

## **WEST LINDSEY DISTRICT COUNCIL**

MINUTES of the Meeting of the Governance and Audit Committee held in the Council Chamber - The Guildhall on 24 January 2023 commencing at 10.00 am.

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

Councillor Stephen Bunney  
Councillor Mrs Tracey Coulson  
Councillor Christopher Darcel  
Councillor Mrs Angela White  
Alison Adams  
Andrew Morriss

**In Attendance:**  
Emma Foy Director of Corporate Services and Section 151 Officer  
Emma Redwood Assistant Director of People and Democratic Services  
Peter Davy Financial Services Manager (Deputy Section 151 Officer)  
Mark Dalton Director, Mazar's (External Auditor)  
Alastair Simson Principal Auditor, Lincolnshire County Council  
Katie Storr Democratic Services & Elections Team Manager  
Ele Snow Senior Democratic and Civic Officer  
Andrew Warnes Democratic and Civic Officer

**Apologies:** Councillor Mrs Caralyne Grimble

### **38 PUBLIC PARTICIPATION PERIOD**

There was no public participation.

### **39 MINUTES OF PREVIOUS MEETING**

**RESOLVED** that the Minutes of the previous Meeting of the Governance and Audit Committee held on 29 November 2022 be approved and signed as a correct record.

### **40 MEMBERS DECLARATIONS OF INTEREST**

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

#### **41 MATTERS ARISING SCHEDULE**

With no comment, the Matters Arising Schedule was duly **NOTED**.

#### **42 AUDITOR'S ANNUAL REPORT (YEAR ENDED 31 MARCH 2022)**

Members considered the Auditor's Annual Report, which presented to those charged with governance, the work undertaken by Mazar's (the Council's External Auditor) for the year ended 31 March 2022. The External Auditor introduced the report and provided Members with brief contextualisation as to the report's purpose, highlighting the key headlines as follows:-

- An unqualified audit opinion on the 2021/22 Statement of Accounts;
- That no significant weaknesses in Value for Money arrangements were identified and no recommendations arose from the work done; and
- No questions or objections in respect of the Council's financial statements were received by the auditor's under the Local Government and Accountability Act 2014.

Members were advised that the report confirmed the information given at the previous meeting of the Committee, in that Mazar's had given an unqualified audit opinion in November 2022, and there were no further points to bring to the Committee's attention.

The wider responsibilities of complying with HM Government's accounts reporting requirements, and the obligatory aspects to submitting information was also highlighted to the Committee. The Value for Money for arrangements were assessed looking at three key points:-

- Financial Sustainability;
- Governance, and;
- Improving economy, efficiency and effectiveness.

Section 3 of the report provided further Value for Money commentary. Section 4 of the report detailed the fees of the auditor's work, which the Auditor explained that the fees had been made in consultation with Management Team. In concluding his presentation, the External Auditor re-iterated no significant weaknesses had been identified through the work and there were no arising recommendations for the Council to address.

Debate ensued, and Members praised the clarity of the report and the different stylisation of previous reports. The Chairman emphasised that this was likely to be the last annual report to be conducted by Mazar's, and asked successors to take note of the Committee's request for user friendly, and larger font reports.

A Member raised a query about the number of other local authorities audited by Mazars, to enquire the benchmarking tools employed by the Auditor. In response, Members were advised the External Auditor had over one hundred clients, and whilst benchmarking was not explicit, due to the nature of the work and natural comparisons made, it was implicit. Members were reassured that the report had positive commentary, and gave praise to the results.

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

**RESOLVED** that the content of the report be accepted.

#### **43 INTERNAL AUDIT QUARTER 3 REPORT 2022/23**

Members considered the Internal Audit Quarter 3 Report 2022/23 by Assurance Lincolnshire against the 2022/23 Annual programme agreed by the Governance and Audit Committee in March 2022.

In presenting the report, the Officer highlighted to the Committee that during the period since the last report, Internal Audit had completed two assurance audits and had seven further audits in progress.

