

Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in Meeting Room 1, Council Offices, Priory Road, Spalding, on Tuesday, 19 September 2023 at 6.30 pm.

PRESENT

A C Beal (Chairman)
S-A Slade (Vice-Chairman)

C J T H Brewis

M Geaney

M Le Sage

Apologies for absence were received from or on behalf of Councillor N Chapman

In Attendance: The Assistant Director – Governance, the Chief Finance Officer (PSPS), the Senior Finance Business Partner (PSPS), the Interim Treasury and Investment Manager (PSPS), the Business Intelligence and Change Manager, the Senior Manager (Ernst & Young), the Internal Audit Team Manager (Assurance Lincolnshire) (virtual), and the Democratic Services Officer.

	<u>Action By</u>
<p>10. DECLARATION OF INTERESTS</p> <p>There were none</p>	
<p>11. MINUTES</p> <p>AGREED:</p> <p>That the minutes of the Governance and Audit Committee held on 29 June 2023 be signed by the Chairman as a correct record.</p>	
<p>12. ACTIONS</p> <p>Updated responses to actions which arose at the 29 June 2023 Governance and Audit Committee meeting and the tracking of previous outstanding actions were presented to the Committee.</p> <p>AGREED:</p> <p>That the Actions from the Governance and Audit Committee meeting held on 29 June 2023 and the tracking of previous outstanding actions be noted.</p>	
<p>13. AUDITED FINANCIAL STATEMENTS 2021/2022</p> <p>Consideration was given to the report of the Deputy Chief Executive – Corporate Development (S151) which sought approval for the Annual Governance Statement for inclusion with the Council's Financial Statements, and approval of the Audited</p>	

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Financial Statements 2021/22 for publication.

The Chief Finance Officer (PSPS) introduced the report and highlighted the following points:

- The production of the Audited Financial Statements 2021/2022 had been delayed due to the following:
 - Delays in the audit process;
 - Additional requirements resulting from the 2022 Lincolnshire Pension Fund Triennial Valuation;
 - A requirement to review the valuation assumptions used for Council Dwellings; and
 - The disclosure for the alternative representation of PSPS within the Council's core statements;
- The Audited Financial Statements 2021/2022 had been presented to the Governance and Audit Committee in March 2023 with a recommendation that, subject to 'no material changes', delegated authority be granted to the Chairman of the Governance and Audit Committee and the Section 151 (S151) Officer to approve any amendments. The amendments in the report had been 'material' and therefore it was necessary that the statements came back to the Committee, alongside the 2021/2022 Audit Results Report (agenda item 6), for approval.
- Some minor grammatical changes had been made to the Letter of Representation at Appendix B and an amended version was circulated to members at the meeting.

Members considered the report and made the following comments:

- Members noted alterations and reallocation of monies which reflected the adjusted scope of Portfolio Holder responsibilities, and it was therefore prudent for the Committee to consider the overall position rather than individual lines;
- Members stated that the 11 September 2023 'Statement of Accounts' overview session was very useful and assisted greatly with their understanding of the Audited Financial Statements 2021/2022;
- Members praised the Finance team for the production of the Financial Statements and acknowledged the extra complexities involved which had resulted from:
 - the separation from Breckland District Council;
 - the creation of the new partnership (S&ELCP); and
 - Covid monies.
- Members referred to page 3 of the report regarding the 'self-service nature of financial/service management in all operations' and stated that this highlighted the importance of scrutiny and accountability.

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- Members noted that the report referred to South Holland District as a 'high quality living area' which was contradicted in the Risk Register and that some areas of the district experienced a high level of deprivation.

AGREED:

That the Governance and Audit Committee:

- a) Approved the Financial Statements 2021/22 (Appendix A);
- b) Authorised the S151 Officer, in consultation with the Chairman of the Committee, to approve any amendments if required, after the Committee date and prior to the official signing of the Accounts.
- c) Approved the Annual Governance Statement 2021/22; and
- d) Reviewed the letter of representation to EY (Appendix B), and if it agreed, approved the S151 Officer and the Chairman to sign on its behalf.

14. 2021/2022 AUDIT RESULTS REPORT - UPDATED

Consideration was given to the updated South Holland District Council Audit Results Report for the year ended 31 March 2022, produced by Ernst Young.

