



## **SOUTH NORFOLK FINANCE, RESOURCE, AUDIT AND GOVERNANCE COMMITTEE**

**Minutes of a meeting of the South Norfolk Finance, Resource, Audit and Governance Committee of South Norfolk Council, held on Friday, 19 January 2024 at 9.32 am.**

**Committee Members Present:** Councillors: S Ridley (Chairman), M Dewsbury, T Graham, T Laidlaw, D Sacks, R Savage and J Webber

**Apologies for Absence:** Councillors: D Thompson (Vice-Chair) and N Fowler

**Substitute:** Councillors: J McCloskey (In place of N Fowler)

**Cabinet Member in Attendance:** Councillor: R Elliott

**Officers in Attendance:** T Holden (Managing Director), S Bizley (Director - Big Sky Developments Ltd), S Burrell (Development Director - Big Sky Developments Ltd), R Fincham (Assistant Director of Finance), C Lawrie (Assistant Director of ICT/Digital and Transformation), T Sharman (Head Of Internal Audit), J Brown (Finance Manager) and J Hammond (Democratic Services Officer)

### **349. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllr N Fowler (with Cllr J McCloskey substituting) and Cllr Thompson.

### **350. DECLARATIONS OF INTEREST**

No declarations of interest were received.

### **351. MINUTES**

One member queried whether Minute Item 343 needed to be expanded to provide a more accurate account of what had taken place. The Chairman believed that the minutes accurately reflected the meeting.

Following a vote by way of a show of hands, the minutes of the meeting held on 22 September 2023 were confirmed as a correct record.

### 352. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Members considered the report, which reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2022/23 during the period 11 July 2023 to 31 December 2023.

The Head of Internal Audit explained that since the last meeting one audit had been deferred and one audit had been changed, these were:

- Nutrient Neutrality  
Deferred to allow a joint audit with the other partner Councils, to be completed in 2024/25.
- Housing Strategy  
This was originally an audit of car parks, but this has been changed to Housing Strategy which was a deferred audit from 2022/23

Members noted that during the period of the report, 74 days of programmed work had been completed, which equated to 47% of the Internal Audit Plan for 2023/24.

Between 11 July 2023 to 31 December 2023 five internal audit reports had been finalised, two of these reports were outstanding from the 2022/2023, with a total of 30 recommendations raised and agreed by management:

- Homelessness and Home Options (Reasonable Assurance)
- Legal Services (Reasonable Assurance)
- Service Desk (Substantial Assurance)
- Procurement and Contract Management (Limited Assurance) – from the 2022/23 Internal Audit Plan
- Economic Development (Reasonable Assurance) – from the 2022/23 Internal Audit Plan

Discussion turned to the position statement on Project Management. The Head of Internal Audit advised that the position statement had been issued with seven actions and/or improvements suggested. In response to a query, the Head of Internal Audit explained that a position statement was designed to provide advice to a new service area which needed its processes embedding before a full audit could take place. The Assistant Director of ICT/Digital and Transformation confirmed that an audit of the service would be explored in future years.

Members attention was drawn to the Procurement and Contract Management audit which had received a limited assurance opinion. The 1 'Urgent' recommendation was noted, and members queried whether action had been taken to resolve this recommendation. The Assistant Director of Finance explained that the recommendation required officers to review all current contracts. He added that most contracts had already been reviewed and officers were tracking down the remaining contracts. In response to a query on timescales he assured members that officers were working to finalise the recommendation as fast as they could.

The Head of Internal Audit advised the Committee that across all completed

audits there were currently 35 outstanding recommendations, 3 of which were 'Urgent'. Members queried why there were so many recommendations outstanding why no new updates had been provided by the lead officers. The Assistant Director of Finance reminded members of the recent changes within the Internal Audit team, which had resulted in some delays in the progress of sourcing updates. He agreed to take members concerns back to CLT and ensure that updates would be included in the next report to the Committee. Regarding the number of recommendations, the Head of Internal Audit reassured member she was not concerned by the number of outstanding recommendations. She further explained the number of outstanding recommendations would not reach 0, as audit reports would continue to be finalised adding more recommendations to replace the resolved ones.

