

**MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 30 JULY 2020**

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

PRESENT:

Councillors F Purdue-Horan (Chairman), J Walker (Vice-Chairman), R Adair,
G Dickman, L Howitt, K Shaw, J Stockwood, Mrs M Stockwood and D Virdi

ALSO IN ATTENDANCE:

A Ali
G Dulay

RSM Risk Assurance Services LLP
BDO LLP

OFFICERS IN ATTENDANCE:

L Ashmore
P Linfield

Executive Manager - Transformation
Executive Manager - Finance and
Corporate Services
Monitoring Officer
Financial Services Manager
Democratic Services Officer
Democratic Services Officer

S Sull
S Whittaker
T Coop
L Webb

APOLOGIES:

Councillor D Simms

29 **Declarations of Interest**

There were no declarations of interest reported.

30 **Minutes of the meeting held on 6 February 2020**

The minutes of the meeting held on 6 February were approved as a true
record.

31 **Internal Audit Report Q4 2019/20**

Mr Amjad Ali, Senior Manager at RSM, the Council's internal auditors attended the meeting to present the Internal Audit Report Quarter 4, for the financial year 2019/20. The report highlighted the completion of four reports: Garden Waste, Property Leases and Rents, Main Accounting Systems and Follow-up. In terms of findings, Mr Ali reported three substantive audits have returned findings of Substantial assurance, the Follow-up audit, scored differently received a 'Good Progress' finding. The Garden Waste and Property Leases and Rents did not result in any managements actions. The Main Accounting System audit resulted in two low level recommendations. The Follow-up audit

resulted in five low priority findings being re-raise. Management actions were agreed in respect of all the recommendations.

Members questioned the outstanding actions in the Follow-up audit and asked whether there was a timescale for these to be implemented, given that a new audit company was in place going forward. Mr Ali explained that the Council's management have agreed an action plan and that the new auditors (BDO) will pick up on these when they take over.

Councillor Viridi referred to member training and the Council's Procurement Strategy not being up to date and asked for assurances that these would be completed swiftly. The Executive Manager – Finance and Corporate Services explained that officers had been dealing with other priorities as a result of Covid-19 pandemic. Ongoing monitoring of implementation of recommendations are undertaken by Internal Audit.

It was **RESOLVED** that the final progress report for 2019/20 prepared by the Council's Internal Auditor is noted.

32 **Internal Audit Annual Report 2019/20**

Mr Ali, Senior Manager at RSM the Council's Internal Auditor's, presented the Internal Audit Annual Report which summarises the work undertaken during the course of 2019/20 and the management actions arising from the audits. Mr Ali referred to the appended RSM report and highlighted the completion of the Internal Audit Plan. Mr Ali provided an annual opinion, which concluded that the Council has an adequate and effective framework for risk management, governance and internal controls.

As reported previously in the quarterly progress reports, Mr Ali advised the Group that of the 15 audits, 13 resulted in a green 'substantial assurance' rating and two resulting in amber 'reasonable assurance' rating, Building Control and Cyber Risk Management. In addition, a total of 40 management actions were identified, including 6 'medium priority' and 34 'low priority' where management actions had been agreed in all cases. A further two advisory audits were undertaken for Fraud and the Management of Bingham Market.

In concluding, Mr Ali advised the Group that 'good progress' was made in implementing previously agreed management actions from a follow-up review undertaken this year.

This was the last Governance Scrutiny that RSM would attend and the Chairman thanked Mr Ali and his associates for the support and commitment they had provided the Council and its officers over the past decade.

It was **RESOLVED** that the Internal Audit annual Report 2019/20 be noted.

33 **Constitution Update**

The Monitoring Officer presented a report that sets out opportunities for Governance Scrutiny Group to consider the Council's Constitution and explained that the constitution provides the framework for the Council's

Decision Making process and rules of procedure, adding that the council should review its constitution annually. The Monitoring Officer advised that the most recent review concentrated on the public speaking protocol and the Councillor Code of Conduct.

The Monitoring Officer provided a table, that highlighted sections that maybe appropriate for review, including; Decision Making, Responsibility for Functions Motions, Standing Orders Relating to Contracts and Member Code of Conduct.

Members welcomed the opportunity to review parts of the constitution and were keen to look at motions, in particular the number permitted, expressing this should not be limited to three, management of scope and the length of speeches need to be considered.

Members also suggested a clearer understanding of delegated decisions and whether Task and Finish Groups or Member Development Groups could be established, to examine decisions in line with the Asset Management Plan.

The Executive Manager – Finance and Corporate Services advised the Group that the Asset Investment Strategy is under the Scheme of Delegation for the Executive Manager – Transformation, and confirmed this was agreed at Council a number of years ago.

The Chairman requested the Review of the Council's Constitution be an item on the agenda for the next meeting of Governance Scrutiny and invited members to provide the Monitoring Officer with suggestions.

