

Audit Committee
27/January2022



COTSWOLD
DISTRICT COUNCIL

Minutes of a meeting of the Audit Committee held on Thursday, 27 January 2022.

Councillors present:

	Nigel Robbins
Stephen Andrews	Nick Maunder
Tony Berry	Ray Theodoulou

Officers present:

Jenny Poole - Deputy Chief Executive
Caleb Harris - Democratic Services Officer
Mike Butler, Strategic Support Officer - Land, Legal and Property – Publica
Andrew Sherbourne - Accounting Technician – Business Support Services - Publica
Lucy Cater - Assistant Director (SWAP)
Michelle Burge - Chief Accountant

Observers:

Councillor Mike Evemy, Deputy Leader and Cabinet Member for Finance

115 Apologies

There were apologies from the Chair of the Audit Committee Councillor Patrick Coleman and Councillor Mark Harris.

116 Substitute Members

Councillor Gary Selwyn who was substituting for Councillor Patrick Coleman.

117 Declarations of Interest

There were no declarations of interests for the Committee to note.

118 Minutes

The Committee considered the minutes from the meeting of the Audit Committee on the 23rd November 2021

RESOLVED: That the Committee considers the minutes as a true and accurate record of the meeting on the 23rd November 2021.

Voting Record

For 5, Against 0, Abstentions 1, Absent 1

119 Public Questions

There were no questions submitted by the public to the Committee.

120 Member Questions

There were no Member questions submitted for the Committee.

121 Internal Audit Monitoring Report

The Assistant Director (SWAP) Lucy Cater introduced the item to the Committee.

It was outlined that there are 4 final reports for information that were noted.

The Chair asked how much carryover there would be into the next year for work.

It was noted that any work would be carried off into the next year but this was based on the risk category of the items. An Audit planning consultation was given to the Chair Patrick Coleman. However, it wasn't circulated to Members, so it would be circulated if possible following this meeting.

The Committee noted 3 new items within the document relating to Coronavirus Business Grants and wished to know what was being examined. The Assistant Director outlined how working with the Counter Fraud Manager, they are assisting with the administration of the Omicron support schemes.

The Committee asked about Emergency Planning Team and the process for identifying vulnerable residents for these situations.

It was noted that as part of her work with emergency planning at a separate time, various measures were made to ensure residents were kept safe. It was also noted that any recommendations were carried out and that Publica would be asked about the desktop exercise.

The Committee noted the items that were scheduled on page 33 of the document pack that had no comments on this. These were explained that they were part of the Annual Audit report that was underway. It was also noted that the fire marshals were not well known in the building.

The Assistant Director noted that new processes for fire wardens had been implemented to reflect agile working, and the fewer number of people working in the office. The Deputy Chief Executive provided the suggestion of a reminder for Members that would be taken to Publica to ensure the change is understood.

The Committee noted the findings around statutory responsibilities are not clearly defined for Emergency Planning and questioned whether that the review of the responsibilities had come to the Constitution Working Group.

The Monitoring Officer explained that there is a Constitution Working Group, which is next meeting on the 10th February. An action was noted for that group to consider Emergency Planning responsibilities.

The Committee asked about the work being carried out against fraudulent activities with Covid grants, and when a report can be expected.

The Deputy Chief Executive assured the committee that any fraudulent activity, which is relatively small, is picked up during the processes for business grants, and a report would be given to the Committee by the Counter Fraud Manager as usual every 6 months.

RESOLVED: That the Committee **notes** and provides appropriate comments on the report presented.

122 Aged Debtor Analysis

The Chief Accountant introduced the item to the Committee and started by defining what is meant by Aged Debtors within this report.

An analysis was given on the outstanding position of Council Tax has reduced to £2.6 million to £1.4 million.

The Committee noted the importance of this document as being part of the underlying resources of the authority. This is particularly the case for longstanding debt which CDC is trying to recover.

The Deputy Chief Executive confirmed that work was always ongoing to recover the debt, and that significant outstanding debts and write-offs are examined by herself and the Chief Accountant if there is any concern.

The Committee noted page 52 and the criteria for recovering the debts that are over £5,000.

The Deputy Chief Executive explained that the debts will be chased rigorously and only if recovery is not possible, it would be brought to Cabinet under the existing financial rules of the Council for write-off.

The Committee asked if there was a summary document that could be provided to the Committee.

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The Chief Accountant indicated that she would take this suggestion away and consider a revised document for Members.

RESOLVED: That the Committee considered the report at Annex A and provided appropriate comments.

