

NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

At the meeting of the **Audit Committee** held at Block 1 Floor 2, County Hall, Morpeth, County Hall, Morpeth, NE61 2EF on Wednesday, 26 January 2022 at 10.15 am.

PRESENT

S Watson (Chair)

COUNCILLORS

D Towns
T Cessford
A Wallace

N Oliver
P Jackson
A Dale

CO-OPTED MEMBERS

P Topping

OFFICERS IN ATTENDANCE

L M Bennett
S Binjal

Senior Democratic Services Officer
Monitoring Officer & Interim Director of
Governance
Senior Manager - Performance and Systems
Support
Senior Service Director
Chief Executive
Acting Chief Internal Auditor
Finance Manager
Executive Director of Finance (Section 151
Officer)

A Hartwell

P Hunter
D Lally
K McDonald
A Stewart
J Willis

ALSO IN ATTENDANCE

C Waddell, Mazars (External Auditor)

33 APOLOGIES FOR ABSENCE

An apology for absence was received from Councillors L. Grimshaw and A. Scott.

34 MINUTES

RESOLVED that the minutes of the meeting of the Audit Committee held on 24 November 2021, as circulated, be confirmed as a true record and signed by the Chair.

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Treasury Management Strategy Statement for the Financial Year 2022-23

Members received the report which set out the Treasury Management Strategy, Treasury Management Policy Statement, the Annual Investment Strategy for the Financial Year 2022-23, Prudential Indicators 2022-23 and the Minimum Revenue Provision Policy 2022-23. Jan Willis, Interim Director of Finance and Section 151 Officer, presented the report.

Members were informed that there was currently a low interest environment and considerable uncertainty as to the economic outlook and inflation was at historic levels. It was forecast that interest rates would remain relatively low but begin rising over the next 12 months. It was possible that the Bank of England may look to increase interest rates more quickly if inflation ran ahead of current forecasts.

The County Council had significant cash balances and was under borrowing for the forthcoming year by using its cash balances rather than undertaking external borrowing. This was beneficial at the moment as there was currently very little return on investments, however, there was a risk associated with this policy, if medium to long term interest rates should increase more sharply. This area would be closely monitored.

The following comments were made in response to queries from Members:-

- The MRP was calculated on the basis on expected useful life of an asset. Various classes of asset had different lifespans, such as the difference between vehicles and a school and this was taken account of when calculating the MRP. With regard to borrowing, this was aggregated and loans spread in accordance with the strategy to ensure an appropriate maturity profile for that borrowing.
- There was a jump in the ratio of capital financing costs as a proportion of the net revenue stream because reserves were being used to make a voluntary minimum revenue provision of £25 million in 2022-23 and then a further £7.8 million in 2024-25. The front loading of MRP was to ensure that costs associated with financing the additional capital investment did not become a drag on the revenue account and hence increase the savings requirement in future years. The ratio would fall back in 2025-26.
- The Council's Medium Term Financial Plan took account of the risks associated with demand for services and, therefore, future expenditure. The affordability of the capital programme was a significant consideration when setting the budget and in normal circumstances the Council would not be able to afford to significantly increase the capital programme, however, there was significant flexibility at the moment, due to the high level of reserves and cash balances.
- With regard to lender option/borrower options (LOBO) and the mitigation of risks should interest rates rise, it was explained that the Council could cope as it was currently in an under borrowed situation. The Council would have the option to either accept increased interest rates or repay the loan. In this situation, it was likely that the LOBO loans would be replaced by PWLB

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borrowing at lower interest rates.

RESOLVED that the County Council be recommended to approve

- (1) the Treasury Management Strategy Statement which included the Treasury Management Policy Statement, the Annual Investment Strategy and Borrowing Strategy for the Financial Year 2022-23.
- (2) the Prudential Indicators (Appendix 4) for four years 2022-23 to 2025-26 to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- (3) the Minimum Revenue Provision Policy (Appendix 5) 2022-23.

