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Rushcliffe
Borough Council

Our reference:

Your reference:

Date: 25 January 2022

To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held on Thursday, 3 February 2022 at 7.00 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West Bridgford to consider the following items of business.

This meeting will be accessible and open to the public via the live stream on YouTube and viewed via the link: <https://www.youtube.com/user/RushcliffeBC> Please be aware that until the meeting starts the live stream video will not be showing on the home page. For this reason, please keep refreshing the home page until you see the video appear.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Sull'.

Sanjit Sull
Monitoring Officer

AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minutes of the meeting held on 25 November 2021 (Pages 1 - 10)
4. Internal Audit Progress Report - February 2022 (Pages 11 - 28)
5. Internal Audit Strategy (Pages 29 - 62)
6. Capital and Investment Strategy - Feb 2022 (Pages 63 - 94)
7. Risk Management - 3 February 2022 (Pages 95 - 110)
8. Work Programme (Pages 111 - 112)

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Opening hours:

**Monday, Tuesday and
Thursday**

8.30am - 5pm

Wednesday
9.30am - 5pm

Friday
8.30am - 4.30pm

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Membership

Chairman: Councillor D Viridi

Vice-Chairman: Councillor B Gray

Councillors: R Adair, K Beardsall, L Healy, L Howitt, K Shaw, D Simms and J Stockwood

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Toilets: are located to the rear of the building near the lift and stairs to the first floor.

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Microphones: When you are invited to speak please press the button on your microphone, a red light will appear on the stem. Please ensure that you switch this off after you have spoken.

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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

DRAFT



Governance Scrutiny Group

Thursday, 3 February 2022

Internal Audit Progress Report - February 2022

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. The attached report has been prepared by the Council's internal auditors BDO. It reflects the progress made against the annual Internal Audit programme along with any significant recommendations with regard to the audits completed during this period.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes the progress report for 2021/22 (**Appendix A**) prepared by the Council's Internal Auditor.

3. Reasons for Recommendation

To conform to best practice and Public Sector Internal Audit Standards and give assurance to the Governance Scrutiny Group regarding the Council's internal control environment.

4. Supporting Information

- 4.1. The Internal Audit Plan for 2021/22 was approved by the Governance Scrutiny Group at its meeting on 4 February 2021 and includes 10 planned reviews.
- 4.2. The attached report highlights the completion and issuing of two reports from the 2021/22 Internal Audit Annual Plan. In terms of findings:
 - The Business Continuity audit received a moderate rating for Design Opinion and a substantial rating for Design Effectiveness – one medium and one low level recommendations were made, and management actions have been agreed. This is one of the rare occasions the Council's Senior Management disagrees with the rating on 'design opinion' given the excellent way the Council has performed during both instances of flooding and the pandemic and given there is only one medium risk (which the Council believes is arguably a low risk). It is also noted a moderate rating is not a cause for concern.

- The Housing Benefit audit received a Substantial rating for both Design Opinion and Design Effectiveness with no high or medium level recommendations being made.

4.3. The audit plan is progressing well and is anticipated to be completed on target.

5. Risks and Uncertainties

5.1. If recommendations are not acted upon there is a risk internal controls are weakened and the risk materialises.

6. Implications

6.1. Financial Implications

There are no direct financial implications to the report. Indirectly a better internal control environment suggests risk has reduced and can result in a reduced audit workload and therefore cost.

6.2. Legal Implications

The recommendation supports good risk management.

6.3. Equalities Implications

There are no equalities implications identified for this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no such implications.

7. Link to Corporate Priorities

Quality of Life	
Efficient Services	Undertaking a programme of internal audit ensures that proper and efficient services are delivered by the Council.
Sustainable Growth	
The Environment	

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group notes the progress report for 2021/22 (**Appendix A**) prepared by the Council's Internal Auditor.

For more information contact:	Peter Linfield Director of Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Internal Audit Plan 2021/22 Governance Scrutiny Group 4 February 2021
List of appendices:	Appendix A - Internal Audit Progress Report – BDO

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**INTERNAL AUDIT
PROGRESS REPORT**

Rushcliffe Borough Council

2021/22 - February

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SUMMARY OF 2021/22 - FEBRUARY

INTERNAL AUDIT

This report is intended to inform the Governance Scrutiny Group of progress made against the 2021/22 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.



INTERNAL AUDIT METHODOLOGY

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

2021/2022 INTERNAL AUDIT PLAN

Three audits have been completed and we are pleased to present the following reports to this Governance Scrutiny Group:

- Housing Benefits
- Business Continuity & Disaster Recovery.

Fieldwork is underway or is due to begin on the final four audits which we hope to present at the next Governance Scrutiny Group:

- GDPR
- Contract Management and Procurement
- Homelessness and Temporary Accommodation
- Health and Safety.

AMENDMENTS TO 2021/2022 INTERNAL AUDIT PLAN

Following discussions with Officers we have agreed to move Hybrid Mail Project Review to 2022/23. This is due to the procurement exercise for the Hybrid Mail services currently being undertaken with a review more beneficial once this has been concluded. As a result, we have brought forward Health and Safety from 2022/23 in order to replace the Hybrid Mail audit.

2022-2023 AND 2022-2025 AUDIT PLAN

We have provided separately our draft internal audit plan for 2022-23 and also covering the next three years to 2025 for discussion and approval.

REVIEW OF 2021/22 - FEBRUARY

AUDIT	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Fraud Report	June 2021	✓	✓	✓	N/A	N/A
Main Financial Systems	November 2021	✓	✓	✓	●	●
Planning & s106	November 2021	✓	✓	✓	●	●
Corporate Governance	November 2021	✓	✓	✓	●	●
Business Continuity & Disaster Recovery	February 2021	✓	✓	✓	●	●
Housing Benefits	February 2021	✓	✓	✓	●	●
Hybrid Mail Project Review (Moved to 2022/23)	N/A					
GDPR	June 2022	✓				
Contract Management & Procurement	June 2022	✓				
Homelessness & Temporary Accommodation	June 2022	✓				
Health and Safety (brought forward from 2022/23)	June 2022	✓				



HOUSING BENEFITS



SCOPE

AREAS REVIEWED

- ▶ Review of a sample of new claims processed to confirm the completeness and validity of the information provided by claimants
- ▶ Review of a sample of changes in circumstances to ensure there is sufficient documentation in place to support the change, and that changes can only be made by staff with appropriate authority
- ▶ Review of the process for recording, monitoring and reporting process times, including weekly reports by the Benefits Manager and quarterly reporting of KPIs to the Performance Clinic
- ▶ Review of the frequency and completeness of the sample checking process, ensuring that checks are evidenced and action is taken to rectify identified issues
- ▶ Review of the controls that ensure that housing benefits are cancelled in a timely manner where the Council are identified by the DWP of individuals who are receiving universal credit
- ▶ Review of a sample of overpayments to ensure that the debt recovery process is consistent, timely and robust
- ▶ Review of a sample of write-offs to ensure the debt recovery process has been exhausted, there is supporting reasoning, and appropriate approval has been gained.



AREAS OF STRENGTH

- ▶ The Council has policies and procedure notes in place to guide the administration of Housing Benefits. There are a wide range of procedure notes available, from outlining the processes for rent increases, to universal credit termination. The Capita system is used to record all information related to claim processing and the Northgate system to support document storage and workflow management
- ▶ The claim assessors verify claimant information by cross checking through the Searchlight, WURTI (Wider Use of Real Time Information), VEP (Verifying earnings and pensions) and ATLAS (Automated transfers to local authority systems) systems
- ▶ Accuracy checks are performed regularly to ensure that claims are processed correctly. New joiners have 100% of assessed claims accuracy checked. In some instances, assessors are allotted a specific selection of claims that they have dealt with over a long period of time. The Council's target time to process new claim applications is 14 days. Currently, the average time to process new claim applications is 12.88 days
- ▶ The Housing Benefits manager runs performance reports through Microsoft Access on a weekly and quarterly basis. The reports measure performance related to the average time to process new claim, average time to process claim amendments and the percentage of cases for which the claim amount was calculated correctly by the assessor. Any deviation in the KPIs from target are investigated by the Benefits Manager and discussed with the team leaders when it is necessary. The Benefits Manager also runs reports to check the performance of individual assessors on a monthly basis which are discussed with the assessors as required. The Council also produces a " Performance Indicators - Strategic and Operational Scorecard " where the performance figures of several financial KPI's are collated and an additional report that outlines the quarterly position in terms of financial and performance monitoring which are both reported to the Council's Financial Services Manager who includes the information in Governance Reports presented at quarterly Corporate Overview Group meetings
- ▶ To prevent duplicate payment of housing benefits, the Benefits Manager and/or team Leader proactively carry out a review of current housing benefit claims that are high risk. Information is also received from the Department for Work and Pensions (DWP) on high risk claims through the Housing Benefit Matching Service (HBMS) on a monthly basis. If the claim is amended or stopped, letters are sent to the claimant informing them of the change and all actions are catalogued in Capita


▶ The Overpayments Officer runs weekly reports for overpayments that are at various stages of the recovery process and discusses the outliers with the Benefits Manager to determine next steps and actions that need to be taken. Most of the processes for overpayments are set up and automatically run in Capita, however, some require initiation by the Overpayments Officer. The Benefits Manager independently runs monthly reports on overpayments and discusses these reports with the Overpayments Officer as necessary.


**AREAS OF
CONCERN**

▶ No findings were identified

BUSINESS CONTINUITY & DISASTER RECOVERY


Design Opinion	● Substantial	Design Effectiveness	● Moderate
Recommendations	0 1 1		



SCOPE


AREAS REVIEWED

- ▶ Review of the Council-wide Business Continuity Plan to confirm arrangements for Disaster Recovery and arrangements for responding to major incidents are in place and how this has been communicated to all staff
- ▶ Review of whether a Business Continuity review process (or similar) has been established to review Business Continuity arrangements within the Council, ensuring consistency of process and sharing best practices
- ▶ Review of individual Business Continuity Plans at Directorate and Business level, and their link to the Council's overall Business Continuity Plan
- ▶ Review of whether the Business Continuity Plans have been tested in a simulated environment and the results have been analysed in order to identify weaknesses in the process and ensure lessons are learned and improvements made
- ▶ Review of the storage arrangements for the Plan to confirm it is adequate and secure
- ▶ Review of Business Impact Assessments
- ▶ Review of roles and responsibilities in relation to Business Continuity and whether they have been clearly documented within job descriptions.



AREAS OF STRENGTH

- ▶ The Plan outlines the key processes for business continuity, from training and exercises, to activation and incident management. This includes the identification of critical functions in the Council and their requirements for a minimum number of staff and IT systems; an agenda for a first meeting following an incident; and an action checklist for a loss of premise incident
- ▶ The IT Plan contains the processes required to enable the Council to recover IT services where a loss of computer equipment has taken place, and disaster recovery in relation to the loss or denial of access to systems. These services are provided by an external company, Adam Continuity Limited. One such provision is for an annual test of the disaster recovery arrangements
- ▶ Individuals across the Council have been clearly identified for coordinating the response in both the Plan and business continuity management strategy, from the Chief Executive and Executive Management Team, and other service managers. The roles and responsibilities of these individuals have been detailed extensively within the Plan to ensure there is appropriate oversight and knowledge. In addition, the responsibility has been clearly documented within the job descriptions of executive managers
- ▶ The storage location and access controls of the Plan are adequate and secure. Electronic copies of the Plan are accessed by the Executive Management team, Service Managers and Lead Specialists through a restricted folder on the Council's Y drive. Copies of the Plans are also stored externally on Resilience Direct which is password protected to ensure that only relevant staff have access.



AREAS OF CONCERN

- ▶ Business Impact Assessments were not completed accurately for 4/7 forms reviewed, with inconsistencies identified in guidance documents, templates and a sample of completed assessments

SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publication and emerging issues relevant to Local Authorities that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers, directors and members.

Over two thirds of councils set to raise council tax by maximum

Research has suggested that more than two thirds of councils are considering raising council tax by the maximum amount permitted without having to hold a referendum. Analysis of the plans of 50 councils reveals that 68% are considering raising their council tax to the maximum amount permitted without a referendum. For upper and single tier authorities, this is a 2.99% increase, including the 1% social care precept and 1.99% for general council tax. District councils may choose the greater of a 1.99% or £5 rise.

Analysis indicates that nine of the first 10 county councils for which information is available are set to raise council tax by the maximum level in 2022-23, with 86% of the unitary councils proposing to do the same. All the eight metropolitan districts that have announced their plans are proposing to raise council tax over the next financial year, but only three-quarters of them are proposing a maximum rise.

Of the 12 district councils whose plans were available, all but one has proposed raising council tax next financial year, most by something approaching the maximum. Only one of the district councils analysed has proposed to freeze council tax for the next financial year - Mansfield DC. Among councils proposing a maximum rise in council tax is Nottingham City Council, which declared a Section 114 notice last month.

In the October 2021 spending review, the government reduced the amount councils are permitted to raise the social care precept by without a referendum from 3% to 1%. Seven of the 39 top-tier councils which have published information are planning council tax rises under the maximum threshold allowed. Telford & Wrekin Council which has pledged to freeze general council tax rises for both the 2022-23 financial year and 2023-24 and will rely on raising the social care precept only.

Among those raising council tax by the maximum, several will see a 3% rise in the social care precept, having deferred the 2% rise permitted for the 2021-22 financial year to 2022-23. They include Bournemouth, Christchurch & Poole Council which has proposed to raise general council tax by the maximum allowed alongside a 3% increase in the social care precept, amounting to a 4.99% rise in total.

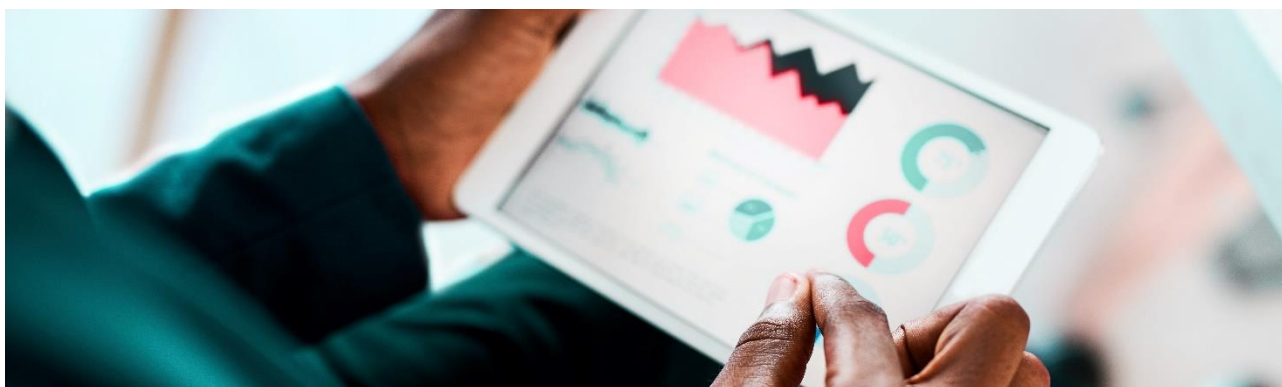
Over two thirds of councils set to raise council tax by maximum | Local Government Chronicle (LGC) ([lgcplus.com](https://www.localgovernmentchronicle.com))

Damning report into Sandwell council and full details of a variety of failings

A report issued by auditors Grant Thorntons, highlights a variety of governance failings at Sandwell Council. The report has described a "breakdown in trust, respect and confidence" between officers and senior elected members, and the council itself as "insular and siloed".

