

# AUDIT AND GOVERNANCE COMMITTEE

**MINUTES of the meeting of the Audit and Governance Committee held on Friday 29 September 2023 commencing at 10.00 am at the Council Chamber - Shire Hall, Gloucester.**

## **PRESENT MEMBERSHIP:**

Cllr Matt Babbage	Cllr Alex Hegenbarth
Cllr John Bloxsom (Chair)	Cllr Stephen Hirst
David Clowes	Cllr Brian Tipper
Cllr Tim Harman	Cllr Chloe Turner
Cllr Colin Hay	

## **Substitutes:**

**Apologies:** Cllr Andrew Gravells MBE, Cllr Alan Preest and Cllr Dr David Willingham

## **43. DECLARATIONS OF INTEREST**

No declarations of interest were made.

## **44. PUBLIC QUESTIONS**

No public questions were received.

## **45. MEMBER QUESTIONS**

No member questions were received.

## **46. MINUTES OF THE PREVIOUS MEETING**

**Resolved**

**That the minutes of the previous meeting held on the 21st July 2023 were approved as a correct record.**

## **47. COUNTY COUNCIL AUDIT PLAN**

Liam Royle, Grant Thornton presented the report, which detailed the progress Grant Thornton had made in delivering their responsibilities as the external auditors. It was reported that the audit had recently commenced and they hoped to conclude the audit earlier than February 2024 and they would endeavour to do their best.

*Minutes subject to their acceptance as a correct record at the next meeting*

In response to a question regarding SAP, it was noted some issues were remediated immediately by the IT Team and took assurance that mitigating controls were in place.

**Resolved**

**That the report be noted.**

**48. GT AUDIT FINDINGS REPORT - PENSION FUND**

Liam Royle, Grant Thornton (GT) presented the report which informed the Committee of the key matters arising from the audit of Gloucestershire Pension Fund for the year ended 31st March 2023.

In terms of the Pension Fund Audit, it was noted that GT were intending to issue the assurance letter, as the testing process had been completed and GT expected to issue an unqualified opinion. The Pension Fund was noted to be in a positive asset position.

In response to a question, it was noted that the culture of the organisation was regarded to be strong within the public sector. The Finance Director added that staff regularly had one to one meetings with their manager and any issues raised were addressed. He added that internal and external audit in effect offered a double overview, which ensured the control measures worked.

A member requested assurance that the Authority was on track with the new SAP system, the Director of Finance confirmed that the new system would go live on the 4th March 2024, subject to system testing.

**Resolved**

**That the report be noted**

**49. PENSION FUND 2022/23 LETTER OF REPRESENTATION**

The Director of Finance explained the representation letter was provided in connection with the audit of the financial statements of Gloucestershire Pension Fund for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements gave a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

**Resolved**

**The letter of representation be noted.**

**50. TREASURY MANAGEMENT UPDATE REPORT**

*Minutes subject to their acceptance as a correct record at the next meeting*

Gareth Rees, Head of Financial Management presented the report which informed members of the Treasury Management activities up to the 31st August 2023. The report also included a summary of the current economic climate, an update on the borrowing strategy, a review of current investments and compliance with prudential indicators.

It was noted under the Treasury Management Code there was a requirement that members were presented with at least three reports during the year, and therefore this report, together with the strategy and annual report, ensured that the Council met the requirement.

The report set out some of the economic background, including CPI rates and Bank of England rate. It was noted that since writing the report, there had been a further update on CPI, which was 6.7% in the 12 months to August. Also, the Monetary Policy Committee voted at its meeting on 20 September to hold the Bank Rate at 5.25%.

The Head of Financial Management provided an update on the Council's borrowing strategy. In particular, it is worth noted the borrowing strategy continued to be to hold any borrowing requirement internally and ensure that all long-term debt due to mature in the financial year was repaid. Members were advised that two loans would mature before the end of the current financial year, totalling £8m and they would both be repaid in full.

The committee noted that due to the rapid increase in interest rates the Authority was presented with an opportunity to repay its market loans with Barclays, and although these loans were at an average rate of 5%, they were very long dated with no option to restructure or mature.

The latest position in respect of the Investment Strategy, and Investment Returns, was set out within the report. Members attention was drawn to paragraph 27, where the current year forecast investment returns of £3.4m additional interest income was forecast, in excess of the budgeted £7.5m target for the year.

It was reported the investment balances remained healthy, although lower than previous years due to the capital borrowing held internally, with a current balance as at 31st August of £282m.

The Council's treasury management advisors, Arlingclose, maintained a proactive approach to monitoring credit worthiness of all financial institutions. As such the Council was able to minimise its exposure to risk, through frequent review of credit ratings and deposit period limits, as well as dispersing investments across a number of organisations.

It was explained that Environmental, Social and Governance (ESG) issues were increasingly important, and counterparty policies had been considered in light of ESG information. The Authority invested in an ethical bond fund, a diversified income fund with significant exposure to renewable energy, a responsible income fund, and a social housing Real Estate Investment Trust.

*Minutes subject to their acceptance as a correct record at the next meeting*

Members were advised that all the banks the Authority held investment balances with were signed up to the UN Principles for Responsible Banking, and all of our strategic pooled funds were signed up to the UN Principles for Responsible Investment, the UK Stewardship Code 2020, and the Net-Zero Asset Managers Initiative.

