

MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 23 SEPTEMBER 2021

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

PRESENT:

Councillors D Viridi (Chairman), B Gray (Vice-Chairman), R Adair, K Beardsall,
L Healy, L Howitt, K Shaw, D Simms and J Stockwood

ALSO IN ATTENDANCE:

OFFICERS IN ATTENDANCE:

C Caven-Atack

Service Manager - Corporate
Services

T Coop

Democratic Services Officer

S Whittaker

Service Manager - Finance

Heald

Finance Business Partner

APOLOGIES:

None

11 Apologies for Absence

There were no apologies.

12 Declarations of Interest

There were no declarations of interest reported.

13 Minutes of the Meeting held on 24 June 2021

The minutes of the meeting held on 24 June were approved and signed by the
Chairman.

14 Risk Management

The Service Manager – Corporate Services presented the Risk Management
Report of the Council's risk activity following the 4 February 2021 update to the
Group. The report summarises the risks that have changed over that period
including the risks identified by the Covid-19 pandemic.

The Service Manager – Corporate Services asked the Group to note the
changes to the code of some risks following the staffing restructure in May
2021, the new codes are:

CED – Chief Executives Department
DEG – Development and Economic Growth
FCS – Finance and Corporate Services
NS – Neighbourhood Services

The Service Manager – Corporate Services continued to advise that there are currently 45 corporate risks and 32 operational risks and explained that the number of risks within the register will fluctuate throughout the year as active risk management is undertaken.

Appendix A within the report, presents the Council's Risk Register containing corporate, operational and Covid-19 related risks. There are six new risks and five have been removed as a result of recent reviews. Additionally there are five increases and ten reductions to risk ratings. These were detailed at paragraph 4.4, on pages 10 to 12 of the report.

The standard risk register was presented from pages 15 of the report. This contained information about each of the risks identified as well as explanations where changes have been made since the last review if the risk register.

The Service Manager – Corporate Services for the first time, was pleased to draw Councillors attention to Appendix B on page 31 of the report, which contains details relating to the Council's first identified opportunity risk, which is something the Risk Management Group have been working towards since September 2020. The Service Manager – Corporate Services explained this opportunity risk is related to the development of the Crematorium at Stragglethorpe. Adding that the Council strives to balance opportunity with risk, which in the case of the Crematorium, this process requires officers to think more carefully about the missed opportunity of not taking a risk.

Members asked a specific question relating to the Crematorium and whether this development should be considered as a major financial risk due to possible disruptions in the supply chain and increases in costs of building materials. The Service Manager - Finance explained that there are contingencies within the project to mitigate some risk and that the development is continuously being monitored.

Members questioned the risks relating to planning and development, and whether there were still staff shortages within the planning department. The Service Manager – Corporate Services advised that the vacant roles had now been filled and that this risk is no longer as likely as it appears in the report.

Members asked whether the report and associated risk registers detailed in the appendices were a complete list or part of a more comprehensive list. They also requested assurances on when and in what period of time is the risk register reviewed and who decides what risks are reported to Governance Scrutiny Group. The Service Manager – Corporate Services advised that the Council's Risk Management Strategy, is reviewed on a 3 yearly cycle and confirmed that Zurich the Council's external risk advisors completed a health check last year. In respect of the Risk Register reported today the Service Manager – Corporate Services advised that risks are reviewed on a continual basis by lead specialists and Service Managers and by the Risk Management

Group every six months. Risk Management is reported to Governance Scrutiny Group on a 6 monthly cycle. The Service Manager – Corporate Services advised the Group that she would come back to them regarding the extent of the risks reported to the Group.

The Chairman asked specific questions relating to the New Homes Bonus (NHB) and what would be replacing it, the impact of decommissioning the power station at Ratcliffe on Soar on the business rate revenue and whether the Council is continuing to support the Leisure Centre operator during the Covid-19 recovery. The Service Manager - Finance advised that in respect of the NHB this is due to end in 2022/23 but the Government have consulted on a possible replacement scheme. Any developments will be adjusted during the budgeting process and will be reported to Council in March 2022. The Ratcliffe on Soar site is an ongoing development and it is not anticipated with the development of the Freeport that the Council will be any worse off with the decommissioning of the power station. With regards to the Leisure Centre Operative, the Service Manager - Finance explained that no further support is anticipated at this stage as things return to a pre-Covid-19 status.

Councillor Beardsall and Councillor Simms insisted that a more detailed Risk Register and process for scrutiny be considered when reporting Risk Management to the Governance Scrutiny Group. The Chairman suggested that officers provide further detail and clarity on some of the issues raised at this meeting.

