

Minutes of a Meeting of the Audit and Governance Committee held in the Hub, Mareham Road, Horncastle, Lincolnshire LN9 6PH on Wednesday, 30th October, 2024 at 10.15 am.

PRESENT

Councillor Rosalind Jackson (Chairman)

Councillors Stef Bristow, Richard Fry, Sam Kemp and Edward Mossop.

Councillor Daniel Simpson attended the Meeting as a Substitute.

OFFICERS IN ATTENDANCE:

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| Christine Marshall | - Deputy Chief Executive (Corporate Development) and S151 Officer |
| Ellie Stacey | - Deputy Chief Finance Officer (Corporate), PSPS Limited |
| John Medler | - Assistant Director Governance & Monitoring Officer |
| Nicole Hayes | - Senior Finance Business Partner, PSPS Limited |
| Sean Howsam | - Treasury and Investment Manager, PSPS Limited |
| Rosie Kelly | - External Audit Manager, KPMG (virtual) |
| Jon Machej | - External Audit Manager, Mazars LLP (virtual) |
| Richard Steele | - Information Manager and Data Protection Officer (virtual) |
| Laura Allen | - Democratic Services Officer |

35. APOLOGIES FOR ABSENCE:

Apologies for absence were received from Councillors Danny Brookes, James Knowles 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 Daniel Simpson had been appointed to the Committee in place of Councillor Jill Makinson-Sanders for this Meeting only.

36. DISCLOSURE OF INTERESTS (IF ANY):

At this point in the meeting, Members were invited to declare any relevant interests.

Declarations were made as follows:

Councillor Richard Fry requested it be noted that in relation to Agenda Items 8 and 9 he was on the Board of Directors for PSPS and that he was the Chairman of the Supervisory Board for Invest East Lindsey and Executive Board Member for Finance during the period of time referenced.

37. MINUTES:

The Open and Exempt Minutes of the Meeting held on 11 September 2024 were agreed as a correct record.

38. CHAIRMAN'S UPDATE:

The Chairman informed Members of an upcoming pilot from the Centre for Governance and Scrutiny (CfGS) taking place during November and December 2024 which aimed to improve the ways in which Audit and Scrutiny worked together. The Chairman further advised Members that herself and the Chairman of Overview Committee would be in attendance and would report back on learning outcomes.

The Chairman advised Members that she had responded to the fee consultation from Public Sector Audit Appointments (PSAA) and that the final fee scales were expected to be published on 30th November 2024 with ELDC estimated to have audit fees in the region of £54,000.

The Chairman further advised Members that the Ministry of Housing, Communities and Local Government (MHCLD) had been in contact to request an update on the status of ELDC's accounts.

Members were further advised that an update from AEW fund managers was taking place following the meeting.

39. ACTION SHEET:

Members were referred to the Action Sheet, pages 23 to 26 of the Agenda refer.

Members noted that the actions from the Meeting held on 11 September 2024 were confirmed as completed or in hand.

No questions or comments were received.

40. EXTERNAL AUDIT COMPLETION REPORT 2021/22:

Jon Machej, External Auditor, Mazars LLP was in attendance virtually to present Members with the External Audit Completion Report 2021/22 for the year ended 31 March 2022, pages 27 to 74 of the Agenda refer.

Members were referred to Section 4 of the report which set out conclusions and significant findings on the audit risks and areas of management judgement in the Audit Strategy Memorandum which included:

- Management override of controls;
- Valuation of the net defined benefit liability; and
- Valuation of land and buildings and investment properties.

Members were further referred to Section 5 which set out internal control recommendations, including the need to improve the financial reporting arrangements currently in place, Section 6 which set out audit misstatements and Section 7 which outlined work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Mazars LLP concluded that there were no significant matters outstanding for their status and audit opinion at the time of preparing the report.

Members were invited to put their comments and questions forward.

