

Audit and Governance Committee

Tuesday 18 February 2025

PRESENT:

Councillor Allen, in the Chair.

Councillor Finn, Vice Chair.

Councillors Freeman, P.Nicholson and 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), Glenda Favor-Ankersen (Head of Electoral Services), Carolyn Haynes (Lead Accountancy Manager), David Northey (Service Director for Finance), Jamie Sheldon (Senior Governance Advisor), Ollie Woodhams (Head of Finance (via MicrosoftTeams)), Louise Clapton (Audit Manager, Devon Audit Partnership) and Jackson Murray (Director, Grant Thornton).

The meeting started at 2.00 pm and finished at 3.55 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.

73. **Declarations of Interest**

No declarations of interest were made.

74. **Minutes**

The Committee unanimously agreed the minutes of the meetings held on 12 November 2024 as an accurate record.

Councillor Finn expressed that he was dissatisfied with updates made to the minutes of the meeting of the 11 December 2024, but following a discussion, the Committee agreed the minutes of the meeting held on 11 December 2024 as an accurate record.

For (2)

Councillors Freeman and Raynsford.

Against (1)

Councillor Finn.

Abstain (3)

Councillors Allen and P. Nicholson and Independent Member Annette Benny.

The Committee unanimously agreed the minutes of the meeting held on 14 January 2025 with the amendment of Councillor P. Nicholson being added to the list of attendees.

75. **Chair's Urgent Business**

There were no items of Chair's urgent business.

76. **Capitalisation Direction Update**

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

- a) The capitalisation update had been chased but there was no update;
- b) Assurance had been given to proceed with setting the budget for 2025/26;
- c) Had been assured that a decision was imminent.

In response to questions it was added:

- d) A statement on the current explanation had been included within the budget report for the City Council meeting on 24 February 2025, to reassure Councillors that the 2025/26 budget could be set;
- e) The CIPFA (Chartered Institute of Public Finance and Accountancy) review had been completed, but the final document not yet shared;
- f) The Independent Review into the transaction was at the discretion of the relevant Minister, who was expected to issue a decision by the end of March 2025.

77. **External Audit - Audit Findings Report 2023/24**

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

- a) The 2021/22 and 2022/23 accounts had been subject to the backstop disclaimer in advance of the nationally set deadline;
- b) The deadline for the 2023/24 accounts was 28 February 2025, and a modified audit opinion was expected for that year. The 2024/25 and 2025/26 accounts were also anticipated to be affected in the same way, as set out in national guidance, as a result of the backstops;
- c) Detailed work for the 2023/24 audit took place in October 2024 and an audit opinion would be issued by the end of February 2025;
- d) Plymouth City Council (PCC) and Grant Thornton had been working together to complete the majority of the audit for 2023/24 within a matter of months and that momentum was something everyone was keen to continue to reach an unqualified opinion in the future;
- e) The Audit Certificate, that would formally close the audit could not be issued until the National Audit Office (NAO) completed their work on all government accounts. PCC accounts could only be objected to in a 30 day period, which had passed;

- f) Any errors over £385,000 had to be formally documented and reported;
- g) The journal threshold for checks was £500,000, and no issues had been found in those audited;
- h) Transposition errors had been found in the asset register;
- i) A disclosure amendment had been required as the depreciation change had been posted in the incorrect financial year, but values were correct;
- j) Grant Thornton had identified some factual errors and changes of which £3.9 million had been updated in the final set of accounts, as well as some further estimation differences of £4 million where the data was not necessarily wrong, but the data was not conclusive enough, the latter had not been adjusted for because it was not factual;
- k) Within the pension fund auditor's audit of the pension fund, some variances in asset values had been identified, largely due to timing differences, but the accounts had been closed on the best information available at the time;
- l) There were no significant findings from an audit done on major IT systems that impacted on the financial statements, though a theoretical risk around admin access rights in Capita One had been raised.

