

Minutes

Governance and Audit Committee
Thursday, 13 August 2020



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Committee members present

Councillor Ian Stokes (Chairman)
Councillor Paul Wood (Vice-Chairman)
Councillor Ashley Baxter
Councillor Gloria Johnson

Councillor Jacky Smith
Councillor Mark Whittington
Councillor Sue Woolley

Officers

Richard Wyles, Interim Director of Finance
Shahin Ismail, Director of Law and Governance
Alison Hall-Wright, Head of Finance
Naomi Page, Democratic Officer

Other Members

Councillor Adam Stokes, Cabinet Member for Finance and Resources
Councillor Rosemary Trollope-Bellew, Cabinet Member for Culture and Visitor Economy
Councillor Dr Peter Moseley, Cabinet Member for Commercial and Operations

63. Register of attendance, membership and apologies for absence

Following a register of attendance, it became clear that several members of the Committee were experiencing technical difficulties. The Chairman asked that an adjournment be taken until 14:10, to allow the opportunity for IT to resolve the issues.

When the meeting reconvened at 14:10, five Members were able to confirm that they were present, with Councillors Johnson and Baxter still experiencing technical difficulties. As the meeting was quorate, the Chairman requested that the Committee move to the next item on the agenda but asked the IT Department to continue to assist those Members who were still experiencing problems.

64. Disclosure of interests

No interests were disclosed.

65. Minutes of the meeting held on 23 July 2020

The minutes of the meeting held on 23 July 2020 were proposed, seconded and agreed as a correct record.

14:17 - Councillor Gloria Johnson confirmed that she had successfully joined the meeting

66. Updates from previous meeting

The Chairman confirmed that there had been four action points raised at the previous meeting. One of the action points was not yet due and emails had been circulated to the Committee regarding the further three action points.

67. Outturn Position Report 2019/20

The Interim Director of Finance introduced the report on the outturn position for 2019/20. He explained that the report had already been presented before the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee and Cabinet, to seek feedback before it was presented to the Governance and Audit Committee for approval. Both the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee and Cabinet had supported the contents of the report and the proposed budget carry forwards.

The Committee were presented with an outline of the main points from the General Fund outturn position for 2019/20, including the Revenue Budget, Capital Programme and Reserves. The Interim Director of Finance explained that the outturn for the General Fund revenue budget was an overall balanced position. This was highlighted as a positive position which had been achieved through a number of interventions supported by Members, as well as a one-off supplementary gain from the Business Rates Retention Scheme in relation to renewable energy projects. Reference was made to the most significant variances across the three sections of the General Fund outturn position.

Members were then given an outline of the Housing Revenue Account (HRA) outturn position for 2019/20, including the Revenue Budget, Capital Programme and Reserves. The Interim Director of Finance explained that the HRA budgeted to make a surplus at the end of each financial year in order to support and maintain a resilient 30 year Business Plan. A significant variance was highlighted in relation to the refurbishment and improvement capital scheme within the 2019/20 Capital Programme. This £9.1m variance in the investment set out for stock growth proposals had contributed to a £9.4m variance overall in the 2019/20 HRA Capital outturn position. The Committee were given the opportunity to ask questions relating to the report and the appended documents.

The Committee considered tables 1 and 2 of the report. One Member asked if the General Fund revenue budget amendments in table 2 were recurrent or non-recurrent. It was confirmed that the amendments contained in table 2 were non-recurrent budget

amendments that had been agreed during the 2019/20 financial year, including the 2018/19 budget carry forwards agreed by the Committee from the outset of 2019/20.

A question was also asked regarding the difference between the current General Fund revenue account budget identified in table 1 as £19.312m and the total budget amendments figure in table 2 of £20.311m. It was explained that the budget amendments identified in table 2 had increased the 2019/20 budget as agreed at Council (£17.917m) to £20.311m. The General Fund revenue account budget figure in table 1 represented this increased total budget with the proposed budget carry forwards to 2020/21 removed.

One Member highlighted some of the variances identified within the report that he felt had not been given satisfactory explanations and asked for further information giving the reasons for the variances. The Interim Director of Finance suggested that, in order to evidence the variances accurately and in sufficient detail, the information could be circulated to Members before the next meeting. The Committee agreed that this would be acceptable.

Action Point

- **The Interim Director of Finance to provide additional information regarding the outturn variances queried in the meeting, to be circulated to the Committee before the next meeting**

When reviewing the outturn variances contained within the report, the Committee raised concerns regarding the underspend for the HRA Capital Programme. Members acknowledged the need for the HRA to achieve a surplus in order to support its 30 year Business Plan, but felt that the level of surplus for 2019/20 may represent issues in how the HRA Capital Programme was planned and budgeted for.

The Interim Director of Finance stressed the importance that lessons were learnt as to why housing investment programmes had been set at levels that had been undeliverable in previous years. He highlighted, however, that part of the variance in 2019/20 would have been deliberately postponed to enable a broader investment programme to be developed in subsequent years. The Committee were also informed that the HRA had performed more positively in business as usual expenditure around decent homes standards and maintenance works. It was recognised that the Capital Programme for 2020/21 and going forward would need to be underpinned by better planning to ensure that investment programmes could be delivered.

In response to a question asking if the HRA surplus had an acceptable limit, officers explained that the level of surplus budgeted was based on the modelling within the 30 year HRA Business Plan to build up the balances of the reserves on a cumulative basis, thereby allowing the HRA to deliver against its objectives. However, the figure was not absolute and could vary according to agreed spending plans and fluctuation in income, including rent collection.

The Committee requested that plans for future large scale HRA investment programmes be presented to the Governance and Audit Committee prior to their budget being agreed, to give assurance that the necessary governance arrangements had been put in place to ensure their deliverability.

