



**MINUTES**  
**OF THE MEETING OF THE**  
**GOVERNANCE SCRUTINY GROUP**  
**THURSDAY, 4 FEBRUARY 2021**  
Held at 7.00 pm in the

**PRESENT:**

Councillors F Purdue-Horan (Chairman), J Walker (Vice-Chairman), R Adair, G Dickman, K Shaw, D Simms, J Stockwood and D Viridi

**ALSO IN ATTENDANCE:**

D Hoose  
G Rubins

Mazars LLP  
Senior Manager - BDO

**OFFICERS IN ATTENDANCE:**

C Caven-Atack

Service Manager - Finance and  
Corporate Services

T Coop  
P Linfield

Democratic Services Officer  
Executive Manager - Finance and  
Corporate Services

S Whittaker

Financial Services Manager

**APOLOGIES:**

Councillors L Howitt

53 **Declarations of Interest**

There were no declarations of interest reported.

54 **Minutes of the meeting held on 24 November 2020**

The Minutes of the meeting held on 24 November 2021 were approved by the Group.

55 **Annual Audit Letter**

Mr David Hoose, from Mazars, the Council's external auditor presented the Council's Annual Audit Letter, which summarises the work undertaken for the financial year 2019/20. The audit responsibilities of the external audit are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice, issued by the National Audit Office. The letter provided the Group with details of these responsibilities, the work the audit had done to discharge them, and the key findings from their work.

Mr Hoose confirmed the issues raised at the last Governance Scrutiny meeting and highlighted the comments made in the Officers report in respect of signing off the Statement of Accounts, which was extended until 30 November 2020. The report of the Executive Manager – Finance and Corporate Services

explained that the deadline was not met through no fault of the Council, but due to delays in the auditors gaining assurance from the Pension Fund Accounts. Irrespective of this no significant issues have arisen during 2019/20 with only some non-material misstatements in relation to Pensions and Property, Plant and Equipment.

It was **RESOLVED** that the Group note the Annual Audit Letter.

## 56 Internal Audit Progress Report

Mr Greg Rubins from BDO, the Council's Internal Auditors provided an update and summary of the Internal Audit Progress Report. The report provides the progress made against the 2020/21 Internal Audit Plan and summarises the work completed, together with the audit assessment and any recommendations required.

Mr Rubins explained that due to the Covid pandemic some of the planned audits have not taken place as early in the year as planned.

The following audit was presented to the Group:

### Licensing

The opinion issued for Design and Operational Effectiveness were moderate and the impact on Annual Opinion is positive. As a result of testing, five medium priority findings and three low priority findings were identified. The medium findings relate to:

- some documentation required to issue a license was not evidenced,
- The public register on the Council's website did not work or was incomplete
- Dashboards displaying the status of a licence application did not provide up to date information
- There was no Scheme of Delegation for the Business Support Unit to undertake licence reviews
- Some discrepancies in the reconciliations of income between Uniform and General Ledger

Management actions were agreed in respect of these findings.

Mr Rubins explained that there were four further audits currently completing or due to commence; Cyber, Anti-Fraud Training, Pet and Dog Control and Business Grants, adding that he anticipates presenting these reports at the next Governance Scrutiny Group, subject to no further interruptions relating to Covid.

Members questioned the status of the audit for Retention and Recruitment and why no Terms of Reference had been agreed, adding was there a potential issue building here. The Executive Manager – Finance and Corporate Services advised that the Executive Management Team stated that there had been staff turnover in Human Resources which had led to the delay. The audit should still be completed.

It was **RESOLVED** that the Group note the final progress report for 2020/21.

## 57 **Internal Audit Strategy Report**

At its meeting on 6 February 2020 the Governance Scrutiny Group approved the three year Internal Audit Strategy presented by BDO, the Council's internal auditors.

Mr Rubins presented the planned audits due to take place in Year 2 of the Internal Audit Strategy, 2021/22 and highlighted a small number of changes in response to evolving situations and amended risks. Ten audits are planned for 2021/22 covering a number of the Council's key processes and systems, these include:

- Planning and s106
- Housing Benefit
- Contract Management and Procurement
- Hybrid Mail

The Group were asked to consider whether they were satisfied that sufficient assurances are being received within the annual plan, does the internal audit strategy plan cover the Council's key risks and are the areas selected for coverage this year appropriate.

Members asked a specific question relating to the auditors approach to look back at risk impact on the Council's budgets and how would the internal audit treat benefits against the risk process. Mr Rubins explained that this is linked to the Council's risk register and that any financial issues would be highlighted and brought to the attention of officers at the appropriate time.

It was **RESOLVED** that the Year Two Plans from the Internal Audit Strategy 2020-2023 be approved.

## 58 **Capital and Investment Strategy**

The Finance Services Manager presented the Capital and Investment Strategy report for 2021/22 to 2025/2026, focusing on both traditional treasury activity and the Council's commercial property investments.

