



To be submitted to the Council at its meeting on 20th March 2025

AUDIT AND GOVERNANCE COMMITTEE

30th January 2025 at 10.30am.

Present: Mr. T. Render (in the Chair)

Councillors Aisthorpe, Boyd, Crofts (substitute for Silvester), Hasthorpe, Holland, Mickleburgh, Patrick, Parkinson and Shutt.

Mr W. Leschenko (Second Independent Member)

Officers in attendance:

- Paul Cowling (Service Director Regulated Services)
- Peter Hanmer (Head of Audit and Assurance)
- Simon Jones (Assistant Director, Law and Governance)
- Guy Lonsdale (Assistant Director, Finance and Deputy Section 151 Officer)
- Jo Paterson (Scrutiny and Committee Advisor)
- Julie Poole (Assistant Director Children's Assurance Evaluation and Partnerships, Children's Services)
- Caroline Wilson (Strategic Lead, Risk and Assurance)

Also in attendance:

- Councillor Harness (Portfolio Holder for Finance, Assets and Resources)
- Leah Parsons (External Auditor, Mazars)

AC.32 APOLOGIES FOR ABSENCE

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

AC.33 DECLARATIONS OF INTEREST

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

AC.34 MINUTES

RESOLVED – That the minutes of the Audit and Governance Committee meeting held on 7th November 2024 be agreed as an accurate record.

AC.35 TRACKING OF RECOMMENDATIONS

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

At AC.19, Update on the audit of the Depot Rationalisation Project, Mr Hanmer confirmed that the audit had been completed and shared with the Council's Leadership Team. Mr Hanmer would inform the main actions arising from this work at the next meeting of this committee.

At AC.26, Greater Lincolnshire Combined County Authority governance arrangements, Mr Jones advised that that the Statutory Instrument was near being approved by parliament. He understood this was going through the House of Commons and House of Lords and was awaiting sign off by the relevant minister. Mr Jones confirmed that he would report back at the next meeting with progress to date.

At AC.29, Leisure Partnership Governance update, the Chair asked that a representative from Lincs Inspire be invited to a future meeting of this committee. Ms Paterson would look to arrange this for a future meeting.

RESOLVED – That the Tracking Report be noted.

AC.36 THE FURTHER DEVELOPMENT OF CHILDRENS SERVICES GOVERNANCE ARRANGEMENTS

The Committee received a presentation on the above. The presentation covered the following:-

- Children's Services Improvement Journey and Governance
- Improvement Plan Governance Overview
- Assurance Framework
- Assurance Framework Developments and Milestones

Ms. Poole further highlighted some of the key areas of progress that had been made including a refresh of the service's assurance and governance arrangements, new SEND (Special Educational Needs and Disability) and Alternative Provision (AP) Board partnership arrangements, new Thematic Focus Meetings and enhanced preparation for inspections, along with external LGA (Local Government Association) Peer Reviews.

Members queried the reference to 'audits of practice'. Mr. Hanmer explained that audits of practice were different to internal audits. He reported that his team would be starting audits on the assurance framework soon.

A member asked how Children's Services were assured that they were achieving VFM (Value For Money). Mr. Cowling advised that external placements for children were one of their biggest budget pressures and VFM was a key consideration when making and overseeing these placements and across everything they did.

Another member asked how the service intended to increase its commitment to providing VFM before the next inspection. Mr Cowling advised that there had been an historically high population of children in care within the borough, and the key focus across children's services, with partners and the community, was to enable children to remain in or return to their families with the help they need at the right time. This was the best option for children and would continue to help in reducing these numbers and providing VFM.

Members asked how some of those changes would impact on risk. Mr Cowling advised that the service was always reviewing its risk register, including those risks highlighted through the Continuous Improvement Board.

Further discussion ensued around operational risks with officers confirming that these were fed back to senior leaders through the various governance arrangements.

In response to queries around the Improvement Plan, it was confirmed that there was a comprehensive Improvement Plan that went to the Continuous Improvement Board that was used in everyday practice.

Members raised concerns over the previous Ofsted Report, particularly around transparency from previous officers. Mr Cowling assured members of the commitment to being as open and transparent with members as possible. To support this, there had been a number of independent checks established that provided assurance, including peer reviews through the LGA and regional partners.

Members commented on the changes in financial governance arrangements made over the years. Mr Cowling stated that they worked closely with colleagues in finance to understand how the budget framework worked. Officers noted that many factors influenced cost, a key one being the number of children in care.

Members also asked about the recent fostering campaign asking whether this had been cost effective. Mr Cowling noted this was having a positive impact but was still work in progress.

Overall, the Chair felt the presentation was encouraging but felt more partnership working with health colleagues may be required. He also felt that in terms of democratic processes the service would benefit from a more public report on its improvements through Cabinet.

RESOLVED- That the presentation be noted.

AC.37 CODE OF GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT

The committee received a report from the Executive Director for Place and Resources that provided an update on the Code of Corporate Governance and Annual Governance Statement 2023/2024 (which was approved in draft by the Committee in July 2024).

The Chair noted that the update report referred to a Section 75 Agreement and asked where this document was in the democratic process. Mr Jones confirmed this had been signed and would confirm where it was for members to have sight of it.

Mr Hanmer noted that an audit was taking place with the auditors of the ICB (Integrated Care Board) to look at the Section 75 agreement and to understand how those arrangements worked in practice.

A Member referred to the update on the Health and Social Care System which stated that all areas under ASC (Adult Social Care) were now enacted as part of the governance arrangements under the Section 75 agreement. Members however felt this was not a good explanation as to where the Council was with its budget.

