

AUDIT AND GOVERNANCE COMMITTEE

MINUTES OF MEETING HELD ON MONDAY 9 DECEMBER 2024

Present: Cllrs Gary Suttle (Chair), Spencer Flower (Vice-Chair), Matt Bell, Neil Eysenck, Andrew Parry and Andy Todd.

Co-opted Member: R Ong and S Roach

Also Present: Cllrs Clifford, Biggs, Bartlett and Ireland

Officers present (for all or part of the meeting):

Susan Dallison (Democratic Services Team Leader), Aidan Dunn (Executive Director - Corporate Development S151), Richard Ironside (Senior Accountant), Heather Lappin (Head of Strategic Finance), Jonathan Mair (Director of Legal and Democratic and Monitoring Officer), John Miles (Democratic Services Officer), Sally White (Assistant Director SWAP), David Wilkes (Service Manager for Treasury and Investments) and Grace Evans (Head of Legal Services and Deputy Monitoring Officer), Ian Howse (Deloitte)

Officers present remotely (for all or part of the meeting):

Sean Cremer (Corporate Director for Finance and Commercial) and Angela Hooper (Principal Auditor SWAP)

45. Apologies

Apologies for absence were received from Cllrs Belinda Bawden, Alex Furhmann, and Jill Haynes.

46. Minutes

The minutes of the meeting held on 23rd September 2024 were confirmed and signed.

47. Declarations of Interest

No declarations of disclosable pecuniary interests were made at the meeting.

48. Public Participation

No Public Participation.

49. Minutes of the Audit & Governance Sub-committee

No Meetings Held.

50. **Treasury Management Mid-Year Review 2024/25**

Cllr Clifford introduced the report by explaining that this was a half term report, and it was interesting to see some of the balancing act that went on in treasury management. He informed that interest rates had been falling but not as fast as predicted which had positive and negative impacts for Dorset Council. A reduced interest rate helped fund the Council's Capital Program but at the same time it meant lower returns on cash investments.

The Service Manager Treasury and Investments introduced the report. Treasury management activity had been heavily impacted by the wider world. The biggest external factors were interest rates. Inflation had come back towards the Bank of England's target this financial year and subsequently there had been cuts to the base rate but not as many cuts as were anticipated this time last year. The bank rate is very important for treasury activities because the returns that the Council receives on its cash balances tend to follow this closely. Shorter term borrowing rates were closely linked to the bank rate as well. The interest rates on longer term borrowing were not as closely linked to the bank rate but were more closely aligned to the interest rates that central government could borrow at which had also held up higher than expected.

He covered Section 4 of the report, the local context- Table 1 Balance Sheet Summary and gave an explanation to the numbers and how these interlinked with each other. The Capital Financing Requirement (CFR) was expected to increase from just under £390 million at the beginning of the year to £450 million by the end of the financial year. An increase of £60 million which was £30 million more than the expected increase when the budget was agreed in February 2024 due to slippage in the delivery of the Capital Program being more than predicted when the budget was agreed. External borrowing was forecast to be £325 million at year end compared to £225 million at the beginning of the year, an increase of £100 million over the year. When the budget was agreed external borrowing was expected to be £313 million at year end, therefore officers were now forecasting an increase of £12 million since the budget was agreed. It was expected that there would be less reserves by the end of the financial year than the Council had at the start of the financial year which meant there were less 'balance sheet resources' available to offset external borrowing with internal borrowing. He went through Section 6 of the report- Treasury Performance. There was improvement in the figures as for local authority's cash flows were quite heavily weighted to the first 6-9 months of the year which meant the Council had benefitted from higher than expected returns on its investment balances.

In response to questions about the Capital Program and slippage, the Executive Director Corporate Development explained that progress against the Capital Program was reported on a quarterly basis to Cabinet and monitored monthly by officers.

Noted.

51. **Councillor Code of Conduct and Complaint Process**

Cllr Flower introduced the report, and Councillors had last adopted a councillor complaint process on 15th April 2021. He explained that back in July 2024 the Committee decided to review the new draft process for dealing with complaints against Councillors. A task and finish group had been set up to look into the detail and the work went really well. A number of good comments were made by colleagues across the chamber which the Deputy Monitoring Officer had taken into account. Cllr Flower referenced the track changes on Pg 37 of the report that showed all the changes that had been incorporated since the July 2024 draft version.

Recommendation to Full Council

The Committee recommend that Council adopt the new Councillor Complaint Process.

Reason for Decision

To support councillors in maintaining high standards of conduct and to ensure a proportionate and clear approach to the assessment and hearing of complaints against councillors.

52. **Update on Our Future Council Work**

The Executive Director Corporate Development recapped the Our Future Council Work for the Committee. He explained that the Our Future Council Work looked at how to run the Council more cost effectively whilst improving the services for our residents. Cabinet two weeks ago received an outlined business case, and a full business case was being developed. The principle of the full business case was going to an Overview and Scrutiny Committee on the 9th January 2025. Which would form a part of the pre-budget deliberations at Place and Resources Scrutiny Committee on the 17th January 2025 and formerly going to Cabinet as a full business case on 28th January 2025.

53. **Work Programme**

No comments were made.

