



To be submitted to the Council at its meeting on 28th September 2023.

## **AUDIT AND GOVERNANCE COMMITTEE**

**13<sup>th</sup> July 2023 at 10.30am.**

**Present:** Mr. T. Render (in the Chair)  
Councillors Boyd, Hasthorpe, Holland, Mickleburgh, Parkinson, Reynolds,  
Sandford (substitute for Cairns) and Silvester

### **Officers in attendance:**

- Rob Walsh (Chief Executive)
- Simon Jones (Assistant Director Law and Governance)
- Guy Lonsdale (Deputy Section 151 Officer)
- Caroline Wilson (Strategic Lead – Risk and Assurance)
- Debbie Baker (Strategic Lead, Audit)
- Jo Paterson (Scrutiny and Committee Advisor)

### **AC.1 APPOINTMENT OF CHAIRMAN AND DEPUTY CHAIRMAN**

It was noted that at the Annual General Meeting of the Council held on 25<sup>th</sup> May, 2023, Mr. Tim Render had been appointed Chairman and Councillor Boyd had been appointed Deputy Chairman of this Committee for the Municipal Year 2023/2024.

### **AC.2 APOLOGIES FOR ABSENCE**

Apologies for absence were received for this meeting from Councillor Cairns.

### **AC.3 DECLARATIONS OF INTEREST**

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

### **AC.4 MINUTES**

RESOLVED – That the minutes of the Audit and Governance Committee meeting held on 20<sup>th</sup> April 2023 be agreed as an accurate record.

## **AC.5 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.

It was noted that there was just one outstanding action that related to the Regeneration Partnership Contract.

RESOLVED – That the report be noted.

## **AC.6 DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23**

The committee considered a report from the Executive Director for Place and Resources that detailed how the council gained assurance that the governance framework was operating as intended. Mr. Jones set out the background to the report, stating that some of the challenges had been a result of issues last year around resources and capacity within children's services.

A member referred to the current care home inspection figures, and asked for the specific data that identified the different care homes. Ms. Baker confirmed this information could be found on the CQC (Care Quality Commission) website.

Members commented on the timing of the Annual Value for Money Report in relation to the council's outturn figures and noted that opportunities had increased significantly. Mr. Lonsdale further noted his concerns with the delay in signing off the 2022-23 accounts by the external auditors, it was noted that this was an issue nationally across the country. However, members were assured that the external auditors intended to issue their opinion as soon as possible.

Members asked how this affected the council's borrowing arrangements. It was confirmed there would be no impact on borrowing.

The Chair wished to comment on the council's Peer Review Report and in particular the issues highlighted around capacity. Mr. Jones reassured members that the Chief Executive did recognise this as a pertinent issue.

Further comments were made around children and family services and how the current issues would be resolved. Mr. Jones reassured the committee that the council continued to work closely with Lincolnshire County Council to improve things within this service area.

RESOLVED – That the report be noted.

## **AC.7 DRAFT GOVERNANCE ARRANGEMENTS AROUND ADULT SOCIAL CARE AND THE RELATIONSHIP WITH THE INTEGRATED CARE BOARD**

The committee received a presentation from the council's Chief Executive providing the committee with an update on the current position regarding the governance arrangements for integrated care.

It was noted that the Humber and North Yorkshire Integrated Care Board (ICB) covered six upper tier local authority areas. Mr. Walsh highlighted some of the work that was being undertaken with the ICB, including place-based integration, seeking to build on the strong track record of council and NHS collaboration and integration in North East Lincolnshire.

Mr. Walsh made reference to the Better Care Fund (BCF) and how it encouraged integration and collaborative commissioning, including opportunities to pool in funding and join up resources.

Mr. Walsh outlined the process for the legal framework (Section 75 Agreement) which would help to develop an integrated model for North East Lincolnshire under the new ICB arrangements. Furthermore, Mr. Walsh explained how the Health and Wellbeing Board (HWBB), Health and Care Joint Committee (Designate) and NEL Health and Care Partnership (HCP) were the three key elements of the local health and care system, from a governance perspective.