The audits which had been completed were:-

- Contract Management – Substantial Assurance
- Housing Benefit Subsidy – no issues identified

The audits at draft report were:-

- Levelling Up Fund phase 1 – indicative opinion High Assurance
- Staff Resilience – indicative opinion High Assurance
- ICT Patch Management – indicative opinion High Assurance
- Risk Management – indicative opinion Substantial Assurance

The audits in progress were:-

- Combined Assurance – Fieldwork
- ICT Patch Management – Fieldwork
- CRM System – Terms of Reference agreed, work to start in February 2023

The Principal Auditor highlighted the recent staffing changes within Assurance Lincolnshire, which included the newly appointed Head of Internal Audit having started her post. Members also learned that following the Committee's communication to LCC, flood management had been included in the County's Audit Plan for next year. Reference was made to the work which had commenced in formulating the Annual Audit Plan 23/24 for West Lindsey, Members had previously raised Whistle-blowing as a potential area and other indicative areas were detailed on page 53 of the pack.

Debate ensued on the contents of the report. A Member questioned the contract management assurance, enquiring about the statement, on page 48, that there was evidence of engagement with contractors to monitor performance at the intervals specified and whether there was an any assessment on the quality of that engagement. The Principal Auditor confirmed his belief that it solely related to discussions on the contract performance but would confirm his understanding to Members outside of the meeting.

In response to a set of queries on the lack of low-level rated assurances and the consideration of other issues, the Principal Auditor assured Members that the Audit plan

measured issues that had no recent review, or were previously rated high risk issues Members heard that consideration of the audit plans was continuous, and were in liaison with the Management Team.

In responding to questions around capacity, the Principal Auditor confirmed he considered capacity was sufficient to deliver the plan and the Committee would continue to receive its quarterly plans.

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

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

#### **44 DRAFT TREASURY MANAGEMENT STRATEGY 2023/24**

Members considered the Draft Treasury Management Strategy 2023/24, Prudential indicators, Minimum Revenue Provision (MRP) Policy, and the capital investment strategy, introduced by the Financial Services Manager and Deputy Section 151 Officer, and present to the committee for scrutiny prior to being presented for approval by Full Council in March.

Prior to the Officer's presentation, the Chairman sought assurance from the Section 151 Officer with regard to the training requirements. The Officer confirmed that five of the Members sitting on the Committee had received or participated in the required training, in line with constitutional requirements.

The Strategy had been devised against a back drop of economic uncertainty with high levels of inflation and high interest rates not seen for many years. The Authority's Treasury position was impacted by this in two principal ways, namely the amount it received on invested funds was increasing but the cost of holding debt was higher when it was re-financed. The decisions of when to invest and when to borrow were key to maximising returns and limiting interest costs. The Council's Treasury Advisers predicted that interest rates would increase in the short term and then reduce in the mid-term. This meant if borrowing was required then it should be undertaken on a short-term basis, allowing refinancing at lower rates. The Strategy contained details of the current economic picture at Appendix C.

The Strategy incorporated the requirements of the new 2021 CIPFA Prudential Code. For the Authority, new Prudential indicators had been included which reflected the Borrowing Liability Benchmark and which illustrated the lowest risk level for borrowing, Commercial income as a percentage of Net Revenue Expenditure and due consideration was now required to be given to environmental, social and governance (ESG) factors where possible when investing.

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

- The Borrowing Strategy, which ensured consideration is given to affordability and sustainability for the repayment of debt.
- The Annual Investment Strategy which was to provide security of the investment, considered liquidity and cashflow requirements, and finally yield, all of which were

considered in the context of the Authority's risk appetite.

- The MRP policy 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 is the framework by which capital investment and financing decisions will be made.

Draft prudential and treasury indicators were calculated in December 2022. These would therefore be updated based on the final Capital Programme and Medium-Term Financial Analysis prior to the final version being submitted to Full Council in March 2023. There was one change of note in relation to the Minimum Revenue Provision Policy, and in accordance with expected changes in legislation, namely:

- A Minimum Revenue Provision charge was to be made on an annual basis to reduce the level of borrowing attributed to commercial investment properties. This was rather than the existing policy of a voluntary revenue position reviewed on an annual basis.

In relation to the Authority's investment property portfolio, changes to the conditions for borrowing from the Public Works Loans Board, excluded borrowing for commercial purposes, where the primary objective was to secure a yield. This meant that any additional property acquisitions (subject to legal advice) would need to be funded from the Authority's own resources in the future.

With regards to investments, the counterparty list within the Strategy was the latest information supplied by Link asset services but would be updated when new information was available or if ratings changed. The Treasury function was carried out in line with the Treasury Management Code of Practice and the Prudential Code. The Treasury Management Function was last audited in 2020/21 and was given a high assurance rating in relation to its procedures and risk management.

