

**MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 22 FEBRUARY 2024**

Held at 6.30 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, S Calvert,
H Om, N Regan, C Thomas, R Butler and S Ellis

ALSO IN ATTENDANCE:

Mr M Surrige – Mazars the Council's External Auditors

Mr G Rubens – BDO the Council's Internal Auditors

Mr M Armstrong – BDO the Council's Internal Auditors

OFFICERS IN ATTENDANCE:

P Linfield

Director of Finance and Corporate
Services

S Whittaker

Service Manager - Finance

N Berry

Senior Property Surveyor

M Heald

Finance Business Partner

T Coop

Democratic Services Officer

APOLOGIES:

Councillors D Simms and G Wheeler

31 **Declarations of Interest**

There were no declarations of interest.

32 **Minutes of the Meeting held on 23 November 2023**

The minutes of the meeting held on 23 November 202 were approved and
were signed by the Chairman.

The Group noted that the Monitoring Officer and the Service Manager –
Finance had responded to the actions from the meeting on 23 November 2023.

Councillor Thomas asked if it could be considered to make the West Bridgford
Special Expenses and CIL Advisory Group a public meeting. The Director –
Finance and Corporate Services agreed to take this back as an action.

Councillor Calvert questioned why Governance Scrutiny Group were not being
asked to consider and approve the changes to the Constitution in respect the
amendments to the Council's Planning Committee arrangements. It was noted
that the Chairman of the Member Working Group for the Planning Committee
amendments and the Chairman of Planning Committee had approved the
changes which will be going to Full Council at its meeting on 7 March 2024.

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

Mr Surridge from Mazars the Council's External Auditors presented the Council's audit arrangements for the financial year 2022/23 and reported there were no significant weaknesses identified and no recommendations arising. The Group were asked to note the report was positive in context of the troubles across the sector in relation to finance and audit. Mr Surridge advised there are no major concerns and no actions are required by the Council.

Members asked a specific question relating to the Auditors observation and recommendation that the Council consider having an 'Audit Committee' instead of Governance Scrutiny Group and questioned the proposals from the Redmond Review for independent members to ensure the membership of an audit committee has adequate skills and experience to be able to challenge the complexities of local government finance and asked if it was something the Council should be considering for future meetings. The Director - Finance and Corporate Services explained that the Governance Scrutiny Group is effectively the Council's Audit Committee and with regards to the Redmond Review it was noted that other local authorities had tried but not successfully to recruit an independent member.

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

34 **External Annual Audit Plan**

Mr Surridge from Mazars, the Council's External Auditors provided the Group with a verbal update in respect of the External Audit Plan for the financial year 2023-2024 and explained there had been a back log of work due to consultation and amendments to the Code of Practice that has required extra time to complete the audit. The Group were advised that the External Audit Plan is likely to be completed over the summer and would be brought back to Governance Scrutiny Group at its meeting in September.

The Chairman asked whether the proposed rise in audit fees for 2024/25 reflect an anticipated increase in length of time taken to complete the audit thus requiring more officer time. Mr Surridge explained the fees are determined by a procurement process and the scope of work set out in the Code of Practice.

Members asked how Rushcliffe Borough Council compares with other similar Council's in respect of delays with audit completions. Mr Surridge advised that Rushcliffe was in a good position and is early to complete in comparison with other authorities, adding that this was due to good accuracy and quality financial statements from officers and that the Council was in a good position going forward.

The Director – Finance and Corporate Services added that the audit is up to date and thanked the external audit team for keeping the audit on track. With reference to the rise in fees the Director – Finance and Corporate Services added that Audit Standards determine the amount of work spent on areas such

as plant, property and equipment and the pension liability which may change ultimately reducing the time required.

35 **Internal Audit Progress Report Q3**

Mr Armstrong from BDO the Council's Internal Auditors presented the third Internal Audit Report for this financial year which reflects the progress made for the year against the annual internal audit programme. The report highlighted the completion of three reports and their findings as follows:

The Country Park Income – the audit received a moderate rating for Design and Substantial rating for Effectiveness with one medium recommendation for the process of banking cash and two low level recommendations in respect of cash receipts and procedural notes.

