

## **AUDIT AND GOVERNANCE PANEL.**

Minutes of a remote meeting on 22 June 2021 at 10.00 a.m.

Present: Councillors Martin Dowey (Chair), Laura Brennan-Whitefield, Douglas Campbell, Alec Clark, Hugh Hunter, Lee Lyons, Helen Moonie and Arthur Spurling.

Attending: T. Baulk, Head of Finance and ICT; W. Carlaw, Service Lead – Democratic Governance; T. Simpson, Service Lead – Corporate Accounting; D. Love, Senior Accountant (Capital/Treasury); L. Miller, Chief Internal Auditor; and J. McClure, Committee Services Lead Officer.

### **Opening Remarks.**

The Chair took the sederunt and confirmed that today's meeting was not open to the press and public, which was permissible under the COVID-19 legislation. He also confirmed to Members the procedures to conduct this meeting and that this meeting would be recorded for minuting purposes only.

### **1. Declarations of Interest.**

There were no declarations of interest by Members in terms of Council Standing Order No. 17 and the Councillors' Code of Conduct.

### **2. Call-ins from Leadership Panel.**

The Panel noted that there were no call-ins from the Leadership Panel of 15 June 2021.

### **3. Minutes of Previous Meeting.**

The [Minutes](#) of the meeting of 2 June 2021 (issued) were submitted and approved.

### **4. Action Log and Work Programme.**

There was submitted an update of the [Action Log and Work Programme](#) for this Panel (issued).

The Head of Finance and ICT provided the Panel with an update on the status of the Action Log and Work Programme and advised that the Annual Accounts 2020/21 would be considered at a Special meeting of this Panel on 29 June 2021.

The Panel

**Decided:** to note the current status of the Action Log and Work Programme.

## **Other Governance Report**

### **5. Treasury Management Annual Report 2020/21.**

There was submitted a [report](#) (issued) of 15 June 2021 by the Head of Finance and ICT presenting, in line with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, the annual report of treasury management activities for 2020/21 (as attached at Appendix 1), and seeking Members' consideration of its contents.

Questions were raised by Panel Members in relation to:-

- (1) the Authorised Borrowing Limit within Table 4 of Appendix 1 and whether the Council could exceed this limit or set it at a higher rate; and the Head of Finance and ICT advised that this limit was set annually as part of the Treasury Strategy, however, should this limit require to be increased, Council permission would be sought; and outlined that large sums could be borrowed, however, this came at a cost and that all decisions were made considering affordability and prudence;
- (2) the 7.72% "Ratio of Financing Costs to Net Revenue Stream" for General Services and HRA as outlined in Table 5 of Appendix 1 and how this compared to other authorities; and the Senior Accountant (Capital/Treasury) advised that she would obtain this information and issue a written briefing to Panel Members;
- (3) whether monies borrowed from reserves were paid back into reserves; and the Head of Finance and ICT advised that cash in the Council's bank was utilised and paid back into reserves but if all reserves were expended, long-term borrowing would occur, however, borrowing from reserves delayed long-term borrowing and the interest attached to this;
- (4) the returns on the Council's investments and the Head of Finance and ICT advised that the returns on the investments were favourable given current market conditions and had improved since this time last year;
- (5) the companies/organisations this Council had invested with and how ethical these companies were; and the Head of Finance and ICT advised that the Council's Advisers recommended various AAA rated companies/organisations for investing with, however, he would examine ethical investment and provide a report to a future meeting of this Panel;

### **Councillor Moonie joined the Panel at this point in the meeting, due to connectivity issues**

- (6) whether information could be shared by other Local Authorities on ethical investments, where the money was invested and how Councils achieved what they did; and the Head of Finance and ICT advised that he would include this within his report to Panel;
- (7) whether the under-borrowing in the Capital Programme was due to slippage as outlined in Table 6 of Appendix 1; and the Head of Finance and ICT confirmed that it was due to slippage and that there were major changes in the Capital Programme due to the construction industry being closed down due to Covid-19 and the national shortage of building supplies; and that a report had been submitted to Leadership Panel in October 2020 on this matter and a further report would be considered by Leadership Panel in due course;

- (8) "Other Long Term Liabilities" within Table 4 of Appendix 1 and the Head of Finance and ICT advised that this concerned the PPP for the new schools constructed within South Ayrshire;
- (9) the interest rates for borrowing; and the Senior Accountant (Capital/Treasury) outlined the interest rates for one year, five year, ten year, twenty five year and fifty year borrowing and advised that rates for short-term borrowing were currently very favourable;
- (10) the "Maturity Analysis of Debt Outstanding" within Table 7 of Appendix 1 and whether additional monies would be borrowed by this Council when these debts matured; and the Head of Finance and ICT advised that this would be dependent on the circumstances at the time of the debt maturing;
- (11) the judgement taken of whether loans should be short-term or long-term; and the Senior Accountant (Capital/Treasury) advised that she examined all areas of borrowing in liaison with the Council's consultants; that she received advice each day from the consultants on projections for five, ten, twenty five and fifty year borrowing; and the Head of Finance and ICT further advised that the profile of loans was also taken into account to ensure that there was an even spread of repayments; and
- (12) whether it was prudent to borrow in the short-term to pay off long-term loans as the short-term interest rates were presently very low; and the Head of Finance and ICT advised that this would be dependent on the loan as there tended to be a high premium to pay a loan off early and the costs outweighed the benefits.

The Panel, having considered the Annual Treasury Management Report 2020/21, as attached at Appendix 1 to the report,

**Decided:** to remit the Annual Treasury Management Report to the next Leadership Panel meeting on 24 August for approval.

The meeting ended at 10.40 a.m.