



To be submitted to the Council at its meeting on 14th March 2024

## **AUDIT AND GOVERNANCE COMMITTEE**

**1<sup>st</sup> February 2024 at 10.30am.**

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

### **Officers in attendance:**

- Debbie Baker (Strategic Lead Audit)
- Katie Brown (Director of Adult Social Care)
- Peter Hanmer (Head of Audit and Assurance)
- Simon Jones (Assistant Director Law and Governance)
- Guy Lonsdale (Assistant Director Finance)
- Jo Paterson (Scrutiny and Committee Advisor)
- Sharon Wroot (Executive Director Place and Resources)

### **Also in attendance:**

Councillor Stephen Harness (Portfolio Holder for Finance, Resources and Assets)

### **AC.35 APOLOGIES FOR ABSENCE**

No apologies for absence were received for this meeting.

### **AC.36 DECLARATIONS OF INTEREST**

Councilor Silvester sought to declare an interest in item AC.44 (Section 75 arrangements) as Chief Officer of Foresight North East Lincolnshire which was currently commissioned by the Integrated Care Board (ICB).

Mr Jones advised that providing Foresight did not specifically arise within the discussion a declaration was not required.

## **AC.37 MINUTES**

RESOLVED – That the minutes of the Audit and Governance Committee meeting held on 9<sup>th</sup> November 2023 be agreed as an accurate record.

## **AC.38 TRACKING OF RECOMMENDATIONS**

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

The Chair asked for an update under AC.40, (Appointment of Second Co-Opted Independent Member). Mr Jones advised that a job description had been drawn up and the vacancy was now being advertised.

The Chair asked for an update under AC.26 (External Audit Completion Report) and asked for an updated position on the audit opinion on the accounts. Officers advised that there was some final work to take place on the evaluations. Ms Wroot noted that the government had now issued guidance on how it intended to deal with this issue.

Mr Lonsdale added that there was going to be consultation around having a date by which auditors had to issue an audit opinion, and when the council responded to this consultation, he would share this with the Audit Committee.

RESOLVED - That the tracking report be noted.

## **AC.39 LOCAL CODE OF CORPORATE GOVERNANCE 2024 AND ANNUAL GOVERNANCE STATEMENT UPDATE**

The committee considered a report from the Executive Director for Place and Resources that provided an update on the Code of Corporate Governance and Annual Governance Statement 2023/24. Mr Hanmer highlighted some of the key areas within the report noting that there were minimal changes.

Members referred to the 'Sub Principle Behaving with Integrity' within the report and queried whether a policy was in place and how effective this was. Members also asked whether the council collated the number of whistleblowing incidents. Mr Hanmer advised that the council's complaints team were responsible for taking whistleblowing complaints, which were then passed onto the Monitoring Officer for consideration and, if appropriate, coordinated for investigations. Mr. Jones stated that there had been none this year.

The Chair asked whom these incidents were reported to. Mr Jones advised that these were reported through the Corporate Governance Group, and this was not a huge area of concern currently.

The Chair asked about the assurance mapping which was referred to in the

report. Mr Hanmer confirmed that the Council was to adopt the model assurance map proposed by the Local Government Association (LGA). Work was taking place on this but due to some of the complexities of the Council's partnership arrangements, some further work was required to make it relatively simple.

The Committee supported the recommendations within the report.

#### 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 2022/23 Annual Governance Statement be noted.

### **AC.40 STATEMENT OF ACCOUNTS 2023/24 – ACCOUNTING POLICIES**

The committee received a report from the Executive Director for Place and Resources informing the Audit and Governance Committee of the accounting policies that are proposed to be used in completing the 2023/2024 Statement of Accounts.

The Chair asked about how change in leasing standard would be dealt with within the policies for next year's Statement of Accounts. Mr Lonsdale advised that they needed to re-state the balance sheet as of 1<sup>st</sup> April 2024.

A member asked for further clarification around the flexible use of capital receipts and whether there was a policy on this. Mr Lonsdale explained that the policies used to prepare the annual accounts did not include the flexible use policy. The Council complied with a set of accounting standards when preparing the financial statements, approved by the Audit and Governance Committee whereas the flexible use policy would be referenced in more detail within the full budget report that would be considered by Full Council.

Ms Wroot added that this formed part of the Planning Policy Framework rather than our Accounting Policy Framework. She further added that reference as to how this had been applied would be made within the executive summary within the annual accounts.

In response to further queries, Ms Wroot confirmed that full details as to the policy framework would be provided to Full Council when meeting to set the Budget for the coming year. This included policies such as flexible use of capital receipts.

Members felt it would be useful if officers could include a narrative for the statement of accounts in future. A member was also concerned around how best to deal with any amendments to the budget given that these had to go back through the formal process of Full Council.

