

Minutes of the Audit and Accounts Committee meeting held on Monday, 25 January 2021 in Virtual Meeting - Zoom Webinar, Basingstoke and Deane Borough Council at 6.30 pm

Members of the Audit and Accounts Committee in attendance: Councillor R Gardiner (Chair), Councillor O Cubitt, Councillor G Falconer (Vice-Chair), Councillor P Harvey, Councillor G James, Councillor K Taylor, Councillor I Tilbury, Councillor N Robinson and Councillor J Vaux

50/20 Apologies for absence and substitutions

Apologies were received from Councillor Freeman.

51/20 Declarations of interest

Councillor Vaux declared a pecuniary interest in item nine on the grounds that she was a board member of two saints and advised that she would leave the meeting during the item.

52/20 Urgent matters

There were no urgent matters.

53/20 Minutes of the meeting held on 23 November 2020

The Committee requested that item 38/20 of the minutes be amended to change the first full stop to a comma.

The Committee requested that following item numbers be amended to reflect that:

42/20, A member had questioned where the EM3 loan sat in the accounts, The Accountancy Manager advised that the drawdown was made during 2019/20 but the loan wouldn't come in to place until the 1st April 2020 therefore, it was shown in the accounts as a receipt in advance and wouldn't appear as borrowing or a loan until the 2021 accounts. She further advised that it sat in the balance sheet under creditors and there would not be any associated fees until the drawdown took place.

43/20, A request was made for the Committee to receive the Net Internal Rate of Return as well as the Internal Rate of Return. The Cabinet Member advised that Officers would provide net yield instead and the Executive Director further advised that they would reattach the appendix that had been reported previously which would include the figures she had requested as it was just a difference of terminology.

44/20, There was a request that the analysis prepared by KPMG on the externally managed funds for the previous year be provided to the Committee.

Further to the above amendments, the minutes of the meeting held on the 23 November 2020 were confirmed as a correct record and signed by the Chair.

54/20 **Recommendation Tracker**

The Chair introduced the recommendation tracker and requested that if there were any outstanding recommendations following the points raised under the minutes that they also be included on the tracker.

Resolved: The Committee notes the recommendation tracker.

55/20 **External Investment Funds Monitoring Review as at 30 September 2020**

The Chair introduced the report which provided a mid-year update on the council's externally managed pooled fund investments. The Chair invited Arlingclose to present their review.

The committee resolved that, due to the confidential nature of the information to be discussed, the committee passed a resolution that, by virtue of paragraphs 3 of Schedule 12A of the Local Government 1972, the public be excluded from the meeting.

Resolved: The Committee notes the report.

56/20 **Housing Benefits Subsidy Certification Report for the year ended 31 March 2020**

The Head of Financial Services introduced the report which presented the Committee with the Housing Benefit Subsidy Certification Letter for the year ended 31 March 2020.

Members questioned the reason why the report had been carried out by a different auditor to the main accounts, The Executive Director for Corporate Services advised that they were separate individual tenders.

Resolved: The Committee notes the report.

57/20 **Treasury Management Strategy 2021/22**

The Head of Financial Services introduced the report which presented the Committee with the Executive Director of Corporate Services (Section 151 Officer's) draft Treasury Management Strategy 2021/22 report that would be considered by the Council on 25 February 2021.

The Committee were advised that no major changes had been made to the strategy.

The Committee discussed the report and made the following comments:

- Reference was made to 6.28 of the report where the authority had opted up to professional client status with its providers and clarification was sought as to what that meant for the Council. The Head of Financial Services explained that under MiFID the Council were required to demonstrate that they had

professional Officers with the correct qualifications and levels of training. Certain activities and access to specific funds would not be possible for the Council if its Officers were not trained to a certain level and it also allowed a high level of professional indemnity.

