

## **Boston Borough Council**

Minutes of a meeting of the **Audit & Governance Committee** held in the Committee Room - Municipal Buildings, West Street, Boston, PE21 8QR on Tuesday 22nd April 2025 at 6.00 pm.

### **Present:**

Councillor Barrie Pierpoint, in the Chair.

Councillors Councillor Anton Dani, Richard Austin BEM, James Cantwell, Mike Gilbert, Patricia Marson, David Middleton and David Scoot.

Co-opted Independent Members: Adam Cartwright and Gideon Hall.

### **Officers:**

Interim Finance Director and S151 Officer, Assistant Director - Neighbourhoods, Assistant Director – Corporate, Assistant Director - Governance and Monitoring Officer, Head of HR & OD, Group Manager Public Protection, Group Manager - Organisational Development, Group Manager – Insights & Transformation, Chief Finance Officer (PSPSL), Finance Manager – Corporate (PSPSL), Treasury and Investment Manager (PSPSL), Internal Audit Team Manager, Internal Audit Team Manager, Democratic Services Team Leader and Democratic Services Officer.

## **50 Apologies for Absence**

Apologies for absence were received from Councillors Paul Gleeson, Chris Mountain and Lina Savickiene.

## **51 Declarations of Interest**

There were no declarations of interest.

## **52 Minutes**

The minutes of the previous meeting held on 27<sup>th</sup> January 2025 were agreed and signed by the Chairman, subject to the Co-opted Independent Members being included within the attendance.

## **53 Actions**

Members considered the actions from the previous meetings held on 18<sup>th</sup> November 2024 and 27<sup>th</sup> January 2025 which had been circulated with the agenda.

The Democratic Services Team Leader advised that there were no outstanding actions. Queries were raised in respect of the following actions:

- Action 3 (Minute 42 – 27<sup>th</sup> January 2025) – Whistleblowing Policy.  
The Democratic Services Team Leader explained that the action had been marked as complete as information had been provided in respect of the Whistleblowing Policy, which was being updated as a partnership wide document.
- Action 7 (Minute 44 – 27<sup>th</sup> January 2025) – Bank Reconciliations.

Members were informed that an update on the 5 bank accounts would be provided as part of the Internal Audit report, when the outcome of the follow up audit had been completed.

**54 Public Questions**

No questions had been received.

**55 External Audit Plan & Strategy for the year ending 31 March 2025**

The Engagement Manager, KPMG presented a report which set out the external auditor's risk assessment, audit plan and strategy for the financial year ending 31 March 2025, including the value for money commentary.

The Engagement Manager, KPMG advised that it was the final version of the audit plan and noted that, in contrast to the previous year when the final plan had not been presented until October, the earlier timing this year indicated a return to a normal audit cycle. She expressed her thanks to officers for their assistance in reaching this stage.

The Engagement Manager, KPMG highlighted the following key points:

- Materiality for the financial statements had been set at £1.2 million, with a reporting threshold of £60,000.
- There were no changes to the significant audit risks or audit response compared to the previous year.
- No significant risks had been identified in the value for money risk assessment.
- One new performance improvement point had been raised in relation to the formal recording of key decisions made during the identification of efficiencies in the budget setting and monitoring process. A formal management response was awaited and would be included in the final year-end report.
- A previously reported recommendation to formalise the efficiency programme had been re-included, with a due date of 30<sup>th</sup> September 2025.
- A follow-up of performance improvement observations from the 2023/24 audit had been undertaken. One recommendation relating to budget holder reports had been marked as not implemented, as one of the two samples reviewed had not been signed by the budget manager.
- The audit timetable indicated that final fieldwork would commence in July 2025, and that the audit remained on track.

Members discussed the report and commented as follows:

- Clarification was sought on the use of the Depreciated Replacement Cost (DRC) valuation model for land and buildings. The Engagement Manager, KPMG explained that the method was prescribed by the Code of Local Government Accounting Practice and was dependent on the asset type.
- A Member queried the management override of controls risk and requested further detail on mitigation. The Engagement Manager, KPMG confirmed that it was a presumed significant risk which was required to be addressed in all audits. However, no specific additional risks had been identified for that audit.

