

**MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 24 NOVEMBER 2022**

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

PRESENT:

Councillors D Viridi (Chairman), R Adair, K Beardsall, D Simms, P Gowland
(Vice-Chairman), K Shaw and J Stockwood

ALSO IN ATTENDANCE:

Councillors D Wheeler

OFFICERS IN ATTENDANCE:

Sarah Whittaker
Emma Richardson

Service Manager – Finance
Democratic Services Officer

APOLOGIES

Councillors L Howitt, M Stockwood

19 Declarations of Interest

There were no declarations of interest.

20 Minutes of the Meeting held on 1 November 2022

The minutes of the meeting held on 1 November 2022 were approved as a true record and were signed by the Chairman.

21 Internal Audit Progress Report

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

She confirmed that the Council was making good progress in completing the 2021/22 recommendations, with nearly all being completed apart from two related to planning and S106, and which were due to be completed in January 2023.

In relation to the Internal Audit findings, Ms Thomas said that IT Asset Management audit had received a moderate rating for Design and a substantial rating for Effectiveness. She explained that the review had looked at the Council's physical IT assets and software licensing arrangements, including assessing the controls in place for disposal and management of the lifecycle of hardware.

She explained that a medium rating had been found in relation to the Council not having documented procedures in place for the management of IT assets and that policies scheduled for review in March 2022 had not been reviewed at the time of the audit. She noted however that the Council did have many associated policies in place regarding hardware and encryption but that it was recommended that all information be incorporated into one document.

Members of the Group referred to the Council's process for reviewing software licences and the lack of IT process documentation. Ms Thomas confirmed that the Council did have a system in place to alert if more or fewer licences were required, but that internal audit had recommended that a more proactive approach be taken. The Service Manager for Finance confirmed that the Council did have IT policies in place which worked well and that the finding was that they be brought together into one place.

In relation to the Asset Refresh Policy, Ms Thomas said that the Council had processes in place monitoring the lifecycle of equipment but that inclusion of more detail, including in relation to oversight of the process, had been recommended.

In relation to the Health and Wellbeing audit, a moderate rating for both Design and Effectiveness had been made and three medium and three low level findings were raised.

Ms Thomas explained that one of the medium ratings related to the Council not having a detailed, overarching, strategy to outline responsibilities and its approach towards managing employee health & well-being, including information about the activities and work that the Council provided in relation to health and well-being. She noted that Management did not concur with this moderate rating.

Ms Thomas explained that the second medium rating related to health and well-being KPIs for sickness absence monitoring being limited to the number of days lost to sickness, that although the Council recorded causes of sickness absence this information was not currently included in the KPIs. The Council having a broader suite of KPIs was recommended. She noted that Management did not concur with this moderate rating.

Ms Thomas said that the third medium rating related to the Workplace Health intranet not being updated with contact details for the current Workplace Health Champions.

Members of the Group thought that having information about the causes of sickness absence was important, particularly for mental health issues, to help understand and support staff. The Service Manager for Finance explained that the Council did maintain and monitor the type of information highlighted by internal audit but hadn't included it in the KPI. She said that any concerns would initially be picked up by line managers and then followed up by HR. She said that staff had access to employee assistance and counselling services and confirmed that the Council was proactive about mental health and held a variety of activities such as 'coffee and a chat' type events to support staff.

Members of the Group questioned whether all Council employees had the same level of access to HR support and services and how many layers of management lay between staff and the Chief Executive. The Service Manager for Finance said that there were three or four layers and that most issues were raised through direct line managers who had access to Service Managers and Directors, and that this applied for all Council staff.

The Chairman summarised the Group's recognition of the importance of IT and health and wellbeing, particularly in light of the pandemic and home working. He thought that the Council's position was positive overall. He noted that the Council had signed up to the Time to Change pledge as an employer and had Health Champions in place and agreed that it was important that the Council kept this information on the intranet up to date. He noted that Management had taken the audit findings onboard and agreed that there was always scope for improvement.

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

22 **Capital and Investment Strategy - Mid Year Review 2022-23**

The Chairman introduced the Capital and Investment Strategy item and noted that Cipfa recommendations had changed to recommend that this information be reported quarterly, with this being the mid-term report.

The Service Manager for Finance presented the Capital and Investment strategy Mid-year Report 2022/23, which summarised the Council's capital and investment activities for the period 1 April to 30 September 2022. She confirmed that the previous update had been presented to Members of the Group at the meeting on 1 November 2022.

In relation to the economic forecast, the Service Manager for Finance said that inflation was currently at 10.1% and forecast to reach 12% in the next few months. Interest rates were currently at 3% and forecast to peak at 5.2% by March 2023.

In relation to investment income, the Service Manager for Finance said that whilst the Council had budgeted to receive £673k in investment income in Q1, this had been revised to become £1.3m due to increases in interest receipts. She said that the Council had received an average interest rate of 2.16% across its diversified investment portfolio and that the rate received depended on when the investment was made, with investments made earlier in the year earning lower interest. Short-term investments were currently preferred, to benefit from the increasing interest rates. She explained that the Council had a greater spread of investment durations now than this time last year when there had been a greater need to hold more cash for liquidity purposes. She noted that £40.8m of investments related to funds held in relation to Section 106 and CIL Agreements. The Service Manager for Finance added that the Council was showing good average interest rates compared to Sterling Overnight Index Average (SONIA) rates for investments of longer duration.