It was **RESOLVED** that:

- a) Members of the Group consider the suggestions for review of the Constitution set out in the Monitoring Officers report
- b) Members of the Group consider other sections of the Constitution
- c) The Group recommends amendments that are appropriate for adoption by Full Council

34 **Annual Governance Statement**

The Executive Manager – Finance and Corporate Services presented the Annual Governance Statement 2019/20, and advised the Group that in accordance with the Accounts and Audit Regulations 2015, the Council is required to publish the Annual Governance Statement alongside the Council's Statement of Accounts.

The Annual Governance Statement was attached as an Appendix to the report and the Governance Scrutiny Group, by reviewing the statement, scrutinises the Council's governance arrangements.

It was **RESOLVED** that the Governance Scrutiny Group approve the 2019/20 Annual Governance Statement and associated recommendations.

The Financial Services Manager presented the Capital and Investment Strategy Outturn which summarises the transactions undertaken during the 2019/20 financial year, reporting against the Council's Capital and Investment Strategy for 2019/20 – 2023/24. The report provides information on the Council's commercial investment ensuring there is transparency and security in terms of treasury and asset investment decisions. The report also highlights issues arising from Covid-19, which have impacted on the Council's year end investment position and overall budget for 2020/21.

In respect of Treasury Management, the Financial Services Manager referred to tables within the report, detailing the prudential and treasury indicators, and the impact of capital expenditure activities during the year.

The Financial Services Manager explained the Council's overall borrowing need for capital expenditure, Capital Financing Requirement (CFR), advising that where a positive CFR exists, the Council is required by statute to make an annual charge, Minimum Revenue Provision (MRP) to reduce the CFR based on the life of the assets. This effectively raises cash to help repay loans or replenish internal borrowing.

The total CFR can be reduced by: the application of additional resource, for example unapplied capital receipts or charging more than the statutory revenue charge (MRP) each year through a voluntary revenue provision (VRP).

The Financial Services Manager continued to advise the Group that for the past three year's the Council decided to set the MRP at £1m, comprising of £0.250m MRP to finance the Arena based on £10m borrowing over a 40 year life, a further £0.750m was provided by way of VRP to meet the Council's commitment to repay the borrowing early. Prior to 31 March 2020 the Council released an equivalent sum of £1m from the New Homes Bonus (NHB) Reserve to offset any impact of the borrowing charge to the tax payer. The Financial Services Manager explained the Council's proposal to take the option to reduce the VRP element of the charge, to release the NHB reserves to help meet the budget deficit as a result of Covid-19. By reducing the VRP the council will free up significant resources of up to £730k in 2020/21 and up to £600k each year to 2024/25.

The Financial Services Manager advised the Group of the Council's Treasury position as at 31 March 2020, in line with the Treasury Management activities approved by the Treasury Strategy. The Financial Services Manager explained that expectation for interest rates within the strategy in short term money markets is anticipated to remain the same in light of uncertainties surrounding Brexit and the global economy. The onset of Covid-19 provides further challenges in terms of cash flow, market volatility and Base Rates. To mitigate any potential cash flow issues the Council's investments are being placed in short-term liquid asset for quick access, but will affect the level of interest earned on them. Overall, the council has successfully achieved its objectives of ensuring investments were held with relatively secure counterparts; ensuring that there was sufficient liquidity to operate efficiently during these unprecedented times during Covid-19.

In terms of the Asset Investment Strategy, the Financial Services Manager explained that it had been a very uncertain year with the General Election, Brexit and more recently Covid-19 affecting the economy, this has meant some commercial investments not being pursued. At a Cabinet meeting in July 2020 it was approved to carry forward £19.181m capital underspends into 2020/21 including £8.382 on the Asset Investment Strategy, of this £4.554m is the balance committed to investments due to be acquired by September 2020, leaving £3.828m remaining unallocated from the original provision.

In concluding, the Financial Services Manager advised that the Council's investments, whether treasury or commercial remain fluid, adding that risks remain in the treasury and property markets and also in the Council's Capital Programme and the legacy of Covid-19 is still to be determined.

Members questioned the £19.181m underspend carried forward to 2020/21 and asked whether there were plans to review this to help fund the gap in the Treasury Programme. The Financial Services Manager explained that items in the Capital programme were being reviewed and a report to Council on 24 September 2020 will provide some clarity. The Executive Manager – Finance and Corporate Services advised that the Council were already committed to the new leisure centre at Bingham and the Crematorium, both going out to tender and their ongoing financial viability would be under review.

The Chairman reminded members to attend one of the two budget workshops scheduled for the 7 September and 8 September.

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

- a) approve the 2019/20 outturn position
- b) approve and recommend to Council in September, the reduction in Minimum Revenue Provision (MRP) and subsequent release of New Homes Bonus (NHB) to either support the budget gap resulting from Covid-19 or to make Voluntary Repayment Provision (VRP) at a later date.

