

Audit and Governance Committee

Tuesday 14 January 2025

PRESENT:

Councillor Allen, in the Chair.

Councillor Finn, Vice Chair.

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

Apologies for absence: Councillor Stevens.

Also in attendance: Liz Bryant (Head of Legal Services), Hannah Chandler-Whiting (Democratic Advisor), Holly Golden (Head of Procurement), Carolyn Haynes (Lead Accountancy Manager), David Northey (Service Director for Finance), Louise Clapton (Devon Audit Partnership) and David Johnson (Grant Thornton).

The meeting started at 2.02 pm and finished at 3.08 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.

61. **Declarations of Interest**

| Name | Item Number | Reasons | Interest |
|---------------|--------------------|---|------------------------------|
| Annette Benny | 9 | Non-Executive Board Member for Livewell | Other registerable interest. |

62. **Minutes**

The Committee expressed that the following with regards to the minutes:

- a) The 12 November 2024 minutes contained some minor errors;
- b) The 11 December 2024 minutes required additional detail on the Committee Members discussion around the lateness of the reports for that meeting.

It was therefore agreed that the minutes would be revised and brought to the next meeting of the Committee for approval.

63. **Chair's Urgent Business**

There were no items of Chair's urgent business.

64. **Capitalisation Direction Update**

David Northey (Service Director for Finance) provided an update and highlighted the following points:

- a) No progress had yet been made with regards to the capitalisation directive;
- b) He was still in regular contact with Ministry of Housing, Communities and Local Government (MHCLG) colleagues and was due to speak to them that week;
- c) The conclusion was expected towards the end of January 2025/early February 2025.

In response to questions it was further explained:

- d) MHCLG did not treat cases individually and Plymouth City Council was 1 of 19 Councils who applied for exceptional financial support, but he was pushing against that as Plymouth's situation was more unique;
- e) The budget for 2025/26 could be set without an outcome, but this was not preferred.

65. **External Auditor - Audit Progress Report and Sector Updates**

David Johnson (Grant Thornton) introduced the report and highlighted:

- a) There were lessons to be learnt from the December 2024 meeting of the Audit and Governance Committee and the very late provision of reports to Committee Members and Grant Thornton were working towards providing reports in a timely manner for the February 2025 meeting of the Audit and Governance Committee to sign off the reports;
- b) The 2023/24 accounts backstop date was 28 February 2025;
- c) The field work on the 2023/24 accounts was due to be completed within the following two weeks;
- d) Grant Thornton were on site in Plymouth w/c 13 January 2025 to discuss outstanding issues with officers;
- e) The audit opinion would be disclaimed due to lack of assurance over opening balances and Grant Thornton expected the 2024/25 audit opinion to be subject to a form of qualification as well, with an aim to move to unqualified opinions in future years following a rebuilding of assurance.

In response to questions, with support from Carolyn Haynes (Lead Accountancy Manager) and David Northey (Service Director for Finance), it was further explained:

- f) New guidance on low value leases would only be relevant for 2024/25 accounts onwards but it would be a responsibility of Council management to deem which leases were low value, especially as this might vary between different local authorities;

- i. Grant Thornton would provide a response outside of the meeting to Committee Members on how assets that might have had a low value when new but were, at present time, valuable, would be dealt with;
 - ii. Identification of low values leases was ongoing and there was a meeting scheduled for 17 January 2025 with Arlingclose, the Council's treasury management and financial advisors, to discuss the impact of IFRS16 (Independent Financial Reporting Standard) on the Council;
 - iii. The volume of leases meant it was a sizable task for a small team, but the officers would, of course, do their best and a report would be provided to the Audit and Governance Committee once work was complete;
- g) Grant Thornton would respond outside of the meeting on elaboration on the following paragraph from a report presented to the Audit and Governance Committee in December 2024, and if this was going to be further clarified in the report for February 2025, as the colleagues who had worked on that report were not present for the meeting;
- i. *"The MTFS, in February 2022, shows a cumulative deficit over the next four years to 2026/27 of £118 million, however this gap has widened significantly to £256 million, in September 2022, as the MTFS fifth years has been recalculated to include the 2027/28 financial year. The financial risks facing the Council are significant and given the low level of reserves, current indications are that the Council's financial position is critical."*
 - ii. David Northey (Service Director for Finance) reported that the MTFS (Medium Term Financial Strategy) had been through Cabinet and City Council in November 2024;
 - iii. There had been an £18 million budget gap for 2025/26, but this had been updated to a balanced budget as of 13 January 2025 and would have a direct impact on future years;
 - iv. There was work to do but the gap would not be in the region of £118-256 million;
 - v. His opinion on the robustness of the reserves would form part of the reports due to be presented to the Committee in February 2025;
 - vi. The MTFS was recalculated to include 2027/28 as it was a rolling 5 year plan;
- h) The team would provide answers to the suggested questions by Grant Thornton (on Page 25 of the agenda pack) on IFRS16 in a report to a future meeting.