The 'Value for Money Governance Review', issued by Grant Thornton, an external auditor, undertakes annual reviews of local authorities effectiveness in using resources and its economic practice. Officialised on December 3, but only released yesterday, the report into Sandwell council's governance highlighted:

Deteriorating senior officer and senior member relationships over a number of years. An absence of intervention and decision making. A lack of clear contract management responsibility. Lessons "not being learnt" over failures to take ownership over incidents, such as the leakage of the Wragge Report. A lack of "corporate grip" to provide a clear vision for Sandwell council.



The report noted the amount of time spent investigating internal allegations and complaints is so great, it has "negatively impacted" on the council's ability to improve its public services. They also noted incidents such as the sale of Providence Place at a loss of £22 million to the Sandwell taxpayer, the fallout of SEND contracts, the underperformance of waste services with SERCO, and a near potential legal action from festival promoters over the cancellation of MADE festival, has negatively affected the council's reputation.

They concluded without the "green shoots" and changes made by the interim chief executive, Kim Bromley-Derry, and the new senior leadership team, intervention by national government "may have been necessary". Cllr Kerrie Carmichael (Lab, Blackheath), who is leader of Sandwell council said: "I welcome this detailed and thorough review of our governance arrangements. The cabinet and I recognise that, while the auditors are satisfied that government intervention is not necessary, we must build on the improvements put in place by the new leadership team. We have demonstrated the progress that has already been made and, as the report recognises, we are already seeing green shoots in key areas. We have been given a number of statutory and key recommendations as part of this governance review and these will form the basis for an action plan detailing the improvements we must make as an organisation. The report recognises there is a consensus that senior officers and members are in a stronger, more effective and constructive position than in the recent past. We will be relentless in focusing on improvements and will use this report as a baseline for the council's future transformation. My absolute priority going forward will be embedding sustainable, robust processes and improvements that the council can continue to build on in the months and years to come."

[Damning report into Sandwell council and full details of a variety of failings | Birmingham Live - Birmingham news, features, information and sport \(birminghammail.co.uk\)](#)

Council tax collection inquiry launched by HCLG Committee

The Housing, Communities and Local Government (HCLG) Committee has today launched an inquiry into council tax collection in England, examining the practices employed by local authorities to collect council tax arrears.

The inquiry will also look at other issues including whether there should be changes to the legislation on the recovery of council tax arrears, and how local authority council tax support schemes affect council tax collection rates.

Clive Betts, Chair of the Housing, Communities and Local Government Committee, said:

"Council tax arrears is the most common debt problem which people approach Citizens Advice about. Covid-19 has also inevitably had a major impact on many household incomes with some residents suffering financial hardship, leaving them to fall behind on their council tax payments.

In our inquiry, we are keen to understand about how councils differ in their approaches to council tax arrears, the support available to those who fall into council tax debt, and whether there needs to be changes to the law on the recovery of council tax arrears. We are also keen to examine how different council tax support schemes affect council tax collection."

The HCLG Committee's inquiry comes in the wake of the impact of COVID-19 on council tax arrears. In January 2021, Citizen's Advice estimated over 3.5 million people were behind on their council tax, and that 51% of those weren't behind before the pandemic. Government figures indicate that at end of March 2021, the total amount of Council Tax outstanding amounted to £4.4 billion.

The Government has provided support for those receiving council tax support through the hardship fund worth £500 million, most of which would go to people needing council tax relief. In May 2021 a 60-day breathing space for individual debts, including for council tax, was introduced.

In August 2021 the Government published best practice guidance for local authorities on council tax collection. The Committee's call for evidence is issued ahead of a short series of public evidence hearings which are likely to begin in early 2022.

Council tax collection - inquiry terms of reference

The Committee welcomes evidence submissions on the terms of reference outlined below. The closing date for submissions is 14 January 2022.

In particular, the inquiry seeks answers to the following questions:

- Do there need to be changes in the practice employed by local authorities to collect council tax arrears?
- What examples are there of local authority best practice in respect of council tax arrears collection - and what has the impact of this practice been?
- What is your assessment of the August 2021 government guidance on best practice for council tax collection?
- Do there need to be changes to the legislation on the recovery of council tax arrears?
- How do the different schemes of local authority council tax support affect council tax collection rates?

[Council tax collection inquiry launched by HCLG | Department for Levelling Up, Housing and Communities \(gov.co.uk/government\)](#)

£316 million government funding boost to tackle homelessness

Tens of thousands of people will be protected from homelessness as a result of a £316 million funding boost, announced by the Department for Levelling Up, Housing and Communities today (21 December 2021).

The government's Homelessness Prevention Grant will support households in England who are homeless or at risk of losing their home. Councils will use the funding to help them find a new home, access support for unexpected evictions and secure temporary accommodation where needed.

The funding includes an additional £5.8 million to support people forced into homelessness by domestic abuse. This follows the landmark Domestic Abuse Act, which ensures councils give people who find themselves in this situation a "priority need" for assistance.

Funding will be allocated to all councils responsible for housing in England based on local homelessness need in individual areas.

This underlines the government's commitment to ensure people at risk of becoming homeless, across the country, get help more quickly. Since the Homelessness Reduction Act came into force in 2018, over 400,000 households have been successfully prevented from losing their homes or supported into settled accommodation, with rough sleeping levels falling 37% between 2019 and 2020.

The Homelessness Prevention Grant, available for 2022/23, is on top of the recently-announced £66 million to provide rough sleepers with safe and warm accommodation and drug and alcohol treatment services this winter, and £65 million support package for vulnerable renters struggling due to the impact of the pandemic. Overall, the government is investing £2 billion over the next three years to tackle homelessness and rough sleeping.

Government has also announced a £28 million funding boost to help rough sleepers get their COVID-19 vaccines and move into safe accommodation. The Protect and Vaccinate scheme will help to increase vaccine uptake among people who are homeless and sleeping rough, by supporting outreach work in shelters to educate people about the dangers of the virus, giving money to councils to provide safe and secure accommodation while their level of vaccination is increased and delivering mobile vaccinations.

£316 million government funding boost to tackle homelessness | Department for Levelling Up, Housing and Communities ([gov.co.uk/government](https://www.gov.uk/government))





PERFORMANCE OF INTERNAL AUDIT

From the four most recent surveys the feedback is almost unanimously positive. The average overall audit experience is 4.25 out of 5 with all officers recommending BDO.

Audit Name	Was the Terms of Reference aligned to strategic/departmental risks?	Was the timeline of events through to reporting agreed and clearly explained?	How would you rate our understanding of your business through our input in conversations and correspondence?	How would you rate communication with regards to the progress of the audit and, if applicable, any significant issues identified?	How would you rate the closedown meeting in terms of discussing and agreeing findings?	How would you rate the audits contribution to delivering added value and insightful experiences?	Was the final report clear and concise?	Was agreement with all key stakeholders obtained prior to final distribution?	Where recommendations were made, were they constructive and practical?	Did our work add value?	How would you rate the overall audit experience?	Would you recommend BDO to others
Benefits Audit	Strongly agree	Strongly agree	4	5 (exceptional)	5 (exceptional)	5 (exceptional)	Strongly agree	Strongly agree	Strongly agree	Agree	5 (exceptional)	Yes
Planning and s106 Audit Report	Agree	Agree	4	4	4	4	Agree	Agree	Agree	Agree	4	Yes
Corporate Governance	Strongly agree	Strongly agree	4	4	4	4	Strongly agree	Strongly agree	Agree	Agree	4	Yes
Main financial systems	Agree	Agree	4	4	4	4	Agree	Agree	Agree	Agree	4	Yes

APPENDIX I - DEFINITIONS

OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally, a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non-compliance with some controls that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

FOR MORE INFORMATION:

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Governance Scrutiny Group

Thursday, 3 February 2022

Year Three – Internal Audit Strategy 2022-2025

Report of the Director - Finance and Corporate Services

1. Purpose of report

- 1.1. On 6 February 2020, the Council's internal audit team from BDO presented a three-year Internal Audit Strategy. This was subsequently approved by the Governance Scrutiny Group.
- 1.2. This report focuses on the planned audits due to take place in Year Three of the Strategy, during 2022/23. This is included at Appendix A for consideration. A small number of changes have been made to the Year Three plan to respond to evolving situations and amended risks.
- 1.3. A member of the BDO internal audit team will attend the meeting to present the report and answer any questions the Group may have.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group review and approve:

(a) the Internal Audit Strategy and Plan 2022-2025:

(b) including the Internal Audit Charter, Appendix 1 of the Internal Audit Strategy and Plan.

3. Reasons for Recommendation

- 3.1. To conform with best practice and Public Sector Internal Audit Standards; and give assurance to the Governance Scrutiny Group regarding the Council's internal control environment.

4. Supporting Information

- 4.1. The Council's internal auditors, BDO, compiled an Audit Strategy for the 2020 to 2023 period. The strategy was agreed by the Governance Scrutiny Group in February 2020.
- 4.2. The plan is set within the context of a multi-year approach to internal audit planning, such that areas of key risks would aim to be looked at over a three year audit cycle.

- 4.3. Appendix A gives an indicative strategic plan for 2022-25 and the programme is kept under continuous review during the year with any areas of significant risk added during that period.
- 4.4. Slight amendments have been made to the Year Three plan outlined in the original Audit Strategy to take account of the continued resource pressures from Covid-19, sector-led advice and amended local risks. The Year Three Audit Plan is included at Appendix A for information.
- 4.5. Ten audits are planned for 2022/23 totalling 150 days and covering a number of the Council's key policies and systems. These include:
- Project Management
 - Environment
 - Main Financial Systems
 - Safeguarding
 - IT asset management
 - Channel Shift
- 4.6. There will also be a follow-up audit of recommendations made in previous years but not yet implemented to ensure that audit recommendations are being complied with by officers.
- 4.7. There are three questions to assist the Group in their consideration of the audit plan. These are:
- Is the Group satisfied that sufficient assurances are being received within their annual plan to monitor the Council's risk profile effectively?
 - Does the strategy for internal audit cover the Council's key risks as they are recognised by the Group?
 - Are the areas selected for coverage this coming year appropriate?
- 4.8. There is also a requirement that Members understand and approve the role and scope of Internal Audit covered in the Internal Audit Charter as stated at Appendix 1 of the audit plan.

5. Risks and Uncertainties

- 5.1. There are no risks directly attributable to the report although the nature of the internal audit service and the audit plan helps manage risk. The audit fees are always subject to risk in terms of if an internal control weakness is identified fees can potentially exceed the budget or work may take less time than planned (ie there is both upside and downside risk).

6. Implications

6.1. Financial Implications

The audit fee relating to the costs of the audit work is included within existing budgets.

6.2. Legal Implications

There are no legal implications arising from this report.

6.3. Equalities Implications

None

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

None

7. Link to Corporate Priorities

Quality of Life	None
Efficient Services	Undertaking a programme of internal audit ensures that proper and efficient services are delivered by the Council.
Sustainable Growth	None
The Environment	None

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group review and approve:

(a) the Internal Audit Strategy and Plan 2022-2025:

(b) including the Internal Audit Charter, Appendix 1 of the Internal Audit Strategy and Plan.

For more information contact:	Peter Linfield Director - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	None
List of appendices:	Appendix A – Year Three - Internal Audit Strategy 2022-2025

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**INTERNAL AUDIT ANNUAL PLAN 2022-23
& STRATEGIC PLAN 2022-25 - DRAFT**

RUSHCLIFFE BOROUGH COUNCIL

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AUDIT RISK ASSESSMENT

Background

Our risk-based approach to Internal Audit uses the Council's own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives. Additionally, we will speak with External Audit and use our own sector expertise to identify potential risks. We engage with local government heads of internal audit too with a session held in December 2021 with the Midlands Audit Group and in November 2021 with the London Audit Group where we led/contributed to discussions on risks facing the sector and the impact on annual plans at other with surveys completed to identify significant risks likely to be prevalent over the following year to three years. These will be reviewed and incorporated where necessary in our development of the annual and strategic plan.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements.

Planned approach to internal audit plan 2022-23

The indicative Internal Audit programme for 2022 - 23 is shown from page 10, with an indicative strategic plan for 2022 - 25 shown from page 17. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that areas of key risks would aim to be looked at over a three year audit cycle. In setting the number of days in the plan we have assumed that the control environment within the Council will improve as we work with you to address the issues you have.

Individual audits

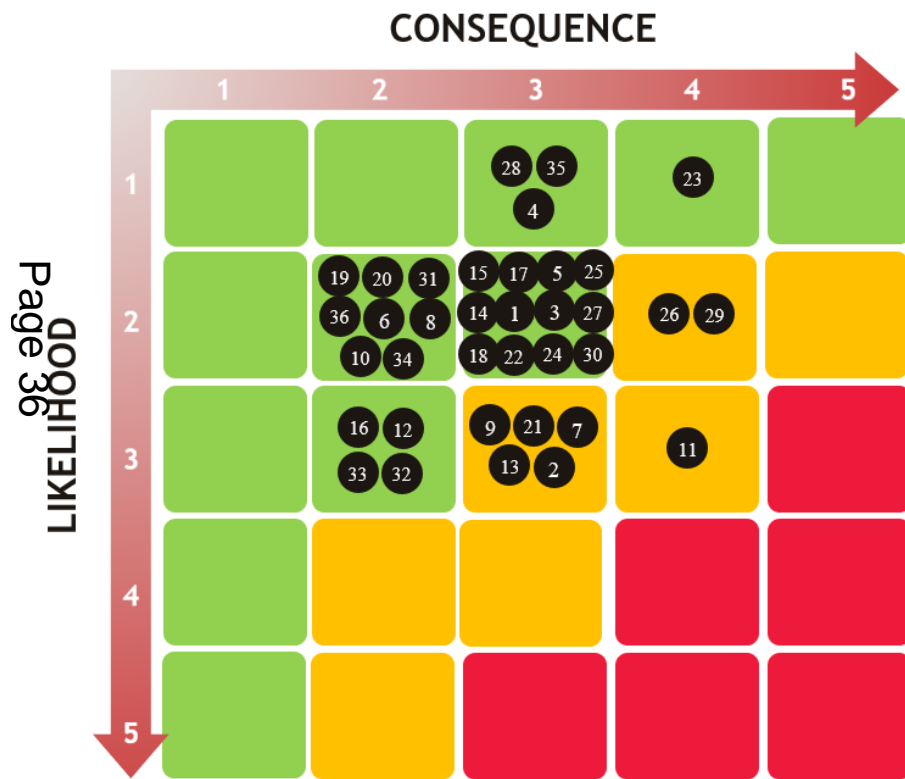
When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required, we will obtain approval from the appropriate Executive Director prior to commencing fieldwork.