It was noted that none of the Prudential Indicators had been breached, and in accordance with new reporting requirements the quarter 1 position was presented to Cabinet. A prudent approach continued to be taken in relation to investment activity with priority being given to security and liquidity over yield.

In response to a question regarding the unsecured debt and what work was being undertaken to ensure that lending's were financially secure. It was explained that the detail of other council's security the information was available and could be shared with members after the meeting. It was noted that the Authority continued to work closely with its Arlingclose, Treasury Management Advisors and monitored the risks.

IN relation to ESG criteria are there other investments that don't fit that criteria, and are they all named? Members were advised that there were some strategic funds that would involve fossil fuel investments but due to the cash value it was not appropriate to disinvest from them. The funds were considering more ESG but it was a long term issue in terms of investments.

The request was made for future reports to include carbon intensity of the overall portfolio; it was agreed this information could be obtained for future reporting.

A member asked about the expectation of future interest rate levels, officers explained that this was hard to predict if they had plateaued.

In response to a question regarding social affordable housing, it was explained that social housing terms of treasury management related to supported living accommodation for vulnerable adults and not children's care homes. Officers offered to circulate more information regarding social housing.

The committee discussed loans to other councils, the Director of Finance advised that those type of loans were secured by Government. It was noted that LOBO loans often involved high interest rates over a long term and if the opportunity arose to repay a LOBO loan early, officers would explore the option if financially viable.

## **Resolved**

**That the report be noted.**

## **51. INTERNAL AUDIT ACTIVITY PROGRESS REPORT**

*Minutes subject to their acceptance as a correct record at the next meeting*

Piyush Fatania, Head of Audit, Risk and Assurance (ARA) presented the Committee with the Internal Audit activity progress report, which met the reporting requirements as set out in the Public Sector Internal Audit Standards (PSIAS) 2017.

The report provided summarised the progress made against the Internal Audit Plan 2023-24, including the outcomes of the Internal Audit Activity delivered up to August 2022 and special investigations and counter fraud activity.

**Resolved**

**That the report be noted.**

## **52. DATA PROTECTION OFFICER REPORT**

The Monitoring Officer updated committee members on data protection compliance across the council. To provide assurances on work completed or planned to ensure compliance with key elements of data protection legislation.

It was reported that there was a healthy culture across the organisation, and managers were aware of security requirements, as demonstrated by the high number of low breaches reported. The culture overall was improving via awareness raising, and the corporate leadership team were reliant on managers pushing the training aspects.

It was noted that software programmes were being used to promote training and raise awareness across the organisation. The rollout of Microsoft 365 and SharePoint would also help to keep data secure.

A member suggested that perhaps an email should be circulated to all members directly reminding them to undertake the online training courses. The Monitoring Officer agreed to the request.

In response to a question, a member questioned chart 5 on page 117 of the report in relation to the number of secondary breaches in March 23 and wondered if there was a particular reason behind the figure. Officers agreed to check the data and a response would be circulated to members in due course.

The Independent Person wondered how GCC compared to other organisations, in relation to chart 4. The Assistant Head of Information Management Security (IMS) explained that the Authority was probably comparable, if not slightly better as it was proactive in reporting incidents.

**Resolved**

**That the report be noted.**

## **53. LGSCO COMPLAINTS REPORT**

*Minutes subject to their acceptance as a correct record at the next meeting*

The Monitoring Officer presented the report which detailed the Council's arrangements for handling complaints and investigations by the Local Government Ombudsman (LGO). The report provided a detailed breakdown of the complaints upheld by LGSCO against the Council.

It was noted that the increased number of Education, Health and Care plans reflected a national trend and that additional resources had been put in place to reduce the caseload. Members noted that there were fewer complaints for other areas, but noted that Special Educational Needs was still an area of concern.

The Monitoring Officer was pleased to advise that the LGSCO issued no Public Interest Reports about Gloucestershire County Council during 2022/23.

The committee discussed the role of scrutiny in relation to the LGSCO letter and some members felt it would be useful for the appropriate scrutiny committee to have sight of the annual letter in order to increase their awareness of the national and local problems. The Monitoring accepted the point raised and agreed to share the letter accordingly.

**Resolved**

**That the report be noted.**

#### **54. ANNUAL HEALTH & SAFETY REPORT**

Stuart Heggs, SHE Manager explained the SHE Annual Report summarised the Council's health and safety performance and the management of the health and safety of our employees, service users and others affected by our activities.

The report covered the main health and safety at work issues affecting the Council, its workers and highlighted areas of good practice and any progress that was being made. The Committee found the report to be interesting welcomed the findings.

In response to a question it was noted that the Authority provided lone working guidance and training for members that had been recognised by the LGA as good practice. During the discussion it was noted that the SHE team had also issued further communications on unauthorised access to the GCC buildings, staff were actively encouraged to challenge people without ID lanyards, and not to admit anyone without a staff lanyard.

**Resolved**

**That the report be noted.**

#### **55. EXCLUSION PRESS OF PUBLIC**

**Resolved**

*Minutes subject to their acceptance as a correct record at the next meeting*

**That in accordance with Section 100 A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following agenda items, because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12 A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.**

**56. DISASTER RECOVERY PROGRESS REPORT**

Mandy Quayle, Director of People & Digital Services explained the purpose of this report was to update the audit and governance committee on the management actions following the 2022 disaster recovery audit.

**Resolved**

**That the report be noted.**

**CHAIRPERSON**

Meeting concluded at Time Not Specified