

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

26 November 2020

- * Councillor Nigel Manning (Chairman)
- * Councillor Deborah Seabrook (Vice-Chairman)

- Councillor Liz Hogger
- * Councillor Ramsey Nagaty
- * Councillor George Potter
- * Councillor John Redpath
- * Councillor James Walsh

Independent Members:

- *Mrs Maria Angel MBE
- *Mr Murray Litvak

Parish Members:

- *Ms Julia Osborn
- *Mr Ian Symes
- Mr Tim Wolfenden

*Present

Councillor Tim Anderson was also in attendance.

CGS35 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillor Liz Hogger and Tim Wolfenden.

CGS36 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS

There were no disclosures of interest.

CGS37 AUDIT FINDINGS REPORT FOR 2019-20

The Committee noted that the audit of the 2019-20 accounts was nearing completion and the Council's external auditors intended to issue an unqualified opinion on the financial statements, which the Chief Finance Officer (CFO) would re-certify in accordance with the Accounts and Audit Regulations 2015 immediately after the Committee meeting. The auditors had issued an Audit Findings report, which was appended to the committee report, together with a management action plan. An update to the Audit Findings Report had been circulated to the Committee on the Supplementary Information Sheet.

The auditors had not yet found any misstatements which affected the primary financial statements or financial position of the Council. The auditors had found some areas that required adjusting and these were highlighted in the audit findings report. There are also some minor changes that were not individually significant enough to warrant separate disclosure in the findings report.

The auditors had proposed to give an unqualified Value for Money conclusion. Their recommendations relating to value for money were also included in the action plan. The key points related to the medium-term financial plan and the general fund capital programme. However, the auditors drew the Committee's attention to an Emphasis of Matter, highlighting material uncertainties, caused by the financial impact of the COVID-19 pandemic, around the valuation of land and buildings, investment properties and the Council's share of pension fund property investments as at 31 March 2020, which had been reflected in the accounts.

The auditors had indicated that, in their opinion, the Council had proper financial arrangements in place to deal with the challenges to financial sustainability caused by the COVID-19 pandemic, but had recommended that the financial position in respect of reserves should continue to be monitored and reported.

The auditors reported at the meeting that it was not now anticipated that the audit would be completed by the 30 November deadline.

The Chairman of this Committee was required to issue a letter of representation on behalf of the Council to the auditors to provide assurance over the management framework operating at the Council and the disclosures in the accounts. A copy of the proposed letter, which had been omitted from the committee report, had been circulated to the Committee on the Supplementary Information Sheet.

The Committee's attention was drawn to the Action Plan in the Audit Findings Report and the management responses, and to the various adjustments made to the accounts since the first draft of the accounts were published in August.

During the debate, the Committee made the following comments:

- In response to a concern over the possibility of identifying any significant issues during the final stages of the audit, the auditor confirmed that the most significant areas where potential issues arise were dealt with in the early stages of the audit process. However, should any significant issues come to light, they would be communicated to the Committee.
- Clarification was sought in respect of whether pension fund net liability would continue to represent a significant audit risk each year. It was confirmed that, given the very large figures involved and the need for expert help and advice and the uncertainties and complexity of underlying assumptions it was likely that it would remain a significant audit risk.

Having considered the report and the update on the Supplementary Information Sheet, the Committee

RESOLVED:

- (1) That Grant Thornton's Audit Findings report attached as Appendix 1 to the Committee report, including the Update on the Supplementary Information Sheet circulated to the Committee prior to the meeting, and the management responses provided in the action plan (as set out in Appendix A to Appendix 1 to that report) be noted.
- (2) That the letter of representation, as set out in Appendix 2 to the Supplementary Information Sheet, be approved, and that the Chairman be authorised to sign the letter on the Council's behalf.

Reason:

To allow the external auditor to issue his opinion on the 2019-20 accounts.

CGS38 AUDITED STATEMENT OF ACCOUNTS 2019-20

The Committee considered the Audited Statement of Accounts for 2019-20. The Audit Findings report had covered the changes made to the accounts between the draft accounts, issued on 31 August 2020 and the audited accounts. The audited accounts appended to the Committee report included the changes.

A copy of the Guildford Borough Council Group Accounts for 2019-20, which had been omitted from the Statement of Accounts included on the agenda, had been circulated to the Committee prior to the meeting.

The Committee noted that the external auditors (Grant Thornton) had indicated that they expected to issue an unqualified opinion on the financial statements.

Comments from the Committee raised the following points:

- It was suggested that it would be helpful if the table of key performance indicators (on page 16 of the Statement of Accounts) was benchmarked across other comparable councils, with such benchmarked details included in future Statements. The CFO confirmed that it would be possible to circulate details of Surrey district and borough councils' key performance indicators to the Committee.
- In response to an enquiry as to whether the financial settlement in respect of the departure of the Director of Community Services (referred to on page 33 of the Statement of Accounts) had been approved by full Council, it was confirmed that the matter had been approved by the Council at its meeting held on 8 October 2019.