- Concerns were raised regarding the lack of formal governance and tracking of the efficiency programme. The Engagement Manager, KPMG confirmed that it remained an outstanding point and had been linked to the recommendation to formalise the programme.
- A Member queried the rationale behind the materiality percentage. The Engagement Manager, KPMG explained that the 2.6% benchmark was based on forecasted expenditure and reflected increased confidence in the Council's financial stability compared to the previous year.
- Further clarification was sought on the absence of formal records for meetings relating to budget setting and efficiency identification. Officers confirmed that notes were now taken at all Senior Leadership Team meetings, although the absence of records in this instance may have been a one-off.
- Members raised concerns regarding contract monitoring, particularly in relation to the leisure contract with Parkwood Leisure. Officers undertook to follow up and provide further information at a future meeting.
- A query was raised regarding the £24.4 million slippage referenced on page 40 of the report. Officers advised that further detail would be provided following a review of the relevant Cabinet papers.
- A Member queried the unsigned budget holder report referenced on page 48. Officers confirmed that the meeting had taken place but the formal record had not been signed. Work was ongoing to ensure compliance, including the potential use of AI tools such as Copilot to support meeting transcription and action tracking.

The Chairman thanked the Engagement Manager, KPMG for her report and responses to Members' questions. The Committee noted the report, and the comments made, and agreed that the outstanding matters raised would be followed up as appropriate.

#### **Resolved:**

**That the report be noted.**

*[Councillor Anton Dani entered the meeting at 6.16pm p.m. during consideration of the above item.]*

## **56 Financial Statements 2024/25 - Accounting Policies**

The Finance Manager – Corporate, PSPSL presented a report which set out the accounting policies to be applied in the preparation of the Council's Statement of Accounts for the financial year 2024/25.

Members were advised that the accounting policies were reviewed annually and that, although they typically remained unchanged, a significant amendment had been made for 2024/25 following the introduction of the new accounting standard IFRS 16 – Leases. This standard replaced the previous leasing standard and required the Council to recognise a right-of-use asset and a corresponding liability on the balance sheet for all leases with a term of more than 12 months, unless the asset was of low value.

The Committee was informed that Public Sector Partnership Services (PSPS) were working with the Council's external treasury advisors to ensure the correct accounting

treatment and disclosure of leases in the financial statements. The updated policy was detailed on page 81 within the agenda pack.

In response to a question from the Chairman regarding the definition of “low value”, the Finance Manager – Corporate, PSPSL explained that the threshold was provisionally set at £10,000, in line with the Council’s capital expenditure de minimis level. However, that figure was subject to further review and challenge by the Section 151 Officer and external auditors to ensure it was appropriate for the Council.

A Member queried the Council’s approach to depreciation and whether sufficient provision had been made to cover the depreciation of assets. The Finance Manager – Corporate, PSPSL clarified that depreciation was a non-cash accounting adjustment and did not impact council tax. Depreciation charges were reversed out through the Movement in Reserves Statement in accordance with local government accounting rules. Asset lives and depreciation rates were determined in consultation with valuers and asset managers, and a breakdown of depreciation charges would be included within the financial statements.

**The recommendation was moved by Councillor Anton Dani and seconded by Councillor David Scoot.**

**Resolved:**

**That the accounting policies for 2024/25, in Appendix 1 within the report, be approved.**

*[Councillor Richard Austin entered the meeting at 6.25 p.m. during consideration of the above item.]*

## **57 Q3 Treasury Report 2024/25**

The Treasury & Investments Manager, PSPSL presented a report which provided an update on treasury management performance and activity for the third quarter of the 2024/25 financial year, covering the period to 31 December 2024.

Members were advised that the report ensured compliance with the CIPFA Code of Practice on Treasury Management, which recommended quarterly updates to Members. The report included economic commentary, investment performance, borrowing activity, and compliance with prudential indicators.

The Treasury & Investments Manager, PSPSL highlighted the following key points:

- The Council’s investments totalled £40.4 million as at 31<sup>st</sup> December 2024, an increase from £31.7 million in the previous quarter, primarily due to the receipt of additional grant funding.
- Investment income had exceeded budget expectations, with a favourable variance of £500,000 at quarter 3 and a forecast outturn of £703,000. Provisional figures indicated a final outturn of approximately £714,000.
- The Council’s external borrowing remained at £1 million, with borrowing costs in line with budget due to the fixed rate.

- The net asset value of the Council's property fund investments stood at £15.1 million, compared to a purchase cost of £17.3 million. A modest increase of £100,000 had been recorded since quarter 2.
- The Council remained compliant with all treasury and prudential indicators.