The Governance of Partnership – the audit received a substantial rating for both Design and Effectiveness, with one low level recommendation with regard to the Community Safety Partnership's Terms of Reference.

The Grant Management Controls – the audit received a substantial rating to both Design and Effectiveness with two low level recommendations in respect of fraud prevention and a delayed payment to Eon.

Management actions had been agreed for all recommendations.

The Group noted the internal audit is on target for completion in line with the audit plan.

Members of the Group asked specific questions relating to the 10 houses that received the Local Authority Delivery Phase 3 grant scheme (LAD3) and what were the property types and how were the properties selected. In respect of grant fraud, Councillor Thomas raised the issue of targeted cold calling which caused residents to be suspicious and potentially missed out on grant funding. The Service Manager – Finance explained that residents could call the RCCC to verify the calls were genuine and Mr Armstrong offered to provide samples of the properties that received the LAD3 grant funding.

With regard to the Country Park, Councillor Birch asked officers to explain why receipts hadn't been provided for payment of services. Mr Armstrong advised that this was a low level recommendation and referred to payments received for activities on the day, adding that these were documented on a spreadsheet for audit purposes, however a customer receipt had not been provided. It was noted that the number that pay on the day was minimal. The Service Manager – Finance confirmed that most bookings for ranger led activities are made in advance where a receipt would be available.

It was **RESOLVED** that the Governance Scrutiny Group approve the Quarter 3 Progress report for 2023/24 (Appendix A) prepared by the Council's internal control environment.

36 Internal Audit Strategy 2024/2025

Mr Rubens from BDO the Council's Internal Auditors presented the Internal Audit Strategy for the period 2024-2027 which focuses on the planned audits due to take place in year two of the new cycle of audits. These were listed in Appendix A attached to the report.

The Group were informed that the plan is set within the context of a multi-year approach, in order that areas of key risk are aimed to be looked at over a three year audit cycle.

The Group were advised of the nine audits planned for 2024/25 covering a number of the Council's key policies and systems. These include:

- Main Financial Systems
- Budgetary Control
- Procurement
- Environment – Carbon Management Action Plan
- Workforce and Succession Planning
- Fraud Report
- Disabled Facilities Grants
- Equality, Diversity and Inclusion
- Cyber Security

Members asked a specific question relating to Cyber Security and what would the audit be looking at. Mr Rubens advised the audit would include the Council's Cyber Policy and Best Practice including firewalls and antivirus updates on all staff devices.

A question was asked about the Council moving its procurement function to Nottinghamshire County Council and how would this be audited. Mr Rubens explained this was an operational decision in partnership with the County Council and the audit would be based on its performance.

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

- a) The Internal Audit Strategy and Plan 2024/25-2026-2027
- b) The Internal Audit Charter, Appendix 1 of the Internal Audit Strategy and Plan

37 Asset Management Plan

The Senior Property Surveyor presented the bi-annual report of the Council's Asset Management Plan for the Group to review and assess all of the Council's commercial property portfolio, how individual properties are performing and what the expectations are for the next five to ten years in terms of income and cost.

Since the last review the Group were advised, the Council has completed the construction of Bingham Enterprise Centre, 12 self-contained offices within the

centre all currently being let to small businesses, showing the demand for high quality office space.

The Senior Property Surveyor informed the Group that the Council has recently had a new draft Energy Performance Certificate, (EPC) recalculations for all of its properties. This has indicated there will be a number of changes to the EPC ratings for the Council's property portfolio, the majority of which have improved, thus reducing the risk.

The Group noted the property portfolio also includes car parks, mast sites and land which were not included in this review. It was also noted the report did not cover the Council's community buildings or the Council's operational estate e.g. the Arena. The focus of the report is on the commercial property which is leased to businesses.

The Senior Property Surveyor advised that to facilitate the review a detailed spreadsheet has been produced and completed by both the property team and finance. Information on each property includes the following information:

- Value (current and projected 2028)
- Rent (current and projected 2028)
- Yield
- Estimated Refurbishment/Upgrade costs (over 10 years)
- Lease length
- Age of Asset
- EPC Rating
- Risk Rating

A summary table and graph were produced from the spreadsheet in Appendix A and B of the report to provide the Group with a 'at a glance' view of the commercial property portfolio.

