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AUDIT & GOVERNANCE COMMITTEE

27 January 2020

Present: Councillor Jonathan Noble (Chairman), Councillor Tom Ashton (Vice-Chairman), Councillors Richard Austin BEM, George Cornah, Anton Dani, Anne Dorrian, Frank Pickett, Stephen Woodliffe and Mr Alan Pickering

Officers –

Chief Finance Officer and S151 Officer, Head of Internal Audit (City of Lincoln Council), Principal Auditor (City of Lincoln Council) and Democratic Services Officer

33 MINUTES

Prior to seeking agreement to sign the minutes the Chairman sought confirmation that both of the actions identified within the minutes had been addressed. Confirmation was provided that details of the capital expenditure scheme under the name of the Deputy Chief Executive had been provided: the second action relating to the Waterways had been redirected to Lincolnshire County Council and was expected shortly. With the agreement of the committee the Chairman then signed the minutes of the last meeting of the committee held on the 11 November 2019.

34 APOLOGIES

Apologies were tendered by Councillor Frank Pickett

35 DECLARATION OF INTERESTS

No declarations of interest were tabled

36 PUBLIC QUESTIONS

No public questions were tabled.

37 DRAFT BUDGET SETTING REPORT AND MEDIUM TERM FINANCE STRATEGY 2020/21-2024/25

The Chief Finance Officer advised committee that Cabinet had received the Draft Budget Setting Report and Medium Term Financial Strategy 2020/21 – 2024/25 and had approved it for consultation. As a part of the committee's governance responsibilities the Chief Finance Officer invited members to consider and comment on the Draft Budget Setting Report and the Medium Term Financial Strategy.

To ensure robust scrutiny and full debate of the report, it would be tabled at the next scheduled meeting of the Corporate and Community committee on 6 February 2020. Comments made by scrutiny would be fed back to Cabinet as part of the consultation process prior to seeking approval at Full Council on 2 March 2020.

Members were reminded that their focus was to be on the preparation of the budget and the assumptions underpinning the figures within the draft budget and their focus was directed to the following:

- A proposed rise in Boston Borough Council's part of the Council Tax of 2.05% in 2020/21 with Band D council tax being £192.96;
- A balanced budget for 2020/21 after the one year provisional settlement from Government, incorporating on-going savings from the Transformation Programme of £466,000 and increased fees received from planning applications;
- Projected budget gap of £1.3m by 2024/25 representing a significant challenge for the Council in maintaining service provision to the most vulnerable;
- Government's plan to further localise business rates from 2021 would mean the Council's resources being likely to come solely from council tax, business rates and fees and charges.
- In 2020/21 the Council would continue to be part of a business rates pool across Lincolnshire;
- Savings target of over £850,000 for 2021/22, which would require considerable focus during the year in terms of bringing forward projects in the Transformation Programme and assessing the impact of future funding proposals as they became available;
- Rural Services Delivery Grant had been extended for one year so for 2020/21 the Council would continue to receive support;
- New Homes Bonus tapering down from 2020 to nil in 2023/24;
- A sustainable and affordable capital programme had been formulated and the revenue consequences built into the revenue budget;
- The capital programme showed a diminishing programme in future years as resources became scarcer. The programme included spending to renew the refuse fleet in 2020/21.
- A 1% staffing vacancy had been built into the budget

The Chief Finance Officer further advised Members that the future position in respect of funding nationally was uncertain and dependant on, amongst other factors, the outcome of Brexit.

Member comments followed along with a number of questions included those noted and answered as follows:

Concern was noted at the proposed 2.05% rise in Council Tax. Areas of concern included the estimated increase that had been indicated by the IDB's whom it was acknowledged had been subject to a very busy year with substantially increased pumping. Caution was urged that unless the base precept was maintained the gap would get larger and members noted this. Some Members hoped Cabinet would re-visit their initial decision of 2% and increase it. Members agreed the importance of supporting the IDB's.

On questioning the diminishing reserves for ICT a member was advised that whilst going forward the reserves were projected to be depleted by 2025 a review of future ICT spending needs would be undertaken over the next 4 – 5 years.

