

MINUTES
OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE

held on 29 July 2024

Present:

Mrs C Storey (Chair)
Cllr S Oades (Vice-Chair)
Cllr S Greentree Cllr M I Raja

Also Present: Councillors A-M Barker and D Roberts

Absent: Councillors G Cosnahan and L Rice

1. MINUTES

RESOLVED

That the minutes of the Committee held on 20 June 2024 be approved and signed as a true and correct record.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors G Cosnahan and L Rice.

3. DECLARATIONS OF INTEREST

In accordance with the Officer Employment Procedure Rules, the Strategic Director - Corporate Resources, Kevin Foster declared a disclosable personal interest (non-pecuniary) in any items concerning the companies of which he is a Council-appointed director. The interests were such that Mr Foster could advise on those items.

4. URGENT BUSINESS

There were no items of Urgent Business.

5. STATEMENT OF ACCOUNTS 2019-20; 2020-21 AND 2021-22

Stephen Fitzgerald, the Council's Director of Finance / S151 Officer introduced the report on the 2019/20, 2020/21 and 2021/22 statement of accounts and stated that the last accounts approved by Full Council had been for the 2018/19 financial year at its meeting on 25 July 2019. The reasons had included an inherent delay in closing accounts and delivering audits across the local government sector with only 1% of local authority 2022/23 accounts had been completed on time; specific problems encountered by the External Auditor BDO in closing these accounts; and issues associated with the financial information

at the Council along with a shortage of capacity within the finance team. Since spring 2024, additional resource had been brought in to strengthen the team and the presentation of these accounts represented a step on the road to recovery for the Council and its finances, intended to increase the confidence in the Council in light of the overhanging debt issue. In the Autumn it was planned to deliver the 2022/23 and 2023/24 accounts.

2019/20 Accounts

The Committee was advised that the 2019/20 accounts had been completed and published on the Council's website, with audit work commenced. Members noted that these accounts were under the name of Leigh Clarke as Finance Director at the time and, as they had been submitted for audit work, it would not be appropriate to amend them.

Paragraph 4.12 of the explanatory forward in the 2019/20 accounts referred to prudential code allowing investment to be affordable, prudent and sustainable taking into account the level of income including Council Tax and housing rents. Councillor Oades commented that the level of borrowing taken by the Council was clearly not sustainable or prudent and the loans were also taken from the PWLB for revenue purposes. Councillor Oades also challenged the statement in paragraph 10.1 that the Council's overall financial performance in 2019/20 was good. Stephen Fitzgerald highlighted that the 2019/20 accounts are as they were presented to the auditors and the issuing of the section 114 notice has led to a significant re-assessment of both the revenue account and balance sheet of the Council. The adjustments associated with the section 114 notice would be made in the 2023/24 accounts, rather than re-stating prior years.

The Minimum Revenue Provision (MRP) for the relevant years was noted to be understated. Although the MRP for these years was understated, the MRP policy approved by Council was correctly implemented. Therefore adjustments to correct the level of MRP would be made prospectively rather than retrospectively in the previous years' accounts.

2020/21 Accounts

The 2020/21 accounts had been placed on the Council's website but not submitted for Audit work. Following review, it was considered by the finance team that several adjustments were required to accurately reflect the Council's position. Mike Stevens, Deputy Financial Services Manager stated that the main changes were the transfer of £9.5m of market loans due to mature within one year from long-term borrowing to short-term borrowing on the balance sheet; earmarked reserves had been reduced by £646k relating to the calculation of the benefit subsidy; and as the Capital Financing Requirement had previously excluded the borrowing taken to finance loans to external organisations (including to the group companies) it was now calculated using the balance sheet method, resulting in an increase of £876m.

Stephen Fitzgerald stated that the accounts were stated to be in his name, as they had been prepared under his tenure and not yet been considered for audit, noting that the level of accounting records held by the Council had created a limitation and had been set out in the accounts as an important reservation.

2021/22 Accounts

The 2021/22 accounts had been prepared under Stephen Fitzgerald's name with the same caveat set out as for the previous year.

Stephen Fitzgerald concluded the overview by stating that the shortcomings in some of the financial information in the Chief Financial Officers Statement of Responsibilities had been noted and with that caveat it was recommended that the report be received for noting and that the accounts would be passed to Full Council for consideration. In addition to placing

the accounts on the Council's website, an explanatory note would be included explaining the reservation. The Council's Commissioners and both sets of external auditors had been fully briefed on the preparation and contents of these statements. Stephen Fitzgerald thanked Matt Davis, Mike Stevens, David Baldam and the rest of the finance team for their work in the preparation of the accounts commended them to the Committee for noting and comment.

The Chairman noted that there was no representative from BDO attending the meeting due to an extra meeting being arranged in the holiday period, and added that it would not be appropriate for the Chairman of the Committee to be one of the signatories to the accounts as the Independent Co-opted Member was not a voting member of the Committee and their approval was a matter for Full Council.

Following questions by Members, it was stated that there was no requirement in the Constitution for the accounts to be received by the Audit and Governance Committee, however it was good practice to do so.

Members considered the 2019/20 accounts and highlighted a number of points regarding the level of reserves and Minimum Revenue Provision (MRP) which were thought at the time to be correct but now were known to have been incorrect, and that it was not clear to local residents why the information had not been amended. It was reiterated that the accounts should not be changed as they had been submitted to audit, however an explanatory note would be prepared by Stephen Fitzgerald to set out the legal position and provide clarity. It was noted that at the time the Council had been entirely compliant with its MRP Policy, although it was felt that the level of structural gearing was challenging with £1.4bn debt against an annual revenue of £32m.

In the 2020/21 accounts, it was noted that on page 148 that there was a £2,000 discrepancy in the figure of £36,177,000 for the Opening General Fund and HRA Balance at 1 April and the Closing General Fund and HRA Balance at 31 March, and agreed to look into the matter outside the meeting, noting that it likely related to a rounding discrepancy. On page 151 it was noted that some loans had been used for revenue purposes which was not permitted by the Public Works Loan Board. On page 185, it was noted that the reconciliation of cash flow from operating activities included the removal of investment property asset revaluation as the starting figure was the net surplus / deficit on the provision of services.

Members noted that the anticipated new legislation bringing in a backstop date in September for the completion of outstanding audit accounts had not been passed prior to the General Election and that it was anticipated that these three sets of accounts would be received by Full Council at its meeting in September. It was added that the accounts may in time be disclaimed by BDO. However, approving these accounts would send a strong message to the Government that the Council was being open and transparent by placing them into the public domain.

In addition to the clarification outside of the meeting regarding the HRA account as set out above, it was agreed that the accounts be noted and referred to Council for consideration alongside an explanatory note, circulated to the Committee in advance, which would set out the legal position to Members and local residents.

RESOLVED

That the draft accounts for the years 2019/20, 2020/21 and 2021/22 be noted and referred to Council for consideration, alongside an explanatory note,

circulated to the Audit and Governance Committee in advance, setting out the legal position to Members and local residents.

The meeting commenced at 7.00 pm
and ended at 8.00 pm

Chairman: _____

Date: _____