

**MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 25 NOVEMBER 2021**

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

PRESENT:

Councillors D Viridi (Chairman), L Howitt, K Shaw, J Stockwood, R Butler,
D Mason, A Phillips, J Walker and G Williams

ALSO IN ATTENDANCE:

G Dulay – Senior Manager BDO

D Hoose – Mazars LLP

N Carter – Managing Director – Streetwise Environmental Ltd

OFFICERS IN ATTENDANCE:

P Linfield

Director of Finance and Corporate
Services

S Whittaker

Service Manager - Finance

Heald

Finance Business Partner

T Coop

Democratic Services Officer

APOLOGIES:

Councillors B Gray, R Adair, K Beardsall, L Healy and D Simms

18 Declarations of Interest

Councillor J Stockwood declared a non-pecuniary interest as a Bingham Town
Councillor for item 8. Streetwise Annual report.

19 Minutes of the meeting held on 23 September 2021

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

20 Actions from meeting held on 23 September 2021

The actions from the previous meeting held on 23 September 2021 were
noted.

21 Internal Audit Progress Report - September 2021

Mr Dulay from BDO the Councils internal auditors presented the Internal Audit
Progress Report, which reflected the progress made against the Annual
Internal Audit programme along with any significant recommendations in
respect of the audits completed during this period.

The report indicated the completion of three reports as follows:

- The Planning and S106 audit received a moderate rating for both Design and Operational Effectiveness – three medium level recommendations were made.
- The Main Financial Systems audit received a Substantial rating for both Design and Operational Effectiveness – no high or medium level recommendations were made.
- The Corporate Governance audit received a Moderate rating for both Design and Effectiveness - two medium level recommendations were made and management actions have been agreed.

Mr Dulay highlighted some concerns in respect of the Planning and S106 audit, which identified that the Council were failing to meet its target of 85% of householder applications completed within the statutory time limits. This appeared to be due to officer vacancies within the team and a focus on processing major applications. With regards to the S106 audit some developers had failed to notify the Council when S106 Agreement triggers had been met which led to delays in contributions being collected.

Mr Dulay continued highlighting some concerns in respect of Corporate Governance and the ongoing confirmation of Councillors declarations of interests, which had not been updated in the last 12 months. It was recognised however that this may have been affected by not having meetings in person due to the Covid pandemic where declarations of interest forms would have been completed. Councillor engagement in training was also highlighted as an area for concern especially with the regulatory committees such as Planning Committee and Licensing Committee.

Members made observations in relation to the delays in S106 agreements being fulfilled and whether there was a time limit of when funding should be spent. The Director – Finance and Corporate Services explained that there were now dedicated officers actively monitoring S106 agreements and triggers and highlighted that there had been some challenges associated with the larger schemes and Nottinghamshire County Council funding.

With regards to member training, members of the group suggested that a note be issued to Councillors to remind them of the legislative training required and in particular to those Councillors who support Planning Committee and Licensing Committee. The Director – Finance and Corporate Services explained that Councillors should receive an individual training log and that it was up to individuals to complete the training.

Members raised specific questions relating to the sector update within BDO's report provided in Appendix A that accompanied the officers report. The report highlights the emerging issues relevant to Local Authorities and in particular the predicted £3bn budget shortfall that a number of Councils could face. Mr Dulay explained that continued budget pressures and the mitigation of challenges does effect the audit planning process, adding that the audit plan for next year will be reported at the next Governance Scrutiny Group meeting

in February. The Director - Finance and Corporate Services reminded members of the Budget Workshops scheduled for next week and thanked those members who attended the Treasury Management Training on 22 November 2021.

It was **RESOLVED** that the Group note the final progress report for 2021/22 (Appendix A) prepared by the Council's Internal Auditor.

22 **Annual Audit Report 2020/21**

Mr Hoose from Mazars, the Council's External Auditors presented the Audit Completion Report and Management Representation Letter and reports to those charged with Governance the key conclusions in the audit process for 2021/22 and comments upon the Statement of Accounts and their quality.

Mr Hoose advised the Group that the audit was almost complete and that they were not aware of any matters that would require modification of their audit opinion. In respect of significant findings and the Council's judgement and risk there were no issues identified that need to be brought to the attention of members.