In concluding the Group were informed the situation with commercial property can change relatively quickly, but through the ongoing monitoring of the Council's assets this is not anticipated to cause significant challenges over the coming months. In addition, it is important that Councillors are kept informed of the property portfolio. Any potential commercial property disposals are reported through Cabinet and reflected in the Council's Medium Term Financial Strategy approved at Full Council.

Councillor Regan asked why the two Arenas at West Bridgford and Bingham were not included in the review and when and at which scrutiny Group would the Council's leisure centres be scrutinised. It was noted that Leisure centres are classified as operational and would be scrutinised on their performance via Finance and Performance reporting to Cabinet and Corporate Overview Group.

Questions were raised about the energy performance of some of the properties and had the Council considered adding solar panels and whether there are opportunities to acquire any external funding to make improvements. The Senior Property Surveyor explained that there are multiple tenants, and this would be difficult to manage. The Director – Finance and Corporate Services added officers were looking at funding schemes to improve the energy

performance at Cotgrave Leisure Centre.

A question was raised in respect of land at Candleby Lane, Cotgrave and the issue around subletting. The Senior Property Surveyor explained that Rushcliffe Borough Council owned the land and Nottinghamshire County Council sublet the building, officers were looking at options to be reported to Cabinet.

It was **RESOLVED** that the Governance Scrutiny Group note the review of the of the Council's commercial property portfolio with both the review and any other comments from the Group being reported to Cabinet.

38 **Risk Management Update**

The Service Manager – Finance presented the Risk Management Progress report which provided the Group with a summary of the risks in the Council's Risk Registers that have changed, been removed or new risks that have been identified as a result of management reviews.

The Group noted that there are currently 38 corporate risks, 27 operational risks and four opportunity risks and these were provided in Appendix A of the report. There are no new risks, however Appendix B of the report outlined changes to risk descriptions and includes new risks that will be added to the Service Plans and future reports to Governance Scrutiny Group.

The Service Manager highlighted those risks that had decreased or increased risk ratings including:

OR_DEG06 Cost of defending appeals for large scale residential developments and potential award costs – Likelihood increased from 1 to 3 as Committee have refused two major (allocated) housing sites contrary to officer recommendation. Cost of defending appeals and payment of any costs claim awarded for unreasonable behaviour.

The Group discussed some of the issues around recent planning decisions that were contrary to Officers recommendation, highlighting the decisions for refusal had not been met without significant debate by the Planning Committee. Members of the Group questioned whether all Councillors should receive further guidance and training on planning policy and local planning policies so that Councillors have a better understanding of the planning pressures.

A specific question was asked with regards to the deletion of the risk in respect of the Afghan Relocation Programme and whether the Council should still be considering the failure to provide affordable housing as a risk. The Director – Finance and Corporate Services explained that it is difficult to find appropriate land and agreed to amend the wording in response to this issue.

A specific question was raised with regard to Rushcliffe Oaks crematorium and its under performance and whether this would have any significant effect on the Council's finances. The Service Manager – Finance explained the revenue expected from opening was only an estimation at the time it was set, which had not been met, however, the Group were assured the crematorium is not making

a loss and cremation services are increasing. It was noted that the Crematorium performance will be reported to Growth and Development Scrutiny Group at its meeting in July 2024.

A question was raised with regards to equal pay settlements. The Group were assured by the Director – Finance and Corporate Services that there were no concerns regarding equal pay.

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

- a) Note the contents of the report.
- b) Noted and provided comments on risks that had red alert status.

39 **Capital and Investment Strategy Monitoring Q3**

The Finance Business Partner presented the Capital and Investment activities of the Council for the period 1 April to 31 December 2023, which provided the Group with indicators that help ensure the Council's capital and investment plans are affordable, prudent and sustainable and meet the requirements of the CIPFA Code of Practice.

The Group were advised the UK is facing a weakening economic outlook and an uncertain political climate due to the upcoming general election.

With regards to investment income, the Group noted interest receipts are slightly higher than anticipated, the Council achieved an average interest rate of 5.11%, compared to the average (SONIA) rate of 4.94%. The Finance Business Partner advised that to maintain and mitigate risk, the Council has continued to diversify its investment mix and continue to consider 'green' investments that are compliant with the Council's strategy. The Council ensures investments are secure and that liquidity is achieved whilst proactively looking to maximise its rates of return. A full list of the Council's investments was provided in Appendix A of the report.

