

Present: Councillor Peter Watson (Chairman), (Vice-Chairman), Councillors Tom Ashton, Richard Austin BEM, David Brown, Katie Chalmers, Anton Dani, Paul Goodale, Martin Howard, Frank Pickett, Stephen Woodliffe and Mr Alan Pickering

In attendance: Councillor Jonathan Noble, Portfolio Holder for Finance

Officers –

Deputy Chief Executive (Programme Delivery & SIRO), Insights & Transformation Manager, Head of Internal Audit (City of Lincoln Council), Principal Auditor (City of Lincoln Council), Manager – Public Sector, Mazars and Senior Democratic Services Officer

## **12 MINUTES**

The minutes of the last meeting, held on 20<sup>th</sup> September 2021, were agreed as a correct record and signed by the Chairman.

## **13 APOLOGIES**

Apologies were received from Councillor George Cornah

## **14 DECLARATION OF INTERESTS**

None.

## **15 PUBLIC QUESTIONS**

None.

## **16 UPDATE ON AUDIT OF STATEMENT OF ACCOUNTS 2020/21**

The Deputy Chief Finance Officer (Corporate) gave a verbal update on the progress of the audit of the Council's Financial Statements for 2020/21 as follows.

The external audit of Boston BC's Financial Statements for 20/21 was still in its early stages.

External auditors were due to commence Boston audit work again from week commencing 22<sup>nd</sup> November for 2 weeks. Throughout this audit work, the officer would ensure their audit queries and requests were dealt with as a priority in order that this work could be progressed quickly.

Confirmation was given at the last meeting when the draft Financial Statements were presented that the Committee would receive be updated on any changes that were made during the review and audit process. There were four changes currently being made to the accounts to bring to the Committee's attention, which were briefly referred to at the last meeting.

1. An updated pensions report had now been received from the actuary. Officers were informed by LCC that there were some updated asset valuations that were not included in the first set of pension reports, due to the timing of this information being available – this was an item that affected many local authorities throughout Lincolnshire and wider, not just Boston. In Boston's report, this was a £1.2m increase in the closing fair value of pension fund assets, which reduced the net pensions liability by this same figure. This reduced the net pensions liability in the Balance Sheet offset against the pensions reserve so effectively increased the net worth of the Council by this value. There was no impact on the General Fund outturn due to these accounting entries being reversed in the Movement in Reserves Statement under statutory accounting requirements.
2. The amount owing to East Lindsey District Council (ELDC) by Boston regarding Strategic Alliance arrangements at the year-end was reduced by £42,000 as a result of a full review of the recharges between each authority. This was not material but was adjusted for completeness, and this was a favourable movement of £42,000 on the outturn report and on the Comprehensive Income and Expenditure Statement, and reduced the creditor to ELDC in the Balance Sheet at the year-end. This adjustment had been reviewed and approved by the new S151 Officer.
3. Business Rates Levy – as discussed at the previous meeting, LG Futures were engaged to review the bad debt provision of the Collection Fund and an additional amount was set aside for the potential irrecoverable business rates debts. This did increase the Business Rates deficit, but additional Tax Income Guarantee income was received. As a result, the Business Rates levy payable to the pool increased by £128,000.
4. Finally, officers had undertaken a review of the treatment of the grants relating to Covid and had identified £166,000 of New Burdens funding incorrectly classified on the working papers. It had been put into creditors on the Balance Sheet at year-end, effectively owing back to Central Government, where it should have been put into reserves as it was for the Council to decide how to utilise this money in administering the grants. This reduced the creditors on the Balance Sheet at year-end by £166,000 and increased usable reserves.

Taking these adjustments into account in total, the General Fund outturn position was improved by £80,000. This was proposed to be transferred to the Covid budget pressures smoothing reserve as part of the outturn report, being presented to Cabinet in December.

Whilst every effort was taken to ensure the draft financial statements were as accurate as possible at the time of publishing, they were 95 pages long and it was often the case that upon further review, officers find items that need adjusting. It was much more preferable that officer found these items before the auditors, in order that they could be transparent and ensure the required adjustments were made.

The General Ledger had been updated with these entries, and full working papers containing an audit trail of these changes and the notes they impact on in the accounts was currently in progress, this would be finalised this week. Officers were not aware of any further changes at this point in time, but they would inform the Committee of any further amendments when the audited Financial Statements were presented for approval. It was aimed to present these to the Committee in January, subject to no significant issues arising during the audit, and subject to no further delays regarding audit work.

Officers were in the process of arranging a training session on the Financial Statements, which would hopefully keep the document fresh in the Committee's mind ready for the meeting where Members would be asked to consider and approve the final version of the audited Financial Statements, hopefully in January.

## **17 TREASURY MANAGEMENT - 2021/22 MID-YEAR UPDATE**

The Interim Treasury & Investment Manager presented the Mid-Year Report on the Council's Treasury Management Strategy Statement and Annual Investment Strategy.

