

Minutes of a Meeting of the Audit and Governance Committee held in the Hub, Mareham Road, Horncastle, Lincolnshire LN9 6PH on Wednesday, 29th January, 2025 at 10.15 am.

## PRESENT

Councillor Rosalind Jackson (Chairman)

Councillors Stef Bristow, Danny Brookes, Richard Fry, James Knowles and Edward Mossop.

Christopher Pilkington and Ian Silcox-Crow attended the Meeting as Independent Co-Optees.

Councillor Ruchira Yarsley attended the Meeting as a Substitute.

## OFFICERS IN ATTENDANCE:

Christine Marshall	- Deputy Chief Executive (Corporate Development) and S151 Officer
Sean Howsam	- Treasury and Investment Manager, PSPS Limited
Samantha Knowles	- Chief Finance Officer, PSPS Limited
John Medler	- Assistant Director Governance & Monitoring Officer
Rosie Kelly	- Internal Audit Manager, KPMG (virtual)
Nicole Hayes	- Senior Finance Business Partner, PSPS Limited
Suzanne Rolfe	- Group Manager, Insights and Transformation (virtual)
Ellie Stacey	- Deputy Chief Finance Officer (Corporate), PSPS Limited
Matthew Waller	- Internal Audit Manager, Internal Audit Lincolnshire County Council
Laura Allen	- Democratic Services Officer

## **62. APOLOGIES FOR ABSENCE:**

Apologies for absence were received from Councillors Will Grover and Jill Makinson-Sanders.

It was noted that, in accordance with Regulation 13 of the Local Government (Committees and Political Groups) Regulations 1990, notice had been given that Councillor Ruchira Yarsley had been appointed to the Committee in place of Councillor Councillor Jill Makinson-Sanders for this Meeting only.

## **63. DISCLOSURE OF INTERESTS (IF ANY):**

At this point in the meeting, Members were invited to declare any relevant interests. None were received.

**64. MINUTES:**

The Open and Exempt Minutes of the Meeting held on 30th October 2024, the Open Minutes of the Extraordinary Meeting held on 27th November 2024 and the Open Minutes of the Reconvened Meeting held on 13th December 2024 were agreed as a correct record.

**65. CHAIRMAN'S UPDATE:**

The Chairman informed Members that she had taken part in a Centre for Governance and Scrutiny (CFGS) pilot which examined the ways in which audit and scrutiny Committees worked together.

Members were informed of the draft recommendations from the pilot which included:

- The Chairman of both Committees communicating more formally on timetable dates;
- To consider a memorandum of understanding similar to the model used by Birmingham City Council;
- To understand the added value that both Committees provide to the Executive Board and to obtain feedback from Members;
- To treat the RAG ratings on the risk register with caution and to ensure the rating is red where deadlines were missed;
- To incorporate updated questions in the Audit and Governance Committee's Annual Self-Assessment.

Members were further advised that a letter had been received from the Ministry of Housing, Communities and Local Government (MHCLG) on local audit reform and that following the Meeting, there would be a briefing on Global Audit Standards which would be followed by the Audit and Governance Committee's Annual Self-Assessment exercise.

**66. ACTION SHEET:**

Members were referred to the Action Sheet, pages 29 to 30 of the Agenda refer.

Members noted that the actions from the Meeting held on 30 October 2024, the Extraordinary Meeting held on 27<sup>th</sup> November 2024 and the Reconvened Meeting held on 13<sup>th</sup> December 2024 were confirmed as completed or in hand.

No questions or comments were received.

**67. QUARTER 2 RISK REPORT 2024/25:**

Suzanne Rolfe, Group Manager (Insights and Transformation) who was in attendance virtually presented Members with the Quarter 2 Risk report 2024/25, pages 31 to 50 of the Agenda refer.

A copy of the Strategic Risk Register was attached at Appendix 1 which included the Risk Scoring Matrix and Risk Definitions, pages 39 to 50 of the Agenda refer.

Members were advised that the report provided an overview of risk management in the authority as at the end of September 2024.

Members were invited to put their comments and questions forward.

- A Member requested clarification on the term 'LGR', page 34 of the Agenda refers. In response, the Group Manager (Insights and Transformation) advised Members that LGR referred to Local Government Reorganisation.
- In reference to Strategic Risk ELDC17 – Implementation of the Environment Act 2021, a Member expressed concern due to the widespread inland flooding in Lincolnshire in January 2025 alongside the impact of environmental pollution and queried whether the risk could be identified separately, page 33 of the Agenda refers. In response, the Group Manager (Insights and Transformation) advised the Committee that Members' concerns would be brought to the attention of the lead officer.
- A Member commented on the effects of flooding in Horncastle and further supported that the risk of inland flooding should be separately identified.
- In reference to Paragraph 2.7 Fraud Risks - Assets - Equipment, a Member queried whether equipment referred to small equipment or larger equipment such as waste vehicles, page 35 of the Agenda refers. In response, the Group Manager (Insights and Transformation) advised Members that equipment referred to all of the Council's assets. Members were further advised that the specific risks around waste vehicles would be reviewed for inclusion in the Quarter 3 report.
- In reference to ELDC Strategic Risk 16 – Economic Hardship, the Chairman queried the evidence basis for the removal of the risk, page 33 of the Agenda refers. In response, the Group Manager – Insights and Transformation advised Members that the risk was no longer perceived as a strategic risk for the Council and that the risk remained in the underlying risks of the operational risk registers. The Group Manager – Insights and Transformation further advised Members that additional clarification would be sought from the lead officer.
- The Chairman commented on the benefits of including target dates as highlighted by the external auditors. In response, the Group Manager (Insights and Transformation) assured Members that the Committee's

and Auditor's recommendations were being incorporated and that good progress was expected in the next quarterly risk report.