The Senior Manager (EY) provided the following overview:

- The South Holland District Council 2021/2022 Audit Results Report for the year ending March 2022 had been presented to the Committee on 16 March 2023. The updated report presented to the Committee at the current meeting was a final version of the audit;
- The report included amendments that had been made since the first iteration and the Senior Manager (EY) highlighted the following areas:
 - Status of Audit:
 - Page 5 of the report outlined the status of the audit which had one outstanding issue regarding 'Going Concern'. This had now been completed. The report would be issued upon the receipt of relevant signatures.
 - Audit Adjustments:
 - Page 7 of the report summarised audit adjustments that had been made to the

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- accounts by SHDC management. The main changes were outlined at point 1 in relation to Pension Liability; and point 5 in relation to how the council accounted for PSPS as an associate.
- In addition, the change in valuation of HRA dwellings had now been updated.
 - The Chief Finance Officer (PSPS) confirmed that following feedback from the 2021/2022 HRA valuation, a revised instruction had been given to the Valuer for 2022/2023.
 - Other Reporting Issues - Recommendation to Council
 - Page 37 of the report detailed a new recommendation regarding the submission by all Councillors of Related Party Disclosure returns to the Finance Team in a timely manner.
 - Audit Fees
 - Page 40 of the report provided a summary of the final audit costs which would be discussed with management before being finalised. Approval of additional audit fees required the approval of PSAA before they were agreed.
 - The Senior Manager (EY) concluded by thanking the Finance Team for their positive responses to audit queries which had enabled the final report to be presented at the current meeting.

Members considered the report and made the following comments:

- Members thanked all concerned for their work and asked whether the 2022/2023 accounts would be delivered on schedule.
 - The Senior Manager (EY) responded that an announcement was imminent regarding local audit which would steer the way forward.
 - The Chief Finance Officer (PSPS) responded that the 2022/2023 Financial Statements were substantially completed pending resolution of technical reconciliation matters.

AGREED:

That the updated 2021/2022 Audit Results Report 2021/2022 be

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received by the Governance and Audit Committee.

15. Q1 RISK REPORT 2023/2024

Consideration was given to the report of the Assistant Director – Governance which provided an update on the Council's current strategic risks.

The Business Intelligence and Change Manager introduced the report by giving the following overview of the current status of the Council's strategic risks:

- None were rated as 'critical', the highest category (red);
- Eight were rated at the 'high' risk level (amber);
- Nine were rated as 'medium' (yellow); and
- One risk was rated as 'low' (green)

Regarding changes to risks since the last iteration of the report:

- The Homelessness Reduction Team Resources were now at full capacity due to the appointment of a Homelessness Reduction Officer and an Administration Officer. Some internal restructuring had also occurred. As a result, this area had a reduced risk score.
- A new risk relating to the Waste Services Team had been identified. This had resulted from the increasing demand upon the team due to housing growth. The waste collection rounds were being reviewed and redesigned to maximise efficiency and balance. The risk would be monitored as the results of the review were implemented.

Members considered the Q1 Risk Report 2023/2024 and made the following comments:

- Members asked whether reductions to risk scores were pro-actively sought and whether targets were in place.
 - The Business Intelligence and Change Manager stated that:
 - A draft Risk Framework for the whole of the S&ELCP was in development which would incorporate targeted risk scores. The draft Risk Framework would be shared with members in due course.
 - Whilst targets were not currently in place, where a risk was critical, high or medium, focussed activity would ensue to mitigate the risk. The Risk Report was presented to the Senior Leadership Team on a monthly basis where mitigations were monitored.
 - The Assistant Director – Governance stated that:

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- Whilst it was not possible to reduce the impact of some of the highest scoring risks, the focus was on the reduction of the likelihood of the risk;
 - Some risks could not be reduced further with mitigations, and in such cases, the cost of which outweighed any potential benefit;
 - The Council endeavoured to reduce or avoid risk as far as possible but had to take a view to be comfortable to work within a certain risk level to achieve a strategic objective.
- Members noted the high impact of the ICT risk and asked whether this was due to an issue specific to SHDC.
 - The Business Intelligence and Change Manager responded that whilst the impact of an ICT incident was high (5), which contributed to the overall 'critical' risk rating, the likelihood of an occurrence was low (2). Currently there were no concerns regarding this risk.
- Members referred to the risk relating to the retention of staff. As the Council was dependent on PSPS for the provision of services across the partnership, it was important that PSPS staff retention figures were included/monitored.
 - The Business Intelligence and Change Manager would clarify the position regarding the data source after the meeting.
- Members referred to the economic hardship that existed in some parts of the district and noted that this could impact SHDC debtors.
- Concerns were raised regarding the high risk of internal communications, especially in relation to the partnership and the garden waste review.
 - The Business Intelligence and Change Manager stated that:
 - The high risk regarding internal communications was acknowledged however an action plan was in place and results from the quarterly staff survey were being monitored.
 - Clarification regarding the completion of the waste collection review would be sought and shared with the committee.
- Members were concerned that they had not received

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advanced sight of the external communications plan regarding the re-routing of the waste collection service in order to assist with queries from residents. Communications to residents regarding the upcoming changes to waste collection arrangements, including garden waste, needed to be unambiguous and circulated in advance.