36 **Impact of Covid19 on Risk**

The Executive Manager – Finance and Corporate Services delivered a report that updated the Group on risk activities following the September 2019 update. In addition, The Executive Manager - Finance and Corporate Services advised that risks in the Council's Risk Register have changed and a number of risks have been altered in response to the Covid-19 pandemic.

The Executive Manager – Finance and Corporate Services advised that there are currently 37 corporate risks and 26 operational risks, adding that the number of risks within the register do fluctuate throughout the year due to changing pressures facing local government, and the proactive work of managers to identify risks as they emerge, which demonstrates the Council's aim to be proactive to mitigate risk as soon as it's identified.

The Executive Manager - Finance and Corporate Services asked the Group to consider 20 changes to the risk register as a result of recent Risk Management

Group discussions. These changes included 13 proposed increases to risk ratings and 7 reductions to risk ratings.

In addition to these changes the Executive Manager – Finance and Corporate Services advised the Group of a further 10 new risks in response to Covid-19. The new risks are:

- Impact of Covid-19 on the Council's budget
- Impact of Covid-19 on the Borough's high streets
- Ability of high streets to implement the necessary safety measures
- Impact of Covid-19 on the Borough's leisure facilities and their ability to recover whilst consumer confidence is uncertain
- Ongoing impact of Covid-19 on the Borough's leisure facilities whilst operating within the Covid-secure guidelines
- Ability of the Borough Council to maintain frontline services in the event of a second wave of Covid-19
- Failure to manage a Local Lockdown
- Increased risk of domestic abuse or neglect involving children
- Increased risk of Anti-Social Behaviour
- Increased number of residents presenting as homeless
- Lack of emergency accommodation for those at risk of homelessness

Members accepted the need to make changes in respect of the pressures facing local government and the Council's response to Covid-19. However, members requested that more detail could be provided with regards to risk mitigation and look to prevent risks from escalating.

The Executive Manager – Finance and Corporate Services agreed that more information could be reported to Governance Scrutiny, explaining that officers were mindful of providing too much detail. In addition, the Executive Manager – Finance and Corporate Services directed members to the training session on Risk Management scheduled for September that will provide support members to acquire a better understanding of the topic.

The Risk Management Strategy and the Training Session in September will enable further discussion on the subject.

It was **RESOLVED** that:

- a) The Group note the report in relation to existing risks.
- b) The Group approve the new risks in response to the global Covid-19 pandemic and the risk ratings awarded to them.

37 **Fraud Annual Report 2019/20**

The Executive Manager – Finance and Corporate Services introduced Mr Gurpreet Dulay from BDO, the Council's new internal Auditors.

Mr Dulay presented the Fraud Annual Report 2019/20, which summarises the incidence of fraud and fraud prevention at the Council during the year and also provided the Group with a revised Anti-Fraud and Corruption Policy for 2020-

2024.

Mr Dulay explained that the Council does not have a dedicated fraud and prevention resource, it is the responsibility of managers to ensure internal controls are in place to mitigate the risk of fraud. In addition, the internal audit may also identify fraud through their reviews and are available to support manager to investigate any allegations of fraud.

Mr Dulay advised the Group that the Council's Anti-Fraud and Corruption Policy has been reviewed during the year to ensure it is up to date and appropriate against the best practice guidance by BDO and following the new Function Standards for Counter Fraud published in June 2020. The review highlighted the need for the Council to complete a Fraud Risk Assessment, which BDO will undertake over the coming year. Mr Dulay advised that there had been no incidents of fraud in the last year.

It was **RESOLVED** that:

- a) The Annual Fraud Report for 2019/20 be noted.
- b) The Group approve the revised Anti-Fraud and Corruption Policy for 2020-2024.

38 **Work Programme 30 July 2020**

The Group considered its Work Programme.

29 September 2020

- Internal Audit Progress Report – 5 Month update 2020/21
- Review of the Constitution
- Risk Management Strategy

24 November 2020

- Internal Audit Progress Report
- Annual Audit Letter
- Statement of Accounts 2019/20

4 February 2021

- Internal Audit Progress Report
- Internal Audit Strategy 2021/22
- External Audit Annual Plan 2021/22
- Treasury and Asset Investments Strategy 2021/22
- Risk Management

18 May 2021

- Internal Audit progress Report
- Internal Audit Annual Report

- Annual Governance Statement

ACTIONS

Minute No	Action	Officer Responsible
33	The Monitoring Officer asked members to send any thoughts on reviews for the Constitution, to be added for discussion at the next meeting of Governance Scrutiny	Governance Group Members to forward suggestions to the Monitoring Officer

The meeting closed at 8.34 pm.

CHAIRMAN

DRAFT