

**MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 28 SEPTEMBER 2023**

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

and live streamed on [Rushcliffe Borough Council's YouTube channel](#)

PRESENT:

Councillors A Edyvean (Chair), P Gowland (Vice-Chair), T Birch, R Butler,
S Calvert, H Om, H Parekh, D Simms and C Thomas

ALSO IN ATTENDANCE:

Mr G Dulay	BDO (Council's Internal Auditors)
Mr M Armstrong	BDO (Council's Internal Auditors)

OFFICERS IN ATTENDANCE:

S Whittaker	Service Manager – Finance
M Heald	Finance Business Partner
C Caven-Atack	Service Manager - Corporate Services
G Dennis	Monitoring Officer
E Richardson	Democratic Services Officer

13 Apologies for Absence

Councillor G Wheeler

14 Declarations of Interest

There were no declarations of interest.

15 Minutes of the Meeting held on 29 June 2023

The minutes of the meeting held on 29 June 2023 were approved as a true record and were signed by the Chair.

The Service Manager Financial Services updated on actions from the last meeting, confirming that:

- The Council ensured that DBS checks were completed for all leisure centre staff, with a three year renewal process in place. The Leisure Centre contract manager carried out annual audits and random checks of staff.
- The Council was still expecting to meet its net zero targets by 2030 and was focussing on its property assets and transport and fleet sector. The Council was planning decarbonisation works at Cotgrave leisure which

would remove more than 300 tonnes of co2 per annum, was working on decarbonisation plans for non-leisure property assets and had a decarbonisation strategy in place for transport and fleet.

16 **Internal Audit Progress Report Q1**

Mr Dulay from BDO, the Council's internal auditors, presented the first report for this financial year, including a summary of the three reviews completed. He drew the Committees attention to the proposed change to the plan, as agreed with management, for the Air Pollution and Fleet Management review to focus solely on Fleet Management

Mr Dulay confirmed that the Internal Audit Plan for 2022/23 was now complete with a summary provided for each of the opinions. He detailed the findings as follows:

Project Management – Hybrid Mail

The review looked at the implementation and ongoing management of the hybrid mail project. A substantial assurance rating on the design control was given with a moderate rating for effectiveness, a medium finding around the retention of documents and two low findings, one regarding evaluation of the project trial period and one regarding tracking of mail to delivery.

Main Financial Systems

This is a cyclical review, focussed on treasury management for this financial year, looking at the controls in place rather than the effectiveness of the strategy. A substantial assurance was given for both design and controls, with only one, low, finding related to the retention of evidence for the reconciliation between the counterparty monthly statement and the bank statement.

Markets – Income

This review looked at the process for charging market traders and the collection and banking of that income. A substantial assurance was given for both the design and effectiveness of the controls, with only one low finding related to a minor discrepancy between the cash collections spreadsheet and the bank statement. Much good practice was noted.

In addition, Mr Dulay informed the Group that the Government had launched a new Sports Strategy which aimed to get an additional 3.5 million adults and children active by 2030.

Members of the Group referred to air pollution being removed from the fleet review and asked for an explanation as to what was classified as air pollution. Mr Dulay said that air pollution related to air quality, including as part of the County wide air quality strategy. He said that the proposal to remove air pollution was to enable a focus on fleet management controls and said that air pollution was incorporated as part of the Council's carbon management action plan review of environmentally friendly vehicle replacement options. The

Service Manager Finance said that air pollution had been audited as part of the environment audit and had received a high level of assurance.

Members of the Group referred to the market income being cash based and asked whether alternatives such as electronic payments or a combination of both would reduce processing costs and provide greater due diligence, whilst also needing to consider what worked best for the market community. Mr Dulay said that there was a general trend towards becoming cashless but that markets often lent themselves towards being more cash based and that the sums of money involved were relatively low. He said that it was not for BDO to advise the Council as to whether it should make the market cashless as that was a decision for the Council. He explained that BDO's role was to review the controls that the Council had in place.

Members of the Group referred to the hybrid mail scheme and documents not being filed by a staff member and Mr Dulay said that he could not comment on individuals. He said that it was for management to decide whether retrospective documentation was required and that the process going forward was to have a clear filing structure in place. He said that for the other project management review a moderate and substantial opinion for design and effectiveness had been given.