- The Business Intelligence and Change Manager would request the communications plan and circulate it to members.
- Members referred to the Peer Review feedback regarding constitution partnership alignment and asked whether this area would undergo a risk review exercise.
 - The Assistant Director – Governance responded that:
 - Constitution alignment across the partnership had been identified from the partnership review and by SHDC;
 - It was acknowledged that the streamlining of processes would benefit shared officers in respect of compliance
 - The Stakeholder Board (Leaders, Deputy Leaders and Finance Portfolio Holders of the three authorities of the S&ELCP) had recently received a paper to review opportunities for constitutional alignment; and
 - Constitutional alignment exercises would need to prioritise areas of the greatest risk and proposals presented to sovereign authorities for approval.

AGREED:

That after consideration of the Q1 Risk Report 2023/2024 and Appendix A, which detailed the latest assessment of the Council's strategic risks, the report be noted by the Committee.

16. ANNUAL TREASURY MANAGEMENT REVIEW 2022/23

Consideration was given to the report of the Deputy Chief Executive – Corporate Development (S151) which provided members with a review of Treasury Management performance and activity during 2022/23 to ensure best practice is maintained.

The Interim Treasury and Investment Manager (PSPS) introduced the Annual Treasury Management Review 2022/23 which was detailed at Appendix A, and the following areas were highlighted:

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- An introduction to the review;
- The Council's capital expenditure and financing 2022/23;
- The Council's overall borrowing need;
- The Treasury Position as at 31 March 2023;
- The Strategy for 2022/23;
- Borrowing outturn;
- Investment outturn 2022/23;
- The economy and interest rates (commentary provided by Link Group); and
- Other issues including Non-Treasury Investments and changes in risk appetite.

Members considered the update and made the following comments:

- Members thanked the Interim Treasury and Investment Manager (PSPS) for the report.
- Members queried whether invested funds were tied-in at low rates or whether they could be/had been transferred to higher rate investments over a short term.
 - The Interim Treasury and Investment Manager (PSPS) responded that monies only remained in a current account if they attracted higher rates of return than could be achieved by investing in short-term markets, which had been the case. Various institutions were used to invest monies on a short-term instant access basis. The Q1 Treasury Management Report would give a breakdown of investments.
- Members asked whether the Council utilised overseas or environmentally friendly companies.
 - The Interim Treasury and Investment Manager (PSPS) stated that:
 - The Treasury Management Strategy allowed the council to invest in AA and AAA rated sovereign countries with a maximum of £5 million per sovereign country. Mechanisms were in place to swiftly act upon changes to credit ratings of institutions.
 - The PSPS Treasury Team were consulting with external treasury advisors to incorporate environmental, social and governance consideration in the Link Investment Counterparty List of investment institutions to be considered. From SHDC's perspective, investments could be made with any

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company on the county party list however the S151 Officer and Portfolio Holder could decide to avoid certain companies/countries based on high profile ESG reasons or geo-political risk.

AGREED:

That after scrutiny by the Governance and Audit Committee of the Annual Treasury Management Review 2022/2023 detailed at Appendix A, comments of the committee be noted and considered when the document is presented for approval by Council on 27 September 2023.

17. Q1 TREASURY MANAGEMENT REPORT 2023/24

Consideration was given to the report of the Deputy Chief Executive – Corporate Development (S151) which provided members with an update on Treasury Management performance and activity to ensure best practice was maintained.

The Interim Treasury and Investment Manager (PSPS) introduced the report which included the 'Q1 Treasury Management Update' at Appendix A. The following main areas were highlighted to members:

- An economic update for the first quarter of the 2023/24 financial year;
- An outlook for the remainder of the financial year including interest rate forecasts;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2023/2024;
- A review of the Council's borrowing strategy for 2023/2024;
- Debt rescheduling; and
- Compliance with Treasury and Prudential indicators which in future would be reported to the committee on a quarterly basis .

AGREED:

That the contents of the report be received by the Governance and Audit Committee.

18. LOCAL CODE OF CORPORATE GOVERNANCE

Consideration was given to the report of the Assistant Director – Governance to approve the updated Local Code of Corporate

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Governance.