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

- m) A hot review was a review of accounts technically that took place whilst an audit was underway;
- n) Lead accountants and lead accountancy managers could approval journals and access had been adjusted, so that a journal could not be processed without it being approved by an accountant;
- o) The key issues were all included within the report;
- p) A report had been sent to Grant Thornton from PCC to explain that no inappropriate changes had been made when seven user accounts had been granted admin access for Capita One;
- q) The detailed testing of assets was done on a sample basis and the outcome then projected;
 - i. The extrapolated error in asset value was down to overvalue on some assets and undervalue on others, but it wouldn't be adjusted because it was of low materiality;
 - ii. The materiality level was £7.7 million;
 - iii. None of the asset valuations had any impact on Council Tax, the general fund or the budget and were calculations for the Statement of Accounts;

- r) Access to Civica systems had to be in place for Civica and Auditors, but it was access to view data only and this could be monitored;
- s) The team had been under pressure with several financial years of accounts still open, which had led to the late issue of full instructions to the valuer as well as trying to agree an asset programme;
- t) The Corporate Management Team received reports monthly on the transformation programme;
- u) There were proposed changes in governance for local government audit;
- v) CIPFA Audit Committee guidance set out a timetable for regaining assurance;
- w) The budget report to City Council on 24 February 2025 would include assurance from David Northey (As Section 151 Officer) that the Council's reserves were at a satisfactory level;
- x) The materiality level was £7.7 million and therefore some adjustments were not made due to immateriality.

(Councillor Finn left the meeting during this item)

78. **Approval of Statement of Accounts 2023/24**

Carolyn Haynes (Lead Accountancy Manager) introduced the report:

- a) The draft accounts for 2023/24 were published at the end of May 2024, in line with statutory deadline;
- b) Audit commenced in October 2024 and the team were finalising the adjustments that needed to occur before the backstop deadline at the end of February 2025;
- c) The 2023/24 Accounts had been presented to the Audit and Governance Committee in July 2024;
- d) The team had worked very hard to get to this position;
- e) Value for money comments on weaknesses identified in 2023/24 had been included in the report;
- f) An updated signed copy of the Annual Governance Statement was needed alongside the Statement of Accounts.

The Committee agreed:

- I. To approve the Statement of Accounts for 2023/24 attached as Appendix A;

2. To delegate authority to the Section 151 Officer in consultation with the Chair of Audit and Governance Committee to sign the Accounts and Letters of Representation on behalf of the Council once the audit opinions are provided, and to approve any final amendments to the Statement of Accounts arising from the closing stages of audit work;
3. To note the amendments to the 2023/24 accounts which are anticipated to be finalised before 28 February 2025;
4. To approve the Letters of Representation attached as Appendix B prior to their submission to the Auditor;
5. To approve the 2023/4 Annual Governance Statement (Appendix C), which will be signed by the Leader and the Chief Executive, confirming the governance arrangements that were in place during the year and which will be published alongside the Statement of Accounts;
6. To consider the draft Audit Opinion Report for 2023/24.

79. **Update on External Audit Recommendations**

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

- a) There were no updates for this meeting as they had been covered in detail through the report from Grant Thornton, but it would remain as a standing item to give updates in the future.

80. **Updated Treasury Management Strategy 2025/26**

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

- a) The document had been updated since the November meeting of the Committee to include the latest treasury management strategy information, namely economic updates;
- b) The forecast for new borrowing in 2025/26 remained at 4.5%, since the January 2025 Arlingclose update there had been a further reduction to Bank of England rate to 4.5% with their forecast projecting future 25 basis point reductions throughout the year and forecast rate of 3.75% at year-end;
- c) Against Treasury Management revenue budgets, interest rate risk remained high on new borrowing;
 - i. Previous actions to mitigate risk had included fixing in borrowing long term and hedging temporary borrowing through the rate swap arrangement;
- d) The investment strategy continued to have a prudent approach for security first, liquidity and then yield;
- e) Another change was the release of a previous voluntary overpayment of £634,000 to support 2025/26 budget setting;

- f) The borrowing strategy was striking an appropriate low risk balance between securing lower interest cost and certainty of cost through fixing rates in to cover the period the funds are required;
- g) Over 50% current borrowing had either been fixed at PWLB (Public Works Load Board) rates from 1.37% or was covered by the £75 million temporary rate swap at 0.56%;
- h) The Council continued to use short term MMF (Money Market Funds) to hold day to day surplus funds, pooled funds held with CCLA (Churches, Charities and Local Authorities Investment Management), Fidelity and Schomax and they continued to deliver a good return through dividends;
 - i. Minimal balances were held in cash and immediate access accounts;
- i) Appendix C was a new addition to the report and set out the Treasury Management Budget for 2025/26 against the previous reported forecast.

In response to questions it was further explained:

- a) The Committee could be reassured that there was a downward trend in borrowing overall;
- b) LOBO's (Lender option borrow option) had been held for a long time, many were 70 year arrangements;
 - i. The Council had experienced a call-in of a LOBO for the first time and part of the strategy was to repay LOBO's as soon as the opportunity arose as they tended to have higher interest rates than borrowing long-term;
 - ii. There were three LOBO's that could be called in during 2025/26;
 - iii. The highest was £19 million, with the others at around £5 million.

