

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 Monday 7th July 2025 at 6.30 pm.

Present:

Councillor Barrie Pierpoint, in the Chair.

Councillors Councillor Mike Gilbert, James Cantwell, Anton Dani, David Middleton, Ralph Pryke, Lina Savickiene, Suzanne Welberry and Stephen Woodliffe (substitute for Richard Austin BEM).

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

Officers:

Interim Finance Director and S151 Officer, Assistant Director - Governance and Monitoring Officer, Group Manager – Insights & Transformation, Scrutiny & Policy Officer, Head of Finance Delivery - Technical and Corporate, PSPSL, Treasury and Investment Manager (PSPSL), Head of Internal Audit & Risk, Internal Audit Team Manager, Democratic Services Team Leader and Democratic Services Officer.

1 Apologies for Absence

Apologies for absence were received from Councillor Richard Austin, with Councillor Stephen Woodliffe substituting, and from Councillor Andy Izard.

2 Declarations of Interest

There were no declarations of interest.

3 Minutes

The minutes of the previous meeting held on 22nd April 2025 were agreed and signed by the Chairman.

4 Actions

Members considered the actions from the previous meetings held on 22nd April 2025 which had been circulated with the agenda. The Democratic Services Team Leader advised that there were no outstanding actions.

The following matters were raised for follow-up:

- Clarification was requested on the relationship between KPIs and contractual obligations in the Parkwood Leisure contract. Officers undertook to provide a written response.
- A request was made for information regarding street lighting decarbonisation, which had been raised at the previous meeting but had not yet been addressed. Officers confirmed that an update would be provided following the meeting.

5 Public Questions

No questions had been received.

6 Towns Board Capital Projects

The Committee received a verbal presentation from the Director of Economic Development, who had been invited to provide an update on the governance and delivery of the Towns Fund capital projects, following a request from a Member for further assurance on project oversight and expenditure.

The Director of Economic Development explained that the Boston Town Deal Board had been established in accordance with Government guidance to oversee the delivery of the Towns Fund programme, for which Boston had been awarded £21.9 million in August 2021. The Board was chaired by an independent private sector representative and comprised a range of external stakeholders. Boston Borough Council remained the accountable body for the funding and was responsible for ensuring compliance with all financial and governance requirements.

The Committee was advised that the Towns Fund programme comprised seven projects, each of which had been subject to rigorous internal and external monitoring. Oversight was provided through the Council's Major Projects Board, regular reporting to Cabinet and Scrutiny Committees, and six-monthly returns to central Government. It was confirmed that all funding had been fully committed and that all projects were either completed or progressing in line with agreed timescales.

The following project-level updates were provided:

- Boston Leisure Project – £3 million Towns Fund contribution; additional funding from the Levelling Up Partnership and Council resources. Estimated completion: September 2026.
- The Mayflower (Boston College Campus) – Estimated completion: July 2025.
- St Botolph's Library and Lighting – Estimated completion: September 2025.
- Centre for Food and Fresh Produce Logistics – Delivered in partnership with the University of Lincoln. Status: Completed.
- Blenkin Memorial Hall Refurbishment – Status: Completed.
- Healing the High Street – Includes refurbishment of Shodfriars Hall and shop front improvements. Estimated completion: March 2026. Currently rated amber due to outstanding grant agreements, but expected to return to green status imminently.
- Boston Railway Station Refurbishment – Towns Fund contribution of £2.475 million. Estimated completion: July 2025.

Members discussed the report and commented as follows:

- Clarification was sought on the total funding for the Boston Leisure Project, noting a discrepancy in the figures presented. It was acknowledged that a typographical error had occurred and that the correct total would be circulated following the meeting.
- Further queries were raised regarding the completion status of the Boston Railway Station project and whether the funding allocation had increased. It was confirmed that

the Towns Fund contribution remained at £2.475 million, with additional match funding provided by other partners.

- Concerns were also raised regarding the reported closure of the Geoff Moulder Leisure Centre for a period of 18 months. It was advised that £3 million from the Towns Fund and £7 million from the Levelling Up Partnership had been allocated to the Boston Leisure Project, which included works at Geoff Moulder. Officers undertook to investigate the reported closure and provide a written response.
- A further query was raised regarding the composition of the Town Deal Board. The Chairman advised that the focus of the item was on governance and project delivery, and that a full list of Board members could be provided separately if required.

