

**MINUTES  
OF THE MEETING OF THE  
GOVERNANCE SCRUTINY GROUP  
TUESDAY, 1 NOVEMBER 2022**

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

**PRESENT:**

Councillors D Viridi (Chairman), Mrs M Stockwood, P Gowland (Vice-Chairman), K Shaw and J Stockwood

**ALSO IN ATTENDANCE:**

G Dulay – Senior Manager - BDO  
C Thomas – Senior Internal Auditor - BDO  
Paul Emmerson – Company Secretary - Streetwise

**OFFICERS IN ATTENDANCE:**

P Linfield	Director of Finance and Corporate Services
C Caven-Atack	Service Manager - Corporate Services
S Whittaker	Service Manager - Finance
T Coop	Democratic Services Officer

**APOLOGIES:**

Councillors R Adair and L Howitt

**11 Declarations of Interest**

There were no declarations of interest recorded.

**12 Minutes of the Meeting held on 30 June 2022**

The minutes of the meeting held on 30 June 2022 were approved and were signed by the Chairman.

**13 Internal Audit Progress Report**

Ms Thomas from BDO, the Council's internal auditors presented the Internal Audit Progress Report, which highlighted the completion and issuing of three reports from the 2022/23 Internal Audit Plan.

In terms of the audit findings the following was reported:

- Risk Management received a substantial rating both in Design and Effectiveness and one medium and two low level recommendations were made.
- The Project Management audit received a moderate rating for Design Opinion and a substantial rating for Effectiveness, with one medium and

one low level recommendation being made.

- The Environment audit received a substantial rating for Design Opinion and a moderate rating for Effectiveness with two medium and two low level recommendations.

Management actions had been agreed for all recommendations and it was noted that a moderate rating did not pose any concern.

The Chairman noted that the audit plan was progressing well and is on track to be completed on target and was pleased with the positive audit opinion.

Members of the Group asked for some clarity in respect of the risk management recommendations, expressing that the report did not make it clear what was being asked of officers to improve the mitigation of risk. Ms Thomas explained that this report provides a summary of the audits progress and that a further follow up report would come to Governance Scrutiny at a future meeting. It was noted that the report findings were positive and that there were no concerns in respect of the Council's risk management arrangements.

The Group commented on the lapsed deadline of the Council's Project Management Framework 2012 and asked why this had not been picked up sooner. Mr Dulay, from BDO the Council's internal auditors explained that this had only recently been audited within the audit programme. The Director for Finance and Corporate Services added that the Framework maybe outdated, but the methodology of reporting through scrutiny and Cabinet is a good approach on larger projects, such as the Bingham Hub and Crematorium.

The Chairman asked a specific question relating added value bench marking and when was this likely to come for scrutiny. The Group were advised that there had been delays in reporting and is likely to come to Governance Scrutiny in the new year.

The Chairman reminded the group that at its meeting in June 2021 a Redmond Review report was delivered which suggested that local authority audit committees are to have an independent member. The Chairman asked what whether there was any further detail on this and whether other authorities were being proactive in this area. The Director for Finance and Corporate Services advised that local authorities will be expected to do so at some stage. However, the Group were advised attracting and retaining independent members can be challenging.

It was **RESOLVED** that the Group noted the progress report for 2022/23 prepared by the Council's Internal Auditor.

## 14 **Streetwise Annual Report**

The Director for Finance and Corporate Services provided the Group with a brief update of the position of Streetwise, explaining that with Cabinet approval the /streetwise services would be brought back in house on 1 September 2022. Therefore, the Annual report presented being presented for scrutiny details the

performance for the previous year 2021/22.

Mr Emmerson, Company Secretary, Streetwise Environmental continued presenting the annual reports for Streetwise Environmental Ltd and Streetwise Trading Ltd, wholly owned companies of Rushcliffe Enterprises Ltd (Rushcliffe Borough Council) 2021/22.

Mr Emmerson explained some of the key figures and performance indicators provided in the appendices with the report, highlighting the improved position in respect of the balance sheets, including cash reserves and tangible fixed assets such as vehicles, equipment, stock and debtors.

In respect of performance, Mr Emmerson explained that the loss of a large contract and the impact of Covid had seen a drop in turnover. However, the company had continued to deliver in other areas which provide a favourable financial position going forward.

The Group noted that the Managing Director had left in May 2022 and questioned whether he had set budgets/targets to grow the business and had these been achieved. Members also asked specific questions in relation to the Key Performance Indicators (KPI's) and whether these raised any concerns with Cabinet and what happens next with the Company.