The report, attached at Appendix A, covered the following areas:

- A review of the Treasury Management Strategy Statement and Annual Investment Strategy
- The Council's capital expenditure (prudential indicators)
- A review of the Council's investment portfolio for 2021/22
- A review of the Council's borrowing strategy for 2021/22

Attached at Appendix B was an economic update for the first six months of the 2021/22 financial year, provided by Link Asset Services, the Council's external advisors. This included the outlook for the remainder of the financial year along with interest rate forecasts.

The report referred to a key element of the Council's Governance Framework and, therefore, represented an important contribution to the evidence trail in support of the Annual Governance Statement 2021/22.

At 30 September 2021, the Council held £24.105m in cash investments (£17.690m at 31 March) and £20.711m in property funds (£19.492m at 31 March).

The Council budgeted to receive £1,016,000 in gross investment income in 2021/22 comprising £977,000 from Property Funds (including £215,000 management fees) and £39,000 from cash investments.

As at 30 September 2021, total investment income for the year was estimated to be £946,000 comprising £924,000 from Property Funds and £22,000 from cash investments. Property Fund Management fees for 2021/22 were currently estimated at £215,000.

In 2021/22, cumulatively to 30 September 2021, the Council achieved an average gross revenue return (before deduction of management charges) of 4.46% from the Property Fund holdings, and 3.42% net (after the deduction of those charges).

Treasury (cash) Investments achieved an average rate of 0.9% compared to the benchmark average 3-month LIBID rate of -0.054%.

Borrowing at 30 September 2021 was £16.449m of which £15.449m was from the Public Works & Loans Board. Total borrowing costs for 2021/22 were projected to be £494,000.

Treasury Management continued to require close attention given the current financial climate. Officers would continue to be vigilant and report any significant issues to this Committee.

Members discussed the Council's cash and property fund investments

It was explained that the Council's Treasury Management Strategy stated that investments were limited with any one institution to no more than £3m invested per institution, and £5m per counterparty 'group'. The 28 working days residual balances in excess of the £5m limit were deposited in the Council's current bank account (HSBC) for cash flow reasons in accordance with paragraph 7.3 of the Treasury Management Strategy).

The average level of funds available for investment from 1 April to 30 September 2021 was £21.683. Of this, an average of £10.683m was available on a temporary basis, the level dependent on the timing of precept and business rate pool payments, receipt of grants and capital programme spend.

With respect to the property fund investments, it was reported that the difference between purchase price (the amount invested) and fair value reflected premiums paid or discount received against the Funds' 'Net Asset Value' at the settlement date together with the movement in fund valuations since acquisition. Fair values had increased during the first half of the financial year, by 5.89% since 31 March 2021, largely due to the vaccination process that had helped to combat COVID-19 and the economy rebounding as a result of restrictions lifting.

Members noted that the property funds were long-term investments and there was satisfaction with the increase in fair values since March.

In response to questions, it was explained that although borrowing costs had to be deducted, there was still a healthy return from investments. Inflation and increases in interest rates were beyond the Council's control, but it was hoped this was a temporary situation as it was largely due to the pandemic and Brexit. Officers monitored the situation continuously and Members would receive a monthly finance update.

**Action: JM**

Carry out work with respect to revenue sources

Efforts were still ongoing to obtain more information about Council's £1m loan, to move this matter forward. Payments had been suspended to use as leverage to secure information and some had been provided, but not sufficient. Members noted that it might not be possible to gain full details of this loan, but that the Council's property fund investments were performing well.

## **18 INTERNAL AUDIT PROGRESS REPORT 2021/22**

The Internal Audit Team Manager presented the Internal Audit Progress Report for November 2021.

As at 14<sup>th</sup> October, 37% of the planned days had been completed, against the target of 50%.

In this period one assurance review has been completed, the Boston Town Area Committee, which had been given High assurance.

Six audits were in progress:

- Brexit – fieldwork in progress
- Towns Fund – report being agreed
- Income – fieldwork in progress
- Housing Benefit Subsidy – report being agreed
- Carbon Reduction - Planning
- Flood Management - Planning

Other Significant work reported was the completion of Housing Benefit Subsidy work on behalf of the External Auditor and Dept for Work & Pensions. This was a large piece of work that provided assurance on the accuracy of benefit claims and that the Council had claimed the correct subsidy based on that accuracy. An update would be provided in a future progress report once testing had been finalised and reported to management on the results. This work had been prioritised in September, which meant that the Brexit and Income audits had been put on hold, but they had since been restarted.

A recommendation update was attached to the report at Appendix 3.

Members congratulated the Chairman and Committee Members of the Boston Town Area Committee on the excellent outcome of the audit of ht4e Committee.

**Action: MW**

Consider rewording the reference to PE21 as a project no longer exists under that name.

## 19 WORK PROGRAMME

Members discussed the work programme.

It was noted that the Committee's consideration of the Model Code of Conduct had been put back from the January meeting due to unforeseen circumstances. Members felt that the code should be considered without delay. It was thought the Committee had already agreed the adoption of the Local Government Association's model code, but the Portfolio Holder confirmed it had not done so and it was recognised that the correct procedure would be for the Committee to formally receive it.

**Action: SK**

Speak to key officers in order to bring the Model Code of Conduct to the Committee as soon as possible

The Meeting ended at 19.47