

MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 29 JUNE 2023

Held at 7.00 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West
Bridgford

PRESENT:

Councillors A Edyvean (Chair), P Gowland (Vice-Chair), T Birch, S Calvert,
H Om, N Regan, D Simms, C Thomas and G Wheeler

ALSO IN ATTENDANCE:

Mr G Dulay – BDO (Council's Internal Auditors)
Mr M Armstrong – BDO (Councils Internal Auditors)
Mr M Surrige – Mazars (Council's External Auditors)
Ms B Frudd – Mazars (Council's External Auditors)

OFFICERS IN ATTENDANCE:

P Linfield	Director of Finance and Corporate Services
L Ashmore	Director of Development and Economic Growth
G Dennis	Monitoring Officer
S Whittaker	Service Manager - Finance
P Cook	Principal Planning Officer
T Coop	Democratic Services Officer

APOLOGIES:

There were no apologies

1 Declarations of Interest

There were no declarations of interest reported.

2 Minutes of the Meeting held on 23 February 2023

The Minutes of the meeting held on 23 February 2023 were approved as a true
record and were signed by the Chair.

3 Role and Remit of Governance Scrutiny Group

The Service Manager – Finance informed the Group of it's Terms of Reference,
and the purpose of the Group to positively and proactively contribute to the
ongoing success and management of the Council.

It was noted that the Group will achieve this by:

- Reviewing the outcomes of both the internal and external audit
investigations to ensure the Council is compliant with legislation and best
practise

- Monitor the Annual Governance Statement (AGS) to ensure compliance with the Council's Code of Corporate Governance
- Scrutinise and approve the Statement of Accounts
- Scrutinise and approve reports on the Council as a 'Going Concern'
- Consider the Council's Risk Management Framework
- Consider regular reports on Asset and Investment Management to ensure prudent use of Council resources to fulfil objectives of the Investment Strategy and Capital Programme
- Monitor the operation of the Council's constitution and to recommend to Council any necessary changes

The Group were advised that the Service Manager – Finance and on occasion the Council's s151 officer would support and attend the Group meetings.

4 **Internal Audit Progress Report Q4**

Mr Dulay from BDO, the Council's internal auditors presented the fourth report for this financial year which reflects the progress made for the year against the annual internal audit programme along with any significant recommendations with regard to audit completed during this period.

The report highlighted the completion and issuing of three reports as follows:

Channel Shift

This audit received a substantial rating for both Design and Effectiveness, with two low priority findings with recommendations to improve the Council's arrangements for Channel Shift.

Safeguarding

This audit received a substantial rating for Design and a moderate rating for Effectiveness, with one low priority finding and two medium priority findings. It was noted that the Council does not undertake periodic checks to ensure staff with direct contact with children have had a DBS check, although this has since been implemented during the audit review. Furthermore, the Council is failing to ensure that key personnel are attending an internal steering group where discussions on safeguarding concerns are raised with delivery partners.

Sustainable Warmth Grants

The audit received a substantial rating for both Design and Effectiveness with two low priority findings. It was noted that the Council were missing key documents to display E.on being responsible for delivering the Sustainable Warmth Grants which may cause confusion in areas such as costings and FPI results.

Mr Dulay advised the Group that there had been no limited assurance reports and management actions had been agreed for all recommendations.

In addition, the Group were informed that the Audit Opinion and Fraud Report would be covered in a separate item and that the Audit Plan is substantially complete except for Hybrid Mail which had not yet been finalised and would be reported at the next meeting of Governance Scrutiny Group.

Members of the Group questioned the safeguarding audit and staff DBS checks not being up to date and raised concerns regarding the Council's run leisure facilities and were there assurances that companies supporting the leisure facilities were adequately DBS checked. Mr Duly advised the Group that officers have ensured the annual review would be completed. In addition, Mr Duly asked Councillors to note that all staff who are involved with children as part of their work were enhanced DBS checked.

