



To be submitted to the Council at its meeting on 16th March 2023.

AUDIT AND GOVERNANCE COMMITTEE

2nd February 2023 at 10.30 a.m.

Present: Mr. T. Render (in the Chair)
Councillors Boyd, Cairns, Mickleburgh (sub for Green), Patrick and Reynolds

Officers in attendance:

- Helen Isaacs (Assistant Chief Executive)
- Simon Jones (Assistant Director Law and Governance)
- Jo Robinson (Assistant Director Policy Strategy and Resources).
- Peter Hanmer (Head of Audit and Assurance)
- Guy Lonsdale (Deputy Section 151 Officer)
- Caroline Wilson (Strategic Lead – Risk and Assurance)
- Paul Windley (Democratic and Scrutiny Team Manager)
- Jo Paterson (Scrutiny and Committee Advisor)

Also in attendance:

- Councillor Harness (Portfolio Holder for Finance, Resources and Assets)
- Mike Norman (Mazars)
- Councillor Shutt

AC.25 APOLOGIES FOR ABSENCE

Apologies for absence were received for this meeting from Councillors Astbury, Freeston, Green, Holland and Parkinson.

AC.26 DECLARATIONS OF INTEREST

There were no declarations of interest made with regard to any items on the agenda for this meeting.

AC.27 MINUTES

RESOLVED – That the minutes of the Audit and Governance Committee meeting held on 10th November 2022 be agreed as an accurate record.

AC.28 TRACKING OF RECOMMENDATIONS

The committee considered a report from the Executive Director Place and Resources on tracking of recommendations of the Audit and Governance Committee.

The Chair enquired about timescales for Freshney Place governance arrangements. Mr. Jones advised that the group had met once in January where they had adopted their terms of reference. The Chair suggested arranging an Audit Working Group next month to take this forward.

With regard to the Assurance Board minutes, Mr. Jones advised that a meeting had taken place in January, and he would circulate the minutes to members in due course.

RESOLVED –

1. That the updates to the tracking report be noted.
2. That an Audit Working Group be arranged to consider the governance arrangements for Freshney Place.
3. That the most recent Assurance Board minutes be circulated to Members of the Committee.

AC.29 INTERNAL AUDIT INTERIM REPORT 2022/23

The committee considered a report from the Head of Audit and Assurance summarising the results of Internal Audit work in relation to the 2022/23 Internal Audit Plan up to 31 December 2022.

Mr. Hanmer provided an update on progress with delivery of the audit plan, and audit work carried out to date. Mr. Hanmer gave an overview of audit reports issued since June 2022 and other audit work carried out. It was noted that there had been an increase in grant work over last few years. Reference was also made to the Quality Assurance processes in place and the Quality and Assurance Improvement Programme (QAIP) to demonstrate compliance with Public Sector Internal Audit Standards (PSIAS) and maintain the effectiveness of internal audit.

Furthermore, several quality review measures had been carried out as set out within the report.

A member queried the work that had been carried out in relation to the Bus Service Operators Grant and queried whether this money went directly to Stagecoach. Mr. Hanmer stated that during Covid it was recognised that

bus services needed to be supported and confirmed that the grant money went directly to the providers and auditors had to confirm this had taken place.

The Chair highlighted the use of acronyms in the report and suggested that in future a list be provided for easy reference.

The Chair also raised concerns around timeliness of audits and response times from relevant departments and implementation of actions.

Members were assured around the process that was in place, including sending out reminders to the relevant Assistant Directors.

The Chair reiterated that he was concerned around timescales and felt that officers needed to be held accountable if reports were not finalised in agreed timescales and agreed actions not implemented by the due date.

The Chair referred to children's services governance acknowledging that this had not been reviewed by the committee for a while as to the changes that had taken place within the service. However, there was now a new interim Director of Children's Services in place and there had been some changes linked to this within the audit plan.

The Chair requested that the committee look at the children's governance structure via an Audit Working Group to include the interim Director of Children's Services to attend alongside internal audit colleagues.

RESOLVED

1. That the report be noted.
2. That children's services governance arrangements be referred to a meeting of the Audit Working Group.

AC.30 TREASURY MANAGEMENT MID-YEAR REPORT 2022/23

The committee considered a report from the Executive Director Place and Resources presenting the Treasury Management Policy and Strategy Statement 2023-24.

Mr. Lonsdale introduced the report which outlined the strategy and policies for the forthcoming year. There was an increased focus around treasury competencies and understanding by members of treasury management issues. Mr. Lonsdale advised that there were no fundamental changes and in terms of the council's borrowing strategy this remained affordable and prudent.

A Member enquired about the percentage of debt cost to net revenue increase for 2025. Ms. Wroot advised that this was dependent on any addition to the Capital Programme. Members were assured that this percentage was kept under review, and she was comfortable this figure

would stay under 10%.

A member referred to proposals for a new Ice Rink for Grimsby and asked how this would affect those figures. Ms. Wroot advised that borrowing for additional projects would affect this figure, however, she noted that a lot of this council's borrowing decisions were accompanied by a clear indication income stream to cover cost of borrowing.

