



STROUD DISTRICT COUNCIL

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AUDIT AND STANDARDS COMMITTEE

26 January 2021

7.00 pm – 7.57 pm

Remote Meeting

Minutes

Membership

Councillor Nigel Studdert-Kennedy (Chair)	P	Councillor Colin Fryer	P
Councillor Tom Williams (Vice-Chair)	P	Councillor Karen McKeown	A
Councillor Dorcas Binns	P	Councillor Keith Pearson	P
Councillor Miranda Clifton	P	Councillor Mark Reeves	P
Councillor Stephen Davies	P		

A = Absent P = Present

Officers in Attendance

Strategic Director of Resources	Group Manager, ARA
Principal Accountant	Senior Democratic Services and Elections Officer
Monitoring Officer	Democratic Services and Elections Officer
Housing Strategy and Community Infrastructure Manager	
Head of Audit Risk Assurance (ARA)	

AC.045

APOLOGIES

An apology for absence was received from Councillor McKeown.

AC.046

DECLARATIONS OF INTEREST

There were none.

AC.047

MINUTES

RESOLVED

That the Minutes of the meetings held on 17 November 2020 are approved as a correct record.

AC.048

PUBLIC QUESTION TIME

There were none.

AC.049

INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2020/21

The Group Manager, ARA presented the report and highlighted its reference to:

- Concluded Internal Audit activities from November and December 2020
- Special investigations/counter fraud activity update for the respective period
- Additional/new activities progressed by ARA due to the risks and impact of Covid-19

There were two main assurance outcomes within the report; the independent assurance provision required on specific data for the Ofgem application, and the split assurance opinion on risk regards tenancy lettings (split due to limited assurance being applied in relation to a specific area of risk). Members were informed that wider Plan activity was progressing well. Based on the level of new assurance activities coming through in-year due to Covid-19 risk areas/themes (e.g. the work associated with Covid-19 business grants which had input from both the Internal Audit and Counter Fraud teams), the Group Manager, ARA confirmed that request for audit/activity deferral was likely to be seen in the April 2021 report to Committee, based on risk and to ensure provision of the approved Plan days.

Councillor Binns enquired were the issues highlighted by the limited assurance to do with Covid-19. The Group Manager, ARA confirmed that the audit had resulted in five recommendations. Two recommendations were high-priority and both related to risk management themes within risk identification and management arrangements for tenancy lettings, regards the Locator system and a business continuity plan for the Homeseekerplus policy. These were the main reasons for the limited assurance being applied to that ring fenced area within tenancy lettings. Councillor Binns further examined whether this would get worse further into 2021 due to the pandemic. The Housing Strategy and Community Infrastructure Manager affirmed that in terms of the operational position, the greatest fear was losing capacity through staff. The limited assurance therefore needed to be addressed particularly keenly in the current time. The Locator system and Homeseekerplus were county-wide provisions so this would be a good opportunity to work with county council on investigation. The computer system was designed to be very robust; it was a cloud-based system held on duplicate servers in different locations. Work was planned to ensure all the contingency plans necessary would be put in place for this service area. The Group Manager, ARA added that a follow up audit for review of the recommendations would be included in the proposed 2021/22 audit plan.

Following a show of hands, the Chair confirmed that the Motion was carried.

RESOLVED

To note:

- a) The progress against the Revised Internal Audit Plan 2020/21; and**
- b) The assurance opinions provided in relation to the effectiveness of the Council's control environment.**

AC.050

ANNUAL GOVERNANCE STATEMENT 2019/20 IMPROVEMENT PLAN – PROGRESS REPORT

The Group Manager, ARA explained that the 2019/20 Annual Governance Statement included three governance actions. The Progress Report being considered at this Committee was an update to confirm the progression made to date against the actions identified in the 2019/20 Statement. The Progress Report had been facilitated by ARA and included update per action as provided by the specific lead Officers, or their nominated deputies. A final update against the actions was due to be confirmed by the 2020/21 Annual Governance Statement, which would come through to Committee in June-July 2021.

Councillor Davies asked how Covid-19 had impacted on this; had it been possible to continue with the strategy or had it been badly affected by the pandemic. The Strategic Director of Resources informed Members that the peer challenge report was split into two parts. A lot of short-term actions were included, including the formation of a new leadership team, and these

were largely all completed by March 2020. For a lot of the longer-term actions involved, such as forming a new Corporate Delivery Plan, progress had happened in a slightly different way to that anticipated, partly as a result of the cancellation of the 2020 Elections. The Council did not yet have a new Corporate Delivery Plan but there was a Council Recovery Strategy which did set out many current objectives. Changes and delays that had occurred with long-term actions from the report would be looked at over the coming year.

Following a show of hands, the Chair confirmed that the Motion was carried.