It was **RESOLVED** that the Group

- a) Notes the content of the report in relation to existing risks subject to observing a full comprehensive register at Governance Scrutiny Group in February
- b) Note the progress on the risks identified in response to the global Covid-19 pandemic
- c) Note the recommendations provided for risks that have a red alert status

15 **Going Concern Assessment Linked to Covid-19**

The Service Manager – Finance presented the Council's assessment by the Council's Section 151 officer of the Council's Going Concern Status. Adding, that given the exceptional times due to Covid-19, the requirement for a separate report to confirm the Council's position as an authority, can continue in operational existence for the foreseeable future.

The Service Manager - Finance highlighted the main factors which underpin the going concern:

- 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.

In respect of the Council's current financial position the Service Manager - Finance reported that the Section 151 officer has assessed that the optimum level of general reserves required by the Council need to be held at or above £1.5m or equal to 5% of the Council's net operating expenditure. At the 31 March 2021, general reserves held by the Council were at £2.6m.

The Service Manager - Finance reported that as at 31 March 2021 the Council held £34m in the form of cash or short term investments maturing within the next financial year.

In addition, the year end Capital Programme provision totalled £16.13m and the actual expenditure in relation to this provision totalled £9.3m (71% of spend), giving rise to a variance of £6.8m to be carried forward into 2021/22.

It was noted that the balance sheet showed a net worth of £29m which is significantly reduced by the pension liability of £63.2m. However, statutory arrangements for funding the pension deficit assessed by and independent actuary are in place. Overall the Council's financial position remains healthy.

The Service Manager - Finance provided the Group with the Council's projected financial position and balanced budget for 2021/22 as approved at its Council meeting in March 2021.

The Group noted the Council's Medium Term Financial Strategy (MTFS) which is updated annually and reflects a five-year assessment of the Council's spending plans and associated funding, including the ongoing implications of approved budgets and service levels and the revenue costs of the Council's Capital Programme as well as the management of debt and investments. The Service Manager - Finance advised that the Council continues to monitor and report on the impact of Covid-19 on the Council's finances, and will take any necessary action.

In respect of the Council's governance arrangements, it was reported that the Council has a well established and robust corporate governance framework which was provided within the Annual Governance Statement within the Statement of Accounts presented to the Group at its meeting on 24 June 2021.

The Service Manager - Finance explained that as a local authority the Council has to operate within highly legislated and controlled environments. Adding that as well as the legal framework and central government control, there are other factors including the role undertaken by External Audit as well as statutory requirements for compliance with best practice and guidance published by CIPFA and other relevant bodies.

Members of the Group requested that more attention to the detail of given concerns would be helpful and asked whether comparisons to previous years figures could be provided so that the Group could see if there were emerging trends for concern. The Service Manager - Finance reminded the Group that the draft 2020/21 Statement of Accounts is available to members on the Council's website.

The Chairman requested some clarity with regards to the minimum General Fund Reserve balance of £1.5m and whether this was a statutory amount. He also asked whether some assurance could be provided in respect of the pension deficit, adding that the previous year's balance sheet would be helpful as a comparison.

The Service Manager - Finance explained that the report provided an assessment at a given point in time in the current financial year.

Councillor Stockwood reminded members that they were looking at the assessment of the Council's Going Concern and that the Statement of Accounts reported at the next meeting of Governance Scrutiny in November will provide more clarity. In addition, members noted that the Council's financial position was healthy before the pandemic, and still shows a healthy position coming out of the pandemic.

The Chairman established that the information provided in the officer's report does provide the Group with a positive position in respect of the Council's Going Concern Status.

Councillor Beardsall and Councillor Simms expressed that they did not support the Officer recommendation.

It was **RESOLVED** that the Group note the positive outcome of the assessment of the Council's going concern status for the purposes of the statement of accounts 2020/21.

16 **Asset and Investment Management Outturn**

The Group were asked to consider the Council's Capital and Investment Strategy Outturn report, which summarised the transactions undertaken during 2020/21 financial year. The report also provided information on the Council's commercial investments and highlighted issues linked to the legacy of Covid-19, which impacted the Council's year end investment position and overall budget in 2020/21.

The Finance Business Partner presented the Council's Treasury Management and the approved capital programme provision for 2020/21 at £16.130m. The actual expenditure against the approved programme was £9.306m (58%) giving rise to a variance of £6.824m. The Group noted a carry forward of £6.682m approved by Cabinet in the Final Outturn Report and the increase in the investments balance between years reflecting a slippage in the Capital Programme and additional S106 deposits.

The Finance Business Partner advised the Group that in 2019/20 the Council decided to set its Minimum Revenue Provision (MRP) at £1m. This comprises 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 Voluntary Revenue Provision (VRP) to meet the Council's commitment to repay the borrowing early. The Group noted that the Council's Capital Financing Requirement (CFR) for 2020/21 represents a key prudential indicator and in a table provided this showed that no additional borrowing was needed in 2020/21.