- Page 64, the reference to separate portfolio holder reports for any significant changes had been removed. The Executive director advised that it had been amended to clarify that any significant changes to the strategy needed to be approved by Council.
- Page 65, it was felt that the CCLA property fund shouldn't be included in the glossary. Officers agreed to remove the reference.
- Page 67, removal of the reference to the Council's responsibility for approval of the treasury management prudential indicators. The Executive Director advised that it had been included in the capital investment strategy instead.
- In response to a question raised the Executive Director advised that she was a member of CIPFA.
- Page 70, clarification was sought as to the reason why the word "direct" had been added. The Executive Director responded that it had been included to clarify the difference between the treasury strategy and the property investment strategy.
- Page 71, the view of the Executive Director was sought on returns yield score for internally managed investments. The Executive Director advised that the long term investments had matured and there were no activities to reinvest in and the score reflected that.
- Page 73, cash flow management had been removed and the limits for money market and counterparty funds had changed. The Council Executive director advised that the counterparty fund limit had been changed due to the pandemic as the Council were unsure as to what their cash flow would be and therefore required the ability to hold more liquidity.
- Clarification was sought as to why the Council tended not to invest in banks. The Executive Director responded that Arlingclose provided the Council with a suite of information in relation to issues such as bail in risk and the Council chose investments which had less risk.
- Page 74, The property funds had been added, The Executive Director confirmed that it was part of their statement as the S.151 officer and the funds had been included to help clarify the matter following a number of question that had been raised on the topic.
- Page 75, there was a typo as the sentence should read "the main risks are" instead of "at".

- Clarification was sought as to the reason why REITS were treasury management instruments that were deemed unsuitable for 2021/22. The Executive Director advised that the Council had never used them previously and that Arlingclose did not recommend that they be included at the current time.
- Page 83, questioned whether the statement that the EM3 Eli Lily loan had been taken out during the year was correct. The Executive Director confirmed that the Council received the funds in December 2019 and the loan came in to affect in April 2020 however, it had been drawn down during the current year in terms of the strategy. Officers would ensure that the point was made clearer in the report.
- Page 83, Queried whether the property fund of £10M should have the cost debited. The Executive Director confirmed that as it had a statutory override it would still be 10M until it had been disposed.
- Page 89, clarity was sought in relation to the delineation between the responsibility for external investments between KPMG and Arlingclose. The Executive Director advised that KPMG's suite only partially met the treasury management strategy. Arlingclose had also been undertaking the same activity as KPMG but not reporting on it, by asking Arlingclose to report the information the Council had made a saving of £12,000.
- Paragraph 6.22 and 6.26 had been repeated.
- Questioned why the paragraph referring to previously purchased investments had been removed. The Executive Director advised that they felt that it didn't make sense for it to be included in the strategy.
- In response a question the Executive Director confirmed that 6.25 was a new paragraph to help clarify the statement and the Council had adopted best practise from the template provided by Arlingclose.
- Page 92, clarification was sought in relation to the statement that the Council expected to have total external borrowings. The Executive Director advised that the sentence had been added to clarify the £50M borrowing limit which was for long term and short term investments, The Council would only expect to undertake short term borrowing and external long term borrowing of 2.2M.
- The previous reference to externally managed investments not being a part of the Arlingclose suite was incorrect.
- Some members felt that as well as technical training on treasury management more basic level training should also be provided as local authority accounts were structured in a different way to the private sector. The Executive Director advised that finance training would be included as part of the member's induction programme and training specific to the Audit and Accounts Committee would also be available but any interested members could attend.

- The Committee stated that it would be useful for future reports if the amendments were listed so that the changes could be found easily. Officers confirmed that they would review the issue for future reports.
- Members commented that they would usually have had training on the statement of accounts but acknowledged that it may have not taken place due to Covid-19.
- Noted that the Officers and advisors had done a good job in difficult circumstances and the report provided good assurance of the current position.
- Questioned whether Officers felt that the investment score mentioned in 10.8 would increase during the current year. The Executive Director advised that money market counter party limits would be kept higher for at least 6 months until the Council had more of an understanding of the effects of Covid-19 on the cash flow, once they felt confident they would convert some of the short term investments into longer term investments.
- In response to questions the Executive Director advised that in order to close future years budget gaps, the strategy was unchanged but there was scope to carry out a range of activities. The Council had moved towards slightly higher risk with higher returns but there were no plans to diversify away from the strategy, any future strategy changes would have to be approved by Council.
- Some members felt that the Council should set out its appetite for risk more clearly. Officers confirmed that they would look at the wording.

Resolved: The Committee provides its comments on the report.

58/20 **Capital Investment Strategy 2021/22**

The Head of Financial Services introduced the report which set out the Capital Investment Strategy for 2021/22 and Investment Strategy (Non-Treasury) for 2021/22.