In Appendix A, attached to the Officers report the Finance Manager advised the Group of the Capital Prudential Indicators, highlighting the Council's projected capital expenditure plans and funding, the Council's borrowing need and the ongoing impact of the capital programme on the investment balance. The Finance Manager referred to the Capital Financing Requirement (CFR) as tabled in the report, which summarised the Council's overall position with regard to borrowing, which shows an increase in the CFR reflecting the capital commitment in respect of the Crematorium and Bingham Leisure Hub.

The Financial Services Manager continued to advise the Group of the Treasury Management Strategy, explaining the UK's economic recovery which is likely to be gradual and prolonged in the wake of Covid. The current Bank of England

base rate is 0.1% and has remained unchanged and inflation levels are expected to increase to 2% in 2021 and 2.1% in 2022 and 2023. The tables contained within the reports identified that the Council may need to externally borrow and this would result in borrowing costs, these were reflected in the figures provided. In addition, the Financial Services Manager advised that the Public Works Loan Board (PWLB) have published new lending terms stating that if an Authority has assets that have been purchased primarily for yield anywhere in the capital programme they will not be able to access PWLB funding.

The Financial Services Manager explained that in recent years, the Council identified specific sums for its Asset Investment Strategy within the Capital Programme. These include commercial investments in areas such as property and subsidiaries, or loans that support service outcomes. In addition, the Financial Services Manager advised that the Public Works Loan Board (PWLB) have published new lending terms stating that if an Authority has assets that have been purchased primarily for yield anywhere in the capital programme they will not be able to access PWLB funding.

In concluding the Financial Services Manager advised the Group that the Council aims to minimise its exposure to risk by spreading investments across sectors, thus avoiding single large-scale investments. In addition, the Council's commitment to economic regeneration (not purely financial return) has meant that many of its investments have been in industrial units, which have been very successful.

Members asked a specific question relating to the negative trajectory for interest rates and how will the Council choose to invest should this happen to mitigate any risk. The Financial Services Manager informed that the Council's Treasury advisors do not expect this to happen. The Executive Manager – Finance and Corporate Services added that in the current climate things can change quickly and that changes are regularly reported to this Group.

Members asked specific questions relating to the table on Capital Financial Requirements, and what the components for the usable reserves are. The Financial Services Manager advised these are balances accumulated over a period of time. A question was also raised in respect of the table for Commercial Income, and whether the running costs of the businesses occupying the properties had been factored into the figures, commenting that the upward trajectory is good but with the knock on effect of Covid is this likely to fall. The Financial Services Manager explained that there is an element of buoyancy, including officer time which is re-charged to the tenants as a service charge; and the Council is liable for business rates whilst Council properties remain empty.

It was **RESOLVED** that the Governance Scrutiny Group recommend for approval by Council:

- a) The Capital Strategy and Capital Prudential Indicators and limits for 2021/22 to 2015/26 contained within Appendix A
- b) The Minimum Revenue Provision (MRP) Statement which sets out the

Council's policy on MRP contained in Appendix A

- c) The Treasury Management Strategy 2021/22 to 2025/26 and the Treasury Indicators contained in Appendix A
- d) The Commercial Investments Indicators and limits for 2021/22 to 2025/26 contained in Appendix A

## 59 Risk Management

The Service Manager – Finance and Corporate Services presented the Risk Management Progress report which provided the Group with an update on risk activity following the July update on the impact of Covid on risk. The report summarised risks in the Council's Risk Register that have been changed over that period including the risks identified as a result of the Covid pandemic.

The report advised the Group that there are currently 44 corporate risks and 32 operational risks. The number of risks within the register will fluctuate throughout the year as active risk management is undertaken.

The Service Manager – Finance and Corporate Services highlighted ten changes to risk, three increases to risk ratings and seven reductions to risk ratings, these were summarised in the report for members of the group to note. In addition, the Service Manager – Finance and Corporate Services advised that one risk had been removed, CRR\_NS17 Impact of Covid-19 on the Borough's Leisure facilities and their ability to recover following initial lockdown in March to June/July 2020. This risk is being replaced by two new risks as follows:

- CRR\_NS17a Impact on the Borough's leisure facilities if closed due to Covid-19
- CRR\_NS17b Impact on the Borough's leisure facilities failure to recover after Covid-19

In concluding the Service Manager – Finance and Corporate Services informed members that as requested by the Group in July 2020, additional information had been provided in the Appendices attached to help improve reporting. These include additional information in respect of the red risks and mitigation of risks so that members can see clearly how Officers internally manage risks.

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

- a) Note the report in relation to existing risks
- b) Note the progress on the new risks identified in response to the global Covid-19 pandemic
- c) Note the officer recommendations on the information provided for risks that have red alert status

60 **Work Programme**

The Group considered its Work Programme.

The Executive Manager – Finance and Corporate Services advised the Group that there was some uncertainty when the Annual Governance Statement would be reported to Governance Scrutiny Group.

**18 May 2021**

Internal Audit Progress Report  
Internal Audit Annual Report  
Annual Governance Statement  
Redmond Review Update

The meeting closed at 7.44 pm.

CHAIRMAN

DRAFT