The Assistant Director of ICT/Digital and Transformation updated members on the progress in resolving the Disaster Recovery recommendations. She explained that 3 of the recommendations had been completed since the report was published. The recommendations would be resolved once the necessary evidence had been provided.

Moving to the Homelessness and Housing Options Executive Summary, several members raised concerns that a key finding was that there were 'more than 700 housing register applications waiting to be processed' the Managing Director sought information from the Housing Team and informed the Committee that 700 was the total number of people whose applications had been reviewed, banded and placed on the Housing Register. He further assured Members that all people currently on the Housing register were receiving support from the team.

After further discussion it was,

## **RESOLVED**

To

- Receive the final report on progress in relation to the completion of the Internal Audit Plan for 2023/24
- Note the position in relation to the completion of agreed internal audit recommendations as at 31 December 2023

### **353. STRATEGIC RISK REGISTER**

The Assistant Director of ICT/Digital and Transformation presented the report, which provided an overview of the current position of the Strategic Risk Register for South Norfolk Council.

The salient points of the report were outlined, with attention drawn to the changes in the status of risks and additions to the register, since the last update to the Committee.

Members noted that no new risks had been added onto the register.

Discussion turned to the three strategic risks which were proposed to be deescalated this quarter, these were:

- SNCM9 – The Council being unable to take advantage of the benefits and opportunities from collaborative working with Broadland District Council and other key partners through autonomous policy decision-making.
- SNCP1 – Nutrient Neutrality advice impacting all planning decisions for overnight accommodations.
- SNCP2 – The inability to find Gypsy and Traveller (G&T) sites to meet need and enable the Greater Norwich Local Plan (GNLP) to be found sound.

The Assistant Director of ICT/Digital and Transformation explained that these risks had been deescalated due to the mitigated risk scores being within the risk appetite of the Council.

The two risks with the highest risk score were:

- SNCP3 – Implications arising from the Government's Resources and Waste Strategy and Environment Act 2021
- SNCM12 – National Cyber Security Centre had advised of a heightened cyber threat for UK organisations due to the volatile situation in Ukraine and the potential for state-sponsored attacks on NATO members, which included the UK.

With regard to risk SNCM12, the Assistant Director of ICT/Digital and Transformation informed the Committee that a number of mitigation actions had been planned and that once implemented, the risk score should reduce, she further advised that delivery timescales had been amended to reflect the current position.

In response to a query on whether it was appropriate to deescalate the risk relating to Nutrient Neutrality given that Nutrient Neutrality was still a Country-wide issue. The Managing Director explained that due to the level of Government funding available and as the Council's joint venture company had been established and was in operation, CLT were confident that the risk posed by Nutrient Neutrality was within the Council's risk appetite at this time.

One member suggested that the format of the Strategic Risk Register be amended in order to reflect the rate of progress in reducing risk score quarter to quarter, as they felt that it would be more useful to the Committee than just the risk score at initial identification vs the current risk score. The Assistant Director of ICT/Digital and Transformation agreed to look into the suggestion further to see if it could be included in future reports to the Committee.

After further discussion it was unanimously,

## **RESOLVED**

To note the Strategic Risk Register update for the Council.

### 354. DRAFT STATEMENT OF ACCOUNTS 2022/23

Members considered the report of the Finance Manager which presented the Council's Draft Statement of Accounts for 2022/23, ahead of the approval of the Final Accounts following external audit.

The Finance Manager explained that the draft Statement of Accounts had been approved by the Assistant Director of Finance and published on the Council's website on 31 May 2023. They were also made available for inspection by the public. No enquiries to inspect the statement were received.

The salient points of the report were outlined to the Committee, these included:

- **Expenditure and Funding Analysis**

This showed how annual expenditure was used and funded (primarily from Government Grants, Council Tax and Business Rates) by the Council, in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also showed how expenditure was allocated for decision making purposes between the Council's directorates.

- **Comprehensive Income and Expenditure Statement**

Recorded all of the Income and Expenditure of the Council in line with generally accepted accounting practices and International Financial Reporting Standards.

This was prepared on an accruals basis, which meant that income and expenditure were shown in the year to which they related and not the year that the money was received or paid out. In response to a query, the Finance Manager explained that depreciation, accumulated short term absences and pension adjustments were also included within this statement.