Members discussed the report and commented as follows:

- A query was raised regarding the cost of early repayment of the Council's Lender Option Borrower Option (LOBO) loan. The Treasury & Investments Manager, PSPSL advised that the premium for early repayment was approximately £800,000, making the total repayment cost around £1.8 million.
- A Member commended the Council's strong financial position and queried the exposure of the BlackRock UK Property Fund to the commercial property market. Officers undertook to review the fund's quarterly report and provide a breakdown of asset classes.
- A question was raised regarding the potential impact of global economic developments, including tariffs and currency fluctuations. The Treasury & Investments Manager, PSPSL explained that while higher interest rates could benefit investment income, they might also increase costs in other areas such as fuel and supplies.
- A Member queried the Council's exposure to geopolitical risks and whether these were factored into investment decisions. Officers confirmed that the Council worked closely with external treasury advisors to monitor such risks.

The Chairman thanked the Treasury & Investments Manager, PSPSL for a comprehensive and informative report.

**The recommendation was moved by Councillor Mike Gilbert and seconded by Councillor Anton Dani.**

**Resolved:**

**That the report be noted.**

## **58 Quarter 3 Risk Report 24/25**

The Group Manager - Insights & Transformation presented a report which provided an update on the Council's strategic risk register as at the end of Quarter 3 (December 2024).

Members were informed that a new column had been added to the risk register template to improve the tracking of actions. This column applied a red, amber, green (RAG) rating to each action based on its due date and progress. Actions not yet due were marked green, those approaching or just past their due date were amber, and those significantly overdue were red. The change had been introduced following recommendations from both internal and external audit and was intended to improve visibility and accountability.

The Committee noted that the updated format had already led to a more thorough review of risks and associated actions. It was reported that two actions were currently amber but were expected to be resolved by Quarter 4.

The Group Manager - Insights & Transformation highlighted the following key points:

- The risk relating to extended producer responsibility had reduced following the announcement of government funding.
- The depot risk remained high in Quarter 3 but was expected to reduce in Quarter 4 following the signing of the lease.
- A new risk had been added in relation to Local Government Reorganisation (LGR), which would be further updated in the next quarter.

Members discussed the report and commented as follows:

- The Chairman expressed concern that several risks remained high and requested greater clarity on what actions were being taken to mitigate them. He emphasised the need for visible progress and assurance that risks were being actively managed.
- Officers explained that some risks, such as those relating to finance and budget, were inherently high due to external factors. However, mitigation measures were in place to manage these risks within acceptable parameters.
- It was agreed that a separate session would be arranged to allow Members to review the risk register in more detail, line by line.
- A Member raised concerns about the cyber security risk and queried whether the Council held insurance cover for cyber incidents. Officers undertook to circulate an updated briefing on cyber risk controls and insurance arrangements.
- Members requested that the risk relating to the Internal Drainage Board (IDB) levy be separated from the general budget risk to provide greater transparency.
- A Member queried the level of detail available for the local economy risk and suggested that more granular data be included, such as commercial property vacancies and business rate arrears. Officers agreed to review this with the relevant lead officer.
- The Committee discussed the methodology used to assign risk scores and were advised that these were determined by lead officers in consultation with their teams and reviewed by the Senior Leadership Team (SLT).

**The recommendation was moved by Councillor David Scoot and seconded by Councillor Patsie Marson.**

**Resolved:**

**That the report be noted.**

#### Staff Wellbeing Update

Following on from the strategic risk register discussion, where staff wellbeing had been identified as a high-rated risk, the Committee received a presentation from the Group Manager – Organisational Development and the Head of HR & OD, providing an update on staff wellbeing across the organisation.

Members were advised that the update was based on data from Quarter 2, with some early insights from Quarter 4 also shared. The presentation included results from the Council's regular staff poll, which asked four key questions relating to communication, mental health support, feeling valued, and opportunities for development.

It was reported that:

- The percentage of staff who felt informed about decisions had increased from 50% in Q4 2023/24 to 67.7% in Q4 2024/25.
- Positive responses regarding mental health support had risen from 69% to 82% over the same period.
- The proportion of staff who felt valued had increased from 69% to 84.3%.
- Those who felt they had opportunities to develop had increased from 76% to 82%.

