

Minutes of a Meeting of the Audit and Governance Committee held in in the Council Chambers, Tedder Hall, Manby Park, Louth on Wednesday, 5th October, 2022 at 10.15 am.

PRESENT

Councillor Will Grover (Chairman)

Councillors Terry Taylor, Adrian Benjamin, Colin Davie, Rosalind Jackson, Jill Makinson-Sanders, Krawiec and Leschenko.

OFFICERS IN ATTENDANCE:

Christine Marshall	Deputy Chief Executive (Corporate Development) and S151 Officer
Adrian Sibley	Deputy Chief Executive, Programme Delivery and SIRO
John Medler	Assistant Director Governance and Monitoring Officer
Samantha Knowles	Assistant Director, Finance and Deputy S151 Officer
Sean Howsam	Treasury and Investment Manager, PSPS Limited
Amanda Stanislawski	Audit Manager ,City of Lincoln Council
Suzanne Rolfe	Insights & Transformation Manager
Joanne Paterson	Democratic Services Officer
Elaine Speed	Democratic Services Officer

**15. APOLOGIES FOR ABSENCE:**

Apologies for absence were received from Councillor David Andrews and Graham Williams.

**16. DISCLOSURE OF INTERESTS (IF ANY):**

Members were invited to disclose any relevant interests. No interests were disclosed.

**17. MINUTES:**

The Open Minutes of the Meeting held on 6th July 2022 were agreed as a correct record.

**18. CHAIRMAN'S UPDATE:**

The Chairman provided an update to the Committee. The Committee were advised that there would be a Property Fund Manager Briefing session for Members the date would be confirmed in due course.

## **19. ACTION SHEET**

The Deputy Chief Executive Corporate and Section 151 Officer outlined the actions from the Meeting held on 6<sup>th</sup> July 2022, (pages 1-2 of the report refers).

The following comments were made:

- In terms of the update on the action regarding the Fitness Suite Refurbishment Members were advised that Magna Vitae were purchasing the equipment and the Council were financing it in accordance with an agreement with them.
- There were a number of detailed questions regarding the Councils position in respect of Carbon Reduction and its position with regards to the climate emergency. It was considered that the Council had a lot of influence over carbon reduction whereby it could encourage other organisations to do something similar. Given the number of areas of detail being raised by members the Section 151 Officer suggested this matter be referred to Scrutiny for a detailed review.

## **20. INTERNAL AUDIT PROGRESS REPORT:**

The Audit Manager, City of Lincoln Council, presented to Members the Internal Audit Progress Report Quarter 1 which covered the period February 2022 to July 2022, pages 3 to 23 of the agenda refer.

The purpose of the report was to provide Members with details of the audit work completed during the period, to advise on progress with the 2021/22 plan and to raise any other matters that may be relevant to the Audit Committee role.

It was noted that in this period 7 reviews had been completed with the following assurances: -

### **SELCP**

- Workforce Plan – Substantial
- Patch Management – Substantial
- Carbon Reduction – Substantial
- Towns Fund- Consultancy

### **ELDC**

- Contract Management – Substantial
- ICT- User Education and Awareness – Substantial
- Payroll – Substantial

In terms of work in progress for the South East Lincolnshire Partnership (SELCP) the following update was provided: -

- Flood Management – a report had been issued

- Key controls – this was nearly finished
- S106 agreements – a report had now been issued
- Invest East Lindsey – a report would be submitted to November Committee
- Payroll- this audit had already commenced.

In terms of work in progress for ELDC, it was reported that the housing Benefit Subsidy was in the testing stage.

Further discussion ensued around substantial assurance in particular patch management and whether the Councils audit team looked at the testing element. Reference was also made to the payroll implementation and ongoing issues and whether any lessons had been learnt from this. Reference was also made to single contract register for improved oversight to support delivery of the Towns Fund.

The Section 151 Officer confirmed that in terms of the Towns Fund Projects the Deputy Chief Executive, Programme Delivery would provide a note back to members via the Officer Question Sheet to ensure Members got sight of the process around the governance arrangements that are in place for overseeing delivery.

*(N.B Colin Davie advised that he was a Member of the Towns Fund Board).*

Members considered some projects were progressing better than others. Further comments were made around the importance of due diligence and critical detail in terms of project management. Also, East Lindsey should be looking at how it was going to manage the projects and income afterwards.

The Section 151 Officer stated that Members had received an informal presentation today which detailed projects being delivered by this Local Authority as part of the Towns Fund programme of activity. The Section 151 Officer had requested the Assistant Director Economic Growth attend a future meeting to update on the other projects where the Council was acting as accountable body.

A Member emphasised that East Lindsey was the accountable body for these projects and stated that when these projects were presented to Members it was more about governance, process, value for money and assurance.

