

**MINUTE**  
**of**  
**AUDIT & SCRUTINY COMMITTEE**

**Minute of virtual meeting held at 2.00pm on 17 February 2022.**

**Present:**

Councillor Stewart Miller (Chair)	Councillor Annette Ireland
Councillor Barbara Grant (Vice Chair)	Councillor Jim McLean
Councillor Angela Convery	Councillor Jim Swift
Councillor Charlie Gilbert	

Councillor Miller in the Chair

**Attending:**

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Barbara Clark, Chief Accountant; Fiona Muir, Senior Auditor; Anthony Jenkins, Resilience Coordinator; Linda Hutchison, Clerk to the Committee; John Burke, Committee Services Officer; and Liona Allison, Assistant Committee Services Officer.

**Also Attending:**

Louisa Yule and Emma-Rose Drummond, Audit Scotland.

**DECLARATIONS OF INTEREST**

**1891.** There were no declarations of interest intimated.

**CHAIR'S REPORT**

**1892.** Councillor Miller confirmed, and it was noted, that discussions on the committee's self-evaluation were ongoing.

**TREASURY MANAGEMENT STRATEGY REPORT FOR 2022/23**

**1893.** Under reference to the Minute of the meeting 25 November 2021 (Page 1338, Item 1714 refers), when, having considered a report on treasury management activities for the first six months of 2021/22, it had been agreed to recommend to the Council approval of organisations for the investment of surplus funds, the committee considered a report by the Head of Accountancy (Chief Financial Officer) explaining that, in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice 2017, the Audit & Scrutiny Committee was responsible for ensuring effective scrutiny of the Council's treasury management strategy and policies.

In accordance with that requirement, a copy of the Treasury Management Strategy Report for 2022/23 was attached to that report for consideration in advance of its submission to the Council. The Strategy Report included a proposal to amend treasury management practices in accordance with Annex F accompanying the report which listed organisations approved for the investment of surplus funds, in respect of which information was provided on related issues such as credit ratings and limits. It was also proposed that a policy on the repayment of loans fund advances, as specified in Section 3.4 of the report, be approved.

The Chief Accountant confirmed that the report was similar to previous years subject to a few amendments. She explained that reference had been included to current high level guidance on fiscal flexibilities that the Scottish Government had allowed to address COVID-19 pressures and related discussions between COSLA and the Scottish Government, including on the use of capital receipts and a loans fund repayment holiday, both of which would have an impact on the loans fund repayments charged from the year of application. Additional affordability Prudential Indicators (PIs), which were on par with other local authorities, had been added in Section 6.4.

The Chief Accountant confirmed that, from a borrowing or investment perspective, the approach remained as before, with the rest of the report concentrating on the Council's Borrowing and Investment Strategies, and setting out parameters that helped monitor both. To allow borrowing to be controlled, PIs had been set up which monitored permissible borrowing and allowed this to be compared against actual gross debt. The Chief Accountant highlighted plans to use the Council's reserve balances temporarily rather than fully funding capital expenditure by external borrowing, this being considered prudent and cost effective taking account of not only the cost of borrowing until it was used, but also the possibility of Capital Programme slippage. However, she also highlighted the need for care to be taken by the Council to take advantage of historically low interest rates. Having explained that the PIs had been set using the Council's 2022/23 Capital Programme, she confirmed that any movement in this would affect how well the limits set could be adhered to, and that mid-year and year-end reports would be provided on this.

Having clarified that it remained the case that the primary objectives of the investment strategy were security and liquidity, the Chief Accountant referred to the types of investments that could be made as set out in Annexes D and E to the report respectively and associated risks; the proposed list of investors itemised in Annex F; and related monitoring arrangements. Reference was also made to a range of economic background information provided within the report.

Having heard the Chief Accountant confirm that she would be happy to arrange further treasury management training for Elected Members if that would be useful, requests for which could be made through the Clerk, the Clerk confirmed that it was intended to provide training on this issue as part of the induction offered to Elected Members following the Local Government Elections in May 2022.

