

- Present:** Councillor Geoff Ellis (*in the Chair*)
- Councillors:** Thomas Dyer, Gary Hewson, Ronald Hills, Rebecca Longbottom and Pat Vaughan
- Independent Member:** Jane Nellist
- Apologies for Absence:** Councillor Laura McWilliams and Councillor Jackie Kirk

**44. Confirmation of Minutes - 17 December 2019**

RESOLVED that the minutes of the meeting held on 17 December 2019 be confirmed.

**45. Declarations of Interest**

Councillor Pat Vaughan declared a Personal Interest with regard to the agenda item titled 'Prudential Indicators 2019/20-2022/23 & Treasury Management Strategy 2020/21'.

Reason: His granddaughter worked in the finance section at the City of Lincoln Council.

**46. Change to Order of Business**

RESOLVED that the order of business be amended to allow Item No 4: Prudential Indicators 2019/20-2022/23 and Treasury Management Strategy 2020/21 to be considered before the remaining agenda items.

**47. Prudential Indicators 2019/20-2022/23 & Treasury Management Strategy 2020/21**

Sarah Hardy, Principal Finance Business Partner:

- a. presented a report for Audit Committee to scrutinise and recommend to the Executive for approval the adoption of the 15 statutory prudential indicators and 8 local indicators for the period 2019/20 to 2022/23, together with the 2020/21 Treasury Management Strategy, prior to being reported to Council for final approval
- b. referred to training undertaken prior to the start of this meeting in relation to Treasury Management in order to help members take an informed view on the contents of this report
- c. summarised the key prudential indicators which had been incorporated into the 2020/21 strategy; the projected capital expenditure would determine the capital financing or borrowing requirement, which would in turn determine the actual level of external borrowing taken and hence, cash balances available for investment
- d. reported on the methodology employed for selecting investment counterparties as detailed at paragraph 2.2 of the report

- e. advised that the strategy for 2020/21 had been prepared taking into account changes in the Prudential Code and Treasury Management Code
- f. outlined the operation of the Council's prudential indicators, its treasury function and its likely activities for the forthcoming year, incorporating the four key Council reporting requirements as follows:
  - Prudential and Treasury Indicators
  - Minimum Revenue Provision (MRP) Statement
  - Treasury Management Strategy
  - Investment Strategy
- g. referred to information provided at paragraph number 4.1.2 of the report in relation to Capital Expenditure and Financing, which would be broken down further between the General Fund and Housing Revenue Account as requested by members
- h. requested that Audit Committee review the content of the report and its associated appendices and recommend to Executive and Council for approval.

Members considered further the content of the report.

Members referred to paragraph 5.7 of the Treasury Management Strategy 2019/20 at Appendix 3 of the report, and queried what consideration was given to the criteria for investment counterparties in terms of choosing ethical companies and those that supported our policies.

Sarah Hardy, Principal Finance Business Partner referred to a weighted scoring system culminating in a series of colour coded bands which indicated the relative creditworthiness of counterparties, used by the council to determine the suggested duration for investments.

RESOLVED that:

1. The prudential indicators detailed in Section 4.1 and Appendix 1 of the report be recommended to Executive and Council for approval.
2. The Treasury Management Strategy (including the Treasury Management Prudential Indicators and the Investment Strategy) as set out in Section 4 and Appendix 3 of the report be recommended to Executive and Council for approval.
3. The revised MRP policy detailed in Appendix 2 of the report be recommended to Executive and Council for approval.
4. The revised Treasury Management Practices and Schedules detailed in Appendix 2 of the report be recommended to Executive and Council for approval.

#### **48. Internal Audit Progress Report**

John Scott, Audit Manager:

- a. presented the Internal Audit Progress Report to Audit Committee, incorporating the overall position reached so far and summaries of the outcome of audits completed during the period December 2019 to January 2020, as detailed at Appendix A
- b. highlighted that Audit Committee held the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan as a key requirement of public sector internal audit standards
- c. detailed the content of the report covering the following main areas:
  - Progress Against the Plan
  - Summary of Audit Work
  - Implementation of Audit Recommendations
  - Current Areas of Interest Relevant to the Audit Committee
- d. detailed audit work completed and a final report issued in respect of:
  - Housing Rents (Substantial)
  - Recruitment (Substantial)
- e. highlighted consultancy work completed during the period in relation to Fire Risk - High Rise Blocks
- f. advised that following members observations and comments at the last meeting of Audit Committee a recommendation follow up protocol was presented at Appendix 3 of his report for consideration and comments
- g. reported on an audit report at draft stage in respect of Licensing which was with management for approval
- h. reported on work in progress in relation to:
  - Treasury Management
  - Payroll
  - ICT Anti-Malware Arrangements
  - Sports Pitches Improvements
  - Homelessness
  - Efficiency Savings
  - Housing Allocations (Choice Based Lettings)
  - Western Growth Corridor
  - Partnerships (Consultancy)
  - De Wint Extra Care Facility
  - Project Management
- i. reported on other work ongoing in the following areas:
  - Combined Assurance Map Update
  - Audit Strategy and Plan 2020/21
  - Bribery/Whistleblowing Policy Review
  - NFI Completion
  - Tenancy Fraud

j. highlighted the following audits being prepared for Quarter 4:

- Performance Management
- Website Security
- IT Combined Assurance
- Governance/Risk Management
- Economic Development/Growth
- Office 365 Project (may be deferred)
- Counter Fraud Training (Consultation)
- Fraud Health Check
- Money Laundering Risk Assessment
- Identity Fraud

k. detailed other matters of interest in relation to

- Planning Guidance
- Business Rates Avoidance Survey Report 2019

l. highlighted performance against a range of indicators, with good achievement secured in respect of Audit KPI's to date

m. detailed the contents of the Audit Plan Schedule at Appendix 4 of the report

n. requested members' consideration of the report.

Members discussed the content of the report in further detail, commenting as follows:

- Question: Were rent collection figures worse or better with the introduction of Universal Credit?
- Response: Rent collection performance figures were on target so far for the financial year 2019/20. Performance indicators had been slightly revised to take into account Universal Credit. These figures would be presented to Performance Scrutiny Committee in due course.
- Question: It was noted that 28% of tenants paid their housing rents by direct debit. How did the remaining tenants settle their accounts?
- Response: A high proportion of housing rent accounts were settled by card payment. The council's current policy was not to make an administration charge for this. The service endeavoured to encourage payment by direct debit wherever possible as the cheapest method for the council.
- Question: Had the planned audit of ICT Mobile Office 365 been deferred?
- Response: The new system was still in the first part of the trial period, a consultant had been taken on board to assist with its implementation. Performance Scrutiny Committee would receive regular updates throughout.
- Question: It was noted that the Local Government Association estimated that around 1% of total business rates income was lost to business rates avoidance each year. Could examples be given of this across our city?
- Response: There were ways to avoid business rates which were not considered to be fraudulent. For example, letting the premises to charities, premises used for storage which could then claim back business rate charges.
- Question: How many times in a month had the target rent not been applied to new tenants if not previously charged?

- Response: There had been 300 new tenancies of which the rents of 102 had been reviewed. There had been only two instances that hadn't been moved to the target rent and the rent lost had been 'negligible'. The difference in the increase in rent had been just pence.

RESOLVED that the contents of the report and continuation of further monitoring arrangements be noted.

**49. Audit Committee Work Programme**

John Scott, Audit Manager, presented a report to inform members of Audit Committee on the work programme for 2019/20 as detailed at Appendix A.

RESOLVED that the contents of the Audit Committee work programme 2019/20 be noted.