Mr. Walsh responded to a number of questions following the presentation.

It was suggested that the Director of Adult Services be invited to a future working group meeting to provide more detail around funding and accountabilities from an adult social care perspective.

### **RESOLVED**

1. That the update and comments made be noted.
2. That the ICB Integrated Care Strategy be circulated to committee members.
3. That the Director of Adult Services be invited to a future Audit Working Group meeting to provide more detail around how funding would be utilised within the new arrangements.

## **AC.8 UPDATE ON 2023/24 AUDIT PLAN**

The committee considered a report from the Head of Audit and Assurance detailing the Audit Plan 2023/24. Mr. Jones introduced the report and noted that a recalibration of audit days to each task were now set out within the report and were before members for comment.

With regard to the planned work, Ms. Baker advised that she was speaking

to both Directors and Assistant Directors to seek their views on what they wished to be included in the audit plan. There had also been a request for one additional audit around skills.

Members queried the deferred audits and whether this had impacted this year's audit. Ms. Baker explained how they came to give their opinion.

Further reference was made to the number of planned days work within the audit plan, specifically for strategic risk/operational risk/governance. It was further suggested that members receive a breakdown of the audits that made up the 441 audit days on strategic risks within the summary plan within the report. It was confirmed this information would be circulated to members.

Reference was made to paragraph 2.9 within the report around allocations for contingency. A member asked whether any issues arising from the LGA Peer Review had been accounted for within the contingency days. Ms. Baker assured members that these days were kept under constant review every year.

Further discussion ensued around member training and the LGA Peer Review that took place earlier in the year. Particular reference was made to comments around the lack of member engagement in training. Mr. Jones responded that the LGA Peer Review had been reported to Cabinet in June which had resulted in an action plan for officers to take forward.

It was noted that there was a steering group regarding member development and members were requested to email the Democratic and Scrutiny Team Manager with any concerns.

RESOLVED –

1. That the report be noted.
2. That further information be provided to the committee on a breakdown of the audits that make up the 441 audit days on strategic risks in the audit plan summary.

## **AC.9 HEAD OF INTERNAL AUDIT REPORT AND OPINION**

The committee received a report from the Head of Audit and Assurance outlining the overall arrangements for governance, risk and the internal control framework, taking into account those areas for which limited assurance was provided.

Mr. Jones introduced the report and noted that the report set out how the Head of Audit and Assurance had come to a justified position on the audit work and opinion.

A member referred to Appendix 7, Key Performance Indicators for 2022-23, noting that the council was below target (49%) for the percentage of audits issued as final 20 working days after the draft and queried the reasoning for this. Ms. Baker advised that this was due to reasons such as capacity across

the council, and the time taken to get audit reports in their final stage. Ms. Baker assured members that all actions issued were followed up with officers, and explained how they measured actions and the various tests that were applied.

A further discussion ensued around ownership of audits and actions; Ms. Baker advised that the team had recently upgraded their software which included a prompt functionality. Ms. Baker explained the process followed and reasons behind the deferral of some audits.

A member queried the reason for the delay in the Early Help and Prevention Audit. For this audit, the reasons were to allow the new systems and processes developed by the Children's Services Director to be imbedded into the council.

The Chair noted that there were a number of tasks within the plan that were incomplete and asked how this affected the audit opinion, in terms of the strength of the control environment. Ms. Baker explained how they determined what work was to be completed and how they scheduled in their days. In terms of next year's plan, there would be more work taking place around adult social care and children and families.

RESOLVED – That the report be noted.

## **AC.10 CIPFA FINANCIAL MANAGEMENT CODE OF PRACTICE**

The committee received a report from the Executive Director for Place and Resources that set out the standards of financial management for local government bodies.

Mr. Lonsdale introduced the report and highlighted at Appendix 1 of the report the seven standards that the council needed to adhere to. A number of areas had been identified, specifically around ongoing issues in children's services and the challenging financial environment. Other areas highlighted included development around financial reporting and budget engagement.

