

<b>Present:</b>	Councillor Calum Watt ( <i>in the Chair</i> )
<b>Councillors:</b>	Thomas Dyer, Gary Hewson, Clare Smalley and Patrick Vaughan
<b>Independent Members:</b>	Jane Nellist and Dave Carter
<b>Apologies for Absence:</b>	Councillor Emily Wood, Councillor Annie Currier, Councillor Callum Roper and Councillor Aiden Wells

**45. Confirmation of Minutes - 10 December 2024**

RESOLVED that the minutes of the meeting held on 10 December 2024 be confirmed.

**46. Declarations of Interest**

No declarations of interest were received.

**47. Procurement Act 2023 & Contract Procedure Rules**

Carolyn Wheeler, City Solicitor and Heather Carmichael, Procurement Manager presented a report which sought comments from the Committee on the new Procurement Act 2023 and the subsequent revision of the Council's Contract Procedure Rules.

The new Act was due to come into force on 24 February 2025 and would only apply to new procurements commencing from that date. This meant that contracts let prior to that would continue under the previous legislation. It would also affect pre-contract and pre-market enquiries.

An aspect of the new legislation was to simplify the procurement process and increase transparency, however this had also made it more labour intensive. The requirement for public authorities to publish 14 notices on a dedicated Government-run platform had been introduced. The notices would set out the who, why, when and how of the procurement and contract, and each notice would apply to different stages within the process and continue throughout the contract period until expiry.

With the introduction of the Act, the Council had taken the opportunity to update the Contract Procedure Rules. These were also considered by the Committee along with the Procurement Flow Chart.

Officer training sessions on the new Act would be rolled out in due course for contract managers. Training for Members had already taken place.

The Committee discussed the report and procedure rules in detail and was provided with the following responses by Officers to questions:

- There would be no extra resources to support the administration of the new Act, however contract managers would be trained and expected to manage their own contracts with support from the Procurement Manager.

- Unauthorised sub-contracting was not considered to be a high risk when close relationships with contractors were maintained. Certain contracts contained collateral warranties to prevent sub-contracting without permission and, where relevant and required, it could be permitted with agreement by the Council.
- Following a recent piece of work, the raising of purchase orders across the Council had been increased to 76%. Officers felt this was a positive result as increasing it any further would not be practical.
- It would not be the responsibility of the Council's internal audit team to check compliance of the notices for each contract; that would fall to central government who would run the dedicated online platform.
- Suppliers local to Lincoln could not exclusively be considered for over-threshold contracts; the selection area was the Lincolnshire county boundary plus 20 miles. However, the Local Purchasing Policy would be used where possible, and the ability to add social value to a contract would not be impacted.
- Suppliers were required to register on the central government platform and in tandem with this, the Act provided a debarment function where a list of excluded suppliers was maintained which authorities had to check before making procurement decisions.
- The direct award of a contract to a particular supplier could be made to allow for continuation of service if, for example, the contractor became insolvent however, there were internal controls to support this.
- Officer workloads would be reviewed once the Act had come into force, and the number of over-threshold contracts would determine the size of workloads.
- It was unlikely that caselaw would appear any sooner than 12-18 months after the commencement of the Act.
- Under section 4 of the Contract Procedure Rules entitled Thresholds (Council set - below mandatory legal threshold), the wording for contracts worth less than £5,000 would be reviewed as it was felt the wording was unclear around recording of the contract within the Council's contract register.
- Deadlines for invitation to tender would be adhered to and submitted via the electronic portal. Mitigating circumstances for missing the deadline (such as an internet outage) would be reviewed on a case-by-case basis and Officers would be pragmatic about a genuine reason for delay. Consideration would be given to the wording in section 9.8 of the Contract Procedure Rules to assess whether these needed to be tweaked to reflect this, before being submitted to Executive.

Resolved that:

- the new Procurement Act 2023 and Contract Procedure Rules, and comments from the Audit Committee be noted.

- Officers be tasked to consider making the suggested amendments to the Procurement Act 2023 and Contract Procedure Rules, as appropriate.
- the Procurement Act 2023 and Contract Procedure Rules be recommended to Executive for approval.

#### 48. **Annual Governance Statement Monitoring**

Lara Wells, Business Manager - Corporate Policy and Improvement presented a report which provided an update on the progress made with an issue identified in the 2023/24 Annual Governance Statement. Six issues in total had been identified which needed attention, however none of them met the 'significant' threshold within the Statement, and only one required monitoring by the Audit Committee.

The issue for the Committee's attention was entitled *Complete a full review of the Lincoln Project Management Model (LPMM)* and was required to be completed by March 2025. It was reported that good progress had been made, and the issue was on track for a full completion by the end of March 2025. The revised documentation was being tested and would be launched following a final consultation.

Questions from the Committee confirmed the following:

- The LPMM review would capture the new procurement process.
- The issue relating to the internal audit of IT Asset Management was not being monitored as part of the AGS as it formed part of the Internal Audit recommendations follow up process.

RESOLVED that the Committee note the progress made with the Lincoln Project Management Model action identified in the Annual Governance Statement 2023/24.

#### 49. **Prudential Indicators 2024/25 to 2027/28 and Treasury Management Strategy 2025/26**

A report was presented by Laura Shipley, Financial Services Manager, which enabled the Committee to review and recommend to Executive and Council the approval and adoption of the:

- Treasury Management Strategy 2025/26
- Prudential Indicators
- Minimum Revenue Provision (MRP) Policy
- Treasury Management Practices (TMPs).

The report covered the operation of the Council's prudential indicators, its treasury function and its likely activities for the forthcoming year.

It was noted that the level of borrowing was currently below the capital financing requirement, this was in line with strategy to currently use cash balances rather than borrowing.

There was expected to be an increase in Minimum Revenue Provision during this financial year due to changes in IFRS16 (leasing).

RESOLVED that:

- the Treasury Management Strategy 2025/26, including the Prudential Indicators, be recommended to the Executive and Council for approval
- the Minimum Revenue Provision Policy 2025/26 be recommended to Executive and Council for approval
- the Treasury Management Practices be recommended to Executive and Council for approval.

**50. Internal Audit Progress Report**

Audit Manager, Amanda Stanislawski presented the Internal Audit Progress Report to the Committee which covered the progress made against the plan up to 10 January 2025, and a summary of audit work. It also incorporated the overall position reached so far and summarised the outcomes of audits completed during the period.

Questions from the Committee confirmed the following:

- The analysis of audit reviews appeared to have fallen behind schedule. The Audit Manager was conscious of this and additional resources had been put in place to assist. Some reviews were now nearing completion and finalisation of all reviews was expected in time for the Internal Audit Annual Audit Report in June 2025.
- Work on the changes to the Public Sector Internal Audit Standards (now the Global Internal Audit Standards) had proved to be more challenging than expected and this had taken time away from other tasks.
- Internal audit meetings were in the process of being set up, however scheduling could sometimes be challenging due to workloads and limited availability.

RESOLVED that the Audit Committee review and comment on the content of the latest Internal Audit Progress Report.

**51. Audit Committee Work Programme 2024/25**

The Committee considered its work programme for 2024/25 and the following was noted:

- an additional training session had been arranged for March on the new Global Internal Audit Standards and Audit Committee Effectiveness. This training would be online
- an item on the Internal Audit Charter would be added to the work programme for an upcoming meeting.

RESOLVED that Audit Committee agreed the updated work programme for 2024/25.