The Service Manager – Finance offered to provide the Group with an update on compliance in this area.

It was **RESOLVED** that Governance Scrutiny Group notes the Quarter 4 progress report for 2022/23 (Appendix A) prepared by the Council's Internal Auditor.

5 **Internal Audit Annual Report**

Mr Duly presented the Internal Audit Annual Report for 2022/23 including the annual opinion of the Head of Internal Audit required by the Public Sector Internal Audit Standards.

The Group were informed that the Internal Auditors concluded that the Council has a substantial system of internal control and asked the Group to note that a substantial assurance is the highest level and that this is a significant achievement particularly in the current economic climate.

Mr Duly explained that on following up on recommendations the Council has a high compliance rate and have achieved moderate or substantial ratings throughout the year and no high priority findings.

The Group commended officers on their excellent work and compliance on achieving these results.

It was **RESOLVED** that Governance Scrutiny Group notes the Internal Audit's Annual Report 2022/23 (Appendix A)

6 **Annual Fraud Report**

Mr Duly presented the Annual Fraud Report which summarises the incidence of fraud and fraud prevention activities at the Council during the year 2022/23.

The Group noted that the auditor had not undertaken a full fraud risk assessment or audited any information provided to it by the Council's officers. However, when undertaking other audit work if a fraud is suspected or identified, then it would be investigated and reported to Governance Scrutiny

Group. A detailed report was appended with no frauds identified.

Mr Dulay highlighted that training on fraud awareness had been delivered by BDO to staff across the Council, anti-fraud and corruption policies and in particular the Council's whistleblowing policy arrangements were robust, and staff are made aware of procedures on the staff intranet page and managers encourage an open culture.

Group were informed of the National Fraud Initiative (NFI), a data matching exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Mr Dulay advised the Group that the Council started a review in respect of single person discounts via the NFI and 800 matches were reviewed, from these matches there had been 69 live cases investigated and 69 cases where the discount had been removed. The Group were advised that due to other work pressures, resources were diverted to Council Tax Energy Rebate payments.

It was noted that all discounts awarded (except single person discounts) are reviewed on an annual basis.

In concluding Mr Dulay advised that the Council's fraud arrangements are good.

Members of the Group raised specific concerns in respect of the 800 matches found via the NFI data matching exercise and only 69 cases being identified and investigated. The Group also asked what the Council does when a fraud has been identified. Mr Dulay reassured the Group that these were flagged matches and are not necessarily fraudulent. The Service Manager – Finance added that in most cases they are found to be a mistake, when fraudulent activity is identified the customer is rebilled for the outstanding amount.

The Chair considered the report to be positive and complimented officers on their proactive approach to fraud.

It was **RESOLVED** that Governance Scrutiny Group notes the Annual Fraud Report for 2022/23, and that the Council should carry out a Fraud Risk Assessment in the next 12 months.

7 **Annual Audit Letter and Value for Money Conclusion**

Mr SurrIDGE from Mazars, the Council's external auditors presented the Annual Audit Letter along with the Council's Value for Money arrangements.

The report summarised the progress of the external audit process for the financial year 2021/22. Mr SurrIDGE advised the Group that no actions are

required in relation to the report other than a misstatement and an unadjusted misclassification were identified as a result of new guidance issued in relation to infrastructure assets. In relation to pensions the Group were also advised there was a non-material misstatement arising from a revised pension report which was issued during the audit. The Group were asked to note the report was positive with no major concerns.

With regards to the Value for Money arrangements Mr SurrIDGE explained that as part of their work the auditors are required to consider whether the Council has made proper arrangements for economy, efficiency and effectiveness in its use of resources, reporting on the following criteria:

Financial Sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services

Governance – How the Council ensures that it makes informed decisions and properly manages its risks

Improving economy, efficiency and effectiveness – How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Mr SurrIDGE informed the Group there are no indications of significant weaknesses in the Council's arrangements for financial sustainability.

