

NORTH DEVON COUNCIL

Minutes of a meeting of Governance Committee held at Virtual - Online meeting on Monday, 5th October, 2020 at 6.30 pm

PRESENT: Members:

Councillor Roome (Chair)

Councillors Henderson, Jenkins (present for item 9), Luggar, Topps and Walker

Officers:

Head of Resources and Senior Solicitor/Monitoring Officer

99. VIRTUAL MEETINGS PROCEDURE - BRIEFING AND ETIQUETTE

The Corporate and Community Services Officer advised the Committee of the virtual meetings procedure.

100. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Campbell.

101. ITEMS BROUGHT FORWARD WHICH IN THE OPINION OF THE CHAIR SHOULD BE CONSIDERED BY THE MEETING AS A MATTER OF URGENCY.

There were no items to be brought forward as a matter of urgency.

102. DECLARATIONS OF INTERESTS.

No Declarations of Interests were declared.

103. LETTER OF REPRESENTATION

The Committee considered the Letter of Representation presented by the Head of Resources (circulated previously).

The Head of Resources explained that the Letter of Representation outlined formally, to the External Auditors, the governance arrangements in place and the Authority's responsibilities on the financial statements presented. The Letter was presented to the Committee today, in advance of the Full Council meeting on 7th October 2020. The Letter was required as part of the final process for the approval of the Statement of Accounts for 2019/20.

RECOMMENDED that the Letter of Representation be approved by Full Council.

104. EXTERNAL AUDIT - FINDINGS REPORT

The Committee considered Grant Thornton's External Audit Findings Report (circulated previously).

The External Auditor (PB) explained:

- The Audit Findings Report set out the key findings for 2019-2020.
- The deadline for the sign-off of the accounts had been extended due to the challenges presented by the Covid-19 pandemic. The revised date for the sign-off of the accounts had been moved to the end of November.
- The external auditor was pleased that the audit was substantially completed and wished to thank those concerned at the Authority for their works in enabling this to happen.
- The report provided the Auditor's opinion and the Value for Money conclusion.

The External Auditor (PB) wished to draw the attention of the Committee to the following details:

- The materiality level for the financial statements had reduced to £1m and the accounts would be signed off to that level of accuracy.
- There were no material errors or uncertainty in the draft accounts for 2019/20.
- The opinion on the accounts would be that of 'Unqualified'.
- The Auditors were satisfied that Authority had the appropriate governance in place.
- Property, Plant and Equipment represented the largest figure at the top of the balance sheet. Therefore even a small movement could have material effect. This work remained in progress.
- Covid 19 had an impact on the 'emphasis of matter' on the value of land and buildings in the accounts. Notes had been added to the accounts, since the pandemic started, to reflect this in the revised statements. This was consistent in the accounts of all Local Authorities.
- The Pension Fund net liability was considered a significant estimate due to its value (£55.6m) in proportion to the overall balance sheet.
- The Devon Pension Fund had been contacted by the External Auditor in relation to the accuracy of the Pension Fund liability. It was anticipated that there may be a change to the value of investments. A response was expected by the end of the month.
- The Value for Money Conclusion was that the Council had adequate arrangements in place to deliver financial sustainability during 2019-20. The Council delivered against budget with a surplus of £0.241m. Covid had brought challenges and would add additional financial burden. The Medium Term Financial Strategy (MTFS) had already indicated a shortfall of £2.7m by the year 2023/24 which would now be exasperated by Covid 19. It was

expected that the additional Central Government funding would offset some of the shortfall in the year 2020/21.

- The Value for Money Conclusion was that adequate arrangements were in place with appropriate responses to Covid 19.
- There would be a need for difficult decisions moving forwards as Government reduced central funding, whilst expectations from the general public increased.

In response to questions from the Committee, the Head of Resources confirmed that:

- Debtors outstanding on the Car Parking system could still be recovered as the historic data was retained on a back-office system. The figure in the accounts was an extract of the outstanding balance recorded at the year end.
- A workshop had been arranged with the Senior Management Team (SMT) to look at the current MTFs in light of the effects of Covid 19 on the finances of the Authority, and any changes to Government funding. The MTFs would then be re-presented to the Members, at Full Council, via the Strategy and Resources Committee.
- The Council would need to plan ahead to try to limit the impacts of significant reductions in income. The MTFs showed that the original budget gap was a shortfall of £2.7m in three years' time.
- Options regarding commercial ventures would be considered, although he noted that some Authorities had suffered from the loss of commercial rental income which would not be recompensed by Central Government.

In response to a question from the Committee, the External Auditor confirmed that many Authorities were looking at different strategies to reduce costs. Some difficult decisions lay ahead. Authorities faced financial challenges pre-Covid, which now have been increased. Many were waiting for further clarity from Central Government before further action. The ramifications for the medium term would need to be assessed.

RESOLVED that the External Audit Findings Report be noted.

105. EXCLUSION OF PUBLIC AND PRESS AND RESTRICTION OF DOCUMENTS

RESOLVED

- (a) That, under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item as it involves the likely disclosure of exempt information as defined by Paragraph 3 of Part 1 of the Schedule 12A of the Act (as amended from time to time), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).
- (b) That all documents and reports relating to the item be confirmed as "Not for Publication".

106. CORPORATE RISK REGISTER

The Committee considered the Corporate Risk Register report by the Chief Executive (circulated previously).

The Head of Resources advised the Committee that each item on the Corporate Risk Register had been re-evaluated following the Covid 19 outbreak. Each item had an update note except for Governance CRR 053, for which the relevant Head of Service was present to provide an update.

In relation to specific items on the Corporate Risk Register, the Head of Resources confirmed:

- Finance CRR 00 and CRR 03 were both subject to risk level changes due to the financial pressures and Central Government funding. Pre-covid income levels were unlikely to be received.
- Finance CRR 54 was a new risk. There was no legal duty to assist, but there was a moral duty.
- Governance CRR 04a had previously been removed but now re-emerged in advance of a Government White Paper due shortly.
- Governance CRR 08 had been reassessed to take into account the increased volume in home workers and building changes in response to Covid 19.
- Governance CRR 09 had been covered in greater detail at the previous Governance Committee on Business Continuity.
- Governance CRR 10 had no change to policy although the notes had been updated.
- Governance CRR 52 had been renamed as D20. Nine areas of potential impact had been identified. Officers were currently reviewing this.
- Resources CRR 00 had been added prior to the lockdown in March 2020. Extensive changes to working practice had been assessed as a result.
- Resources CRR 40 and CRR 41 had increased risk ratings to reflect the current financial pressures.

The Head of Place addressed the Committee in relation to risk CRR53. This had been created following an Inspector's decision. This risk involved both North Devon Council (NDC) and Torridge District Council (TDC). Works to resolve this were ongoing. The update would be added to the register.

In response to concerns from the Committee, the Head of Resources confirmed that the impacts of Covid 19 on the local area, and the Local Council, had been examined and the Corporate Risk Register had been updated as a result. Consideration of the risks were ongoing. During the pandemic the Authority had worked alongside all Devon Local Authorities and local voluntary organisations. This work would continue.

RESOLVED that the Corporate Risk Register be noted.

Chair

The meeting ended at 7.54 pm

NOTE: These minutes will be confirmed as a correct record at the next meeting of the Committee.

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