The Committee thanked the Director of Economic Development for her attendance and noted the update.

Resolved:

That the verbal update be noted.

[The Director of Economic Development left the meeting at 6.48pm, following consideration of the above item.]

7 Internal Audit Annual Report and Opinion 2024/25

The Head of Internal Audit & Risk presented a report which provided a summary of internal audit activity undertaken during the 2024/25 financial year and set out the annual audit opinion on the Council's governance, risk management, and internal control arrangements.

It was reported that the overall audit opinion for the year was one of "adequate assurance", meaning that the control framework was generally reliable and that controls to mitigate key risks were operating effectively, although some areas required improvement. The opinion had been informed by a combination of assurance and consultancy work, follow-up reviews, and other governance documentation.

The Head of Internal Audit & Risk highlighted the following key points:

- The audit opinion had been based on a combination of assurance and consultancy work, follow-up reviews, and other governance documentation.
- Two areas had received a limited assurance rating during the year:
 - Insurance: The audit identified concerns regarding the outsourcing of insurance administration by PSPS to a third-party provider (TRF). Issues included a lack of contract management, unclear roles and responsibilities, and incomplete asset records. These deficiencies had resulted in the postponement of the 2024/25 insurance re-tendering exercise and the extension of existing contracts, which was not compliant with the Council's procurement regulations.
 - Bank Reconciliations: The audit found inconsistent processes across different accounts, high levels of manual intervention, and delays in completing reconciliations. The lack of automation and the impact of staff turnover were noted as contributing factors.
- The audit team had experienced delays in accessing data and systems, which had negatively impacted performance indicators. Improvements were planned for 2025/26,

including a change in audit management and closer engagement with the Section 151 Officer to ensure timely access to information and improved delivery.

- The audit service continued to conform to Public Sector Internal Audit Standards, with a 2022 external assessment confirming full compliance.

Members discussed the report and commented as follows:

- Members expressed concern regarding the two areas of limited assurance and emphasised the importance of ensuring that such findings were not repeated in future audits. It was noted that the insurance function, in particular, required clearer oversight and accountability. Officers confirmed that a service review of the insurance function was underway and that improvements had already been made, including the successful completion of a new insurance tender and updated reconciliations.
- In relation to bank reconciliations, Members noted that processes varied across accounts, with high levels of manual intervention and delays in completion. The lack of automation and the impact of staff turnover were highlighted as contributing factors.
- Members commented on the terminology used in audit reports and requested that future reports include clearer definitions of assurance levels to aid understanding. It was suggested that a summary of assurance categories be included in future reports to assist Members in interpreting audit findings.
- Members also questioned the effectiveness of oversight arrangements and whether there were any mechanisms in place to hold PSPS accountable for underperformance, particularly in relation to the insurance contract. It was acknowledged that, as a Teckal company, PSPS was owned by the Council and its partners, and therefore financial penalties would not be appropriate in the traditional sense.
- Clarification was sought on the contractual arrangements with TRF, and it was confirmed during the meeting that the insurance function had indeed been outsourced. Officers undertook to provide a written response to clarify the governance and oversight arrangements in place.
- The Committee welcomed the assurance that improvements were being implemented and noted the importance of maintaining strong oversight of outsourced services.

Resolved:

That the report be noted.

[The Head of Internal Audit & Risk left the meeting at 7.11pm, following consideration of the above item.]

8 Quarter 4 Risk Report 24/25

The Group Manager - Insights & Transformation presented a report which provided an update on the Council's strategic, partnership, and fraud risk registers as at the end of March 2025. The report formed part of the Committee's regular oversight of the Council's risk management arrangements.

It was reported that the risk registers had undergone a full review during the quarter, with updates made to risk wording, scoring, and planned actions where appropriate. The Committee was advised that a dedicated Member training session had been scheduled for 15th September 2025. The session would serve both as a refresher on the risk

management framework and as an opportunity to undertake a detailed, line-by-line review of the risk registers. Members were encouraged to use the session to explore the rationale behind risk scores and treatments in greater depth than was possible during formal meetings.

