

SWT Audit, Governance and Standards Committee - 1 February 2021

Present: Councillor Lee Baker (Chair)

Councillors Derek Perry, Simon Coles, Caroline Ellis, Martin Hill, Steven Pugsley, Vivienne Stock-Williams, Andrew Sully, Loretta Whetlor and Terry Venner

Officers: Paul Fitzgerald, Aditi Chandramouli, Jackson Murray, Amy Tregellas, Martin Henwood, Alison North and Steve Plenty

Also Present: Councillors Federica Smith-Roberts

(The meeting commenced at 6.15 pm)

22. Apologies

Apologies were received from Councillors Lloyd and Stock-Williams.

Councillor Whetlor attended as a substitute for Lloyd

23. Minutes of the previous meeting of the Audit, Governance and Standards Committee

(Minutes of the meeting of the Audit, Governance and Standards Committee held on 17 December 2020 circulated with the agenda)

Proposed by Coles and seconded by Venner.

Resolved that the minutes of the Audit, Governance and Standards Committee held on 17 December 2020 be confirmed as a correct record.

24. Declarations of Interest

Members present at the meeting declared the following personal interests in their capacity as a Councillor or Clerk of a County, Town or Parish Council or any other Local Authority:-

Name	Minute No.	Description of Interest	Reason	Action Taken
Cllr L Baker	All Items	Cheddon Fitzpaine & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr S Coles	All Items	SCC & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr H Davies	All Items	SCC	Personal	Spoke and Voted
Cllr C Ellis	All Items	Taunton Charter Trustee	Personal	Spoke and Voted

Cllr J Lloyd	All Items	Wellington & Sampford Arundel	Personal	Spoke and Voted
Cllr V Stock-Williams	All Items	Wellington	Personal	Spoke and Voted
Cllr B Weston	All Items	Taunton Charter Trustee	Personal	Spoke and Voted

25. **Public Participation**

No members of the public had requested to speak on any item on the agenda.

26. **Audit, Governance and Standards Committee Forward Plan**

(Copy of the Audit, Governance and Standards Committee Forward Plan, circulated with the agenda).

Councillors were reminded that if they had an item they wanted to add to the agenda, that they should send their requests to the Governance Team.

Resolved that the Audit, Governance and Standards Committee Forward Plan be noted.

27. **Annual Governance Statement 2019/20.**

The Annual Governance Statement and Action Plan was set out by the Monitoring Officer. The Annual Governance Statement (AGS) is a statutory document which provided assurance on the governance arrangements and control Environment within the Council.

The Accounts and Audit Regulations 2015 set out that 'a relevant authority must, each financial year: (a) conduct a review of the effectiveness of the system of internal control; and (b) prepare an annual governance statement

The Statement was prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) guidance titled 'Delivering Good Governance in Local Government: Guidance Notes for English Authorities and Framework.'

The Framework defined the principles that should underpin governance as:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the intervention necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and

strong public financial management

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

The Annual Governance Statement included an Action Plan to address Governance issues identified as a result of the review of the effectiveness of the system of internal control. Details of the Council's Governance Framework was included as part of the Annual Governance Statement (Appendix A)

In order to ensure that the actions were being delivered it was important that the Committee review progress against the Action Plan, and update reports would be brought to the Committee in December 2020 and March 2021.

Council Governance Working Group, Unparished Area for Taunton A report would be considered at the next meeting for minor changes to the constitution to improve it

During the debate the following comments and questions were raised:-

- Ongoing work from the Governance Team were Council Governance Working Group, Unparished Area for Taunton A report would be considered at the next meeting for minor changes to the constitution to improve it.
- 6 systems for partial and no assurance set out in the report.
- Under resourced, KPI's for departments and staff implemented?
- Information accessibility, FOI's, separate webpage for performance data were due in March. It was recognised more work was required but progress was being made.
- Progress was being made and timescales were being reviewed as part of the action plan.
- The payroll audit had been completed
- Objectives set for the individual linked in to the service plan and the corporate strategy.
- SWAP pleased with the actions and progress made.
- A number of audits were reviewed every year, the ones reported on have had mostly improved from a partial to reasonable assurance.
- Work from the Governance working group would soon be brought to committee for consideration
- Directorate plan review sessions would be held later this month.
- Would governance changes be on target for implementation for the next municipal year. There was confidence that small changes could be implemented. Options could be evaluated by Councillors.
- A full detailed options appraisal would be considered at Council in the autumn.