Further concerns were raised around the amount of revenue to debt peaking at 9.9%, noting that this was close to the 10% mark and was this a cause for concern. Ms. Wroot advised that if borrowing was stable, she was comfortable in recommending that the cost of borrowing could be covered, and that borrowing could bring a return for the council.

In terms of setting a new benchmark, Ms. Wroot advised that officers kept the benchmark under continuous review. Ms. Wroot considered it a fair benchmark at this point in time and that it might be possible to review this in the future.

In response to concerns around the council's budget gap and vulnerability as a result of changes to interest rates, Ms. Wroot advised that the hike in interest rates had been a shock to everyone, more so because the economy had experienced low interest rates for a considerable amount of time, and we were now seeing something more average. Ms. Wroot assured members that the council would keep its borrowing strategy under review to suit as and when the market changed.

A member raised concerns around the significant overspend and impact on revenue provision. Ms. Wroot advised that the council had a range of external borrowing arrangements where the interest rate was fixed, also the council could borrow at different points to manage that risk.

The Chair referred to the Treasury Strategy and in particular the significant borrowing requirements generated by the forecast Capital Programme highlighting that all new borrowing would come at a higher cost going forward.

Mr. Lonsdale advised that the Capital Programme changed on a regular basis, and this was dependent on several factors such as costs of reprofiling etc. Mr. Lonsdale assured members he would bring a report back to the committee on a six-monthly basis on Treasury Management which would provide the latest metrics and indicators and provide assurance to the committee.

Reference was made to the value for money judgment for last year and how this might affect where the council could borrow from. Having looked at the budget report and plans for next year, auditors were asked whether the council might be able to move to a different position.

Ms. Wroot felt this would be unlikely and could only base that view on how long the journey of improvement would take in children services and as such the auditor's opinion would be unchanged until the Ofsted rating improved.

Mr. Lonsdale advised that PWLB generally remained the most competitive source of external borrowing which allowed ability to manage risk in the short term.

RECOMMENDED TO CABINET - That the report be noted and the need to regularly monitor affordability given the current challenging financial and economic conditions, be emphasized.

AC.31 ACCOUNTING POLICIES

The committee received a report from the Executive Director Place and Resources outlining the accounting policies that were proposed to be used in completing the 2022/2023 Statement of Accounts.

Mr. Lonsdale introduced the report and detailed the accounting policies and practices that they followed. Members were advised that there was nothing within these policies that were materially different to what was recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Reference was made to the Accounting for Infrastructure Asset within the report and how the council accounted for those issues. There was likely to be some changes in practices recommended for the sector and we needed to consider how this impacted on the 2021/22 accounts.

Mr. Norman stated that the accounting guidance referred to by Mr. Lonsdale was a statutory override which gave the council the opportunity to use alternative measures. A meeting had taken place with the council's finance team and officers were currently working through the accounting guidance.

The Chair assured members that this was a national issue and not just something for this council.

RESOLVED –

1. That the accounting policies to be used in completing the 2022/23 Statement of Accounts as set out in Appendix 1 of the report now submitted be approved.
2. That it be noted that should there be any revision to the Accounting for Infrastructure Asset that this comes back to the Audit and Governance Committee at a future date.

AC.32 LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT

The committee received a report from the Executive Director Place and Resources providing an update on the Code of Corporate Governance and Annual Governance Statement (AGS) 2022/23.

Ms. Wilson referred to the seven core principles that underpinned

'Delivering Good Governance in Local Government Framework' as highlighted within the report which demonstrated how the council complied against each principle.

Members were referred to the Code of Corporate Governance within the report. It was noted that there had been minimum changes to the code, highlighted in bold italic, but it was noted that the format had changed slightly to provide examples of how assurance was obtained. Members were referred to Appendix 1 which listed the council's officer boards and groups that supported the governance framework.

A Member enquired about the council's partnership with EQUANS and how their work effected governance and how this was reported into the council. Mr. Hanmer advised that in future the code would include an additional column to demonstrate to whom the groups reported to and would bring an updated version back to a future meeting.

The Chair asked for clarification around where the internal boards reported to in the formal decision-making structure.

The Chair referred to the update on 'capacity' within the Annual Governance Statement 2021/22, in particular the number of social workers recruited. The Chair felt it would be helpful if we could have details around whether there was still an issue with capacity for this authority.

Mr. Hanmer advised that work would be commencing shortly on the compilation of the 2022/23 Draft Annual Governance Statement (AGS) to be reviewed by the Committee in June/July this year and assured members he would inform the relevant officers with their feedback to ensure this was properly covered.

It was highlighted that capacity was a major issue for most authorities at present and as such this was one of the highest risks on the risk register acknowledging its importance.

RESOLVED –

1. That the updated Code of Governance be approved for inclusion in the Council's Constitution.
2. That the action to be taken to respond to the issues raised in the 2021/22 draft Annual Governance Statement be noted.
3. That the committee's comments on the update on the Governance Statement be noted.

