

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

26 October 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	All will need to be rescheduled	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 In response to the economic impact of the Covid-19 pandemic, the Bank of England cut interest rates to a record low of 0.1% and re-started the asset purchase programme, quantitative easing. While some forecasters have suggested interest rates could be cut further to potentially negative rates, the Bank of England have suggested further quantitative easing is more likely in the short term. As a result, the County Councils Treasury Management advisers, Link Asset Services are still forecasting interest rates to remain at 0.1% with no rise in rates until 2023 at the earliest.
- 3.2 In addition to interest rates, the County Councils Property Fund investments have also been impacted by the Covid-19 pandemic. The County Council has a total investment of £6m in two Property Funds, BlackRock UK Property Fund (£3m) and Threadneedle Property Unit Trust (£3m). In line with the majority of UK Property Funds, dealing in the BlackRock and Threadneedle funds was temporarily suspended in March this year. Dealing in the funds was suspended when valuation firms concluded that they were unable to provide an appropriate level of certainty regarding the valuation of fund assets due to the market environment at that point. As a result, the decision was taken to suspend dealing by both funds in line with other UK funds until such a time that the funds could ascertain a more certain valuation of assets in order to ensure the fair treatment of all investors within the funds.

- 3.3 In recent months more transactional evidence has become available and it has become possible for valuers to feel more certain about the valuation of fund assets. Consequently, the BlackRock and Threadneedle funds have both now lifted the suspension on their funds from 30 September and will commence dealing from October in line with other UK funds.
- 3.4 While Property Funds continue to provide a strong revenue return, they are long-term investments and valuations can rise as well as fall (the funds have experienced minor capital losses totalling £309k prior to the suspension announcement). Following recent developments and the current market environment the performance of both funds is currently being considered and an update will be reported in the Q2 Treasury Management Report.

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

26 October 2020

Background Documents: Report to, and Minutes of, Audit Committee meetings held on 27 July 2020