66. **Update on External Audit Recommendations**

David Northey (Service Director for Finance) provided the following verbal update:

- a) There were two outstanding recommendations that were rolling forward;

- i. The first related to sustainability which was an issue for the whole public sector, not just Plymouth;
 - ii. The second related to being more open and transparent about our reserves and how robust they were;
- b) More recommendations would be released soon as the team moved towards the next set of accounts.

67. **Treasury Management Board Update**

David Northey (Service Director for Finance) provided a verbal update:

- a) Due to member availability and other factors, the December 2024 meeting was postponed and therefore there was an update. A written report would be provided at the next Committee meeting.

68. **Adult Social Care Debt Management 2024/25**

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

- a) The scope and objective of the audit report was to provide the Council with an audit opinion on the systems, processes and procedures in place to recover adult social care debt;
- b) The audit opinion was of limited assurance because adult social care debt was not effectively or promptly recovered;
- c) The report was issues in draft in October 2024 which gave management time to consider the content of the report and to provide their response and agree a management action plan and the final report was issue on 29 November 2024, where 11 recommendations were made in total;
- d) On 19 December 2024 an adult social care debt management meeting took place where the report and management action was discussed and six of the recommendations had been implemented, which the remaining five having action ongoing;
- e) Monthly meetings were taking place to discuss adult social care debt management and the Audit and Governance Committee would be updated on this through the regular reporting.

David Northey (Service Director of Finance) explained:

- f) He would be able to provide a more detailed report for discussion at the next meeting of the Audit and Governance Committee as a lot of work was being undertaken to improve this area.

The following was discussed during questions asked:

- g) The budget for 2025/26 included an increase of 6 FTE (Full Time Employment) roles into the debt recovery team to invest to save;
- h) The Devon ICB (Integrated Care Board) debt reported had been resolved since the report was written;
- i) Colleagues from Adult Social Care would be in attendance at the next meeting;
- j) More detail could be provided at the next meeting on the processes around care assessments and the Council safeguarding against debt;
- k) It had been reported to Councillors that some people were leaving hospital without a care assessment in place, which would impact funding for care needs.

69. **Procurement Act Readiness Action Plan**

Holly Golden (Head of Procurement) introduced the report and highlighted the following:

- a) The report was presented to the Committee so they had visibility of the Council being ready for the implementation of the upcoming new Procurement Act;
- b) The new act had been delayed by the 2024 General Election, and would come into place on 24 February 2025;
- c) Contract Standing Orders would not change as a result of the new act;
- d) Key principles remained the same;
- e) The Procurement Act 2023 was not retrospective and would only apply to new procurement activity;
- f) Some changes built on good practice the Council had already implemented;~
- g) There would be increased flexibility;
- h) There would be an increase in mandatory notices.

In response to questions it was further reported:

- i) Light touch contracts definition was remaining the same relating to health and social care areas due to the nature of the procurement.

The Committee agreed to not the progress made on the delivery of the Council's Procurement Act Readiness Action Plan.

(Councillor P. Nicholson joined the meeting during this item)

70. **Committee Self-Assessment**

Hannah Chandler-Whiting (Democratic Advisor) provided a verbal update:

- a) The link to the self-assessment would be recirculated to Committee members following the meeting;
- b) Reminded members of the importance of completing the self-assessment as soon as possible so that the results could be included in the Audit Annual Report due in March 2025.

Following a short discussion:

- c) It was agreed that the terms of reference for the Committee would be shared along with the link to the self-assessment.

71. **Tracking Decisions**

The Committee agreed to note its tracking decisions document.

72. **Work Programme**

The following was discussed during this item:

- a) Desire from Committee members to schedule the item 'Pre-election Period Guidance' before the end of the 2024/25 municipal year, so that the same Councillors that requested the item be added to the work programme, could discuss it;
- b) The possibility of scheduling an additional meeting in April 2025 would be looked into.

The Committee agreed to note its work programme.