

Audit and Governance Committee

Tuesday 12 November 2024

PRESENT:

Councillor Allen, in the Chair.

Councillor Finn, Vice Chair.

Councillors Noble (substitute for Councillor Cuddihee), P.Nicholson, Raynsford and Independent Member Annette Benny.

Apologies for absence: Councillors Cuddihee and Stevens.

Also in attendance: Liz Bryant (Head of Legal Services), Hannah Chandler-Whiting (Democratic Advisor), Wendy Eldridge (Lead Accountancy Manager), Carolyn Haynes (Interim Head of Finance), Ross Jago (Head of Governance, Performance and Risk), David Northey (Service Director for Finance), Oliver Woodhams (Head of Finance) and Louise Clapton (Devon Audit Partnership), Ken Johnson (Devon Audit Partnership) and Jackson Murray (Grant Thornton).

The meeting started at 2.02 pm and finished at 4.32 pm.

Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

37. **Declarations of Interest**

A general dispensation was in place for Committee Members in relation to the following item: Council's Electoral Cycle Consultation.

38. **Minutes**

The minutes of the meeting held on 10 September 2024 were agreed as an accurate record.

39. **Chair's Urgent Business**

There were no items of Chair's urgent business.

40. **Plymouth City Council Audit Plan 2023/24**

Jackson Murray (Grant Thornton) introduced the report and highlighted:

- a) Ethical standards meant that lead auditors rotated every five years and Jackson Murray would be taking over from Paul Dossett from 2023/24 accounts onwards;
- b) The backstop date was 13 December 2024 for all accounts up to and including 2022/23;

- c) The 2023/24 audit had been underway since September 2024 and was making good progress;
- d) The backstop for 2023/24 would be February 2025.

Supported by Carolyn Haynes (Acting Head of Finance), in response to questions, the following was reported:

- e) Valuation of council land and buildings was a common risk due to the high value;
- f) The Council was required to estimate what amount would be needed to pay out to all future pensioners should the pension liabilities crystallise and the auditors needed to ensure the assumptions were reasonable;
- g) Committee Members would be provided with current asset valuation information;
- h) The Council did not have any assets with negative value;
- i) There was no update on the capitalisation directive, and if there was an update, it would be shared with Committee Members.

41. **Auditor's Annual Report (Interim Version) for the year ended 31 March 2024**

Jackson Murray (Grant Thornton) introduced the report and highlighted:

- a) The final version was expected to be issued in three months' time;
- b) Value for money findings must be reported by November each year;
- c) Two significant weaknesses had been identified in the same report for the 2022/23 financial year;
 - i. Financial sustainability and Grant Thornton had recommended that the Council should update its Medium-Term Financial Strategy (MTFS) which remained open but an updated MTFS had been presented to Cabinet on 11 November 2024;
 - ii. Need to improve economy efficiency and effectiveness in Children's Services following an Ofsted improvement notice;
- d) There was evidence that the Council was discussing savings transformation regularly but it needed to be more clear on how different programs were being pulled together and ensure that the transformation that was required to maintain financial sustainability could be evidenced;
- e) Improvement recommendations related to sensitivity analysis required within the MTFS and a need to report the split between recurrent and non-recurrent savings as well as the need for a review of the Corporate Risk Register and reporting high level improvements made following fraud investigations each year;

- f) Procurement readiness action plan needed to be reported to the Committee ensuring the Council was ready for the implementation of new procurement policy in 2025.

In response to questions, the following was reported:

- g) A link to the MTFS report that had gone to Cabinet would be shared with Committee Members;
- h) The MTFS would be reviewed by Grant Thornton;
- i) The publication of the MTFS had been delayed by the General Election in July 2024;
- j) Grant Thornton would not provide a detailed expectation for budget setting, it would not be appropriate in relation to national budget, though this is provided more generally by LGA and other forums and organisations which could be shared;
- k) Procurement Readiness Action Plan would be added to the work programme.

42. **Counter Fraud Half Year Report**

Ken Johnson (Counter Fraud Services Manager, Devon Audit Partnership) introduced the report and highlighted:

- a) Following a recommendation from Grant Thornton, more detail would be provided in counter fraud reports moving forward;
- b) A new offense of 'failure to prevent fraud' had been created, but the team were still waiting for guidance on this from Government and the risk would need to be considered and an updated Anti-Bribery and Corruption Policy would be brought to Committee for approval;
- c) Savings were as expected for the time of year.