Having considered the Statement of Accounts for 2019-20, the Committee

RESOLVED:

- (1) That, subject to paragraph (2) below, the audited Statement of Accounts 2019-20, as set out in Appendix 1 to the report submitted to the Committee, including the Guildford Group Accounts for 2019-20 circulated to the Committee prior to the meeting, be approved and that the Chief Finance Officer be authorised to make any amendments as a result of changes requested by the auditors after this meeting and before completion of the audit.
- (2) That, in the interests of openness and transparency, the Chief Finance Officer be requested to report back to the next meeting of the Committee on 14 January 2021 to advise of any adjustments made to the Statement of Accounts for 2019-20 at the request of the external auditors, including details of the sum(s) involved and reason for the adjustment(s).
- (3) That the Chairman of the Committee be authorised to sign the official copy of the accounts to state that they are approved.

Reasons:

- To approve the Statement of Accounts for 2019-20.
- To comply with the Accounts and Audit Regulations 2015 the statutory Statement of Accounts requires approval by 31 July. However, 2020 has been an exceptional year and the Accounts and Audit Regulations have been amended for the 2019-20 accounts revising the approval date to 30 November 2020.

CGS39 FINANCIAL MONITORING 2020-21: PERIOD 6 (APRIL TO SEPTEMBER 2020)

The Committee considered a report which summarised the projected outturn position for the Council's general fund revenue account, based on actual and accrued data for the period April to September 2020.

Officers were projecting an increase in net expenditure on the general fund revenue account of £6,806,000.

Covid-19 continued to impact the Council in several ways including the inability to maintain income levels at those budgeted for in February 2020. The direct expenditure incurred by the Council in the current financial year stood at £948,881, with support received from the Government of £1,954,748. The Government support would contribute to both the direct and indirect costs of the Covid-19 pandemic.

As the pandemic continued, estimates for losses in income and increased costs had been made with the best information available, which would be subject to change as the year progressed. The report considered the expenditure and income forecasted up to 30 September

(before the second lockdown occurred) and would therefore potentially move adversely as the second lockdown progressed.

The Committee was reminded that the Council, at its meeting of 5 May 2020, had approved an emergency budget to deal with the impact of Covid-19 should government support fall short of the final costs of the pandemic. The Government had since announced further support for local authorities and figures would be updated to reflect this support once the detail had been received.

There had been a reduction (£351,107) in the statutory Minimum Revenue Provision (MRP) charge to the general fund to make provision for the repayment of past capital debt reflecting a re-profiling of capital schemes.

A surplus on the Housing Revenue Account would enable a projected transfer of £8.53 million to the new build reserve and £2.5 million to the reserve for future capital at year-end. The transfer was projected to be £97,384 higher than the budgeted assumption and reflected modest variations in repair and maintenance expenditure and staffing costs.

Progress against significant capital projects on the approved programme, as outlined in section 7 of the report, was being made. The Council expected to spend £97.896 million on its capital schemes by the end of the financial year. The expenditure was higher than it had been for many years and demonstrated progress in delivering the Council's capital programme.

The Council's underlying need to borrow to finance the capital programme was expected to be £74.456 million by 31 March 2021, against an estimated position of £125.956 million. The lower underlying need to borrow was a result of slippage on both the approved and provisional capital programme, as detailed in paragraphs 7.3 to 7.6 of the report.

The Council held £143 million of investments and £276 million of external borrowing as at 30 September 2020, which included £192.5 million of HRA loans. Officers confirmed that the Council had complied with its Prudential indicators in the period, which had been set in February 2020 as part of the Council's Capital Strategy.

During the debate, the following comments were made by the Committee:

- An enquiry as to where Parks and Countryside income derived from
- It was confirmed that monies received during the year towards Special Protection Area sites were transferred to a reserve and that the net effect on the General Fund was nil.
- It was noted that, in relation to the £120,000 set aside in the Capital Programme for new boilers for the Electric Theatre, this had been agreed with the ACM at the time they entered into the lease with the Council in 2017.
- In response to an enquiry as to why the planning appeals budget was currently overbudget given that the budget had been increased, it was confirmed that planning appeals were £40,000 over budget and that the variance related to the loss of income on planning performance agreements.

Having considered the monitoring report, the Committee

RESOLVED: That the results of the Council's financial monitoring for the period April to September 2020, be noted together with the above comments.

Reason:

To allow the Committee to undertake its role in relation to scrutinising the Council's finances.

The meeting finished at 8.03 pm

Signed

Date

Chairman