

No.

THE VALE OF GLAMORGAN COUNCIL

Minutes of a Remote Special meeting held on 5th October, 2020.

The Council agenda is available [here](#).

Present: Councillor Jayne Norman (Mayor); Councillors Julie Aviet, Rhiannon Birch, Jonathan Bird, Bronwen Brooks, Lis Burnett, George Carroll, Christine Cave, Janice Charles, Amelia Collins, Geoff Cox, Andrew Davies, Pamela Drake, Vincent Driscoll, Stewart Edwards, Ben Gray, Owen Griffiths, Stephen Griffiths, Anthony Hampton, Sally Hanks, Nic Hodges, Hunter Jarvie, Gwyn John, Dr. Ian Johnson, Gordon Kemp, Peter King, Kevin Mahoney, Kathryn McCaffer, Anne Moore, Neil Moore, Michael Morgan, Rachel Nugent-Finn, Andrew Parker, Bob Penrose, Sandra Perkes, Andrew Robertson, Leighton Rowlands, Ruba Sivagnanam, John Thomas, Neil Thomas, Steffan Wiliam, Margaret Wilkinson, Edward Williams, Mark Wilson and Marguerita Wright.

Also present: Mr. A. Veale (Audit Wales).

103 APOLOGIES FOR ABSENCE –

These were received from Councillors Vincent Bailey and Robert Crowley.

104 DECLARATIONS OF INTEREST –

No declarations were received.

105 STATEMENT OF ACCOUNTS 2019/20 (S151O) –

The Leader indicated that prior to debating the report he would be calling upon the Council's Head of Finance / Section 151 Officer and the Audit Wales representative (Mr. A. Veale) to comment on the Statement of Accounts and he moved that Standing Orders be waived to allow both to speak.

This was duly seconded by the Deputy Leader.

RESOLVED – T H A T Standing Orders be waived to allow the Head of Finance / Section 151 Officer and the Audit Wales representative to speak.

The Leader reminded Members that the Council's Audit Committee had considered and endorsed the Accounts at its meeting held on 24th September, 2020.

The Leader indicated that the Council's approval was being sought in regard to the Statement of Accounts and the Annual Governance Statement and to agree the Final Letter of Representation for 2019/2020.

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Audit Wales was the body responsible for undertaking the external audit work for the Council. Under the Accounts and Audit (Wales) Regulations 2014 (as amended), the Council and the Auditor General were working towards meeting earlier statutory deadlines for the closure of the Council's accounts. For the 2019/2020 accounts, the Council was required to close the accounts by 15th June, 2020 with Audit Wales required to complete the audit by 15th September, 2020. Due to the current pandemic, these dates had been revised and Authorities were now required to complete their 2019/2020 accounts by 31st August, 2020 and Audit Wales should complete their audit by 30th November, 2020.

He was pleased to report to Council that the draft accounts were handed to Audit Wales on 30th June and the audited accounts were for approval. The Appointed Auditor intended to provide an opinion on the 2019-20 financial statements on 8th October, 2020. In his report, the Auditor General had stated that Council officers should be commended for the timely completion of the draft financial statements. He would like to acknowledge the work of the Audit Wales team to complete the audit which had enabled the Council to consider those accounts tonight.

In his proposed audit report to the Council, the Auditor General had stated that the Financial Statements:

- gave a true and fair view of the financial position of the Vale of Glamorgan Council as at 31st March, 2020 and of its income and expenditure for the year then ended; and
- had been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

He had also stated that it was the intention of the Appointed Auditor to issue an unqualified audit report on the Financial Statements once the relevant Council Officers had provided a signed Final Letter of Representation, the reasons for the meeting. The Auditor had advised that two Local Authority electors had brought to their attention some matters to be considered and although the audit could not be formally concluded and an audit certificate issued the Auditor was satisfied that these matters did not have a material effect on the financial statements. Once these matters were concluded Audit Wales would confirm their closure of the audit by issuing the audit certificate and this would be done in writing to the Council.

On 24th September, Audit Committee had considered an agenda item entitled "Audit of the 2019/20 Financial Statements – Reporting to Those Charged with Governance". At the meeting, Members did agree the Statement of Accounts as presented to them but raised concerns regarding the outstanding issues and sought clarification on whether the resolution of the matters would impact on the information that they were considering at Audit Committee.

The Audit Wales representative, Mr. Veale, advised that with an unqualified opinion, that was to say a clean audit opinion on the 2019/20 financial statements, the Auditor General for Wales was scheduled to sign the accounts on Thursday, 8th October, 2020 on the proviso that the Mayor signed the Letter of Representation and the Council were prepared to approve the accounts.

