

Minutes of a Meeting of the Audit and Governance Committee held in the Hub, Mareham Road, Horncastle, Lincolnshire LN9 6PH on Wednesday, 14th January, 2026 at 10.15 am.

PRESENT

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

Councillors Stef Bristow, Danny Brookes, Will Grover, James Knowles and Edward Mossop.

Ian Silcox-Crowe and Christopher Pilkington attended the meeting as Independent Co-Optees.

OFFICERS IN ATTENDANCE:

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| Russell Stone | - Director of Finance and Section 151 Officer |
| James Boyle | - External Audit Director, KPMG (Virtual) |
| Claire Goodenough | - Head of Internal Audit, Internal Audit Lincolnshire County Council |
| Mark Harrison | - Internal Audit Manager, Internal Audit Lincolnshire County Council |
| Sean Howsam | - Treasury and Investment Manager, PSPS Limited |
| Laura Allen | - Democratic Services Officer |

57. APOLOGIES FOR ABSENCE:

Apologies for absence were received from Councillors Neil Jones.

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 Ru Yarsley had been appointed to the Committee in place of Councillor Neil Jones for this Meeting only.

58. 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 Jill Makinson-Sanders asked it be noted that she was on the Board of Directors for PSPS Limited.

59. MINUTES:

The Open and Exempt Minutes of the Meeting held on 19 November 2025 were agreed with the following amendment:

Item 50 - Councillor Stef Bristow returned to the meeting at 12.41pm.

Councillor Jill Makinson-Sanders asked that it be noted that her absence at the Meeting held on 19th November 2025 was as a result of being in attendance at the Health Scrutiny Committee for Lincolnshire in her capacity as the Council's Outside Body Appointee.

60. ACTION SHEET:

Members were referred to the Open and Exempt Action Sheets, pages 23 to 28 of the Agenda refer.

Members noted that the Open and Exempt Actions from the Meeting held on 19 November 2025 were confirmed as completed or in hand as follows:

- In reference to Action No. 46 (a), a Member highlighted that there had been two Local Government Reorganisation (LGR) submissions to the government which included a final submission on 28th November 2025, page 23 of the Agenda refers.
- In reference to Action No. 47, a Member queried whether a further update could be provided on the progress in relation to the asset classification of Kingfisher Caravan Park, page 24 of the Agenda refers. In response, James Boyle, External Audit Director (KPMG) advised Members that it had been confirmed that a prior period adjustment was not required within the financial statements to restate the classification. Members were assured that a report explaining the definition and the decision for the reclassification from investment property to other land and buildings would be provided to the Committee at its Meeting on 18th February 2026.
- In reference to Appendix A1 for Action No. 52, a Member commented on the positive performance of the Hermes Property Fund investment and added that it had been a good investment for the Council, pages 24 and 27 of the Agenda refer.
- In reference to Action No. 49, the Chairman noted that the update provided assurance on the planned approach to training on bribery, fraud prevention and anti-money laundering and requested that the Action remain open to monitor progress until training had been undertaken.

No further comments or questions were received.

61. CHAIRMAN'S UPDATE:

The Chairman advised Members that she had attended a Local Government Association (LGA) training session on Leading Good Governance and Assurance as a senior councillor on 2nd December 2025 which had highlighted the importance of the Annual Governance Statement. It was

noted that the 'Annual Governance Statement Action Tracker' had been added to the Committee Work Programme to enable Members to review and track progress throughout the year, page 135 of the Agenda refers.

The Chairman further advised Members that the Annual Self-Assessment exercise would take place following the Meeting. In addition, Members were reminded that on 20th January 2026 there would be an Overview Committee Budget Scrutiny Meeting, which all Members of the Audit and Governance Committee were invited to attend either in person or remotely.

Members were invited to put their comments and questions forward.