The Committee approved the final Annual Governance Statement and Action Plan for 2019/20.

28. **Somerset West and Taunton District Council Audit Findings Report 2019/20**

Martin Henwood, introduced the report with further information presented by Jackson Murray and Aditi Chandramouli.

The 2019/20 Unaudited Draft Statement of Accounts for SWT was signed off by

the Council's S151 Officer in 13 August 2020 – within the updated statutory deadline of 31 August due to Coronavirus.

The accounts were subject to independent review by the Council's appointed external auditor – Grant Thornton UK LLP. The updated deadline for this was 30 November 2020, and a notice has been included on the Council's website indicating this date has not been met and that the audited accounts would be published as soon as is practicable.

As with Authorities nationally the delay has arisen due to a combination of factors, including

- the increased assurance work that auditors are required to carry out
- nationally with respect to pensions and asset valuations,
- the impact of Covid-19 on both the complexity of the audit and pace at which it can be completed, and
- in addition for SWTC, the inherent complexity of the Council's 2019/20 statement of accounts as the Council's first year of operation.

The Council was continuing to work closely with the audit team as they complete their work. In line with the Accounts and Audit Regulations 2015, the Council has published a set of draft accounts. The Council will publish a final set of accounts as soon as the audit is concluded, and the signed Audit Report issued. This work is now substantially complete and the near final Audit Findings Report is included within this item.

This situation occurred for the majority of Councils. As at 30 November 2020 there were 265 of 485 Councils (55%) whose accounts remained to be signed off by their external auditors. This compares to the 43% unsigned at 31 July 2019 which was last year's deadline (pre-COVID).

Grant Thornton has indicated their intention to issue an "unqualified opinion" for the 2019/20 Statement of Accounts for SWT, subject to completing their work, thus agreeing that the accounts provide a true and fair view of the Council's financial position and performance.

The auditor had reviewed the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, and provides a formal Opinion through their Value for Money Conclusion. Grant Thornton is satisfied "the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

During the debate the following comments and questions were raised:-

- An outstanding query in relation to the previous accounts was considered, this remained an outstanding item to be concluded and an update would be provided at the next meeting.
- The auditor was focused on the current accounts from Somerset West and Taunton
- The valuation of properties leading to a decrease in property values of £8.5million was questioned.
- Some investment properties has been reclassified. There was a strict criteria to meet investment property criteria.

- The council didn't value every asset every year. There was a reduction in property that was valued.
- The value of the opening infrastructure balance had been overestimated so this had been reduced as a result.
- 45% of councils did have their accounts signed off. Could lessons be learnt from other Councils.
- Monthly performance reporting for managers to manage budgets along with quarterly reporting to members reflecting the directorate structure leaves the Council better placed. It was recognised significant progress had been made
- The leadership team worked closely with PF holders.
- A footnote when discussing a differential going forward in was requested in future reports.
- Both internal and external experts were engaged in complex valuations.
- Grant Thornton and Finance Departments were thanked for their hard work

The Committee

Noted the Audit Findings Report in respect of SWT's Statement of Accounts 2019/20.

Noted the Auditor's Opinion in relation to the Statement of Accounts and Value for Money Conclusion

29. **Assessment of Going Concern Status**

The purpose of the report set out to inform the Audit, Governance and Standards Committee of the Assistant Director Finance and S151 Officer's assessment of Somerset West and Taunton Council as a "going concern" for the purposes of producing their Statement of Accounts for 2019/20.

The concept of a "going concern" assumes that an authority, its functions and services would continue in operational existence for the foreseeable future. This assumption underpinned the accounts drawn up under the Local Authority Code of Accounting Practice (the Code) and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government).

If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provided or for assistance with the recovery of a deficit over more than one financial year.

The Code also confirmed that transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption that the financial statements are prepared on a going concern basis.

If the assessment determined that the Council is not a "going concern", particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements.

The council was required to compile the Statement of Accounts in accordance with the current Code of Practice on Local Authority Accounting (hereafter referred to as the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

In accordance with the Code the Statement of Accounts have been prepared assuming that the council will continue to operate in the foreseeable future and that they were able to do so within the current and anticipated resources available. By this, it was meant that the council will realise its assets and settle its obligations in the normal course of business.

The main factors which underpin this assessment were:

- The Council's current financial position;
- The Council's projected financial position;
- The Council's governance arrangements;
- The regulatory and control environment applicable to the Council as a local authority.