Mr Lonsdale noted that any virement within budgets required relevant sign off and more significant movements were signed off by Cabinet.

The Committee supported the recommendations within the report.

#### RESOLVED

1. That the accounting policies to be used in completing the 2023/2024 Statement of Accounts, as set out in Appendix 1 of the report now submitted, be approved.
2. That the power to make new accounting policies and amend existing policies as may become necessary in the production of the accounts and during the external audit process, be delegated to the Executive Director Place and Resources with any such changes being reported back to this committee.

### **AC.41 INTERNAL AUDIT INTERIM REPORT**

The committee received a report from the Head of Audit and Assurance summarising the results of Internal Audit work in relation to the 2023/24 Internal Audit Plan up to 31 December 2023. Mr Hanmer outlined some of the key highlights within the report, including the provisional outcome of the External Quality Assessment (EQA) and the outcome of audits reported as at 31 December 2023, as well as the resourcing issues that he and his team had tried to overcome in 2023/24.

Members acknowledged the resource issues raised and noted the importance of maintaining the right level of quality. In terms of delivering against targets, members asked for more detail about how Mr Hanmer's team would look to recruit staff. Mr Hanmer explained the difficulties with agency staff and the ongoing review of the design and structures of the team.

Members enquired about the graduate scheme, and apprenticeship scheme Mr. Hanmer confirmed that one of his staff members had come in as a graduate and was now a permanent member of staff, and that it was anticipated that there would be further graduate recruitment in 2024. Mr Hanmer was also working with the People and Culture team around how best to recruit skilled people for an audit role.

The Chair asked about financial budgets in terms of delivering on the audit plan and referred to the total audit days within the Audit Plan and asked for further assurance around this. Mr. Hanmer confirmed that 800 days was adequate for this year if it was delivered, and he further advised that a lot of assurance was placed on other third party assurance provided to the council, particularly within Children's Services around Ofsted and the peer review of Adult Social Care.

The Chair enquired about work being undertaken within children's services.

Mr Hanmer advised that his team were due to meet the new Director for Children's Services next week to discuss resources and building on the work programme for next year.

A member made an observation with regard to financial difficulties around Special Educational Needs and Disability (SEND). Mr Hanmer explained that this was on audit's agenda and was something that would be included in the work for next year. Ms Baker added that there needed to be more focus on a cyclical program of work going forward in relation to Children's Services.

RESOLVED- That the report be noted.

## **AC.42 TREASURY MANAGEMENT POLICY AND STRATEGY STATEMENT 2024-25.**

The committee considered a report from the Executive Director Place and Resources that presented the restated Treasury Policy Statement and the Treasury Management Strategy Statement. Mr Lonsdale outlined some of the key highlights and areas of focus within the report.

A member referred to the Prudential Indicators for 2024/25, specifically the total financing estimate for next year being £125.5m and the government grant of £71.7m and asked whether these estimates were based on the council being able to deliver the Capital Programme. It was confirmed that this was the case and was based on the estimate information the council had available at any one time.

Members also noted the slippage within the Capital Programme this year and, given that a lot of this was now deferred to 2024/25, how likely was it that this would be achieved. Officers advised that they were challenging budget holders around profile and spend. Ms Wroot further explained that a good proportion of government grants had a small spending window (2 years) in terms of levelling-up. In terms of the regeneration agenda, they would expect a substantial amount of that delivery to happen in the next 12-18 months.

The Chair referred to the ratio of financing costs to net revenue stream, noting that as the capital programme increased, the 9.66% general fund ratio was close to the policy limit and asked officer's thoughts on this. Mr Lonsdale advised that the ratio was used to understand how much risk the organisation was taking. Members were assured that the council were below average in terms of its borrowing costs compared to its peers.

Ms Wroot added that this figure changed constantly based on assumptions within the Medium Term Financial Plan in later years and explained how it was used as an indicator and kept under constant review.

A member referred to the existing Investment and Debt Portfolio Position and asked for more detail around the £21.0m Lender Option Borrower Option (LOBO) loan. Mr Lonsdale explained that this was detailed in the Treasury Management Strategy and featured on their forward agenda in terms of being prepared to re-finance that borrowing if necessary. In terms of how those loans

would be re-financed, Mr Lonsdale explained the process via the Public Works Loans Board (PWLB).

A discussion ensued around borrowing for commercial purposes and the option of borrowing to offset other loans. Mr Lonsdale explained how the council tried to maintain a balanced portfolio to minimise risks.

The Chair referred to a statement within the Section 151 Officer overview around impact of the auditor's value for money judgement due to complications within the financial market with lenders and how this impacted the council. In response, officers hoped that the scope of the Value for Money (VFM) conclusion would change over time.