The Committee expressed their thanks to Ken for his continued good work.

43. **Internal Audit Half Year Report 2024/25**

Louise Clapton (Audit Manager, Devon Audit Partnership) introduced the report and highlighted:

- a) The Head of Internal Audit mid-year assurance opinion was reasonable assurance on 30 September 2024:
 - i. 100% of audit assurance opinions were of reasonable assurance and 100% of grants were certified without amendment;
 - ii. There were two limited assurance audit opinions at draft when the report was published and whilst this would affect percentages, it would not affect the overall opinion;
- b) Progress against delivery the internal audit plan was at 67%;

- c) There were two additions to the plan agreed previously: Adult social care client contribution income and the LGA Improvement and Assurance Framework at the request of senior management;
- d) The scope of the budget management audit would be extended to include valuation against CIPFA's financial management code;
- e) Homelessness had been deferred in order to complete work on the adult social care client contribution income;
- f) Performance management was replaced with work around the Council's family of companies governance.

The Committee agreed to:

- 1. Note the mid-year assurance opinion statement;
- 2. Note the findings.

44. **Internal Audit Management Action Tracker Q2 2024/25**

Louise Clapton (Audit Manager, Devon Audit Partnership) introduced the report and highlighted:

- a) This tool was used to track actions of limited assurance to monitor and ensure management actions were taken appropriately and promptly;
- b) This report was unchanged from Q1;
- c) Of the 123 management actions agreed 41% have been implemented and of the outstanding actions 48% were overdue, but 88% of those actions were partially implemented;
- d) Good engagement from across the Council in recommendations but some actions took longer than expected.

In response to questions, the following was explained:

- e) Work looking into adult social care debt management was ongoing and would be reported on in more detail at a future meeting;
- f) Using external legal support for adult social care debt management was not being considered as an option.

The Committee agreed to:

- 1. Note the implementation of internal audit recommendations.

45. **Treasury Management Mid-Year Report 2024/25**

Wendy Eldridge (Lead Accountancy Manager) introduced the report and highlighted:

- a) There had been very little movement since the last report provided to the Committee;
- b) There had been higher investments made in money market funds;
- c) The first £5 million LOBO (Lender option borrower option) call in had been made in August 2024 and there was one remaining LOBO call-in for 2024/25;
- d) LOBO's had been very popular but now the strategy was to pull out when advisable because of high interest rates;
- e) The borrowing strategy was a challenge but lower interest rates had begun to be secured;
- f) New borrowing continued to be a challenge during a period of interest volatility;
- g) Some borrows would only lend to authorities who had their latest accounts signed off, a position Plymouth City Council was not in;
- h) Savings in this area resulted in a forecast underspend for this area;
- i) There had been compliance against prudential indicators except for non-compliance to prudential indicator for interest rate exposure through upper limit on fixed interest rate exposure being exceeded.

In response to questions it was reported:

- j) The average interest rates were between 1.37-2.54%;
- k) A short-term approach was being taken towards interest rates at the time because a reduction was predicted for the future and this was under constant review;
- l) There would always be cash-rich authorities who were keen to lend, but some had moved from lending to borrowing authorities because of varying circumstances, so the market of lending authorities was smaller.

The Committee agreed to:

1. Note the Mid-year Treasury Management Report;
2. Note non-compliance to prudential indicator for interest rate exposure through upper limit on fixed interest rate exposure being exceeded.

46. **Treasury Management Strategy 2025/26**

Wendy Eldridge (Lead Accountancy Manager) introduced this report and highlighted:

- a) The Strategy included documents for the 2025/26 were only just made available and so the interest rate and economic forecast was subject to change;
- b) The approach for the Investment Strategy was: security, liquidity and yield;

- c) The Buying Strategy was a balance between securing the lowest cost of interest and ensuring the cost will cover the period of funds required;
- d) Prudential indicators were required under the Treasury Management Code of Practice, and set out the operational boundaries of borrowing;
- e) The report focussed on the Property Regeneration Fund and the return from investments into economic development property;
- f) The report would be updated to include the economic interest rate forecast released by Arlingclose in November 2024.