The committee agreed:-

- (a) **to recommend to the Council** that the Treasury Management Strategy for 2022/23 be approved, including the Prudential and Treasury Indicators and the amended list of organisations for investment of surplus funds in accordance with Annex F to the report;
- (b) **to recommend to the Council** that the policy on the repayment of loans fund advances as specified in Section 3.4 of the report be approved;

- (c) **to recommend to the Council** that the forms of investment instruments for use as permitted investments be approved in accordance with Annex D to the report;
- (d) to note that further training on treasury management issues was available and would form part of the induction training provided for Elected Members following the Local Government Elections in May 2022; and
- (e) otherwise, to note the report and related comments made.

## **WITHDRAWAL FROM EUROPEAN UNION – UPDATE**

**1894.** Under reference to the Minute of the meeting of 23 September 2021 (Page 1645, Item 1760 refers), when it had been agreed that a further update on the UK's exit from the European Union (EU) should be provided at this time, the committee considered a joint report by the Directors of Business Operations and Partnerships, and Environment, providing a further update on the UK's exit from the EU and work within the Council in response.

The report confirmed that a number of pressures continued to be faced, with supply chain and cost of living implications across the economy. Due to COVID-19 pressures on council services, it remained impossible to identify if these pressures were as a result of the EU exit, another factor or combination of both. However due to the pressures of the pandemic, many services were stretched and would be unable to respond effectively if any urgent EU exit matters arose.

The report explained that the UK was bringing in a phased introduction of border measures for the import of goods from the EU, confirming the changes which had taken effect from 1 January 2022, those to be introduced at the start of July, September and November 2022, and related requirements. It was clarified that there remained an exception for goods between Great Britain and both Northern Ireland and the Republic of Ireland on which further discussions were continuing.

It was reported that the legal and regulatory landscape had not significantly altered in Scotland or the UK following the exit from the EU, with it having been announced that the UK Government would publish a Brexit Freedoms Bill in early February 2022. At the time of writing the report submitted to the committee, this remained unpublished and there had been no signal of which laws would be targeted for change.

Whilst commenting on the price of goods and cost of living, the report explained that a number of goods had proven increasingly difficult to acquire or had faced significant cost increases which was expected to vastly increase the cost of living during 2022. Due to such pressures, the Money Advice and Rights Team (MART) was expecting increased service demand, particularly around fuel and energy costs and supply chain challenges, with further demand expected due to the conclusion of the furlough scheme. The number of contacts received by MART remained under review, MART was discussing a Service Level Agreement with the Wise Group to enable fuel arrears referrals to be directed there, and a temporary Fuel Poverty Worker had been recruited to start to address residents' most pressing fuel poverty needs and support Citizens' Advice Bureau services.

The report explained that the final details of the Shared Prosperity Fund, to replace EU funding, remained to be announced by the UK Government, referring to the Levelling Up White Paper anticipated from the UK Government, the publication of which had faced repeated delays.

Whilst making reference to the EU Settlement Scheme, the report confirmed that any EU nationals seeking to live and work in the UK from 31 December 2020 required to submit an application that met the criteria of the UK's points based immigration system, with those living in the UK prior to that date still eligible to submit late applications. Although by the end of September 2021 1,440 Settlement Scheme applications had been received from within East Renfrewshire, it was not clear if all local EU residents had applied due to the way in which National Records for Scotland statistics were presented. Related issues commented on included ways in which the Council was signposting residents to the Settlement Scheme; and judicial review proceedings launched by the Independent Monitoring Authority (IMA) regarding those with pre-settled status having to apply for settled status before their pre-settled status expired or risk losing their rights to live and work in the UK. It was explained that the latter could impact on around 400 local residents, with there being concerns that EU citizens without settled status or those arriving to live or work in the UK could be classified as having No Recourse to Public Funds (NRPF), restricting their access to social security benefits and social housing.

The Resilience Coordinator highlighted key aspects of the report during which he confirmed that the Brexit Freedoms Bill remained to be published, but that a booklet entitled "Benefits of Brexit" had been published on 1 February 2022. This itemised various achievements of the UK since exit from the EU; referred to the UK Government's approach to regulatory reform; and outlined the UK Government's vision.

