

# £10m Co-Vid grant pay-back put in wrong place

19 July 2023



A £10million accounting error at cash-strapped Guildford Borough Council was discovered in March but councillors were only told this month.

The error meant it looked like there was more in the council's reserves, effectively its savings, than there really was, and that "urgent action" was now needed to turn things around.

Officers at the borough council have warned a section 114 notice, the same as has been issued by neighbouring Woking, could be issued this year, but is not immediately needed.

There are plans to cut spending in the short term under a new budget to be agreed by council on Tuesday (July 25), but with a warning the notice may be needed later in the year.

At a meeting of the council's corporate governance and standards committee on Tuesday (July 18), members were given a clearer timeline of the discovery of the accounting error.

The money, according to Guildford's joint executive head of finance, a role that is shared with Waverley council, was a Covid grant that had come from central government to be given out by the council.

Peter Vickers told the meeting that the leftover money, which has now been paid back to government, was incorrectly put in

the council's reserves rather than as money to be paid out, affecting the amount of money that seemed to be in the council's savings.

The error came to light as external auditors looked over the 2020/21 accounts, with Guildford being one of many councils across Surrey and nationwide that has a backlog in its accounts being externally audited.

Mr Vickers said there were "quite a lot of accounting adjustments required" off the back of Grant Thornton's audit, but said the issue was brought to members "at the earliest, most appropriate time to have that conversation".

Councillors received an email the day before the statement that was issued on July 12 by Mr Vickers and the council's chief executive to outline the plans to draw up a new budget and give the council a chance of staying afloat.

Councillor George Potter (Lib Dem, Burpham), said as with anything of such "magnitude" there was an interest in understanding "who knew what and when". He asked officers when portfolio holders were made aware of the accounting error.

Mr Vickers said it wasn't "cut and dry" when the error was identified and work needed to be done on identifying what had happened, what controls were in place and the nature of the error. He said: "It wasn't something we were just about to bring to members and say: 'Oh, we found an error.' Everyone's ears [would] prick up and suddenly we're all on high alert. We have to do the right diligence to understand what had gone on."

He said the relevant portfolio holder was told in an "absolutely confidential briefing happened to very few individuals at the time" but that with three years of uncompleted external audits, officers didn't know "the boundaries of what was going on".

The borough council's chief executive told the meeting it was not a case of the council having "lost" £10m that now needed to be found. Tom Horwood said: "This is about an accountancy treatment of a figure that was effectively put in the wrong set of columns. So the money came in, it was spent appropriately, the balance was returned to government. There is no further money to find in that sense from that sum, but it was put into the wrong place from an accountancy perspective, which meant that it looked as if our reserves were higher than they actually are."

A full council meeting will take place on Tuesday, July 25.