Referencing business rates a member queried the 75% proposed localisation figure, stating they had thought it was 100% retention by Councils, they further questioned the level for exemption of business rates along with the significant drop predicted in income moving forward. The Chief Finance Officer advised that the Government's original

proposal was for 100% localisation but this had been amended to 75%. The drop in income was attributable to the 2018/19 100% pilot scheme which had enabled a reassessment of the amount to be held as provision for appeals. Further questioning sought clarification on empty shops being liable to pay rates: the Chief Finance Officer confirmed they were entitled to a free period (up to 6 months in some cases) and then they were liable to pay.

Querying the net revenue expenditure summary for portfolio holders a member asked why expenditure for Regulatory Services reduced moving forward and was advised it was subject to time limited grants.

Concern was tabled by a number of members at the lack of attendance by the Portfolio Holder. The Chief Finance Officer reaffirmed the tabling of the report at the forthcoming Corporate and Community meeting advising that was the more appropriate arena for such political debate of the report: members were reminded that their task at the current meeting was one of testing the figures and addressing the governance aspects of the report.

Addressing the annual charges for the EV charging points a member asked if the proposed new EV permit charges were inclusive or subject to additional charges for parking and / or other. The Chief Finance Officer confirmed the figures had been based from a benchmarking exercise and he would seek clarification.

Action PJ:

Contact the relevant officer to confirm if there are any additional charges on top of the annual charge and respond with the details.

Responding to concerns by a member that monies identified for Homelessness was spent in other areas the Chief Finance Officer stressed that any funding received for a specific area, came with guidelines and stipulations on where the funding could be spent: it could not be used for simply anything.

A further question tabled sought clarification in respect of Council Tax and Business Rates payable for empty residential properties and shops; the Chief Finance Officer confirmed he would provide detailed information.

Action: PJ

To source information in respect of Council Tax and Business Rate charging in respect of empty residential properties and empty commercial properties.

Members were further advised that there was no expectation of a date for the 2020 Spending Review until after the budget in March. Income from CCTV was identified with the 'other small areas' section of table 6. Consideration had been given to possibly having electric refuse trucks for the fleet replacement, however, costings had proved unviable at this time including the size of battery required for each vehicle: when the fleet was scheduled for a further replacement in 7 years' time the option of having electric vehicles would once again be considered.

The Chief Finance Officer presented the report to demonstrate compliance with the Accounting Code of Practice which was reviewed by CIPFA each year.

Following amendments to the 2019/20 Code of Practice and ensuring clarity and consistency with the Council's own policies and Financial Statements, a number of small changes had been required to the Council's own policies. The report set out there were a small number of changes, neither of which were expected to impact on the Council's financial reporting but were reported for completeness. The first item was Employee Benefits which had reduced the content to cover 'benefits payable during employment' and 'termination benefits'. The second item was Fair Value Measure. The policy had been amended to reflect the Fair Value Measurement of Non-Current Assets only, with reference to Liabilities removed. Fair Value measurement relating to financial assets was included under the policy for Financial Instruments.

On querying the valuation techniques used within the fair value hierarchy the Chief Finance Officer advised it was a rather arcane form of evaluating and where, specific valuations were unlikely to be found, observational amounts were used to estimate values instead.

Members questioned the valuation of the Council's Civic Regalia along with its Heritage assets and Museum artefacts and the Chief Finance Officer confirmed he would source the information.

Action: PJ

Send valuation information for the Council's Civic Regalia, Heritage assets and Museum artefacts to Committee members.

RESOLVED: That the Audit and Governance Committee

1. Approves the Accounting Policies (set out in appendix A) to be adopted for 2019/20
2. Delegate the final approval, prior to inclusion in the Accounts, of any necessary minor changes to the Section 151 Officer.

39 TREASURY MANAGEMENT UPDATE - QUARTER 3 2019/20

Presenting the update the Chief Finance Officer confirmed the report provided quarter 3 update information through to December 2019.

The forecast outturn returns for both cash and property funds was above the original 2020/21 budget.

Members' attention was drawn to point 5.3 of the report which reiterated the notification that had been received from M & G of a deferral of repayments, and advised they would be updated once Brexit had been finalised: officers were monitoring the situation.

Concerns were raised in respect of both the borrowing and repayment of the loans associated with the property fund purchases, along with concerns of the interest being paid and suggestions that other options would be more profitable:

The Chief Finance Officer confirmed that:

1. As previously advised, loans had been taken out for £15.5million with the remainder being funded from existing cash resources.
2. The loans had been taken out for a 50-year period with fixed interest charges of £383k for 2019/20. The average interest rate was just below 2.5%.
3. The property fund purchases and associated loans had been approved within the Capital Strategy at Full Council in April 2018

Committee noted the report.