The Committee was informed that a wide range of interventions had been implemented or strengthened over the past year, including:

- Mental and physical health support services;
- Employee assistance programmes;
- Manager guidance and training;
- Flexible and hybrid working arrangements; and
- Improved absence monitoring and reporting tools.

The Head of HR & OD explained that absence data was monitored closely, with quarterly reports shared with senior leadership and trade unions. It was noted that, despite national trends showing increases in long-term sickness, absence levels at Boston had remained stable. The Council was also exploring improvements to returns to work.

In response to questions from Members, officers confirmed that:

- Exit interviews were offered to all leavers, with a take-up rate of approximately 40%.
- Absence data was recorded and analysed by service area, with costs reported to senior management.
- Staff survey responses were anonymous, and managers were encouraged to share the survey with staff on long-term absence.
- The Council remained open to introducing new interventions as needed and would continue to monitor trends and feedback.

Members welcomed the update and expressed support for the work being undertaken. It was suggested that more detailed scrutiny of workforce wellbeing may be more appropriately considered by the Corporate and Community Committee in future.

## **59 Internal Audit Progress Report**

The Internal Audit Manager presented a report which provided an update on progress made against the 2024/25 Internal Audit Plan.

Members were advised that, at the time of reporting, 99% of the audit work for 2024/25 had been completed, with one closure meeting outstanding. Work had already commenced on audits scheduled for Quarter 1 of the 2025/26 plan.

The Committee noted that a follow-up audit on payroll reconciliations had been completed in January 2025 and had resulted in the assurance rating being upgraded from limited to substantial. Other audits completed since the last meeting included budget monitoring and waste depot reviews, both of which had received adequate assurance. A further audit on

cyber security training had also been completed, with an adequate assurance rating and one high-priority recommendation.

The Internal Audit Manager referred Members to a supplementary paper which listed five outstanding audit actions. Four of those actions were subject to requests for revised implementation dates. One action relating to budget monitoring had since been evidenced and was now considered closed.

During discussion, Members raised concerns regarding the findings of the budget monitoring audit, particularly the low response rate to the budget holder survey (39%) and the indication that over half of respondents lacked confidence in setting budgets. Members expressed the view that it was a matter requiring urgent attention and called for improved engagement and training.

Officers acknowledged the concerns and advised that further work was planned to assess training needs and improve communication with budget holders. It was noted that the audit findings had already prompted internal discussions and would inform the development of the 2026/27 budget process.

The Chairman thanked the Internal Audit Manager for his work and, on behalf of the Committee, expressed appreciation for his professionalism and support over the past two years. The Committee welcomed Mark Harrison, who would be taking over the role going forward.

**Resolved:**

**That the report be noted.**

*[The Finance Manager – Corporate, PSPSL and the Treasury & Investments Manager, PSPSL left the meeting at 7.25 p.m. during the consideration of the above item.]*

**60 Combined Assurance Status Report 2024/25**

The Assistant Director, Governance & Monitoring Officer presented a report which provided an overview of the Council's combined assurance status for 2024/25. The report summarised the level of assurance across the Council's critical services, key risks, partnerships, and projects, and supported the development of the internal audit plan for the forthcoming year.

Members were advised that the assurance levels were based on a three-tier model (management, internal assurance, and external assurance) and were categorised using a red, amber, green (RAG) rating. The assurance levels reflected a snapshot in time, taken during Quarter 3, and were subject to change as risks evolved.

The Committee noted that overall assurance levels remained broadly consistent with the previous year. However, the Chief Executive's summary acknowledged that assurance levels were lower than ideally desired, due in part to the Council's limited capacity to absorb external pressures as a smaller authority.

Members discussed the report and commented as follows:

- The Chairman expressed concern that the term “sufficient” in the Chief Executive’s summary did not provide adequate assurance and requested that a response be sought from the Chief Executive regarding how assurance levels would be improved.
- A Member queried the Council’s approach to inward investment and economic development. Officers advised that this fell outside the remit of the presenting officer and would be referred to the relevant service area for a response.
- A Member raised concerns regarding the potential impact of Local Government Reorganisation (LGR) on local employment and economic resilience. Officers confirmed that economic impact assessments would form part of any LGR submission to government.
- In relation to health and wellbeing, Members queried whether data on smoking and alcohol consumption was being captured and used to inform strategy. Officers advised that such data was typically included in the Joint Strategic Needs Assessment (JSNA) and would be followed up with the relevant lead officer.
- A Member queried whether street lighting was included in the Council’s decarbonisation planning. Officers undertook to investigate and report back.
- Members discussed the methodology used to determine assurance ratings and were advised that these were developed in consultation with service leads and reviewed by the Senior Leadership Team.