In determining the timing of our individual audits, we will seek to agree a date which is convenient to the Council, and which ensures availability of key management and staff.

Variations to the Plan

We review the three-year strategic plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we are undertaking, demonstrating we are focusing on your most important issues.

MAPPING YOUR CORPORATE RISKS



Ref	Risks from you CRR	Risk Score
1	Equal pay claim	6
2	Insufficient staff capacity - skills, knowledge etc	9
3	Inability to demonstrate a five-year supply of deliverable housing sites against the housing target leading to further development on unallocated sites	6
4	Failure to properly manage our property assets	3
5	Ability to deliver Rushcliffe Oaks project on time and within budget	6
6	Ability to deliver Bingham Arena and Enterprise Centre project on time and within budget	4
7	County Deals - opportunity for greater collaboration and Government Funding	9
8	Failure to properly deal with community governance review legislation. Community Right to Challenge, and nominations for assets of community value	4
9	Reduction in Government funding linked to New Homes Bonus Fairer Funding and business rates reviews and the impact of the overall Comprehensive Spending Review	9
10	Failure to prevent or detect fraud and corruption	4
11	Revaluation of major business rate payer ie the impact of Ratcliffe on Soar Power Station closure	12
12	Lack of funding from partners	6
13	Central Government policy changes	9
14	Inadequate capital resources	6
15	Inflationary pressures, particularly utility costs	6

16	Increased demand for services	6
17	Risk and return from Asset Investment Strategy	6
18	Failure to deliver the Transformation Strategy	6
19	Failure to properly manage and deliver significant projects	4
20	Potential inflationary pressures, with volatility over prediction for budget	4
21	Uncertainty around Government funding and changes to the business rates system with a one-year financial settlement	9
22	ICT supplier goes out of business	6
23	Long term loss/failure of main ICT systems	4
24	Loss or compromise of sensitive data	6
25	Short term loss/failure of main ICT systems	6
26	Failure to comply with General Data Protection Regulation	8
27	Loss or compromise of confidential or restricted information or data	6
28	Failure of internal health and safety compliance or enforcement of health and safety	3
29	Unforeseen incidents happening at public events	8
30	Failure of business continuity	6
31	Ineffective emergency planning arrangements	4
32	Response to flooding impacts on delivery of statutory services	6
33	Inadequate resources to respond to flooding incidents	6
34	Failure of public sector partnerships / withdrawal of financial support	4
35	Failure to safeguard children and vulnerable adults	3
36	Ensuring the Afghan relocation scheme is supported in accordance with national guidance (potential funding and community cohesion issues)	4

MAPPING YOUR RISKS TO THE STRATEGIC PLAN

Ref	Risks from your CRR	2022/23	2023/24	2024/25
1	Equal pay claim			Equality, Diversity and Inclusion (EDI)
2	Insufficient staff capacity - skills, knowledge etc.			Workforce and Succession Planning
3	Inability to demonstrate a five-year supply of deliverable housing sites against the housing target leading to further development on unallocated sites			Local Development Plan
4	Failure to properly manage our property assets	Main Financial Systems	Assets of Community Value Main Financial Systems	Main Financial Systems
5	Ability to deliver Rushcliffe Oaks project on time and within budget	Project management		
6	Ability to deliver Bingham Arena and Enterprise Centre project on time and within budget	Project management		
7	County Deals - opportunity for greater collaboration and Government Funding		Governance of Partnership Arrangements	
8	Failure to properly deal with community governance review legislation. Community Right to Challenge, and nominations for assets of community value		Assets of Community Value	
9	Reduction in Government funding linked to New Homes Bonus Fairer Funding and business rates reviews and the impact of the overall Comprehensive Spending Review			

10	Failure to prevent or detect fraud and corruption	Fraud Report Main Financial Systems	Fraud Report Main Financial Systems Car Parking Markets Country Parks Income Review	Fraud Report Main Financial Systems Contract Management and Procurement
11	Revaluation of major business rate payer ie the impact of Ratcliffe on Soar Power Station closure			
12	Lack of funding from partners		Governance of Partnership Arrangements	
13	Central Government policy changes			
14	Inadequate capital resources		Budgetary Control	
15	Inflationary pressures, particularly utility costs		Budgetary Control	
16	Increased demand for services		Waste and Recycling	Workforce and Succession Planning
17	Risk and return from Asset Investment Strategy			
18	Failure to deliver the Transformation Strategy	Project Management		
19	Failure to properly manage and deliver significant projects	Project Management Channel Shift Strategy		
20	Potential inflationary pressures, with volatility over prediction for budget			

21	Uncertainty around Government funding and changes to the business rates system with a one-year financial settlement			
22	ICT supplier goes out of business			Business Continuity and Disaster Recovery
23	Long term loss/failure of main ICT systems			Cybersecurity
24	Loss or compromise of sensitive data			
25	Short term loss/failure of main ICT systems			Business Continuity and Disaster Recovery Cybersecurity
26	Failure to comply with General Data Protection Regulation			
27	Loss or compromise of confidential or restricted information or data			Cybersecurity
28	Failure of internal health and safety compliance or enforcement of health and safety			
29	Unforeseen incidents happening at public events		Events Management	
30	Failure of business continuity			Business Continuity and Disaster Recovery
31	Ineffective emergency planning arrangements			Business Continuity and Disaster Recovery
32	Response to flooding impacts on delivery of statutory services	Environment		
33	Inadequate resources to respond to flooding incidents			
34	Failure of public sector partnerships / withdrawal of financial support		Governance of Partnership Arrangements	

35	Failure to safeguard children and vulnerable adults	Safeguarding (Children and Vulnerable Adults)		
36	Ensuring the Afghan relocation scheme is supported in accordance with national guidance (potential funding and community cohesion issues)			

We note not all risks have reviews against them. The Council have a large volume of identified risks and our audit plan is constrained. We will monitor these risks and flexibly adapt our audit plan as appropriate and if required to cover these risks. We also note managements own actions seek to mitigate these risks.

INTERNAL AUDIT OPERATIONAL PLAN 2022-23

Area	Days	Timing	Description of the Review	Reason for Inclusion
1. Efficient Services				
Risk Management	13	Q1	<ul style="list-style-type: none"> Use our Risk Maturity Toolkit to advise where the Council sit in terms of risk management on a five-point scale from Naive to Enabled Assess how the Council system is used and if risks are engaged with well and updated effectively to manage and mitigate risks Interview key personnel involved in the process 	<ul style="list-style-type: none"> Risk management is a fundamental part of both the operational and strategic thinking of every part of the service delivery within the organisation. This includes corporate, business and financial risks.
Fraud Report	10	Q1	<ul style="list-style-type: none"> Provide an annual report on the activities of the Council and areas of potential fraud such as council tax and benefits as well as compliance with functional standards and ensuring up to date policies and procedures are in place 	<ul style="list-style-type: none"> Risk to all Councils and identified as a corporate risk This includes corporate fraud and benefits fraud Council take part in NFI CIFAS reporting in 2019 the rise of local authority fraud and lack of identification across the sector
Safeguarding (Children and Vulnerable Adults)	13	Q3	<ul style="list-style-type: none"> Review to identify how the Council identifies all roles and activities which may have impact on safeguarding concerns. From here to assess the controls around training and re-training and different levels of training depending on the type needed Assess governance arrangements, who attends and how decisions and actions are taken to ensure safeguarding is 	<ul style="list-style-type: none"> Safeguarding is a statutory duty and is the responsibility of local authorities and partner agencies 'Easements' to services were allowed under the provisions of the Coronavirus Act 2020 emergency legislation and instances of abuse and or neglect were expected to have increased during lockdown

			<p>appropriate</p> <ul style="list-style-type: none"> • Review relationship with section 11 forms and reporting to Adult and Children Safeguarding Boards i.e. representatives • We will also review the impact covid has had on safeguarding and whether there have been controls adopted to identify these such as poverty, support networks in place, unsuitable accommodation and Domestic abuse 	
<p>Main Financial Systems inc. Payroll, Council Tax/NNDR and Treasury Management</p>	18	Q2	<p>To include payroll:</p> <ul style="list-style-type: none"> • Assess the adequacy of payroll policies and procedure guides in place - particularly around new starters and leavers • Sample test employees to review whether they have been paid correctly based on the input information • Review management reporting of payroll information <p>To include Council Tax/NNDR:</p> <ul style="list-style-type: none"> • Council tax and NNDR policies i.e., council tax reduction scheme in terms of its review and approval • VOA returns back to what is recorded on systems • The process to issue demands and whether discounts or values have been applied correctly • How amendments to demands are actioned and critically how they are followed up • Assess KPI reporting on this area and how action is implemented <p>To include Treasury Management:</p>	<ul style="list-style-type: none"> • Main financial system areas are a critical risk • The payroll function is outsourced to Gedling Borough Council so there is a reliance on accurate and timely information • Incorrect payments to staff could result in significant reputation damage • This is a staple review that is incorporated in all local authority audit plans across the country. This is because it is a recognised risk area as it contains critical controls which underpin the integrity of a Council • National trends inform us that there is a variety of practices with how funds are recovered particularly in council tax

			<ul style="list-style-type: none"> Treasury arrangements reviewed from Strategy to Member training or controls around how deals are reviewed/approved 	
IT Asset Management	13	Q3	<ul style="list-style-type: none"> The purpose of this audit is to provide assurance that the Council has maintained a full and complete asset register for IT equipment. The audit will also assess whether the lifecycle of hardware, including servers, tablets and laptops/PCs has been considered in the IT Strategy and decision-making regarding replacement equipment is future focused 	<ul style="list-style-type: none"> The Council has a responsibility to ensure that its IT infrastructure, hardware and system assets are managed in a way that protects the Council from financial loss. Furthermore, these IT assets can be used to store the Council's information assets and their loss could result in the Council being in breach of its statutory and regulatory obligations.
Sustainable Warmth Funding Review	10	Q4	<ul style="list-style-type: none"> The purpose of this audit is to provide assurance that the Council has taken sufficient steps to ensure the risk of fraud, through the issuing of funds, has been minimized The audit will so seek to provide assurance that the Council is compliant with the fund's requirements and conditions. 	<ul style="list-style-type: none"> There is an increased risk of fraud involved when funds are distributed on a large scale
TOTAL	77			

Area	Days	Timing	Description of the Review	Reason for Inclusion
2. Quality of Life				
Environment	13	Q4	<ul style="list-style-type: none"> • Review of all Council policies and overall strategies to set, approve and achieve environmental aims • This will include interviewing key stakeholders and Members who may champion this area • Compare your arrangements to other local authorities • This will be an assessment of certain areas in a deeper dive way ie. how you think about staff and supplier impacts on the environment and improve your arrangements to achieve a more environmentally friendly outcome in your area • Assess your corporate reporting in this area and how this is owned, monitored and actioned • Assess the preparation for the Environment Act and the strategy in place to ensure compliance with it 	<ul style="list-style-type: none"> • Increased risk following the COP26 and the Environment Bill receiving Royal Assent in November 2021 • Specific requirements for local authorities in relation to street tree felling and tackling air quality
TOTAL	13			

Area	Days	Timing	Description of the Review	Reason for Inclusion
3. Sustainable Growth				
Project Management	18	Q1	<ul style="list-style-type: none"> Review Project Management Framework and assess whether this is widely circulated to project managers Review the Bingham Leisure Centre and Crematorium projects specifically Review minutes of oversight groups and reporting mechanisms High level review of both the Meritec and Hybrid Mail review ensuring appropriate oversight of KPIs and reporting to senior management. 	<ul style="list-style-type: none"> Project Management poses significant financial and reputational risks to the Council Specific projects carry their own risks such as the Hybrid Mail project whereby receipt of mail is key to support effective services
Channel Shift	13	Q3	<ul style="list-style-type: none"> This will be a review of documentation related to the channel shift agenda, including strategies, performance frameworks, activity and financial data, reports to Councillors and funding bids for channel shift projects. We will also review the Digital Strategy in terms of Channel Shift and whether progress against projects is captured, monitored and reported correctly. This will encompass the effectiveness of communication between the Customer Services and the IT teams The review will focus on the source data which feeds into reports and its accuracy and completeness 	<ul style="list-style-type: none"> Digital transformation of long standing systems and processes poses both financial and reputational risks A critical challenge with channel shift is assessing effectiveness as identifying savings can be difficult
Health and Wellbeing	13	Q2	<ul style="list-style-type: none"> The review will assess the health and wellbeing initiatives in place to support 	<ul style="list-style-type: none"> Preserving and protecting the health, safety and wellbeing of staff has been

			<p>staff across the Council</p> <ul style="list-style-type: none"> We will consider how the success of initiatives is monitored, where it is reported and how staff feedback is taken into account 	<p>critical for all organisations throughout the COVID-19 pandemic. It has been essential that organisations continuously support the physical and mental wellbeing of the workforce, enabling staff to stay healthy and protect themselves, their colleagues, patients and families</p>
TOTAL	44			

TOTAL	134		
Area	Days	Description	
Reporting and Follow Up			
Management Time	10	Development of Annual Plan, attendance at Governance Scrutiny Group and quality assurance of audits	
Follow Up	6	Follow-up and report all Medium and High recommendations twice a year	
TOTAL	16		
GRAND TOTAL	150		

INTERNAL AUDIT STRATEGIC PLAN

2022 - 25

Area	2022-23	2023-24	2024-25	Description of the Review
Risk Management	15			<ul style="list-style-type: none"> Use our Risk Maturity Toolkit to advise where the Council sit in terms of risk management on a five-point scale from Naive to Enabled Assess how the Council system is used and if risks are engaged with well and updated effectively to manage and mitigate risks Interview key personnel involved in the process
Workforce and Succession Planning			15	<ul style="list-style-type: none"> Review of how skills and competencies have been assessed at the Council Assess how high risk roles have been identified Review how successors for high risk roles have been identified and prepared in case of need Review Council strategy for developing talent pipeline
Health and Wellbeing	15			<ul style="list-style-type: none"> The review will assess the health and wellbeing initiatives in place to support staff across the Council We will consider how the success of initiatives is monitored, where it is reported and how staff feedback is taken into account
Fraud Report	10	10	10	<ul style="list-style-type: none"> Review of the Strategy in place and challenging how this was formed Comparison to our understanding of the Council's activities and emerging risks we see across the public sector Interview key personnel lead specialists to understand how they identify and mitigate fraud risks
Project Management	20			<ul style="list-style-type: none"> Review Project Management Framework and assess whether this is widely circulated to project managers Review the Bingham Leisure Centre and Crematorium projects specifically Review minutes of oversight groups and reporting mechanisms High level review of both the Meritec and Hybrid Mail review ensuring appropriate

				oversight of KPIs and reporting to senior management.
Business Continuity and Disaster Recovery			15	<ul style="list-style-type: none"> Review Council arrangements for the overall Business Continuity and Disaster Recovery Plan This includes how this Plan interacts with local service plans and whether there is adequate oversight that these all remain up-to-date, regularly assessed and/or tested via desktop scenarios or live testing A critical focus will be on where arrangements link to supplier system/arrangements and the strength of these Assess how lessons learned from the COVID-19 have been applied
Equality, Diversity and Inclusion (EDI)			20	<ul style="list-style-type: none"> Use our Equality, Diversity and Inclusion (EDI) Maturity Toolkit to advise where the Council sit in terms of equality, diversity, and inclusion governance on a five-point scale from Immature to Continuous Improvement Assess how the Council has ensured there is a commitment to EDI across the organisation, including tone from the top, governance structures, strategy, and use of data (including both workforce and service design considerations)
Environment	15			<ul style="list-style-type: none"> Review of all Council policies and overall strategies to set, approve and achieve environmental aims This will include interviewing key stakeholders and Members who may champion this area Compare your arrangements to other local authorities This will be an assessment of certain areas in a deeper dive way i.e. how you think about staff and supplier impacts on the environment and improve your arrangements to achieve a more environmentally friendly outcome in your area Assess your corporate reporting in this area and how this is owned, monitored and actioned Assess the preparation for the Environment Bill and the strategy in place to ensure compliance with it
Channel Shift	13			<ul style="list-style-type: none"> This will be a review of documentation related to the channel shift agenda, including strategies, performance frameworks, activity and financial data, reports to Councillors and funding bids for channel shift projects. We will also review

