



Audit Committee
Monday, 26th September, 2022 at 4.30 pm
in the Council Chamber, Town Hall, Saturday Market
Place, King's Lynn PE30 5DQ

Reports marked to follow on the Agenda and/or Supplementary Documents

1. **Minutes - TO FOLLOW** (Pages 2 - 8)

To approve the minutes from the Audit Committee on 7 September 2022.

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BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

AUDIT COMMITTEE

Minutes from the Meeting of the Audit Committee held on Wednesday, 7th September, 2022 at 4.30 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ

PRESENT: I Devereux (Chair)
Councillors J Collingham, P Gidney, C Manning, J Rust, A Ryves and M Storey

Officers: Assistant Director Resources – M Drewery
Financial Services Manager – C Holland

A17 **APOLOGIES**

Belated apologies were received from Councillor Morley.

A18 **MINUTES**

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RESOLVED: The minutes of the Audit Committee held on 20 June 2022 were agreed as a correct record and signed by the Chair, subject to the amendment in A7, of the word weight for wait in Councillor Morley's statement.

A19 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

A20 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A21 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no members present under standing order 34.

A22 **CHAIR'S CORRESPONDENCE**

The Chair reported that he had recently attended an East of England Audit Chair's meeting, which had been very insightful. He had retained the presentations given as potential training tools for the committee.

A23

REVENUE OUTTURN 2021/2022

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The Assistant Director - Finance presented the report which was submitted to Cabinet on 2 August 2022 setting out in summary the revenue outturn for 2021/2022 for the Council. The report showed details of the major differences between actual costs/income compared to the revised estimates for 2021/2022 reported in February 2022 monitoring.

The accounts showed the Borough's spend of £20,578,724, which is £70,294 more than the revised position following February's monitoring for 2021/2022.

Throughout the year there was significant uncertainty and variation to budget as reported in the budget monitoring report, largely as a result of the financial impact of recovery from the pandemic on the local economy and related variation to demands on service. In addition to this, during the year concerns emerged of growing inflation and the Government's Office for Budget Responsibility made forecasts of inflation up to 10% for 2022/23, widely impacting the cost of living for individuals and businesses.

The Council's continuing strategy was to identify budget savings in year, as part of the monitoring process and at year end. Any savings were then transferred to the General Fund Reserve balance for use in future years. As a result consideration had been given to allocating specific funds to support the community and provide contingency for known and estimated inflationary increases to the Council. Appendix 2 of the report showed more detail.

The Outturn included additional transfers of £2,808,850 to earmarked reserves for continued operations in 2022/2023. The General Fund Reserve was increased to £8,983,760 at the start of 2022/2023 following the contribution from 2021/2022 surplus of £287,745.

The Assistant Director responded to questions as follows:

- on the simplification of the report, to which she confirmed that the points made previously had been taken on board and changes were being made for later reports.
- The points made on the transfers to balances at the year end which were considered prudent to carry thing forward with the developing pressures on finances, and in the Financial Plan looking forward in the year 2025/26 the General Fund would have to be used to balance the budget to assist in the prevention of cutting services. The earmarked reserves were set aside for specific funds.
- A question was raised on the reduced car parking income to which it was confirmed that the levels were due to covid and the recovery time, although they were improving now.

- The new burdens fund had provided funding for the town centre initiatives during covid.
- The detail of the overspend of £36,000 on the Norfolk High Street Fund would be looked into and members informed.
- That the gap funding for future years was set out in the Financial Plan each year.

The Chair reminded the Committee that its role was to review that the process and policies been complied with, for example- have the reserves been handled in the way they should be within the structure, rules and process definitions. He reminded members that the statutory levels of reserves required were set by CIPFA.

The Committee agreed that it would welcome a paper to give the committee a better understanding of Reserves. It was confirmed that a paper was being developed for general reserves which would be added as an explanation or could be used for training purposes. The Committee welcomed the short training sessions for members.

Reference was also made to the large sums of money which were paid to the internal drainage boards with no recompense from the Government which wasn't considered fair.

RESOLVED: That the report be noted that the Revenue budget was being operated in accordance with the overall policies.

- 2) That a training session be offered on Reserves.

A24

CAPITAL PROGRAMME AND RESOURCES 2021/2026

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The Assistant Director presented the report as presented to Cabinet on 2 August 2022 providing details of the outturn of the 2021/2022 capital programme and outlined amendments and rephrasing to the spending on schemes, revising the programme for 2021/2026. The capital programme outturn for 2021/2022 totalled £11,529,573 (£16,932,194 including Exempt and Capital Loans) against an approved budget of £14,820,410 (£22,313,160 including Exempt and Capital Loans). It had been necessary to rephrase a total of £4,043,620 (£6,014,020 including Exempt) of scheme costs to future years. Useable capital receipts generated in the year totalled £914,469. The capital resources available to fund expenditure in 2021/2022 were detailed in section 3 of the report.

The Assistant Director drew attention to the fact that the amendments to the presentation of the report would come forward for the 2022/23 year.

