

Minutes of an Extraordinary Meeting of the Audit and Governance Committee held in the Hub, Mareham Road, Horncastle, Lincolnshire LN9 6PH on Wednesday, 27th November, 2024 at 10.15 am.

## PRESENT

Councillor Rosalind Jackson (Chairman)  
Councillor Jill Makinson-Sanders (Vice-Chairman)

Councillors Stef Bristow, Richard Fry and James Knowles.

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
Ellie Stacey	- Deputy Chief Finance Officer (Corporate), PSPS Limited
John Medler	- Assistant Director Governance & Monitoring Officer
Alison Sparks	- Legal Manager and Deputy Monitoring Officer
James Boyle	- External Audit Director, KPMG (virtual)
Nicole Hayes	- Senior Finance Business Partner, PSPS Limited
Sean Howsam	- Treasury and Investment Manager, PSPS Limited
Mark Surridge	- External Audit Manager, Forvis Mazars (virtual)
Laura Allen	- Democratic Services Officer

## 50. APOLOGIES FOR ABSENCE:

Apologies for absence were received from Councillor Danny Brookes.

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 Edward Mossop for this Meeting only.

## 51. 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 he was on the Board of Directors for PSPS Limited. He further advised 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 in the upcoming Agenda items.

**52. CHAIRMAN'S UPDATE:**

The Chairman advised Members that she had attended an informal liaison meeting with Executive Board representatives and had discussed various topics including PSPS Limited, Invest East Lindsey, training of the Audit and Governance Committee, the Constitution and local government reorganisation.

Members were further advised that the Chairman had attended a LG Futures webinar on 6th November 2024 on the local government finance settlement and a Public Sector Audit Appointments (PSAA) webinar on 8th November 2024 on the Local Audit Backlog.

In relation to the Constitutional Working Group, Members were advised that the group had met to consider topics including the Committee's Terms of Reference, the role of the Working Group, Portfolio Holder Presentations at Full Council Meetings, Constitutional alignment and government consultations.

The Chairman further advised Members that she was attending an ongoing scrutiny pilot from the Centre for Governance and Scrutiny (CFGs) with the Chairman of the Overview Committee to improve the ways in which audit and scrutiny worked together.

The Vice-Chairman took the opportunity to praise the success of the Finance Department who had been the recipients of various recognitions at the PSPS awards night.

Members were further updated on the new appointment undertaken by a past Independent Co-Optee of the Audit and Governance Committee who had also offered to provide support to the new Independent Members.

**53. DRAFT VFM PROGRESS REPORT 21/22 AND 22/23:**

Mark Surridge, External Auditor, Forvis Mazars was in attendance virtually to present Members with the Draft Value For Money (VFM) Progress Report 2021/22 and 2022/23 for the year ended 31 March 2022 and 31 March 2023, pages 1 to 24 of the Agenda refer.

Members were advised that the External Auditors work on the VFM arrangements was substantially well progressed and that following an objection to the Financial Statements received on 9th November 2024, the report was being issued to represent findings prior to this objection and that the findings were subject to revision.

Members were invited to put their comments and questions forward.

- A Member commented that Invest East Lindsey should be added to the Council's Risk Register due to the potential financial and reputational risks that its operation could bring to the Council. In response, the External Audit Manager, Forvis Mazars advised Members that the risk had been recognised in their recommendations and that the external auditors wanted to ensure that the Audit and Governance Committee had full oversight.
- A Member queried whether a comprehensive update on Invest East Lindsey could be provided to the Committee in the future. In response, the Section 151 Officer advised Members that a substantial number of reports on Invest East Lindsey, including a recent report that went to Full Council, were already available and could be provided to the newer Members of the Committee.
- In reference to Appendix A – 'Further information on our audit of the financial statements', a Member requested an update on the steps that had been taken in relation to the production of the draft accounts and working papers as noted in the Management response, page 21 of the Agenda refers.

In response, the Deputy Chief Finance Officer (Corporate), PSPS Limited advised Members that a timetable for producing the Financial Statements and working papers was being drafted and that the previous year's timetable was being rolled forward with the revised dates for the financial statements deadline of 30th June 2025. Members were further assured that year-end memos were produced and circulated to all officers, budget managers and business partners and that all preparatory work was well advanced in preparation for the year end of 31st March 2025.

- In reference to the Council's spending benchmarks, the Chairman queried the way in which the benchmarks accounted for government grants and the reasons that the Council were spending more per head across the district compared to the average for all other English district local authorities, page 9 of the Agenda refers.

In response, the External Audit Manager, Forvis Mazars advised Members that the graph represented the period from 2017/18 to 2022/23 and that a weblink had been included to provide a breakdown of the details per service line. Members were advised that the costs did not include additional grants such as the Towns Fund, as the spending was based on revenue expenditure. Members were further advised that the Council's spending was generally larger due to its locality and population.

The External Audit Manager, Forvis Mazars further assured Members that the external auditors had concluded that the Council's spending had not presented a significant concern.

The Section 151 Officer further supported that the largest factor in the Council's revenue expenditure position was the rurality and size of the district.

