

WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Council Chamber - The Guildhall on 11 January 2022 commencing at 10.00 am.

Present: Councillor John McNeill (Chairman)
Councillor Mrs Jackie Brockway (Vice-Chairman)

Councillor Stephen Bunney
Councillor Mrs Tracey Coulson
Councillor David Dobbie
Councillor Mrs Caralyne Grimble
Andrew Morriss

In Attendance:

Tracey Bircumshaw	Assistant Director of Finance and Property Services and Section 151 Officer
Alistair Simson	Principal Auditor, Lincolnshire County Council
Amanda Hunt	Principal Auditor, Lincolnshire Audit
Emma Redwood	Assistant Director People and Democratic Services
Emma Bee	Audit Manager
Michael Norman	Auditor Mazars
Mark Dalton	Auditor Mazars
Cliff Dean	ICT Manager
Katie Storr	Democratic Services & Elections Team Manager
Andrew Warnes	Democratic & Civic Officer

Apologies: Councillor Christopher Darcel
Alison Adams
Peter Walton

Membership: No substitutes were appointed.

41 PUBLIC PARTICIPATION PERIOD

There was no public participation.

42 MINUTES OF PREVIOUS MEETING

A Member of Committee raised that his representation about his attendance at the committee, due to changing the meeting time, had not been not recorded properly. Further concerns were raised that the change in time had not been properly notified at previous meetings of the committee.

In light of these comments the following amendment was proposed, and duly seconded:

“That point 40 in the Minutes of the previous Meeting of the Governance and Audit Committee held on 9 November 2021 be corrected to reflect the point raised.”

On being put to the vote the amendment was unanimously supported and on that basis it was:

RESOLVED that the Minutes of the previous Meeting of the Governance and Audit Committee held on 9 November 2021, as amended, be approved, and signed as a correct record.

43 MEMBERS DECLARATIONS OF INTEREST

There were no declarations of interests made at this point in the meeting.

44 MATTERS ARISING SCHEDULE

With the only comment from the Chairman expressing gratitude to Council for agreeing with the committee’s request to send a letter regarding standards, the Matters Arising Schedule was duly **NOTED**.

45 INTERNAL AUDIT QUARTER 3 REPORT 21/22

Members considered the Internal Audit Quarter 3 Report 21/22 by Assurance Lincolnshire against the 2021/22 annual programmes agreed by the Governance and Audit Committee in March 2021.

The Report was introduced by Amanda Hunt. In the presenting report, the Officer highlighted to the Committee that two assurance audits had been completed during the period.

- Local Land Charges, which was given a ‘High’ assurance.
- ICT Helpdesk, which was given a ‘Limited’ assurance.

Of the revised plan, 50% had been completed.

Whilst Committee were advised that the Audit Plan was slightly behind target assurance was offered that it was still anticipated all work would be completed by the conclusion of Quarter 4 as planned. Notice was given regarding seven audits currently in progress with two of these at draft report stage.

The seven which were currently in progress, included:

- A follow-up on Vulnerable Communities, which was at the draft report stage.
- A follow-up on Golden Thread, which was at the draft report stage.
- A report on Insurance, which was at the fieldwork stage.
- A report on the ICT Network infrastructure, which was at the fieldwork stage.
- A report on Strategic Risk, which includes an inability to maintain critical services and deal with emergency events, which was at the fieldwork stage.

- A report on Flooding, which was in the Terms of Reference process.
- A report on the Key Project Enterprise Resource Planning System, with the review underway.

There had been some changes to the plan as priorities had changed during the year. The Wellbeing Audit had been postponed, and was replaced by a report on the certification of the flood grants. The Plan also now included a planned follow-up audit of the ICT Helpdesk, due to the limited rating. The Value for Money audit previously placed on hold would now take place in quarter 4.

The combined assurance work had commenced in the period and the report was expected to be considered by the Committee at its next meeting.

Finally, the Officer advised Committee that there were no overdue actions to report.

Debate ensued on the contents of the report, with Members questioning multiple aspects, and giving statements on the report.

During this session, the ICT Manager was asked to address the Committee. There should have been Authority specific gradings in the report, specifically on page 14. The ICT Manager explained that this report only looked at specific parts of this process managed by the ICT service, not every aspect of work undertaken.

Members enquired as to whether the Key Performance Indicators (KPIs) in this audit were made with the collaboration of the Corporate Policy and Resources Committee prior to this decision to include the Helpdesk in this report. It was stated that the ongoing KPI dashboards were present to each Authority's partnership meetings, since the meetings were Officer led. Members also learnt that the 70% reduction in the number of ICT Helpdesk tickets was based on the original 700 tickets figure.

