

**Council**  
**22 February 2023**  
**Item 11 - Questions from Members of the Public**

**The following questions have been submitted in accordance with Part 4 Section E of the Council's Constitution**

**1. Mr Bain has asked the following question of the Finance & Customer Services Portfolio Holder**

“Can the Council demonstrate that it can comply fully with the requirement to satisfy the test for the Minimum Revenue Provision for the year to March 2023 and an estimate based using current rents and interest rates for the year to March 2024?”

**The Finance & Customer Services Portfolio Holder has provided the following response:**

“Yes, at the close of this financial year, the Council believes that it will be able to demonstrate that it has made the correct Minimum Revenue Provision (MRP) for the year to 31 March 2023. This will be confirmed once the 2022/23 accounts have been audited. The budget that is proposed for adoption at this evening's meeting has also included the correct provision for debt interest and Minimum Revenue Provision (MRP).”

**2. Mr Bain has asked the following question of the Finance & Customer Services Portfolio Holder**

“Can the Council explain why the decision, taken in Council, to borrow the entire acquisition cost of the Mall and House of Fraser store at secure long term, advantageous low rates from the Public Works Loan Board (PWLB) was disregarded and brushed aside. Who decided that the policy would not be followed but instead the Council would resort to playing the risky short term money markets. Who authorised it and was it properly authorised and what is the estimate for the ultimate cost to resident taxpayers and is there a likelihood that services will be impacted?”

**The Finance & Customer Services Portfolio Holder has provided the following response:**

“The Council did not take a decision to borrow the entire acquisition cost of the Mall and House of Fraser Store. Regarding the former, the Council report delegated the responsibility for financing of borrowing to the then Executive Head of Finance. Regarding the latter, it was delegated to the then Chief Executive in consultation with the Land and Property Board.

As it stands the Council, following advice from its specialist Treasury Advisors, opted for a combination of some longer term debt utilising PWLB borrowing and Phoenix Loans (60%) and some shorter term debt (40%).

The rationale for using short term debt is that the Council has the ability to continue to repay and re-borrow short term. Since the acquisition, the low interest rates meant that short-term borrowing could be obtained at rates below 1%; this allowed the Council to save on borrowing costs against a comparable PWLB 50 year loan; it also would permit the Council's Chief Finance Officer to investigate other sources of finance such as the Municipal Bonds Agency.

It is only now that whilst interest rates are currently unusually high that the short-term loans are costing the Council more, but it is expected that as inflation falls in the near future, so will prevailing rates of interest to once again allow the Council to continue with its policy of short-term loans below the 50-year PWLB benchmark. In the meantime, the Council's interest equalisation reserve will cover the additional interest costs so there is no impact on services.

The cost of 50 year PWLB at a set rate has to be compared with the potential actual cost of short-term loans (which were considerably lower than PWLB up until September last year) and may well drop back lower after the current inflationary spike. Furthermore, the ability to use receipts to repay debt before the 50 year period is expected to make this more beneficial to the local taxpayer, but this can only be determined at the end of the period or when the debt is repaid.

Given the long-term nature of much of local authority borrowing, it is necessary to take a balanced view across the whole life of the loan portfolio recognising the inevitable variability of interest rates over that period, and taking into account the level of flexibility that the Council would want to retain to enable both progressive and early payback."

**3. Mr Lee has asked the following question of the Leader**

"Following the publication of the audit recovery motion –

1. Have the auditors named in the motion been invited to attend the full council meeting and if yes will they be afforded the opportunity to speak and/or answer questions?
2. Was legal advice sought prior to publication of the motion?
3. Was this legal advice followed by Cllr Perry?"

**The Leader has provided the following response:**

"The formal procedure relating to motions at Full Council does not provide scope for other external parties to join the debate or provide commentary or respond to questions; they therefore have not been invited to attend.

However, the Council's external auditors have already presented at the Council's Audit and Standards Committee on several occasions and have been afforded the opportunity to speak with Members of the Committee and answer their questions.