No further comments or questions were received.

Following which it was,

RESOLVED:

That the Quarter 2 Risk Report 2024/25 be noted.

**68. UPDATE ON CHANGES TO STATUTORY GUIDANCE: "CAPITAL FINANCE: GUIDANCE ON MINIMUM REVENUE PROVISION" AND THE IFRS9 STATUTORY ACCOUNTING OVERRIDE FOR POOLED INVESTMENTS**

Sean Howsam - Treasury and Investment Manager, PSPS Limited was in attendance to provide Members with an update on changes to Statutory Guidance: "Capital Finance: Guidance on Minimum Revenue Provision" and the IFRS9 Statutory Accounting Override for Pooled Investments, pages 51 to 60 of the Agenda refer.

The Treasury and Investment Manager, PSPS Limited advised Members that the report aimed to update the Committee on recent changes to Statutory Guidance which was mainly effective from the 2025/26 financial year, and that Statutory Guidance on Minimum Revenue Provision prescribed how Council's calculated their annual Minimum Revenue Provision (MRP) charge for all unfinanced capital expenditure which made up its Capital Financing Requirement (CFR).

Members were further advised that the Statutory Accounting Override in relation to Pooled Investments ended on 31 March 2025 and that this report updated Members on the current Government stance which was that they were not minded to extend the override. Members were advised that the report was being presented to the Audit and Governance for scrutiny prior to its submission to Council on 5 March 2025.

Members were invited to put their comments and questions forward.

- A Member queried the approach to handling the Council's MRP. In response, the Section 151 Officer advised Members that the forthcoming approach proposed to pull the Voluntary Revenue Provision (VRP) back to fund the MRP for future years which would enable the funds to be put back into the Council's reserves as quickly as possible. Members were advised that MRP accelerated the process of reversal of VRP, however the VRP could only be reversed to the amount set for the MRP in a specific financial year.

The Section 151 Officer assured Members that in relation to the property funds, the proposed approach was an effective way of managing the situation.

- A Member queried the understanding of the new MRP Charge of £67,456.77 for 2025/26 from the perspective of a layperson, page 56 of the Agenda refers. In response, the Section 151 officer explained to Members that the figure was a cost to the revenue account which could be offset by the VRP from previous years.

Members were further advised on the types of MRP and their constraints and that the 2025/26 financial year would require careful management.

- In reference to Paragraph 2.6 - Unfinanced Equity Investments (e.g. Property Fund Investments), a Member queried whether a professional opinion that confirmed the acceptability of the approach of using a 50 year life expectancy for property assets had been received. In response, the Section 151 Officer advised Members that a view had been taken on the suitability of a 50-year life expectancy and that a valuer's opinion would be obtained to agree the approach. Members were further assured that there were no concerns with conclusion of the property valuations and that discussions had taken place with a national expert from KPMG.
- A Member queried when a report would be forthcoming to reflect the changes in regulations in relation to capital and revenue investments in property funds. In response, the Section 151 Officer advised Members that it was pleasing to see that the funds were starting to recover their capital value and that the new Section 151 Officer would meet with the Committee and be briefed on key matters with efforts to move a report forward.
- The Chairman highlighted that the property funds had been held for a number of years and queried the ways in which funds already held were being accounted for in terms of the MRP.

In response, the Treasury and Investment Manager, PSPS Limited explained to Members that the distributions received on a monthly or quarterly basis went into the revenue account and that at the end of each financial year the net asset value was assessed. Members were further advised that a £1 Minimum Revenue Provision charge in accordance with statutory guidance had been used in the past and that the remaining difference was by way of a Voluntary Revenue Provision charge based on the actual change.

In conclusion, the Treasury and Investment Manager, PSPS Limited advised Members that the change required an annual MRP charge to be made irrespective of whether the valuations of the property funds had increased or decreased.

There were no further questions or comments.

Following which it was,

RESOLVED

That the report be noted.

**69. DRAFT TREASURY MANAGEMENT POLICY AND TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2025/26:**

Sean Howsam - Treasury and Investment Manager, PSPS Limited was in attendance to present Members with the Draft Treasury Management Policy and Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2025/26, pages 61 to 108 of the Agenda refer.

A copy of the Council's Treasury Management Strategy Statement was included at Appendix 1 and the Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Annual Investment Strategy 2025/26 at Appendix 2, pages 67 to 108 of the Agenda refer.

The Treasury and Investment Manager, PSPS Limited advised Members that the report was the Draft Treasury Management Policy and Strategy Statement for the 2025/26 financial year and was included as part of the Budget Setting Report that was submitted to Executive Board and Council for approval.

Members were advised that the report was being presented to the Executive Board on 20th February 2025 prior to its submission to Council on 5 March 2025 and that the Report referred to a key element of the Council's Governance Framework and represented an important contribution to the evidence trail in support of the Annual Governance Statement 2025/26.

Members were invited to put their comments and questions forward.