She responded to questions on the following matters:

- The loan agreement with West Norfolk Housing drew down once homes were completed and were incorporated into the accounts. Service Level Agreements were being drawn up for staffing costs for the companies.
- The funding from Suffolk County Council was a grant funding payment from the LEP for the NORA scheme.
- The overall figures in the report also took into account the figures for the exempt schemes.
- The wording in the risk element on the Guildhall regarding the potential need to cancel the scheme was not considered acceptable, it was agreed this would be revisited.
- The Towns Fund overall costings presented to Member major Projects Board included both capital and revenue costs.
- It was explained that the risks for the MUCH scheme were different to the Guildhall due to the funding sources.
- Chapel Street development funding in the current year – it was acknowledged that this scheme was not popular with members, it was agreed to obtain further information on the sums included.

The Chair asked the Committee where possible to submit questions on the reports in advance to give officers present chance to ensure they had the information required.

RESOLVED: That the report be noted.

A25

ANNUAL TREASURY OUTTURN REPORT 2021/2022

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The Financial Services Manager presented to the Committee a report which reminded members that the Council had formally adopted the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (2009) and remained fully compliant with its requirements.

This Annual Treasury Outturn Report looked backwards at 2021/2022 and covered:

1. The 2021/2022 Treasury Outturn
2. Compliance with Treasury Limits
3. Outturn Summary

Additional supporting information:

Appendix 1 – Economic Outlook

Appendix 2 - Investments as at 31 March 2022

Appendix 3 - Borrowing as at 31 March 2022

Appendix 4 - Prudential Indicators

The Council's Treasury Policy Statement 2022/2023 and annual Treasury Strategy Statement 2022/2023 were approved by Council on the 9 February 2022.

In responding to Member's questions the Financial Services Manager explained the following:

- Borrowing in advance at a higher level than currently required whilst the rate was low was not permitted. The levels were reviewed annually as part of the treasury management strategy.
- The fact that the Capital Programme was forecast for four year interval, and that a more detailed analysis of cash and receipts was being prepared.

RESOLVED: That the annual treasury outturn position for 2021/2022 be noted.

Reason for the Decision

The Council must make an annual review of its Treasury operation for the previous year, as part of the CIPFA code of Practice

A26

BUDGET MONITORING REPORT - JUNE 2022

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The Committee considered the Budget Monitoring report for June 2022, Quarter 1.

The Financial Services Manager presented the report circulated with the Agenda.

The Assistant Director, Resources and Financial Services Manager responded to questions in relation to:

- The locally determined pay settlement paid to staff of the Borough and the ongoing discussions all of which had ongoing budget implications for future years along with recruitment issues and competing for staff with other authorities.
- Discussions were ongoing with advisors on modelling for energy costs for the future.
- The major housing budgets were being reviewed and would filter through in amended budgets.
- In looking at whether the Council changed its financial plans in the future it was acknowledged that these were volatile times and Council financial settlements from Government were not expected until Christmas which meant that the significant pressures had to be built into the processes for next year. Cuts to services would be the last resort.

The Chair thanked officers for responding to the challenges faced and the willingness to improve processes and material as requested by members. He reminded members that the Audit Committee was not

the scrutiny body for questioning the policies content, rather ensuring the decisions and finances were operated in accordance with the policies.

RESOLVED: The Committee received the Budget Monitoring Report for June 2022.

A27

UPDATE ON THE AUDIT PROGRESS AND TIMETABLE

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The Assistant Director Resources explained that the Audit of 2019/20 Statement of Accounts was still outstanding. The external auditors Ernst Young were due to complete them in July/August, but did not have the available resources. They had rescheduled to February 2023, which was the time previously scheduled for the 2021/22 audit. She reported she was meeting with the auditors the following week to try to prioritise the Council's work.

It was confirmed that the work programme for the Committee was having to be constantly amended to accommodate the lack of progress on the external audit, but it was still necessary to deliver other aspects of work, so would now table the presentation to Audit Committee of the draft statement of accounts for the following years.

It was reported that the tender for the external audit services for 2023/24 onwards was currently taking place with a good response from Auditors and that the number of external auditors who could participate in the process had increased.

The Chair confirmed that at the Chairs Forum concern had been expressed about the delays some councils were experiencing with their audits. He reminded members that there were no legal penalties for the external auditors not delivering within the required timescales.

Attention was drawn to the costs of the audit for 2018/19 of £100,000. There was no figure yet for 2019/20 as it had not progressed, although it was expected to be more than budgeted for. Provision had been made based on the 2018/19 costs for now.

The Chair confirmed that he was trying to create as much space as possible to permit officers to be able to focus on doing the essential elements as required.

RESOLVED: That the update be noted.

A28

COMMITTEE WORK PROGRAMME

RESOLVED: The work programme was noted.

A29 **CABINET FORWARD DECISIONS LIST**

RESOLVED: The Cabinet forward decision list was noted.

A30 **DATE OF NEXT MEETING**

The next meeting was due to take place on 26 September 2022

The meeting closed at 6.30 pm