- A Member queried whether extra funding was available from the government to ease pressures on the Council due to its size and rural location. In response, the Section 151 advised Members that national lobbying was underway for many rural authorities whose funding settlement would greatly benefit from being adjusted to reflect their locality.

There were no further comments or questions received.

Following which it was,

RESOLVED:

That the Draft Value For Money Progress Report 2021/22 and 2022/23 be noted.

#### **54. AUDIT STRATEGY AND COMPLETION REPORT FOR 22/23:**

Mark Surridge, External Auditor, Forvis Mazars was in attendance virtually to present Members with the Audit Strategy and Completion Report for 2022/23 for the year ended 31 March 2023, pages 25 to 62 of the Agenda refer.

Members were advised that the external auditors would not be in a position to complete the procedures to issue an opinion on the 2022/23 accounts due to the introduction of the hard backstop date of 13th December 2024 and that a disclaimer would be issued. Members were further advised that the report covered the external auditor's statutory requirements and responsibilities.

Members were invited to put their comments and questions forward.

*N.B Councillor Stef Bristow left the Meeting at 10.32am.*

- In reference to the objection to the Financial Statements received on 9th November 2024, a Member queried whether further information could be shared on what the objection related to and the implications, page 29 of the Agenda refers. In response, the External Auditor, Forvis Mazars explained to Members that elector activity had increased over the past two years and that the objection received on 9th November 2024 related to Parish Council Precepts. Members were further advised that internal quality checks were in progress and that the objection raised did not present a risk of material misstatement to the Financial Statements.
- The External Auditor, Forvis Mazars further explained to Members that the external audit completion certificate could not be issued until the

process had been concluded and that the Committee would be updated on progress by February 2025.

There were no further comments or questions received.

The Chairman thanked the External Auditor, Forvis Mazars for his informative report.

Following which it was,

RESOLVED:

That the Audit Strategy and Completion Report for 2022/23 be noted.

**55. DRAFT FINANCIAL STATEMENTS INCLUDING ANNUAL GOVERNANCE STATEMENT 2023/24:**

*N.B This item was brought forward at the Chairman's discretion.*

The Deputy Chief Finance Officer (Corporate), PSPS Limited presented Members with the Draft Financial Statements including Annual Governance Statement 2023/24.

Members were referred to the Draft Financial Statements 2023/24 for the year ended 31 March 2024 that were attached at Appendix A, pages 193 to 310 of the Agenda refer.

Members were invited to put their comments and questions forward.

*N.B Councillor Stef Bristow returned to the Meeting at 10.36am.*

- In reference to the going concern assessment for Invest East Lindsey, a Member queried whether there was doubt on the assessment of Invest East Lindsey's ability to continue and whether there was historic documentation available to explain what the going concern assessment related to, page 289 of the Agenda refers. In response, the Deputy Chief Finance Officer (Corporate), PSPS Limited advised Members that the wording on page 289 had been extracted from Invest East Lindsey's financial statements and that historic documentation was available.

The Section 151 Officer further advised Members that the availability of historic information on Invest East Lindsey was related to its governance arrangements rather than performance.

- The Chairman reminded Members that a scrutiny panel report had been presented to the Committee in June 2024 which had focused on Invest East Lindsey's performance.

- In relation to the report implications checklist, a Member queried who was responsible for drawing conclusions, page 189 to 190 of the Agenda refers. In response, the Chairman explained to Members that the checklist was part of the standard report format that was brought forward to Committees.

The Section 151 Officer explained to Members that the report implications were a statement of fact and therefore had limited implications. Members were further advised that a more detailed report that considered the wider implications would be presented to the Executive Board.

- A Member further queried whether decisions on implications were made by an individual officer and whether there were guidelines. In response, the Section 151 Officer clarified that guidelines were in place and that the report author was responsible for determining the implications of a report.

The Assistant Director, Governance and Monitoring Officer assured Members that all reports were submitted through the Section 151 Officer or the Monitoring Officer who would consider the implications before the report was presented to the authority.

- In reference to the Repairs and Maintenance Reserve, a Member queried the requirement of a further fund use for capital purposes for the 3G Pitch in Louth, page 204 and 207 of the Agenda refers. In response, the Deputy Chief Finance Officer (Corporate), PSPS Limited advised Members that further clarification would be obtained.
- In reference to the legal and appeals reserve, a Member requested clarification on whether the Kenwick Road/Legbourne Road Flood Alleviation scheme was still operating and receiving funding, page 207 of the Agenda refers.
- In reference to the Public Sector Hub, a Member queried whether spending had been included for additional solar panels, page 204 of the Agenda refers.

In response to Members' queries, the Deputy Chief Finance Officer (Corporate), PSPS Limited advised the Committee that further clarification would be obtained.