				<p>the Digital Strategy in terms of Channel Shift and whether progress against projects is captured, monitored and reported correctly. This will encompass the effectiveness of communication between the Customer Services and the IT teams</p> <ul style="list-style-type: none"> • A critical challenge with channel shift is assessing effectiveness as identifying savings can be difficult so the review will focus on the source data which feeds into reports and its accuracy and completeness
Safeguarding (Children and Vulnerable Adults)	15			<ul style="list-style-type: none"> • Review to identify how the Council identifies all roles and activities which may have impact on safeguarding concerns. From here to assess the controls around training and re-training and different levels of training depending on the type needed • Assess governance arrangements, who attends and how decisions and actions are taken to ensure safeguarding is appropriate • Review relationship with section 11 forms and reporting to Adult and Children Safeguarding Boards ie. representatives • We will also review the impact covid has had on safeguarding and whether there have been controls adopted to identify these such as poverty, support networks in place, unsuitable accommodation and Domestic abuse
Waste and Recycling		13		<ul style="list-style-type: none"> • Review reporting and governance around bin collection as a whole • This includes assessing the validity of data collected and reported through to the Finance and Performance Committee • Assess how bin rounds, staffing and weather challenges are managed and escalated as necessary • Review customer satisfaction arrangements • Understand and assess arrangements to pick up complaints and action these and also Member concerns picked up from residents/Surgeries they hold • Review income collection and reconciliation procedures for green wasted collection
Assets of Community Value		13		<ul style="list-style-type: none"> • We will assess whether if an asset is listed and then comes up for sale, the new right will give communities that want it a total of 6 months to put together a bid to buy it (including a 6-week cut-off for an initial proposal to be put forward) • Whether those who can legally have a right to challenge are engaged with ie. parish councils, neighbourhood forums and community interest groups

				<ul style="list-style-type: none"> Assess whether challenges are received, processed, reviewed and approved appropriately
Markets		12		<ul style="list-style-type: none"> Assess the formal cash collection process in place at the market Liaise and visit the external suppliers to understand their arrangements once the cash is collected, including security of the cash Sample test 15 market cash collection cases
Country Parks Income Review inc. Lark in the Park		10		<ul style="list-style-type: none"> Assess the formal cash collection process in place at the Rushcliffe Country Park Liaise and visit the external suppliers to understand their arrangements once the cash is collected, including security of the cash Sample test 15 Rushcliffe Country Park cash collection cases
Car Parking		13		<ul style="list-style-type: none"> Review processes to approve and then communicate parking charges Assess how parking is charged and then the collection of this to ensure it is accurate and complete Review parking data to ensure it is valid and correct to inform decision making
Main Financial Systems inc. Payroll, Council Tax/NNDR and Treasury Management	18	18	18	<p>To include payroll:</p> <ul style="list-style-type: none"> Assess the adequacy payroll policies and procedure guides in place - particularly around new starters and leavers Sample test employees to review whether they have been paid correctly based on the input information Review management reporting of payroll information <p>To include Council Tax/NNDR:</p> <ul style="list-style-type: none"> Council tax and NNDR policies i.e. council tax reduction scheme in terms of its review and approval VOA returns back to what is recorded on systems The process to issue demands and whether discounts or values have been applied correctly How amendments to demands are actioned and critically how they are followed up Assess KPI reporting on this area and how action is implemented <p>To include Treasury Management:</p> <ul style="list-style-type: none"> Treasury arrangements reviewed from Strategy to Member training or controls around how deals are reviewed/approved

Fleet Management & Air Pollution		15		<ul style="list-style-type: none"> • Rushcliffe has 23 frontline refuse collection vehicles ranging from 15 to 32 Gross Vehicle Weight vehicles • This review will assess the Council's Fleet Management processes in place and ensure there is an adequate fleet management strategy in place to manage fleet adequately. We will review the processes the Council has used to become carbon neutral and support its green infrastructure
Budgetary Control			15	<ul style="list-style-type: none"> • Review the Council's budget monitoring and setting process. This review would also focus on arrangements to achieve efficiencies in budgets and whether all opportunities are identified and that assumptions are based on reasonable and reliable data
Events Management			13	<ul style="list-style-type: none"> • Assess the systems, procedures and resilience of the events management staff/software to achieve the objectives set out; this includes the governance, strategies and operational controls for events management
Governance of Partnership Arrangements		15		<ul style="list-style-type: none"> • There has been a growth of place-based and themed partnership arrangements. These have largely been designed to implement and administer arrangements within defined areas focussed upon common objectives including: The Joint Planning and Advisory Board (Nottingham City, Nottinghamshire County Council, Broxtowe BC, Gedling BC, Erewash DC and Rushcliffe BC). We will review the key aspects of the partnerships governance arrangements and monitoring/management in place
Cyber Security			15	<ul style="list-style-type: none"> • This review will verify whether adequate procedures are in place to classify/secure the Council's data security assets. It will also review whether threats to the Council are adequately identified and procedures are in place to prevent vulnerabilities being exploited
IT Strategy		15		<ul style="list-style-type: none"> • This review to determine if the Council's IT strategy has been appropriately developed considering the increased risk that has emerged as a result of post-covid working arrangements
IT Asset Management	13			<ul style="list-style-type: none"> • The Council has a responsibility to ensure that its IT infrastructure, hardware and system assets are managed in a way that protects the Council from financial loss. Furthermore, these IT assets can be used to store the Council's information assets and their loss could result in the Council

				being in breach of its statutory and regulatory obligations.
Contract Management and Procurement			15	<u>Contract</u> <ul style="list-style-type: none"> Review contract management meetings and interview key stakeholders Review contracts in place and whether they are approved and complied with Observe contract management meetings and assess if these are effective <u>Procurement</u> <ul style="list-style-type: none"> Review procurement exercises vs. protocols for compliance Review the Strategy vs. progress and reporting Review counter fraud controls in process for adequacy Review communication channels with the external procurement advisers, Welland Procurement
Local Development Plan			13	<ul style="list-style-type: none"> Review of the implementation of the Local Development Plan Review the consistency with other Council strategic needs assessments

Total	134	134	134	
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Planning, Reporting and Follow Up				
Planning/ liaison/ management	10	10	10	Development of Annual Plan, attendance at Governance Scrutiny Group and QA of audits
Recommendation follow up	6	6	6	Follow-up and report all Medium and High recommendations
Total	16	16	16	

Grand Total	150	150	150	
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APPENDIX I

Internal Audit Charter - Role and Scope of Internal Audit

Purpose of this charter

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Rushcliffe Borough Council and defines the scope of internal audit activities.

Final approval resides with the Board, in practice the charter shall be reviewed and approved annually by management and by the Governance Scrutiny Group on behalf of Rushcliffe Borough Council [the Council].

Internal audit's mission

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Standards of internal audit practice

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

Internal audit definition and role

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit acts primarily to provide the Governance Scrutiny Group with information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

Internal audit's scope

The scope of internal audit activities includes all activities conducted by the Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

Effective internal audit

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to the Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

We will agree with you an audit plan for a total number of days activity. Once agreed, we will turn this into a cash budget which we will work to, in order to ensure that you have certainty around the fees you will pay us.

Independence and internal audit's position within Rushcliffe Borough Council

The Internal Audit function within Rushcliffe Borough Council is currently provided by BDO LLP, a limited liability partnership providing, accounting, audit and assurance, tax and financial advisory services. The Head of Internal Audit function is provided by Greg Rubins, a partner in BDO.

To provide for internal audit's independence, its personnel and external partners report to the Head of Financial Services, who reports functionally to the Governance Scrutiny Group and provides day to day oversight of the contract with BDO. The Head of Internal Audit has free and full access to the Chair of the Governance Scrutiny Group.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and in consultation with the Chair of the Governance Scrutiny Group.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for the Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Such arrangements will be in consultation with the Governance Scrutiny Group prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Governance Scrutiny Group.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Governance Scrutiny Group to discuss the implications.

Internal audit's role in fraud, bribery and corruption

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspect a fraud, this will be referred to appropriate management in the first instance and then the audit committee.

Access to records and confidentiality

There are no limitations to internal audit's right of access to the Council's officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the General Data Protection Regulation 2018.

Coordination and reliance with other assurance providers

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

Internal audit's commitments to Rushcliffe Borough Council

Internal audit commits to the following:

- Working with management to improve risk management, controls and governance within the organisation
- Performing work in accordance with PSIAS
- Complying with the ethical requirements of PSIAS
- Dealing in a professional manner with the Council staff, recognising their other commitments and pressures
- Raising issues as they are identified, so there are no surprises and providing practical recommendations
- Liaising with external audit and other regulators to maximise the assurance provided to Rushcliffe Borough Council

- Reporting honestly on performance against targets to the Governance Scrutiny Group.

Internal audit performance measures and indicators

The tables on the right contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Governance Scrutiny Group should approve the measures which will be reported to each meeting and/or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

Quality assurance and improvement programme

As required by PSIAS an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Governance Scrutiny Group as part of the internal audit annual report, along with corrective action plans.

Table One: Performance measures for internal audit

Measure / Indicator
<p>Audit Coverage</p> <p>Annual Audit Plan delivered in line with timetable</p> <p>Actual days are in accordance with Annual Audit Plan</p>
<p>Relationships and customer satisfaction</p> <p>Customer satisfaction reports - overall average score at least 3.5 / 5 for surveys issued at the end of each audit</p> <p>Annual survey to Governance Scrutiny Group to achieve score of at least 70%</p> <p>External audit can rely on the work undertaken by internal audit (where planned)</p>
<p>Staffing and Training</p> <p>At least 60% input from qualified staff</p>
<p>Audit Reporting</p> <p>Issuance of draft report within 3 weeks of fieldwork `closing` meeting</p> <p>Finalise internal audit report 1 week after management responses to report are received</p>

Audit Quality

High quality documents produced by the auditor that are clear and concise and contain all the information requested

Positive result from any external review

Management and staff commitments to Internal Audit

The management and staff of Rushcliffe Borough Council commit to the following:

- Providing unrestricted access to all of Rushcliffe Borough Council's records, property, and personnel relevant to the performance of engagements
- Responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- Implementing agreed recommendations within the agreed timeframe
- Being open to internal audit about risks and issues within the organisation
- Not requesting any service from internal audit that would impair its independence or objectivity
- Providing honest and constructive feedback on the performance of internal audit.

Management and staff performance measures and indicators

The following three indicators are considered good practice performance measures, but we go beyond this and report on a suite of measures as included in each Governance Scrutiny Group progress report.

Table Two: Performance measures for management and staff

Measure / Indicator

Response to Reports

Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt

Implementation of recommendations


Audit sponsor to implement all audit recommendations within the agreed timeframe

Co-operation with internal audit

Internal audit to confirm to each meeting of the Governance Scrutiny Group whether appropriate co-operation has been provided by management and staff

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Governance Scrutiny Group

Thursday, 3 February 2022

Capital and Investment Strategy 2022/23 to 2026/27

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. The purpose of this report is to provide the Group with details of the Capital and Investment Strategy for 2022/23 to 2026/27 focusing on both traditional treasury activity and the Council's commercial property investments in light of CIPFA's updated both Prudential and Treasury Management Codes.
- 1.2. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (updated December 2021 along with revised guidance issued by the Department for Levelling-Up Housing and Communities (DLUHC) for capital and treasury management activities.
- 1.3. The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are affordable and proportionate, and all borrowing and other long-term liabilities are at prudent and sustainable levels, and that treasury management decisions are taken in accordance with the Council's treasury management strategy.
- 1.4. The Capital and Investment Strategy 2022/23 to 2026/27 (Appendix A) reflects Government Guidance, and the updated CIPFA Treasury Management and Prudential codes.
- 1.5. The changes in relation to the new Codes and the Council's application of these are summarised at Appendix B.

2. Recommendation

- 2.1. It is RECOMMENDED that the Governance Scrutiny Group scrutinise and recommend for approval by Full Council:
 - a) The Capital Strategy and Capital Prudential Indicators and Limits for 2022/23 to 2026/27 contained within Appendix A (paragraphs 5 to 15)
 - b) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraphs 16 and 17) which sets out the Council's policy on MRP

- c) The Treasury Management Strategy 2022/23 to 2026/27 and the Treasury Indicators contained within Appendix A (paragraphs 18 to 65)
- d) The Commercial Investments Indicators and Limits for 2022/23 to 2026/27 contained within Appendix A (paragraphs 66 to 80).
- e) The Director of Finance and Corporate Services is authorised to amend the Capital and Investment Strategy for any minor changes, for example, as a result of the Final Local Government Finance Settlement, which will be reported at Full Council.

3. Reasons for Recommendation

- 3.1. To comply with Council Financial Regulations, and the Local Government Act 2003 which requires the Council to adhere to the CIPFA Prudential Code for Capital Finance in Local Authorities.

4. Supporting Information

Capital Prudential Indicators

- 4.1. Appendix A (paragraphs 5 to 15) details the Capital Strategy and Capital prudential Indicators for 2022/23 to 2026/27.
- 4.2. The Capital Prudential Indicators highlight the following:
 - Projected capital expenditure plans and funding.
 - The Council's borrowing need (the Capital Financing Requirement CFR).
 - The on-going impact of the capital programme on the investment balance.

Minimum Revenue Provision Policy

- 4.3. Appendix A (paragraphs 16 and 17) contains the Minimum Revenue Provision (MRP) Policy Statement, which details the methodology used to calculate the charge to the revenue account for the cost of borrowing to fund capital expenditure.
- 4.4. The Government Guidance and the Council's MRP Policy includes limits to the period over which the cost of borrowing can be recovered from the revenue account (a maximum of 40 and 50 years respectively for property and land). It also clarifies the position on Voluntary Revenue Provision (VRP) and that in times of financial crisis then there is the option to not apply VRP.

Treasury Management Strategy

- 4.5. Appendix A (paragraph 18 to 65) details the Treasury Management Strategy which covers:
 - The current economic climate and prospects for interest rates

- The Council's debt and investment projections
- The limits and prudence of future debt levels
- The affordability impact of the capital programme
- The Council's borrowing and investment strategies.
- Specific limits on treasury activities
- Any local treasury issues.