The Committee agreed to:

- I. Note the updated Treasury Management Strategy, that would be considered at City Council on 24 February 2025 as part of the Annual Revenue and Capital Budget report.

81. **Updated Capital Financing Strategy 2025/26**

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

- a) The updated strategy included the latest Capita programme forecasts as at 31 December 2024;
- b) All capital projects were going through CPOG (Capital Programme Officer Board) and CPB (Capital Programme Board) before proceeding to an Executive Decision;

- c) The five year capital programme included the latest 5 year programme forecast as at 31 December 2024 at £395.864 million;
- d) Analysis of financing by source highlighted that grant funding remained the highest source at 35%;
 - i. £130 million was funded through service borrowing which included £68.8 million relating to the Property Regeneration Fund with a focus of generating an income and creating employment;
- e) The report aligned with the Treasury Management Strategy and financing of the capital programme with the Council's MTFS (Medium Term Financial Strategy) for revenue costs for interest and minimum revenue provision.

In response to questions, with support from David Northey (Service Director for Finance), it was discussed:

- f) 3% contribution from developers was worth discussion with Councillors in the future as it seemed low and left Council Tax payers contributing more to developments;
- g) The CPOG and CPB allowed officers to develop more intelligence on delivery of projects and potential risk;
- h) At the completion of large capital projects, learnings were taken for the future;
- i) The risk management of costs of projects on the capital programme would be added to the work programme.

The Committee agreed to:

- 1. Note the updated Capital Financing Strategy, which would go to City Council on 24 February 2025 as part of the Annual Revenue and Capital budget setting report.

82. **Adult Social Care Debt Management**

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

- a) The report had been issued with limited assurance in November 2024, and progress had been made against the consequential management actions, with six of 11 having been fully implemented and five partially implemented;
- b) It was anticipated that the remaining actions would be completed by 30 April 2025 which would increase the overall opinion to a reasonable assurance;
- c) Adult Social Care Debt Board had been established, which met monthly with representatives from PCC Finance, Livewell SouthWest and the Adult Social Care Team, Legal and Audit.

In response to questions, supported by David Northey (Service Director for Finance), it was added:

- d) There was an offer to walkthrough the process for any committee members that requested it;
- e) The current debt figure would be shared with members of the Committee.

The Committee agreed:

- 1. To note the progress to implement of agreed management actions;
- 2. An updated report on progress made would come to the Audit and Committee in 12 months' time with detail on the narrative of writing off debt as a last resort.

83. **Civic Protocol**

Glenda Favor-Ankersen (Head of Electoral Services) introduced the item and highlighted:

- a) The aim was to get the new Civic Protocol approved and in place by the time the Lord Mayor for 2025/26 started in May 2025;
- b) The protocol served as a reference to ensure consistency, professionalism and adherence of tradition in the execution of civic duties for the Lord Mayor, the Civic Office and the officers who provided support to the Lord Mayor;
- c) There were minor changes made to the protocol in 2018 but was largely unchanged since the last formal review in 2012;
- d) Feedback and lessons learnt had been gathered to understand how best to support the office and the Lord Mayor;
- e) A Task and Finish Group had been set up to review the Civic Protocol, comprising of the members of the Lord Mayor Selection and Advisory Committee;
 - i. The group met four times and was cross party, with members from all parties in attendance for at least one meeting;
- f) The updates had also been carried out using best practice from other Lord Mayoralties such as Bristol, York, Southampton and Portsmouth;
- g) Guidance from the Association of Civic Officers was also used;
- h) It was more streamlined and was clearer on what the constitutional role of the Lord Mayor and what the Civic Role was and how both functions could be supported separately;
- i) It was aligned to the Council budget.

During the discussion:

- j) Committee Members expressed frustration at not having a document with tracked changes, or copies of the previous protocol to compare the new protocol to;
 - i. Track changes weren't available as it had gone through so many different iterations, but copies of the 2012 and 2018 could be provided with a summary of changes made for 2025;
- k) There would be flexibility to enable the Lord Mayor to fulfil their role whilst the budget might increase or decrease.

The Committee agreed:

- l. To defer the item to the meeting on 11 March 2025.

84. **Tracking Decisions**

The Committee agreed to note its tracking decisions document.

85. **Work Programme**

The Committee agreed to note the work programme.