



MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 3 FEBRUARY 2022

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

PRESENT:

Councillors D Viridi (Chairman), B Gray (Vice-Chairman), K Beardsall, L Howitt,
K Shaw, D Simms, J Stockwood and R Butler

ALSO IN ATTENDANCE:

G Dulay – Senior Manager BDO

OFFICERS IN ATTENDANCE:

S Whittaker

C Caven-Atack

M Heald

T Coop

Service Manager - Finance

Service Manager - Corporate
Services

Finance Business Partner

Democratic Services Officer

APOLOGIES:

Councillors R Adair and L Healy

29 Declarations of Interest

There were no declarations of interest recorded.

30 Minutes of the meeting held on 25 November 2021

The Minutes of the meeting held on 25 November 2021 were approved by the Group and signed by the Chairman.

31 Internal Audit Progress Report - February 2022

Mr Dulay from BDO, the Council's internal auditors presented the Internal Audit Progress Report, which reflects the progress made against the annual Internal Audit programme along with any significant recommendations with regards to the audits completed during this period.

Three audits have been completed as follows:

Housing Benefits received a substantial opinion for both design and operational effectiveness and there were no areas for concern. Mr Duly complemented officers on the accuracy checks for new claimants and the time taken to process new applications, which currently averaged around 12.88 days on a target of 14 days.

Business Continuity and Disaster Recovery received a substantial opinion for design and a moderate opinion for operational effectiveness. Mr Dulay reported that the moderate opinion was due to the Business Impact Assessments were not completed accurately for 4 out of 7 forms reviewed, with inconsistencies identified in guidance document, templates and a sample of completed assessments. It was noted that the management team disagreed with the moderate rating of the operational effectiveness and this is noted in the report.

The Chairman asked whether the audit programme and performance controls were on track for completion. Mr Dulay referred to the table, Performance on Internal Audit in Appendix A, explaining that the feedback from the four most recent surveys was positive, with the average audit experience scored 4.25 out of 5.

It was **RESOLVED** that the Group note the Progress Report for 2021/22 (Appendix A) prepared by the Council's Internal Auditor.

32 **Internal Audit Strategy**

Mr Dulay presented the planned audits due to take place in year three of the Internal Audit Strategy, during 2022/23 and advised the Group that a small number of changes have been made in response to evolving situations and ongoing risks. The plan is set within the context of a multi-year approach, such that areas of key risks would aim to be looked at over a three year audit cycle.

Details of the quarterly audits for the next year 2022-23 and subsequent three year audit cycle 2022-25, were provided in Appendix A attached to the officer's report.

Members asked a specific question in respect of Rushcliffe Arena leisure centre and how and when any operational issues would be flagged and reported to officers, and whether comparisons are made with other authorities with similar leisure centre provision. Mr Dulay advised that audit on the leisure centre would be completed in Q1 of the upcoming year and would be contributed by the risk register for both operational and corporate risks.

Members asked specific questions the rationale behind altering the audit programme, highlighting why hybrid mail has moved to the 2022-23 audit plan and health and safety brought forward to the current plan for the group to consider at its next meeting in June. Mr Dulay advised that audits are often moved due to the response of emerging risks and conversations with the Director for Finance and Corporate Services and Finance Officers. The Chairman asked for clarity on the maximum amount of time between a specific audit area in the programme and what or who decides when they get audited. Mr Dulay explained that the BDO approach has no strict rules, however some critical areas are included in the plan annually such as Main Financial Systems but those with lower risk may be every three years. In addition the Service Manager – Finance advised that officers look at specific risks and respond to anything that may occur or what the Council wish to include in the Audit Plan and provided an example of the Sustainable Warmth Funding and the need for the Council to include this within the next Audit Plan Programme.

Internal Audit Charter

Mr Dulay asked the Group to review the Internal Audit Charter, Appendix 1 of the Internal Audit Strategy and Plan, which defines the internal audits mission, purpose, authority and responsibilities. The Charter establishes the internal audit's position within the Council and defines the scope of internal audit activities and is a requirement of Public Sector Internal Audit Standards (PSIAS).