Commercial Investments

- 4.6. The revised definition of investments in the CIPFA Treasury Code includes assets which the organisation holds primarily for financial returns, such as investment property portfolios.
- 4.7. Appendix A (paragraphs 66 to 80) details the Council's decision to no longer invest on property for commercial gain in accordance with professional ethos of CIPFA, and provides a risk assessment of the level of existing commercial investments by identifying:
- The limit on the Council's dependency on commercial income; and
 - How risk is spread across both commercial sectors and the size of investments proportionately in relation to asset value.
- 4.8 Paragraph 68 of the Capital and Investment Strategy confirms the latest guidance from DLUHC that Local Authorities will no longer be allowed to borrow to fund non-financial assets solely to generate a profit.

Treasury Advisors Update and RBC Status Update

- 4.9 The changes in relation to the updated Prudential and Treasury Management Codes and the Council's application of these are summarised at Appendix B.

Conclusion

- 4.10 The Capital Prudential Indicators and Treasury Management Strategy give both a position statement and details of the future position of the Council's Capital, Commercial Investment and Treasury plans. The documents comply with best professional practice and as such will go forward for approval at Council.

5. Risks and Uncertainties

- 5.1. The report identifies the risks relating to interest rates, use of counterparties for investments and the returns from commercial investments.

6. Implications

6.1. Financial Implications

Financial Implications are covered in the Capital and Investment Strategy (Appendix A) and integrated into the Council's Medium Term Financial Strategy.

6.2. Legal Implications

The Strategy demonstrates compliance with The Local Government Act 2003 and adherence to the CIPFA Prudential Code for Capital Finance in Local Authorities.

6.3. Equalities Implications

There are no equalities implications associated with the recommendations of this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 implications associated with the recommendations of this report.

7. Link to Corporate Priorities

Quality of Life	No direct impact
Efficient Services	Responsible income generation and maximising returns
Sustainable Growth	No direct impact
The Environment	Helping to protect the environment by consideration of carbon footprint and fossil-based investments as referred to in paragraph 38 in Appendix A

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group scrutinise and forward for approval at Full Council:

- a) The Capital Strategy and Capital Prudential Indicators and Limits for 2022/23 to 2026/27 contained within Appendix A (paragraphs 5 to 15)
- b) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraphs 16 and 17) which sets out the Council's policy on MRP
- c) The Treasury Management Strategy 2022/23 to 2026/27 and the Treasury Indicators contained within Appendix A (paragraphs 18 to 65)
- d) The Commercial Investments Indicators and limits for 2022/23 to 2026/27 contained within Appendix A (paragraphs 66 to 80).
- e) The Director of Finance and Corporate Services is authorised to amend the Capital and Investment Strategy for any minor changes, for example, as a result of the Final Local Government Finance Settlement, which will be reported at Full Council.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Council Financial Regulations Treasury Management in the Public Services: Code of Practice (CIPFA) The Prudential Code for Capital Finance in Local Authorities (CIPFA) Guidance on Local Government Investments (CLG) Statutory Guidance on Minimum Revenue Provision (CLG)
List of appendices:	Appendix A – Capital and Investment Strategy 2022/23 – 2026/27 Appendix B – Treasury Advisors Update and RBC Status Update

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CAPITAL AND INVESTMENT STRATEGY 2022/23 – 2026/27

Introduction

1. The Local Government Act 3 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out capital and treasury management activities.
2. The Department for Levelling Up, Housing & Communities (DLUHC) has issued Guidance on Local Authority Investments that requires the Council to approve an investment strategy before the start of each financial year.
3. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DLUHC Guidance.
4. CIPFA have just released new editions of the Treasury Management Code and Prudential Code (20th Dec 2021). Some changes in the Prudential Code come into immediate effect, namely an **authority must not borrow to invest primarily for financial return**. Authorities may, however, defer introducing revised reporting requirements until **2023/24** (these include changes in **capital strategy, prudential indicators** and **investment reporting**). There is no effective date stipulated for the Treasury Management Code but where possible these changes are reflected in the strategy.

The Capital Strategy

5. The Council's capital expenditure plans are summarised below and forms the first of the prudential indicators. Capital expenditure needs to have regard to:
 - Corporate Priorities (e.g., strategic planning)
 - Stewardship of assets (e.g., asset management planning)
 - Value for money (e.g., option appraisal)
 - Prudence and sustainability (e.g., implications for external borrowing and whole life costing)
 - Affordability (e.g., implications for council tax)
 - Practicability (e.g., the achievability of the Corporate Strategy)
 - Proportionality (e.g., risks associated with investment are proportionate to financial capacity); and
 - ESG (Environmental, Social, and Governance e.g., address environmental sustainability in a manner which is consistent with our corporate policies)
6. Each year the Council will produce a Capital Programme to be approved by Full Council in March as part of the Council Tax setting.

7. Each scheme is supported by a detailed appraisal (which may also be a Cabinet Report), as set out in the Council's Financial Regulations. The capital appraisals will address the following:
- a) A detailed description of the project
 - b) How the project contributes to the Council's Corporate Priorities and Strategic Commitments
 - c) Anticipated outcomes
 - d) A consideration of alternative solutions
 - e) An estimate of the capital costs and sources of funding
 - f) An estimate of the revenue implications, including any savings and/or future income generation potential
 - g) A consideration of whether it is a new lease agreement
 - h) A consideration of sustainability in accordance with Corporate objectives
 - i) Any other aspects relevant to the appraisal of the scheme as the S151 Officer may determine

The appraisal requirement applies to all schemes except where there is regular grant support and if commercial negotiations are due to take place and further reporting to Cabinet or Full Council is therefore required.

8. From time-to-time unforeseen opportunities may arise, or new priorities may emerge, which will require swift action and inclusion in the Capital Programme. These schemes are still subject to the appraisal process and the Capital Programme will contain a contingency sum to allow such schemes to progress without disrupting other planned capital activity.

Capital Prudential Indicators

a) Capital Expenditure Estimates

9. Capital expenditure can be financed immediately through the application of capital resources, for example, capital receipts, capital grants or revenue resources. However, if these resources are insufficient or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need. Table 1 summarises the capital expenditure projections and anticipated financing.

Table1: Projected Capital Expenditure and Financing

	2021/22 Original £'000	2021/22 Revised £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Capital Expenditure	28,158	27,222	13,841	6,455	2,845	1,950	2,335
Less Financed by:							
Capital Receipts	15,199	8,092	8,921	4,127	1,940	1,110	955
Capital Grants/ Contributions	6,003	7,731	3,315	2,178	695	695	695
Reserves	500	399	1,605	150	210	145	685
Total Financing	21,702	16,222	13,841	6,455	2,845	1,950	2,335
Underlying need to Borrow	6,456	11,000	-	-	-	-	-

10. The key risks to the capital expenditure plans are that the level of grants estimated is subject to change, anticipated capital receipts are not realised or are more than expected in the medium term; and the future of New Homes Bonus (NHB). Additional monies have been allocated for NHB in 2022-23 (£934k) but the Government intends to cease this scheme in 2023/24 which impacts on the level of capital grants received going forward.

b) The Council's Underlying Need to Borrow and Investment position

11. The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow for capital expenditure and it remains a key indicator under the Prudential Code. This underlying need to borrow will increase the CFR (i.e., the use of internal borrowing, which reduces our investment balance). This increase is offset by Minimum Revenue Provision (MRP) and any additional voluntary contributions (VRP) raised through Council Tax, as a result of financing requirements in relation to the Arena development, Cotgrave redevelopment and in later years Bingham Leisure Hub and the Crematorium.
12. The Council also holds usable reserves and working capital which represent the underlying resources available for investment. The Council's current strategy is to use these resources, by way of internal borrowing, to avoid the commitment to external debt.
13. The table below summarises the overall position with regard to borrowing and available investments and shows an increase in CFR reflecting the capital commitment on projects such as the Crematorium and Bingham Leisure Hub

Table 2: CFR and Investment Resources

	2021/22 Forecast £'000	2022/23 Forecast £'000	2023/24 Forecast £'000	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000
Opening CFR	6,300	16,226	14,933	13,640	12,347	11,054
CFR in year	11,000	-	-	-	-	-
Less: MRP etc	(1,074)	(1,293)	(1,293)	(1,293)	(1,293)	(858)
Closing CFR	16,226	14,933	13,640	12,347	11,054	10,196
Less: External Borrowing	-	-	-	-	-	-
Internal Borrowing	16,226	14,933	13,640	12,347	11,054	10,196
Less:						
Usable Reserves	(26,781)	(22,701)	(18,171)	(17,795)	(16,335)	(15,349)
Working Capital	(34,850)	(23,149)	(21,466)	(19,779)	(18,093)	(16,447)
Available for Investment	(45,405)	(30,917)	(25,997)	(25,227)	(23,374)	(21,600)

14. The Council is currently debt free and the assumption in the capital expenditure plans is that the Council will not need to externally borrow over the MTFs. Available resources (usable reserves and working capital) remain steady over the medium term, with usable reserves being used to finance both capital and revenue expenditure over time.
15. The new accounting standard IFRS16 comes into force on 1st April 2022. IFRS 16 affects how leases are measured, recognised and presented in the

accounts and essentially means that some leases may have to be classified as capital expenditure. The full impact of this change is still yet to be determined and this is likely to impact on the CFR. As we currently have no external borrowing this is unlikely to affect the Authorised Limit.

Minimum Revenue Provision Policy

16. DLUHC Regulations have been issued which require the Governance Scrutiny Group to consider a Minimum Revenue Provision (MRP) Statement in advance of each year. Further commentary regarding financing of the debt is provided in paragraphs 30-35. A variety of options are provided to Councils, so long as there is prudent provision. The Council has chosen the Asset Life Method (Option 3 within the Guidance) with the following recommended MRP Statement:

- *MRP will be based on the estimated life of the assets, in accordance with Option 3 of the regulations. Estimated life periods within this limit will be determined under delegated powers, subject to any statutory override. (DCLG revised guidance states maximum asset lives of 40 and 50 years for property and land respectively)*

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

This option provides for a reduction in the borrowing need over approximately the asset's life.

17. As well as the need to pay off an element of the accumulated General Fund borrowing requirement, used to fund capital expenditure each year (the capital financing requirement - CFR), through a revenue charge (the MRP) the Council is also allowed to make additional voluntary contributions (voluntary revenue provision – VRP). In times of financial crisis, the Council has the flexibility to reduce voluntary contributions.

Treasury Management Strategy 2022/23 to 2026/27

18. The CIPFA Treasury Management Code (2021) defines treasury management activities as:

“The management of the organisation’s borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.”

The code also covers non-cash investments which are covered at paragraph 66 below. Under the revised Prudential code investments are separated into categories for Treasury Investment, Service Investment and Commercial Investment.

19. The CIPFA Code of Practice for Treasury Management in the Public Services (the “CIPFA Treasury Management Code”) and the CIPFA Prudential Code require local authorities to produce a Treasury Management Strategy Statement on an annual basis.
20. This Strategy Statement includes those indicators that relate to the treasury management functions and help ensure that the Council’s capital investment plans are affordable, prudent and sustainable, while giving priority to the security and liquidity of those investments.

The Current Economic Climate and Prospects for Interest Rates.

21. The economy is recovering and expected to reach pre-covid levels at the beginning of 2022. Output is projected to rise by 6.9% in 2021, with growth moderating to 4.7% in 2022 and 2.1% in 2023. Consumption is the main driver of growth during the projection period. Business investment will improve but continues to be held back by uncertainty.
22. Unemployment will continue to decline. The unemployment rate in the UK is projected to trend around 4% in 2022 dropping to 3.9% in 2023.
23. The Bank of England base rate is currently 0.25%. On the 16 December the Bank of England surprised the markets and raised the Bank Rate from 0.1% to 0.25%. It is expected to continue to rise by 25bps each year over the term of the MTFs. Link (the Council’s Treasury Advisors) are forecasting a stepped increase with rates of 1.25% expected by March 2025.
24. Inflation will keep increasing due to higher energy and commodity prices and continuing supply shortages. The inflation rate year on year is 5.1% in November. Inflation is expected to remain high at high levels for the first half of 2022 and then fall back towards 2% by the end of 2023.

25. The table below shows the assumed average interest (which reflects a prudent approach) that will be made over the next five years for budget setting purposes.

Table 3: Budgetary Impact of Assumed Interest Rate Going Forward

	2022/23	2023/24	2024/25	2025/26	2026/27
Anticipated Interest Rate (%)	0.50	0.75	1.00	1.25	1.25
Expected interest from investments (£)	592,300	554,000	545,900	542,700	539,800
Other interest (£)	81,000	72,000	64,000	59,000	59,000
Total Interest (£)	673,300	626,000	609,900	601,700	598,800
Sensitivity:	£	£	£	£	£
- 0.25% Interest Rate	(55,400)	(31,100)	(34,000)	(30,700)	(26,200)
+ 0.25% Interest Rate	55,400	31,100	34,000	30,700	26,200

26. In the event that a bank suffers a loss, the Council could be subject to bail-in to assist with the recovery process. The impact of a bail-in depends on the size of the loss incurred by the bank or building society, the amount of equity capital and junior bonds that can be absorbed first and the proportion of insured deposits, covered bonds and other liabilities that are exempt from bail-in.
27. The Council has managed bail-in risk by both reducing the amount that can be invested with each institution to £10 million and by investment diversification between creditworthy counterparties.

Borrowing Strategy 2022/23 to 2026/27

Prudential Indicators for External Debt

28. Table 2 above identifies that the Council will not need to externally borrow over the MTFS instead choosing to internally borrow. Whilst this means that no external borrowing costs (interest/debt management) are incurred, there is an opportunity cost of using internal borrowing by way of lost interest on cash balances.
29. The approved sources of long-term and short-term borrowing are:
- Internal borrowing
 - Municipal Bond Agency
 - Public Works Loan Board (or the body that will replace the PWLB in the future)
 - Local authorities
 - UK public and private sector pension funds
 - Commercial banks
 - Building Societies in the UK
 - Money markets
 - Leasing

- Capital market bond investors
- Special purpose companies created to enable local authority bond issue

Following the recent consultation PWLB have published new lending terms effective from 26th November 2020 and now General Fund Borrowing is in line with HRA at Gilts +80bps (certainty rate). There is also now the need to categorise the capital programme into 5 categories including service, housing, regeneration etc. If any Authority has assets that are being purchased 'primarily for yield' anywhere in their capital programme they will not be able to access PWLB funding.

a) Authorised Limit for External Debt

30. The authorised limit is the "affordable borrowing limit" required by section 3 (1) of the Local Government Act 2003 and represents the limit beyond which borrowing is prohibited. It shows the maximum amount the Council could afford to borrow in the short term to maximise treasury management opportunities and either cover temporary cash flow shortfalls or use for longer term capital investment.