The Group asked for information about how many email attachments were opened and why they were password protected. The Monitoring Officer said that she would provide an update to the Group.

It was **RESOLVED** that the Governance Scrutiny Group considers the quarter 1 progress report for 2023/24 (Appendix A) prepared by the Council's Internal Auditor and the recommended change to the Plan.

17 Risk Management

The Service Manager Corporate Services presented the Risk Management report which highlighted changes in the Council's risk register and risk management activity in the period since the last report.

The Service Manager Corporate Services said that there were currently 38 corporate risks and 27 operational risks but that the number fluctuated as risk management activity took place. She noted that two risks had been removed, one about the Local Development Order, which had now been agreed, and one about Rushcliffe Oaks Crematorium, which had now opened. She noted that two risks had increased, one in relation to the Transformation Strategy and one regarding ICT loss or failure of service.

The Service Manager Corporate Services said that six risk ratings had reduced and two risks had been reduced.

Members of the Group asked about the Council's mitigation against cyber attack and the Service Manager Corporate Services said that the ICT Manager regularly attended training and conferences and had put measures in place to ensure that the Council was very well protected. She said that risk increase did not necessarily represent concern about an attack but rather an acceptance

there was an increased risk of attack.

In relation to the Council's risk appetite, she referred members to the Council's Risk Management Strategy which included information about the Council's risk profile and said that she would provide more information as part of the review of the Risk Management Strategy which was scheduled to come to the February Governance Scrutiny Group meeting.

The Group referred to risk related to a lack of qualified staff and asked if this related to the Planning Team. The Service Manager Corporate Services confirmed that it had originally and that the Planning Team was now fully staffed and had a contract in place with an external supplier to enable it to manage any peaks in applications going forward. She said, however, that there were also difficulties with recruiting to other sectors, such as Environmental Health, and as such the risk remained.

Councillor Thomas suggested adding an opportunity risk related to the affordable housing capital in the budget and the Service Manager Corporate Services agreed to refer the suggestion back to the Risk Management Group.

In response to queries about specific risks, the Service Manager Corporate Services said that DEG01 Opportunity provided by Rushcliffe Oaks, related to the facility having only recently opened and as such it needed time to realise its full potential. In relation to CRR_NS09 Unforeseen incidents happening at public events, the Service Manager Corporate Services said that the risk had reduced as the Council believed it had sufficient mitigating actions and risk management in place. She confirmed that mental health was included as part of OR_CED03 Risk to staff health due to their work. In relation to CED02 Insufficient staff capacity - skills, knowledge, and availability, she said that this related to the resources of the Council and deficiencies in certain areas where it struggled to recruit staff, such as Planning and Environmental Health, which could impact its ability to provide services.

The Service Manager Corporate Services said that she would provide an update to the Group about NS28a Increasing number of developments and greater opportunity for affordable housing.

It was **RESOLVED** that Governance Scrutiny Group:

- a) scrutinises the content of this report; and
- b) considers and makes recommendations on risks that have red alert status.

18 **Changes to the Constitution – Planning Committee Working Group**

The Monitoring Officer presented the Changes to the Constitution – Creation of a Member Working Group report and explained that this followed on from discussions at the last Governance Scrutiny Group meeting. She said that as the Group had not reached a consensus on some of the proposed changes relating to planning matters, a Working Group had been set up to review those outstanding changes.

The Monitoring Officer said that it was suggested that membership of the Working Group consist of the Portfolio Holder, the Chair and Vice Chair of Planning Committee and two members of Governance Scrutiny Group. She referred to proportionality of group membership and said that the two outstanding places could be a Labour Councillor and another.

The Chair suggested that Councillors closer to Planning Committee would best fit to sit on the Working Group and Members of the Group agreed for their representatives to be Councillor Calvert and Councillor Thomas.

The Monitoring Officer clarified that the Working Group would report back to the Governance Scrutiny Group and then report to Full Council.

It was RESOLVED that Governance Scrutiny Group:

- a) Notes the decision to create a Member Working Group to finalise the proposed changes to the Constitution in relation to Planning
- b) Nominates two members of the group to sit on the Member Working Group.

19 **Going Concern**

The Service Manager Finance presented the Going Concern report which provided an update on the Council's current financial position, projected financial position, governance arrangements and the regulatory and control environment applicable to the Council as a local authority.

