

Present: Councillor Peter Watson (Chairman), Councillor George Cornah (Vice-Chairman), Councillors Richard Austin BEM, David Brown, Anton Dani, Paul Goodale, Frank Pickett, Stephen Woodliffe and Mr Alan Pickering

In attendance: Councillor Jonathan Noble, Portfolio Holder for Finance

Officers –

Section 151 Officer, Monitoring Officer, Assistant Director - Regulation, Insights & Transformation Manager, Chief Finance Officer, Deputy Chief Finance Officer (Corporate), Matthew Waller, Interim Internal Principal Auditor for BBC and Senior Democratic Services Officer

## **1 MINUTES**

The minutes of the last meeting, held on 24<sup>th</sup> May 2021, were agreed as a correct record and signed by the Chairman.

## **2 APOLOGIES**

There were apologies for absence from Councillors Tom Ashton and Katie Chalmers.

## **3 DECLARATION OF INTERESTS**

None.

## **4 PUBLIC QUESTIONS**

None.

## **5 INVESTIGATORY POWERS COMMISSIONER'S OFFICE (IPCO) INSPECTION IN RELATION TO THE USE OF THE REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA - THE ACT)**

The Assistant Director - Regulation presented a report, which provided a summary of the key findings from the inspection of the Council by the Investigatory Powers Commissioner's Office (IPCO) on 23<sup>rd</sup> March 2021. IPCO undertook an inspection of the Council's policies, procedures and records in respect of the Regulation of Investigatory Powers Act 2000 (RIPA) and how the Council had discharged its duties under the Act.

The Act governed public authorities' use of directed covert surveillance and use of "covert human intelligence sources" (CHIS) and it was a requirement of Home Office Covert Surveillance and Property Interference Code of Practice (August 2018) that the extent of the Council's RIPA activity was reported to Members at least annually. The Council had not authorised any RIPA applications in the last 12 months.

The Inspection was conducted virtually at the request of IPCO. The Inspector was made aware of the Council's strategic alliance with East Lindsey District Council and of its intention to review the current RIPA policy and prepare a single 'joint alliance' RIPA

policy document. The aim was to maximise the training and experience that officers had across both authorities and provide a single point of policy reference when any regulated activity was undertaken. One of the key findings was a recommendation from refresher training for all key officers; although rarely used, officers needed to be trained in case these powers had to be exercised.

Information provided by the Council to the Inspector demonstrated a level of compliance, which satisfied the Inspector and removed the Council from the obligation to host a physical inspection of records.

In response to Members' questions, the Assistant Director confirmed that Boston already managed the CCTV system for South Holland District Council and he was not aware of any legislation modifications that would improve the Council's discharge of duties under the Act. The Council used overt surveillance, not covert, and that included surveillance to monitor fly-tipping hotspots with signage clearly displayed that CCTV was in operation, and these current arrangements were successful in identifying perpetrators. Overt surveillance was a tool that the Council could consider using, but it was not been deemed necessary and application would have to be made to a magistrate with evidence that it was a proportionate measure.

The Committee noted the report.

## **6 QUARTER 1 2021/22 RISK REPORT**

The Insights & Transformation Manager presented a report, which provided an update on risk management as at the end of Quarter 1 of 2021/2022 (June 2021) to provide assurance to the Committee that corporate governance arrangements were in place and functioning effectively.

As previously reported, work was ongoing towards a single risk management approach across the Strategic Alliance, with the potential to extend this across the new South East Lincolnshire Councils Partnership in future. The report set out a staged approach to achieve this. The content of the risk registers would be local to Boston in the first instance, particularly the strategic risk register, as this was based on Boston's corporate priorities.

Although the Committee was not the decision making body for risk management, by receiving the reports prior to Cabinet, Members would be able to comment on the approach taken and provide assurance to Cabinet on the process followed.

All Members were invited to a risk workshop to allow them to input into the identification of the strategic risks that could prevent the achievement of Boston's corporate priorities. This would then be pulled together into a draft strategic risk register to be formally reported through the Committee and Cabinet.

Members agreed that the strategic risk workshop be held prior to the Committee's next meeting on 8<sup>th</sup> November.