The Council's auditors have set out on several occasions the primary reasons that they have been unable to complete the audit of accounts for this and other Councils, and this is already well understood. This primarily relates to their staffing capacity in the context of their significant other work demands.

Yes, the motion was considered by the Council's chief legal officer prior to publication. This is standard practice.

The Council's Chief Legal Officer was satisfied that the Motion was valid and that there were no legal implications arising it."

**4. Mr Lee has asked the following question of the Finance & Customer Services Portfolio Holder**

"Please provide the exact circumstances of the 2019/20 audit being missed, this could include errors and omissions by officers, disagreements on investment asset values, failures of nation government policy on audit, and failings by the external auditor?"

**The Finance & Customer Services Portfolio Holder has provided the following response:**

"In responding to the question from Mr Lee, can I start by confirming that the Audit of the Council's 2019/20 accounts has been underway since Autumn 2020. The issue, is that the audit work has not yet been completed.

The 2019/20 accounts were due to be audited after closedown of the financial year at 31 March 2020. At the start of the audit back in April/May 2020, the external auditors, BDO, did want to commence some interim work; this was at the start of the Covid-19 pandemic and most of the finance staff were redeployed dealing with resident welfare issues and support payments. By mutual agreement with the auditors, that work was then deferred to the autumn of 2020. BDO also audit other public sector bodies and due to the NHS audits taking priority, they therefore suspended work on our audit until the Spring/Summer of 2021.

The external audit includes, as a normal part of the process, confirmation of the appropriate treatment of significant new items in the accounts, such as consolidation of the JPUT or how certain balances and reserves are presented. In relation to agreement on asset values – these are provided by the Council's professional external valuers are generally accepted as being accurate and in accordance with the Royal Institute of Chartered Surveyors 'red book' guidance. The Council's Section 151 Officer is not aware of any substantive matters in the accounts that are preventing the audit from being concluded.

The overarching reason that the audit work has not yet been completed in Surrey Heath, and in the other Councils in Surrey and across the country, is the lack of capacity that exists in the local government audit sector, which includes the capacity of our own external auditor. This is something that has been written about extensively in the national media and is a fact that has been acknowledged by our own external auditor.

Although there is regular contact between BDO and the Council's Finance Team, once again the external auditor's other commitments meant that they could not provide a dedicated resource until late in the year (November 2022); the auditors work on the NHS accounts in 2022 was further extended due to a change in accounting policy within the NHS, which extended the workload of the BDO public sector team – Central Government priorities meant that the NHS audits had to be completed, before any further work on the outstanding local government audits (of which there are many). BDO had also unfortunately had gaps in their team due to sickness of key personnel.

The Council believes that it has answered and addressed all the audit queries that have been raised through the Audit process and is continuing to wait for either the Audit to be concluded or any supplementary queries raised."

**5. Mr Hodges-Long has asked the following question of the Housing, Support & Safeguarding Portfolio Holder**

"Please confirm how many Surrey Heath residents are living in social housing that have inoperable heating, contain asbestos or have recurrent black mould problems."

**The Housing, Support & Safeguarding Holder has provided the following response:**

"No one in Surrey Heath or anywhere else in the country living in Social Housing should have to face inoperable heating, live in homes containing unsafe asbestos, or live with on-going damp and mould problems.

Any such cases that come to the Council's attention are promptly reported to the relevant housing association for action.

Although many Councils in the country own their own housing stock, in Surrey Heath, Social Housing is owned and managed by Housing Associations. As they are legally independent organisations, the Council does not hold data on the their properties or their tenants.

While I can understand some thinking this is a Local Council function, the performance of Housing Associations is overseen by the Regulator of Social Housing, a public body whose remit is to ensure the social housing sector is viable, efficient and well-governed and able to deliver and maintain homes to an appropriate standard. As part of this regulation Housing Associations are

subject to an inspection regime to ensure that they are meeting national standards.

I am pleased to see the Social Housing (Regulation) Bill is currently going through Parliament with the aim to further improve standards in social housing and to increase the accountability of landlords. This includes new requirements that landlords fix reported health hazards within specified timeframes.”

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