54. **Urgent items**

The following items of business were considered by the Chairman as urgent pursuant to section 100B (4) b) of the Local Government Act 1972. The item was considered to be urgent because (the backstop introduced by the Accounts and Audit (amendment) Regulations 2024 meant that the business needed to be completed by 13 December 2024, and this limited the time available to issue papers for the meeting).

55. **ISA 260 2021/22 - Dorset Council and Dorset Pension Fund**

The Executive Director Corporate Development introduced the report and set the scene. He explained that accounts were published and audited to ensure the transparency and accountability for public money and how it was spent on public services and to build up public confidence. In recent years there had been a growing back log of unaudited accounts. For example, for the financial year 2022/23 just 1% of Councils and national bodies published their audited accounts on time. The Government had got together with key local audit partners to tackle the backlog and set statutory backlog dates of 13th December for the publication of audited accounts for financial years 2022/23. There had also been Further backstops for the 2023-24 accounts which were later in the year. The Government plan was for auditors to focus on more updated accounts and to clear the backlog and bring the Committee up to date.

Ian Howse informed that the 2021/22 accounts both for the Council and the Pension Fund, would be issued with an unmodified opinion. The 2022/23 accounts of both the council and pension fund would be disclaimed due to insufficient time due to the backstop date. Those opinions would say that Deloitte were unable to give an opinion due to the lack of time to complete. In terms of the 21/22 audit, the audit plan set out the significant risks which were completeness and accuracy of the accrued expenditure and the capitalisation of infrastructure assets under construction. There were complex assumptions made around property valuations and the accounting around those property valuations. Finally, the valuation of the pension scheme liability. Some misstatements had been identified in terms of capitalisation but nothing material and some misstatements over accruals. There were some issues coming out of the audit that stood uncorrected, and he requested that the committee asked management to correct auditing standards. These were not material and if not corrected these would not impact on the opinion of the 2021/22 accounts. There was a significant adjustment in relation to Colefox school which was an academy school. There was one disclosure misstatement.

Proposed by Cllr Suttle, seconded by Cllr Flower.

Decision:

1. The Committee noted the content of the Auditor's ISA260 Reports

1.1 Dorset Council 2021/22

1.2 Dorset Pension Fund 2021/22

2. The Committee agreed the content of the letters of management representation, and to delegate authority to the s151 Chief Financial Officer (in consultation with the Chair of the Audit and Governance Committee or the Chair of the Pension Fund Committee as appropriate) subject to any further changes as required by external auditors Deloitte LLP.

1.1 Dorset Council 2021/22

1.2 Dorset Pension Fund 2021/22

3. The Committee agreed the audited financial statements for the period ending 31 March 2022 for Dorset Council (including Dorset Pension Fund accounts), and to delegate authority to the s151 Chief Financial Officer (in consultation with the Chair of the Audit and Governance Committee or the Chair of the Pension Fund Committee as appropriate) to approve the accounts subject to any further changes as required by external auditors Deloitte LLP.

Reason for Decision

As part of the national backstop stop deadline of the 13th of December 2024 for the completion of the 2021/22 audit, the committee are asked to approve the recommendations which provide an unmodified opinion on the financial statements for 2021/22.

56. ISA 260 2022/23 - Dorset Council and Dorset Pension Fund

Ian Howse introduced the report. There were no significant issues in relation to the draft accounts to be published alongside the disclaimer opinion. There were no issues identified regarding value for money and no weaknesses in arrangements, however work was still ongoing and would be reported to the next Committee. Nothing material had come about for the Pension Fund and there were a number of disclosure points brought forward from 21/22.

Proposed by Cllr Suttle, seconded by Cllr Flower.

Decision:

1. The Committee noted the content of the Auditor's ISA260 reports:

1.1 Dorset Council 2022/23

1.2 Dorset Pension Fund 2022/23

2. The Committee noted the content of the Auditor's opinions:

2.1 Dorset Council 2022/23

2.2 Dorset Pension Fund 2022/23 (financial statements)

2.3 Dorset Pension Fund 2022/23 (consistency with Pension Fund Annual Report)

3. The Committee agreed the content of the letters of management representation, and delegate authority to the s151 Chief Financial Officer (in consultation with the Chair of the Audit and Governance Committee or the Chair of the Pension Fund Committee as appropriate) subject to any further changes as required by external auditors Deloitte LLP.

1.1 Dorset Council 2022/23

1.2 Dorset Pension Fund 2022/23

4. The Committee agreed the financial statements for the year ending 31 March 2023 for both Dorset Council (including Dorset Pension Fund accounts), and delegate authority to the s151 Chief Financial Officer (in consultation with the Chair of the Audit and Governance Committee or the Chair of the Pension Fund Committee as appropriate) to approve the accounts subject to any further changes as required by external auditors Deloitte LLP.

Reason for Decision

As part of the national backstop stop deadline of the 13th of December 2024 for the completion of the 2022/23 audit, the committee are asked to approve the recommendations which provide a disclaimer of opinion on the financial statements for 2022/23.

57. Exempt Business

There was no exempt business.

Duration of meeting: 6.30 - 7.38 pm

Chairman

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