Table 4: The Authorised Limit

	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Authorised Limit	25,000	25,000	25,000	25,000	25,000	25,000

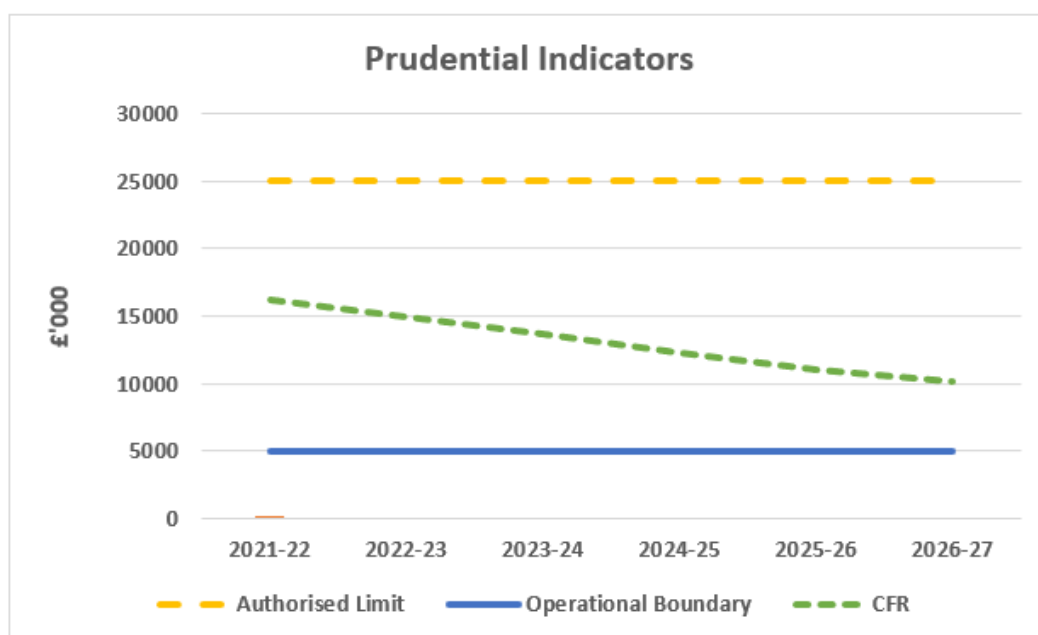
b) Operational Boundary for External Debt

31. The operational boundary is the expected borrowing position of the Council during the course of the year. It is normally calculated based on CFR and a buffer say £5m just in case. The operational boundary is not a limit and actual borrowing can be either below or above the boundary subject to the authorised limit not being breached. The Operational Limit has been set at £20m and, whilst the Council is not expected to externally borrow over the period of the MTF5, this provides a cushion and gives flexibility should circumstances significantly change.

Table 5: The Operational Boundary

	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Operational Boundary	20,000	20,000	20,000	20,000	20,000	20,000

32. The Prudential indicators are shown graphically below.



33. The TM Code introduces a new indicator called the Liability Benchmark which reflects the real need to borrow. This benchmark illustrates that the Council has no need to borrow over the medium term.

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Closing CFR	16,226	14,933	13,640	12,347	11,054	10,196
Less:						
Usable Reserves	(26,781)	(22,701)	(18,171)	(17,795)	(16,335)	(15,349)
Working Capital	(34,850)	(23,149)	(21,466)	(19,779)	(18,093)	(16,447)
Plus minimum investments	10,000	10,000	10,000	10,000	10,000	10,000
LIABILITY BENCHMARK	(35,405)	(20,917)	(15,997)	(15,227)	(13,374)	(11,600)

Prudential Indicators for Affordability

34. Affordability indicators provide details of the impact of capital investment plans on the Council's overall finances.

a) Actual and estimates of the ratio of net financing costs to net revenue stream

35. This indicator identifies the trend in net financing costs (borrowing costs less investment income) against net revenue income. The purpose of the indicator is to show how the proportion of net income used to pay for financing costs (a credit

indicates interest earned rather than cost) is changing over time. The downward trend, in later years, reflects the reduction in MRP as payments in relation to the Arena (ie it is fully funded) despite new non-treasury capital commitments in the Crematorium and Bingham Hub which give rise to further MRP but also generate revenue budget efficiencies with either reduced costs or increasing income.

Table 6: Proportion of Financing Costs to Net Revenue Stream

	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
General Fund	5.45%	5.29%	5.92%	5.91%	5.82%	2.18%

Investment Strategy 2022/23 to 2026/27

36. The movement in investments is due to increases in capital receipts related to Sharphill, disposal of the Depot Site at Abbey Road, sale of land in Cotgrave offset by application to finance capital expenditure. In addition, it reflects projected receipts and release of Section 106 monies.

Table 7: Investment Projections

	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Investments at 31 March	45,405	30,917	25,997	25,227	23,374	21,600

37. Both the CIPFA Code and the DLUHC Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitable low investment income. Accordingly, the Council ensures that robust due diligence procedures cover all external investments.
38. The Council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's Corporate Objectives and values. This would include avoiding direct investment in institutions with material links to:
- a) Human rights abuse (e.g., child labour, political oppression);
 - b) Environmentally harmful activities (e.g., pollutants, destruction of habitat, fossil fuels); and
 - c) Socially harmful activities (e.g., tobacco, gambling).

39. The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole of the Council's inflation exposures.
40. The Council will invest its surplus funds with approved counterparties. Where appropriate, the Council is registered as a professional client (under "MIFID II") with the counterparty limits shown below in Table 8 and counterparties included at Appendix (i):

Table 8: Counterparty Details

Credit Rating	Banks* Unsecured	Banks* Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 20 Years	n/a	n/a
AAA	£3.0m 3 years	£10.0m 10 years	£10.0m 20 years	£3.0m 10 years	£5.0m 10 years
AA+	£3.0m 2 years	£10.0m 10 years	£10.0m 5 years	£3.0m 4 years	£5.0m 4 years
AA	£3.0m 1 year	£10.0m 4 years	£10.0m 3 years	£3.0m 2 years	£5.0m 4 years
AA-	£3.0m 1 year	£10.0m 2 years			£5.0m 4 years
A+	£3.0m 6 months	£10.0m 2 years			£5.0m 2 years
A	£3.0m 6 months	£10.0m 1 year			£5.0m 2 years
A-	£3.0m 3 months	£10.0m 6 months			£5.0m 2 years
Pooled Funds**	£10m per fund				

*Banks includes Banks and Building Societies.

**Pooled funds do not have a defined maturity date. Monies in Money Market Funds can be withdrawn on the same date; monies in other pooled funds can be withdrawn giving the requisite notice, generally between 1 and 7 days. Monies in the CCLA Property Fund can be withdrawn on each monthly redemption date, if required; it is the Council's intention to hold its investment over a reasonable time frame for property investments, which is 5 years, subject to cash flow requirements.

41. Although the above table details the counterparties that the Council could invest funds with, it would not invest funds with counterparties against the advice of Link (our TM Advisors) even if they met the criteria above.

42. Changes to any of the above can be authorised by the Section 151 Officer or the Service Manager Finance and thereafter will be reported to the Governance Scrutiny Group. This is to cover exceptional circumstances so that instant decisions can be made in an environment which is both fluid and subject to high risk.
43. The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2,000,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.
44. Credit rating information is provided by Link on all active counterparties that comply with the criteria above. A counterparty list will be maintained from this information and any counterparty not meeting the criteria will be removed from the list.
45. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
 - no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
46. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn [on the next working day] will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Credit Risk

47. The CIPFA Treasury Management Code recommends that organisations should clearly specify the minimum acceptable credit quality of its counterparties; however, they should not rely on credit ratings alone and should recognise their limitations. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantial doubts about its credit quality, even though it may meet the credit rating criteria.
48. When deteriorating financial market conditions affect the credit worthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these

circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

Current investments

49. The Council uses its own processes to monitor cash flow and determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial strategy and cash flow forecast.
50. Surplus funds are invested based on the most up to date forecasts of interest rates and in accordance with the Council's cash flow requirements in order to gain the maximum benefit from the Council's cash position throughout the year. Funds are separated between specified and non-specified investments as detailed below.

Specified investments

51. The DLUHC guidance defines specified investments as those:
 - Denominated in pound sterling,
 - Due to be repaid within 12 months of arrangements,
 - Not defined as capital expenditure by legislation, and
 - Invested with one of:
 - The UK Government
 - A UK local authority, parish council, or community council, or
 - A body or investment scheme of "high credit quality"
52. The Council now defines "high credit quality" organisations as those having a credit rating of A- and above.

Non-specified investments

53. Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e., those that

are due to mature 12 months or longer from the date of arrangement, and investments with bodies and scheme not meeting the definition on high credit quality. Limits on non-specified investments are shown in the following table:

Table 9: Non-specified Investment Limits

	Cash Limit
Total long-term investments	£15m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£5m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£3m
Total non-specified investments	£15m

Investment Limits

54. The Authority's revenue reserves available to cover investment losses in a worst-case scenario are forecast to be £19.2 million on 31st March 2022. The maximum that will be lent to any one organisation (other than the UK Government) will be £10.0 million. This figure is constantly under review to assess risk in the case of a single default. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 10: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£3m per country
Registered providers	£5m in total
Unsecured investments with any building society	£3m in total
Loans across unrated corporates	£5m in total
Money Market Funds	£40m in total

Treasury Management limits on activity

55. The Council measures and manages its exposures to treasury management risks using the following indicators.

a) Interest Rate Exposures

56. This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net interest payable will be:

Table 11: Interest Rate Exposure

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Upper Limit on fixed interest rate exposure	50%	50%	50%	50%	50%	50%
Upper Limit on variable interest rate exposure	100%	100%	100%	100%	100%	100%

57. Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Principal Sums Invested over 1 year

58. This limit is intended to contain exposure to the possibility of any loss that may arise as a result of the Council having to seek early repayment of any investments made. The limits on the long-term principal sum invested to final maturities beyond the period end are set at 50% of the sum available for investment (to the nearest £100k), as follows:

Table 12: Principal Sums Invested over 1 year

	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Limit on Principal invested over 1 year	22,700	15,400	13,000	12,600	11,600	10,800

Policy on the use of financial derivatives

59. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
60. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
61. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Treasury Management Advisors

62. Link Treasury Services will act as the Council's treasury management advisors until 31st October 2023. The company provides a range of services which include:
 - Technical support on treasury matters and capital finance issues
 - Economic and interest rate analysis
 - Generic investment advice on interest rates, timing and investment instruments; and
 - Credit ratings/market information service comprising the three main credit rating agencies.
63. Whilst the treasury management advisors provide support to the internal treasury function, the current market rules and the CIPFA Treasury Management Code confirms that the final decision on treasury management

matters rests with the Council. The service provided by the Council's treasury management advisors is subject to regular review.

Member and Officer Training

64. The updated TM Code requires Local Authorities to document a formal and comprehensive knowledge and skills schedule reflecting the need to ensure that both members officers dealing with treasury management are trained and kept up to date. This will require a suitable training process for members and officers. There will be specific training for members training involved in scrutiny and broader training for members who sit on full Council. Previously these needs have been reported through the Member Development Group, with the Council specifically addressing this important issue by:

- Periodically facilitating workshops for members on finance issues;
- Interim reporting and advising members of Treasury issues via GSG;

With regards to officers:

- Attendance at training events, seminars and workshops; and
- Support from the Council's treasury management advisors.
- Identifying officer training needs on treasury management related issues through the Performance Development and Review appraisal process

Now CIPFA will require a tailored, recorded and monitored training schedule to ensure that training provided achieves the desired outcomes.

Other Options Considered

65. The DLUHC Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. Director of Finance and Corporate Services, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

Commercial Investments

66. The definition of investments in CIPFA's definition of treasury management activities above (paragraph 18) covers all financial assets of the organisation as well as other non-financial assets which the organisation holds primarily for financial returns, such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations.
67. The Council whilst committed to being self-sustainable has taken the decision to no longer invest on property for commercial gain. This accords with the current professional ethos of CIPFA, mentioned below. Hence the Council no longer has an Asset Investment Fund, which was £20m.
68. Last year the Council acquired two Business Units in West Bridgford, leaving a balance (in the Asset Investment Fund) of £3.828m which was removed from the Capital Programme. Under the updated Prudential code Local Authorities will no longer be allowed to borrow to fund non-financial assets solely to generate a profit.
69. The Council will maintain a summary of current material investments, subsidiaries, joint ventures and liabilities, including financial guarantees (ie Streetwise) and the organisation's risk exposure. The current summary is included at Appendix (ii).
70. The Council will also monitor past Commercial Property investments and against original objectives and consider plans to divest as part of an annual review. Cabinet report 14 December 2021 agenda item 6 – Review of Investment Assets refers.
71. Proportionality is now included as an objective in the Prudential Code, clarification and definitions to define commercial activity and investment are included, and the purchase of commercial property purely for profit cannot lead to an increased capital financing requirement (CFR). Paragraph 75 covers the issue of proportionality with different types of asset investments the Council has made.
72. The Authority has to disclose its dependence on commercial income and the contribution non-core investments make towards core functions. This covers assets purchased through the Council's AIS, as well as other pre-existing commercial investments.
73. The expected contributions from commercial investments are shown below. In order to manage the risk to the Council's budget, income from commercial investments should not be a significant proportion of the Council's income. It is estimated to be around 23% in the current year.

a) **Dependence on commercial income and contribution non-core investments make towards core functions**

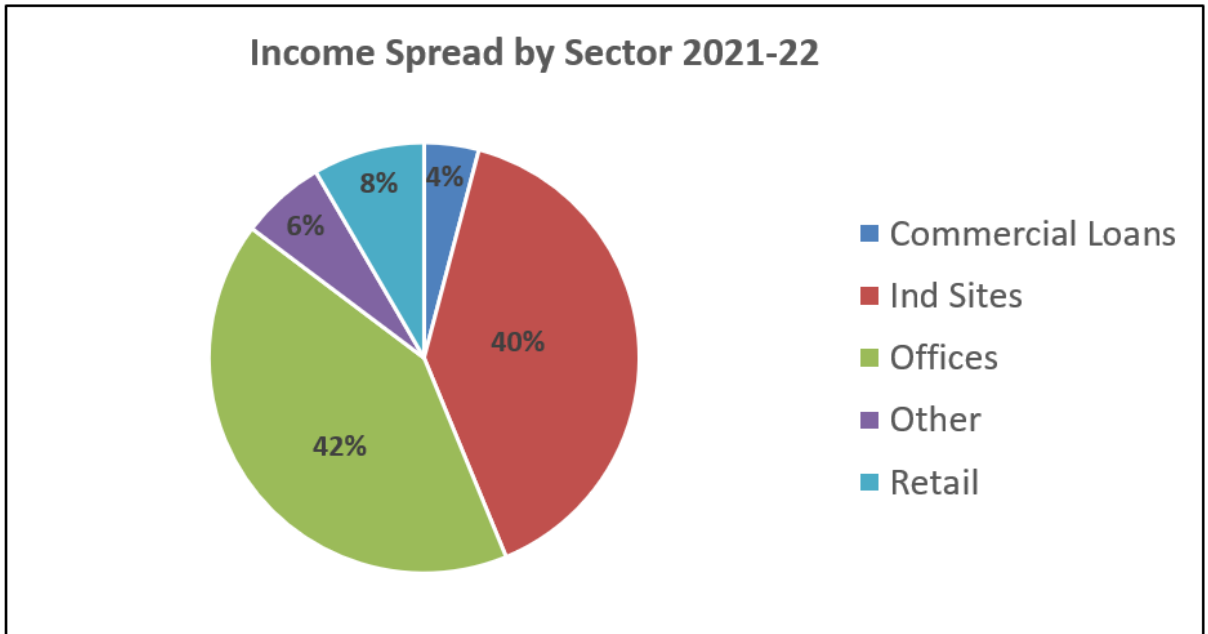
74. The expected contributions from existing commercial investments are shown in Table 13. In order to manage the risk to the Council's budget, income from commercial investments should not be a significant proportion of the Council's income. Our objective is that this ratio should not exceed 30%, subject to annual review (as demonstrated below):