123 Grant Thornton Verbal Update

The Chair noted that there was no Member of Grant Thornton presented but a briefing note was provided to the Committee.

The note from Grant Thornton explained that due to the in-charge auditor for the financial statements had been given long-term medical leave from work.

It was explained that the additional evidence required was close to being provided to auditors, and that the final opinion would be issued within two weeks of this evidence being provided.

On the Value for Money assessment, it was explained in the briefing note that the sign off was set to be finalised before the end of March 2022.

124 Corporate Risk Register Update

The Strategic Support Officer introduced the update to the Committee on the Corporate Risk Register and the changes that have been made to the register at Annex A.

It was noted that at the last meeting Staff Morale and Cybersecurity risk were wished to be reviewed by the Committee. This work is ongoing for the Committee to make this more meaningful.

The Committee noted that some of the risks on the register had been present for a number of years and an opinion was given that these should be revised, or removed from the register.

The officer noted that some of these risks are under review and an updated risk would be presented if it needed to be kept on the register.

The Committee examined CRR034 within the document and the wording of Ubico's contractual responsibilities in case of a failure of service delivery.

The Deputy Chief Executive noted that the comments made by the Committee and undertook to re-examine this for risk so an explanation could be provided for clarity.

The Committee examined a number of different areas within the register including the Business Continuity Strategy in case of ICT failure and the concern on the impact of services in case of industrial action.

The Committee raised the layout of the document and how the item within the 'Risk Response and Further Action' needed to be reviewed to make it clearer.

The Deputy Chief Executive undertook to review the register and to ensure that information is listed correctly.

RESOLVED: That the Committee **notes** the updates to the Council's corporate risk register

125 Annual Governance Statement Update

The Strategic Support Officer introduced the update to the Committee on the Annual Governance Statement.

It was explained that the update was regarding the actions with the Annual Governance Statement and progress to date.

The Committee noted that there was a Governance Group and a Risk Group within the report and wished to know what these groups comprises of

The Strategic Support Officer noted that there was a governance group comprising of Publica officers all 3 councils. It was explained the Risk Group was set up with senior officers including Section 151 officers and Chief Executives, to look at risks across all the Councils. The terms of reference for these groups were offered for the Committee to see at the next meeting.

The Deputy Chief Executive informed Members that the governance group had met but there were no outputs for the Committee to note. It was explained how it was important to have the separation between Publica governance and risk areas as both areas required particular attention.

The Committee examined the Health and Safety focus within the Action Plan and the reference to the Agile Working Policy. It wished to know that beyond Health and Safety how the policy of remote work is being managed.

The Deputy Chief Executive explained that this Action Plan was for items which needed to be followed up. It was outlined to the Committee that a report had been considered by Cabinet the use of Council offices on 6th December 2021.

Further to this point, it was outlined that the Overview and Scrutiny Committee may wish to examine this report for further discussion.

RESOLVED: That the Committee **noted** the progress against items in the Governance Action Plan for 2021/22

126 CIPFA Prudential Code and Treasury Management Code

The Deputy Chief Executive introduced the report to the Committee.

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It was outlined to the Committee that the changes made by CIPFA are in consultation with the Department for Levelling Up, Housing and Communities to look at the borrowing arrangements for local authorities.

It was noted that the changes to the reporting and the strategies in the report will not come into effect until 2023-24.

The Deputy Chief Executive noted the changes within the report for the rules around borrowing and the treasury management plans.

The Chair noted this doesn't change the strategy for investments and borrowing.

The Deputy Chief Executive confirmed this and outlined the protocols for borrowing and not doing so for yield.

The Committee noted the guidance within the code and welcomed the approach of ensuring that the borrowing and investment guidance protects local authorities from high risk borrowing and investment strategies.

The Committee wished to know who decides what investments are defined as commercial or part of the investment and recovery strategy.

The Deputy Chief Executive noted that this responsibility was upon officers to refer back the CIPFA Prudential code and to justify this when business cases are brought to Members.

RESOLVED: The Committee has noted the CIPFA Prudential Code and Treasury Management Code

127 Medium Term Financial Strategy and Budget 2022/23

The Deputy Chief Executive introduced the report to the Committee, explaining the role of the Committee as a consultee with feedback reported to the Cabinet and Council for consideration. The Committee fulfils the role of being the Council's Treasury Management Advisory Panel. Therefore the Committee was asked to focus upon the Capital, Investment and Treasury Management Strategies.

The Deputy Chief Executive referred to an amendment to recommendation e) as a delegation would be sought from Council for the Deputy Chief Executive to finalise the terms of the Community Municipal Investment (renamed from Local Climate Bond) in consultation with the Deputy Leader and Cabinet Member with responsibility for Finance.