Members of the Group asked a specific question relating to the cash reserves and what was the logic for holding such large cash reserves. The Director – Finance and Corporate Services explained the reserves are earmarked for the medium-term financial strategy and are linked to risk and the Council's future capital plans.

Members questioned the misclassification of assets and whether this would have any effect on the council's accounts further down the line. The Group were advised the misclassification related to infrastructure assets that were misclassified and the adjustment provides no burden to the taxpayer.

The Group noted a typo error in the Mazars Annual Audit Report of an extra £4m in Government Grants for 2022/23 which had been tabled within the Capital Programme under General Fund.

It was **RESOLVED** that Governance Scrutiny Group note the receipt of the Annual Audit Letter

8 **External Audit Annual Plan**

Ms Frudd from Mazars presented the Council's External Audit Annual Plan which summarised the approach to external audit activity with regards to the final accounts process and value for money arrangements for the financial year 2022/23.

The Group were advised of the audit scope, approach and timeline with the expected completion by October 2023. It was noted that the end of year

accounts should be reported to the Governance Scrutiny Group at its meeting in September, however due to the Council's meeting schedules and extra audit pressures this may be pushed back to the November meeting of Governance Scrutiny Group.

Ms Frudd explained the significant risk assessment approach, which identifies risks relevant to the audit of financial statements. The risks identified include:

- Management override of controls
- Valuation of net defined benefit liability
- Valuation of property, plant and equipment
- Insourcing of Streetwise

The Director – Finance and Corporate Services added that there have been some challenges of the audit and accounting due to increased standards of audit and external audit pressures in respect of the pension audit. However, it was noted that the Council had prepared its draft Statement of Accounts in good time with the view to them being signed off by September 2023.

The Group raised a specific question relating to Streetwise and whether an audit on it now, (only after 6 months being back in the control of the Council), would give a realistic view of its financial performance. Mr Surridge advised the Group that Streetwise moved back to the Council on 1 September 2022 and that audit would take a view over the half year.

It was **RESOLVED** that Governance Scrutiny Group accept the External Audit Annual Plan.

9 **Annual Governance Statement (AGS)**

The Director – Finance and Corporate Services presented the Annual Governance Statement report and the Council's Annual Governance Statement signed by the Leader and Chief Executive in Appendix 1, which is published alongside the Council's Statement of Accounts in accordance with the Accounts and Audit Regulations 2015.

The Group noted that any changes prior to the publishing of the final Statement of Accounts would be brought back to Governance Scrutiny Group for review and recommendation.

The Director – Finance and Corporate Services highlighted some of the principles in Appendix 1 around the Constitution, policies and procedures, risk management development of staff and councillors and the delivery of an annual training programme.

The Group were asked to consider the significant governance issues identified, including the impact of Covid, the cost of living crisis and new standards being introduced within the CIPFA Financial Management Code. In addition, the

Director – Finance and Corporate Services advised the Group that there are still ongoing risks and uncertainties around the Ratcliffe on Soar power station, Freeport and Development Corporation.

It was noted that the Annual Governance Statement was currently at the draft stage.

One Member of the Group felt the Statement didn't really explain in detail what the Council had achieved or its aims of what it wanted to achieve and asked whether a comparison against last year's report would be helpful. The Director – Finance and Corporate Services explained that the purpose of this report is to explain the governance position of the Council's accounts and is not an annual report such commentary is provided in the Narrative Statement within the Council's Financial Statements.

Councillor Thomas asked a specific question in relation to the power station site, Freeport and Development Corporation projects and what are the likely financial regarding business rate income. The Director – Finance and Corporate Services advised that there is always a risk with any new project and that the Council's expectations are that the closure of the power station would not have a detrimental effect on business rates as it is anticipated that the Freeport and development of this site would bring further business rate streams, however it was noted that this is difficult to predict or evaluate and such income is dependent on the speed at which the site becomes operational.