In response to concerns raised about the lack of data in the report, it was stated to Members that there were only specific factors that were looked into, such as the set procedures for IT Helpdesk tickets. Regarding Members concerns over the 'no performance indicators' issue, it was explained by one of the audit officers that there were no indicators on that specific area.

The ICT Manager stated that the IT Service was happy with to work with Internal Audit to review their area to improve the service for both Authorities. He also highlighted the rise in service satisfaction year on year.

To facilitate the planning of the next round of internal and external audits, Members were reminded to make their representations to the Assistant Director People & Democratic Services. Similarly, in the actions of responding to the Climate Change work in Quarter 4, Members were also reminded to make their representations to the Assistant Director People & Democratic Services regarding the Authority's response. Members were advised to do so as soon as possible, as this was currently in discussion, had scope for comments, and was scheduled to be in the next report.

Members learnt that the postponement of wellbeing in this year's audit would mean it would be included in next year's planned audits, as the rise of COVID-19 cases had affected the

response to the audit.

Finally, during this item, Members conferred about the usage and training of microphones during meetings, with the Vice Chairman pointing out a technique to attain better understandability within the chamber. The Chairman noted this as a formal Matter Arising.

Following much discussion and having been moved and, seconded, on being put to the vote it was:

RESOLVED that having considered the content of the report, no further actions be identified.

46 DRAFT TREASURY MANAGEMENT STRATEGY 2022/23

Members considered the Draft Treasury Management Strategy 2022/23, Prudential indicators and Minimum Revenue Provision (MRP) Policy, introduced by the Section 151 (S151) Officer, and presented to the committee for scrutiny prior to being presented for approval by Full Council in March.

The Strategy incorporated the requirements of the 2017 CIPFA Prudential Code. A new Code had been issued in December 2021 for implementation by 2023/24. However, some elements were already incorporated into the Treasury Management and Capital Investment Strategies. For the Authority, new Prudential indicators were included which reflected the Borrowing Liability Benchmark which illustrated the lowest risk level for borrowing, and Commercial income as a percentage of Net Revenue Expenditure.

The Treasury Management Strategy brought together a number of strategies and policies, these being:

- The Borrowing Strategy, which would ensure consideration was given to affordability and sustainability for the repayment of debt.
- The Annual Investment Strategy which was to provide security of the investment, consider liquidity and cashflow requirements, and finally yield, all of which were considered in the context of the Authority's risk appetite.
- The MRP policy page which determined how the Authority would repay prudential borrowing on an annual basis.
- The Committee was also requested to consider the Capital Investment Strategy, which was the framework by which capital investment and financing decisions would be made.

Draft prudential and treasury indicators were calculated in November. They would therefore be updated based on the final Capital Programme and Medium-Term Financial Analysis and would be further updated for the final version laid before Council. The S151 Officer also brought attention to the Non-Treasury Investments.

There was one change of note in relation to the Minimum Revenue Provision Policy, and in accordance with expected changes in legislation:

- A Minimum Revenue Provision charge is to be made on an annual basis to reduce

the level of borrowing attributed to commercial investment properties. This is rather than the existing policy of a voluntary MRP reviewed on an annual basis.

In relation to the Authority's investment property portfolio, recent changes to the conditions for borrowing from the Public Works Loans Board excluded borrowing for commercial purposes that had the primary objective of securing a yield.

This meant that any additional property acquisitions (subject to legal advice) would need to be funded from the Authority's resources. However, borrowing was allowed to effectively manage the portfolio, such as for a replacement asset, should a property be sold.

The Authority would continue to ensure it acted reasonably, that Members understood the policy, and it was discussed at the recent Councillors' training session on Treasury Management that any decisions should be prudent and that any investments should be proportionate.

In addition, whilst the counterparties for investment had not been amended, the authority would consider investment opportunities which promoted Environmental, Social and Governance investing where possible.

The S151 Officer then updated the Committee on Treasury Management practices. Advising that the Treasury function was carried out in line with the Treasury Management Code of Practice and the Prudential Code.

The 12 treasury management practices set out how Treasury Management was managed within the Finance Team. Whilst the schedules were reviewed annually there had been a number of changes, these were detailed at Section 1 in the report.