The Assistant Director – Governance introduced the report which sought the Committees views on whether the revised and updated Local Code of Corporate Governance accurately reflected the Council’s governance arrangements and that it met the core principles as set out in the CIPFA guidance ‘Delivery Good Governance in Local Government’.

The following points were highlighted to the Committee:

- The Committee had received corporate governance training on 16 May 2023 which outlined the core principles of good governance;
- The Local Code of Corporate Governance 2023-2026 at Appendix A had been updated in line with the CIPFA SOLACE framework which identified seven core principles of good governance. The document outlined how SHDC’s governance arrangements applied to each of the seven core principles;
- The Annual Governance Statement, due to come forward to the 9 November 2023 Governance and Audit Committee meeting, would demonstrate how the Council delivered against the principles stated in the Local Code of Corporate Governance;
- The format of the Local Code of Corporate Governance was in the process of being standardised across all three authorities of the S&ELCP; and
- It was to be noted that the year stated at bullet point 4 of the ‘Robust Internal Control’ section of Appendix A (page 10) had subsequently been amended from 2010 to 2019.

AGREED:

That after consideration by the Governance and Audit Committee, the revised Local Code of Corporate Governance be approved.

19. PROCUREMENT STRATEGY - 2023-2026

Consideration was given to the Procurement Strategy 2023-2026.

The Chief Finance Officer (PSPS) introduced the report on behalf of the Head of Procurement and Contracts, and the following points were highlighted:

- The political journey of the strategy was outlined:
 - The strategy had been presented to the Policy Development Panel for scrutiny on 25 July 2023;
 - Subject to feedback from members at the current Governance and Audit Committee meeting, the

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strategy would move forward to a meeting of Informal Cabinet on 16 October 2023 and thereafter to a meeting of the Cabinet on 7 November 2023.

- The Procurement Strategy defined how the Council ran its procurement function and focused on the following key themes identified within the National Procurement Strategy:
 - Showing leadership;
 - Behaving commercially; and
 - Achieving community benefits.
- The key themes were embedded throughout the strategy to improve and enhance the procurement service. Examples included:
 - The provision of training for members and officers by PSPS to assist with procurement processes;
 - Increased collaboration between PSPS and client councils to increase value for money and efficiencies;
 - The provision of a framework for contract review meetings and assistance with contractual queries; and
 - The provision of efficient and effective information for small and medium-sized enterprises who were interested in providing services to the Council.

Members considered the draft strategy document and made the following comments:

- As the procurement function was outsourced to PSPS, it was important that the strategy reflected the philosophy of the Council;
- Members noted the new recommendation from the 2021/2022 Audit Results Report, at agenda item 6, and stated that, in the interests of transparency, the requirement for members to complete their Declaration of Interests be stated within the Procurement Strategy 2023-2026;
- Members asked whether the Strategy would be introduced across all three authorities of the S&ELCP.
 - The Chief Finance Officer (PSPS) confirmed this to be the case. The strategy complemented the Contract and Procedure Rules which had been aligned across the partnership and ensured a consistent approach was taken; and
 - That local suppliers were preferred where possible. The term 'local' had been defined within the strategy and was subject to the boundary of individual contract requirements; and
- Members supported any process which encouraged

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innovation. Engagement with the Federation of Small Businesses was fundamental to the localism approach.

AGREED:

That the Procurement Strategy 2023-2023 be noted.

20. GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

Consideration was given to the report of the Democratic Services Manager which set out the Work Programme of the Governance and Audit Committee.

The Democratic Services Officer introduced the report and stated that:

- Appendix A had been populated with items for consideration at all meetings of the Committee throughout 2023/24; the following items, scheduled for the current meeting had been rescheduled to the 9 November 2023 Governance and Audit Committee meeting:
 - Progress Report on Internal Audit Activity;
 - Governance and Audit Committee Annual Report 2022/23;
 - Update in respect of RIPA 2000;
 - External Audit Plan 2023/24; and
 - Draft Financial Statements including Annual Governance Statement 2022/23.
- Appendix B outlined the Committees training log.
 - This included the completion of the 'Statement of Accounts' overview session which had taken place on 11 September 2023.

Members considered the report and made the following comments:

- Members noted a heavy Work Programme for November and asked whether any items could be moved to a future date;
 - The Chief Finance Officer (PSPS) responded that:
 - the 'External Auditors Progress Report' could be removed as an update had been given at the current meeting;
 - a duplicated item could be removed.
- Members requested to be kept informed of any changes to the Work Programme which occurred in the interim period between meetings.

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AGREED:

That the report and content of the Work Programme be noted by the Governance and Audit Committee.

21. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT.

There were none.

(The meeting ended at 8.00 pm)

(End of minutes)