The Service Manager for Finance said that as there was currently a deficit on the capital value of the Council's diversified funds and so the Council had earmarked funds from this year and last year's efficiencies savings as mitigation.

The Service Manager for Finance explained that as the Council did not eternally borrow, borrowing liability limits were of less relevance, noting that the Council's liability benchmark currently stood at \$41m. She, said, however, that the Council's internal need to borrow had increased slightly due to a delay in capital receipts from Hollygate Lane.

In relation to prudential indicators, the Service Manager for Finance said that there was no change from Q1 and that capital underspend was projected to be circa £6m, primarily due to Support from Registered Housing Providers, Bingham Hub and re-profiling of expenditure on other operational land and buildings. The financing costs to net revenue stream showed an improved position due to higher investment returns and higher interest rates. She added that the expected investment position was higher due to rephrasing of the capital programme and additional S106 monies.

In relation to Capital Financing Requirement (CFR), the Service Manager Finance said that the position would be greater than predicted due to the delayed receipt from disposal of land at Hollygate Lane but that this would correct itself when the receipt was received.

In relation to commercial investment, the Service Manager Finance explained that the Council had set a ratio target to not exceed 30% of income and that this currently stood at 16.3%.

The Service Manager Finance highlighted the Treasury Management training scheduled for Wednesday, 17 January 2023.

In conclusion, the Service Manager for Finance said that the economy was fraught with difficulty, with a real risk of a recession and with inflationary pressures and rising interest rates. Whilst rising interest rates would have a positive effect on income returns on investments, uncertainty in the economy would have a negative impact on the capital value of some of the Council's investments, however, as the Council held them as long-term investments it currently had no plans on withdrawing from them. She said that changes to the accounting codes would restrict what local authorities could do, along with the threat of borrowing caps, and confirmed that Officers would continue to report back on any changes to the Group.

Members of the Group referred to CIL and S106 monies held by the Council. The Service Manager Finance explained that the funds held by the Council at any given time depended on the receipts and applications received by the Council. She said that the Council had policies and procedures in place for S106 and CIL monies and that S106 funds were linked to the planning process and had special agreements and criteria in place as to what they could be spent on and when. She noted that both CIL and S106 funds were ringfenced. She explained that in general monies were for external organisations to spend, such as the County Council, and said the Council held the monies, which

earned interest, until it received applications. The Group thought it important that the monies be released in a timely fashion to deliver projects in the community, whilst accepting that this was not always in the Council's control.

The Service Manager Finance agreed to provide further information and clarification about S106 and CIL monies and processes to the Group.

Councillor D Wheeler asked about the Council's rental property income and whether there was any to risk given the current economic climate. The Service Manager Finance said that the Council was not currently experiencing any impact on its rental property income but would raise it as a concern should the position negatively change.

Councillor Gowland asked about the underspend on registered housing providers and the Service Manager Finance confirmed that Officers were actively looking for schemes to utilise the funding.

The Chairman referred to the Council holding £26m in MMF/Call accounts and asked about the net impact of the lag in rates. The Service Manager Finance said that the Council did not make an assessment of lag on interest rates as due to cash flow requirements does not always have any alternative but to hold the funds in cash and so was unable to move them to achieve a higher interest regardless.

The Chairman referred to the Council's internal borrowing increasing. The Service Manager for Finance explained that the Council had planned on using some capital receipts to fund its programme for the year, one of which was Hollygate Lane, however as this receipt had been delayed until 2023/24 the Council would need to borrow internally to cover costs.

The Chairman concluded that the Group had been provided with assurance that the Council's trajectory was positive and that its investment and interest income balances were higher and that management of funds and thresholds for balances were being adhered to. The Chairman thanked Officers for their work in managing the Council's successful performance.

It was **RESOLVED** that the Governance Scrutiny Group noted the Capital and Investment Strategy up-date position as of 30 September 2022.

23 **Work Programme**

The Service Manager for Finance presented the work programme report which detailed the proposed Governance Scrutiny items for 2022/23.

The Service Manager Finance confirmed that the Statement of Accounts and the Annual Audit Report had been carried forward from today's meeting to become agenda items at the 23 February 2023 meeting. She explained that this was due to a national issue with infrastructure assets as part of the audit, and that as such the auditors were unable to sign off the accounts until the consultation had been completed.

The Service Manager for Finance reminded Members of the Group that training

on the Statement of Accounts was scheduled to be held before the February 2023 meeting.

The Chairman referred to the Skills Audit which all Councillors had been asked and to complete and encouraged Members of the Group to complete it.

The Chairman referred to the Redmond Review which had looked at the appointment of an Independent Member to this Committee and confirmed that it would report back to a meeting next year.

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

23 February 2023

- Internal Audit Progress Report
- Statement of Accounts
- Annual Audit Report
- Annual Audit Strategy Plan
- Risk Management – Update
- Capital and Investment Strategy Monitoring Q3
- Capital and Investments Strategy 2023/24
- Work Programme

The meeting closed at 7.53 pm.

CHAIRMAN