

Lancashire County Council

Audit, Risk and Governance Committee

**Minutes of the Meeting held on Monday 26th July 2021 at 2.00 pm in
Cabinet Room A - The Tudor Room, County Hall, Preston**

Present:

County Councillor Alan Schofield (Chair)

County Councillors

U Arif

R Swarbrick

M Maxwell-Scott

County Councillors J Berry, S Morris and Y Motala attended virtually.

County Councillor Morris replaced County Councillor Shedwick for this meeting only.

1. Apologies

Apologies were received from County Councillor Shedwick and County Councillor Bailey.

2. Constitution, Membership and Terms of Reference

The committee considered a report detailing the membership, Chairmanship and Terms of Reference for the 2021/22 municipal year.

The Chair highlighted the importance of the committee's independence, as set out in the Statement of Purpose.

Resolved: That

- i) The appointment of County Councillor A Schofield as Chair and County Councillor R Swarbrick as Deputy Chair of the Audit, Risk and Governance Committee for the 2021/22 municipal year be noted;
- ii) The membership of the committee, following the county council's annual meeting on 27 May 2021 be noted; and
- iii) The Audit, Risk and Governance Committee Terms of Reference be noted.

3. Disclosure of Pecuniary and Non-Pecuniary Interests

It was noted that the Chair, County Councillor Alan Schofield, had a non-pecuniary interest in Item 13.

4. Minutes of the Meeting held on 26th April 2021

Resolved: That the minutes of the Audit, Risk and Governance Committee meeting held on 26th April 2021 be confirmed as an accurate record.

5. Approval of the Council's Statement of Accounts 2020/21

Khadija Saeed, Head of Corporate Finance presented the Statement of Accounts 2020/21 for Lancashire County Council and the Lancashire County Pension Fund for the committee's approval.

It was highlighted that the committee training session relating to the Statement of Accounts, held on 23rd June 2021, had outlined the salient elements of the accounts and that the narrative report at the beginning also provided members with a summary of the overall position.

It was noted that, although the statutory deadline was the end of September 2021, it was important to ensure the accounts were approved in a timely way so that work could progress relating to the next financial year.

The Chair thanked Khadija Saeed and the Corporate Finance Team for their work and professionalism to produce the county council's Statement of Accounts.

Resolved: That the Statement of Accounts 2020/21 for Lancashire County Council and the Lancashire County Pension Fund be approved.

6. Treasury Management Activity 2020/21

Mike Jensen, Director of Investment presented a review of the council's treasury management activities occurring in the financial year 2020/21 and the position at 31st March 2021.

The following points were highlighted from the report:

- The report set out the economic situation nationally, including that the sharp recovery expected following the easing of Covid restrictions had been short-lived. The public's savings accumulated during the national lockdowns had not been released into the market as anticipated and the national savings rate remained high;
- The Bank of England continued to delay any planned increase in interest rates, so it was thought that a movement in interest rates remained highly unlikely in the immediate future;

- During 2020-21, the county council had reduced its total borrowing as debt matured and this decline would continue into 2021-22 with the repayment of existing loans. As a result, the total investment portfolio would also decline;
- The process to restructure the debt portfolio of the county council was ongoing and by the end of 2021-22 it was expected that the planned proportions of short-term, medium-term and long-term interest rates would be achieved;
- The impact of the treasury management strategy on the council's revenue budget had been to improve the year-end outturn by £24.5m (following a transfer to the treasury management reserve);
- The prudential indicators set out at page 294 mostly fell well within their proposed limits. The debt to Capital Financing Requirement was larger than the 2020/21 estimate, primarily due to the large bond issuance during 2020. It was expected that the indicator would return to within the proposed limits by the end of the 2021/22 financial year.

The Chair thanked Mike Jensen for the comprehensive report and noted that the committee had been privileged to receive a training session, delivered by the council's treasury management external advisors, on 6th July 2021.

Resolved: That the review of treasury management activity 2020/21, as presented, be noted.

7. External Audit - Audit Progress Report and Sector Update 2020/21

Stuart Basnett, Audit Manager at Grant Thornton UK LLP, presented a report to update the committee on the proposed timescales for the external audit for 2020/21 and to provide additional information on sector developments.

It was highlighted that the full audit team would begin work remotely from late-August and report to the committee at its October 2021 meeting, though a number of tasks were already underway or completed. Interim audit work had been conducted from March 2021 and no issues had been identified to date. A full update would be provided in the audit findings report in October.

In particular, the committee's attention was drawn to the new and more extensive focus on Value for Money (VFM) under the National Audit Office's (NAO) new Code of Audit Practice, resulting in new timelines and greater flexibility in the work to assess VFM. The deadline to provide VFM conclusions now fell 3 months after the date of the overall opinion and accordingly the auditors' annual report (on VFM) could be expected at the committee meeting in January 2022.

The Chair thanked Stuart Basnett for Grant Thornton's report.

Resolved: That the External Audit Progress Report and Sector Update 2020/21, as presented, be noted.

8. Chairman's Annual Report

County Councillor Alan Schofield, Chair of the Audit, Risk and Governance Committee presented the Chairman's Annual Report for 2020/21.

It was highlighted that the annual report had been introduced to enhance the accountability and effectiveness of the committee, as it provided a review of the committee's role, key activities, membership and meetings over the past year.

The Chair expressed his gratitude to Paul Bond, Head of Legal and Democratic Services for his work to draft the annual report.

In response to a question about the redeployment of internal audit staff during the pandemic, Ruth Lowry, Head of Internal Audit confirmed that several staff had been redeployed to operational roles across the council during 2020-21 but from April 2021 had returned to the Internal Audit Service to resume work on the full internal audit plan.

The Chair commended and thanked the staff of the Internal Audit Service for their work during the pandemic to support frontline services.

Resolved: That the Chairman's Annual Report for 2020/21, as presented, be noted.

9. Draft Work Plan 2021/22

The committee reviewed the draft work plan of the Audit, Risk and Governance Committee for 2021/22.

Paul Bond, Head of Legal and Democratic Services highlighted that the committee would also receive reports relating to the Pension Fund Risk Register in the future. It was likely that the first of these reports would be presented at the committee's meeting in October 2021.

Resolved: That the committee's draft work plan for 2021/22, as presented, be noted.

10. Urgent Business

None.

11. Date of Next Meeting

It was noted that the next meeting of the Audit, Risk and Governance Committee would be held on Monday 18th October 2021 at 2.00 pm at County Hall, Preston.

The Chair thanked the Democratic Services team for their work to organise the committee's first hybrid meeting.

12. Exclusion of Press and Public

Resolved: That the press and members of the public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part I of Schedule 12A to the Local Government Act 1972.

It was considered that in all the circumstances, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

13. Assurance over the Pension Fund

(Not for Publication - Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.)

Ruth Lowry, Head of Internal Audit presented a private and confidential report to give a summary of the assurance available over the Lancashire County Pension Fund for 2020/21.

Resolved: That the report, as presented, be noted.

L Sales
Director of Corporate Services

County Hall
Preston