- In reference to 'Adjusted misstatements', the Chairman queried whether the implications could be explained in more detail, pages 52 to 55 of the Agenda refer. In response, the External Audit Manager, Mazars LLP explained to Members that misstatements arose from the incorrect accounting for PSPS as a joint venture where the Council had moved into a different category following the merger into the Partnership. Members were further advised that the merger had resulted in a number of alterations to the accounting entries in the financial statements and that issues had been identified with the loans balances and their treatment for Invest East Lindsey in addition to other general adjustments explained in the report.
- A Member commented on the findings on the risks for the valuation of land and buildings and queried whether Members could obtain details of the assumptions made. In response, the Section 151 Officer advised Members that clarification would be sought on the methodology and reference points used in the valuers' evaluations. The External Audit Manager, Mazars LLP further advised Members that a formal evaluation report would be produced at the end of the year which would provide additional clarification.
- A Member queried whether the External Auditors had a view as to whether Invest East Lindsey was a liability. In response, the External Audit Manager, Mazars LLP advised Members that it was not the External Auditor's role to share a view and that they were only able to report on any weaknesses in arrangements. The Section 151 Officer further advised Members that it was the responsibility of Invest East Lindsey's auditors to determine any liabilities when making their annual going concern assessment.
- A Member sought clarification on the Section 151 Officer's opinion of the External Audit Completion Report 2021/22. In response, the Section 151 Officer commented that the PSPS team had experienced numerous changes over the years and that a precession of financial statements was now coming forward following additional work being undertaken. Members were further advised that the 2022/23 statements were expected to be published on the ELDC website by the end of the week and that the 2023/24 audit was expected to be on track to commence. The External Audit Manager, Mazars LLP further

advised Members that they were pleased to see the completion of 2021/22 financial statements.

There were no further comments or questions received.

Following which it was,

RESOLVED:

That the External Audit Completion Report 2021/22 be noted.

41. ANNUAL GOVERNANCE STATEMENT 2021/22 AND FINANCIAL STATEMENTS 2021/22:

The Deputy Chief Finance Officer (Corporate), PSPS Limited presented Members with the Annual Governance Statement 2021/22 and Financial Statements 2021/22 which were required to be approved by the Committee prior to publishing on the Council's website as per the Accounts and Audit Regulations 2015 and before the statutory deadline of 13 December 2024.

Members were referred to the Audited Financial Statements 2021/22 for the year ended 31 March 2022 that were attached at Appendix A, pages 75 to 210 of the Agenda refer.

Members were invited to put their comments and questions forward.

- A Member queried whether the scheme listed as 'Invest' could be written in full, page 92 of the Agenda refers. In response, the Deputy Chief Finance Officer (Corporate) confirmed that the wording would be updated to 'Invest East Lindsey.'
- In reference to the Paragraph entitled 'Entities Controlled or Significantly Influenced by the Council', a Member queried the lack of detail provided under the heading of 'Invest East Lindsey', page 153 of the Agenda refers. In response, the Deputy Chief Finance Officer (Corporate) advised Members that the lack of detail related to the existence of separate group accounts in which further detail was available.
- A Member requested that more detail was provided under the Invest East Lindsey heading to assist members of the public. In response, the Deputy Chief Finance Officer (Corporate) advised Members that a statement to refer the reader to the Group Accounts Section would be included to signpost where additional information could be examined, page 170 of the Agenda refers.
- In reference to Paragraph 4.1 'Contingent Liabilities', a Member queried the aspects that were under-reported, page 176 of the Agenda refers. In response, the Deputy Chief Finance Officer (Corporate) advised Members that it was the Councils role to disclose whether

there were any contingent liabilities that may be arising and there was currently none to disclose in relation to Invest East Lindsey. The Deputy Chief Finance Officer (Corporate) further advised Members that 51% referred to ELDC's share of PSPS and was referenced in the group accounts.

- In relation to the delay in certification of completion of the audit, a Member queried whether the situation had changed, page 182 of the Agenda refers. In response, the External Audit Manager, Mazars LLP advised Members that the external auditors had a responsibility to formally close the audit and issue a final certificate once all their responsibilities had been discharged and that this had not yet occurred.
- In reference to 'Issues raised by Internal Audit 2021/22', a Member queried whether ongoing monitoring and review was still occurring, page 195 of the Agenda refers. In response, the Deputy Chief Finance Officer (Corporate) advised Members that follow up audits had been undertaken and acted upon with actions implemented in relation to the two red assurance reports on Procurement and ICT project management.
- In relation to Note 33 – Related Parties – Members, the Chairman queried the accuracy of the number of Members disclosed as being elected Members of county, town and parish councils, page 152 of the Agenda refers. In response, the Deputy Chief Finance Officer (Corporate) provided Members with clarification that the disclosures were provided from Members Related Party Transaction Forms and not their Councillor Register of Interests Forms.
- A Member commented that improvement was needed for keeping Members Register of Interests forms up to date. In response, the Chairman reiterated that the notes to the accounts related to Related Party Transaction Form declarations.

There were no further questions or comments.

Following which it was,

RESOLVED

- That the Annual Governance Statement 2021/22 and the Financial Statements 2021/22 and the Letter of Representation be approved;
- That the Letter of Representation be signed by the Deputy Chief Executive (Corporate Development) and Section 151 Officer and be presented to Mazars LLP, External Auditors.