## **7 UNAUDITED FINANCIAL STATEMENTS 2020/21**

The Deputy Chief Finance Officer (Corporate) presented the unaudited Financial Statements 2020/21, including the Annual Governance Statement, attached to the report at Appendix A, for the Committee's consideration in accordance with the Council's good practice.

The Accounts and Audit Regulations 2015 required that the Responsible Finance Officer (Section 151 Officer) signed the unaudited Financial Statements no later than 31 May each year and that the Financial Statements be considered and approved by a committee of the Council no later than 31 July each year.

However, due to the Coronavirus Pandemic, the regulations had been amended for 2020/21. The Accounts and Audit (Coronavirus) Amendments Regulation 2020 (SI 2021/263) required that the Section 151 Officer signed the unaudited Financial Statements no later than 1 August 2021 and that they be considered and approved, including the Annual Governance Statement, by a committee of the Council no later than 30 September 2021. The Section 151 Officer had formally approved the unaudited Financial Statements for publication in line with the statutory deadline of 1 August 2021.

The Financial Statements 2020/21 production was complete and had been prepared in accordance with the Code of Practice and the Council's accounting policies. The unaudited version of shown at Appendix A included the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, and Balance Sheet as at 31 March 2021, along with the Annual Governance Statement.

The Deputy Chief Finance Officer went through the narrative and key points of the statements in some detail.

The net worth of the Council, as shown in the Balance Sheet, had decreased by £8.461m and the Comprehensive Income and Expenditure Statement reflected this. The main reasons were set out in paragraph 1.7 of the report.

The major changes in the Balance Sheet at the year-end, considered significant enough to warrant specific reference, were:

- An increase of £9.0m in Short-term Creditors, mainly due to Covid grants received in 2020/21 but not yet paid out to businesses, therefore 'owed' to Central Government at the year end, and also due to Section 31 Grant relating to Business Rates, where Central Government and Lincolnshire County Council's shares were also paid to Boston Borough Council to assist with cash flow in year, and is therefore due to be paid back at year end.
- An increase of £8.5m in Short-term Debtors, mainly due to the accounting entries associated with the resulting deficits on the Council Tax and Business Rates Collection Fund at 31 March 2021. The debtor balances were the net positions attributable from Lincolnshire County Council, Lincolnshire Police Authority and Central Government on the Collection Fund.

- The Actuary's assessment of the Council's net Pension Liability increased by £9.4m, as a result of changes in demographic and financial assumptions.

It was noted that updated pensions reports had been requested following notification from Lincolnshire County Council regarding some updated asset valuations.

The audit by Mazars LLP commenced on 16 August 2021 and was in progress, though work was taking longer because it was being carried out remotely. Officers met weekly with Mazars and were working to respond to queries and provide information as requests were received. It was expected that there might be changes to the financial statements and these would be highlighted when the audited statements were presented to the Committee. It was intended to present the Financial Statements to the Committee for approval on 8<sup>th</sup> November.

The Deputy Chief Finance Officer then clarified some issues in response to questions raised. The difference of £22m in "Other service expenses" compared to the previous year, as shown in Section 14 of the statements, was due to accounting for some of the Covid-19 grants that the Council had issued. An update had been requested regarding the withheld repayments of the Council's fixed term loan, which would be reported back to Members.

Members accepted an offer from the Deputy Chief Finance Officer to hold a briefing to go through the financial statements in more detail to aid understanding.

**Action: ES**

1. Advise Members of the current situation with respect to the Council's fixed-term loan, including clarification as to whether the withheld repayments were being capitalised.
2. Advise Councillor Dani regarding expenditure on consultation.
3. Arrange a briefing for Members on the financial statements via Zoom prior to the Committee's consideration of the audited financial statements.

Members went on to discuss the poor sound quality of the venue, particularly with respect to virtual attendees, who were asked to attend in person in future if possible. In order to accommodate this, it was suggested that the next meeting be held at Boston United's conference centre.

**Action: JC**

Arrange the Committee's next meeting to be held at the BUFC Conference Centre

## **8 TREASURY MANAGEMENT AND CAPITAL STRATEGY UPDATE - QUARTER 1 2021/22**

The Chief Finance Officer presented a report, which set out the Treasury Management and relevant capital strategy activities of the Council for the period 1 April to 30 June 2021.