Mr Emmerson explained that as the company secretary he was confident that the reports provided were a true reflection of the Company and its financial position was good with business steadily improving. The Director for Finance and Corporate Services added that the company had been through a couple of challenging years due to the Covid pandemic and that profit margins were tight due to the nature of the business.

Members of the Group highlighted that the original business plan was to create a Social Enterprise Project and questioned whether this was achieved. The Group also asked what has been learned and how is this recorded future projects. The Group requested that for future scrutiny reporting could certain elements/targets be added that reflect the Council's Corporate Priorities, for example: Social Impact, Environmental Impact and a Carbon Management Plan. The Director for Finance and Corporate Services added that he would feedback these suggestions to Cabinet.

It was **RESOLVED** that the Group note the Streetwise Annual Report from the Chief Executive and provide comments to Cabinet.

## 15 Risk Management

The Service Manager – Corporate Services presented the Risk Management Progress Report which provided a mid-year update of the Council's risk management activities as well as changes to risks in the Council's risk register since last reported in February 2022.

The Service Manager - Corporate Services advised the Group that the Council's risk management group met on 21 June and 16 August, a risk management audit was carried out by the Council's internal auditor and

received a substantial rating, and general risk management training had been provided to Lead Specialists and above, with Service Managers participating in a more specific session about Opportunity Risk, and the training Councillors received earlier this evening.

The Group were informed that the number of risks within the register will fluctuate throughout the year as active risk management is undertaken, it was noted there are currently 41 corporate risks and 28 operational risks

The Service Manager – Corporate Services referred to Appendix A circulated with the report, which presents the Council's Risk Register containing corporate and operational risks.

The Service Manager – Corporate Services advised the Group that there are seven new risks and fifteen risks have been removed, as a result recent reviews, concluding that many of these risks were related to the Covid-19 pandemic. Additionally, the Group were advised that there have been three increases and four reductions to risk ratings.

The 7 new risks include:

- Delivery of the new Core Strategy
- Failure to secure the LDO for Radcliffe on Soar site
- The increase in interest rates should the Council need to borrow funds
- Homes for Ukraine Scheme
- Failure to deliver the Carbon Management Plan.

Plus 2 opportunity risks:

- Interest rates / investment income
- Insourcing of Streetwise

The Service Manager – Corporate Services asked the Group to consider the standard risk register presented in the report, which contained information about each of the risks identified as well as explanations where changes have been made since the last review of the risk register.

The Service Manager – Corporate Services highlighted the current high level 'red risks' so that the Group could review controls and mitigating actions if needed.

The Group referred to the Risk Management Training that had been delivered prior to the meeting and asked questions relating to strategic risk and new projects for the Council and the risks associated with them, requesting when/how these risks would be added to the risk register for scrutiny. The Service Manager – Corporate Services explained that officers were looking at the forward plan for next year, adding that risk checks are made bi-monthly and would appear in the register next time round. The Service Manager – Corporate Services agreed to send the Group an update and link to the webpage.

The Group asked a specific question in relation to a traveller site and the risk associated to people living in the area. The Director – Finance and Corporate Services advised that the Council were not advanced enough in finding an appropriate site for the travelling community, explaining that the Council needs to focus on what's happening nationally and locally in respect of pressures around inflation, interest rates and the energy supplies which may impact residents over the coming months.

The Chairman highlighted the risk in respect of business rates and the closure of the power station at Ratcliffe on Soar. The Director – Finance and Corporate Services advised that the Power Station will be close in 2024/25 and that the loss of business rates is being factored into the Council's budget, adding that all Councillors are invited to attend the Budget Workshops scheduled for December 2022.

The Group noted that some risks needed to be tolerated. However, in considering the Risk Management training, the Group felt that the reporting needed to be more specific with a clearer explanation/understanding of the mitigation measures required and the positive/negative impact the risk may have on the Council's operations. Officers agreed to take back members comments to the management team for consideration.

It was **RESOLVED** that the Group:

- a) Note the contents of the report
- b) Considered and made recommendations on the risks that had a red alert status

## 16 **Going Concern**

The Director – Finance and Corporate Services as the Council's Section 151 Officer presented the Council's Going Concern status and the assumption that the authority, its functions and services will continue in operational existence for the foreseeable future.

The Group were advised that the Council is required to compile its Statement of Accounts in accordance with the Code of Practise on Local authority Accounting for 2021/22. In accordance with the Code the statement of Accounts is prepared assuming that the Council will continue to operate and that it is able to do so within the current and anticipated resources available.

The main factors that underpin the going concern assessment are:

- The Council's current financial position
- The Council's projected financial position
- The Council's governance arrangements
- The regulatory and control environment applicable to the Council as a local authority

It was noted that the Council's draft financial statements 2021/22 can be viewed on the Council's website.