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Referring to the comments of the Leader, he indicated that whilst he would be giving an audit view he was unable to certify closure of the 2019/20 audit and that was ultimately because two members of the public had signalled their intention to object to items of expenditure being in the 2019/20 accounts and provided further context in terms of compliance with the Public Audit Wales Act, where members of the public could inspect the accounts, they could question the auditors and they could object to an item of economic expenditure and that was the issue as it stood.

However, he was clear that even though the matters were outstanding, he had sufficient information to ascertain that it was not material to the financial statements and prevent an opinion being provided later in the week. He assured Members that should anything significant arise requiring an amendment, the matter would be brought back to the appropriate governance body of the Council.

He concluded by thanking Council officers for not only producing the set of accounts which was an extensive technical document, but also supporting the audit process under such difficult circumstances.

The Head of Finance / Section 151 Officer stated that since the unaudited Statement of Accounts had been presented to Audit Wales at the end of June a significant amount of work had been done both by the Council's staff and by Audit Wales' staff over the summer. As a result there were no outstanding mis-statements on the accounts. There was only one recommendation relating to Elected Members' disclosures and actions to address this was already in place. She echoed the comments of the Leader and Mr. Veale that the accounts were a timely and accurate financial reflection of where the Council was at the end of March 2020. The two issues that were outstanding had been looked at and she confirmed that these were not material and did not impact on the financial information that was being considered at the meeting.

The Leader Moved the following Motion:

1. That the report of the Auditor General for Wales be noted.
2. That the Letter of Representation to Audit Wales for 2019/20 be noted and is agreed and signed and dated by the Mayor as Chairman of the Council.
3. That the Annual Governance Statement (within the Statement of Accounts) for 2019/20 be approved and signed and dated by the Leader of the Council.
4. That the Statement of Accounts for 2019/20 be approved and signed and dated by the Mayor as Chairman of the Council.
5. That a delegation is granted to Audit Committee to re-approve the accounts if the outstanding issues do result in a change to the final accounts as considered at Council on 5th October, 2020.

The Motion was duly seconded by the Deputy Leader.

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Councillor Dr. I. Johnson, speaking as the Leader of the Plaid Cymru group, as a member of the Audit Committee and also of the Corporate Performance and Resources Scrutiny Committee, wished to endorse the support for the hard work officers had put to bring forward the report.

Referring to the timescale and very difficult circumstances as a result of the Coronavirus pandemic he was glad to see an unqualified opinion being presented alongside the list of corrections made as shown in Appendix 3 of the report.

Councillor Dr. Johnson wished to highlight the following two points relating to the document itself under consideration and to the debate on the matter at Audit Committee.

He felt it was important that the Statement of Accounts came before Council to debate, was broadcasted and enabled people to recognise that it had been considered by the Council's Audit Committee twice and that Councillors had an opportunity to raise issues at the Council meeting, so the public did not feel any discussions were held behind closed doors. However, there had been a discussion previously as to whether Audit Committee should be the body responsible for signing off the report.

Councillor Dr. Johnson considered that Page 17 of the report was significant as it showed the in-year workings of the Council. For 2019/20 the Council made a surplus of just over £7m, a large proportion of which came from the Housing Revenue Accounts. 90% of that money was dwelling rents and reminded Members at the time of considering the Budget for 2019/20 in February 2019, he had made the point about the increases being put onto Council-house tenants which he viewed had followed through into that surplus amount. Rents had been increased by above inflation and the ratcheting effect of that was shown consequently.

On the matter of the amount of reserves, Councillor Dr. Johnson highlighted the difference between the amount of money presented as being in reserves when setting the Council Tax in March and the outcome a few weeks later. Citing page 17 of the report he indicated there was just under £91m in usable reserves in the General Fund and the HRA. The figures provided in February, when agreeing the Budget had suggested there would be around £71m; a £21m difference, a substantial difference when it came to setting Council Tax. He considered this to be a consistent feature in accounting procedures reporting that the Council was in a poorer position with regards reserves when setting Council Tax. Whilst it was good to be in a positive position, Members did not know that position when making decisions on behalf of constituents.

Councillor Dr. Johnson's attention turned to his second point regarding the role of the public in making queries about the accounts, noting that there were two outstanding queries. As the result of the pandemic, there had been a longer period of time sign off the accounts than would ordinarily be the case. The question raised at Audit Committee was why there was a rush to do this when there were issues outstanding. He felt that constituents currently did not feel they are being listened to and their concerns overridden by technocratic demands. That was the position tonight and considered it to be anti-democratic to sign off the report without concluding both

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outstanding matters. Referring to the threshold being given was materiality; 1% of the Council's income was £3.877m, £1m more than the entire precept for the 26-27 Town and Community Councils, and more than the loss the Council's was anticipating making as a result of the global pandemic that had forced reconfiguration of Council systems.

