



To be submitted to the Council at its meeting on 18th March 2021

AUDIT AND GOVERNANCE COMMITTEE

21st January 2021 at 11.00.a.m.

Present:

Mr. T. Render (in the Chair)

Councillors Beasant, Cairns (substitute for Furneaux), Harness, Hudson, Parkinson, Patrick, Rogers, Silvester and Wheatley.

Officers in attendance:

- Helen Isaacs (Assistant Chief Executive)
- Sharon Wroot (Executive Director, Environment, Economy and Resources)
- Simon Jones (Chief Legal and Monitoring Officer)
- Peter Hanmer (Head of Audit and Assurance)
- Guy Lonsdale (Deputy Section 151 Officer)
- Rachel Carey (Strategic Lead – Financial Planning)
- Mark Edwards (Strategic Lead – Fraud)
- Drew Hughes (Commissioning and Relationship Manager)
- Caroline Wilson (Strategic Lead – Risk and Governance)
- Bev O'Brien (Scrutiny and Committee Advisor)

Also, in attendance:

- Mark Surridge (Mazars)
- Councillor Shreeve (Portfolio Holder for Finance, Resources and Assets)

AC.40 APOLOGIES FOR ABSENCE

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

AC.41 DECLARATIONS OF INTEREST

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

AC.42 MINUTES

The Chair stated that the title of minute AC.34 needed to be changed to Audit Completion Report.

RESOLVED –

1. That the minutes of the Audit and Governance Committee meeting held on 12^h November 2020 be agreed as an accurate record.
2. That the title of minute AC.34 be changed to Audit Completion Report.

AC.43 TRACKING OF RECOMMENDATIONS

The committee received a report from the Executive Director for Environment, Economy and Resources tracking the recommendations of the Audit and Governance Committee.

Members were happy with the comments received as part of the report and were happy that actions had been completed.

RESOLVED – That both completed actions be removed from the tracking report.

AC.44 FOCUSED REVIEW AREA – LEISURE PARTNERSHIP

The committee received an update on the progress with the Council's leisure partnership.

Ms Wroot introduced the item and stated that the service had been impacted by the COVID-19 pandemic and due to the lockdown arrangements, the service had been closed a lot over the last 10 months. Mr Hughes explained that it was an extremely challenging time for the partnership and our partner Lincs Inspire, but the partnership was working together to try and plot a route to a better future. He stated that whilst regular partnership and operational meetings were not taking place, the partners were still meeting regularly and the focus of the agenda for these meetings was on dealing with the impact of COVID-19 and potential support for leisure services to secure the long term future of the partnership. Mr Hughes confirmed that the three actions that came out of the Audit Report had been noted. The action around updating the contract was due to take place in 2020 but had been put on hold due to the current circumstances and the other two actions around performance reporting and financial reporting still needed to be completed to create a more robust and effective partnership. He also confirmed that the council was working with Lincs Inspire on a recovery plan after being shut for the

majority of the year and it included a slow and steady plan to allow activities to start happening again once the current lockdown was lifted.

The Chair stated that he was not surprised that arrangements had changed. One member asked whether they had received any government support during the pandemic period. Ms Wroot explained that they had received support in terms of furlough and job support as well as business support grants and applying for reduction in VAT rates where applicable. However, leisure services had not benefitted from direct support that the Council had received from the government, as this only applied where leisure services were in house. She added that a Department for Culture Media and Sport (CMS) grant had been applied for from Sport England, in partnership with our leisure services partner, to provide support from government.

RESOLVED – That the update be noted.

AC.45 FOCUSED REVIEW AREA – SHARED SERVICES

The committee received an update on the progress with the Council's shared services arrangements.

