivery of the 'core' audit reviews in 2023/24 Annual Audit Assurance Plan and approves the additional amendments to the Audit Plan 2023/24;
- 2) that the Corporate Audit Committee agree to the proposal that the Internal Audit Core Work Plan (list of internal audit reviews) be presented to the 1st May 2024 Audit Committee; will be subject to ongoing review and updating by the Head of Audit & Assurance; and, reports on the maintenance of the Core Work Plan and audit reviews carried out will be presented at least every six months to the Committee;
- 3) that the Corporate Audit Committee note any activity areas or themes that members of the Committee would like to be considered for inclusion in the list of audit reviews which will form the core work of the Internal Audit function for the financial year 2024/25 onwards; and

- 4) that the Corporate Audit Committee consider that if resource issues persist with regard to Internal Audit and significantly impact on delivery of key assurances to management and the Council, that further discussions with the Cabinet should take place on resourcing.

46 TREASURY MANAGEMENT STRATEGY STATEMENT 2024/25

The Head of Financial Management presented the report and stated that it fulfilled the Authority's annual requirement under the CIPFA Code of Practice to set the strategy for 2024-25. The strategy sets high level boundaries but a flexible approach was adopted dependent on the market conditions. It would be reviewed by Corporate Audit Committee as part of scrutiny, then go to Cabinet and then be approved by full Council.

In respect of the economic background, section 1.21, he stated there were currently high interest rates to tackle inflation and Bank of England forecast inflation would reduce steadily to meet its target rate of 2% in early 2025. There was pressure on the economy with a forecast of GDP growth stagnating. In respect of credit outlook, not much had changed in the banking sector. There was pressure on assets linked to loans due to the weakening economic picture, although net income and profitability were being boosted by higher interest rates. Short term volatility to gilts and borrowing interest rates continued due to economic and political uncertainty and events such as the current situation in the Middle East. He referred to borrowing, section 1.31, at £217 million and investments at £39 million, stating they were highly liquid to manage cashflow. In respect of capital financing requirement (section 1.32) there was a need to borrow for capital purposes for the capital programme and the benchmarks showed the position. The strategy at 2.3 showed the current short-term rates which were high but expected to fall in the coming year so the maturity structure of any new borrowing would continue to be assessed against rates. It was no longer possible to access borrowing from the PWLB for buying investment assets primarily for yield.

The investment strategy highlighted the CIPFA requirements, security then liquidity then yield. There was a need to be prudent. For investments the Council used banks that were following the UN principles for responsible banking & investment. The measures were outlined to manage the Council's exposure to risk and the Treasury Management Indicators were also highlighted.

After questions from Councillors the following points were clarified:

- The forecast increase in borrowing from £215 million in 2023-24 to £285 million in 2024-25 was as a result of delaying borrowing in previous years due to cashflow and now the Council was catching up but this was prudent management to use cash balances and reserves. Borrowing was managed on a net basis and budgeted corporately (Councillor Malcolm Treby);
- the IFRS changed how the Council accounted when leasing equipment or property to recognise future liability;
- In respect of changing interest rates on borrowing, some previous loans reflected the lower interest rates available at that time, now the rates were rising;

- Arlingclose reviewed their interest rate forecasts when the Bank of England made their decisions, which happened every few months (Councillor David Biddleston);
- the number of schools still operating Council bank accounts was low as the majority had moved to academy status and now operated their own bank accounts;
- Mifid professional status - to maintain the status quo and access to the required range of investment accounts the authority had opted-up. Before they were treated as a professional client but after the banking crisis Local Authorities had been automatically downgraded to the same status as a consumer. However, with qualified and experienced staff, and the size of investment activity, they met the tests to opt back up to professional status.

On a motion from Councillor Sam Ross, seconded by Councillor Lucy Hodge it was

RESOLVED

- 1) to recommend the actions proposed within the Treasury Management Strategy Statement (**Appendix 1**) to Council; and
- 2) to note the Treasury Management Indicators detailed in **Appendix 1**.

47 RISK MANAGEMENT - UPDATE & OVERVIEW OF ARRANGEMENTS

The Director of One West presented the report which gave an overview of the strategy and framework. He stated that governance was one of the key pillars of assurance alongside performance and financial management. A strategy was in place with a risk register, integrated risk framework and decision-making guidance. There was formal CMT (Corporate Management Team) oversight quarterly on the Corporate Risk Register and CMT met on a fortnightly basis, so escalation of issues and risks was able to be made at short notice. Strong levels of assurance were available to the Council with both internal and external audit alongside the role of the Corporate Audit Committee.

He outlined the key risk framework and governance processes – these included a corporate risk register, a register for all directorates, all major projects, an escalation policy, performance surgeries, a corporate risk management steering group and a risk management Teams site. He confirmed roles and responsibilities were clear and the Council had key layers of accountability which included statutory officers, such as the Head of Paid Service, Section 151 Officer and Monitoring Officer. Member roles included the Audit Committee covering strategy and framework, Scrutiny Panels who could look at thematic and focussed issues and Cabinet who had overall accountability.

During Members' questions the following issues arose:

- Individual risks (themes) could be reviewed in detail by scrutiny panels and the strategy and framework would come to Corporate Audit Committee for consideration (Councillor Sam Ross);
- there was no software to help so the register was on Excel and it would outline red risks, new issues and how long items had been there,

- improvements to metrics and high level reporting was still needed (Councillor Malcolm Treby);
- previously the risk register had come to Audit Committee but had also been reported to Corporate Scrutiny Panel on which 2 previous members of Corporate Audit Committee sat (Councillor Lucy Hodge);
 - it was agreed there was opportunity to build stronger links between Corporate Audit and Scrutiny in order to provide more integrated assurance over key risks;
 - it was confirmed that any areas of concern or significant concern could be minuted and then raised by the Chair with the Chairs of the appropriate panel, officers would check there was no duplication. Chairs of the scrutiny panels ultimately chose what issues went onto their individual workplan. It was confirmed that officers were involved with Corporate Audit and scrutiny;
 - there seemed to be a robust system in place and there was both an escalation and de-escalation policy through the corporate management team (John Barker Independent Member).

The meeting went on to discuss the Corporate Risk Register and raised the following issues:

- The DSG (Direct Schools Grant) and safety valve were highlighted as a red risk and climate change adaptation was challenging as there was so much to do;
- landlord responsibilities was noted as a previous area the Committee had focussed on following internal audit reviews;
- the demand for CAMHS (Child and Adolescent Mental Health Services) had increased significantly since COVID and these were acknowledged within the Childrens Services risks (Councillor David Biddleston);
- Being our Best referred to a range of themes around greater jobs, smarter structures and a culture of excellence, currently significant work on restructuring was ongoing but this was confirmed as a management issue. Members' roles were to look at outcomes.

RESOLVED

- 1) To note the report; and
- 2) to consider and provide any feedback and observations to further develop good practice for our next Strategy Review.

48 DRAFT WORKPLAN

The Director of One West presented the report. Councillor Sam Ross stated how useful it was to see what decision was required alongside the item.

RESOLVED to note the workplan.

The meeting ended at 6.06 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services