- In reference to Paragraph 2.2 - The Council's borrowing need (the Capital Financing Requirement (CFR)) and the work being undertaken to calculate the full value of lease liabilities, a Member queried the timescale for conclusion of the work, page 75 of the Agenda refers. In response, the Treasury and Investment Manager, PSPS Limited advised Members that lease accounting had changed due to changes in government legislation and that as part of the Council's year end accounting process for 2025 lease liabilities would now be displayed on the balance sheet each year.
- In reference to the table on the Council's cumulative CFR projections, a Member queried the reasoning for the large increase in CFR

movement for 2027/28, page 75 of the Agenda refers. In response, the Section 151 Officer explained to Members that the projection included the cost for the replacement of waste vehicles and that there was a clear pattern in the Council's capital programme for when waste vehicles needed to be replaced.

- A Member queried the methods used for generating and calculating forecasts in terms of inflation. In response, the Treasury and Investment Manager, PSPS Limited advised Members that the Council made forecasts for inflation as part of the budget setting process which included underlying assumptions.
- A Member commented on the lack of investment risk benchmarking and queried the considerations for undertaking formal benchmarking exercises. In response, the Treasury and Investment Manager, PSPS Limited advised Members that investments had been benchmarked in the past by Link Group and that benchmarking had not been continued as frequently due to many authorities investing in similar areas. The Committee were assured that benchmarking risks were adequate, and that Members could request a review on the way in which risks were assessed.
- A Member queried the Council's relationship with Link Group. In response, the Treasury and Investment Manager, PSPS Limited advised Members that Link Group were the Council's external treasury advisors.
- In relation to Table 5.1.1 Capital expenditure, a Member noted the decreasing funds for Towns Fund project and queried the way in which the funding was drawn down whilst balancing the risks of ensuring that there were enough funds to make payments, page 95 of the Agenda refers. In response, the Section 151 Officer advised Members that the Towns Fund was paid in advance which enabled investment income while waiting for contracts to proceed. Members were further advised that there was a mixture of up front and post project funding available and that the government was mindful of cashflow impacts on authorities that required external funding.
- A Member queried whether the government would return to providing retrospective grant money in the future. In response, the Section 151 Officer advised Members that the ability of authorities with modest sized revenue accounts to handle large deployments of cash required careful management and that the government was aware of cashflow concerns.
- In reference to Environmental, Social and Governance Considerations (ESG), a Member queried when considerations would form into a more established strategy, page 102 of the Agenda refers. In response, the Treasury and Investment Manager, PSPS Limited advised Members

that work was ongoing and that the Council was working in consultation with its external treasury advisors which had recently changed ownership.

- In reference to the AAA ratings for Approved countries for investments, a Member queried whether the Council had any investments in Denmark in light of the effects from the new American Administration, page 103 of the Agenda refers. In response, the Treasury and Investment Manager, PSPS Limited advised Members the Council currently held no investments with Denmark and that while a rating reduction was not anticipated, credit ratings were regularly monitored by the Council's external treasury advisors.
- A Member queried whether Canada should be placed in the same risk concern through association. In response, the Treasury and Investment Manager, PSPS Limited assured Members that future investment positions would be reconsidered should any changes occur.
- A Member queried whether there was a parallel rating system for ESG. In response, the Treasury and Investment Manager, PSPS Limited advised Members that no other rating system was currently available in the credit rating criteria that covered the environmental, social and governance considerations, however Members were advised that the Section 151 Officer had the overall discretion to decide where to invest.
- A Member commented that the Council should be given credit for using ESG considerations when deciding where to invest. In response, the Section 151 Officer assured the Committee that the views and concerns on where to invest would be highlighted to the new Section 151 Officer.

There were no further questions or comments.

Following which it was,

RESOLVED

That the report be noted.

#### **70. DRAFT BUDGET REPORT 2025/26 - 2029/30:**

Christine Marshall, Deputy Chief Executive (Corporate Development) and S151 Officer presented Members with the Draft Budget Report 2025/26 – 2029/30.

The report highlighted to Members the final details of the 2025/26 budget, the 5-year Medium Term Financial Strategy (MTFS) from 2025/26 to 2029/30 and Capital Programme which included the recommended level of Council Tax for 2025/26 taking into account budgetary pressures including that of the Internal Drainage Board (IDB) levy, pages 1 to 52 of the Supplementary Agenda refer



Members received a presentation that provided an overview of budget progress which included highlighting budget pressures, risks and considerations, improvements and further opportunities, a summary of the consultation response and a review of the risks. A copy of the presentation is attached at Appendix A to the Minutes.

Members were invited to put their comments and questions forward.

- A Member queried the background for the utilisation of the S113 Recharge, page 29 of the Supplementary Agenda refers. In response, the Section 151 Officer advised Members that due to the Memorandum of Agreement between the three authorities of the Partnership, Section 113 of the Local Government Act 1972 had been activated to enable the placing of staff at the disposal of the other authorities.
- A Member queried whether multiyear staff salaries were being negotiated by unions and sought clarification on the capitalisation of salaries. In response, the Section 151 Officer advised Members that she was not aware of any considerations for multiyear settlements and that the continuation of the flat rate pay rise was expected. Members were further advised that capitalisation referred to capitalising on project management costs for the people working on projects within the Capital Programme.
- In reference to Table 16 - Efficiency Target, a Member requested an explanation for the £592,000 Budget Savings Requirement, page 34 of the Supplementary Agenda refers. In response, the Section 151 Officer advised Members that a final figure would be reached and that the Savings, Transformation and Efficiency Plan operated as part of the Annual Delivery Plan. Members were further advised that service reviews aimed to generate efficiencies and that the PSPS Transformation Plan was also looking to align savings opportunities across the Partnership.
- In reference to Internal Drainage Board (IDB) levies, a Member queried who was responsible for setting the fees. In response, the Section 151 Officer advised Members that IDBs operated a committee structure and were responsible for setting their own levies.
- A Member further queried whether IDBs would be categorised as a third-party service provider. In response, the Section 151 Officer advised Members that IDB levies were effectively a precept embedded in the Council's budget whereas historically residents had been billed separately by the IDBs.
- A Member commented that IDB levies were a significant risk that was not separately identified as a strategic risk. In response, the Section 151 Officer advised Members that she was working with the Group

Manager (Insights and Transformation) to ensure that the risks were recognised and up to date.