**The recommendation was moved by Councillor Anton Dani and seconded by Councillor David Scoot.**

**Resolved:**

**That the report be noted.**

*[The Assistant Director – Corporate left the meeting at 7.53 p.m. following consideration of the above item.]*

## **61 Internal Audit Plan 2025/26**

The Internal Audit Manager presented a report which set out the proposed Internal Audit Plan for 2025/26.

Members were advised that the plan had been developed using a risk-based approach and in consultation with senior management. The plan aimed to ensure that internal audit resources were directed to the areas of highest priority and risk, while maintaining flexibility to respond to emerging issues throughout the year.

It was noted that the plan included a range of audits aligned to the Council’s strategic risks and operational priorities. Quarter 1 audits had already been agreed and were underway. These included reviews of the risk register and cyber security, both of which had been highlighted during earlier discussions as areas of concern.

The Internal Audit Manager confirmed that the audit team was fully qualified and experienced, and that the service continued to operate in conformance with the Public Sector Internal Audit Standards. No conflicts of interest had been identified.

Members welcomed the inclusion of high-risk areas within the plan and acknowledged the importance of maintaining flexibility to accommodate changes in the risk landscape, particularly in light of potential developments relating to Local Government Reorganisation.

**Resolved:**

**That the report be noted.**

## **62 Regulation of Investigatory Powers Act (RIPA) 2000 - Update**

The Group Manager Public Protection presented a report which provided an annual update on the Council's use of powers under the Regulation of Investigatory Powers Act 2000 (RIPA).

Members were advised that the Council had submitted a nil return to the Investigatory Powers Commissioner's Office (IPCO) for the 2024 calendar year, indicating that no covert surveillance activity had been undertaken during the period. It was noted that this was consistent with the previous year's return.

The Group Manager Public Protection confirmed that the Council had an up-to-date RIPA policy in place, which had been adopted in February 2024. In addition, work was ongoing to develop two new policies relating to the use of body-worn cameras and CCTV. These policies were expected to be brought forward for Member consideration later in the year.

In response to a query from the Chairman regarding the absence of an IPCO inspection since autumn 2023, the Group Manager Public Protection explained that the frequency of inspections was determined by IPCO and was based on the level of activity reported. As the Council had not undertaken any RIPA-authorized surveillance, it was not unusual for inspections to be less frequent.

A Member queried the current use of body-worn cameras by Council staff. The Group Manager Public Protection advised that while some external contractors used such equipment for environmental enforcement, body-worn cameras were not currently in widespread use by Council officers. The forthcoming policy would provide a formal framework for their use where appropriate.

In response to a further question, it was confirmed that the use of overt CCTV, such as that deployed at recycling sites, did not fall within the scope of RIPA, as appropriate signage was in place and the surveillance was not covert.

The Committee noted that the Council continued to take its responsibilities under RIPA seriously and that appropriate governance arrangements were in place.

**The recommendation was moved by Councillor Mike Gilbert and seconded by Councillor Richard Austin.**

**Resolved:**

**That the report be noted.**

**63 Work Programme**

The Chairman presented the annual Audit and Governance Work Programme 2024/25 and asked members if they wished to add any additional items into the programme.

Members noted that the work programme reflected the items considered during the 2024/25 municipal year and that a revised programme would be brought forward following the commencement of the new municipal year in May 2025.

During discussion, the Transformation and Insights Manager reminded Members of the earlier suggestion to hold a dedicated session to review the strategic risk register in greater detail. It was proposed that this session be scheduled as a separate meeting, rather than being appended to a formal committee meeting, in order to allow sufficient time for a line-by-line review and discussion of risk mitigation actions.

The Chairman supported this proposal and reiterated the Committee's desire for greater transparency and assurance in relation to high-rated risks. He requested that the additional session be included in the future work programme.

**Resolved:**

- 1. That the work programme be noted; and**
- 2. That a separate session be arranged to undertake a detailed review of the strategic risk register.**

The Meeting ended at 8.07 pm.