Table 13: Commercial Investment income and costs

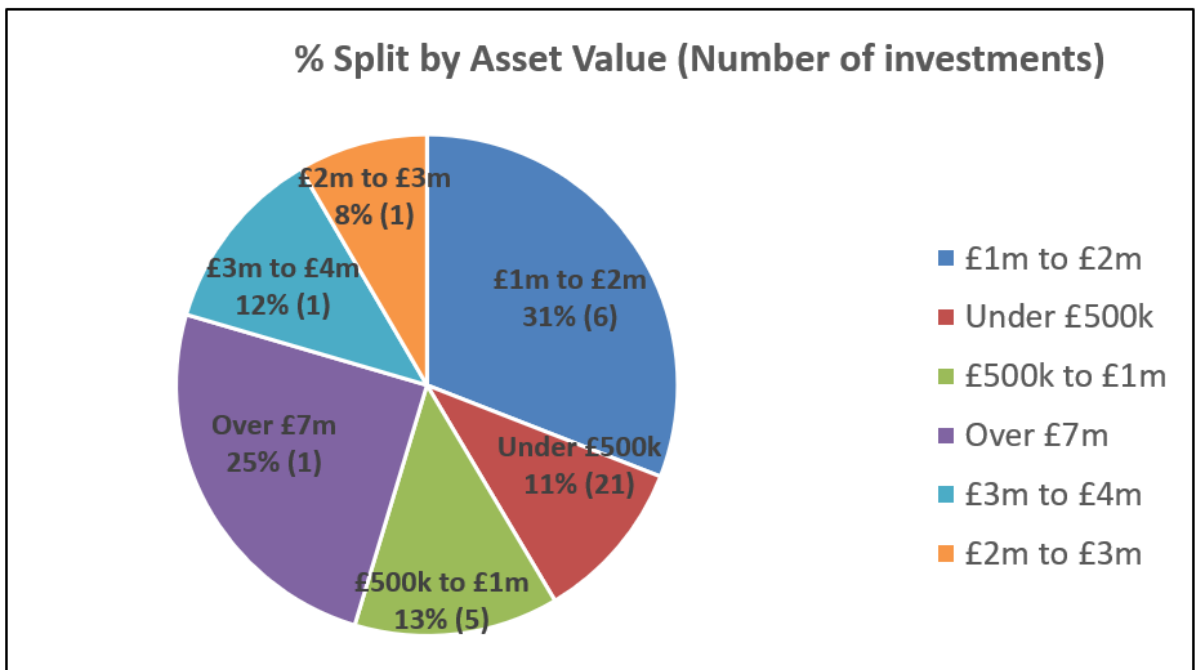
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Commercial Property Income	(1,660)	(2,046)	(2,256)	(2,338)	(2,402)	(2,404)
Running Costs	516	533	528	528	528	528
Net Contribution to core functions	<u>(1,144)</u>	<u>(1,513)</u>	<u>(1,728)</u>	<u>(1,810)</u>	<u>(1,874)</u>	<u>(1,877)</u>
Interest from Commercial Loans	(89)	(81)	(72)	(64)	(59)	(59)
Total Contribution	<u>(1,233)</u>	<u>(1,594)</u>	<u>(1,800)</u>	<u>(1,874)</u>	<u>(1,933)</u>	<u>(1,936)</u>
Sensitivity:						
+/- 10% Commercial Property Income	166	205	226	234	240	240
Indicator:						
Investment Income as a % of total Council Income	22.8%	22.7%	24.2%	24.1%	24.5%	24.5%
Total Income	7,669	9,362	9,629	9,945	10,047	10,074

b) Risk Exposure Indicators

75. The Council can minimise its exposure to risk by spreading investments across sectors and by avoiding single large-scale investments. Generally, there is a spread of investment across sectors. 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.



c) Security and Liquidity



76. Commercial investments are held for longer term asset appreciation as well as yield. Investments or sales decisions will normally be planned as part of the consideration of the 5-year capital strategy to maximise the potential return. Nevertheless, the local and national markets are monitored to ensure any gains are maximised or losses minimised.
77. To help ensure asset values are maintained the assets are given quarterly inspections, together with a condition survey every 3 years. Any works required to maintain the value of the property will then form part of Council's spending plans.
78. The liquidity of the assets is also dependent on the condition of the property, the strength of the tenants and the remaining lease lengths. The Council keeps these items under review with a view to maximising the potential liquidity and value of the property wherever possible.
79. The liquidity considerations for commercial investments are intrinsically linked to the level of cash and short-term investments, which help manage and mitigate the Council's liquidity risk. A review of the Council's commercial assets was undertaken and reported to Governance Scrutiny Group in November 2021 and on to Cabinet December 21 paragraph 70 refers.
80. The investments are subject to ongoing review with regards to their financial viability or indeed whether they are surplus to requirement. At the November 2021 Governance Group Meeting and December 2021 Cabinet, details on the risks surrounding the Council's commercial properties were reported, as well as providing a pathway to potential commercial asset disposal, if required.

Counterparty Registrations under MIFID II

The Council is registered with the following regulated financial services organisations who may arrange investments with other counterparties with whom they have themselves registered:

- BGC Brokers LP
- Royal London Asset Management
- Tradition UK Ltd
- King & Shaxson
- Aberdeen Asset Management
- Aviva
- Institutional Cash Distributors Ltd
- Federated Investors (UK) LLP
- Invesco Asset Management Ltd
- CCLA
- Goldman Sachs Asset Management
- Black Rock
- Aegon Asset Management
- Ninety One
- HSBC Asset Management
- Imperial Treasury Services

Appendix (ii)

	Current Book Value £000	Previous Book Value £000
The Point Office Accommodation	3.508	4.017
Hollygate Lane, Cotgrave Industrial Units	2.628	2.709
Bardon Single Industrial Unit	1.777	1.800
Trent Boulevard	1.412	1.407
Colliers Business Park Phase 2	1.269	1.315
Bridgford Hall Aparthotel and Registry Office	1.120	1.214
Finch Close	0.916	0.959
Boundary Court	0.789	0.816
Unit 10 Chapel Lane	0.666	0.677
Colliers Business Park Phase 1	0.663	0.721
New Offices Cotgrave	0.401	0.452
Mobile Home Park	0.477	0.476
Cotgrave Precinct Shops	0.470	0.500
Unit 1 Edwalton Business Park	1.950	-
Unit 3 Edwalton Business Park	2.450	-
TOTAL INVESTMENT PROPERTY*	16.096	17.063
Notts County Cricket Club Loan	1.646	1.775
TOTAL	17.742	18.838

* Note values are as at 31st March 2021 and 2020

Glossary of Terms

CCLA Property Fund - this a local authority property investment fund. The property fund is designed to achieve long term capital growth and a rising income from investments in the commercial property sector.

Covered Bonds – these investments are secured on the bank’s assets, which limits the potential losses in the unlikely event of insolvency, and means they are exempt from bail-in.

Financial Derivatives – A financial contract that derives its value from the performance of an underlying asset

LIBID – London Inter Bank Bid Rate. The rate at which banks are willing to borrow from other banks

Money Market Funds – these funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks.

Pooled Funds – shares in diversified investment vehicles consisting of different investment types including banks, equity shares and property, these funds have the advantage of providing wide diversification of investment risks

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Appendix B

Treasury Advisers and RBC TM and Prudential Codes Updates

CIPFA have released the new editions of the Treasury Management Code and Prudential Code, which are available to purchase from CIPFA's website.

The information below sets out the key areas that we have identified from the first review of both Codes.

CIPFA have set out the legal status of both Codes with clarification on the areas that have to be complied with in italics and a reminder that the rest is guidance to support authorities manage risks associated with their own Treasury and Capital Financing strategies.

Prudential Code (RBC TM Strategy paragraph references and commentary also detailed in bold below)

- CIPFA make it clear that 2021 Code applies with immediate effect, except that authorities may defer introducing revised reporting requirements until 2023/24 financial year (these include changes in capital strategy, prudential indicators and investment reporting). The ongoing principles that an *authority must not borrow to invest primarily for financial return, apply with immediate effect!* **Paragraphs 4 and 68**
- Objectives – capital plans and investment plans affordable and proportionate; all borrowing/other long-term liabilities are within prudent and sustainable levels; risks associated with investment are proportionate to financial capacity and treasury management decisions are in accordance with good professional practice. **Paragraphs 5 and 71**
- Further strengthening on matters to be taken into account when setting and revising prudential indicators particularly decision making on capital investment, determining a capital strategy, prudence and affordability. **Paragraphs 7 and 20**
- ESG in Capital Strategy – broadened to make clear the strategy should be address environmental sustainability in a manner which is consistent with their own corporate policies on the issue. **Paragraphs 5 and 38**
- Commercial Property – makes clear historical asset base not impacted and that plans to divest should be part of an annual review with views on immediate disposal being removed. **Paragraphs 70 and 79** Director of Finance and Corporate Services Commercial Property Update Report to both Corporate Governance Group and Cabinet
- Investment Practices – will remain a requirement but some amendments will be made to wording in documents circulated in consultation with clarity around Commercial and Service Investment risk management framework.
- Definition of Investment – separate categories for Treasury Investment, Service Investment and Commercial Investment. **Paragraph 18**
- CIPFA leaves any decision to maintain long term Treasury Investment to each Authority/S151 to justify (assumption being that these are not borrowed for) and any longer-term Treasury Investment to be linked to Business Model (e.g. a link to cash flow management or treasury risk management).
- CIPFA key concern continues to be regarding leverage and borrowing to invest particularly for Commercial and Service Investment -with a clear statement regarding not being prudent to make any investment or spending decision that will increase capital financing requirement, and so lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose. **Implicit throughout and paragraph 68**

- Capital Financing Requirement – Gross Debt and the capital financing requirement still a key indicator – small changes to calculation of CFR to include Heritage Assets etc agreed and noted the CFR can be a negative figure. **Paragraph 11**

Treasury Management Code

- Unlike the Prudential Code, there is no reference to effective date within the new edition of the Treasury Management Code – CIPFA do state “The TM Code, which is market guidance, has no statutory underpinning, and there are no arrangements for supervision or enforcement” and also add that authorities do have to have regard to guidance under provisions of Local Government Act 2003 and in Scotland this is tightened further by finance circular 5/2010 which requires local authorities to have regard to the TM Code. **Paragraph 4**
- Investment Management Practices (IMPs) – implemented in TM Code for Non-Treasury Investment and expected to follow same format used for Treasury Management Practices – refer to Section 2. **Financial Services updated January 2022**
- TMP1 Credit and Counterparty Risk Management – refer to Section 2 and some further clarification on ESG also within 1.13 of TM Code. **Financial Services updated January 2022**
- Knowledge and Skills – TMP10 strengthened and a requirement to retain an aims and objectives schedule added - may need some further clarification provided on proportionate process for the smaller entities that have to comply. **Paragraph 64 Financial Services updated January 2022**
- TM Reporting and TM Code makes clear that reporting should set out Service and Commercial investment risks especially where this is supported by borrowing/leverage (this seems to be the key concern for CIPFA) with proportionate level of any borrowing a decision for Authority/S151 – also emphasis placed “Local authorities must not borrow to invest for the primary purpose of financial return. Other public service organisations may decide that the same principle concerning the prudent use of public funds also applies to them. **Noted and no longer using Asset Investment Fund**
- TM Code reporting frequency – a minimum annual reports before, mid-year and after the year-end. **Noted and currently RBC approach**
- Liability Benchmark – CIPFA have advised that it is a benchmark and not prescriptive and if an Authority can justify that it is prudent to maintain a position above or below benchmark that is up to them. CIPFA have said that if a local authority wants to maintain longer term treasury investments in the portfolio and that is in conflict with the Liability Benchmark they will have to justify that is a prudent approach. **Paragraph 33**

CIPFA has achieved the timeline they set themselves and issued the **revised Treasury Management and Prudential Codes and cross-sectoral guidance notes** on **20th Dec 2021** with clear statement to say there is a soft launch with formal adoption for 2023/24 financial year – but please note that the Prudential Code does state that it **applies with immediate effect**, except that authorities may defer introducing revised reporting requirements until 2023/24 financial year. This does mean each authority will have to determine if any of the changes implemented today will impact on the ability to deliver any capital schemes that they have in the current programme for 2021/22 and future years.



Governance Scrutiny Group

Thursday, 3 February 2022

Risk Management Progress Report

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. This report provides an update on risk activity following the 23 September 2021 update to the Group. It provides a summary of risks in the Council's Risk Registers that have changed over that period including the risks identified as impacted by the Covid-19 pandemic.

2. Recommendation

It is RECOMMENDED that Governance Scrutiny Group:

- a) notes the contents of this report in relation to existing risks;
- b) considers the progress on the risks identified in response to the global Covid-19 pandemic;
- c) considers and makes recommendations on the information provided for risks that have red alert status.

3. Reasons for Recommendation

- 3.1. To provide Governance Scrutiny Group the opportunity to discuss risk activity and make recommendations on risk management, mitigation and financial impacts.

4. Supporting Information

Risk Management Activity

- 4.1. The Council's Risk Management Group (RMG) met on 11 January 2022 to review risks on the corporate and operational scorecards including Covid-19 risks. Additionally, the RMG also reviewed the internal controls and financial implications of risks at red (alert) level.
- 4.2. There are currently 45 corporate risks and 33 operational risks on the risk register. In addition there are two opportunity risks identified in this report. The number of risks within the registers will fluctuate throughout the year as active risk management is undertaken. Changing pressures facing local government and the proactive work of managers to identify risks as they emerge will continue to influence new risks added to the register and demonstrates the

Council's aim to be proactive to mitigate risk as soon as possible after identification.

- 4.3. **Appendix A** presents the Council's existing Risk Register containing corporate, operational and Covid-19 related risks. There are two new risks and one has been removed as a result recent reviews. Three risks in the operational risk register have increased risk ratings. Two risks have a reduced risk rating, these can be summarised as follows:

Risk Increased

OR_CED04 Threat of Industrial Action: The likelihood of strike action has increased and as a result the likelihood rating has moved from 2 to 3.

OR_DEG07 Failure to determine major planning applications within 13 weeks or agreed period: Likelihood increased from 1 to 2 due to ongoing workload increases and staff vacancies.