42. DRAFT FINANCIAL STATEMENTS INCLUDING ANNUAL GOVERNANCE STATEMENT 2022/2023:

The Deputy Chief Finance Officer (Corporate), PSPS Limited presented Members with the Draft Annual Governance Statement 2023/23 and Draft Financial Statements 2022/23.

Members were referred to the draft Financial Statements 2022/23 for the year ended 31 March 2023 that were attached at Appendix A, pages 7 to 112 of the Supplementary Agenda refer.

Members were invited to put their comments and questions forward.

- A Member commented on the value of information being publicly available on the Council's website and queried whether an easier to read summary could be included to enable members of the public to digest the report more easily. In response the Deputy Chief Finance Officer (Corporate), advised Members that the accounts were a statutory document, and that more detailed information was not disclosed unless they were classed as material.
- A Member commented that the Revenue Support Grants were making up a small proportion of the Council's income and that the rest was clustered in non-ringfenced government grants.
- A Member further queried the breakdown of the £26.5 million, page 77 of the Supplementary Agenda refers. In response the Deputy Chief Finance Officer (Corporate), advised Members that the £26.5 million was primarily related to the Towns Fund and that the wording would be revised to provide greater clarity.
- In relation to the narrative in the accounts, the Section 151 Officer further advised Members that a national initiative was underway by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the industry to examine ways in which to produce a more succinct narrative of the key facts of authority's accounts. The Section 151 Officer further advised Members that work around Pension Funds and Valuations was complex and that it was challenging to simplify the narrative when the Council needed to fulfil certain requirements.
- A Member commented on the delivery of mandatory training and considered that training should be more targeted rather than repeating the same content each year, page 101 of the Agenda refers.
- A Member further commented that training for Audit and Governance was well regulated and that training on current issues was welcomed. In response, the Deputy Chief Finance Officer (Corporate), PSPS Limited advised Members that in a normal year Members would

undertake training prior to the examination of the Financial Statements and that this would resume with the 2024-25 accounts.

- In reference to Information Governance, a Member queried when the annual GDPR training had taken place. In response the Assistant Director, Governance and Monitoring Officer assured Members that annual training took place for Licensing, Planning, Planning Policy and Audit and Governance Committees and that emerging issues would be factored into future sessions.

The Assistant Director, Governance and Monitoring Officer further advised Members that training sessions were open to all Members and that GDPR Training was undertaken as part of wider governance sessions, with a future session to be brought to Members.

- A Member further commented on the issue previously highlighted with Related Party Transaction Forms and the need for Members to be aware of how to make declarations accurately, page 103 of the Agenda refers.
- In reference to the Business Rates Volatility Reserve, the Chairman queried whether the reserve was labelled effectively, page 52 of the Agenda refers. In response the Deputy Chief Finance Officer (Corporate), PSPS Limited explained to Members that during COVID, grants were awarded to authorities for the deficit for business rates and that the deficit did not occur in the accounting transactions until the next financial year. Members were further assured that the deficit was budgeted for and that funding was set aside to draw down on in 2022/23.
- The Chairman further commented that the report was not easily understood by a layperson. In response, the Deputy Chief Finance Officer (Corporate), PSPS Limited assured Members that more details would be included in the outturn report which was being presented to the Executive Board.

There were no further questions or comments.

Following which it was,

RESOLVED

- That unaudited Financial Statements 2022/23 be noted as part of its governance role;
- That any necessary amendments prior to the formal approval of the Accounts for audit be made by the Section 151 Officer.

43. TREASURY ANNUAL REPORT 2022/23:

The Treasury and Investment Manager, PSPS Limited presented Members with the Annual Treasury Report 2022/23, pages 113 to 138 of the Supplementary Agenda refer.

Members were advised that the Council was required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. The report met the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

The report covered the following areas;

- An economic update for the 2022/23 financial year;
- A review of the Council's investment portfolio for 2022/23;
- A review of the Council's borrowing strategy for 2022/23;
- Debt position;
- Compliance with Treasury and Prudential Indicators.

Members were invited to put their comments and questions forward.