Debate ensued, and Members of the Committee asked a number of further questions, and made statements. During the debate, Members raised multiple points related to the Levelling Up fund (LUF) programme. Members heard from the Section 151 Officer that the capital expenditure prudential indicator was rising due to the delay in the receiving of the relevant grant. It was also learned that the three million pounds put aside for the commercial activities was for another property outside of the LUF consideration.

Following the discussion about the LUF programme, Members heard from the Financial Services Manager about the history of the Minimum Revenue Policy and policies in other local authorities that had seen high risk ventures back fire. The Strategy proposed by West Lindsey District Council was that the new indicator of "amount of commercial income in percentage of net revenue expenditure." gave assurance that the level of borrowing was not exposing the taxpayers to unnecessary risk and protected against any potential volatility.

There were several queries about the borrowing facilities employed by the Authority. The first was about who the Authority borrows from, which Members heard was from the Public Works Loan Board for longer term debt concerns. The Authority looked at other local authorities for short term borrowing up to a year. This was due to the rates afforded and when those rates started to fall, the Officer explained that a conversion of the short-term debt into long-term debt was possible.

A Member queried whether the reserve in the Minimum Revenue Provision would be reduced over the medium term to reflect the implementation of an annual minimum Revenue provision. The Financial Services Manager explained that the provision set money aside, and reduced the Authority's capital financing requirements, or when that debt had matured and need to be repaid. The voluntary revenue provision would only assist in paying off just the debt. The current debt rate was between 1 - 2% due to the timing of the rates.

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 in future capital investments. The Financial Services Manager assured Members that investment products that had 'green' credentials would be part of the decision in investments. The Section 151 Officer further explained that investments were using council taxpayers' funds, and so careful consideration using the ESG would be done in the same way as SLY investments, which focused on safe opportunities but security of the investment had to be the paramount consideration

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 Minimum Revenue Provision (MRP) Policy 2023/24, it be **RECOMMENDED** to Council for approval;
- b) the Committee had reviewed, commented on and scrutinised the Capital Investment Strategy in conjunction with the Treasury Management Strategy.
- c) delegated authority be granted to the Director of Corporate Services (Section 151 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 being presented to Council in March.

#### **45 MEMBER DEVELOPMENT - 2023 FULL MEMBER INDUCTION PROGRAMME**

Members considered the Member Development – 2023 Full Member Induction Programme. The Governance and Audit Committee was responsible for the monitoring of Member Development and, at its meeting on 11 October 2022, resolved to receive an additional report at its January 2023 meeting, in order to consider, and approve, the timetable for the 2023 Full Member Induction Programme.

As detailed in the Member Development Annual Report 2021/2022, Officers had begun preparations for the 2023 Full Member Induction Programme earlier in 2022, using the programme from 2019 as a strong foundation to build from. Where suggestions for improvements or additional sessions had been received, these had been incorporated into the proposals for 2023. The Senior Democratic and Civic Officer informed Members that there had been changes to the timings of sessions in response to feedback, along with an expansion to the subject matters to be considered. This approved version of the timetable

was to be in the candidate packs as an early indication of the 2023 Induction Programme.

It was requested that the Committee approved the 2023 Full Member Induction Programme timetable as provided at Appendix 1.

Debate ensued, and Members were appreciative of the report, and highlighted past positive experiences of the induction process. During the debate, Members expressed that the sessions following their elections and re-elections had helped significantly, and there was encouragement for a 'buddy' system for newly elected councillors. In a later exchange, Members discussed the timings of the required planning training for Members wishing to sit on the Planning Committee, agreeing with the proposed compromise of separate sessions.

In response to a query about the procedures and standing orders within committees and full council, the Officer explained that there was a session on standing orders that was to run in advance of Annual Council, which was to provide procedural advice on committees. There was to be a further session for Chairmen and Vice Chairmen, that would go into more detail and focus on their specific roles and powers within a meeting.

Having been proposed and seconded, it was unanimously

**RESOLVED** that the 2023 Full Member Induction Programme timetable be approved.

#### **46 WORKPLAN**

The Chairman noted the large amount of reports to be considered at the March and April 2023 meeting. In response to a query about the workplan and if there were any scheduled training, Members were informed that no training sessions were planned for any of the reports at the next two committee meetings.

The Chairman thanked Emma Redwood for her leadership and professionalism as the Monitoring Officer over recent years and wished her well in her new job.

With no further comment, the Workplan as set out in the report was **NOTED**.

The meeting concluded at 10.50 am.

Chairman