The Service Manager Finance informed the Group that the Council's financial outturn position for 2022/23 showed efficiency savings of £570k which constituted 3.8% of net spend, with £19.6m in reserves which was a slight reduction due to the release of the Collection Fund reserve, and £2.6m in general fund reserves. Of those reserves, the Service Manager Finance said that £46.4m were held in cash or short-term investments.

The Service Manager Finance informed the Group that the Council's capital programme at year-end totalled £21m, with £5.4m of that carried forward into 2023/24, mostly in relation to Bingham Arena and Rushcliffe Oaks Crematorium. She said that the Council's net worth was £106.3m, including fixed assets, and had been affected by pension fund volatility.

The Service Manager Finance explained that the Council's medium term financial strategy reflected a five-year assessment of the Council's spending plans and associated funding. She said that when set in 2023 it allowed for net spending of around £14.7m with a council tax increase of 2.00%, a Transformation Programme requirement of £622k in 2023/24, rising to £1.539m by 2027/28 and that the Council proposed to use £1.3m from the New Homes Bonus reserve to offset the impact of Minimum Revenue Provision. The Service Manager Finance said that the Council expected to use its reserves over the medium term. She confirmed that the Council had sufficient reserves

to meet pay pressures at circa £400k from national living wage negotiations and pay awards.

The Service Manager Finance referred the Group to Appendix A which included data comparing the Council's financial position with other local authorities, Appendix B for the Cipfa early warning system and the Council's balance sheet at 2022/23 at Appendix C.

The Service Manager Finance confirmed that the Council had a well-established and robust corporate governance framework with an overview reported to this Group annually as part of the Governance Statement. She said that the Council operated within a highly legislated and controlled environment, including external audit, but noted that there were a number of local authorities issuing S141 notices or reporting difficulty in balancing their books, but said it unlikely that Government would allow the local authorities to fail.

The Service Manager Finance confirmed that the S151 Officer's opinion was that the Council's remained a going concern.

Members of the Group referred to Appendix A and the two Council Tax revenue matrices and the Service Manager Finance said that they were based on different measures and that Council Tax matrix related to the total Council Tax charge and not specifically the Rushcliffe element of that. The Group noted that the Council did not have control over the precepts set by the other organisations. The Group asked about the property profile of the Borough in relation to Council Tax and the Service Manager Finance said that she would provide an update.

The Chair reminded Members of Group that the purpose of the Group was to scrutinise the actions of Rushcliffe Borough Council and not those of other organisations and to conduct that scrutiny without making party political points.

It was **RESOLVED** that the Governance Scrutiny Group note the positive outcome of the assessment made of Rushcliffe Borough Council's status as a going concern for the purposes of the Statement of Accounts 2022/23.

20 **Capital and Investment Strategy Monitoring Q1**

The Finance Business Partner presented the Capital and Investment Strategy Q1 report.

In relation to the economic forecast, the Finance Business Partner said that the economic outlook was more positive with inflations falling from 11.1% in October 2022 to 6.8% in July 2023 and forecast to be around 5% by the end of the year. She said that interest rates were expected to remain higher for longer and that the Council's Treasury Advisors predicted that interest rates had peaked at 5.25%, with a first cut predicted in Q3 2024 and further cuts to 3.75% in 2025. She said that unemployment had increased in recent months to 4.3% but would likely need to reach 5% before it impacted on growth and wages.

The Finance Business Partner referred to Investment Income and said that the

Council had budgeted for £1.36m in interest receipts this year and broadly expected to achieve this. She said that the council had assumed interest rates of 4.5% and most short-term investments, particularly the money market, were exceeding this. The long-term diversified funds had not been as positively affected but overall the Council had achieved an average interest rate of 4.78% in Q1 compared with SONIA at 4.37%.

The Finance Business Partner referred to Appendix C which showed the list of investments held by the Council at the end of June and Appendix A which highlighted the fluctuations in value of diversified funds and the current £1.3m drop in value since purchase. She explained that the funds were volatile and needed to be held long-term and that the Council would not look to sell them at this time and so would not realise the loss.

In relation to Capital Expenditure and Financing, the Finance Business Partner informed the Group that the Council projected an underspend of around £6m, with savings on Bingham Arena and the Crematorium and the need to reprofile the provision for support for Registered Housing Providers to future years. She said that Council's underlying need to borrow for capital expenditure was forecast to reduce from £13.26m in 2022/23 to £10.9m in 2023/24.