The Committee discussed the report and made the following comments:

- Page 103, Clarification was sought on the reason why the capital expenditure for Manydown had been previously listed as £3.9M but was currently listed as £14M. The Executive Director advised that the figure had increased as the land draw down was expected to take place in 2021/22. In response to additional questions they further advised that it was the land that would be drawn down into the MGC, which would release parcels in to the development company as and when it was required.
- 5.1, Concern was raised in relation to the wording for the property investment portfolio as it stated that it was “originally £30M” and it seemed to imply that the increase of £5M agreed by Council was permanent. The Executive

Director advised that they would update the strategy to reflect the same numbers as the Property Investment Strategy and that the property disposal capital receipts scheduled for 2021/22 included the repayment of the additional funding of £2.49.

- Page 118, Questioned why the Eli Lily building had not been included. The Executive Director confirmed that as the building had not yet been completed the drawdown hadn't taken place but it was hoped that it would take place at the end of the financial year. The Executive Director further advised that the £2.2M would make up part of the purchase price of the building by the Council and the balance on the property investment was the property investment strategy's contribution to the purchase.

Resolved: The Committee provides its comments on the report.

59/20 **Draft Property Investment Strategy Annual Property Plan 2021-22**

The Cabinet Member for Regeneration and Property introduces the report which provided the Committee with the Property Investment Strategy – Draft Annual Property Plan 2021-22.

The Committee discussed the report and made the following comments:

- Questioned the Councils flexibility to be able to move quickly enough to take advantage of any post Covid-19 opportunities either for disposal or acquisition. The Cabinet Member advised that that work was being undertaken to the Councils current asset base and the Executive Director added that the Council had reached the limit for investments at the current time but any potential opportunities would go through Council.
- Members would like to see consultation of assets that may be disposed of and the reasons why. The Cabinet Member advised that ward members were consulted on any potential disposals.
- Questioned why 1.3 of the report stated that the investment portfolio was £279M and the rental income was £16.3M but the previous paper page had stated that the portfolio was £272M with a rental revenue of £15.54M. The Executive Director advised that they were two different financial years but the Property Investment Strategy would be amended before Cabinet so that they were consistent.
- There was a typo on 4.1, the sentence that begun with "will seek to deliver" should have the word "of" removed.
- Questioned when a target list would be available. The Cabinet Member advised that one should be available in the next few months.
- In relation to appendix 1 table of acquisitions, Members had previously asked for net internal rate of return to be included but the net initial yield had been provided instead and questioned the reason why. The Property manager

advised that they would provide a written response to the Committee on the matter.

- The Councils property consultants, JLL, would be reporting to the Committee in March.

Resolved: The Committee provides its comments to Cabinet.

60/20 **Internal Audit Progress Report (September-December 2020)**

The Senior Auditor introduced the report which informed the Committee of the work completed by the Internal Audit Team during the period September to December 2020 and the current position with all audit recommendations.

The Committee discussed the report and made the following comments:

- Thanked Officers for an informative report
- Concern was raised in relation to the three fundamental recommendations specifically business continuity and whether the board should be re-established. The Chief Internal Auditor advised that the Pandemic team met very regularly which during the pandemic carried out the same role and therefore from an Internal Audit point of view they were comfortable that there were alternative arrangements in place.
- Concern was also raised over software licensing risks. The Senior Auditor advised that work had started on the project between IT and Procurement to centralise control over software licencing but it had been paused as IT had been at the centre of the council's pandemic response. Officer concerns were in relation to the management of licences of the various disparate IT systems that had been acquired over a period of years across the council. The management of Microsoft licences however was undertaken in an effective and efficient manner within IT Services.

Resolved: The Committee notes the report

61/20 **Viewing of Social Networking Sites**

The Head of Law and Governance introduced the report which provided the Committee with a summary of the viewing of individuals' social networking sites in an investigatory capacity for the period 1 November to 31 December 2020.

Resolved: The Committee notes the report.

62/20 **General Data Protection Regulation - Notification of Data Breaches reported to the ICO**

The Head of Law and Governance introduced the report which informed Members of the Committee that no serious breaches have occurred since the last report and provided an update on the position regarding the transfer of personal data from the

EU to the UK.

Councillor Cubitt advised that she had made a complaint to the ICO that the Council were aware of and questioned why it hadn't been included in the report. The Head of Law and Governance advised that the Council had decided not to report the issue and that there were other processes ongoing but that it would not be appropriate to comment on them at the current time.

Resolved: The Committee notes the report.

63/20 **Audit and Accounts work programme**

The Chair introduced the work programme and gave a brief overview of the items that would be included on the agenda for the upcoming meetings.

The Chair confirmed that the Property Consultants, JLL, would attend the March meeting.

The meeting ended at 9.29 pm.

Chairman