Action Point

- **The governance arrangements of any future large scale HRA investment programmes to be added to the Committee's work programme for consideration before any corresponding budgets have been agreed**

It was proposed, seconded and **AGREED** that:

- **The Governance and Audit Committee approves the Revenue and Capital Outturn report and associated appendices for the financial year 2019/20**
- **The Governance and Audit Committee approves the budget carry forwards shown in appendices E and I and reserve movements shown at sections 4 and 7 in the report**

14:36 – Councillor Ashley Baxter confirmed that he had successfully joined the meeting

68. Draft Statement of Accounts 2019/20

The Interim Director of Finance introduced the report on the 2019/20 draft Statement of Accounts. He explained that the report was being presented to the Committee later than it ordinarily would be, due to the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, which had made provision for the statutory deadlines in relation to the completion of the 2019/20 audit and the publication of the final accounts to be delayed until 30 November 2020.

The proposed public inspection period had been moved from the dates stated in the report. The public inspection would now begin on 1 September 2020 and would continue until 12 October 2020. This delay would allow officers to implement any feedback from the Committee and undertake further quality checks to ensure that the draft accounts were error free when presented to the public.

The audit inspection of the accounts would take place on the week commencing 17 August 2020 and the week commencing 21 September 2020. The Annual Governance Statement was currently under review and would be presented to the next meeting of the Committee, once approved by the Leader of the Council and the Chief Executive. Another point for noting was the request from the auditors for group accounts to be produced in relation to Gravitas Housing Limited. Members requested that these be circulated to the Committee, when available.

Action Point

- **The group accounts for Gravitas Housing Limited to be circulated to the Committee when available**

The Head of Finance outlined the key features of each of the four core financial statements; the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement. The Committee were then asked if they had any questions regarding the report or the appended Statement of Accounts 2019/20.

One Member referred to note 4 of the core financial statements (page 83 of the agenda pack). He referred to the Government funding that the Council had received thus far to meet the costs of dealing with the Covid-19 pandemic and asked if potential Government funding for loss of income would be added to the document, if this was approved before the final Statement of Accounts was published. The Interim Director of Finance confirmed that further details of the Government co-payment scheme were expected before the final Statement of Accounts was published and that note 4 would be kept up to date and expanded on if requested by audit.

A member of the Committee asked if the 'Strategic Direction – Vision' section on page 70 of the agenda pack could be expanded to include reference to the corporate management restructure. It was confirmed that at the present time, the restructure had not been formally adopted or approved by Council, but the narrative could be developed further if the restructure had more of a significant impact before the final Statement of Accounts was published.

Attention then turned to notes 12 and 13 of the Statement of Accounts (pages 92 to 94 of the agenda pack), relating to officer remuneration and termination benefits. Members asked if the employer pension contribution values identified on page 93 required that the authority increased the amount in the pension fund. Officers explained that the impact on the pension fund was determined by the circumstances of the individuals involved, including their age and length of service in the public sector. Any associated pension strain within restructure proposals would be detailed and taken into consideration in the business case put forward.

Officers were asked if the Council benchmarked its termination benefits with other local authorities. It was explained that this would be a matter for the Employment Committee's consideration. Proposals for significant structural changes within the Council that had not already been built into the budget framework would be considered by the Employment Committee and agreed at Council. Modifications to staffing within the budgets of individual service areas would be dealt with as service level operational changes.

Referring to the three changes in Chief Executive in 2019/20, one Member asked if the Council had considered undergoing a corporate peer challenge, to give transparency and assurance to residents and Councillors. It was confirmed that it would be for the Chief Executive and Cabinet to consider if a corporate peer challenge would be beneficial. Members were reassured that the external auditors had deferred their 2019/20 Value for Money judgement to seek assurance that the stability of senior roles had been regained. Following this work, a positive Value for Money opinion had been

given. The Committee requested that Cabinet be asked to consider whether a corporate peer review would be relevant.

Action Point

- **That Cabinet be asked to consider whether a corporate peer review would benefit the Council**

One Member asked if information could be found within the Statement of Accounts document on InvestSK's accounts. The Interim Director of Finance reminded Members that InvestSK would have its own set of accounts with an annual report to support them. However, reference had been made to InvestSK on page 134 of the agenda pack, where the amount the Council paid to InvestSK was identified for 2018/19 and 2019/20. A question was raised as to why the amount had increased from 2018/19 to 2019/20. It was confirmed that the amount paid to InvestSK had been reduced from 2020/21, but further information could be circulated to break down the figures shown for previous years in greater detail.

Action Point

- **A breakdown of the amount paid to InvestSK in 2018/19 and 2019/20 to be circulated to the Committee**

A member of the Committee asked if the Council held a Service Level Agreement with InvestSK and where a copy of this could be found. It was confirmed that any queries relating to InvestSK's Business Plan would need to be considered by the Companies Committee, which held responsibility for approving the Council-owned companies' business plans.

The Chairman asked if the Cash Flow Statement on page 5 of the Statement of Accounts and the Group Cash Flow Statement on page 77 could be amended to show that the final figure reconciled with the in-year increase.

Action Point

- **The Cash Flow Statement (page 5) and Group Cash Flow Statement (page 77) be amended to show that the in-year increase is included in the final cash flow figure**

The Chairman confirmed that the Committee had satisfactorily reviewed the 2019/20 draft Statement of Accounts, as recommended in the report.

69. Work Programme

The Committee noted that two meetings had been arranged for November; 5 November 2020 and 19 November 2020. The Chairman asked officers to investigate whether it was necessary to hold both meetings.

Action point

- **Officers to confirm whether both Committee meetings arranged for November are necessary**

70. Close of the meeting

The meeting closed at 15:28.