In relation to Borrowing and Prudential Indicators, the Finance Business Partner took the Group through Appendix B which listed the Prudential and Treasury Indicators and noted that the Liability Benchmark reflected that the Council had no need to borrow over the medium term.

In relation to Commercial Investments, the Group were informed that it was important that local authorities avoided over reliance on speculative activity and as such the Council had set a target that this should not exceed 30% with the current position at around 15%.

In conclusion, the Group were informed that Treasury Management continued to be fraught with difficulty and whilst the UK economy was recovering inflationary pressures remained. If inflation did not reduce then interest rates would likely increase and whilst this would have a positive effect on investment returns, uncertainty in the economy was having a negative impact on the capital value of some of the Council's investments.

Councillor Om referred to the green rated investments in Appendix C and the Finance Business Partner explained that the interest rates on these varied daily and that the Council generally sought to keep balances low.

Councillor Birch asked about lending to other local authorities and the Service Manager Finance explained that whilst the Council's Treasury Advisors provided credit ratings for non local authority investments, these were not available for local authorities. As such, the Council would conduct its own due diligence alongside advice from its Treasury Advisors. In relation to security of investment, she noted the Government would normally step in if a local authority experienced financial difficulty meaning that any investment would not be at risk.

The Group referred to diversified funds and the Service Manager Finance said

that it was expected that these would increase over the long term and were currently being impacted by the current volatility. The Finance Business Partner said that as the Council did not intend to sell them, it had not realised a loss and that this was only shown as a paper loss.

Councillor Thomas asked whether the Council charged itself interest on internal loans and the Service Manager Finance explained that the Council did recognise a loss of investment opportunity on the loan income but did not charge itself interest.

Members of the Group referred to the £5m loan to the East Midlands Combined Authority and the Service Manager Finance confirmed that this had been repaid and would update the Group about who managed the funds for the Combined Authority.

It was **RESOLVED** that the Group considers the Capital and Investment Strategy update position as of 30 June 2023.

21 **Governance Scrutiny Work Programme**

The Service Manager Finance explained that there was a delay to the External Audit as part of the Statement of Accounts which was scheduled to report to the next Governance Scrutiny Group meeting in November.

The Service Manager Finance said that she would confirm when the Working Group would report back to Governance Scrutiny and that this would be included in the Work Programme.

It was **RESOLVED** that Governance Scrutiny Group approve the Work Programme as follows, with the report of the Working Group to be added:

23 November 2023

- Internal Audit Progress Report
- Annual Audit Completion Report 2022/23
- Statement of Accounts
- Capital and Investment Strategy Update
- Asset Management Plan
- RIPA Review
- Work Programme

22 February 2024

- Internal Audit Progress Report
- Internal Audit Strategy
- Risk Management Strategy
- Risk Management – Update
- Capital and Investment Strategy Update
- External Annual Audit Plan
- Annual Audit Letter and Value for Money Conclusion
- Capital and Investment Strategy 2024/25
- Work Programme Page 77
- Agenda Item 9

xx June 2024

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Fraud Report
- Annual Governance Statement (AGS)
- Capital and Investment Strategy Outturn
- Constitution Update
- Code of Conduct
- Work Programme

Actions – 28 September 2023

Min No	Action	Officer Responsible
16	In relation to hybrid main, the Group asked for information about how many email attachments were opened and why they were password protected	Monitoring Officer
17	In relation to risk management, Councillor Thomas suggested adding an opportunity risk related to the affordable housing capital in the budget.	Service Manager Corporate Services agreed to refer the suggestion back to the Risk Management Group.
17	The Group asked what the risk was for NS28a Increasing number of developments and greater opportunity for affordable housing	Service Manager Corporate Services
19	In relation to Appendix A of the Going Concern report, the Group asked for information about the property profile of the Borough in relation to Council Tax	Service Manager Finance
20	In relation to Appendix C of the Capital and Investment Strategy report, Members of the Group referred to the £5m loan to the East Midlands Combined Authority and asked who managed the funds at the Combined Authority.	Service Manager Finance
21	The Group asked when the Working Group would report back to Governance Scrutiny Group for inclusion in the Work Programme	Monitoring Officer / Service Manager Finance

The meeting closed at 8:28pm.

CHAIR