The Group Manager - Insights & Transformation confirmed that improvements to the format of the covering report would be introduced in future, following recommendations from a recent internal audit. These improvements would include clearer explanations of changes in risk scores and more consistent presentation of risk treatments and action statuses.

Members discussed the report and commented as follows:

- Members welcomed the planned training session and supported the proposal to use it for a comprehensive review of the risk registers.
- A number of specific points were raised in relation to individual risks and the presentation of the register:
 - It was suggested that the civil contingency risk (BBC06) be reviewed in light of the increasing number of battery storage developments in the borough. Officers undertook to liaise with the Lincolnshire Resilience Forum to consider whether this emerging risk should be reflected in the register.
 - The potential impact of artificial intelligence (AI) on service delivery and governance was raised as a future consideration. Officers agreed to explore this further as part of the next quarterly review.
 - Clarification was sought on the removal of the staff retention risk (BBC19) from the strategic register. It was explained that the risk had been consolidated into the partnership risk register to avoid duplication.
 - A request was made for clearer explanations of risk treatments and scoring, particularly where actions were marked as “not applicable”. Officers confirmed that this would be addressed in the revised format of the report.
 - It was noted that the depot accommodation risk had reduced from high to medium following the signing of a lease agreement, and that the procurement fraud risk score had also reduced due to improved controls following the procurement card audit.

The Committee thanked the Group Manager - Insights & Transformation for the update.

Resolved:

That the report be noted.

9 Annual Treasury Report 2024/25

The Interim Treasury Manager, PSPSL provided a review of the Council's treasury management activities for the financial year 2024/25. The report was presented in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management and formed a key part of the Council's governance framework.

The Committee was advised that the report covered several key areas, including capital expenditure and financing, borrowing and investment activity, and compliance with prudential indicators. It was reported that the Council had maintained a strong financial position throughout the year, with investment income significantly exceeding budget expectations.

It was confirmed that the Council had continued to operate with a low level of external borrowing, maintaining an under-borrowed position by using internal resources to fund capital expenditure. The Council's investment strategy had delivered strong returns, with treasury investments achieving an average rate of 5.29% and property fund investments returning 3.21%, resulting in a combined return of 4.57%. The net treasury income for the year was reported as £2.827 million, representing a surplus of £710,000 against the budget.

The Interim Treasury Manager, PSPSL advised that all treasury and prudential indicators had been met and that the Council remained compliant with its approved Treasury Management Strategy. The report also included a detailed breakdown of the Council's investment portfolio and the performance of its property fund holdings.

The Committee was invited to scrutinise the report and provide any comments for consideration by Full Council at its meeting on 21st July 2025.

Members discussed the report and commented as follows:

- Members welcomed the strong financial performance reported for the year and noted the significant surplus generated from investment income. The Committee acknowledged that the Council's strategy of maintaining an under-borrowed position had proven effective, with internal resources being used to fund capital expenditure and avoid the need for additional external borrowing.
- Clarification was sought regarding the valuation of the Council's property fund investments, which had decreased in value since purchase. It was noted that while the capital value of the investments remained below the original purchase price, there had been a modest recovery in the most recent year. The long-term nature of these investments was emphasised, and it was confirmed that the Council continued to receive regular income distributions from the funds.
- Further clarification was requested on whether the property funds were limited to UK-based assets or included international holdings. It was confirmed that the Council's investments were restricted to UK property funds, in line with the original investment strategy.
- The Committee also discussed the balance between risk and return in the Council's investment approach. It was noted that while higher returns had been achieved, the Council continued to prioritise security and liquidity in accordance with its Treasury Management Strategy.

The report was well received, and Members expressed satisfaction with the Council's prudent and effective treasury management during the year.

The recommendation was moved by Councillor Anton Dani and seconded by Councillor Lina Savickiene.

Resolved:

That the Committees' comments in respect of the Annual Treasury Report 2024/25, in Appendix 1 within the report, be noted for inclusion within the report to Full Council on 21 July 2025.