AC.33 EXTERNAL AUDIT PROGRESS REPORT

The committee received a report from the council's external auditor updating on the progress in delivering their responsibilities as the council's external auditor.

Mr. Norman set out the key highlights for the 2021/22 audit including financial statements audit, Value for Money (VFM) arrangements and assurance work as set out within the report. The report also made brief reference to the 2021 audit confirming that the required auditors return had been submitted.

It was reported that work was progressing on the Pension Return and there was some final snaggings to overcome. There had also been changes to the auditing standards this year which related to risk planning.

It was noted that page 217 within the report pack was blank, it was confirmed that the missing page would be circulated to members of the committee.

The Chair asked whether the external auditor's timetable was driven by central governments regulations and was concerned that the committee had not always seen timely sign off from the accounts. Mr. Norman assured members that they were trying to 'twin track' to resolve this issue however they were very much led by government deadlines.

In response to a member's query, it was anticipated that the 2021/22 accounts should be signed off by the end of February. In terms of the 2022/23 accounts this audit work would commence in the summer and would be reported back to Committee around November.

RESOLVED – That the update on progress be noted.

AC.34 PARTNERSHIP STOCKTAKE – EQUANS, LINKS INSPIRE, NEWLINCS

The committee received a report from the Assistant Director Law and Governance providing the Audit and Governance Committee with a summary of the council's key partnerships, the governance arrangements for managing them, and any current key risks and challenges relating to them.

A member asked about the partnership with EQUANS and whether it was cheaper to provide the service ourselves.

Mr. Jones explained that as this contract came to an end there would be various options available to the council including re-procurement or bringing the services back in house.

A member asked about the Lincs Inspire contract in terms of the leisure centres. Mr. Jones assured members that this contract was continually kept under review.

A member asked whether when the EQUANS contract was up for renewal the council could look at data used previously around options to determine a starting point. Mr. Jones confirmed some benchmarking could be undertaken to give the council some idea around options available.

A member further asked whether the committee could be provided with all

the information around the six options that led to previous contract awards. Mr. Jones was not sure that this was within the remit of the Audit Committee but would take further advice and report back to the Committee on the outcome. Members were further advised that the contract would be a Cabinet recommendation to Full Council given its size and public interest.

A member referred to the changes in governance arrangements and asked for insight into how those recommendations and decisions would be improving these partnerships.

The Chair suggested that the appropriate Assistant Director be invited to an Audit Working Group around partnerships, focusing on how the different partnerships and governance arrangements were working and that the appropriate assistant director be briefed beforehand.

RESOLVED –

1. That the report be noted
2. That an Audit Working Group be arranged to look at partnerships, focusing on how the different partnerships and governance arrangements were working.

AC.35 UPDATE ON CHANGES TO INTEGRATED CARE ARRANGEMENTS

The committee received a verbal update from the Chief Executive on the above. Mr. Walsh set out the national context and some of the key developments with the integrated care arrangements which included: -

- Integrated Care Board (ICB) – this was a statutory NHS Body (established 1st July 2022) to take on the responsibilities that sat with Clinical Commissioning Groups (CCG)s and some responsibilities that sat with the National Health Service Executive (NHSE).
- Integrated Care Partnership (ICP) – this was a Partnership between the ICB, local Government and other partners responsible for producing the strategy for the Integrated Care System (ICS) to then implement.
- ICS – the ICB, Local Government and providers all working together to deliver the ICP strategy and improve health and wellbeing.
- Place - Place-based partnerships typically involving the NHS, local government, and other local organisations with responsibilities for planning and delivering services. They may also include other community partners with an influence on health and wellbeing.
- Neighbourhoods - where multi-agency teams can come together to deliver better joined-up, proactive and personalised care.

Mr. Walsh further highlighted the key functions of place-based partnerships including understanding and working with communities, joining up and coordinating services around people's needs, addressing social and

economic factors that influence health and wellbeing and supporting quality and sustainability of local services.

Further reference was made to the Integrated White Paper Model and the opportunities with statutory ICSs around focus on People, Partnership and Place.

Further to which the following comments and questions were raised: -

A member enquired how these arrangements would be affected by devolution. Mr. Walsh confirmed that the Greater Lincolnshire devolution was not part of these arrangements.

A member asked about risks associated with the Section 75 legal agreement in particular adult social care. Mr. Walsh commented that there was a risk in managing that through the ICB staffing structure, however the relationship, legal framework and integration had all worked positively here in North East Lincolnshire.

Another member asked how much influence the ICB had over operation of GP services. Mr. Walsh confirmed that the council did not have any authority over GP practices as these were contractual arrangements between the GP and the NHS.

The Chair referred to the Section 75 agreement and the changes that the council may want to develop about getting greater focus on place. The Chair understood there would be a joint committee at the same time which would have delegated responsibility to oversee the Section 75 agreement. Mr. Walsh confirmed this was in shadow form already.

In terms of where commissioning decisions were being made and what they represented; Mr. Walsh confirmed these were being worked on.

RESOLVED – That the presentation be noted.

There being no further business, the Chair declared the meeting closed at 12.07 p.m.