Councillor Dr. Johnson was glad the Council had had an unqualified opinion and the books were in order, subject of course to the corrections that had been made which were substantial in their own sense he felt uncomfortable with the signing off the accounts while those questions remained. On that basis, he signalled that he would not be supporting the signing off of the Statement of Accounts.

Councillor John thanked the officers and Audit Wales for their hard work. He was quite happy to support the recommendations and he was delighted to do so.

Councillor Wilson indicated that the matter had had a good airing at the Audit Committee meeting. He was satisfied with the Auditor General's stance taken at that time. He personally believed that there was no material change in the accounts and they should be approved. In relation to Councillor Dr. Johnson's point regarding the level of reserves, they were high for good reason. The Council was affected by the global pandemic and reserves were being used to allow the Council to cope. In reality Councillor Dr. Johnson knew all too well that the Council was in a good position financially because of sensible decisions made over a number of years and had been able to fund a major school building programme which he knew Councillor Dr. Johnson had championed as he had. This was in part due to good officers who worked extremely hard in challenging circumstances making sure this Council was solvent and financially strong.

Councillor Carroll, referring to himself as being a Member of the Authority for three years and throughout that time a member of the Audit Committee and previous Chairman, indicated that in each previous year when the matter of approving the accounts arose he had voted in favour of doing so as a formality. He considered the matter under debate to be of principle ensuring issues were signed off appropriately. Acknowledging the comments made by both the Council's Internal Audit Team and by Audit Wales were made in good faith and probably right in saying the complaints by electors were not likely to make a material difference to the overall accounts. It was important however that the public had confidence in the process. Alluding to Councillor Dr. Johnson's point that the Council had until 30th November to approve the accounts, he struggled to understand why it was such an urgency to approve them now. He would have preferred the matter deferred until both matters were resolved and he indicated therefore that he would not be supporting approval.

Councillor Kemp echoed the concerns of both Councillor Dr. Johnson and Councillor Carrol regarding these outstanding issues. Given Members did not know the specifics of the two matters, consideration of the accounts could have been delayed and accordingly he could not support their approval.

The Leader, in summing up, considered most of the comments expressed by Members had been raised at other Committees of the Council, primarily Audit Committee. He reminded all Members that in light of the Auditor General's stance

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taken there was no valid reason not to approve the accounts. He was ashamed that certain Members felt there were not adequate assurances in place when clearly there were. The two outstanding matters did not have any material bearing on the matter under discussion and this was reinforced by the comments provided by Mr. Veale, Audit Wales' representative. On the point of HRA reserves held by the Council, this was due to the fact that the Authority did not borrow as much as it anticipated. This was the reason for the surplus in the accounts. The report was open and transparent. He also reminded Members that without reserves the Council would have not been able to deal with the challenges brought about by the pandemic as there had been an expansion in the use of unplanned expenditure. He further indicated that Council Tax collection rates were down, creating a shortfall. Taking account of the professional advice of Audit Wales and the Council's Section 151 Officer, he failed to see how any Member could not approve the accounts on the basis of the information before Council and he refuted the comments made that they could not.

The Motion was put to a vote and it was carried.

RESOLVED –

- (1) T H A T the report of the Auditor General for Wales be noted.
- (2) T H A T the Letter of Representation to Audit Wales for 2019/20 be noted and be agreed and signed and dated by the Mayor as Chairman of the Council.
- (3) T H A T the Annual Governance Statement (within the Statement of Accounts) for 2019/20 be approved and signed and dated by the Leader of the Council.
- (4) T H A T the Statement of Accounts for 2019/20 be approved and signed and dated by the Mayor as Chairman of the Council.
- (5) T H A T a delegation be granted to Audit Committee to re-approve the accounts if the outstanding issues do result in a change to the final accounts as considered at Council on 5th October, 2020.

Reasons for decisions

- (1) To ensure that Members were informed of the results of the audit of the Council's Financial Statements for 2019/20
- (2) That the signed representation letter was returned to Audit Wales.
- (3) That the Annual Governance Statement was signed and dated as required.
- (4) That the Statement of Accounts be approved prior to the deadline.
- (5) To ensure the accounts for 2019/20 were closed once Audit Wales had completed their review of the electors' correspondence.