In response to queries raised, the Section 151 Officer advised that government had given the Council a clean bill of health on its recent assurance submissions and no further action was required in respect of the information that had been provided. It was also confirmed that the Committee would receive regular presentations from the Deputy Chief Executive, Programme Delivery on these projects.

Members were advised that the informal briefing on the Towns Fund Projects has covered the potential revenue implications in terms of the projects the authority would have responsibility for and more would be forthcoming when that level of detail was reached. A Member reassured the Committee that with any capital project revenue would be a consideration.

In terms of the business cases being submitted, the Section 151 Officer confirmed that the business cases were very extensive that had been submitted to government to secure the funding, these were available for review should members wish to see them.

In terms of sinking funds, this was something the Council would consider once it had full sight of the detail regarding these schemes. As the Council proceeded through the stages there would be more detail around future running costs noting that the circumstances for each asset needed to be considered.

Following which it was,

RESOLVED:

That the Internal Audit Progress Report be noted.

## **21. RISK MANAGEMENT REPORT:**

The Insights and Transformation Manager presented Members with the Risk Management Report, (pages 25 to 34 of the agenda refer).

The purpose of the report was to provide Members with an overview of Risk Management within the authority. The Strategic Risk Register had been reviewed at the quarterly risk clinic and by Senior Leadership Team (SLT) at the end of June 2022. As such the report provided Members with the Quarter 1 position statement. In addition, a Partnership Strategic Risk Register is being delivered, and any synergies will be managed across the partnership rather than individually.

In response to queries raised the following information was confirmed: -

Reference was made to factors such as inflation, Covid mitigation, war in the Ukraine, cost of living, climate change all of which affected the current risks in the register, and it was suggested that these be fed into the Risk Register. The Insights and Transformation Manager confirmed these would be fed in.

Reference was made to CORP001, Reduction in government funding to deliver Council services and local priorities, (Appendix A page 29 of the agenda refers) this was currently rated as a medium risk however it was suggested that this be rated as a high risk.

The Section 151 Officer stated that the risk for the Council was modest as Revenue Support Grant was now only a small part of the Councils budget, and it was not about government funding to the Local Authority but the wider context.

Further reference was made to CORP012, Technology Infrastructure failure and the recent ICT failure across the East Midlands which had subsequently affected a lot of public sector organisations. The Council needed to look at how this could be mitigated as with any system review the Council should also consider how it could integrate a system across the whole partnership. The Section 151 Officer advised that a review of the incident and the ICT Strategy are both underway

Further comments were made around the importance of back-up systems and information security. A Member also suggested it would be useful to highlight the changes made by the SLT on the Risk Register. The Insights and Transformation Manager assured Members that the next report would show changes from Q1 to Q2 on the Risk Register.

A Member referred to CORP008, failure to comply with Information Governance and Management requirements, in terms of a matter regarding a Freedom of Information (FOI) request. The Assistant Director Governance and Monitoring Officer assured Members this would be dealt with outside of the meeting.

RESOLVED

That the Risk Management Report be noted.

## **22. TREASURY REPORT QUARTER 1:**

The Interim Treasury and Investment Manager, PSPS Limited presented Members with the Quarter 1 Treasury Report (pages 1-25 of the Agenda refer).

Members were informed that the purpose of the report was to provide the Committee with the 2022/23 Quarter 1 update on the Councils Treasury Management Strategy Statement and Annual Investment Strategy.

Reference was made to the Treasury Management Update (Appendix A pages 7-25 refer). The following areas were highlighted to Members under the Economic Update:-

- Further rise in Consumer Price Index (CPI) inflation to a new 40-year high of 9.1% in May.
- Bank Rate rise to 1.25%, taking it to its highest level since the Global Financial Criss.
- The Monetary Policy Committee (MPC) had now increased interest rates (pages 8-9 of the report refers)

*(N.B A detailed commentary provided by Link Group was detailed at Appendix A1)*

The Interim Treasury and Investment Manager detailed in brief the interest rate forecasts (pages 9-10 of the report refers). Further reference was made to the balance of risks to the UK economy which included downside risks to current forecasts for the UK gilt yields and PWLB rates, (page 11 of the report refers).

Furthermore, reference was made to the Treasury Management Strategy Statement for 2022/23 which included the Annual Investment Strategy approved by Council on 2nd March 2022 and set out the Council's investment priorities these being security of capital, liquidity, and yield.

Members were referred to the investment performance year to date as of 30 June 2022 and the Councils budget for investment income being £1.3m. It was noted that the outturn for investment income for 2022/23 was expected to overperform due to the prevailing interest rates that were now available.

Reference was made to a table detailing cash investments held by the Council as of 30 June 2022 (Appendix A page 13 of the report refers). In addition, a graph detailing longer term investment rates and a breakdown of Council purchased property fund units was detailed at page 14 of the report.

The performance of property and valuation of these funds was shown at page 16 of the report. Also detailed was an analysis of dividend distributions received since the purchase of the property funds to 30 June 2022. Furthermore, at page 17 a table showed the Councils borrowing position at the quarter end.