Councillor Gowland asked a specific question in relation to risks around Emergency Planning and also whether the Council is likely to meet its carbon zero targets and whether this should be considered a risk if targets are not met in time. The Director – Finance and Corporate Services proposed to take this back to the Director – Neighbourhoods with a view to amending the Annual Governance Statement in its final version within the Statement of Accounts for November Governance Scrutiny Group.

It was **RESOLVED** that the Governance Scrutiny Group reviewed and approved the Annual Governance Statement 2022/23 (Appendix 1).

10 **Revisions to the Council's Constitution**

The Monitoring Officer provided a report that summarised the amendments to the Council's Constitution to reflect legislative and procedural changes and introduction of administrative textual amendments. These were tabled in Appendix 1 of the report.

The Monitoring Officer highlighted some changes relating to Planning Committee as follows:

Part 3 – Responsibility for Function and Scheme of Delegation

- Amendments to the circumstances in which applications must be considered by Planning Committee and provisions around the process for requesting that an application be determined by the Committee.

Part 4 – Standing Orders, Rules and Financial Regulations

- Revisions to the timings of Planning Committee meetings
- Revisions to the rules relating to public speaking at Planning Committee meetings
- Revision to the rules relating to consultation on planning applications

Prior to the Scrutiny Group meeting Councillor Thomas asked the Monitoring Officer if amendments could be made resulting from discussions at a recent Local Development Framework meeting in respect of amendments to the circumstances in which Certificates of Compliance must be considered by Planning Committee under Part 3 of the Constitution.

With regards to Part 3 – Where a valid request that a planning application be referred to the Planning Committee for determination has been made by a ward Councillor(s), the Group asked for a more flexible approach in respect of the statutory consultee timescale of 21 days. The Director – Development and Economic Growth explained that the timescales are narrow in order that the Council meets its planning targets and to allow for a month's lead in for officers to prepare reports for Planning Committee. It was agreed that some flexibility under exceptional circumstances only, could be allowed, for example, material reasons.

The Group requested that the wording be 'softened' in respect of a ward Councillor referring an application to the Planning Committee and that they must attend the Committee in person to present their views. The Group felt that 'must' implies they have to attend when an alternative representation, for example a written statement would be more appropriate, adding that Councillors may not be able to attend in person due to personal or work commitments. The Director – Development and Economic Growth explained that a ward Councillor being present at committee provides best balance in an argument and is the preferred approach for Committee members. The Group were unable to reach a consensus on this issue.

With regards to Part 4 - The Group agreed with the new start time of 6.00pm for Planning Committee, however they questioned the proposal that 'no new items shall be started after 9.00pm' and suggested that this should be the decision of the Planning Committee Chair on the advice of the planning officer. With regards to applications for consideration at the planning committee it was proposed that the committee may ask questions, seeking clarity from the objector or representative and the applicant. Councillor Gowland felt this required a more controlled environment and if an objector and applicant could be questioned by the committee then why not the Ward Councillor. There were mixed views on this. No consensus could be reached on this issue.

The Monitoring Officer agreed to take those amendments on which consensus had not been reached away to consider these further.

It was **RESOLVED** that:

- a) Governance Scrutiny Group considered the revised proposals to the Constitution and concluded that further work should be undertaken on those items on which consensus had not been reached by the Group.

b) All other proposed revisions are recommended for adoption by Council

11 Capital and Investment Strategy Q4

The Service Manager – Finance presented the Capital and Investment Strategy Outturn report, which summarised the capital and investment activities during the financial year 2022/23 against the Council's Capital and Investment Strategy 2022/23-2026/27.

With regard to Treasury Management, the Service Manager – Finance referred to the supporting information within the report and highlighted the prudential and treasury indicators and the impact of capital expenditure during the year. The Group were advised that the re-profiling of expenditure on the Bingham Hub and crematorium reduced the need to borrow in 2021/22, but instead impacted on 2022/23 (£7m), however it was noted that this expenditure can be financed from the Council's capital resources and internal borrowing, thus mitigating the need to externally borrow.