- In reference to Landsites in the Council's ownership, a Member considered that Westgate Fields in Louth should be included in the list, page 222 of the Agenda refers.
- In reference to the Efficiencies Requirement, a Member requested further clarification, page 203 of the Agenda refers. In response, the Section 151 Officer advised Members that the efficiencies requirement

was built in to reflect the pressures of the Internal Drainage Board's (IDB's) Levies as there was no external funding available to support the cost. Members were further advised that the IDB pressures had been separately identified for 2024/25 and that the efficiencies target continued to be reported and monitored in the quarterly reports presented to the Executive Board.

- The Chairman commented that the year needed amending in the paragraph in relation to the Risk Strategy aligned across the Partnership Councils, page 101 of the Agenda refers.

There were no further questions or comments.

Following which it was,

#### RESOLVED

- That the Draft Annual Governance Statement 2023/24 be approved and that the unaudited Financial Statements 2023/24 be noted as part of its governance role;
- That the Section 151 Officer make any necessary amendments prior to the formal approval of the Accounts for audit.

#### **56. TREASURY ANNUAL REPORT 2023/24:**

The Treasury and Investment Manager, PSPS Limited presented Members with the Annual Treasury Report 2023/24, pages 311 to 336 of the 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 2023/24. 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 2023/24 financial year;
- A review of the Council's investment portfolio for 2023/24;
- A review of the Council's borrowing strategy for 2023/24;
- Debt position;
- Compliance with Treasury and Prudential Indicators.

Members were invited to put their comments and questions forward.

- In reference to the rate of return on the Council's treasury investments which averaged 5.16% for the 2023/24 financial year and Property Fund investments achieving a rate of 4.119%, a Member queried whether there was any ambition for the Council to move away from non-treasury investments, page 313 of the Agenda refers. In response, the Section 151 Officer explained to Members that the government had introduced new rules which required a provision for the repayment of debt from 1st April 2025.
- A Member queried whether the implications checklist related only to East Lindsey District Council rather than the Partnership. The Section 151 Officer confirmed that the report was solely related to East Lindsey District Council and explained to Members that there was a standard report format, however some reports may identify implications for more than one authority in the Partnership.
- Referring to the loans that were provided to Invest East Lindsey, a Member queried whether the interest rates the Council was charging went down as interest rates reduced. In response, the Treasury and Investment Manager, PSPS Limited advised Members that a repayment of £250,000 had been made during the 2023/24 financial year and that the interest rate was fixed at 4% and would remain at that rate unless negotiations occurred.
- The Chairman commented on the decrease in the valuation in property funds and queried whether a decision would be presented to Full Council. In response, the Section 151 Officer advised Members that a report would be presented to the Audit and Governance Committee and then to Full Council. Members were further advised that due to low markets and high interest rates, the property funds were not recovering as quickly as anticipated.

The Chairman stressed the importance of the report on property funds coming forward to the Audit and Governance Committee promptly.

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.

**57. DATE OF NEXT MEETING:**

The programmed date for the next Meeting of this Committee was noted as Wednesday 29th January 2025. Members were further advised that an Extraordinary Meeting would be required in December 2024.

**58. ANNUAL GOVERNANCE STATEMENT 2022/23 AND FINANCIAL STATEMENTS 2022/23:**

The Chairman introduced the Annual Governance Statement 2022/23 and Financial Statements 2022/23 and explained to the Committee that a briefing had been circulated to Members ahead of the Meeting, following an objection being received during the public rights period.

Alison Sparks, the Council's Legal Manager and Deputy Monitoring Officer further advised Members that the Committee was able to proceed with approving the Annual Governance Statement 2022/23 and that it was recommended that the Committee adjourn the remaining recommendations until the public rights period had concluded, pages 67 to 180 of the Agenda refer.

Members were invited to put their comments and questions forward.

- A Member queried what the implications were in the circumstances where the Committee was unhappy with proceeding with the recommendation. In response, the Legal Manager and Deputy Monitoring Officer advised Members that the Council would be outside of the timeframe to complete the accounts in the circumstances where there was a formal legal challenge.
- A Member further queried whether there would be a financial penalty for approving the Financial Statements outside of the timeframe. In response, the Legal Manager and Deputy Monitoring Officer advised Members that she was not aware of any financial penalties.
- The Chairman stressed the importance of ensuring that the Council conducted its efforts to approve the accounts according to legal requirements.

The Deputy Chief Finance Officer (Corporate), PSPS Limited further explained to Members that the conclusion of the audit had not been fully undertaken by the External Auditors and that a disclaimed opinion would be issued.

Members were further advised that the purpose of the report was to bring to the Committee's attention that there had been no changes to the 2022/23 financial statements since the draft statements were received by the Committee on 30th October 2024.

- A Member queried whether there was prudence in delaying the vote for the Committee to approve the Annual Governance Statement 2022/23. In response, the Section 151 Officer advised Members that the Annual Governance Statement (AGS) would be presented to the Committee as a separate report in future and supported the proposal for the AGS to be approved in isolation.

Following which it was,

RESOLVED

- That the Annual Governance Statement 2022/23 be approved;
- That the meeting be adjourned and reconvened at 1pm on Friday 13th December 2024 to consider the Financial Statements 2022/23.

The Meeting was adjourned at 11.20 am.