Ms Wroot explained that the Shared Services arrangements were created in 2016 to deliver a range of improvements and efficiencies for both North East Lincolnshire Council and North Lincolnshire Council. She stated that they had continually reviewed the joint service to identify what was best to share and collaborate with our neighbours. Ms Wroot added that during 2020 another review had taken place leading to a report being taken to Cabinet to propose further reviews. Specifically, to consider whether it was good value to keep on sharing our services or whether there was a need to change and improve them. She explained that there was also a recommendation to review the governance arrangements as they were currently considered to be unwieldy. Therefore, a recommendation was put forward to provide more flexibility to operational leads. Ms Wroot stated that it didn't mean changing the principle of working together, it was more around moving to flexible governance arrangements Ms Wroot added that, following approval by Cabinet, a further report was submitted to the Shared Services Joint Committee on 18th December 2020 where it was agreed to support the demise of the joint committee, creating a more flexible and adaptive arrangement with assurance that future decisions would be taken through the Shared Services Board. Ms Wroot assured Members that if anything significant were to arise, the decision would be dealt with via the Cabinet decision making process.

Members appreciated the need for the Shared Services Joint Committee not to meet regularly. One Member wondered what the process would be if the Portfolio Holder was not comfortable with a decision being made and how this would be dealt with. Mr Jones explained that as with any proposal it would be hoped that it already had the Portfolio Holders support as they would have been thoroughly briefed throughout the process. However, if there was a compelling argument, the proposal would be adjusted to suit

the Portfolio Holder. He also confirmed that the route for the final decision would ultimately be via Cabinet.

RESOLVED – That the update be noted.

AC.46 TREASURY MANAGEMENT

The committee considered the following treasury management reports:

- **Treasury Management Strategy**

A report from the Executive Director, Environment, Economy and Resources presenting the restated Treasury Policy Statement and the Treasury Management Strategy Statement.

Councillor Harness enquired about the £151.3million in borrowing and £55 million in investment. Compared to last year's borrowing it was lower but had £15million in investment. He wondered how we have been able to have extra investment this year. Ms Carey explained that it was a product of the COVID environment, where several of the business grants that had been received from the government had been passed out into the communities. Therefore, that cash balance was a product of cash advances that we were receiving from the government. Councillor Harness also asked why a third of the £6 million would be put at risk. He wondered why this was so different from last years. Ms Carey stated that this was flexed as we go through the year. It was a product of the reserves and the cash they had available. Councillor Harness stated that when you state risk it was not a worrying risk. Ms Carey confirmed that it was not.

Councillor Patrick asked about the medium-term plan of £46 million worth of borrowing in the current climate. He wondered what the financial timescales were to see a financial return to the local authority. Ms Carey stated that it was based on several individual schemes which were assessed on their own basis. Councillor Patrick explained that he wanted reassurance that the process for borrowing was robust and everything had been covered within initial applications. Ms Wroot assured members that there were fundamental principles that had to be covered as part of the borrowing process.

The Chair asked at what point would we stop borrowing long term or stop borrowing short term. Ms Carey added that short term outlook for interest rates did not show that they would be going anywhere very quickly. This initially reduced the interest rate risk on the short-term borrowing position. Short term borrowing allowed flexibility without committing to long term borrowing, but this was constantly reviewed.

RESOLVED – That the comments of this committee as noted above and the contents of the report now submitted be referred to Cabinet for consideration, namely:

- the Treasury Management Policy Statement – Appendix 1

- the Treasury Management Strategy Statement and Prudential Indicators for 2021/22 - Appendix 2
- the MRP Policy Statement – Annex 2 of Appendix 2

- **Treasury Management Practices**

A report from the Executive Director, Environment, Economy and Resources presenting reviewed Treasury Management Practices.

Members believed the changes were necessary and sensible.

RESOLVED - That the Treasury Management Practice 1(1) and amendments to other Practices, as listed in Appendix 1 of the report now submitted, be approved.

AC.47 ACCOUNTING POLICIES

The committee received a report from the Executive Director for Environment, Economy and Resources outlining the accounting policies that were proposed to be used in completing the 2020/2021 Statement of Accounts.

RESOLVED –

1. That the accounting policies to be used in completing the 2020/2021 Statement of Accounts, as set out in Appendix 1 of the report now submitted, be approved.
2. That the Executive Director for Environment, Economy and Resources be given delegated powers 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, with any such changes being reported back to this committee.

AC.48 LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT UPDATE

The committee considered a report from the Executive Director for Environment, Economy and Resources providing an update on progress in respect of issues raised in the 2019/20 Annual Governance Statement.