- In reference to the Link Group Interest Rate review, a Member queried the ways in which ELDC made preparations for circumstances where rate estimates had been inaccurate, page 127 of the Supplementary Agenda refers. In response, the Section 151 Officer advised Members that the Council was naturally buffered from unexpected fiscal events due to being in a net cash position rather than in a net debt position and that ELDC had continued to lock in the benefits for as long as possible.
- A Member commented on the benefits of observing fluctuations in bank rates and anticipating future events and further queried what lessons had been learned.
- A Member requested assurance on the status of debt and borrowing in relation to the Council's Partners and the ways in which ELDC compared with other districts around the country. In response, the Section 151 Officer explained to Members that the overall situation relied on managing volatility and that the Council's reserves were in a good position to enable the Council to have time to react and plan in adverse situations. Members were assured that the Council benefited from being a debt free authority and that pressures and challenges greatly varied in other districts.
- A Member queried whether there had been any specific examples of lessons learned. In response, the Section 151 Officer advised Members that the occasional need to utilise short-term borrowing to

maintain a positive cash flow position had been highlighted, such as in the instance of the early repayment of the Public Works Loan Board (PWLB) borrowing and that the position of the Council was to act prudently and maximise the timing of any opportunities that came forward.

The Section 151 Officer further explained to Members the benefits of having a savings target to prepare, and provided an example where other authorities had experienced negative impacts when their salaries budget had been underestimated in relation to the Pay Award.

- A Member commented that more insight and strategic thinking was valuable in relation to the savings target. In response, the Treasury and Investment Manager explained to Members that in relation to savings and investments, the Council had historically held a surplus at the end of the financial year due to a lag from capital expenditure.

The Treasury and Investment Manager further advised Members that considerations would be made by the Section 151 Officer on which reserve the surplus would move into and that investment recommendations were constantly being amended following updated forecasts from the Council's external treasury advisors.

The Treasury and Investment Manager concluded that the Council was currently looking to lengthen the investment duration of the portfolio to take into account the high interest rates and that the full investment period would be considered to maximise value.

- A Member queried whether the pay award figure had been budgeted for accurately. In response, the Section 151 Officer confirmed to Members that the pay award had been budgeted at 3.5% and that this year's figure was a closer estimate to the confirmed increase.
- In reference to capital expenditure, a Member stressed the importance of looking after the Council's assets and ensuring that public conveniences and other assets were maintained to enable better value for money for the public.

Following which it was,

RESOLVED:

That the report be noted and presented to Full Council for consideration and approval at its meeting on 11 December 2024.

44. MID TERM TREASURY REPORT 2024/25:

The Treasury and Investment Manager, PSPS presented Members with the Mid-Term Treasury Management Report 2024/25 in relation to the Council's Treasury Management Strategy Statement and Annual Investment Strategy at

Appendix A, pages 217 to 240 of the Agenda refers and covered the following areas;

- An economic update for the first half of the 2024/25 financial year;
- The outlook for the remainder of the financial year along with interest rate forecasts;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as asset out in the Capital Strategy, and prudential indicators;
- A review of the Council's Investment portfolio for 2024/25;
- A review of the Council's borrowing strategy for 2024/25;
- A review of compliance with Treasury and Prudential Limits for 2024/25.

The Treasury and Investment Manager advised Members that the Annual Treasury Report 2024/25 would be presented to the next Meeting of the Audit and Governance Committee once the accounts had been finalised.

Members were informed that the report referred to a key element of the Council's Governance Framework and therefore represented an important contribution to the evidence trail in support of the Annual Governance Statement 2024/25.

Members were invited to put their comments and questions forward.

- A Member queried whether the Council had concluded providing loans to Invest East Lindsey and whether they were up to date on payments, page 231 of the Agenda refers. In response, the Treasury and Investment Manager confirmed to Members that some of the loans had met their maturity date, however some had been extended due to delays in the sales of properties whilst some of the loans had been repaid.
- A Member further queried in which scheme the funding was set aside for the resurfacing of the Broadway Carpark in Sutton on Sea, page 239 of the Agenda refers. In response, the Section 151 Officer advised Members that the details would be clarified and brought back to the Committee at a future Meeting.
- In reference to the Council's Capital Financing Requirement (CFR) for 2024/25 of £17.526 million, the Chairman noted the drop in £4.5 million in the value of property funds and queried whether the £17.526 million was the Minimum Revenue Provision (MRP), page 226 of the Agenda refers. In response, the Treasury and Investment Manager advised Members that it was not the MRP and was the unfinanced capital expenditure that the Council had incurred on property funds that had decreased in comparison to previous years.