10 Annual Governance Statement (AGS) 2024/25

The Group Manager - Insights & Transformation introduced the Annual Governance Statement by outlining its statutory purpose and role in supporting the Council's overall governance framework. It was explained that the statement had been prepared in accordance with the Accounts and Audit Regulations 2015 and the CIPFA/SOLACE framework for delivering good governance in local government.

The Committee was advised that the AGS provided a summary of the Council's governance arrangements, reviewed their effectiveness over the past year, and identified any significant governance issues requiring attention. The statement also set out the actions taken in response to previous governance issues and outlined new actions for the year ahead.

It was confirmed that the AGS had been reviewed and updated to reflect developments during 2024/25, including the completion of several actions from the prior year. Where actions had been deferred, this was due to external factors such as the ongoing uncertainty surrounding local government reorganisation (LGR). The Committee noted that the AGS formed part of the Council's annual financial reporting process and was required to be approved prior to the publication of the Statement of Accounts.

Members discussed the report and commented as follows:

- Members reviewed the governance arrangements outlined in the report and considered the progress made against the actions identified in the previous year. There was general support for the structure and content of the AGS, and Members welcomed the inclusion of new actions for 2025/26, particularly the focus on strengthening governance arrangements around budget preparation and monitoring developments in legislation relating to remote meetings and standards.
- Clarification was sought on a section of the AGS which referred to the Audit & Governance Committee's role in scrutinising Cabinet decisions. It was felt that the wording could be misinterpreted and should be reviewed to ensure it accurately reflected the Committee's remit, which is to provide assurance on governance, risk management, and internal control, rather than policy scrutiny. Officers undertook to review the wording and make amendments if necessary.

The AGS was approved, subject to the minor clarification noted.

The recommendation was moved by Councillor Anton Dani and seconded by Councillor Stephen Woodliffe.

Resolved:

That the Annual Governance Statement 2024/25, in Appendix 1 within the report, be approved.

11 Unaudited Financial Statements 2024/25 including Narrative Report

The Deputy Chief Finance Officer (Corporate) PSPSL presented a report which provided Members with an opportunity to review the unaudited Financial Statements for 2024/25 prior to the commencement of the external audit. It was confirmed that the statements had been prepared in accordance with the CIPFA Code of Practice and had been published on the Council's website in line with statutory deadlines. The public inspection period had commenced, and the external audit by KPMG had also begun..

The Committee was advised that the most significant change in the accounts for 2024/25 was the implementation of IFRS 16 – Leases, which required the Council to recognise right-of-use assets and corresponding liabilities on the balance sheet. This had resulted in an increase of £0.822 million in both assets and liabilities, with no impact on the taxpayer.

The Deputy Chief Finance Officer (Corporate) PSPSL highlighted key movements in the Council's financial position, including:

- An increase in the Council's net worth of £17.984 million.
- A rise in short-term investments, largely due to capital grants received but not yet applied.
- Growth in earmarked reserves, reflecting the £1.015 million surplus generated in 2024/25.

The Committee was informed that the surplus had been achieved through a combination of factors, including higher-than-anticipated investment income, as reported in the Annual Treasury Report. The capital programme had also underspent by £5.7 million, with unspent grant funding carried forward for use in future years.

Members discussed the report and commented as follows:

- Members welcomed the clarity of the report and commended officers for producing the accounts in line with statutory deadlines.
- A number of queries were raised in relation to specific elements of the financial statements:
 - Clarification was sought on the reported funding for Boston Railway Station under the Towns Fund, as the figure presented in the statements differed from that referenced in earlier discussions. Officers undertook to investigate and provide a written response.
 - A question was raised regarding the reported pension asset ceiling of £7.925 million and its implications for the Council's financial position. Officers agreed to provide a written explanation
 - Further clarification was requested on the Council's interests in external companies. It was confirmed that the Council held a shareholding in PSPS Ltd but had no other corporate interests.

- A query was raised regarding the debt impairment rate applied to housing benefit overpayments. Officers confirmed that the provision was based on the age and recoverability of debts and undertook to confirm whether the rate had changed from the previous year.
- Members also noted a section in the narrative report which suggested that the Audit & Governance Committee had scrutinised Cabinet decisions. It was agreed that the wording would be reviewed to ensure it accurately reflected the Committee's remit
- Minor typographical issues were noted in the narrative report and would be corrected prior to publication.

