

Strategy & Resources Committee – 5th October 2021
Standing Order 30 Questions and responses

Questions from Cllr Elias and responses from the Chief Finance Officer

At the 24th September 2021 Investment Sub-Committee meeting, I asked for clarification as to the Council's level of total reserves. I pointed out that the recent independent review by the Link Group of Tandridge's Treasury Management Activity stated (top of page 3 and various other places in the report) that "*the Council had £23m of reserves and balances and £9.2m of working capital*" at 31st March 2021. I also pointed out that the 11th February 2021 Council agenda (page 148) showed total reserves of £16.6m as at 31st March 2021. Finally, the Council's Statement of accounts posted on the Council's website on 31st July 2021 shows (page 25) total usable reserves of £27.7m at 31st March 2021 (up from £19m at 31st March 2020).

- (a) Bearing in mind the range of values of total usable reserves at 31st March 2021 given to members in the past few months (from £16.6m to £27.7m), could members now be given a definitive answer as to the amount of the Council's total usable reserves as at 31st March 2021?**

Response from the Chief Finance Officer

£16.6m was the estimated balance of reserves at the time of setting the budget in February 2021, based on an estimated movement (draw down or transfer back to reserves from the previous year). The net movements in the reserves are finalised as part of the preparation of the 20/21 annual accounts which show an increase to c£28m as at 31st March 2021. It is important to note that the accounts have yet to be signed off from audit and these numbers are subject to change.

However, albeit c£28m is the total useable reserves (GF and HRA) for the Council as at 31st March 2021. Of this, only £3.3m is the General Fund balance which could be applied to support the general running of the Council. This represents an increase of £0.3m from 2019/20 due to an increase in the Income Equalisation Reserve which supports voids and rental losses of our properties and is earmarked for that purpose. The remaining c£24m is earmarked against specifics like CIL, HRA and capital and cannot be used for general use.

I appreciate there may be some confusion when looking at the amounts we have to support our day-to-day cashflow requirements (which we call internal borrowing to which all of this c£28m can be applied) vis-a-vis having amounts like earmarked reserves being ready and available to pay back when required – as earmarked reserves come with conditions attached to them.

- (b) Bearing in mind that the external auditing of the 2021 year end accounts has been under way for some time, what do the council's external auditors think our useable reserves are?**

Response from the Chief Finance Officer

The auditors received a draft version of our 2020/21 accounts submitted by the end of June in accordance with statutory deadlines. The auditors have not flagged any issues with our reserves position at this time, however given our accounts are still in draft, this may be subject to change until the time of signing.

Supplementary question from Councillor Elias

As of today, are our useable reserves £27.7 million? We haven't heard anything to the contrary from the auditors?

Response from the Chief Finance Officer

That is correct.

- (c) Could an explanation please be provided to members, in layman's terms (on the assumption that members are not CIPFA-trained accountants) as to the different values of the total usable reserves as shown above?**

Response from the Chief Finance Officer

As at 31st March, the Council's total useable reserves are c£28m (as per my earlier response), of these:

- *£9.8m are capital reserves*
- *£6.8m relate to the HRA*
- *£7.7m relate to those earmarked for a specific revenue purpose and may have conditions attached to them or need to be returned to a third party – such as CIL, s31 Grants, COVID monies*
- *the balance of £3.3m is the available balance of General Fund reserves*

(d) When are the Council's audited accounts at 31st March 2020 expected to be formally issued? What are the reasons for the delay?

Response from the Chief Finance Officer

As I discussed at the Audit & Scrutiny meeting last Thursday, the external audit of the Draft Statement of Accounts for the year ended 31 March 2020 has not yet been completed by the external auditors, Deloitte LLP, due initially to the impact of Covid-19 on audit resource and, subsequently, a significant level of re-work required on Deloitte's part to provide certainty that TDC's financial system reconciled to its published Statement of Accounts. Work on auditing the accounts for the year ended 31 March 2020 is substantially complete and moving into a quality-assurance phase, with no major changes or errors identified to-date. The date for signing the 2019/20 accounts as currently determined by the auditors will be "asap".