Mr Hoose advised the Group that management were advised of a matter brought to their attention by Nottinghamshire Pension Fund auditors in respect of the Council's pension scheme assets, and advised members that management had chosen not to amend the accounts on the grounds of a materiality.

It was noted that the external auditors were yet to complete work in respect of the Council's arrangements and Value for Money for the year ended 31 March 2021, but at the time of preparing this report the auditors had not identified any significant weakness in the Council's arrangements.

The Chairman questioned why 90% of local authorities failed to meet the deadlines and what were the other 10% doing in order to achieve this. Mr Hoose explained that the deadline does not affect the audit process and reminded members of the Redman review that focuses on audit quality not deadlines.

The Chairman also asked why there had been a significant increase in the audit fees. Mr Hoose explained that there had been some increases in the amount audit work, particularly around the Going Concern and property valuations and the drive for audit quality. The Director – Finance and Corporate Services added that it had been a challenging year with the increase in standard of audit and the pressures faced by the Council in respect of Covid and staff resources.

Members were reminded that a more detailed report on Value for Money, which will address some of the issues tailored to Rushcliffe will be reported at the Governance Scrutiny Group meeting in February 2022.

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

- a) The findings of Mazars Audit Completion Report
- b) The Management Representation Letter

23 **Statement of Accounts 2020/21**

The Service Manager - Finance delivered a summary to support the approval of the Statement of Accounts 2020/21, including the Annual Governance Statement, advising the Group that there had been some delay in submitting the Statement of Accounts for approval due to the outcome of the Pension Fund audit considered by the Council's external auditors.

The Service Manager - Finance explained that the closure of accounts process was complex for a second year due to the impact on resources as a result of Covid 19. The audit for this year was undertaken remotely and whilst this provided challenges on the Council's finances, the audit process had gone smoothly. It was noted that the deadline for the certification of the accounts has been extended again for the next two years due to the pandemic.

Members noted that there had been some additional testing requirements as a result of a change to the Code of Audit Practice, which is reflected in the proposed fee variation of approximately £19k.

Members were asked to consider a summary of salient points taken from the Statement of Accounts 2020/21.

Members questioned the clarity of the comparators in the previous year's statement of accounts and these were noted by officers.

Members asked specific questions relating to Section 106 funding, highlighting the positive outcomes at Bingham and Cotgrave. The Senior Property Surveyor added that the recent 10 lease by Heron Foods at Cotgrave is above what was expected and emphasised that the Council's commercial portfolio was doing well.

It was **RESOLVED** that the Statement of Accounts for 2020/21, including the Annual Governance Statement be approved by the Governance Scrutiny Group.

24 **Streetwise Annual Report**

The Managing Director – Streetwise Environmental Ltd, presented the annual report for Streetwise Enterprises Ltd and Streetwise Enterprises Trading Ltd, both companies wholly owned by Rushcliffe Borough Council.

The covering report explained that it had been agreed by Cabinet in January 2021 to simplify the reporting procedures and to make them more transparent. The companies will now report to an oversight board made up of three Cabinet members and three officers on a biannual basis and in addition, the annual report will be submitted to Governance Scrutiny Group for comment before being passed to Cabinet.

The Managing Director – Streetwise Environmental Ltd asked the Group to consider the companies' performance based on:

- Key performance indicators
- Ability to win contracts
- Ability to deliver against contracts awarded
- Financial standing
- Environmental credentials
- Appropriate governance measures being in place
- Response to Covid

The Managing Director advised the Group that the contract with Metropolitan Housing had ended in August 2021, however this loss had not affected the companies' ability to compete for contracts and had recently been awarded a 5-year contract to manage and maintain the Romans' Quarter development at Bingham. In addition, the Managing Director explained that it had been a challenging year with the ongoing disruptions due to Covid, staff have had to work more flexibly and for longer hours due to staff shortages and sickness.

On a positive note it was reported that the company had been successful in gaining a number of nationally recognised accreditations, including: UKAS accredited ISO9001 and ISO14001 (environmental Management); the Contractor' Health and Safety Assessment premium scheme (CHAS); Construction Line Gold standard; and the Considerate Constructors Scheme. These are all important validations to enable the company to win contracts.