- The Section 151 Officer drew Members attention to Table 17 – Key Risks, page 36 of the Supplementary Agenda refers.
- In reference to increased maintenance costs of ageing physical assets, a Member queried whether the accuracy of risk registers and insurance costs should be included as a risk, page 37 of the Supplementary Agenda refers. In response, the Section 151 Officer advised Members that the inclusion of the risk referred to the condition of the assets and not the insurance. Members were assured that insurance was not considered to be a risk as there was adequate cover in place.
- In reference to Table 7 – Fees, Charges and Rental Income, the Chairman commented that it was unclear how much income was coming in though anticipated demand changes and that it would be beneficial for demand forecast information to be provided for areas such as carparking, Kingfisher Caravan Park and waste services, page 21 of the Supplementary Agenda refers. In response, the Section 151 Officer advised Members that volumetric data would be requested to highlight trends in areas which were being volume or price driven.
- In reference to Table 10 - Spending Plans, a Member queried what opportunities were available to understand the way in which IDBs spent their funds, page 25 of the Supplementary Agenda refers. In response, the Section 151 Officer advised Members that IDBs were their own constituted bodies and had been receptive to supporting wider understanding of how IDBs were managed and financed.
- A Member queried whether IDBs had the same checks and balances that Councils had to comply with. In response, a Member speaking as the Council's IDB representative advised the Committee that the Council had good representation on all IDBs in East Lindsey district. Members were assured that IDBs were well managed and had similar governance requirements to Councils and that Members were encouraged to attend IDB meetings to improve relationships and understanding.
- A Member highlighted that IDBs were subject to similar governance requirements as town and parish councils such as the Joint Practitioners Advisory Group (JPAG).

The Chairman thanked the Section 151 Officer and Finance Team for an excellent and detailed report.

Following which it was,

RESOLVED:

That the Draft Budget Report 2025/26 – 2029/30 be noted and relevant Member comments be fed back to Executive Board.

## **71. INTERNAL AUDIT PROGRESS REPORT - JANUARY 2025:**

Matthew Waller, Internal Audit Manager – Internal Audit Lincolnshire County Council presented Members with the Internal Audit Progress Report January 2025, pages 109 to 130 of the Agenda refers.

In accordance with the proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter, the purpose of the report was to provide Members with:

- the status of live internal audit reports.
- an update on progress against the internal audit plan.
- a summary of internal audit performance, planning and resourcing issues;
- a summary of significant issues that impact of the Head of Internal Audits annual opinion.

Members were invited to put their comments and questions forward.

- A Member requested assurance that the recommendations for improvement for bank reconciliation and insurance were being enacted, pages 117 to 119 of the Agenda refer. In response, the Internal Audit Manager explained to Members that all findings and dates were tracked and that the Committee would only see reports for actions that were overdue.
- In reference to the Insurance Audit Review, a Member queried the frequency of asset valuations and whether the Council had an asset evaluation policy for insurance purposes, page 119 of the Agenda refers.

In response, the Deputy Chief Finance Officer, PSPS Limited explained to Members that different categories of assets were valued on different bases and that assets were valued on an annual basis for accounting purposes and less frequently for insurance. Members were provided with an example that play equipment was not revalued and was held at depreciating cost until the end of its useful life.

The Chairman advised Members that further clarification would be requested on insurance valuation practices.

- A Member requested further clarification whether the definition of asset registers plural indicated that the Council held multiple registers, page 119 of the Agenda refers. In response, the Internal Audit Manager advised Members that the definition referred to the asset registers of the three Partnership Councils.

- A Member requested assurance that the manual procedure in place for bank reconciliations could be undertaken by accounting software to minimise the opportunities for fraud. In response the Chief Finance Officer, PSPS Limited advised Members that management had been quick to implement daily monitoring procedures to ensure that the historic backlog of bank reconciliations that were not being completed in a timely manner was addressed. Members were further advised that the audit actions had been drafted and were due to be completed by the target audit implementation date of the end of January 2025.
- A Member further queried the reasons that the process for bank reconciliations was undertaken manually. In response, the Chief Finance Officer, PSPS Limited advised Members that two of three of ELDC's bank accounts still required manual bank reconciliation due to utilisation of different software and that ways to automate the process was being examined.
- A Member queried the process for approval of bank reconciliations. In response, the Chief Finance Officer, PSPS Limited advised Members that an officer performed the day-to-day matching of transactions which was then reviewed by a manager and was then referred to another manager who provided final sign off of each review.
- A Member queried the type of software solution that was being considered and timescale for implementation. In response, the Chief Finance Officer, PSPS Limited advised Members that capacity was the main reason for maintaining a manual process and that the finance system was currently in a migration process to the cloud before work could be undertaken on adding the two remaining accounts.
- The Chairman queried whether underinsurance was a risk and what the budget implications were. In response, the Section 151 Officer advised Members that the updated figures had been received and that increased costs were expected following the Council's insurance procurement exercise. Members were further advised that the aim was to work with insurers to help reduce the number of claims made by the Council to reduce premiums.
- The Chairman queried whether a report on the recommendations on limited insurance items would be forthcoming. In response, the Internal Audit Manager advised Members that a full follow-up audit would return to the Committee on limited assurance items.