During the discussion the following comments and questions were raised:-

- Current assets and liabilities were considered as part of investment balance.

Members review and note the assessment made of the Council's status as a "going concern" as a basis for preparing their 2019/20 Statement of Accounts.

30. **Statement of Accounts 2019/20**

The Statement of Accounts for 2019/20 is required to be approved by the Audit Governance and Standards Committee and signed by the S151 Officer and the Chair of the Audit Governance and Standards Committee. The Statement of Accounts document is attached to this report.

As the audit nearing completion at the time of writing, there may be changes between this and the final document. It is not anticipated that there will be significant changes, and the Statement of Accounts should be in a position to sign off at this meeting.

This report linked to and reflected the Audit Findings Report which was prepared by and will be presented by the Council's external auditors – Grant Thornton UK LLP.

As part of the overall process for approving the Statement of Accounts, a Management Letter of Representation has to be signed by the Council. A draft letter of representation was attached.

The external auditors had asked that from this year the Management Assurance risk assessment document is brought to this Committee for approval, and this is attached with this report.

During the discussion the following comments and questions were raised:-

- The committee determined it a useful position to have increased reserves.

- Pension reserves were considered a significant liability of £111million, it was questioned how this would be addressed.
- The increase of the liability was due to the reduction in the stock market and returns on assets. The shortfall was being covered over a 20 year period and remained an affordable scheme.
- The outturn for the year against the budget was £1.8million. It was questioned if the transformation budget was on target to save the money originally planned.
- 2019/20 transformation delivery to budget had been achieved. The capacity for the organisation was achieved and reflected the staff structure, staff costs had been increased to maintain and improve service standards.
- Watchet harbourside regeneration was considered and how the funding was used was questioned. This was the drawdown from the Onion collective from the previous year's grant.
- The size of reserves were considered a strong amount for a district authority the size of SWT.
- The cashflow statement reported was significant due to the amount of funding due to be paid in Covid grants.
- The property values were likely to remain a matter of uncertainty in the future.
- A Hospital appeal on business rates was a contingent liability and a recognised risk.
- The long term loan from PWLB was considered and fair value was questioned.
- Self financing of the HRA borrowing was initially for £85 million in 2012, repayment was built into the loan and £76 million remained to pay on the debt, HRA serviced the repayment of this debt when the loans matured. The debt was due to be settled in 2030, refinancing with replacement loans would happen in due course.

The Committee is recommend:

- a) Noted the Auditor's unqualified opinion on the Statement of Accounts.
- b) Approved the 2019/20 Statement of Accounts as attached to this report.
- c) Endorsed the Chairman of the Committee signs the management letter of representation in respect of the financial statements for the year ended 31 March 2020.
- d) Approve the Management Assurance document

31. **Risk and Opportunity Management Report**

The Audit, Governance and Standards Committee approved the Council's Risk and Opportunity Management Strategy in January 2020.

Since approval, the South West Audit Partnership (SWAP) completed a health check of the Council's Risk Management arrangements and commented on the Strategy, stating that 'this provides a good reference point for all matters risk related moving forward, however we did find that it would benefit from the inclusion of more guidance in relation to risk identification, the Council's risk appetite and how services should document their risks'.

The purpose of this report was to present the Audit, Governance and Standards Committee with the Council's updated Risk and Opportunity Management Strategy (attached as Appendix A) to include the suggested amendments from SWAP for consideration and approval.

Risk Management formed an integral part of the Annual Governance Statement which is concerned with demonstrating that the Council has adequate and effective internal control arrangements in place for dealing with key business risks.

Risk and Opportunity Management is not a separate initiative, but is the demonstration of good management practice. The Council has an obligation to provide assurance to Members and the Community that the principles of good governance, including Risk and Opportunity Management, are reflected in the activities of the Council. The Council also has a legal obligation to comply with the requirements placed upon it by the Accounts and Audit Regulations and the publication of an Annual Governance Statement.

Approval of the Risk and Opportunity Management Strategy will assist with the Council embedding Risk and Opportunity Management and demonstrating good Governance principles, and this Strategy would come before the Committee on an annual basis.

During the consideration of the item the following comments and questions were raised:-

- Work around assets was questioned and the appetite for the uses of assets owned by the Council.

The Committee approved the updated Risk and Opportunity Management Strategy (Appendix A)

(The Meeting ended at 8.29 pm)