

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

14 December 2020

PROGRESS ON ISSUES RAISED BY THE COMMITTEE

Joint Report of the Corporate Director – Strategic Resources and the Assistant Chief Executive (Legal and Democratic Services)

1.0 PURPOSE OF THE REPORT

1.1 To advise Members of

- (i) progress on issues which the Committee has raised at previous meetings
- (ii) other matters that have arisen since the last meeting and that relate to the work of the Committee

2.0 BACKGROUND

2.1 This report is submitted to each meeting listing the Committee's previous Resolutions and / or when it requested further information be submitted to future meetings. The table below represents the list of issues which were identified at previous Audit Committee meetings and which have not yet been resolved. The table also indicates where the issues are regarded as completed and will therefore not be carried forward to this agenda item at the next Audit Committee meeting.

Date	Minute number and subject	Audit Committee Resolution	Comment	Complete?
07.03.19	107 – Progress on Issues Raised by the Committee	That the Committee's Chairman, Vice-Chairman, Mr Nick Grubb and Mr David Portlock be appointed to comprise a group, facilitated by Max Thomas to:- Discuss how this Committee is functioning; seek feedback from others such as the CD –SR and External Audit; review the findings; submit any proposed changes to a future meeting of the Committee for decision, and Full Council if appropriate; and complete the CIPFA questionnaire with input from the CD – SR	In progress	X

Date	Minute number and subject	Audit Committee Resolution	Comment	Complete?
20.12.19	159 – Audit Committee Work Programme	That, in respect of training sessions held immediately prior to the Committee's meetings:- i. Governance of the Highways Teckal be scheduled for 26 October 2020 ii. Pensions Governance be scheduled for 27 March 2020 iii. A session about Beyond 2020 including Property Rationalisation be organised for the External Members only	Governance of external companies is also to be added. As agreed at the last meeting training sessions will recommence in 2021.	X
20.12.19	159 – Audit Committee Work Programme	That informal meeting(s) between Committee Members and the Internal and the External Auditors be organised for dates to be arranged by the Corporate Director – Strategic Resources	This meeting has been arranged to take place before the meeting on 14 December 2020	x

3.0 TREASURY MANAGEMENT

- 3.1 The outlook for the economy remains unusually uncertain. The economic climate depends on the evolution of the pandemic and measures taken to protect public health, as well as the nature of, and transition to, the new trading arrangements between the European Union and the United Kingdom. In response to the economic and financial impact of the Covid pandemic, the MPC voted unanimously to maintain Bank Rate at 0.1% at its meeting ending on 4 November 2020 and to increase the target stock of purchased UK government bonds by an additional £150 billion, financed by the issuance of central bank reserves. The quantitative easing increase takes the size of the Bank of England's asset purchase facility to £895bn, covering both government and corporate debt.
- 3.2 In response to a substantial growth in local authority borrowing in recent years, led by a minority of Local Authorities borrowing from the Public Works Loan Board (PWLB) to buy investment assets primarily for yield, the government published a consultation in July 2020 around proposals to address the specific issue of 'debt-for-yield' PWLB borrowing. The aim of the consultation was to develop a proportionate and equitable way to prevent local authorities from using PWLB loans to buy commercial assets primarily for yield, without impeding their ability to pursue service delivery, housing, and regeneration under the prudential regime.
- 3.3 Following on from the PWLB consultation, HM Treasury has now concluded their findings and published revised lending terms for the PWLB on 25 November 2020. Under the revised lending terms the government has now ended access to the

PWLB for Local Authorities that wish to buy commercial assets primarily for yield, as assessed by the statutory section 151 officer. Local Authorities that wish to buy commercial assets primarily for yield remain free to do so, but are not be able to take out new loans from the PWLB in year where they have any plans to buy commercial assets at any point over the next 3 year period (any loans taken out under the old system are not be affected by this change). As a result of the revised lending term the government has now cut PWLB lending rates by 100 basis points (Standard Rate) and 80 basis points (Certainty Rate) with effect from 26 November 2020.

- 3.4 While the County Council does not borrow to fund commercial investment through loans from PWLB or money markets, the revised PWLB terms are likely to impact on the County Councils Treasury Management Strategy. Consequently, officers are currently considering the impact of the revised terms and any changes *will be reflected in the updated Annual Treasury Management Strategy for 2021/22.*”

4.0 RECOMMENDATION

- 4.1 That the Committee considers whether any further follow-up action is required on any of the matters referred to in this report.

GARY FIELDING
Corporate Director – Strategic Resources

BARRY KHAN
Assistant Chief Executive
(Legal and Democratic Services)

County Hall
NORTHALLERTON

14 December 2020

Background Documents: Report to, and Minutes of, Audit Committee meetings held on 26 October 2020