Supplementary question from Councillor Elias

I wasn't at the Audit & Scrutiny Committee meeting. Is there an estimated date? Are we talking about a month, or two or three?

Response from the Chief Finance Officer

The external auditors haven't specified a date, they have only said their audit will be completed as soon as possible. We questioned them about this at the 30th September Audit & Scrutiny Committee and they quoted a resource allocation of 120 man-days. The only timeframe they have confirmed is 'asap'.

(e) when are the Council's audited accounts at 31st March 2021 expected to be formally issued? What are the reasons for the delay?

Response from the Chief Finance Officer

As I discussed at Audit & Scrutiny last Thursday, the external audit of the draft Statement of Accounts for the year ended 31 March 2021 has not yet been completed by the external auditors, Deloitte LLP, due to the prior year audit not yet being completed and the outturn position remaining under review. Work to finalise the testing by external audit continues alongside the 2019/20 audit and the timetable for completion will be dictated to some extent by finalisation of the outturn report.

The curtailment of the outturn report was due to awaiting the Grant Thornton report and its recommendations, which confirmed a c£920k gap in the 2020/21 budget. As the result, it has provided more doubt in the underlying position and in the confidence of financial reporting. In order to gain confidence for future budgets and financial reporting, a root and branch review of the fundamentals of finance and a line by line review of the 2021/22 budget position will be undertaken. This, coupled with our finance transformation programme, will provide confidence in the underlying position, and will enable the 2020/21 outturn to be published; the 2020/21 accounts to be signed; and the 2022/23 budget to be set and approved in February 2022. We are currently pulling together a comprehensive action plan.

(f) what is the total cost (including contractors) of the Joint Working Arrangements with Surrey County Council for Finance Services divided as follows?:

(i) period July 2020 to 31st March 2021

(ii) period 1st April 2021 to 30th September 2021; and

(iii) expected cost for the period 1st October 2021 to 31st March 2022

Response from the Chief Finance Officer

The total cost on the Joint Working Agreement with the County was set out in the report provided to and agreed by S&R on 6th July. There have been no changes to that information since that report was prepared and agreed by the Committee. I'm happy to resend that information to you and the rest of the Committee.

Supplementary question from Councillor Elias

Please could you remind me what the three numbers are [in respect of (i) to (iii) above]?

Response from the Chief Finance Officer

The report to S&R on 6th July identified a recurring cost to the finance function of £735,000 in 2021/22. There was a forecast overspend on that budget in 21/22 of c£27,000, which was a result of the Tandridge finance transformation programme which would build much needed capacity, capability and resilience of the team. As always, we attempt to make in-year mitigations against any overspends where possible. Aside from that, there was an additional one-off investment £80K, approved at the same meeting, to support the delivery of the finance transformation programme, to be funded from the flexible use of capital receipts due to the transformative nature of the project.

(g) what is the total cost of all contractors and supernumerary staff, broken down by department/discipline, over the same periods?:

(i) period July 2020 to 31st March 2021

(ii) period 1st April 2021 to 30th September 2021; and

(iii) expected cost for the period 1st October 2021 to 31st March 2022

Response from the Chief Finance Officer

To ensure the figures can be accurately reported as requested, further time is required to investigate and review the information which will all be part of the 2022/23 budget setting information.

Supplementary question from Councillor Elias

Could you provide some rough estimates?

Response from the Chief Finance Officer

No, I'm sorry I can't.

Question from Cllr Cooper (read out by the Committee Clerk)

At the last S&R meeting held on 14th September, I asked a series of questions on TDC's actions since deciding to announce a 'Climate Change Emergency' at the Full Council Meeting on 13th February 2020. The answers given to my questions were Q1) Zero; Q2) Climate Change Working Group to consider; Q3) Climate Change Working Group to look at; Q4) Zero; Q5) Climate Change Working Group to consider; Q6) Zero. **Given TDC have declared an emergency could I have an update on these answers please?**

Response from the Chair

The are no changes I'm aware of. Until the Climate Change Working Group reports back to the Committee, that situation won't change. I suggest you address future questions to your colleagues on the Working Group.