The Chair commented that several meetings ago the Audit Committee had requested a copy of a report from KPMG which was due to be reviewed. Mrs Willis explained that it was not possible to release that report as it was evidence in an ongoing police investigation. She was also unable to give any indication of timescales for when it may be available for circulation to the Committee.

36 **REPORT OF THE ACTING CHIEF INTERNAL AUDITOR**

Preparation of the Strategic Audit Plan – 2022/23

Members received a report outlining the approach to preparing the 2022-23 Strategic Audit Plan for consideration and endorsement. The report ensured that the Committee, as a key stakeholder of Internal Audit's work, was engaged at an early stage in the planning process.

Kevin McDonald, Acting Chief Internal Auditor, outlined the process for the production of the Strategic Audit Plan. The process was the same as in previous years and the report was for the Audit Committee's information and Members were invited to make any suggestions for areas that they would like to be covered. It was explained that suggestions may not necessarily be included but must be considered for inclusion and reasons given if they were not included. As part of the engagement process, it was planned to hold a briefing session for Committee Members and dates were being identified. He would be able to highlight the indicative plan at the briefing and why some items were included, and others were not.

The following comments were made in response to queries from Members:-

- The shared internal audit risk management service with North Tyneside would be ending on 31 March 2022.
- Members wishing to make suggestions for inclusion in the Strategic Audit Plan should e-mail them to the Acting Chief Internal Auditor with all Committee Members cc'd in.

RESOLVED that

- (1) the approach to prepare the 2022-23 Strategic Audit Plan be endorsed.

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- (2) Members highlight any areas for consideration by the Acting Chief Internal Auditor for inclusion in the 2022-23 Strategic Audit Plan.

37 **REPORT OF THE EXECUTIVE DIRECTOR OF ADULTS SOCIAL CARE AND CHILDREN'S SERVICES**

Review of External Inspection Reports – Adults and Children's Services

Members were informed of activity pertaining to Adults Social Care and Children's Services regarding external inspections and associated actions for the period 1 July 2021 – 31 December 2021.

Alan Hartwell, Senior Manager Performance and Systems Support, highlighted the following points:-

The Care Quality Commission (CQC) carried out inspections for Adults Social Care and Ofsted for Children's Services. In terms of coverage, the report reviewed inspection activity across Adults Social Care, children's residential homes, schools, early years and the multi-agency Joint Targeted Area inspection (JTAI).

The picture was very positive across Adult Social Care with an improvement of nearly 4% in the proportion of services and settings which were judged as good or outstanding. Services and settings were detailed within the report. With regard to Children's Services, it was also very positive with an increase in the number of schools judged to be good or outstanding within the primary and secondary sector. Inspections of Early Years services were still ongoing and a very high number of these were judged to be good to outstanding. The report also referred to the support arrangements provided to Early Years providers during the course of the pandemic in terms of morale and supportive arrangements and also practical and technical help. The Joint Target Area Inspection and the action plan which arose from it had been subject to quarterly monitoring via the multi-agency children's safeguarding arrangements. The actions within the Action Plan were fully signed off by the last meeting of the Northumberland Safeguarding Children Committee in January 2022.

A report would be submitted the Family and Children's Services Overview and Scrutiny Committee in February 2022 covering the inspection framework in general, providing the current position and what the next inspections were likely to be. A focused visit for Children's Social Care was expected within the next year and could cover children who were looked after, permanency, referral receipt arrangements, or child protection arrangements. The inspection of the Youth Justice Service was now overdue. Since the reports had been submitted to the Committee, the report on Barndale House had now been received and it had been judged as good. It was also reported that Ofsted had just arrived at Phoenix House, Children's Residential Home, and it was currently being inspected.