The Director of Finance and Corporate Services advised that the financial outlook looks challenging as we await the autumn statement from Government. However, the Group noted that with regard to the Council's Governance arrangements and current financial position the Council remains a going concern.

The Chairman commented on the Council's Medium Term Financial Strategy (MTFS) and the knock-on effect of the next wave of austerity on the Council's financial position, but that the immediate outcomes remain positive in the current circumstances.

It was **RESOLVED** that the Group note the positive outcome of the assessment made of Rushcliffe Borough Council's status as a going concern for the purpose of the Statement of Accounts 2021/22.

## 17 **Capital and Investment Strategy Quarter 1 2022/23**

The Service Manager – Finance presented the Capital and Investment strategy report for Q1 2022/23, which summarised the Council's capital and investment activities for the period 2 April to 30 June 2022.

The Service Manager – Finance explained that the new addition to CIPFA's Code of Practice recommends that Councillors are informed of Treasury Management activities quarterly (previously twice a year) and that this Q1 report ensures that the Council is embracing best practice for the scrutiny of capital and investment activity.

The Group were advised that besides more frequent monitoring the Treasury Management Code recommends that specific training for members involved in governance scrutiny and broader training for members on full council, and the introduction of a Liability Benchmark to manage debt. It was also noted that in respect of the prudential indicators there is to be greater focus on climate and environmental, social and governance risks when making financial decisions.

The Service Manager – Finance referred to the economic forecast, which highlighted the UK's deteriorating economic outlook, with prices for fuel, energy and food rising and the Bank of England warning that inflation may reach 12%. The Group were informed that Link Group, the Council's Treasury Advisors are forecasting interest rates to increase to 4% by Christmas and 5% by March 2023. Based on Link's forecast the Group were advised that the Council has budgeted to receive £673,300 in investment income in 2022/23 compared with £462,100 in 2021/22. It was noted, that in order to maintain returns and to mitigate risk, the Council has continued to diversify its investment mix, a table highlighting the investment activity was provided in the report.

The Service Manager – Finance provided a summary of the Council's range of Prudential Indicators to monitor both Treasury and Capital activities, details of the performance against the Prudential Indicators was provided at Appendix A attached to the report, these included capital expenditure, Financing costs to net revenue streams and expected investment position.

The Group were informed of the Council's commercial investments in respect of income and costs and were advised that income is expected to be around 20% in the current year.

In concluding, the Service Manager – Finance advised that Treasury Management continues to be challenging with the risk of a recession remaining real causing inflationary pressures and rising interest rates on the UK economy.

The Group were advised that officers will continue to be vigilant and report any significant issues to the Governance Scrutiny Group.

The Group commented on the economic picture being fraught with difficulties and expressed their concerns in respect of high inflation and a recession ('stagflation'), and asked officers how they propose to manage the Council's declining investments. The Service Manager – Finance advised that a more frequent insight of reporting of the key indicators, including cash balances and interest rates on long term investments are indications of whether the Council would need to borrow in the future, adding that this is not anticipated during the next 5 years.

The Director – Finance and Corporate Services informed the Group that a training session on Treasury Management had been scheduled for 17 January 2023 and would encourage members of the Governance Scrutiny Group to attend.

It was **RESOLVED** that the Governance Scrutiny Group notes the Capital and Investment Strategy update position at 30<sup>th</sup> June 2022.

## 18 **Work Programme**

The Director – Finance and Corporate Services presented the work programme report which detailed the proposed Governance Scrutiny items for 2022/23.

The group were advised that the External Audit and Statement of Accounts may be delayed and therefore are unlikely to be presented at the meeting on 24 November 2022.

The Group were advised that in respect of an Independent Member this would be considered after the elections in May 2023.

Members of the Group commented on the amount of training Councillors are expected to complete for Governance Scrutiny and what is the procedure for briefing Councillors if they are not able to attend a training session. The Director – Finance and Corporate Services explained that Governance members are required to be adequately trained in order to deliver appropriate scrutiny. It was suggested that officers look in to recording training sessions or consider Hybrid sessions to make the training more accessible.

It was **RESOLVED** that the Group note the work programme:

## **24 November 2022**

- Internal Audit Progress Report
- Statement of Accounts (this may be deferred to February's meeting)
- Capital and Investment Monitoring Q2
- Asset Management Plan
- Work Programme

## **23 February 2023**

- Internal Audit Progress Report
- Annual Audit Report 2021/22
- Annual Audit Strategy Plan
- Risk Management – Update
- Capital and Investment Monitoring Q3
- Capital and Investment Strategy 2023/24
- Work Programme

The meeting closed at 8.50 pm.

CHAIRMAN