A member enquired about the significant increase in the project capital financing forecast, and asked for more detail around what was specifically included within that and what actions were being taken to mitigate risk. Members were advised that the details of this featured in the Quarterly Monitoring reports. In terms of risk, the capital financing costs were considered and monitored through the half yearly Treasury Management Reports and considered through the financial planning process.

Ms Wroot advised that there was a range of checks and balances that had to be undertaken to ensure the best decision delivered the lowest cost and risk to the organisation.

Members asked about authorised limits and how these were set. Officers advised that these were informed by the council's approved budgets and spending plans noting that the Capital Programme did fluctuate.

A member referred to the Annual Minimum Revenue Provision Statement asking why the Minimum Revenue Provision (MRP) had reduced and how that was split across the directorate. Officers explained that Full Council approved the audit and advice was given on the approach the council would take at the time. Ms Wroot emphasised that it was not an external organisation responsible for approving that decision.

Mr Lonsdale explained that in terms of the MRP change this was budgeted and monitored at a corporate level.

RESOLVED –

1. That the Treasury Management Policy Statement, as detailed in Appendix 1 of the report now submitted, be noted.
2. That the Treasury Management Strategy Statement and Prudential Indicator for 2024/25, as detailed in Appendix 2 of the report now submitted, be noted.
3. That the MRP Policy Statement, as detailed in Annex 2 Appendix 2 of the report now submitted, be noted.

## **AC.43 TREASURY MANAGEMENT PRACTICES**

The committee considered a report from the Executive Director for Place and Resources seeking approval of the Treasury Management Practices.

The Committee supported the recommendations within the report.

RESOLVED – That the Treasury Management Practice 1 (1) and any other listed amendments to other Practices within Appendix 1 of the report now submitted be approved.

## **AC.44 SECTION 75 ARRANGEMENTS**

The committee considered a report from the Director of Adult Social Care providing an update on the Section 75 arrangements. Ms Brown outlined the background to the establishment of the formal partnership agreement.

The Chair noted that the committee's primary concerns were around 'Place' and it was key that this was the real focus. In terms of the proposed Joint Committee this would focus on the strategic oversight of the Health and Social Care arrangements. The Integrated Care Board (ICB) was very different to the Clinical Commissioning Group and a number of functions that were previously delivered at place were now delivered corporately and this was being reviewed as part of the Section 75 arrangements post April 2024.

Members asked what would happen with the functions that were delivered through the ICB and asked how the delegation to Place Directors would work. Ms Brown explained that the local hospital trust was now managed by the acute collaborative, however, contracts such as the Care Plus Group (CPG) and Navigo were managed at place by the Place Director.

Members sought clarification around where responsibilities lied with regard to the statutory Care Act responsibilities. Ms Brown noted that there would be a different approach to social work duty going forward. Navigo and CPG would be managed through the Section 75 arrangement by the ICB at place. A detailed social work schedule would be the mechanism within which the council would gain assurance as to the effectiveness of delivery. Also Focus would be managed by a direct contract between the council and them.

A member asked about service outcomes and economies of scale in terms of co-production across the Health Care Partnership. A member also asked that with regard to engagement with the public whether the Joint Committee would be held in a public forum. Ms Brown confirmed these would be held in public, with lay members part of the Joint Committee. In terms of co-production, officers were taking a proactive approach to co-production.

In response to a query, Ms Brown confirmed that there would be mixed representation on the Joint Committee and this formed part of the terms of reference which would be drawn up.

A short discussion ensued around complications within the governance

structure noting that the health service had a very different governance arrangements to that of a local authority. Also, members discussed the new governance arrangements with the proposal to include an audit committee that would be a key part of the governance structure. The terms of reference were currently being developed and relevant leads would be consulted as part of the process.

Overall, Ms Brown considered the council were doing well compared with other local authorities in terms of a sustained market and sustained workforce. It was noted that this would be the first extensive Section 75 to be agreed with an ICB. Ms Brown further emphasised the importance of governance and risk mitigation in the context of ICB, particularly in the context of the percentage of budgets involved in the pooled budget.

The Chair asked that specific thoughts for improvement be forwarded to Ms Brown to respond to outside of the meeting.

Members asked for sight of the terms of reference once this was agreed.

RESOLVED – That the report be noted.

#### **AC.45 ISSUES FOR DISCUSSION WITH THE INTERNAL AND EXTERNAL AUDITORS**

The committee had the opportunity to discuss any confidential matters of concern with the External Auditor and the Head of Internal Audit.

No such issues were raised.

There being no further business, the Chair declared the meeting closed at 12.13 p.m.