OR_DEG08 Loss of income as a result of the refund of planning application fees under the provisions of the Government's Planning Performance and Planning Guarantee: Likelihood increased from 1 to 2 – due to ongoing workload increases and staff vacancies.

Risk reduced

CRR_DEG01 Inability to demonstrate a five-year supply of deliverable housing sites against the housing target leading to further development on unallocated sites: Likelihood reduced from 2 to 1 as the current supply of land exceeds the target.

CRR_NS13b Inadequate resources to respond to flooding incidents: Likelihood reduced from 3 to 2 now that a rapid response team is in place.

- 4.4. There are two new risks:

OR_NS34 Increased risk of ASB and other related safety concerns arising from the use of an asylum contingency hotel by the Home Office for asylum seekers.

OPP_DEG02 County Deals – failure to secure opportunities for greater collaboration and Government funding. This is shown in **Appendix B** and replaces the risk in the last report

- 4.5. One risk has been removed:

CRR_DEG06 County Deals – opportunity for greater collaboration and Government funding – replaced by new opportunity risk (OPP_DEG02 – see above) following comment from Governance Scrutiny Group and re-evaluation from RMG.

5. Risks and Uncertainties

- 5.1. If risks within the Risk Register did not have the correct level of mitigation there would be a heightened threat if a risk occurred. Arrangements are in place to reduce risk by implementation of the Risk Management Strategy.

6. Implications

6.1. Financial Implications

The Risk Management Group ensures that the financial risks of the Council are managed.

6.2. Legal Implications

There are no implications in this report, the processes in place provide good risk management.

6.3. Equalities Implications

The Risk Management Group ensure that equalities implications are contained within this register.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

The Risk Management Group ensure that the Section 17 implications are contained within this register.

7. Link to Corporate Priorities

Quality of Life	Maintaining an accurate and up-to-date Corporate Risk Register assists the Council in delivering its Corporate Priorities.
Efficient Services	
Sustainable Growth	
The Environment	














8. Recommendations



It is RECOMMENDED that Governance Scrutiny Group:




- a) notes the contents of this report in relation to existing risks;
- b) considers the progress on the risks identified in response to the global Covid-19 pandemic;
- c) considers and makes recommendations on the information provided for risks that have red alert status.

For more information contact:	Peter Linfield Director - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	
List of appendices:	Appendix A – Rushcliffe Borough Council Risk Register Appendix B – Opportunity Risk Register
















Coronavirus Risks

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_FCS09 Fee income volatility		2	4	8
CRR_FCS27 Threat of major successful cyber-attack		4	2	8
CRR_NS12a Failure to deliver statutory services due to impact of Coronavirus on staffing levels		1	3	3
CRR_NS12b Failure to deliver statutory services due to impact of Coronavirus on the community		1	3	3
CRR_NS14 Failure to manage a local lockdown		4	1	4
CRR_NS15 Ability of high streets to implement the necessary safety measures to reopen following lockdown and operate under Covid-secure measures		2	2	4
CRR_NS16 Ongoing impact of Covid19 on the Borough's leisure facilities whilst operating within the Covid-secure guidelines for the leisure industry		2	2	4
CRR_NS17 Impact of Covid-19 on the Borough's leisure facilities and their ability to recover		3	3	9
CRR_NS20 Impact of Covid19 on the Council's budget, and ability to secure external funding for Carbon Management schemes and the availability of staff required to assist with the delivery of this new corporate priority		3	2	6
OR_CED07 Ability of the Borough Council to maintain frontline services in the event of further waves of Covid-19		3	3	9
OR_DEG05 Impact of Covid-19 on the Borough's high streets and their ability to recover following initial lockdown (March to June 2020) and any further local lockdowns		3	3	9
OR_NS30 Lack of emergency accommodation for those at risk of homelessness, fleeing domestic violence and in crisis		2	2	4
OR_NS31 Increased number of residents presenting as homeless as a result of income reduction, loss of employment and domestic violence leading to a loss of homes		2	2	4


Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OR_NS32 Increased risk of domestic violence, abuse, or neglect as a result of increased periods of time at home, limited school provision, reduced income and employment volatility		2	2	4
OR_NS33 Increased risk of Anti-Social Behaviour as a result of enforced periods of lockdown, limited 'allowable' social activities and free use of outdoor spaces		2	1	2

Risk Status					
	Alert		Warning		Ok

















Corporate Risks















Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_CED01 Equal pay claim		3	2	6
CRR_CED02 Insufficient staff capacity - skills, knowledge, and availability etc		3	3	9
Description update: 'availability' added to risk title				
CRR_DEG01 Inability to demonstrate a five-year supply of deliverable housing sites against the housing target leading to further development on unallocated sites	 to 	3	2 to 1	6 to 3
Likelihood reduced from 2 to 1 as there is currently a five-year land supply over target.				
CRR_DEG02 Failure to properly manage our property assets		3	1	3
CRR_DEG04 Ability to deliver Rushcliffe Oaks project on time and within budget		3	2	6
CRR_DEG05 Ability to deliver Bingham Arena and Enterprise Centre project on time and within budget		2	2	4
CRR_FCS01 Failure to properly deal with community governance review legislation, Community Right to Challenge, and nominations for assets of community value		2	2	4
CRR_FCS02 Reduction in Government funding linked to New Homes Bonus Fairer funding and business rates reviews and the impact of the overall Comprehensive Spending Review		3	3	9
CRR_FCS03 Failure to prevent or detect fraud and corruption		2	2	4
CRR_FCS05 Revaluation of major business rate payer ie the impact of Ratcliffe on Soar Power Station closure		4	3	12
CRR_FCS06 Lack of funding from partners		2	3	6
CRR_FCS07 Central Government policy changes		3	3	9
CRR_FCS08 Inadequate capital resources		3	2	6
CRR_FCS10 Inflationary pressures, particularly utility costs		3	2	6

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_FCS11 Increased demand for services		2	3	6
CRR_FCS12 Risk and return from Asset Investment Strategy		3	2	6
CRR_FCS13 Failure to deliver the Transformation Strategy		3	2	6
CRR_FCS20 Failure to properly manage and deliver significant projects		2	2	4
CRR_FCS21 Potential inflationary pressures, with volatility over prediction for budget		2	2	4
CRR_FCS22 Uncertainty around Government funding and changes to the business rates system with a one-year financial settlement		3	3	9
CRR_FCS23 ICT supplier goes out of business		3	2	6
CRR_FCS24 Long term loss/failure of main ICT systems		4	1	4
CRR_FCS25 Loss or compromise of sensitive data		3	2	6
CRR_FCS26 Short term loss/failure of main ICT systems		3	2	6
CRR_FCS28 Failure to comply with General Data Protection Regulation		4	2	8
CRR_FCS29 Loss or compromise of confidential or restricted information or data		3	2	6
CRR_NS08 Failure of internal health and safety compliance or enforcement of health and safety		3	1	3
CRR_NS09 Unforeseen incidents happening at public events		4	2	8
CRR_NS10 Failure of business continuity		3	2	6
CRR_NS11 Ineffective emergency planning arrangements		2	2	4
CRR_NS13a Response to flooding impacts on delivery of statutory services		2	3	6
CRR_NS13b Inadequate resources to respond to flooding incidents	to	2	3 to 2	6 to 4
Likelihood reduced from 3 to 2 now that a rapid response team is in place.				
CRR_NS18 Failure of public sector partnerships / withdrawal of financial support		2	2	4
CRR_NS19 Failure to safeguard children and vulnerable adults		3	1	3



Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_NS21 Ensuring the Afghan Relocation Programme is supported in accordance with national guidance (funding and community cohesion)		2	2	4

Operational Risks

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OR_CED01 Threat of violence to staff		2	3	6
OR_CED02 Failure to comply with Equality legislation		2	1	2
OR_CED03 Risk to staff health due to their work		3	2	6
OR_CED04 Threat of Industrial Action	 to 	2	2 to 3	4 to 6
Likelihood increased from 2 to 3: Some unions have balloted members about industrial action over the 2021 pay increase. We have not yet received the outcome of those ballots but anticipate industrial action that will affect a small number of staff.				
OR_CED05 Failure to meet major statutory duties or take on board new legislation		2	2	4
OR_CED06 Inadvertent illegal activity, taking illegal decisions		2	1	2
OR_DEG01 Failure to manage legionella issues		2	2	4
OR_DEG02 Failure to manage asbestos in buildings under our control		2	1	2
OR_DEG03 Failure to maintain council owned trees		2	2	4
OR_DEG06 Cost of defending appeals for large scale residential developments and potential award of costs		2	1	2
OR_DEG07 Failure to determine major planning applications within 13 weeks or agreed period	 to 	3	1 to 2	3 to 6
Likelihood increased from 1 to 2 (in November) Due to workload and vacancies				
OR_DEG08 Loss of income as a result of the refund of planning application fees under the provisions of the Government's Planning Performance and Planning Guarantee	 to 	2	2 to 3	4 to 6
Likelihood increased from 1 to 3 (in November) Due to workload and vacancies				
OR_FCS06 Failure to manage and monitor budget		2	2	4

OR_FCS07 Lack of implementation of financial controls		2	2	4
OR_FCS08 Exposure to breach of VAT rules		3	2	6
OR_FCS09 Loss of capital/lower interest earned on investments, due to current economic climate		2	4	8
OR_FCS10 Reputational risk to the Council following adverse media coverage		2	2	4
OR_FCS11 Unauthorised access to IT systems		4	2	8
OR_FCS12 Partners closure of buildings where RBC has contact points		2	1	2
Description update: 'RCCC' removed from risk title				
OR_NS02 Disruption and lack of fuel preventing collection of domestic waste		2	1	2
OR_NS06 Lack of knowledge of contaminated land		2	1	2
OR_NS20 Significant malfunction of core services/security risk at Council's temporary accommodation premises		2	2	4
OR_NS25 Failure to deliver mandatory DFG grant due to insufficient staffing		2	1	2
OR_NS28a Increasing number of developments and greater opportunity for affordable housing		2	4	8
OR_NS28b Capital resources are utilised to support Affordable Housing (new 3.6m of s106 grant)		2	3	6
OR_NS29 Lack of or inappropriate monitoring of the Council's contracts in place		3	1	3
OR_NS34 Increased risk of ASB and other related safety concerns arising from the use an asylum contingency hotel by the Home Office for asylum seekers		4	2	8
<p>New risk:</p> <p>Internal Controls</p> <p>The Council has had no choice in the placing of these individuals at this location, but officers have concerns. These are being addressed through regular liaison meetings with SERCO.</p>				

Opportunity Risk

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OPP_DEG01 Opportunity provided by Rushcliffe Oaks		4	4	16
OPP_DEG02 County Deals – failure to secure opportunities for greater collaboration and Government funding		3	3	9

Risk Threat and Opportunity Matrix

		Risk – Threats				Risk - Opportunities					
Likelihood	Likely 4	4	8	12	16	16	12	8	4	Likely 4	Likelihood
	Possible 3	3	6	9	12	12	9	6	3	Possible 3	
	Unlikley 2	2	4	6	8	8	6	4	2	Unlikley 2	
	Rare 1	1	2	3	4	4	3	2	1	Rare 1	
		Insignificant 1	Minor 2	Moderate 3	Major 4	Significant 4	Moderate 3	Minor 2	Insignificant 1		
		Impact				Impact					

Table 1 Consequence / Impact

This is a measure of the consequences of the identified risk

Risk - Threats		Risk - Opportunities	
Impact	Thresholds and Description	Impact	Thresholds and Description
1 – Insignificant	<p>Financial Impact = <£10k</p> <p>No adverse impact on reputation</p> <p>No impact on partners</p>	1 – Insignificant	<p>Little or no improvement to service</p> <p>Little or no improvement to welfare of staff / public</p> <p>Little or no financial income / efficiency savings (less than £10k)</p> <p>Little or no improvement to environment or assets</p> <p>Little or no feedback from service users</p>
2 – Minor	<p>Financial Impact = £10k - £50k</p> <p>Negative internal/ within sector impact on reputation</p> <p>Negative partner impact</p>	2- Minor	<p>Minor improvement to service</p> <p>Minor improvement to welfare of staff / public</p> <p>Improvement that produces £10k - £50K of income / efficiency savings</p> <p>Minor improvement to environment or assets</p> <p>Positive user feedback</p>

Risk - Threats		Risk - Opportunities	
Impact	Thresholds and Description	Impact	Thresholds and Description
3 – Moderate	Financial Impact = >£100k Negative Regional/Local impact on reputation Negative impact on key partnerships	3 – Moderate	Moderate improvement to service Moderate improvement to welfare of staff / public Improvement that produces £50k+ - £100k of income / efficiency savings Moderate improvement to environment or assets Positive local media contact
4 – Major	Financial Impact = >£250k Negative National reputation Key partners withdraw	4 – Significant	Significant improvement to service Significant improvement to welfare of staff / public Improvement that produces £100k+ of income / efficiency savings Significant improvement to environment or assets Positive local media coverage

Table 2 Likelihood / Probability of Occurrence

This measures the chance of the risk or opportunity occurring

Risk - Threats		Risk - Opportunities	
Likelihood	Thresholds and Description	Likelihood	Thresholds and Description
1 – Rare	Unlikely	1 – Rare	Opportunity has not been fully investigated but considered extremely unlikely to materialise
2 – Unlikely	Possible	2 – Unlikely	Opportunity has not been fully investigated; achievability is unproven / in doubt
3 – Possible	Probable within 2 years	3 – Possible	Opportunity may be achievable, but requires significant management, planning and resources
4 – Likely	Probable within 12 months	4 – Likely	Opportunity is achievable with careful management

 <p>Rushcliffe Borough Council</p>	<p>Governance Scrutiny Group</p> <p>Thursday, 3 February 2022</p> <p>Work Programme</p>
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Report of the Director – Finance and Corporate Services

1. Summary

- 1.1. The work programmes for all Scrutiny Groups are created and managed by the Corporate Overview Group. This Group accepts and considers Scrutiny Matrices from both officers and councillors which propose items for scrutiny. If those items are accepted following discussion at Corporate Overview Group, they are placed on the work programme for one of the Council's Scrutiny Groups. In creating the work programme for the Governance Scrutiny Group due regard has been given to matters usually reported to the Group, the resources available for scrutiny, and the timing of issues to ensure best fit within the Council's decision-making process.
- 1.2. The work programme is provided in this report for information only so that the Group is aware of the proposed agenda for the next meeting. The work programme does not take into account any items that need to be considered by the Group as special items. These may occur, for example, through changes required to the Constitution or financial regulations, which have an impact on the internal controls of the Council.

30 June 2022

- Internal Audit Progress Report
 - Internal Audit Annual Report
 - Annual Governance Statement
 - Annual Audit Letter and VFM Conclusion
 - External Audit Plan
 - Constitution Update
 - Work Programme
- 1.3 Note the external audit reports on the Annual Audit Letter and External Audit Plan have been deferred from March until the June meeting as Mazars have not had sufficient resource themselves to complete this on time. The intention is to share the reports with the Group before the end of March and any comments prior to the June meeting would be welcome.

For more information contact:	Peter Linfield Director – Finance and Corporate Services 0115 914 8349 plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	None.
List of appendices (if any):	None.