The Finance Business Partner advised the Group of the Council's debt and investment position to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks. The Group were provided with details of the Counterparties that the Council had placed investments with at the end of the financial year 2020/21. The Group noted that in March 2020, the Bank of England decreased the base rate from 0.25% to 0.10% which continues to have a significant impact on investment income. However, Covid-19 grants from the Government, additional S106 monies and underspends on the capital programme resulted in an increase in the amounts available to invest resulting in an increase on the Council's net return.

The Finance Business Partner explained that overall the Council had successfully achieved its objectives given the constraints placed upon the Council, adding that the risks associated with Covid-19 continue to be closely monitored as the economy enters its recovery phase.

The report advised the Group that the Council's investment policy is governed by the annual Capital and Investment Strategy approved by Council at its meeting on 5 March 2020 and prior to this approved by the Governance Scrutiny Group on 6 February 2020.

The Service Manager - Finance presented the Council's Asset and Investment Strategy and reminded the Group that the Council had allocated £20m to the Asset Investment Strategy within the Capital Programme to support commercial investment and advised the Group that the balance at the start of 2020/21 was £8.382m.

The Service Manager - Finance explained that 2020/21 had been a very uncertain year with both Brexit negotiations and Covid-19 affecting the economy and the changing risk meant that some investments were not pursued and a balance of £3.828m of the asset investment fund was removed from the programme. A table was provided to show how the Asset Investment Strategy funds have been allocated and their returns, showing differing rates of return and risk and providing a balanced and proportionate approach to investments.

The Service Manager - Finance reminded the Group of the additional assets acquired this year at Edwalton Business Units, which were reported in the 6 monthly update report to Governance Scrutiny Group. In addition, Cabinet at its meeting in February 2021 approved the MTFs, which included the Capital Programme and the return of the unallocated balance on the Asset Investment strategy (AIS).

In concluding, the Services Manager - Finance advised that all Council investments, whether treasury or commercial remain fluid. Adding that risks remain in both the treasury and property markets, and also in the Council's Capital Programme and the legacy of Covid-19 is still to be determined and failure to deliver additional income streams will increase the requirement to identify further efficiencies in the short to medium term.

Members asked specific questions in relation to the spread of investment funds and in particular how long they had been there, who decides where to invest,

and whether there was any financial risk to these investments. In addition, members wanted the assurance that the Council were investing in financial markets from an ethical point of view and requested a more detailed approach to reporting this information. The Service Manager - Finance explained, the Council's investment decisions are supported by external treasury advisors and in making investment decisions the Treasury team operate within the Council's Treasury Strategy boundaries. The Service Manager – Finance also reminded members that the main priority in making investment decisions is the security of the funds followed by liquidity then yield (SLY). Whilst the Strategy includes a commitment for the Council to not knowingly invest in certain markets, the Council must consider security as a priority and 'Green Investments', as they are still relatively new to the market, do not always have sufficient performance data.

Cllr Stockwood expressed that the Council has an excellent Treasury Management record and thanked officers for a positive report in light of the challenges the Council has faced. Members were also reminded that a Treasury Management training session is scheduled for 22 November 2021, which may provide the Group with some answers to their concerns.

The Chairman thanked officers for the overall performance reported and agreed with members that more transparency on where investments are being made would be helpful.

Members requested that more detail be provided when reporting in future and requested more consideration for greener investments.

It was **RESOLVED** that the Group agree the Capital and Investment Strategy Outturn 2020/21 report.

17 **Work Programme**

The Financial Services Manager presented the report that detailed the proposed Governance Scrutiny Group Work Programme for 2021/22.

Members of the Group requested that a more detailed Risk Management report be brought to the meeting on 3 February 202, to clarify some of the concerns highlighted at this meeting.

It was **RESOLVED** that:

25 November 2021

- Internal Audit Progress Report
- Annual Audit Report 2020/21
- Value for Money Statement
- Statement of Accounts
- Streetwise Annual Report
- Treasury Asset Investments – 6 month update
- Asset Management Plan
- Work Programme

3 February 2022

- Internal Audit Progress Report
- Internal Audit Strategy
- External Audit Annual Plan
- Annual Audit Letter
- Risk Management
- Treasury and Investment Strategy – update
- Work Programme

ACTIONS – 23 September 2021

Minute No.	Action	Officer Responsible
14	Members requested clarity on how risks are selected and reported to Governance Scrutiny Group	Service Manager - Corporate Services
15	Members requested that comparative figures from previous years reports be provided, so that members have something more substantive to measure the assessment against	Service Manager - Finance
15	The Chairman asked for confirmation on whether the £1.5m General Fund Reserve figure was a statutory requirement	Service Manager - Finance
16	Members asked for more information on the investment portfolios of the list of financial institutions provided in the reports	Service Manager - Finance

The meeting closed at 8.38 pm.

CHAIRMAN