This change would provide flexibility for the £1 million investment to be offered to the market in phases and for the interest percentage to be set in line with market conditions at the time. The revised recommendation read as follows: That the Committee considers the opportunity to issue £1 million of Community Municipal Investments with the approval of the final terms being delegated to the Deputy Chief Executive in consultation with the Deputy Leader and Cabinet Member for Finance.

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The Deputy Chief Executive highlighted the changes that have taken place since the draft budget was considered by the Cabinet on 4th October 2021 and the consultation which took place in October and November 2021. These included changes in respect of the Provisional Local Government Settlement and the calculation of the Council Tax base.

It was highlighted that the Provisional Local Government Settlement was £54,000 higher than the level of Government funding anticipated in October 2021.

Following the agreement to take questions in turn as the report is presented, the Chair imposed a time-limit to close the meeting at 18:25 due to the meeting approaching the end of the session.

The Committee queried the cautious approach to Government funding within the Medium Term Financial Strategy. .

The Deputy Chief Executive explained that the Government had not implemented ‘negative Revenue Support Grant’, which would have reduced the Council’s core Government funding. However, the Deputy Chief Executive explained that going forward the future of key grants like the New Homes Bonus and the Rural Services Delivery Grant remained uncertain.

The Deputy Chief Executive continued presenting the report and highlighted to the Committee the updated Council Tax Base. A slight reduction in Council Tax income is now expected due to an increase in demand for the Local Council Tax Support scheme and Single Person Discount as well as a slower build of new properties than previously forecast.

In summary, the Deputy Chief Executive highlighted that the budget surplus of £180,000 from October 21 had reduced to £31,000 due to the various changes.

The Committee raised the concern of inflation and the availability of Government funding due to higher Government spending in the Covid-19 pandemic.

The Deputy Chief Executive highlighted how the inflation provision of 2.5% is kept under review within the Council’s budget setting cycle.

The Committee raised queries around the issuing and future management of Community Municipal Investments. This included queries around the repayment of any capital invested into the scheme.

The Deputy Chief Executive highlighted the work with Abundance, an experienced partner, who will be working with the Council on the issuing of the Investments to market. Delegation of decision making to the Deputy Chief Executive will be sought to finalise the terms of the investments, including setting the interest rate and the phasing of the release of investment to the market. These Investments are in line with the Council’s priority of tackling climate change, by investing in initiatives such as installing solar panels for the Council offices in Trinity Road and electric vehicle charging points across the District.

The Committee wished to clarify the current Treasury Management investment strategy of the Council and its approach to using its short-term cash surpluses.

Andrew Sherbourne highlighted the Treasury Management Strategy and explained that diversification was a central part of the Strategy to maintain a balanced portfolio of investments. Whilst an interest rate rise may assist with increasing investment income, this would also affect the cost of borrowing .

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The Committee recommended a change to wording at 10.7 to clarify that Officers make recommendations to Members rather than making investment decisions.

The Deputy Chief Executive committed to updating the text before Cabinet considered the Strategy. The Deputy Chief Executive clarified that Officers do make daily treasury management decisions, but investment decisions lay with Members with recommendations from Officers.

The Committee discussed the Council's ability to adjust treasury investments as conditions changed.

Andrew Sherbourne highlighted that the Council was holding a larger amount of cash than in previous years, due to the additional support provided by the Government to businesses and communities due to the response to the Covid-19 pandemic. This additional cash would decrease over time. Any additional, or alternative investment opportunities would be presented to the Committee if suitable.

The Committee raised a concern that the take up of the Community Municipal Investment offer being lower than expected.

The Deputy Chief Executive stated that the investment opportunities would be offered in stages and that Community Municipal Investments are only one option to raise finance for capital expenditure. The setting of the interest rate would be done closer to the date of issue as outlined in the recommendations.

RESOLVED: That the Committee has considered

- a) the Medium Term Financial Strategy,
- b) the Capital Strategy,
- c) the Investment Strategy,
- d) the draft Treasury Management Strategy,
- e) That the Committee has considered the opportunity to issue £1 million in Community Municipal Investments with the approval of the final terms being delegated to the Deputy Chief Executive in consultation with the Deputy Leader and Cabinet Member for Finance; and
- f) provided feedback for the Cabinet and Council to consider as part of the 2022/23 budget setting process.

128 Work Plan 2021/22

The Committee reviewed the work plan and had no changes which is wished to make.

RESOLVED: The Committee noted and accepted the work plan.

(END)