The Chairman thanked the Internal Audit Manager for his report.

Following which it was,

RESOLVED:

That the Internal Audit Progress Report – January 2025 be noted.

## **72. CONSTITUTION WORKING GROUP:**

The Chairman advised Members on the work undertaken by the Constitution Working Group including consultation with the Leader of the Council for retaining the current structure of the group, the order of items on Full Council Agendas, harmonisation of the Partnership's Constitutions and local government reorganisation.

Members received a tabled update which highlighted the six areas which had been examined by the Constitution Working Group (A copy has been attached at Appendix B to the Minutes.)

John Medler, Assistant Director (Governance) and Monitoring Officer informed Members that the Agenda had been amended for the December 2024 Council Meeting through a provision which had been identified in the Constitution and that work on the alignment of the three Council's Constitutions would be re-examined following announcements regarding local government organisation.

The Chairman further advised Members that the Constitution Working Group had also considered legal changes following the government consultation on remote meetings which concluded in December 2024, the ongoing consultation ending in February 2025 on increasing sanctions for local authority Code of Conduct breaches and the Council's 6-month attendance rule.

The Assistant Director (Governance) and Monitoring Officer further advised Members that all Councillors had received links to the consultations and that any changes to the standards regime would be monitored.

Members were invited to put their comments and questions forward.

- A Member queried the reason that the Constitution Working Group did not take the decision upon themselves to exclude unaligned Members of the Council from being appointed to the Working Group. In response, the Chairman advised Members that the Working Group had agreed to consult with the Leader of the Council and that the decision had been taken by the Working Group following that consultation.
- Members discussed the role of the Constitution Working Group and the constraints of the current Constitution.
- A Member further queried whether the issue with the appointment of Members to Working Groups could be raised at Full Council. In response, the Assistant Director (Governance) and Monitoring Officer clarified that the makeup of the Constitution Working Group had been

previously agreed by Full Council and required its membership to be drawn from different political groups.

The Assistant Director (Governance) and Monitoring Officer further advised Members that the Council was able to consider changes to the Constitution in relation to Working Groups and that it was standard practice for the ruling group of an authority to have representation on a Constitutional Working Group.

- A Member further stressed the importance of all elected Members having the opportunity to be part of a Working Group irrespective of political alignment.

The Chairman thanked everyone for their comments.

*N.B John Medler, Assistant Director (Governance) and Monitoring Officer left the Meeting at 13.02pm*

### **73. EXTERNAL AUDIT PLAN & STRATEGY FOR THE YEAR ENDING 31 MARCH 2024:**

The Chairman welcomed Rosie Kelly, External Audit Manager, KPMG who was in attendance virtually to present Members with the External Audit Plan & Strategy for the year ending 31 March 2024, pages 131 to 182 of the Agenda refers.

The External Audit Manager, KPMG highlighted to Members the significant risk for Invest East Lindsey in the value for money section which was consistent with the findings of the previous external auditor. Members were assured that detailed information and conclusions would be presented at the next Audit and Governance Committee Meeting on 12th February 2025.

Members were invited to put their comments and questions forward.

- A Member queried whether it was best practice for the Council to use internal valuers, page 136 and 137 of the Agenda refer. In response, the External Audit Manager, KPMG explained to Members that it was not the external auditor's role to advise but only to audit the work undertaken by the internal valuer and report any concerns. Members were reminded that due to the audit being disclaimed for the year ended 31 March 2024, detailed work on land and buildings and the valuation of investment property had not been undertaken.
- In reference to the governance risk from Invest East Lindsey (IEL), the Chairman queried the way in which the response from IEL Management and the adequacy of its arrangements had been received, page 149 of the Agenda refers. In response, the External Audit Manager, KPMG advised Members that from the Value For Money (VFM) perspective, group monitoring had not been identified

and that subsidiary performance of IEL during the year had been loss making which had led to a focus on the governance arrangements.

In response, the Section 151 Officer advised Members to be mindful that the report was not a factual representation of what was currently in place and that the reports were backward looking. Members were assured that the 2024-25 reports would be able to provide an up-to-date view from the auditors and that the internal audit follow-up was making good progress.

- A Member commented that reports were always backward looking and that it was beneficial to observe in forthcoming reports that external audit recommendations were completed. In response, the Scrutiny and Policy Officer confirmed to Members that an Internal Audit Progress Report was due in March 2025 as part of the earlier recommendation for the Committee to receive six monthly updates on IEL.
- A Member further queried the nature of audit reports being retrospective. In response, the Section 151 Officer explained to Members that retrospective looks were expected to change following the impact of the backstops which had been very effective in speeding up conclusions of the process.

No further comments or questions were received.

The Chairman thanked Rosie Kelly, the External Audit Manager for her report.

Following which it was,

RESOLVED:

That the External Audit Plan & Strategy for the year ending 31 March 2024 be noted.

*N.B Rosie Kelly, the External Audit Manager left the Meeting at 13.14pm.*

#### **74. COMMITTEE WORK PROGRAMME 2024/25:**

Members were presented with the Audit & Governance Committee Work Programme 2024/25, pages 183 to 188 of the Agenda refer. Members were invited to put their comments and questions forward.