The Managing Director in concluding explained that an annual three-year rolling business plan is produced and reviewed by the Streetwise Enterprises Ltd Board and reviewed and approved by the new Oversight Board. It was noted that Streetwise Environmental Ltd had good growth and profitability potential and is a viable going concern.

Members asked specific questions in respect of the governance arrangements and the two vacant positions on the Board and whether these vacancies could potentially affect the companies' ability to win new contracts. The Managing Director explained that new appointments were the decision for the Oversight Board and that these vacancies had not had a detrimental effect on the company winning new contracts.

Members questioned the social values of the company as outlined in the original Social Enterprise Company model and whether this was still a core value. The Managing Director admitted to underselling the social value and highlighted that this, along with the environment are important to the Streetwise brand, adding that the company works with social groups throughout the Borough providing examples at Cotgrave and West Bridgford Community Gardens.

Members asked specific questions regarding website enquiries and how much of these have been turned into sales and whether Covid has had any impact on the companies' ability to get work completed on time. The Managing Director advised the Group the majority of web enquiries were domestic related, such

as waste disposal and tree work and with schools and sports clubs being closed during lockdown the work generated from the web enquiries had a successful conversion rate.

The Group were encouraged by the companies' carbon reduction initiatives and felt this needed to be highlighted when bidding for future contracts.

It was **RESOLVED** that:

- a) The Group received and noted the annual report
- b) The Group provided questions to scrutinise and satisfy themselves that the companies were well run and financially sound
- c) The Group provide comment to Cabinet for Cabinet to consider at its meeting on 14 December 2021

25 **Capital and Investments - Mid-Year Review**

The Finance Business Partner presented the Capital and Investment Strategy Mid-Year report, which summarised the capital and investment activities of the Council for the period 1 April to 30 September 2021.

It was reported that the economy is recovering, UK unemployment fell to 4.6% in the three months to July 2021, the lowest level since June-August 2020. The current Bank of England base rate remains at 0.1% and according the Council's Treasury Advisors this is unlikely to change until June 2022. The consumer price inflation rate in the UK jumped to 3.2% in August 2021, the highest since March 2021 and above market forecasts of 2.9%. With the furlough scheme ending in September unemployment levels are expected to peak by the end of the year and with the rising cost pressures and the reversal of temporary tax cuts will cause inflation to rise.

The Finance Business Partner provided a summary of the Council's investment income, advising that interest receipts for the year are higher than estimated due to investing in higher interest earning funds coupled with delays in the capital programme and additional grant funding. It was noted that all investments were made in accordance with the Council's Capital and Investment Strategy.

It was reported that in order to maintain returns and mitigate risk, the Council continues to diversify its investment mix. Figures were provided to highlight the level of investment activity and the rates obtained in line with Link's (the Council's Treasury Advisors) approved counterparty list.

In terms of borrowing, the Finance Business Partner explained that the Council has established a range of Prudential Indicators to monitor both Treasury and Capital and details of the performance was provided at Appendix A of the report. The Finance Business Partner highlighted that the projected outturn is around £25m, resulting in an estimated underspend of £10m primarily due to re-phasing of the Bingham Hub (£2m), the Crematorium (£3m), Leisure Centre Schemes (£1m) and Support for Registered Housing Providers (£0.9m) and

advised that this position had been reported to both Cabinet and Corporate Overview Group.

The Service Manager – Finance provided an update on the Council's commercial investments and advised the Group that the Prudential Code is currently under review and the revised Code is expected to be published in December 2021.

The Service Manager – Finance explained that the Council minimises its exposure to risk by spreading investments across sectors and by avoiding single large-scale investments. Commercial investments are held for longer are held for a longer term, investments or sales decisions will normally be planned as part of the consideration of the 5 year capital strategy to maximise the potential return.

In concluding, the Group were advised that Treasury Management continues to be fraught with difficulty. The UK economy is recovering and interest rates remain low affecting the returns on investments and changes in the accounting codes will restrict what local authorities can do. The Service Manager – Finance assured members that officers would continue to be vigilant and report any significant issues to this Group.

Members complimented officers on the treasury performance, observing that as a local authority Rushcliffe was unusual in that it does not have some of the pressures that other authorities have and has not had the need to borrow.