Clarification was sought around the delivery of value for money (VFM) noting that the majority of VFM issues were around operational matters. Mr. Lonsdale noted that this view related to resource allocation via the budget agreed by members at Full Council. Members were responsible for allocation of the budget although decisions would be taken in-year around use of reserves.

It was confirmed that the budget allocation for children's services was approved through Cabinet via its quarterly reporting. There had also been changes to the capital programme and level of reserves, and it was noted that the current position was unsustainable in the long term.

Committee members queried whether there would be any movement on the budget in terms of how the budget was shared to accommodate financial requirements by other departments. Mr. Lonsdale noted that changes could be made to the budget over time and highlighted some of the changes taking place including funding mechanisms for local government, a review of the

council tax system and changes to how business rates were distributed.

With regard to balancing the budget for next year, it was recognised that there was a gap between £7-8m for 2024-25 and 2025-26 due to financial uncertainty. This was largely due to factors such as inflation, the rise in energy costs and interest rates. However, it looked as though the council could reduce some of its energy costs going forward.

The Chair referred to the CIPFA Code of Practice, notably the governance and financial management style expected and queried the depth and quality of the minutes being very brief.

Committee members raised further queries around the LGA Peer Review report that highlighted that the council's financial position was fragile and how this would be addressed. Committee members were assured that discussions were taking place around the budget process which included a new integrated financial performance report.

RESOLVED -That the report be noted.

## **AC.11 TREASURY MANAGEMENT OUTTURN REPORT**

The committee received a report that contained details of treasury management arrangement activity and performance during the 2022/23 financial year. Mr. Lonsdale introduced the report which covered both performance and compliance issues from a borrowing and capital investment perspective.

It was highlighted that the focus was on borrowing being affordable and sustainable. It was further highlighted to members the challenging economic environment the council were operating in, in terms of high inflation and high interest rates. As such there was a need to closely manage interest rates particularly around investments and borrowing. On a positive note, the council had seen some positive returns on its investments.

Under the gross borrowing position, a member queried the total debt in average life years and enquired whether this should be higher. Mr. Lonsdale confirmed that the council was able to borrow both short and long term and that VFM was a consideration in any borrowing decisions taken. It was further explained that the council tended to borrow long term when rates were competitive and borrowed on a short-term basis to manage the increase in interest rates. This was the reasoning behind the average duration of debt increasing.

Further discussion ensued around interest rates. Mr. Lonsdale explained the process followed with the council's lenders.

Under the ratio of financing costs to net revenue stream, a member queried the estimated figure for 2025-26 being above 10% and asked for further detail regarding this. Mr. Lonsdale confirmed that these figures were constantly refreshed and were impacted by the council's net revenue budget and capital programme. The level of borrowing was relative to the net revenue budget,

and this was currently manageable.

In terms of the capital programme, these costings were reviewed regularly to ensure the council were not over stretching itself. Also, a significant amount of the capital programme was funded through external grants, and the programme was most recently reviewed as part of the budget setting process last year.

RESOLVED – That the report be noted.

## **AC.12 RISK MANAGEMENT ANNUAL REPORT**

The committee received a report from the Executive Director Place and Resources that provided the Audit and Governance Committee with an overview of the council's risk management activities during 2022/23.

Ms. Wilson introduced the report and referred members to paragraph 1.3 within the report which highlighted the work being undertaken by the council's liability insurers (Zurich Municipal) on a health check of the council's risk management arrangements.

It was highlighted that a further upgrade on the risk management system would help to improve the reporting system. Officers had also carried out a review of risk management registers.

A member asked about officer resource within the audit team and what was being done to address any capacity issues.

Mr. Jones reminded members that this service area of the council was shared with North Lincolnshire Council and explained how resources were shared and joint working took place. Mr. Jones noted that some of the resource issues related to general capacity issues across the whole organisation and understood this would be addressed.

It was noted that no issues had been raised by the external auditors in relation to the agenda for this meeting.

RESOLVED – That the report be noted.

There being no further business, the Chair declared the meeting closed at 12.25 p.m.