He explained that full details of the Shared Prosperity Fund were still not available but that, since the report submitted to the committee had been prepared, pre-launch guidance had been published. Contrary to what had been understood, that guidance now reflected that there would not be a competitive process to secure funds. Instead £2.6Bn would be provided across the UK by March 2025, with areas allocated funding through a formula which had not yet been confirmed. The key themes for the use of the Fund were building pride in place; supporting high quality skills training; and supporting pay, employment and productivity growth, with local authorities expected to be responsible for planning the use of and delivery of the Fund and its interventions. As part of this, the Council would be expected to prepare a Local Investment and Development Plan for approval by the UK Government. Further details of the rules and related guidance were expected in Spring 2022. It was expected that the Council would, as lead, have flexibility on delivery of the Fund, with the pre-launch guidance suggesting that use of local competitions and delivering activity through in-house teams would be acceptable, and that adopting a strategic regional approach, such as through the City Deal Partnership, would be welcomed.

The Resilience Coordinator confirmed that there had not been any further update on the judicial review pursued by the IMA, but given the continued need to provide advice to local residents with pre-settled status, the position would continue to be monitored to ensure communications were consistent with the latest developments.

In response to Councillor Grant who commented that there was a lack of clarity on why some telephone service providers were raising charges, such as to call abroad or roaming charges, and why this was being attributed to exit from the EU, the Resilience Coordinator undertook to try to seek further clarification. Councillor Swift commented on the options to change provider and use wi-fi to circumvent roaming charges when abroad.

Councillor Ireland stressed the importance of MART, given the increased cost of living for example, and welcomed that a Fuel Poverty Worker had been appointed, seeking clarity on the length of time the officer would be in post as she considered the situation unlikely to ease in the immediate future. She also asked for further clarity on the Shared Prosperity Fund and, in particular, the extent to which this would replace EU structural funding. The Resilience Coordinator undertook to seek and provide further clarification on both issues.

The committee agreed:-

- (a) that the Resilience Coordinator provide further information to the Clerk for circulation to Members as requested on telephone charges, the length of time the temporary Fuel Poverty Worker had been appointed for, and to what extent the Shared Prosperity Fund would replace EU structural funding; and
- (b) otherwise, to note the report and related comments made.

### **INTERNAL AUDIT PLAN 2021/22 – IMPLEMENTATION PROGRESS – OCTOBER TO DECEMBER 2021**

**1895.** The committee considered a report by the Chief Auditor regarding progress made on the implementation of the 2021/22 Internal Audit Plan from 1 October to 31 December 2021. It was confirmed that four audit reports in relation to planned 2021/22 audit work had been completed in quarter 3, information on which was provided. Details were provided of the three reports carried out as part of the 2021/22 plan regarding which satisfactory responses had been received since the last progress report had been submitted.

Reference was also made to the quarterly performance indicators (PIs) for the section, some of which were not being met due to COVID-19 restrictions on audit work that could be carried out and delays in departments responding to audit queries. The report confirmed that there had been no new requests for assistance dealt with using contingency time during the quarter. It was also confirmed that one audit relating to planned 2020/21 audit work was still in progress, in respect of which it was hoped to issue the report soon.

The report explained that, due to unforeseen circumstances leading to a reduced number of audit days being available during 2021/22, it was very unlikely that the full Audit Plan, as approved by the committee, would be completed. However, work was underway to prioritise audit work required to ensure year end assurance would be completed.

The Senior Auditor referred to key aspects of the report, including the extent to which various recommendations made had been considered to be low, medium or high risk, and the extent to which they had been accepted by management. Having heard her refer to an Environment Department follow-up audit completed, the Clerk confirmed she had received a copy of the report which would be circulated soon in keeping with normal practice.

Whilst confirming that it was very unlikely that the full Audit Plan would be completed, the Senior Auditor confirmed that work was underway to prioritise work on the main systems which was likely to be completed. The Head of Accountancy (Chief Financial Officer) assured the committee that contact had been made with the External Auditor to ensure the work being focussed on until the end of the financial year was in line with what they needed to rely on to get the required assurances they needed to complete their year-end audit on time.

The committee agreed:-

- (a) having noted that the Environment Department follow-up report would be circulated shortly, not to seek any other reports issued during the quarter at this stage; and
- (b) otherwise, to note the report and related comments made.

CHAIR