Members were invited to put their comments and questions forward.

Comments were made around the growing interest rates and how these would protect the Council from growing costs and what this would look like in the future. Further reference was made to £20m in UK Debt Management Office (DMO), (page 13 of the report refers).

The Treasury Investment Manager explained that the DMO was effectively the UK Government and was part of the Public Works Loan Board the Council could place deposits with them for any duration up to a maximum of 6 months, the intention over the next few months was to try and get some of these deposits out for longer period.

Members were advised that the DMO placing was part of this strategy which enabled the Council to be in a 'cash short' position and as rates improved the Council could take advantage of that. In addition, the Council's finance officers had been placing funds on longer fixes of significantly improved interest rates. Members were further advised that due to the size of the Council's cash balances there was likely to be a

'cushioning effect' due to the interest rate improvement and the Council were currently modelling that.

Further comments were made with regard to: -

- Reference to a significant investment in another Authority - what diligence was used when the Council invested money such as that? Members were assured that finance Officers did consider very carefully where their funds were placed. It was this Committee's role to scrutinise that strategy.
- Budget setting for next year in terms of pay inflation for staff and what impact this would have on the budget setting process in terms of the uplift? Members were advised that this was being modelled as part of the budget process.
- Inflationary pressures on wages, fuel and the town fund project would the increase in investment income cover all those challenges? The s151 commented that this work is currently underway and we will need to see what the overall position would be for next year, there was a possibility of withdrawing from reserves to smooth out any impacts of short term fluctuations.

In response to a query about individual Council's finances and reporting processes, Members were assured that ELDC's finances remained completely sovereign and were not impacted on by the other authorities financial positions. The only costs that were spread were shared resources within the Memorandum Of Agreement (MOA) such as the shared management arrangements and what was undertaken by PSPS.

- What discussions were taking place within the Corporate Management Team around potential changes in political leaderships and changes in government nationally? This impacted on local government and changed dynamics and strategies. The fact that a lot of the Councils systems were within PSPS and not across all three authorities, meant there would be no huge difficulties if change was to occur.

Following which it was,

RESOLVED

That the Treasury Report Quarter 1 be noted.

### **23. UPDATE IN RESPECT OF RIPA 2000:**

Members received the East Lindsey District Council (ELDC) and Boston Borough Council (BBC) Joint Regulation of Investigatory Powers (RIPA) Policy Update Report.

The purpose of the report was to provide the Audit and Governance Committee with an update to the Council's Policy and Procedures on the Regulation of Investigatory Powers Act 2000 (RIPA Policy) and its use and to provide assurance and information.

No comment and questions were received.

Following which it was,

RESOLVED

That the East Lindsey District Council (ELDC) and Boston Borough Council (BBC) - Joint Regulation of Investigatory Powers (RIPA) Policy Update be noted.

**24. MONITORING OFFICER UPDATE:**

The Interim Assistant Director Governance and Monitoring Officer (MO) provided Members an update:

Work had been undertaken on the Local Code of Corporate Governance it was hoped this could be brought to the next Committee meeting. This code was required to be updated in line with the CIPFA guidance on best practice.

Work had also commenced on the Contract Procedure Rules for the Council. Members would recall the recommendations that came to a previous Committee which had now been taken on board. There was a proposal to change Contract Procedure Rules they would come forward to a future meeting of this Committee.

RESOLVED

That the update and comments be noted.

**25. WORK PROGRAMME 2022-23:**

The Assistant Director Governance and Monitoring Officer presented Members with the Audit and Governance Committee Work Programme 2022/23.

The Chairman noted that the Committee's next meeting on 23<sup>rd</sup> November was looking to be a busy agenda although some items were still to be confirmed.

A Member wished to note some queries with regard to the Committee's Work Programme:



- Property Funds needed to factor more regularly on the Work Programme. Also the Annual Safeguarding Report needed included within the Work Programme.
- The Annual Fraud Report was due in November.
- The March/April meeting needed to show the Mandatory Inquiries for those charged with governance report and the Review of Effectiveness of the Audit and Governance Committee report.
- A Member noted that the Safeguarding report was very important, and the report coming to Audit and Governance helped Councillors to identify things such as modern slavery.

The Section 151 Officer advised that progress on the safeguarding report would be followed up by Officers.

In terms of the Fraud Report this was currently being worked by Internal Audit. Members were assured that the Council would have a robust process around fraud moving forward.

RESOLVED

That the Work Programme for 2022-23 be noted with the suggested amendments put forward.

**26. DATE OF NEXT MEETING:**

The programmed date of the next meeting of the Committee was confirmed as 23<sup>rd</sup> November 2022.

Members expressed thanks to the Deputy Chief Executive (Programme Delivery) for his presentation which had been very informative.

The meeting closed at 11.31 am.