No questions or comments were received.

Following which it was,

RESOLVED:

That the Committee Work Programme 2024/25 be noted.

**75. DATE OF NEXT MEETING:**

The programmed date for the next Meeting of this Committee was noted as Wednesday 26<sup>th</sup> March 2025. Members were advised that an Extraordinary Meeting had been scheduled for Wednesday 12<sup>th</sup> February 2025.

The meeting closed at 1.16 pm.





# ELDC Budget 2025/26

Appendix A



# Key Dates

- S151 review/SLT review/PFH briefing
- 28th January 2025 – Overview Committee (Budget Scrutiny)
- 29<sup>th</sup> January 2025 – Audit & Governance – (Risks)
- 12th February 2025 – Executive Board Briefing
- 20th February 2025 – Executive Board
- 5<sup>th</sup> March 2025 – Full Council

# Budget Progress 2025/26

Page 3

- Draft settlement 19<sup>th</sup> December 2024
- IDB funding expected, asking for more
- NNDR1 outstanding 31<sup>st</sup> January 2025
- IDB Levies – final position early February
- PSPS Contract 10%
- S113 charges being finalised
- Council Tax Base 2% increase
- £4.95 is built in
- Consultation underway.
- Core Spending Power flat but real reduction in grant

# Core Spending Power 2025/26

East Lindsey DC					
Core Spending Power	2023-24	2024-25	2025-26	Change	
	£ millions	£ millions	£ millions	£ millions	%
Settlement Funding Assessment	7.691	8.006	8.111	0.105	1.3%
Compensation for under-indexing the business rates multiplier	1.087	1.342	1.414	0.072	5.4%
Council Tax Requirement excluding parish precepts	7.496	7.867	8.202		4.3%
New Homes Bonus (incl. returned funding)	0.378	0.434	0.635	0.201	46.2%
Rural Services Delivery Grant	0.779	0.902		(0.902)	(100.0%)
Services Grant (incl. former 2016/17-2017/18 transition grant)	0.249	0.043		(0.043)	(100.0%)
Recovery Grant			0.586	0.586	
Grants rolled in	0.021	0.021		(0.021)	(100.0%)
Funding Floor (incl. former Funding Guarantee and Lower Tier Services Grant)	0.888	0.998	0.665	(0.334)	(33.4%)
Domestic Abuse Safe Accommodation Grant	0.034	0.034	0.035	0.000	1.3%
<b>Core Spending Power Total</b>	<b>18.622</b>	<b>19.648</b>	<b>19.649</b>	<b>0.000</b>	<b>0.0%</b>
Revenue Support Grant	1.310	1.396	1.441		
<b>Total</b>	<b>19.932</b>	<b>21.044</b>	<b>21.090</b>	<b>0.045</b>	<b>0.22%</b>
				(0.335)	

# Grant Settlement 2025/26

Page 5

- Provisional Settlement received 19<sup>th</sup> December, final early February
- Business Rates Retention & Fair funding review now planned
- Future funding arrangements uncertain, NHB review being undertaken
- IDB representations will be made in consultation

	Actual	Actual	Provisional	Movement	%
	2023/24 £'000	2024/25 £'000	2025/26 £'000		
Revenue Support Grant	(1,310)	(1,396)	(1,441)	(45)	3%
Rural Services Delivery Grant	(779)	(902)	0	902	Ends
Services Grant	(249)	(43)	0	43	Ends
Recovery Grant	0	0	(586)	(586)	New
Funding Guarantee	(888)	(998)	(665)	333	-33%
<b>Total Received</b>	<b>(3,226)</b>	<b>(3,339)</b>	<b>(2,692)</b>	<b>647</b>	<b>-19%</b>

# LG Finance Policy Statement

Page 6

- Recovery Grant - £600m targeting greater need and demand/less ability to raise income
- Review of funding announced
- Reset – announced
- Consultation and engagement:
- Objectives and Principles alongside the settlement (issued 19th December)
- Re-set of business rates early 2025
- Detailed plan for financial reform ahead of the provisional settlement and a multi-year settlement 2026/27.

# Collection Fund

Page 7

## Key points and assumptions:

- Estimated 2% annual growth in tax base (from 47,222 to 48,166) – £396k
- £4.95 annual increase in Band D charge (£166.59 to £171.54) capped at 3% or £5 whichever is higher.
- Business Rates yield assumptions still to be finalised:
  - Review of provisions
  - Additional growth expected
  - National Non-Domestic Rates (NNDR1) 31<sup>st</sup> January 2025 deadline

# Budget Pressures & Risks

Pages

- Pay (budgeted at 3.0%) and Pensions costs
- Reduction in investment income
- IDBs – government conversation ongoing
- Contract costs including PSPS, MV
- Benefits costs
- Bad debt provisions
- Business Rates
- Homelessness
- Waste Services (cost of food implementation)



# Improvements built in and further opportunities

## Included in the budget:

- SELCP savings
- Investment Income
- Fuel cost reduction
- Business Rates improvement
- Fees and charges

## Further Opportunities:

- Internal Drainage Board conversation
- Asset Development opportunities
- Contract review opportunities
- Service reviews
- Driving economic growth to create business rate yield
- Reserves – Investment/Corporate Reserve, Decarbonisation, invest to save, Market Towns and Rural support, Economic Growth and supporting the delivery of Affordable Housing

# Fees & Charges

- National charge /statutory charge increases.