The Treasury Management Function was last audited in 2020/21 and had been given a high assurance Audit rating in relation to its procedures and risk management. Scrutiny and approved changes were stated as the recommended practice.

There had been Treasury Management training open to all Members of the Council held online in the week before the meeting. However, some concerns were raised that not all Members were able to fully access the materials. Officers had undertaken to resolve any access issues.

The S151 Officer was thanked for her work and for the report. The Members of the Committee then asked a number of further questions and gave statements.

Members heard that the COVID-19 pandemic, and the policies enacted to manage it impacted on the Authority's commercial investment properties, though it was highlighted as small on its' impact. The S151 Officer stated that the spread of risks had been mitigated. It was stated that tenants had been paying their rent. It was mentioned that the Travelodge's Company Voluntary Arrangement (CVA) was ending, with rents going to back to normal levels. Also, there had been no further additions to the Authority's commercial investment portfolio since the start of the pandemic.

The Security, Liquidity, and Yield (SLY) attributes of the commercial investments were the top priority. Some Members expressed a desire for Environmental, Social, and Governance

(ESG) to be a future priority, since they were currently below SLY in importance. It was commented by one Member that the benchmarking for ESG rating for assets should be included in future reporting. It was also noted that sometimes, AAA rated funds were ESG.

Members enquired about the Voluntary Minimum Revenue Provision (VMRP) and learnt that it would not become an overpayment and would be a surplus if the Authority was to sell off its commercial investment. It was stated by the S151 Officer that there would need to be reborrowing to purchase another investment if the Authority was interested in doing so, should the original investment be sold.

Members also heard that the level of borrowing would be lower due to the £24 million of reserves. The S151 Officer noted that the cash reserves were saving the Authority money, with estimated savings of £350,000 to £400,000 from the interest rates.

Enquires were made about the definition of 'Socio-economic', and whether the local authority had a set definition. The S151 Officer responded that there was not a set definition by the council, and that a generic one was understood to be used. The main aspect of change, particularly social regeneration, came from the UK Government's Levelling Up agenda.

Having been moved and seconded on being put to the vote it was

RESOLVED that:

- a) Having reviewed, commented on, and scrutinised the Treasury Management Strategy, Prudential Indicators and the Minimum Revenue Provision Policy 2022/23, it be **RECOMMENDED** to Council for approval.
- b) The Committee had reviewed, and scrutinised the Capital Investment Strategy in conjunction with the Treasury Management Strategy.
- c) Delegated authority be granted to the Chief Financial Officer in consultation with the Chair of the Governance and Audit Committee, to make any changes to the Capital Strategy and Minimum Revenue Provision (MRP) Policy and Prudential Indicators prior to the final strategy presented to Full Council on 7 March 2022.

47 OPTING-IN TO PUBLIC SECTOR AUDIT APPOINTMENTS LTD

Members considered the Opting-In to Public Sector Audit Appointments (PSAA) Ltd. The report was introduced by the S151 Officer, who briefed the Committee on the next round of choosing external auditors, with the current external auditors (Mazars) arrangements due to expire in 2022/23.

Mazars was procured in Public Sector Audit Appointments Company, which was incorporated by the Local Government Agency in 2016. The PSAA had contacted all local authorities to participate in next round of tendering and contracting process. Members attention was drawn to both the advantages and disadvantages of entering into the PSAA process, with the S151 Officer advising that her recommendation to Members would be that the Authority entered the joint procurement process.

In response to Members' comments and questions further information was provided, during which Members' attention was brought to a number of issues.

It was explained that this procurement process happened every four years, with Lincolnshire County Council having gone through a similar process. However, it was stated by the Chairman that the procurement process may not give the same auditors again. Members' were asked to consider that there had been a previous issue with the 'over-optimism' of what the external auditors could achieve with the price quoted.

With concern of discrepancies with past accounts, including in the 2018-19 accounts, and the issue of local authorities individually accessing external auditors, there was a general consensus that working with other local authorities would allow for better bargaining and the best possible help to getting auditors. One Member raised that it would facilitate the best procurement advice. References were also made to the difficulty in the accounting sector for local authorities to get a wide array of options.

Having been moved and seconded on being put to the vote it was unanimously:

RESOLVED that it be **RECOMMENDED** to Full Council that the invitation of opting into the PSAA sector led option for the appointment of external auditors for the period 2023/24 to 2027/28 be accepted.

48 WORKPLAN

There were no additional comments to the Workplan. The Workplan as set out in the report was **NOTED**.

The meeting concluded at 11.13 am.

Chairman