40 INTERNAL AUDIT PROGRESS REPORT 2019/20

Presented by the Internal Audit Manager, members were advised that the planned 2019/20 Internal Audit programme was progressing well. Referencing the four summary reports that had received High Assurance, the Internal Auditor advised that one recommendation had arisen from the review of Debtors Key Control Review that a review of the Debt Recovery Policy be undertaken. It was anticipated that the review would be completed by mid-February 2020.

Confirming that a review had been undertaken in respect of the Council's Scrutiny function, the Internal Auditor advised that as a result of the review medium priority recommendations had arisen. Declarations of Interest, even when none are noted, are to be recorded as 'No declarations of interest tabled' within all minutes of each meeting; improvements to the Annual Scrutiny Report; improved pre-planning of work programmes with the forward plan; and a 'schedule' of policies to be produced identifying review dates. All recommendations were being actioned.

On questioning a review of BTAC, members were advised that it was expected to commence during the early part of 2020/21.

Committee noted the report.

41 DRAFT INTERNAL AUDIT PLAN 2020/21

The Internal Audit Manager presented a report setting out next year's draft internal audit plan based on an internal audit risk assessment and combined assurance work. Strategic and operational risks were also considered along with broad risks and the Council's priorities. Appendix C provided a list of audited areas across the Council.

The audit was broken down across areas with critical service areas which were the key service areas, due diligence audits included key financial systems. An annual review was also undertaken of ICT.

Referencing appendix C a member questioned why CCTV was showing as a high risk auditable area and was advised it was attributed to data protection / sensitivity issues.

Members noted the report.

42 MEMBERS' CODE OF CONDUCT WORKING GROUP

The Chairman addressed the committee confirming that he had scheduled meetings, to allow a member working group of the full Audit and Governance committee to meet and debate the draft revised Code of Conduct which had been tabled and found to be too prescriptive. All elected members would be invited to attend alongside Audit and Governance members. The outcomes of the Member Working Group would be relayed back to officers to allow them to be taken forward through the committee process for deliberation at Full Council.

The Chairman requested hard copies of both the original code of conduct and the draft revised code of conduct be made available to those members who wished to compare them prior to the meetings of the group.

The two dates agreed for Member Working Group were: 17 February 2020 and 12 March 2020. 6.30pm start time.

Action: KR To issue an invitation to all elected members to join the Member Working Group. To produce hard copies of the original Code of Conduct and the draft revised Code of Conduct, to be made available to any member wishing to compare the changes therein ahead of the first meeting of the member working group.

43 WORK PROGRAMME

The Lay Member requested a report on the funding and governance of the PE21 project as soon as possible to identify how it would be funded and by whom. Urgency was requested on the matter due to similar historic ventures having run into difficulties, due to having no confirmed structure in place. The Chief Finance Officer advised that PE21 was a part of the overall Town Deal and its funding and governance arrangements. As such a request would be made for a report on the funding and governance of the Town Deal as it moved forward, and members were advised that the Town Deal Board had already put in place its own measures of governance.

The Chairman tabled the following requests for reporting:

1. to look at the budgets and finance of the BTAC committee
2. to receive a presentation from M&G

The Chief Finance Officer confirmed that BTAC as a committee of the Council was accountable and a report would be requested. He further stated in respect of attendance by the Property Fund Managers, BlackRock would be reporting at the March 2020 meeting and M&G would be invited to either the September or November 2020 meetings with the remaining fund managers presenting in due course.

A member suggested that the running order of the agenda could be changed to allow the Internal Auditors to present their own reports first and put the Council's reports on the agenda thereafter which were sometimes subject to lengthy deliberations: by doing so it would enable the Auditors to leave the meeting earlier.

The Chairman acknowledged that the agenda order could be changed, but on asking the Auditors if this would be beneficial to them, was advised that as they had an interest in hearing all the committee's deliberations, they would remain for the duration of the meeting notwithstanding where their items were listed within the agenda.

Questioning the Council's position on auditing the various Parish Councils across the borough, a member was advised that the Council had no jurisdiction and that the Parish Councils had their own auditors, and support, notably from LALC (Lincolnshire Association of Local Councils).

The Meeting ended at 8.30 pm

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