Budget Area	2024/25 £'000	2025/26 £'000
Building Control Fees	(445)	(467)
Planning Fees (including pre-planning advice)	(1,374)	(1,374)
Car Parking Income	(3,221)	(3,389)
Market Stall Fees	(100)	(100)
Kingfisher Caravan Park	(1,086)	(1,186)
Waste Services	(1,728)	(1,796)
Commercial property rental income	(2,484)	(2,438)
Sales, Fees and other Direct Income	(4,452)	(4,327)
<b>TOTAL</b>	<b>(14,889)</b>	<b>(15,077)</b>

# Capital Programme 2025/26 – 2029/30

Page 11

Scheme	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	Total £'000
Capitalised Planned Enhancements	265	370	190	293	-	1,118
Car Park Resurfacing	250	250	250	250	250	1,250
Disabled Facilities Grants	2,517	2,517	2,517	2,517	2,517	12,585
Community Housing Fund	-	645	-	-	-	645
3G Football Pitch	160	-	-	-	-	160
IT Investment	202	429	769	100	100	1,600
Neighbourhoods Vehicles	69	225	5,117	-	-	5,411
Sustainable Warmth	6,268	-	-	-	-	6,268
CDF – Phase 2	117	-	-	-	-	117
CDF – Pier Transformation	149	-	-	-	-	149
Environmental Health	40	40	40	40	40	200
Local Authority Housing Fund	2,899	-	-	-	-	2,899
Solar PV for Horncastle Hub	341	-	-	-	-	341
Uniform	325	-	-	-	-	325
Affordable Housing Commuted Sum	1,000	-	-	-	-	1,000
<b>Total Projects (Excl Towns Funds, UKSPF &amp; LUF)</b>	<b>23,792</b>	<b>14,602</b>	<b>4,476</b>	<b>8,883</b>	<b>3,200</b>	<b>34,068</b>
Towns Fund – Skegness Town Centre Transformation	122	-	-	-	-	122
Towns Fund – Skegness Learning Campus	3,506	-	-	-	-	3,506
Towns Fund – Mablethorpe Campus for Future Living	267	-	-	-	-	267
<b>Total Towns Fund</b>	<b>3,895</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,895</b>
LUF: Spilsby Sessions House	3,699	415	-	-	-	4,114
LUF: Alford Manor House	1,396	157	-	-	-	1,553
LUF: Alford Windmill	677	76	-	-	-	753
<b>Total LUF</b>	<b>5,772</b>	<b>648</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,420</b>
<b>Total Approved</b>	<b>24,269</b>	<b>5,124</b>	<b>8,883</b>	<b>3,200</b>	<b>2,907</b>	<b>44,383</b>

# Capital Programme 2025/26 – 2029/30

Scheme	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	Total £'000
<b>New Bids</b>						
Air Quality Monitoring	10	-	-	-	-	10
Portable CCTV	7	-	-	-	-	7
Broadway & Colonnade Car Park	1,500	-	-	-	-	1,500
IT Investment	-	-	-	123	511	634
Surf Rakes	164	-	-	-	-	164
Neighbourhoods Vehicles	85	(120)	(101)	470	-	334
Capitalised Planned Enhancements	-	-	-	-	300	300
<b>Total New Bids</b>	<b>1,766</b>	<b>(120)</b>	<b>(101)</b>	<b>593</b>	<b>811</b>	<b>2,949</b>

<b>Total Draft Capital Programme</b>	<b>26,035</b>	<b>5,004</b>	<b>8,782</b>	<b>3,793</b>	<b>3,718</b>	<b>47,332</b>
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<b>Funded by:</b>						
Internal Borrowing	(2,400)	(886)	(6,055)	(1,136)	(1,061)	(11,538)
External Grants	(20,111)	(3,165)	(2,517)	(2,517)	(2,517)	(30,827)
Capital Reserve	(341)	-	-	-	-	(341)
Capital Receipts	(252)	-	-	-	-	(252)
S106s	(1,000)	-	-	-	-	(1,000)
Other Reserve	(1,931)	(953)	(210)	(140)	(140)	(3,374)
<b>Total Funding</b>	<b>(26,035)</b>	<b>(5,004)</b>	<b>(8,782)</b>	<b>(3,793)</b>	<b>(3,718)</b>	<b>(47,332)</b>

<b>Other Reserve Breakdown</b>						
Housing	-	(645)	-	-	-	(645)
Repair & Replacement	-	(208)	(110)	(40)	(40)	(398)
Economic Growth	(1,931)	(100)	(100)	(100)	(100)	(2,331)
	<b>(1,931)</b>	<b>(953)</b>	<b>(210)</b>	<b>(140)</b>	<b>(140)</b>	<b>(3,374)</b>

# Treasury Management

## Key points/assumptions:

- Investment income is forecast to be £2.401m in 25/26 (£2.201m net of property fund manager fees).
- This is based on average Investment Balances of £52m and an overall return on investments of 4.10%.
- The lower returns are mainly due to decreased investment balances as a result of capital expenditure and reduced rates of return averaging 4.10%.
- Impact of the Statutory override being removed for 2025/26 c£200k as of 30<sup>th</sup> November 2024.
- Property Funds returns are forecast to be 4%. Exit strategy for property funds (capital) and revenue funds over the mid-term.
- 25/26 MRP impact of property funds £58k
- The focus remains on internal borrowing (utilising cash balances) for relatively short-term requirements.