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

- a) Approve the Internal Audit Strategy and Plan for 2022-2025
- b) Approve the Internal Audit Charter, Appendix 1 of the Internal Audit Strategy and Plan.

33 Capital and Investment Strategy - Feb 2022

The Finance Business Partner presented the report of the Director – Finance and Corporate Services to provide the Group with details of the Capital and Investment Strategy for 2022/23 to 2026/27, focusing on traditional treasury activity and the Council's commercial property investments in light of CIPFA's updated Prudential and Treasury Management Codes.

The Finance Business Partner advised the Group that each year the Council produces a Capital Programme to be approved by Council at its meeting on 3 March 2022 as part of the Council's Budget setting. The Council's Capital expenditure needs to have regard to:

- Corporate Priorities (Strategic Plan)
- Asset Management Planning
- Value for Money
- Prudence and Sustainability
- Affordability
- Practicability (achievability of the Corporate Strategy)
- Proportionality (risks associated with investment are proportionate to financial capacity)
- Environmental, Social and Governance (address environmental sustainability which is consistent with the Council's corporate policies)

Referring to Appendix A attached to the report, the Finance Business Partner provided details of the Capital Prudential Indicators and highlighted the following:

- Projected capital expenditure plans and funding
- The Council's borrowing need (Capital Financing Requirement CFR)
- The ongoing impact of the capital programme on the investment balance
- Bank of England's interest rate rise to 0.5%
- The increase in cost of energy commodities

The Finance Business Partner continued, informing the Group of the Council's

underlying need to borrow and its investment position represented by the Capital Financing Requirement (CFR) indicator under the Prudential Code. It was noted that the Council holds usable reserves and working capital which represents the underlying resources available for investment and that the Council's current strategy is to use these resources, by way of internal borrowing on projects such as the Crematorium and Bingham Leisure Hub, to avoid commitment to external debt.

The Finance Business Partner informed the Group of an update to the Treasury Management Code which requires Local Authorities to document a formal and comprehensive knowledge and skills schedule to ensure both members and officers dealing with treasury management are trained and kept up to date.

The Service Manager – Finance advised the Group that the Council whilst committed to being self-sustainable has taken the decision to no longer invest in property for commercial gain, and as such the Council no longer has an Asset Investment Fund. In addition, the Group were reminded that the Council acquired two business units in West Bridgford, leaving a balance (in the Asset Investment Fund) of £3.828m which has since been removed from the Capital Programme. The Service Manager – Finance advised the Group that due to the changes to the Prudential Code Local Authorities will no longer be allowed to borrow to fund non-financial assets solely to generate a profit.

Members commented on the Treasury Management training provided to members in November 2021, which they expressed was very valuable for the purpose of this scrutiny group. However, the Council's external treasury advisors are only there to steer and guide members and officers, but ultimately decisions are made by officers under this guidance. The Service Manager – Finance advised that officers involved in treasury decisions are provided with extensive training which CIPFA is insisting on with the emphasis on both officer and member training and skills.

The Chairman referred to the table which shows the assumed average interest that the Council expects to receive over the next five years and asked, how does the Council expect that level of investment to be maintained when the amount of investment is going down. The Service Manager – Finance explained that the investment funds are in the higher earning accounts and that the more liquid funds with typically lower interest rates are utilised first leaving higher balances in the higher interest accounts.

It was **RESOLVED** that the Governance Scrutiny Group forward the following for approval at Full Council on 3 March 2022:

- a) The Capital Strategy and Capital Prudential Indicators and Limits for 2022/23 to 2026/27 contained in Appendix A (paragraph 5 to 15);
- b) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraphs 16 to 17) which sets out the Council's policy on MRP;

- c) The Treasury Management Strategy 2022/23 to 2026/27 contained within Appendix A (paragraphs 18 to 65);
- d) The Commercial Investments Indicators and limits for 2022/23 to 2026/27 contained within Appendix A (paragraphs 66 to 80):
- e) The Director for Finance and Corporate Services is authorised to amend the Capital and Investment Strategy for any minor changes, for example, as a result of the Final Local Government Finance Settlement, which will be reported at Full Council.