- Members queried speaking arrangements for Audit and Governance Committee Members in attendance at the Overview Committee Meeting on 20th January 2026. In response, the Chairman explained to Members that speaking was normally at the discretion of the Chairman and confirmed that she would clarify speaking arrangements with the Chairman of Overview before the Meeting.

In follow-up, Russell Stone, Director of Finance and Section 151 Officer, further advised Members that the expectation was that Members of both Committees would be able to make comments that would be recorded as part of the Minutes.

62. DRAFT TREASURY MANAGEMENT POLICY STATEMENT; DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2026/27; AND TREASURY MANAGEMENT & INVESTMENT MANAGEMENT (NON-TREASURY) PRINCIPLES AND PRACTICES:

The Chairman welcomed Sean Howsam, Treasury and Investment Manager (PSPS Limited) to the Meeting.

The report highlighted to Members the Draft Treasury Management Policy (**Appendix 1**), Draft Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Plan 2026-27 (**Appendix 2**), and Treasury Management and Investment Management (Non-Treasury) Principles and Practices (**Appendix 3**), pages 35 to 116 of the Agenda refer.

Members were advised that in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, the information contained in the report would be included as part of the Budget Setting Report that would be presented to Executive Board on 19th February 2026 and to Full Council on 4th March 2026 for approval.

Members were invited to put their comments and questions forward.

- In reference to Appendix 5.4 – Approved countries for investments, a Member queried whether the Council had a policy on not lending to countries outside of Europe, particularly those with notable human rights issues, page 73 of the Agenda refers. In response, the Treasury and Investment Manager (PSPS Limited) advised Members that the Council did not have a specific policy on investing outside of Europe and that the Council's formal policy was to base decisions on credit ratings and with the final decision on where to invest made at the discretion of the Section 151 Officer. Members were assured that the Council monitored global circumstances and was not currently making investments in countries of political uncertainty such as Abu Dhabi, Qatar and Finland.
- In reference to paragraph 2.5 where it was noted that the strategy proposed an increase in the operational boundary for external borrowing from £25m to £37m and the authorised borrowing limit from £29m to £41m, a Member queried the reasoning for the significant increase in borrowing particularly where the Council was under borrowing, pages 32 and 51 of the Agenda refer. In response, the Treasury and Investment Manager (PSPS Limited) drew Members attention to the Council's borrowing need or Capital Financing Requirement (CFR) noted at page 43 of the Agenda which was £21.7m for 2025/6 and formed part of the Council's borrowing requirements. It was further explained that due to borrowing costs being higher than investment interest received for lending money, reserve balances were being used until such a time when the Council would be required to externally borrow and that the borrowing limits had been increased in anticipation of this.
- A Member sought further clarification on the reasoning for the Council's borrowing requirements to increase. In response, the Treasury and Investment Manager (PSPS Limited) further clarified to Members that £21.7m expenditure financed from borrowing had already been incurred and that the Council had not currently needed to externally borrow which had saved money on external borrowing costs by reducing the Council's investment income.

In follow-up, the Director of Finance and Section 151 Officer assured Members that there was no expectation for the Council to take up the high level of borrowing being proposed, however increasing the borrowing limits would provide flexibility.

- A Member queried the timescales for withdrawing investment funds from countries that were identified as at risk. In response, the Treasury and Investment Manager (PSPS Limited) explained to Members that investments would not normally be withdrawn until the investment reached its maturity date as this would incur additional costs. Members were assured that the majority of the Council's investments were with other local authorities which provided greater protection from losses and that a discussion with the Section 151 Officer would be

undertaken should any concerns arise necessitating the need for early redemption.