In response to questions, the following was explained:

- g) The International Financial Reporting Standards (IFRS) 16 accounting rules had changed which was reflected in the report in changes in Private Finance Initiative (PFI) liabilities and leases;
- h) All borrowing costs were included in the Medium Term Financial Strategy (MTFS);
- i) The Capital Investments had been analysed to ensure there would be growth within the Council in future years;
- j) Grant funding would be used to alleviate some borrowing;
- k) The report included a Liability Benchmark Chart.

The Committee agreed to:

- 1. Recommend the Treasury Management Strategy 2025/26, that incorporated the authorised limits, operational boundaries and prudential indicators, to City Council for approval.

47. **Capital Financing Strategy 2025/26**

Wendy Eldridge (Lead Accountancy Manager) introduced this report and highlighted:

- a) In 2024/25 additional governance would be added for projects going through the Capital Programme Officer Group (CPOG);
- b) The Five Year Programme totalled nearly £373 million and highlighted that just under £92 million would be financed through Corporate Borrowing;
- c) The borrowing requirement would be accommodated within the MTFS;
- d) £124 million of the Programme would be financed through service borrowing.

In response to questions, it was explained:

- e) The five year programme was subject to change and this was reflected in the report.

The Committee agreed:

- I. To recommend the Capital Financing Strategy to Council for approval.

48. **Risk Management Monitoring Report**

Ross Jago (Head of Governance, Performance and Risk) introduced the report and highlighted the following points:

- a) There were 18 risks in total on the Strategic Risk Register;
- b) Three risks had been removed from the Strategic Risk Register in the last quarter, including lack of adult social care workforce, IT supply chain complaints, and Senior Leadership capacity;
- c) The top three risks on the Strategic Risk Register included: cyber-attacks, finance and Integrated Commissioning.

The Committee agreed to note the report.

49. **Performance and Accountability Framework**

Ross Jago (Head of Governance, Performance and Risk) introduced the report and highlighted the following points:

- a) The Data Quality Strategy had been agreed by the Corporate Management Team and gone through the internal governance processes and would be brought before the Committee in the future;
- b) Work was being done with the new Chief Operating Officer to implement AI across data pipelines to ensure they were robust and consistent. This would inform the Data to Intelligence Strategy.

50. **Committee Self-Assessment**

Ross Jago (Head of Governance, Performance and Risk) introduced the item and highlighted the following:

- a) Members, substitutes, and former Members of the Committee had received a questionnaire to complete, and answers would be provided to Council in 2025.

51. **Council's Electoral Cycle Consultation**

Liz Bryant (Head of Legal) introduced the report and highlighted the following points:

- a) The report had been before the Committee previously, but was brought back as the consultation period had ended;

- b) The consultation was carried out over an eight week period between 24 July 2024 and 22 September 2024, asking the public to choose between whole council elections or to keep the current system;
- c) 7,055 responses were received for the consultation, and there were four stakeholder responses from the University of Plymouth, The Police and Crime Commissioner, Plymouth Community Homes and Plymouth Marjon University;
- d) The responses were as follows: 4,063 wanted to change to whole council elections, 2,443 wanted no change, and 545 had no preference.

Caroline Marr (Senior Policy Advisor) added:

- e) Face to face groups had been run with the Youth Parliament;
- f) Councillor sessions had been run for the public to ask questions and find out more about the electoral cycle;
- g) The consultation was promoted through the Council's Communications Team and Elections Team;
- h) Democracy and stability were the key themes that emerged from the consultation analysis.

In response to questions, it was explained:

- i) Validation was done to ensure against duplicates in the consultation, however as this was an open survey there was no way to ward against the public providing their opinion more than once and providing different answers.

The Committee agreed to the following recommendations:

1. To receive the electoral cycle consultation summary report at Appendix A and recommend that the City Council determined at its meeting on 25 November 2024 whether to make a change to its electoral cycle arrangements;
2. To note the amendments to the Council Size Submission at Appendix B arising from a change in forecasting date to 2031;
3. To authorise the Monitoring Officer and Chief Executive to make any further minor forecasting amendments necessary and to finalise the addendum required setting out the electoral cycle decision prior to submitting the response to the LGBCE.

52. **Tracking Decisions**

The Committee agreed to note its Tracking Decisions document.

53. **Work Programme**

The Committee agreed to add adult social care debt management to the work programme.

The Committee agreed to note its work programme.