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MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at Remote Meeting on Thursday, 25th February, 2021 at 2.00 pm

PRESENT: County Councillor P White (Chairman)
County Councillor J. Higginson (Vice Chairman)

County Councillor: P. Clarke, A. Easson, M.Lane, P. Murphy,
V. Smith and B. Strong

OFFICERS IN ATTENDANCE:

Andrew Wathan	Chief Internal Auditor
Annette Evans	Customer Relations Manager
Peter Davies	Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Jonathan Davies	Central Accountancy Finance Manager

APOLOGIES:

County Councillors J.Watkins

1. Declarations of Interest

No declarations of interest were made.

2. Public Open Forum

No members of the public were in attendance.

3. To note the action list from the previous meeting

There were no actions from the last meeting.

The Chair asked Officers for an update on the performance of non-treasury investments. The Chief Officer, Resources, provided an overview of non-treasury investment performance without divulging confidential, commercially sensitive details:

- Castlegate Business Park: The investment is performing better than expected through the pandemic.
- Newport Leisure Park: The businesses have been heavily affected by the Covid 19 restrictions. Welsh Government (WG) has used a hardship fund for local authorities making it possible to recover the majority of income losses during the year. Quarters 1 and 2 claims have been settled. Claims for Quarters 3 and 4 are in progress.

Next year's performance forecasts depend on the continued commitment of WG; announcements are pending. The Spring Budget on 3rd March will provide an indication of what funds will be available.

The Investment Committee Annual Report, covering the performance of the Committee and the investment portfolio will be presented to the Audit Committee at the next

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meeting. The Committee was reminded that all Members have access to Investment Committee papers.

4. Internal Audit Progress Report - Quarter 3

The Chief Internal Auditor presented his regular report on the progress of the Internal Audit Team on progress in meeting its 2021 plan. The purpose of the report is to provide assurance based on opinion work, the internal control environment, risk management processes across all service areas and the performance of the team.

The Committee was advised that the work of the team was disrupted in 2020/21 due to Covid 19. The team has been supporting other functions across the authority. The majority of the team has successfully supported the Test Trace Protect (TTP) function but from 1st March 2021 is likely to be resuming audit duties.

Following presentation of the report, questions were invited:

- A Member, noting that 65% of 95% of agreed recommendations had been partially or wholly implemented, asked when 100% implementation could be expected. It was explained that for each recommendation, a plan is agreed with the service manager. The Chief Internal Auditor agreed that there should be a higher percentage implementation of agreed recommendations. This will be reported to the relevant Chief Officer and it is hoped better progress will be reported at the end of Quarter 1 2021/22. To assist, reminders have been sent out, further contact made on significant recommendations and some feedback has been received on improvements made since the data was gathered.

The Chief Officer, Resources confirmed that the data will be reported to the Strategic Leadership Team (SLT) and to individual Chief Officers to seek assurances on progress. The Committee was asked to bear in mind the unprecedented strain that the organisation has been under this year due to the pandemic.

- Referring to the minimal work on special investigations, the Member asked if there is a publicly available list of businesses receiving support due to the pandemic. The Chief Officer, Resources explained that WG is the data controller of this information and will be seeking consent from applicants to share the information in order to make a list publicly available. The authority undertakes business grant administration only.
- Regarding the National Fraud Initiative, it was queried if it was still the case that Councils are able to claim a percentage of false funds claims. It was confirmed that the Internal Audit Team co-ordinates the national fraud initiative tasks on a two year cycle. In year 1 data is collected from sources in the authority and in year 2 it is matched with data from a variety of public sector sources. Matched data is returned and any risks identified can be investigated further. If there is fraudulent activity, attempts are made to address the fraud and reclaim funds. The Council does not receive a percentage of recovered funds. The initiative also involves cleansing of data.

As per the report recommendations, the Committee:

- 1) noted the audit opinions issued; and
- 2) note the progress made by the Section towards meeting the 2020/21 Operational Audit Plan and the Section's performance indicators at the 9 months stage of the financial year.

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5. Treasury Policy and Strategy Report 2020-21

The Acting Assistant Head of Finance introduced the Treasury Policy and Strategy Report 2020/2021 prior to presentation to Council on 11th March 2021. Following presentation of the report, questions were asked as follows:

- A Member praised the team for completing this very technical work and noted that pooled investments had been more successful than some other investments. It was queried if there is scope to increase this approach. It was confirmed that pooled funds have yielded a good return on investment for a small additional risk, noting that they are long term investments with a capital element and approximately 3-4% interest returned consistently. The limits this year are £6m maximum. The authority is planning to increase this to £10m investments in pooled funds to reflect the minimum investment threshold to be maintained in the long term to meet the requirements of the Markets in Financial Instruments Directive (MiFID 2) legislation. The intention is to diversify over a number of pooled fund managers to spread the risk as much as possible to provide security.