The Group noted the borrowing and prudential indicators as part of the Council's Capital and Investment Strategy and the credit balance shows that the Council has no need to borrow over the medium term.

With regards to commercial investments highlighted in Appendix D of the report, the Council must disclose its commercial income. The Council's target is not to exceed 30% with the current actual income around 15%, leaving it less exposed to risks surrounding commercial property.

A specific question was asked in respect of balances in the call accounts and why were the interest rates on these investments lower. The Service Manager – Finance explained these were the Council's everyday bank accounts where access to funds is needed to be immediate for the Council's day to day transactions.

It was **RESOLVED** that the Governance Scrutiny Group notes the Capital and Investment Strategy update position as of 31 December 2023

40 **Capital and Investment Strategy 2024/25**

The Finance Business Partner presented the Capital and Invest Strategy for 2024/25 to 2028/29 which focuses on both traditional treasury activity, commercial investments and capital plans and is the key component of the Council's Medium Term Financial Strategy (MTFS) approved by Council.

The Group noted the Capital and Investment Strategy 2024/25 and 2028/29 provided in Appendix A which reflects Government Guidance and the CIPFA Treasury Management and Prudential Codes.

In the supporting information the Finance Business Partner explained the four areas of Treasury Management:

Capital Prudential Indicators

- 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
- Projected levels of Council debt and CFR

Minimum Revenue Provision Policy

The Minimum Revenue Provision (MRP) Policy statement contains details of the methodology used to calculate the charge to the revenue account for the cost of borrowing to fund capital expenditure.

Treasury Management Strategy

- Current economic climate and interest rates
- The Council's Borrowing Strategy
- The affordability of the capital programme
- The Council's Investment Strategies
- Any local treasury issues.

Commercial Investments

- The limit of the Council's dependency on commercial income
- How risk is spread across both commercial sectors and the size of investments in relation to asset value
- An ongoing review of existing assets

The Finance Business Partner advised that the Capital Prudential Indicators and Treasury management Strategy provide both a position statement and details of the future position of the Council's Capital, Commercial Investment Treasury Plans.

The Group complimented officers on the recent treasury training delivered by Arlingclose the Council's Treasury Management advisors which Councillors found interesting and helpful when it comes to understanding the complexity of the Council's Treasury Management activities.

It was **RESOLVED** that the Governance Scrutiny Group scrutinise and approve for Full Council:

- a) The Capital Strategy and Capital Prudential Indicators and limits for 2024/25 to 2028/29 contained in Appendix A (paragraph 4 to 15)
- b) The Minimum Revenue Position (MRP) Statement contained within Appendix A (paragraph 16 and 17) which sets out the Council's policy on MRP
- c) The Treasury Management Strategy 2024/25 to 2028/29 and the Treasury Indicators contained within Appendix A (paragraphs 18 to 63)
- d) The Commercial Investments Indicators and Limits for 2024/25 to 2028/29 contained within Appendix A (paragraphs 64 to 76).

41 **Work Programme**

The Service Manager – Finance advised the Group that the next meeting has been scheduled for Thursday 30 May to be approved at Annual Council on 23 May 2024.

The Group were asked to note that the Code of Conduct and Review of the Council's Constitution may not be considered by Governance Scrutiny Group at its meeting in May.

It was **RESOLVED** that Governance Scrutiny Group approve the work programme as follows:

30 May 2024 (TBC at Annual Council)

- Internal Audit Progress Report Q4
- Internal Audit Annual Report
- Annual Fraud Report
- Annual Governance Statement (AGS)
- Capital and Investment Strategy Monitoring Q4 Outturn
- **Constitution Review**
- **Code of Conduct**
- Work Programme

Actions – 22 February 2024

Min No	Action	Officer Responsible
35	Members of the group requested samples of the types of properties that benefited from the LAD3 grants that were audited	Service Manager – Finance
38	Members asked for the amendment to the wording in the risk relating to affordable housing.	Director – Finance and Corporate Services

The meeting closed at 8.28 pm.

CHAIR

DRAFT