RESOLVED **To note the progress made against the identified improvement areas.**

AC.051 **TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2021/22**

The Principal Accountant outlined the report, which accompanied the recently formulated capital and revenue budgets, and highlighted features including:

- A focus on the capital programme, the financing thereof, and the levels of planned borrowing that arose from the estimates going through the budgeting process, which was in the region of £30 million;
- The concurrent debt repayment element regards previous borrowing, which was the result of the Minimum Revenue Provision payments and in the region of £10 million;
- The strategy to increase internal borrowing to obtain an interest rate benefit, since interest rates were low, with the base rate at 0.1%, meaning Council investments were achieving low interest returns in the present environment. Advice sought with Link had suggested this was likely to prevail until March 2024 at the earliest.

There were two proposed changes to the investments that the Council allowed itself to utilise:

- To increase the limit to specified investments with local authorities from £8 million to £12 million, since rates in this active market were higher than for traditional investments, and
- A total of £8 million on unrated building societies within non-specified investments, subject to a maximum of £2 million for up to 6 months for an unrated building society with assets of greater than £1 billion, and a maximum of £1 million for up to 3 months for an unrated building society with assets under £1 billion.

All else in the investment categories remained unchanged. Paragraph 5.1 reported on the new contract with Link which had commenced on 1 October 2020. This would run to 30 September 2023, with the option to extend, on mutually-agreed terms, to 30 September 2025 if required.

Councillor Davies asked for further detail regards the wide variances year-on-year within capital expenditure. Members were informed that this would be addressed at the next Strategy and Resources Committee. Councillor Davies requested further explanation for Table 5. The Principal Accountant explained that the borrowing costs in 2019/20 were 15% and had been reducing since. The indicator also included investment income. The General Fund had much lower borrowing so the income from investments exceeded the interest on borrowing. This resulted in an effective net income to the General Fund. Councillor Binns asked for an explanation of the fluctuations in Table 3a. The Principal Accountant confirmed that details would be circulated to Members following the meeting.

Councillor Bins enquired, if interest rates were to stay at a low level, whether the Council could take a risk and invest somewhere else in order to get a better return. The Principal Accountant explained that the strategy was being set here and that would be the approach the Treasury team would take. The Strategic Director of Resources informed Members of a change introduced in recent years of setting up to £15 million, previously £10 million, for a wider range of risks and

pooled funds. There was always a balance to be struck and the finance team were working hard to offset the impact of the fall in interest rates. To a further query about whether the Council could make more innovative investments such as through private means, the Strategic Director of Resources confirmed that this would be possible but there would be many legal caveats and restrictions; it did not currently feature in the Council's capital programme.

The Chair asked for the approximate average returns for the last 12 months on the Lothbury, Hermes and multi-asset Royal London and CLA funds. The Principal Accountant informed Members that these were 2.3% to 2.5% on £10 million, much better compared to the bank rate of 0.1%. The Chair further enquired, given Covid-19, whether it was expected that the capital programme would be spent. The Strategic Director of Resources answered that the capital programme was realistic and what was considered reasonable and achievable had been set out. There was currently a greater risk exposure due to Covid-19; it was important to be aware of the potentially increased risks associated with the canals project, new homes strategy and Brimscombe Port development particularly, which could be complicated by the pandemic. Changes may occur and in-year monitoring and reporting on progress would be carried out.

On being put to the vote, the motion was carried unanimously.

**RECOMMENDED
TO COUNCIL**

- a) **To adopt the prudential indicators and limits for 2021/22 to 2023/24**
- b) **To approve the Treasury Management Strategy 2021/22, and the treasury prudential indicators;**
- c) **To approve the Investment Strategy 2021/22, and the detailed criteria for specified and non-specified investments, and**
- d) **To approve the MRP Statement 2021/22**

AC.052

STANDING ITEMS

(a) Work Programme: The Group Manager, ARA made a request to Committee for consideration, due to the pandemic, for the Review of the Effectiveness of the Audit and Standards Committee report to be deferred, removed from the 27 April 2021 agenda, and included instead in the 2021/22 Work Programme. This would be to enable an appropriate position to be reported on to Committee at that time, once the definitive actions occurring on Elections and wider matters were known. No comments against this were raised and the Chair confirmed that the Committee accepted this suggestion. The Strategic Director of Resources also reported that Emma Cathcart of the Counter Fraud Unit had an update report on Counter Fraud Activity for Members' consideration at Committee on 27 April 2021. It was agreed that this report should be included in the agenda in replacement of the deferred report.

(b) Risk Management: The Chair pointed out the highlighted risks on Excelsis, which were familiar and previously seen. No immediate adjustment was required. The Strategic Director of Resources confirmed that work was planned to update the strategic risks. The Strategic Leadership Team would be receiving updates and these would be reported on to Members.

AC.053

MEMBERS' QUESTIONS

There were none.

The meeting closed at 7:57 pm.

Chair