The Chair asked what proportion of the money invested or on deposit the £10m represented and was informed that during the current year investments have ranged between £13m-£33m. The number of grants received due to Covid 19 has had an impact on balances. On average there is £20m - £23m during a year so the proportion would be in the region of 50%.

- A Member asked about the borrowing strategy as rates are low. Referring to the report, the authority currently owes £171m in loans rising to £176m next year with an upper loan limit £225m. It was questioned how close the authority should proceed to the limit, if this is a prudent approach or should the authority consider reducing loans from the current level and if there are ways to do this. It was questioned if the investments are an attempt to "balance the books". It was explained that it is a complicated situation due to the current economic outlook. It should be noted that the authority's borrowing requirement is driven by the need to finance its capital programme which is not funded by grants or internal resources.

Appendix 5 sets out prudential indicators for the year that provide a statutory limit to the amount of debt that can be borrowed (Next year is £246.5m) without receiving approval from Council. There is also an operational boundary to measure borrowing against at any one time. The authority currently uses internal resources first (reserve balances, working capital) to fund day-to-day expenditure before drawing down external loans. Short-term loans (e.g. 6 months) are 0-1% interest and are being utilised. Longer-term loans are higher (e.g. 2% for 15 year loan) at present. The position will require careful management to ensure the authority's long-term loan requirements are not impacted by rising interest rates.

- In response to a question from the Chair, it was confirmed that the costs of borrowing are set to reduce as a proportion of total spending over the next four years. The total authority revenue budget will increase year on year whereas treasury costs are more static so the proportion would be expected to reduce over the medium term. In the latter years (2023/24 and 2024/25) the capital investment plans may still be in infancy so borrowing costs may increase as time progresses due to further borrowing once the authority's capital investment plans are more certain.

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- A Member queried if the frequency of reporting is adequate for Committee Members to keep track of progress. Regarding twice yearly reporting to Audit Committee on treasury performance, it was explained that the costs of borrowing proposed for the year and returns on investments are included in the revenue budget monitoring reported to Cabinet three times a year. Also, non-treasury investments (commercial portfolio) are monitored by the Investment Committee.
- It was queried how Arlingclose was appointed as Treasury Advisers, what its cost is and if it has performance indicators to provide evidence that the authority experiences benefit. It was explained that the Arlingclose contract is close to ending with an option to extend for a further year; this is likely to be taken up. The cost of the contract cannot be divulged as a tender process will be entered into during the next financial year. In terms of performance, Committee Members were assured that regular meetings are held to discuss Arlingclose's performance and approach to the advice provided; technical information and advice provided daily is significant.

The recommendations as included in the report were acted upon as follows:

- 1) That Audit Committee considers and endorses for onward circulation and approval by full Council the draft Treasury Management Strategy 2021/22 (Appendix 1) including the:
 - 2021/22 Treasury Management policy statement
 - 2021/22 Minimum Revenue Provision Policy Statement
 - 2021/22 Investment & Borrowing Strategies
- 2) That Audit Committee continues to review the Council's treasury activities on behalf of the Council by receiving the mid-year treasury management report and year-end report.

6. Whole Authority Annual Complaints Report

The Customer Relations Manager introduced the Whole Authority Annual Complaints Report 2019/20 providing feedback from complaints, comments and compliments received by the authority. Following presentation of the report, questions were invited as follows:

- A Member queried how many complaints are of a repetitive nature. It was queried if they had recurred over subsequent years had action had been taken at the outset to prevent recurrence. It was explained that the largest number of complaints received are regarding waste and street services and are proportionate taking into account the number of residences and businesses serviced. The rise in complaints/comments can be attributed to a service review at that time that resulted in changes to collection rounds, new vehicles, access issues and new routes. The Member asked if adequate action had been taken to resolve real problems. It was explained that the complainant has the option of going to the Ombudsman if dissatisfied with the investigation. Conversations take place with team managers and heads of service to learn from complaints to ensure they don't recur and to make improvements. Compared to similar authorities, Monmouthshire's level of complaints is low. The Member suggested that some official complaints could be avoided by settling them satisfactorily on site with the relevant teams and possibly the Ward Member. It was agreed that some complaints are better dealt with before invoking the complaints procedures.
- A Member commented that, considering the number of services provided, the number of complaints is very low. He supported the view that complaints are better resolved on the ground before entering into the complaints procedures wherever possible.

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- The Chief Officer, Resources thanked the Customer Relations Manager for presenting the report. The SLT had considered the report in detail and supports the resolution of complaints on the ground wherever possible but also that there is a structured procedure available to raise concerns if needed. The SLT acknowledge the importance of context, identifying patterns and themes and systemic issues to learn and take up with managers to enable improvements.

The report was noted by the Audit Committee.

7. Forward Work Plan

The Forward Work Plan was noted.

8. To confirm minutes of the previous meeting

The minutes of the meeting held on the 7th January 2021 were confirmed as an accurate record.

9. To confirm the date of the next meeting as 25th March 2021

Meeting ended at 3.15 pm

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