# Reserves

**Table 3 - Specific and General Reserves Balance Forecast Outturn**

Reserve	Balances at	Balances at	Balances at	Balances at	Balances at	Balances at
	31st March 2025	31st March 2026	31st March 2027	31st March 2028	31st March 2029	31st March 2030
	£'000	£'000	£'000	£'000	£'000	£'000
Investments Volatility Reserve	1,009	1,009	1,009	1,009	1,009	1,009
Economic Growth Reserve	2,808	877	777	677	577	477
Business Rates Volatility Reserve	5,795	5,795	5,795	5,795	5,795	5,795
Property Fund Reserve	175	175	175	175	175	175
Housing Reserve	2,088	2,283	1,638	1,638	1,638	1,638
Repairs and Maintenance Reserve	160	64	10	54	168	282
Carbon Reduction Reserve	704	505	505	505	505	505
Insurance Reserve	807	747	687	627	567	507
Capital Reserve	1,154	813	813	813	813	813
Service Transformation Reserve	671	722	787	607	672	737
Legal and Appeals Reserve	701	701	701	701	701	701
Technology Reserve	435	503	571	639	707	775
Corporate Priorities (Investment) Reserve	11,858	16,232	20,606	25,035	29,464	33,893
Wellbeing Reserve	334	640	640	640	640	640
Climate Change Reserve	481	481	481	481	481	481
<b>Specific Reserves Total</b>	<b>29,180</b>	<b>31,546</b>	<b>35,194</b>	<b>39,395</b>	<b>43,911</b>	<b>48,427</b>
General Fund	1,822	1,822	1,822	1,822	1,822	1,822
<b>Total</b>	<b>31,002</b>	<b>33,368</b>	<b>37,016</b>	<b>41,217</b>	<b>45,733</b>	<b>50,249</b>

- £10m commitment regards ELIP on 'Corporate Priorities (Investment) Reserve' not factored in to balances currently awaiting further detail on the scheme.

# Efficiencies Requirement

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Budget Savings Requirement	0	592	693	211	913	324
IDB Savings Requirement	1,370	1,823	2,105	2,400	2,710	3,036
<b>Total Requirement</b>	<b>1,370</b>	<b>2,415</b>	<b>2,797</b>	<b>2,612</b>	<b>3,624</b>	<b>3,361</b>

Assumes £492k of the £1.639m submitted as growth is approved

# Budget Position Considerations

- Business Rates – NNDR 1
- Pooling gain
- Smoothing by reserves – Property Funds
- EPR payment £1.6m
- Investment income
- Housing benefits changes
- Fees and charges
- Service Reviews
- Capitalisation of salaries
- PSPS Transformation Plan
- Vacancy allowances



# S151 – S25 Statement

Page 17

- New appendix to the budget report
- Statutory requirement previously embedded
- In light of significant funding challenges and changes has now been enhanced
- Key areas of risk: IDB strain, Future funding reductions, Investment Income, Service changes, Business rate reset
- Very challenging looking forward.

# Consultation Response

- 51 responses (last year 37)
- More generic approach taken may have increased response rate?
- 94% residents
- Quite a few comments and suggestions made
- 20% were aware of the IDB pressure in the Councils Budget
- 73% were aware of the Councils CTSS scheme
- Further suggestions made are listed in detail in the consultation response

# Future Matters looking forward

Page 19

2026/27

- Business rate reset
- Multi-year settlements
- IDBs
- Investment income and disinvestment property funds
- Further Pay pressures – 3%/2.5%
- PSPS contract increases
- Leisure procurement
- EPR payments and Food Waste support

# RISK REVIEW

# QUESTIONS



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Constitutional Working Group Update:

1.	<p>A review of the Audit and Governance Committee's Terms of Reference: To include reference to counter fraud and corruption, value for money, ethics and standards and, financial management:</p> <p>Included in the Council Constitution and in line with the CIPHA model set of responsibilities for Audit Committees.</p>
2.	<p>To limit the Constitutional Working Group to group members only, or to widen to include members with no group affiliation:</p> <p>The Terms of Reference for Audit and Governance Committee are to establish a working party comprising three elected Members drawn from different political parties from the Audit &amp; Governance Committee together with the Chief Executive and the Monitoring Officer to keep the Constitution under review to ensure that the constitution is fit for purpose and to meet as required and report any proposed changes to Audit &amp; Governance Committee as (with a view to an appropriate report being made by the Audit &amp; Governance Committee to the Council on any changes proposed).</p> <p>Consulting with Cllr Leyland.</p>
3.	<p>Order of items on Full Council agendas (this was a request made at the pre-council meeting on 16th July:</p> <p>We amended the agenda order for the December meeting and will continue to do so when required to assist with the smooth running of the meeting.</p>
4.	<p>Any further harmonisation with the Partnership Councils Constitutions:</p> <p>Work is ongoing to align parts with a draft date of May 2025. (This may be subject to local government reorganisation).</p>
5.	<p>Any other legal changes:</p> <p>Government consulted on remote meetings until 19 December 2024. Consultation link shared with Councillors. New consultation on introducing strengthened sanctions for local authority code of conduct breaches in England until 26 February 2025 shared with Councillors.</p>
6.	<p>Six Month Attendance Rule. Currently includes Council, Executive Board, Committees and appointments made by these bodies. Cross cutting with Item 5 as this has the potential to allow remote attendance in the future. See item 5.</p>

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