- A Member highlighted the need for ensuring that Committee Members were adequately trained and to undertake Continuing Professional Development (CPD) to increase expertise.
- A Member queried whether a training record was maintained for Executive Board Members. In response, the Treasury and Investment Manager (PSPS Limited) advised Members that Treasury Management Training was open to all elected Members and that maintaining records of Members' training was the responsibility of Democratic Services.
- A Member commented on the expectation that Executive Board Members were adequately trained and queried the reason that Executive Board were not subject to any form of mandatory training. In response, the Democratic Services Officer advised Members that mandatory training applied to specific Committees; however Executive Board Members could attend the training sessions and participate. In response, the Chairman confirmed that further clarification would be sought.
- In reference to the Council's current treasury management portfolio position at 31st March 2024 and 31st December 2025, a Member highlighted the increase in investment in other local authorities of approximately £10m and queried the reasons for the increase, page 50 of the Agenda refers. In response, the Treasury and Investment Manager (PSPS Limited) advised Members that the security of investments was paramount and that investment with other local authorities was favourable due to backing from government and contractual arrangements to make repayments. Members were further assured that investments in local authorities were currently providing a higher rate of return with limited risk.
- Members queried whether the Council had any investments with other local authorities in Lincolnshire in respect of the effects it would have following Local Government Reorganisation (LGR). In response, the Treasury and Investment Manager (PSPS Limited) advised Members that Council did not currently have any investments with other local authorities within the Lincolnshire area.
- In reference to the Council's risk appetite which was regarded as low, a Member queried who was responsible for setting the level of risk, page 38 of the Agenda refers. In response, the Director of Finance and Section 151 Officer explained to Members that responsibility for determining the Council's risk appetite was for Councillors to set a maximum limit and for the Section 151 Officer to apply the operational practice within that limit.

- The Chairman highlighted concerns with geo-political risk factors and overvalued sections of the economy and queried Mitsubishi UFJ Financial Group (MUFG) Corporate Markets being the Council's only source for information, page 53 of the Agenda refers. In response, the Treasury and Investment Manager (PSPS Limited) advised Members that information from MUFG was mainly used in relation to counterparties and countries to invest, and that they utilised a range of other services including credit rating agencies to improve their market intelligence and make investment recommendations for individual banks.
- In reference to the tables which highlighted the Council's capital expenditure and cumulative Capital Financing Requirement (CFR) projections, the Chairman queried and requested a breakdown for the increase in Net financing need for the financial year which had increased from £1.4m in 2025/26 to £7m in 2026/27, pages 42 and 43 of the Agenda refer. In response, the Treasury and Investment Manager (PSPS) explained to members that the £7m referred to the unfinanced element of the programme of capital expenditure, and that breakdowns were not displayed because the programme of the capital expenditure did not fall under the scrutiny of the Audit and Governance Committee. Members were assured that a breakdown of all the schemes and how they were financed would be provided in the final budget report to Council.

The Director of Finance and Section 151 Officer further explained to Members that figures would change once the final capital programme was approved and that replacement of the refuse fleet was a large factor for the increase in the Council's CFR.

- A Member queried whether the Section 151 Officer working with PSPS Limited as a Local Authority Trading Company (LATCO) rather than an in-house finance team presented any challenges when setting the Council's strategies. In response, the Director of Finance and Section 151 Officer explained to Members that in any business it was necessary to have the right people, relationships, systems and structures in place, and that in his opinion this had been achieved and was working effectively.
- In follow-up to an earlier query on the Council's borrowing requirement, the Treasury and Investment Manager (PSPS Limited) highlighted to Members that £17.1m of the Council's total CFR of £21.1m was the Council's purchase of property fund investments and that when the Council chose to exit the property funds, the receipts would be utilised to reduce the Council's foreign investment requirement.

No further comments or questions were received.

The Chairman thanked Sean Howsam, Treasury and Investment Manager (PSPS Limited) for the report.

Following which, it was

RESOLVED:

That the report be noted.

63. INTERNAL AUDIT PROGRESS REPORT - JANUARY 2026:

Mark Harrisson, Internal Audit Manager (Internal Audit Lincolnshire County Council) presented Members with the Internal Audit Progress Report January 2026, pages 117 to 130 of the Agenda refer.

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.