34 Risk Management - 3 February 2022

The Service Manager – Corporate Services presented the Risk Management Progress report which provided the Group with an update on the Council’s risk activity following the previous update in September. It provided a summary of risks in the Council’s Risk Registers that have changed, including the risks identified as impacted by Covid-19 pandemic.

The Group were advised that there were currently 45 corporate risks and 33 operational risks, and in addition there are 2 opportunity risks identified and one risk removed. It was noted that the number of risks within the register will fluctuate throughout the year as active risk management is undertaken.

Risk increased

OR_CED04 Threat of Industrial Action: The likelihood of strike action has increased and as a result the likelihood rating has moved from 2 to 3.

OR_DEG07 Failure to determine major planning applications within 13 weeks or agreed period: Likelihood increased from 1 to 2 due to ongoing workload increases and staff vacancies.

OR_DEG08 Loss of income as a result of the refund of planning application fees under the provisions of the Government’s Planning Performance and Planning Guarantee: Likelihood increased from 1 to 2 – due to ongoing workload increases and staff vacancies.

Risk reduced

CRR_DEG01 Inability to demonstrate a five-year supply of deliverable housing sites against the housing target leading to further development on unallocated sites: Likelihood reduced from 2 to 1 as the current supply of land exceeds the target.

CRR_NS13b Inadequate resources to respond to flooding incidents: Likelihood reduced from 3 to 2 now that a rapid response team is in place.

New Opportunity Risks

OR_NS34 Increased risk of ASB and other related safety concerns arising from the use of an asylum contingency hotel by the Home Office for asylum seekers.

OPP_DEG02 County Deals – failure to secure opportunities for greater collaboration and Government funding. This is shown in **Appendix B** and replaces the risk in the last report

Members asked a how often does the Risk Management Group meet to determine what constitutes a risk and the mitigation processes the Council has in place. The Service Manager – Corporate Services advised that the Risk Management Group meet twice yearly, however, risk is monitored day by day by officers and reported to their Service Managers monthly with any immediate issues highlighted and reported upwards where necessary.

Members commented on the ongoing issues in respect of staff resources in planning and the likelihood of the increase of risk from 1 to 2 in determining planning applications within the agreed period and loss of income as a result of the refunding planning application fees. The Service Manager – Corporate Services informed members that there had been an increase in applications of 42% and that key staff, namely principal officers and team leaders had left the organisation. The Service Manager – Corporate Services explained that a recruitment campaign is in progress and confirmed that 2 new planning positions had been filled with 2 further vacancies yet to be filled, agency staff had been employed to cover and manage the principal and team leader positions and one designated CAPITA consultant employed to oversee the department.

The Chairman questioned the 9 risks with red alert status and what actions had been implemented to mitigate the risk. The Service Manager – Corporate Services explained that control and mitigation does not change substantially over time and that, therefore, the risk will remain at red until the situation changes. She also reminded the Group that details about the controls and mitigating actions for the risks identified as red had been brought to a previous meeting for the Group to scrutinise.

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

- a) The report in relation to existing risk
- b) The progress of the risks identified in response to the global Covid-19 pandemic;
- c) The recommendations on the information provided for risks that are red alert status

35 **Work Programme**

The Service Manager – Finance presented the report that detailed the proposed Governance Scrutiny Work Programme for the remainder of 2021/22.

Due to the number of items the Governance Scrutiny need to consider at the meeting in June, it was proposed to bring the start time of the meeting forward to 6.30pm.

30 June 2022

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Governance Statement
- Annual Audit Letter and Value for Money Conclusion (VFM)
- External Audit Plan
- Constitution Update – Councillor Code of Conduct
- Work Programme – 2022/23

The meeting closed at 8.23 pm.

CHAIRMAN