- The Chairman further queried whether the financing requirement related to the original price of the property fund. In response, the Treasury and Investment Manager confirmed to Members that the value was based on the purchase price less any MRP contributions that the Council had made. The Treasury and Investment Manager further advised Members that voluntary revenue provisions were also taken into account and that the contributions could be reversed to increase the Council's financing requirement if the property fund valuations increased.
- In relation to the UK Shared Prosperity Fund (UKSPF), a Member queried whether the funds had a spending timeline and whether there were requirements when reaching the date of completion, page 239 of the Agenda refers. In response, the Section 151 advised Members that timelines varied between funding bodies and were also dependent on Government requirements. Members were further advised that the UKSPF spending was expected to reach completion by the end of March 2025 and that good progress was being made in liaison with the government. The Section 151 Officer further advised Members that the Towns Funding had a longer timeline imposed and was expected to reach completion by March 2026.
- A Member further queried whether there was considerable risk in the projects reaching fruition. In response, the Section 151 assured Members that the Senior Leadership Team (SLT) closely monitored and reviewed the projects on a monthly basis and that some projects were undertaken with a third party who held the spending responsibilities rather than the Council.
- A Member queried the risk profile and process for investing with other local authorities, page 230 of the Agenda refers. In response, the Treasury and Investment Manager advised Members that lending to other local authorities was relatively risk free. The Treasury and Investment Manager further explained to Members that money loaned would increase other authorities borrowing capacity and that the risks were managed by undertaking background checks to determine the individual risk of an authority before decisions were made to provide a loan.
- The Treasury and Investment Manager further advised Members that an increase in borrowing requests was seen towards the end of the financial year when authorities were short on cash and that rates increased when there was more competition for the funds.

There were no further comments or questions received.

The Chairman thanked the Treasury and Investment Manager for an informative report.

Following which it was,

RESOLVED:

That the Mid Term Treasury Report 2024/25 be noted.

45. INFORMATION GOVERNANCE ANNUAL UPDATE:

Richard Steele, Group Information Manager and Data Protection Officer presented Members with the annual update on Information Governance, pages 241 to 248 of the Agenda refer.

Members were informed that the purpose of the report was to provide the Audit and Governance Committee with an update on the Council's activities and compliance in respect of the Freedom of Information Act 2000, Environmental Information Regulation 2014 and Data Protection Act 2018 requirements during the previous 12 months.

Members were advised that the total number of requests made between October 2023 and October 2024 was 756. Of these, 121 were for information covered by the Environmental Information Regulation and 22 requests were either withdrawn or were requests that were not valid under the Act.

Members were further advised that the percentage of responses within the statutory deadline was 98% which was above the Information Commissioner's Office (ICO) good threshold and that 3 complaints referred to the ICO were considered low.

Members were invited to put their comments and questions forward.

- In reference to Paragraph 2.1.9, a Member queried whether the three internal reviews were the same complaints that were referred to the ICO, page 243 of the Agenda refers. In response, the Group Information Manager and Data Protection Officer advised Members that only one of the complaints that went through internal review had been referred to the ICO.
- In reference to the complaint that was 'upheld and information disclosed', a Member further queried the reasons that the information was not disclosed when the findings showed that the information had been disclosable. In response, the Group Information Manager and Data Protection Officer explained to Members that the internal review looked at the reasons why information had been withheld and that a secondary opinion was taken on the application of a specific exemption. Members were further advised that exemptions were complex and guided by legislation and the independent review had the ability to disapply the exemption in the view of public interest.
- A Member queried whether Social Action Groups which formed part of the Freedom of Information Requests that the Council received were specifically targeted at ELDC and whether they were increasing in

frequency. In response, the Group Information Manager and Data Protection Officer informed Members that the majority of requests had been observed to be targeting all Councils in the country and that there were specific agencies which carried out the task.

- The Chairman commented that information on the training provided to staff on data protection would benefit from inclusion in the report.

No further comments or questions were received.

The Chairman thanked the Group Information Manager and Data Protection Officer for his detailed report.

Following which it was,

RESOLVED:

That the Information Governance Annual Update be noted.

46. COMMITTEE WORK PROGRAMME 2024/25:

Members were presented with the Audit & Governance Committee Work Programme 2024/25, pages 249 to 252 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.

47. DATE OF NEXT MEETING:

The programmed date for the next Meeting of this Committee was noted as Wednesday 15th January 2025. Members were advised that an Extraordinary Meeting had been scheduled for Wednesday 27th November 2024.

48. EXEMPT INFORMATION:

RESOLVED:

That under Section 100 (a) (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items on the grounds that, if they were present, there could be disclosed to them exempt information as defined in paragraph 1 of Part 1 of Schedule 12A to the Act (as amended).

49. APPOINTMENT OF INDEPENDENT CO-OPTED MEMBERS:

A report was provided by the Assistant Director, Governance and Monitoring Officer which enabled Members to consider the recruitment and appointment of Co-opted Independent Members to the Audit and Governance Committee.

RESOLVED:

That the Recommendations contained within the exempt minute be agreed.

The meeting closed at 12.05 pm.

DRAFT