The Internal Audit Manager advised Members that following submission of the report, internal audit had completed the capital budget monitoring review, PSPS contract review, leisure services procurement review, section 106 review and had issued the Health and Safety Actions Implementation review.

Members attention was drawn to the findings from the feedback questionnaires that were issued after each audit assignment, page 121 of the Agenda refers. The Internal Audit Manager advised Members of concerns regarding the low response rate, which suggested a lack of management engagement with the Internal Audit service. It was noted that three outstanding questionnaires related to an individual who had since left the organisation and that the new Section 151 Officer had agreed to complete the questionnaires.

The Committee noted that, following completion of an additional report, audit plan delivery figures had been updated. The Internal Audit Manager informed Members that 62.5% of planned work had now been completed, with a further 37.5% in progress. Members were advised that an initial scoping meeting and agreement of the terms of reference had been undertaken for the Invest East Lindsey review scheduled for Quarter 4.

Members were invited to put their comments and questions forward.

- A Member requested an update on the identification and monitoring of savings where insufficient controls had previously been identified, page 124 of the Agenda refers. In response, the Director of Finance and Section 151 Officer reported that significant steps had been taken,

including the establishment of a revamped Transformation Board and inclusion of relevant information in Executive Board reports. Members were assured that the Council's budget setting process was underway and that the follow-up review would demonstrate positive progress.

The Internal Audit Manager further confirmed to Members that the follow-up review had commenced, and findings were expected to be presented to the Committee at year-end.

- A Member queried the perceived lack of management engagement with internal audit. In response, the Internal Audit Manager advised Members that the limited engagement had related to a single individual and confirmed that the matter had since been resolved by the current Section 151 Officer.

The Chairman thanked the Internal Audit Manager for his report.

Following which it was,

RESOLVED:

That the Internal Audit Progress Report – January 2026 be noted.

64. COMMITTEE WORK PROGRAMME 2025/26:

Members were presented with the Audit & Governance Committee Work Programme 2025/26, pages 131 to 136 of the Agenda refer.

Members were invited to put their comments and questions forward.

- A Member queried whether there was any scope to bring forward items from the March meeting to February. In response, the Chairman acknowledged that this was a sensible suggestion, however highlighted that it was dependent on whether officers had reports ready in time. The Chairman agreed that the request would be investigated.
- Members queried whether the Risk training session or the 'Regulation of Investigatory Powers Act (RIPA) 2000 – Update' could be moved forward to February 2026. In response, the Chairman supported discussing the request with officers.
- Members raised concerns regarding the date of the March Meeting which coincided with an Internal Drainage Board meeting, contrary to previous agreements to avoid clashes. In response, the Democratic Services Officer acknowledged the issue and explained that occasional conflicts were sometimes difficult to avoid due to Partnership meeting scheduling. Further to a discussion, it was agreed to establish whether the Meeting on 25th March could be rescheduled.

- The Chairman advised Members that she was meeting with the Chairman of Overview Committee in January 2026 to discuss coordination between the two committees as part of the Memorandum of Agreement. Members were further reminded of the Annual Governance Statement Action Tracker on page 135 of the Agenda, which highlighted completed and ongoing actions.

No further questions or comments were received.

Following which it was,

RESOLVED:

That the Committee Work Programme 2025/26 be noted.

65. DATE OF NEXT MEETING:

An Extraordinary Meeting of the Committee had been convened for 18th February 2026. The date for the next programmed Meeting of the Committee was confirmed as 25th March 2026.

A Member queried the scheduling of meeting dates throughout the year. In response, the Chairman advised Members that the schedule of meetings for the 2026-27 municipal year would be determined at the Annual Meeting in May 2026. The Chairman further noted that the Committee convened six meetings in 2025-26 and eight meetings during 2024-25, including extraordinary meetings, and expressed a preference for an increased number of meetings to avoid excessively large agendas, which were not conducive to effective scrutiny.

The meeting closed at 11.25 am.