Although performance is above target Members did observe this was due to the Council having more money to manage and invest and have therefore been able to benefit from higher returns. In respect of S106 funds, members asked whether the Council should be more proactive in getting the S106 money off the developers in a more timely manner so that developments receive the community benefits promised.

With regards to interest rates and financial return on investments, Mr Dulay from BDO the Council's internal auditors explained that local authorities were having to face a number of financial pressures including investing in social value and ethical investments, adding that the fund management officers were providing excellent examples in protecting the Council's investments.

It was **RESOLVED** that the Group notes the Capital and Investment Strategy up-date position as of 30 September 2021.

26 **Review of Investment Assets - 25 November 2021**

The Senior Property Surveyor presented the Review of Investment Assets report, which provided the Governance Scrutiny Group with an update on the performance of the commercial property estate. The objective of the asset review being to assess all of the Council's commercial property portfolio, how individual properties are performing and what the expectations are for the next 5 to 10 years in terms of income and costs.

The Senior Property Surveyor advised the Group that the portfolio consists of

mainly industrial with some office and retail units and provided the Group with the salient points as follows:

- No property has an average risk score higher than 4.75 (on a scale of 1-10)
- A proportion of properties have low maintenance costs over the next 10 years
- Some maintenance costs are high but generally this is for commercial estates rather than individual assets, with the exceptions of unit 1 Bardon, Unit 10 Moorbridge Road and the Point
- Properties requiring significant maintenance costs have seen reductions of between 8% and 22% to Net Rent values, but are still considered to provide a good annual return compared with their asset value
- Unit 1, Bardon is the only one of the recently purchased investment properties that is identified as a risk and all of the others are performing well, particularly the 2 units at Edwalton Business Park and the Co-op on Trent Boulevard.

The Senior Property Surveyor advised the Group that the situation with commercial property can change relatively quickly due to tenants leaving and unexpected maintenance costs. Through ongoing monitoring of the Council's assets this is not anticipated to cause any significant challenges over the coming months. The Senior Property Surveyor informed members that occupancy rates were high and the assets had coped very well during the Covid pandemic.

Overall members were satisfied with the review of the Council's Investment Assets and complimented the property team on such positive outcomes at Cotgrave and Edwalton.

Members raised their concerns in respect of Unit 1, Bardon, as this appeared a greater risk to the Council, and asked if there was a process in place regarding governance and risk and whether the Council had considered an exit strategy for disposal of such assets. The Director – Finance and Corporate Services explained that the property sector is a fluid environment, the Council's assets were under constant review and any issues or suggestions of disposal of an asset would be reported to Cabinet as the decision executive.

The Group were advised that a further update would be reported to Governance Scrutiny in 2 years time.

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

- a) Approved the review of the Council's commercial property portfolio with both the review and any scrutiny comments being reported to Cabinet
- b) Receive a bi-annual report on the Council's commercial property portfolio

27 **Work Programme**

The Director – Finance and Corporate Services presented the report that detailed the proposed Governance Scrutiny Group work Programme for 2021/22.

It was noted that the meeting on 19 May 2022, may have to be re-arranged to a later date in June 2022.

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

19 May 2022

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Governance Statement
- Constitution Update
- Work Programme

28 Actions - 25 November 2021

Actions – 25 November 2021

Minute No.	Action	Officer Responsible	Response
21	Members commented on the areas of concern relating to: a) Corporate governance - the percentage of Councillors who had not updated their declarations on interest (86%) and whether this figure could be confirmed as correct b) Planning S106 – the report identified that the Council were failing to meet the target of 85% of householder applications completed within the statutory time limit – members asked to be provided with the actual percentage received	Director – Finance and Corporate Services Mr G Dulay - BDO	Email sent to 24 January 2022 a) confirming the percentage had improved to 18%; b) (b) November 2021 the recorded performance reported to COG was 72.5%.
21	Members asked how the Council Tax Discounts were calculated and how often were they reviewed	Service Manager - Finance	Email sent 24 January 2022 Council tax

			discounts are calculated according to regulation and they are reviewed on a risk basis.
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The meeting closed at 9.15 pm.

CHAIRMAN

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