OVERVIEW AND SCRUTINY COMMITTEE

Meeting held on Thursday, 12th September, 2024 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr Halleh Koohestani (Chairman)
Cllr Nadia Martin (Vice-Chairman)
Cllr S. Trussler (Vice-Chairman)

Cllr Leola Card
Cllr A.H. Crawford
Cllr P.J. Cullum
Cllr Thomas Day
Cllr C.P. Grattan
Cllr G.B. Lyon
Cllr Bill O'Donovan
Cllr M.J. Tennant

11. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 1st August, 2024 were agreed as a correct record, subject to the following amendment at paragraph two on page 7 of the report;

AGREED – that the Cabinet be informed that the Committee considered grounds maintenance (i.e. weeding, grass cutting etc.) an important service for residents.

In relation to the meeting held on 13 June 2024, a number of issues were raised for clarity, these were as set out below:

- At the meeting, it was noted that Cllr Tennant had emphasised the importance of the CIPFA report being considered by the Committee. He asked that it was made clear if the Council was indeed bankrupt or not. In response to the comment, Mr Harrison advised that the Council was not bankrupt and that a meeting would be scheduled for the CIPFA report to be presented to the Committee for scrutiny.

- At the meeting, Cllr Trussler had requested to raise further questions outside of the meeting relating to the item on the Housing and Homelessness Prevention Strategy, due to time restrictions on the evening. These questions had been raised via email and shared with relevant officers for response.

- The membership of the Committee's Progress Group had been recorded incorrectly in the minutes. It was noted that the membership should include Cllr Nadia Martin and not Cllr C.P. Grattan.

12. **FINANCIAL MATTERS - CIPFA REPORT**

The Chairman welcomed Simon Allsop, Managing Consultant – Financial Management, at the Chartered Institute of Public Finance and Accountancy (CIPFA), who was in attendance to provide an independent overview of the CIPFA Financial Resilience Review of the Council, published in June 2024. The Council's Executive Head of Finance, Peter Vickers, was also in attendance.

It was advised that the Leader of the Council had been invited to the meeting but had been unable to attend. However, should Members have any questions, for him specifically, it was requested that these were made in writing via email to the Leader for him to respond to accordingly. It was also noted that he would be happy to attend a future meeting to address the Committee and update in regard to the Council's progress in delivering it's Financial Recovery Plan .

It was noted that the Council had commissioned CIPFA to undertake a review of its financial position and proposed response, as a result of concerns over emerging potential financial issues as set out in the General Fund Budget 2024-25 and the Medium Term Financial Strategy (MTFS) 2024-25 to 2027-28 and advice from the Department of Levelling Up, Housing and Communities (DLUHC), that their focus had been on Councils that had or were unlikely to set a balanced budget in 2024/25 and were therefore currently not eligible for Exceptional Financial Support (EFS). The review had taken account of:

- Financial Management and Sustainability – an assessment of the Council's financial management and management risk, financial pressures, deliverability of savings plans and services and, any potential capital flexibilities

- Debt/Commercial Assets – an assessment of the Council's assets and investments taking account of commercial income, debt costs and other risks

- Capital Programme/Companies – an assessment of the Council's capital programme and management of related risk including the two Council owned companies, Rushmoor Homes Limited (RHL) and Rushmoor Development Partnership (RDP)

- Governance and Culture – an assessment of the Council's governance arrangements, leadership, operational culture and whether there had been appropriate governance procedures in place with the capability and capacity to make necessary transformation

The Report also set out improvement proposals and recommendations.

The Committee discussed the report and raised a number of issues, these included:

- Disposal of assets – clarity was requested on the disposal on assets that generated revenue, it was noted that should the Council ever be considered for EFS or were looking to avoid a S114 notice, all assets would need to be considered for disposal on their individual merits

- Implementation of a “golden triangle” – It was advised that a “golden triangle” referred to the three statutory officer roles within a local authority (Head of Paid Service, Monitoring Officer and S151 Officer). The CIPFA Report indicated that having the S151 Officer reporting to the Monitoring Officer and not directly to the Head of Paid Service potentially weakened governance and independence. It was advised that the implementation of a “golden triangle” was a matter for the Head of Paid Service who should also consider the governance structure when making any changes. It was noted that a recommendation had been made as part of the Peer Review to carry out a review of governance arrangements in the round, and this could be considered as part of that review which was currently being implemented, with an expectation of findings within 6-8 weeks.

- A request for more regular reporting (from quarterly to monthly) on the financial position and in a format that was understandable to all Members - It was advised that plans were in progress to improve on reporting, to allow for more frequent updates to Members, this would help to ensure decisions were made in a timely manner and in a format that increased understanding. It was suggested that executive summaries were helpful, and a better understanding of the implications (a financial impacts paper) could assist Members to make informed decisions in line with the urgency of the matter.

- Financial Recovery Working Group – it was advised that the working arrangements of the Group were currently being considered, these included the ability to hold both informal and formal discussions, private sessions to address matters in a timely manner and urgent engagement with an independent advisor to act as a critical friend and provide challenge through the process. The Committee felt that the urgency of the working arrangements for the Group were not in line with the current financial position and the process needed to be accelerated to meet the need.

- The use of capital receipts for revenue – it was noted that the Government had granted the ability to use capital receipts to bridge the gaps in service provision and to address debt pressures.

- Risk – it was advised that the most uncertain area was property. Mapping was being undertaken on each asset to better understand the risk implications for each property.

- Vacancy costs – it had been reported that £1.23 million of vacancy costs had been budgeted for in the July 2024 budget plan. It was advised that the majority of this budget was used to engage interim agency staff when permanent staff could not be recruited and the only way to realise a saving from this fund would be to not engage agency/interim staff.

- Short term interest rate changes – in response to a query relating to response time to react to interest rate changes, it was advised that interest rates were monitored daily and reacted to accordingly when refinancing the Council’s

current debt profile, at present all refinancing was being undertaken short term (around one year) the Executive Head of Finance confirmed that the current MTFS assumed a medium term rate of interest at 4.1% and that once rates could be achieved at or around that level, then the Council would seek to secure some refinancing over a longer period.

- Risk Management – it was acknowledged that work needed to be done on how risk was managed, mitigation actions and how key risks were identified and monitored. It was noted that prioritisation of risk should be considered and that work to review the approach to risk was underway.

- Treasury Management – it was advised that a strategy had been developed to move funds when interest rates were more favourable. At present no funds would be fixed longer term until more sustainable interest rates (3.1% as set out in the recovery plan – revised up to 4.1% in the July Report to Council) were realised.

The Committee **ENDORSED** the recommendations as set out in the CIPFA report and recommended that all should be adopted without any undue delay. In addition, the Committee further recommended that:

- The work of the Financial Recovery Working Group be accelerated to reflect the urgency of the financial position facing the Council.
- Pre-scrutiny was used to consider any future governance matters in a timely manner to avoid any further delays in improving the process of governance.
- Serious consideration be given to appointing an independent person (possibly from CIPFA or similar independent public financial body) to the Financial Recovery Working Group to provide external independence and challenge.

The Committee also requested information on best practice, where councils in a similar situation had acted quickly and started to address their financial positions positively. In addition, examples of financial papers written in plain English were requested. Mr Allsop agreed to share this information.

The Chairman thanked Mr Allsop and Mr Vickers for their time and contribution to the meeting.

13. **WORK PLAN**

The Chairman deferred discussion on the Work Plan to the next meeting of the Committee on 19 September, 2024.

The meeting closed at 9.14 pm.

CLLR HALLEH KOOHESTANI (CHAIRMAN)