The following comments were made in response to queries from Members:-

- Mr. Hartwell agreed to provide details for Members about the timescales relating to the new build children's homes at Pegswood and Hadston.
- Covid had had some effect on inspections and the schedule. Sometimes

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Ofsted and the QCC may amend the schedule to re inspect services/settings which may have been judged to require improvement more quickly. It was acknowledged that some services/settings had been affected by the pandemic. In terms of the number of inspections, there had been a long period with very few inspections but since summer 2021 they were now beginning to gather pace.

- Mr. Hartwell agreed to provide more information showing Adults Social Care inspection results over a period of one or two years to enable it to be easier to see any patterns.
- These inspections covered a number of areas including leadership, management, safeguarding, health and safety issues and the actual fabric of a building. Mr. Hartwell confirmed that the fabric of the building had been referred to in inspection reports.
- The Chief Executive pointed out that there was a differential about the services that the Council provided directly and that it had very little adult social care which was residential. All of the providers were independent/not for profit/ or private and these were the registered individuals for any inspection. The County Council was the commissioner of the care.
- With regard to academies, the Council could offer the same level of service which would be offered to a Northumberland County Council maintained school, for example, a School Improvement SLA. There was also an Education Strategy Board which included academies as members and regular Headteacher briefings. When inspections were taking place the County Council did offer its support.
- It was reported that the inspection at Kyo House which had stated that satisfactory progress was being made, had been an interim inspection. It had noted the progress being made towards the implementation of its previous required actions. The next inspection would be a graded inspection.

RESOLVED the findings of the External Inspection Reports – Adults and Children’s Services be acknowledged.

38 **REPORT OF THE EXTERNAL AUDITOR**

Annual Auditors Report 2020-21

Members received a verbal update from Cameron Waddell from Mazars, the External Auditors.

Mr. Waddell explained that work on the Annual Audit Report was ongoing, and it was intended to report to the next meeting. In general, no significant issues had been identified with the exception of the valuation of schools. It was uncertain whether it was a lack of evidence to support the valuations or whether the valuations themselves were incorrect or both. Evidence was needed to support the valuations and if this could not be supplied then a request would have to be made to obtain this evidence. If the evidence did not support the valuations, then there would be an error and, therefore, other action would have to be taken. It would be necessary to understand the basis on which the existing valuations had been made. Mr. Waddell stressed that this issue would have no impact on the Council’s revenue position or underlying level of reserves the Council had. If a major error had occurred, then this would be reported to a future Audit Committee

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meeting.

In terms of 19/20 VFM, the auditors were still looking at International and they still did not have all of the information requested. The implications of a previous constitutional issue which had been discussed at a previous meeting were still being considered. It was not yet possible to indicate when this work may be finished. The situation was the same for 20/21 VFM. Mr. Waddell confirmed that the Whole of Government Accounts return had been signed off and submitted in mid-December 2021.

The following comments were made in response to queries from Members:-

- Mr. Waddell was unable to comment on any issue which was the subject of a current police investigation, however, the outcome of any such investigation would be taken account of in the audit.
- It was confirmed that the auditors had received a large part of the International information which had been requested but that there were a number of follow up queries to deal with from the information provided.

RESOLVED that the report of the External Auditor be received.

39 **DATE OF NEXT MEETING**

The next meeting be scheduled for Wednesday, 23 March 2022 at 10.15 a.m.

40 **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED:

- (a) That under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following item on the Agenda as it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A of the 1972 Act, and
- (b) That the public interest in maintaining the exemption outweighs the public interest in disclosure for the following reasons:-

Agenda Item

11 Paragraph 3 of Part 1 of Schedule 12A

Information relating to the financial or business affairs of any particular person (including the authority holding the information).

Disclosure could adversely affect the business reputation or confidence in the person/organisation and could adversely affect commercial revenue.

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41 **REPORT OF THE ACTING CHIEF INTERNAL AUDITOR**

Group Audit Committee

Members received a verbal update from the Acting Chief Internal Auditor.

RESOLVED that the report be received.

CHAIR.....

DATE.....

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