RESOLVED –

1. That the updated Code of Governance be approved for inclusion in the Council's Constitution.
2. That the action taken to respond to the issues raised in the 2019/20 Annual Governance Statement be noted.

AC.49 INTERIM INTERNAL AUDIT REPORT 2020/21

The committee received a report from the Head of Audit and Assurance summarising the results of Internal Audit work in relation to the 2020/21 Internal Audit Plan.

RESOLVED – That this report be noted as part of this committee's role in monitoring the effectiveness of Internal Audit.

AC.50 ANTI-FRAUD AND CORRUPTION STRATEGY

The committee considered a report from the Executive Director for Environment, Economy and Resources on the Council's updated Anti-Fraud and Corruption Strategy.

RESOLVED – That the Anti-Fraud and Corruption Strategy be approved.

AC.51 GRANT REQUIREMENTS AND THE PROCESS OF DETERMINING THE USE OF A GRANT

The committee received a verbal update on grant requirements and the process of determining the use of a grant.

Mr Lonsdale explained that due to the pandemic the teams have had to respond quickly to implement the processes required to distribute funding. Internally a range of council activity had paused and this had impacted on council finances. The council had received a range of funding to support its activities and acted as an agent to forward on funding to local businesses and not for profit organisations. Appropriate governance and oversight arrangements had been put in place. The priority had been to get the money out into the local economy, but as it was public money appropriate checks needed to be put in place. Therefore, appropriate processes had been implemented. Every individual grant scheme process had a senior responsible officer to ensure we had clear accountability for management of funds. There was clear democratic engagement with appropriate portfolio holders and the grant foreexternal allocations was communicated via, for example, the council's intranet and the voluntary sector. He explained that some of the funding had been ring fenced for Council services, which were for general allocations, for example, COVID-19 winter grant scheme, which would tend to come with conditions from the Government. Mr Lonsdale clarified that they had calls with relevant departments to help to clarify on business grants where guidance was unclear. Larger grant allocations would be established across several council teams to establish the best way to get money out. To ensure we had appropriate policies in place, the council had worked with internal audit to make sure that system processes were appropriate and external support for grants allocations had been provided by eFactor. Mr Lonsdale assured Members that they also communicated with the Government to

ensure that they were spending the money received and spending it appropriately.

Councillor Harness believed that the process on how to distribute the money had worked very well. He asked what sort of business would qualify for a discretionary business grant. Mr Lonsdale explained that there was more than one type of business discretionary grant, and the council had the one they received in June, but they had also received a restricted grant recently. The one received earlier in the year was opened to an application process. It was opened it up to businesses that were not able to apply through the original scheme that was quite prescriptive. In terms of the restricted grant, they received recently, Mr Lonsdale explained that they were currently in train with it and had a lot more scope to utilise and be more creative with this grant. The Chair believed that a lot of good processes had been implemented and did not see that it had moved outside of our decision-making process.

RESOLVED – That the update be noted.

AC.52 EXTERNAL AUDITORS – ANNUAL AUDIT LETTER

The committee received the Annual Audit Letter from our external Auditor's – Mazars.

RESOLVED – That the Annual Audit Letter be noted.

AC.53 EXCLUSION OF PRESS AND PUBLIC

RESOLVED – That the press and public be excluded from the remainder of the meeting on the grounds that discussion of the following business was likely to disclose exempt information within paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

AC.54 STRATEGIC RISK REGISTER UPDATE

The committee considered a report from the Executive Director for Environment, Economy and Resources providing a summary of the developments relating to risk management and the strategic risk register.

The Chair believed it would be helpful to analyse the Risk Register in more detail as part of an Audit Working Group.

RESOLVED –

1. That the report be noted.
2. That an Audit Working Group be organised to look at the Strategic Risk Register in more detail.

AC.55 ISSUES FOR DISCUSSION WITH THE INTERNAL AND EXTERNAL AUDITORS

The committee was provided an opportunity, at the close of this meeting, to discuss any confidential matters of concern with the External Auditor and the Head of Internal Audit.

No such matters were raised.

There being no further business, the Chair declared the meeting closed at 12.45 p.m.