The Service Manager – Finance referred to the ratio of financing costs to net revenue streams which is an indicator for affordability and compares net financing costs to net revenue income and highlighted income from investments were exceeding expectations due to rising interest rates throughout the year.

A new indicator that looks at net income from commercial and service investments, for example the crematorium was lower than anticipated due to the delay in the opening of the crematorium.

In relation to the Treasury position on 31 March 2023 the Council's debt and investment position is managed by the Treasury Team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all Treasury Management activities. The Group were provided with a list of financial institutions and the investments held in each.

The Service Manager – Finance explained that the economic forecast looks favourable in the short term, the Bank of England base rate stands at 5%. The Council continues with prudent investment of treasury balances to achieve both security and liquidity of its investments, whilst achieving the optimum return on its investments.

With regards to asset investments the Group were reminded that due to new Government and CIPFA guidance on Treasury Management the purchase of commercial property purely for profit cannot lead to an increased capital financing requirement, and as the Council's Asset and Investment Strategy fell within the definition of this guidance, the Council took the decision to no longer invest in property for commercial gain.

The Service Manager – Finance advised the Group that the updated Treasury Management Code requires Local Authorities to document knowledge and

skills to ensure that both members and officers dealing with treasury management are trained and kept up to date. With regards to members of Governance Scrutiny Group there will be periodic training sessions on finance issues and reporting and advising the Group of treasury issues at its meetings.

In concluding the Group were advised that all Council investments remain fluid, the economy, monetary measures and the future remain uncertain and will be monitored closely. The Group will be presented a quarterly update showing the Council's Treasury Management position.

Members of the Group asked specific questions relating investments with the various financial institutions and in particular other authorities and green and social investments and whether the officers could provide a more detailed breakdown to show the Council were doing their best to invest in greener and more ethical companies. The Service Manager – Finance explained such ratings for investments are difficult to measure, the Council is guided by Link the Council's Treasury advisors who advise on greener investments and confirmed the Council do already hold some investments in 'green' funds. It was noted that investments also need to be both secure and liquid.

With regards to training Councillor Wheeler highlighted some of the training delivered during the past year and in particular training delivered before Governance Scrutiny Group on topics that covered the reports at that scrutiny group meeting.

It was **RESOLVED** that Governance Scrutiny Group agrees the 2022/23 outturn position.

12 **Governance Scrutiny Work Programme**

The Service Manager – Finance advised the Group that there are still some delays to the signing off of the Statement of Accounts as reported in the Annual Audit Plan and this item is likely to slip to the Governance Scrutiny Group meeting on 23 November 2023.

It was **RESOLVED** that Governance Scrutiny Group approve the Work Programme as follows:

28 September 2023

- Internal Audit Progress Report Q1
- Statement of Accounts ***This may be pushed to the meeting in November**
- Risk Management
- Going Concern
- Capital and Investment Strategy Monitoring Q1
- Work Programme

23 November 2023

- Internal Audit Progress Report Q2
- Annual Audit Report 2021/22

- Capital and Investment Strategy Monitoring Q2
- Asset Management Plan
- Work Programme

22 February 2024

- Internal Audit Progress Report Q3
- Internal Audit Strategy
- Risk Management
- Capital and Investment Strategy Monitoring Q3
- Capital and Investment Strategy 2024/25
- Work Programme

ACTIONS – 29 June 2023

Min No	Action	Officer Responsible
4	Members requested more detail on safeguarding and employee DBS checks within the leisure and facility companies that support the Council's operations	Service Manager – Finance
9	Members asked for specific detail regarding around emergency planning and whether the council will meet its net zero targets and the risks involved should these not be met and the AGS to be amended as appropriate when the Financial Statements are presented to the Group in November.	Service Manager - Finance

The meeting closed at 9.46 pm.

CHAIR