The Committee noted the statements and expressed appreciation for the work undertaken by officers in preparing them.

Resolved:

That the report be noted.

12 Budget Preparation 2026/27 - Approach & Process

The Committee received a report from the Interim Director of Finance (S151 Officer) which outlined the proposed approach to preparing the Council's budget for the 2026/27 financial year. The report set out a revised methodology aimed at strengthening governance, improving transparency, and ensuring earlier and more structured engagement in the budget-setting process.

It was explained that the new approach had been developed following feedback from Members and officers involved in the previous year's budget cycle. A number of concerns had been raised regarding the compressed timescales and the reliance on balancing figures in the form of efficiency targets. In response, the revised process would commence in July 2025 and run through to February 2026, allowing for a more iterative and evidence-based approach.

Key features of the revised methodology included:

- The reintroduction of "Star Chamber" sessions, enabling detailed challenge and review of service budgets by senior officers and Members.
- A focus on aligning budget proposals with the Council's strategic priorities and risk profile.
- Improved integration of financial planning with performance management and transformation activity.
- Earlier identification of savings and pressures to support more informed decision-making.
- Provision for public consultation on budget proposals, in line with best practice.

The Committee was advised that the process would also support the development of a more robust Medium Term Financial Strategy (MTFS), with a view to reducing reliance on in-year adjustments and reactive measures. It was noted that the Government had indicated its intention to publish the local government finance settlement earlier than in previous years, which would further support the revised timetable.

Members discussed the report and commented as follows:

- Members welcomed the earlier start to the process and the structured methodology outlined in the report. There was broad support for the reintroduction of Star Chamber sessions, which were seen as a valuable mechanism for enabling detailed scrutiny and challenge of service budgets.
- It was noted that the revised approach would help ensure that budget decisions were evidence-based and aligned with the Council's priorities. Members also welcomed the emphasis on early identification of budget pressures and savings opportunities, which would support more strategic financial planning.
- Clarification was sought on whether the revised process would place additional pressure on officers. It was confirmed that the extended timetable would help to alleviate pressure by spreading the workload over a longer period and allowing for more meaningful engagement at each stage.
- A query was raised regarding the potential impact of Local Government Reorganisation (LGR) on the budget process. It was acknowledged that while LGR remained a significant external factor, the Council was required to proceed on a "going concern" basis and to prepare a balanced budget for 2026/27 in accordance with its statutory duties.

The Committee expressed support for the revised approach and noted the importance of Member engagement throughout the process to ensure robust governance and accountability.

Resolved:

That the report be noted.

13 Work Programme

The Chairman presented the Audit and Governance Work Programme 2025/26 and invited Members to consider whether any additional items should be included.

The Committee supported the inclusion of a dedicated session to review the strategic risk register in detail, which had been proposed earlier in the meeting. It was agreed that this session would be held separately from the formal committee meetings to allow sufficient time for line-by-line scrutiny of risks and mitigation actions. The session was scheduled to take place on 15th September 2025 and would also serve as a refresher on the Council's risk management framework.

The Committee also discussed the potential introduction of a skills matrix for Members, to support future self-assessment and training needs analysis. It was suggested that such a matrix could help identify any gaps in knowledge or experience and inform the development of targeted training opportunities. The Monitoring Officer confirmed that this could be incorporated into the Committee's annual effectiveness review and would be considered as part of the forthcoming self-assessment exercise.

No further additions to the work programme were proposed at the meeting.

Resolved:

That the work programme be noted.

14 Exclusion of Public and Press

The recommendation was moved by Councillor Ralph Pryke and seconded by Councillor Anton Dani.

Resolved:

That under Section 100(A)(iv) of the Local Government Act 1972 the public and press be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act (as amended).

15 Review of the Council's Property Fund Investments

The Interim Treasury Manager, PSPSL presented a report which provided a review of the Council's Property Fund Investments. The report considered the performance of the funds, current market conditions, and the implications of recent legislative changes.

Members considered the report and discussed the matters presented. The Committee thanked the Interim Treasury Manager, PSPSL for the report and the information provided.

Resolved:

That the report be noted.

The Meeting ended at 8.35 pm.