

Audit and Governance Committee



Date of meeting:	28 July 2021
Title of Report:	Grant Thornton: Plymouth City Council Governance Review
Lead Member:	Councillor Nick Kelly (Leader)
Lead Strategic Director:	Brendan Arnold (Service Director for Finance)
Author:	Giles Perritt (Assistant Chief Executive)
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Your Reference:	
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

The Council's external auditors, Grant Thornton have undertaken a review which considers the Council's governance arrangements in relation to two transactions it undertook. The first, in October 2019 related to management of its pension deficit and the second, in April 2020, related to an interest rate swap with Santander Bank.

The review, which is attached at Appendix B, sets out a number of actions which Grant Thornton recommend that the Council undertakes to improve its governance arrangements, both in respect to any future transactions of a similar nature and to enhance its overall governance framework.

This report asks the Audit and Governance Committee to consider the review and seeks endorsement of the action plan recommended by Grant Thornton and the Council's response.

Recommendation and Reasons

That the Audit and Governance Committee:

1. Considers the Grant Thornton Governance Review at Appendix B of this report
2. Endorses the Action Plan recommendations and the Council's response
3. Agrees that arrangements are put in place to ensure that progress in the delivery of the Council's response is monitored and managed in line with recommendation four of the Action Plan

The Council's response to the recommendations of the action plan will, when implemented provide enhanced governance arrangements for important decisions and provide assurance that the Council seeks to reach and maintain the highest standards in its stewardship of its resources.

Alternative options considered and rejected

Grant Thornton has prepared the Governance Review and action plan in line with its responsibilities under the Local Audit and Accountability Act 2014, and the Council should pay due regard to its findings and recommendations.

Relevance to the Corporate Plan and/or the Plymouth Plan

The Council's response to the Governance Review reflects both the values within the Corporate Plan of responsibility and fairness, and reinforces the commitment to providing value for money.

Implications for the Medium Term Financial Plan and Resource Implications:

The Governance Review does not consider the legality of the transactions that are within its scope. Any financial implications that arise from the transactions themselves will be the subject of separate consideration. Resource implications relating to the response to the recommendations in the action plan will be addressed from within existing budgets.

Carbon Footprint (Environmental) Implications:

None arising directly from the recommendations of this report, other than the positive impact of enhanced governance of any relevant future key decisions relating to environmental stewardship.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

Recommendation three of the action plan relates to improvements in the Council's approach to financial risk management arrangements.

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Briefing report							
B	Grant Thornton Governance Review							

Background papers:

**Add rows as required to box below*

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7
Pension deficit transaction delegated decision October 2019							
Audit and Governance Committee September 2020: Treasury Management update report							

Sign off:

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Originating Senior Leadership Team member: Brendan Arnold (Service Director for Finance)

Please confirm the Strategic Director(s) has agreed the report?
Date agreed: 06/07/2021

Cabinet Member approval: Approved verbally
Date approved: 06/07/2021

Appendix A: Briefing report

Introduction

As the Council's external auditors, Grant Thornton have a responsibility to satisfy themselves that 'the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources' [Local Audit and Responsibility Act 2014]. In delivering this responsibility, Grant Thornton identified two transactions that the Council undertook in October 2019 and April 2020 where the governance arrangements were deemed appropriate for review.

The transactions identified were the reduction of the Council's pension deficit via the special purpose company transaction, a decision made in October 2019 and an interest rate swap with Santander Bank, a decision made in April 2020. The scope and approach for the review are set out in the report, and involved a detailed review of all relevant documentation relating to the transactions and interviews with a number of officers and elected members.

Findings

At the highest level, Grant Thornton's findings with respect to the pension deficit transaction are that, whilst some aspects of the governance process did operate appropriately, in overall terms the governance arrangements did not adequately support informed decision making. Grant Thornton do not aim to suggest that innovative and unusual transactions should not be undertaken, but that in these situations governance arrangements should be strengthened. With respect to the interest rate swap, Grant Thornton's findings are that the decision to engage in the transaction was an innovative and unusual matter and as such should not have been managed solely as part of everyday treasury management activities.

Grant Thornton acknowledge that both transactions were undertaken and considered during a period when the Council had seen its funds significantly reduce over a number of years, and that consideration had to be given to unusual innovative solutions to make further savings to deliver a balanced budget and appropriate balances. Nonetheless, a number of concerns were raised with respect to the pension deficit transaction which Grant Thornton did not think were adequately addressed during the process, and the treatment of the interest rate swap decision within the delegated authority of the Service Director for Finance did not in their view acknowledge its unusual and innovative nature.

Action Plan

In the Action Plan contained within the Governance Review, Grant Thornton have made eleven recommendations to the Council to enhance and improve governance arrangements for future transactions of this kind, and which will be of broader benefit to the Council in terms of overall governance of decision making.

The Council has carefully considered all of the recommendations in the Action Plan, and has produced a management response to each, where it has set out the actions that will be taken to address the issues raised, and the date by which the actions will be completed. All actions have deadlines for completion by October 2021, ie within twelve weeks of the publication of the review.