One member queried whether a note could be added onto the Statement of Accounts regarding liability with 3<sup>rd</sup> parties. The Assistant Director of Finance advised that he would look into the suggestion and add a note where necessary.

- **Movement In Reserves Statement**

The Movement In Reserves Statement displayed the movement between the different reserves held by the Council. It showed the impact of the comprehensive Income and Expenditure Statement on the Council's reserves and how much expenditure had been funded by the local taxpayer.

Members attention was drawn to the key movement between the reserves, which were:

- The General Fund Balance had decreased by £0.3M to £1.1M
- The Earmarked Reserves increased by £0.1M to £39.1M

- The Council's Capital Receipts Reserve increased by £2.4M to £4.3M
- The Council's Unusable Reserves increased to £53.1M. This was primarily due to the Pension Fund deficit being decreased by £51.8M.

- **Balance Sheet**

The Balance Sheet summarised the Council's financial position as at 31 March. It also outlined the Council's assets offset by its liabilities.

The Finance Manager advised the Committee that for 2022/23 the Balance Sheet had increased by £55.4M, she explained that there were a number of reasons for the increase, however, it was primarily due to the reduction in the valuation of the pension liability, which was valued by the Norfolk Pension Fund Actuary.

- **Cashflow Statement**

The Cashflow Statement outlined the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

In 2022/23 the amount of cash and cash equivalents held by the Council decreased by £28.1M to £19.0M.

In response to a query regarding the Investing Activities, The Finance Manager explained that the purchase of PPE (Property, Plant and Equipment and intangible assets referred to the vehicles, machinery and office equipment purchased by the Council in order to provide its services.

- **Narrative Report**

The Narrative Report summarised the Council's performance over the year. It aimed to "bridge the gap" between what was reported as the budget and outturn position versus the financial position shown in the accounts.

With regard to the external audit of the accounts, the Assistant Director of Finance advised that, at present, there was no proposed start date for the audit of the 2021/22 or 2022/23 accounts. However, the value for money audit work was in progress.

After further in-depth discussion it was,

## **RESOLVED**

To note the Council's Draft Statement of Accounts 2022/23, ahead of the approval of the Final Accounts following external audit.

### **355. FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The Committee considered each item within the Work Programme.

*The Committee adjourned at 10.50am and reconvened at 11.00am, when all the Committee members listed above were present.*

### **356. EXCLUSION OF THE PRESS AND PUBLIC**

It was,

#### **RESOLVED**

To exclude the public and press from the meeting under Section 100A of the Local Government Act 1972 for the following items of business on the ground that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act (as amended).

### **357. FUNDING COMMITMENT FOR THE BIG SKY BUSINESS PLAN**

The Development Director and Managing Director presented the Big Sky Group Business Plan and proposed funding commitment, where they advised the Committee of the following:

- The governance structure of the Big Sky Group
- A summary of the key priorities within the plan
- The budgets for Big Sky Property Management Ltd and Big Sky Developments Ltd, including projected profits of losses.
- Housing delivery for 2020 to 2030
- Funding requirements
- Equity and loan position

The Assistant Director of Finance outlined the role of South Norfolk Council as the Shareholder and Lender for Big Sky Group, which included the main responsibilities:

- Agreeing the level of resources invested in the company, and the terms of these investments.
- Ensuring its investments comply with its key Investment Principles of Security, Liquidity and Yield

He then advised members of the implications the business plan and funding requirements had on South Norfolk Council as well as the potential risk and return of the three types of investment made to the Big Sky Group, which were:

- Equity Shareholding in Big Sky Ventures Ltd
- Loans to Big Sky Property Management Ltd
- Loans to Big Sky Development Ltd

Following an in-depth discussion on the financial implications of the proposed funding commitment alongside questions relating to Nutrient Neutrality mitigation and the risks surrounding inflation, housing markets and the construction industry, it was,

#### **RESOLVED**

**TO RECOMMEND TO COUNCIL the approval of the proposed funding**

commitment for the Big Sky Business Plan.

(The meeting concluded at 12.10 pm)

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Chairman