In terms of investment returns, the Council was expecting to achieve a total of £914,000 for 2021/22, comprising £893,000 gross distribution income from property fund holdings (i.e. before deduction of management fees) and £21,000 from cash investments. This compared to the total gross annual budget of £1,016,000

The Council was generally keeping cash investments short term up to a maximum of twelve months. As the financial climate changed, who the Council invested with and the amount invested, was under constant scrutiny, taking into account risk at any particular moment in time.

During debate, there was a view that the rate of return from the property fund investments was satisfactory, but there was another view that it was worrying, as it did not cover the investment made initially. The Portfolio Holder explained in detail how these long-term investments were performing satisfactorily and the Section 151 Officer pointed out that the report only indicated a point in time.

**Action: SH/JM**

Include graphs in future reports to show the direction of travel of the rate of return from the Council's property fund investments.

Members discussed concerns regarding inflation and the impact of the significant rise in the cost of gas and labour shortages etc. The Chief Finance Officer confirmed that the Council's financial advisors, Link Asset Services, had provided their view on interest rates shortly after the end of the relevant period (June 2021), as the Council received updates on a quarterly basis. The Monetary Policy Committee appeared to expect that inflationary indicators would increase over the next 12 months once the impact of the recovery took hold, but would then subside. However, this report predated the emerging energy crisis and future reports would reflect this.

The report was then noted.

## **9 INTERNAL AUDIT CHARTER 2021/22**

The Internal Audit Team Manager presented the Internal Audit Charter for 2021/22.

The Charter formally defined Internal Audit's purpose, authority and responsibility, setting out Internal Audit's position within the Council and defining the scope of Internal Audit activities, setting out the way the service worked and what the Committee could expect from the service.

The Charter lay behind all the work that Internal Audit carried out for the Council and gave assurance that it was in line with professional internal audit standards in the same way as the service previously provided to the Council by the City of Lincoln. Annual reports and opinions, and regular progress reports would continue to be issued.

Members welcomed the new Internal Audit service and looked forward to working with its officers in the future.

## **10 INTERNAL AUDIT PROGRESS REPORT SEPTEMBER 2021**

The Internal Audit Team Manager presented the Internal Audit Progress Report as at September 2021.

Since the last Progress report in May 2021, work had commenced on the 2021/22 Audit Plan and seven audits were in progress. All audits within the 2020/21 audit plan had now been completed.

In this period one assurance review had been completed, *Governance, Risk Management & Counter Fraud (20/21)*, which had achieved Substantial assurance.

The following audits were in progress:

- Brexit
- Towns Fund
- Income
- Housing Benefit Subsidy
- Boston Town Area Committee
- Carbon Reduction
- Flood Management

The Committee's attention was brought to the section of the report that set out details of some of the recent public interest reports, including Liverpool City Council and a Grant Thornton report, which pulled together a number of public interest reports and listed the lessons learned from them. These were useful documents for the Committee to consider, as they showed the common themes and issues that authorities currently struggled with and a key finding was the importance of culture and ethics.

The report was noted.

## **11 WORK PROGRAMME**

It was noted that the report on Accounting Policies would be an agenda item for the Committee's meeting on 28<sup>th</sup> March 2022.

A Member asked if the Member Code of Conduct would be brought to the Committee in the near future. Also, whether the three authorities of the new South & East Lincolnshire Councils Partnership would adopt the same version and if it would be similar to that of the County Council.

The Monitoring Officer explained that, since his recent appointment, his focus had to be on the legalities behind the new partnership, but the Code of Conduct was a priority. It was expected that the three authorities would adopt the model Code of Conduct produced by the Local Government Association and, therefore, it would be very similar to the County Council's Code of Conduct.

Members requested regular briefings with fund managers and stressed the importance of all Members receiving updates throughout the year.

The Section 151 Officer confirmed that a programme of activity for the Committee was being drawn up, some of which would be opened to all Members, and reminded Members of the financial training sessions already arranged to take place in the next couple of weeks.

**Action: CM**

Give consideration to drafting a briefing note covering the details of the Council's property fund investments and the fixed term loan and include both in future training sessions.

The Meeting ended at 8.20 pm