Mr Hanmer confirmed that the report was limited in response to the action in the AGS (Annual Governance Statement) which was approved in draft by the Committee in July 2024.

The Chair confirmed he would plan for a session with the Director of Adult Social Care in next year's work programme.

In relation to Children's Services, a member asked about the financial position and reference to the children's journey and legacy issues and asked for a better understanding of where the Council was financially.

It was noted that there was to be an All-Member Briefing on Children's Services next month and there were also ongoing member sessions with the Children's Commissioner that would help explain this in more detail. Members felt this information may need reporting into scrutiny more effectively in future.

Mr Lonsdale was restricted in terms of the level of information that could be provided in the quarterly monitoring reports given the size of the organisation. However, it was possible to undertake some more detailed work on this if members felt it necessary.

Mr Leshenko wished to clarify which document was being referred to for the three lines of assurance. Mr Hammer explained how the Council follows the three lines of assurance model to provide assurance on the design and operation of the Council's governance and internal control arrangements. An assurance map was in the process of being developed by a group of officers..

RESOLVED –

1. That the updated Code of Governance be approved for inclusion in the Council's Constitution.
2. That the action which had to be taken to respond to the issues raised in the 2023/24 draft Annual Governance Statement be noted.

AC.38 STATEMENT OF ACCOUNTS 2024/2025 - ACCOUNTING POLICIES

The committee received a report from the Executive Director for Place and Resources that informed the Audit and Governance Committee of the accounting policies that were proposed to be used in completing the 2024/2025 Statement of Accounts.

A member asked about legacy leases from Equans, Mr Lonsdale confirmed that these sat within the contractual arrangement and was something officers were working on at present.

RESOLVED

1. That the accounting policies to be used in completing the 2024/2025 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.39 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 2024/25 Internal Audit Plan up until 6th January 2025.

The Chair referred to the report and in particular why the recruitment of remaining vacancies had been put on hold and whether it was due to budget constraints.

Mr Hanmer explained he needed time to fully consider the current arrangements and type of resources that would be required moving forward. He also noted his team had additional support from a third-party assurance provider.

The Chair asked whether there were enough resources to deliver what was required. The Chair noted the number of audits that were marked complete within the report asking whether this position was sustainable given the

amount of work being done and the assessment that had been given.

Mr Hanmer confirmed that in the longer term this position may not be sustainable, however, he felt the plan was deliverable for this year.

Members asked about risk around the transfer of staff from Equans. Mr Hanmer noted this was something that needed consideration for the 2025/26 audit plan, and that an audit on the arrangements in place for the transfer was currently in progress as part the 2024/2025 audit plan.

The Chair asked for Mr Hanmer to report back to committee on the adequacy of resources going forward. Mr Hanmer confirmed that he would report back to committee in April with the position up until the end of February and he was hopeful progress would have been made.

Members commented on challenges faced with resources within the audit team. Mr Hanmer confirmed his team had appointed two apprentices and an Audit Business Partner across the shared service and noted ongoing challenges with finding qualified auditors in the sector.

A member commented on the intention to complete 56 audits for the 2024/2025 plan and whether this was too high. Mr Hanmer stated that this was slightly lower than previous years and was not high compared to other authorities.

RESOLVED – That the report be noted.

AC.40 TREASURY MANAGEMENT POLICY AND STRATEGY STATEMENT 2025-26

The committee received a report from the Executive Director for Place and Resources that presented the re-stated Treasury Policy Statement and the Treasury Management Strategy Statement (TMSS).

In response to a query around capital slippage, Mr Lonsdale confirmed that the Council borrowed at the point cash was needed, not when the investment decision was made.

A brief discussion ensued with members querying how the Capital Programme was monitored. Members asked about borrowing required for the Capital Programme highlighting that £131m of new borrowing was required and whether this was solely for capital projects.

Mr Lonsdale confirmed this was just council projects however did include some of the re-financing models.

Members were concerned that the Council were taking on lots of new borrowing at a new cost and the cumulative impact on services moving forward. Mr Lonsdale assured that all capital investment decisions were taken in the context of affordability and sustainability. He noted that the prudential indicators were key to their assessments.

Members commented on the recommendations within the recent scrutiny budget papers. Mr Lonsdale clarified that the formal scrutiny recommendation was based on what the Council's political administration were proposing to take through Cabinet and this required consulting all 42 members.

The Deputy Chair proposed a recommendation to Cabinet which was duly seconded as below: -

To bring to Cabinet's attention the high forecast of borrowing over the next 3 years and the cost of serving those debts.

RESOLVED- That the report be noted.

RECOMMENDED TO CABINET:-

That the high forecast of borrowing over the next 3 years and the cost of serving those debts be brought to the attention of Cabinet.

AC.41 TREASURY MANAGEMENT PRACTICES

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

Mr Lonsdale wished to inform members that the new Greater Lincolnshire Combined Authority would be adopting treasury management practices on an interim basis.

RESOLVED – That the Treasury Management Practices be noted.

AC.42 EXTERNAL AUDIT PROGRESS REPORT

The committee received the External Audit Progress Report for the year ending 31 March 2024.

Ms Parsons stated that they were still working towards the end of February date and there were no significant issues to report, a final report would be brought forward in February.

RESOLVED – That the External Audit Progress Report be noted.

AC.43 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED – That the press and public be requested to leave 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.44 ISSUES FOR DISCUSSION WITH THE INTERNAL AND EXTERNAL AUDITORS

There were no issues for discussion with the external auditors.

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