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Our reference:
Your reference:
Date: 22 June 2022

To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held on Thursday, 30 June 2022 at 6.00 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 'Gemma Dennis'.

Gemma Dennis
Monitoring Officer

AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minutes of the meeting held on 3 February 2022 (Pages 1 - 8)
4. Internal Audit Annual Report 2021/22 (Pages 9 - 32)

The report of the Director – Finance and Corporate Services is attached.

5. Annual Fraud Report 2021/22 (Pages 33 - 40)

The report of the Director – Finance and Corporate Services is attached.

6. Annual Audit Letter (Pages 41 - 60)

The report of the Director – Finance and Corporate Services is attached.

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Monday, Tuesday and Thursday
8.30am - 5pm
Wednesday
9.30am - 5pm
Friday
8.30am - 4.30pm

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7. External Audit Annual Plan 2021/22 (Pages 61 - 96)

The report of the Director – Finance and Corporate Services is attached.

8. Annual Governance Statement 2021/22 (Pages 97 - 116)

The report of the Director – Finance and Corporate Services is attached.

9. Capital and Investment Strategy Outturn 2021/22 (Pages 117 - 130)

The report of the Director – Finance and Corporate Services is attached.

10. Revisions to the Council's Constitution (Pages 131 - 162)

The report of the Monitoring Officer is attached.

11. Work Programme (Pages 163 - 164)

The report of the Director – Finance and Corporate Services is attached.

Membership

Chairman: Councillor D Viridi

Vice-Chairman: Councillor P Gowland

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

Meeting Room Guidance

Fire Alarm Evacuation: in the event of an alarm sounding please evacuate the building using the nearest fire exit, normally through the Council Chamber. You should assemble at the far side of the plaza outside the main entrance to the building.

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

Mobile Phones: For the benefit of others please ensure that your mobile phone is switched off whilst you are in the meeting.

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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The Openness of Local Government Bodies Regulations 2014 allows filming and recording by anyone attending a meeting. This is not within the Council's control.

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**MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 3 FEBRUARY 2022**

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

PRESENT:

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

ALSO IN ATTENDANCE:

G Dulay – Senior Manager BDO

OFFICERS IN ATTENDANCE:

S Whittaker

C Caven-Atack

M Heald

T Coop

Service Manager - Finance

Service Manager - Corporate
Services

Finance Business Partner

Democratic Services Officer

APOLOGIES:

Councillors R Adair and L Healy

29 Declarations of Interest

There were no declarations of interest recorded.

30 Minutes of the meeting held on 25 November 2021

The Minutes of the meeting held on 25 November 2021 were approved by the
Group and signed by the Chairman.

31 Internal Audit Progress Report - February 2022

Mr Dulay from BDO, the Council's internal auditors presented the Internal Audit
Progress Report, which reflects the progress made against the annual Internal
Audit programme along with any significant recommendations with regards to
the audits completed during this period.

Three audits have been completed as follows:

Housing Benefits received a substantial opinion for both design and
operational effectiveness and there were no areas for concern. Mr Duly
complimented officers on the accuracy checks for new claimants and the time
taken to process new applications, which currently averaged around 12.88
days on a target of 14 days.

Business Continuity and Disaster Recovery received a substantial opinion for design and a moderate opinion for operational effectiveness. Mr Dulay reported that the moderate opinion was due to the Business Impact Assessments were not completed accurately for 4 out of 7 forms reviewed, with inconsistencies identified in guidance document, templates and a sample of completed assessments. It was noted that the management team disagreed with the moderate rating of the operational effectiveness and this is noted in the report.

The Chairman asked whether the audit programme and performance controls were on track for completion. Mr Dulay referred to the table, Performance on Internal Audit in Appendix A, explaining that the feedback from the four most recent surveys was positive, with the average audit experience scored 4.25 out of 5.

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

32 **Internal Audit Strategy**

Mr Dulay presented the planned audits due to take place in year three of the Internal Audit Strategy, during 2022/23 and advised the Group that a small number of changes have been made in response to evolving situations and ongoing risks. The plan is set within the context of a multi-year approach, such that areas of key risks would aim to be looked at over a three year audit cycle.

Details of the quarterly audits for the next year 2022-23 and subsequent three year audit cycle 2022-25, were provided in Appendix A attached to the officer's report.

Members asked a specific question in respect of Rushcliffe Arena leisure centre and how and when any operational issues would be flagged and reported to officers, and whether comparisons are made with other authorities with similar leisure centre provision. Mr Dulay advised that audit on the leisure centre would be completed in Q1 of the upcoming year and would be contributed by the risk register for both operational and corporate risks.

Members asked specific questions the rationale behind altering the audit programme, highlighting why hybrid mail has moved to the 2022-23 audit plan and health and safety brought forward to the current plan for the group to consider at its next meeting in June. Mr Dulay advised that audits are often moved due to the response of emerging risks and conversations with the Director for Finance and Corporate Services and Finance Officers. The Chairman asked for clarity on the maximum amount of time between a specific audit area in the programme and what or who decides when they get audited. Mr Dulay explained that the BDO approach has no strict rules, however some critical areas are included in the plan annually such as Main Financial Systems but those with lower risk may be every three years. In addition the Service Manager – Finance advised that officers look at specific risks and respond to anything that may occur or what the Council wish to include in the Audit Plan and provided an example of the Sustainable Warmth Funding and the need for the Council to include this within the next Audit Plan Programme.

Internal Audit Charter

Mr Dulay asked the Group to review the Internal Audit Charter, Appendix 1 of the Internal Audit Strategy and Plan, which defines the internal audits mission, purpose, authority and responsibilities. The Charter establishes the internal audit's position within the Council and defines the scope of internal audit activities and is a requirement of Public Sector Internal Audit Standards (PSIAS).

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

- a) Approve the Internal Audit Strategy and Plan for 2022-2025
- b) Approve the Internal Audit Charter, Appendix 1 of the Internal Audit Strategy and Plan.

33 Capital and Investment Strategy - Feb 2022

The Finance Business Partner presented the report of the Director – Finance and Corporate Services to provide the Group with details of the Capital and Investment Strategy for 2022/23 to 2026/27, focusing on traditional treasury activity and the Council's commercial property investments in light of CIPFA's updated Prudential and Treasury Management Codes.

The Finance Business Partner advised the Group that each year the Council produces a Capital Programme to be approved by Council at its meeting on 3 March 2022 as part of the Council's Budget setting. The Council's Capital expenditure needs to have regard to:

- Corporate Priorities (Strategic Plan)
- Asset Management Planning
- Value for Money
- Prudence and Sustainability
- Affordability
- Practicability (achievability of the Corporate Strategy)
- Proportionality (risks associated with investment are proportionate to financial capacity)
- Environmental, Social and Governance (address environmental sustainability which is consistent with the Council's corporate policies)

Referring to Appendix A attached to the report, the Finance Business Partner provided details of the Capital Prudential Indicators and highlighted the following:

- Projected capital expenditure plans and funding
- The Council's borrowing need (Capital Financing Requirement CFR)
- The ongoing impact of the capital programme on the investment balance
- Bank of England's interest rate rise to 0.5%
- The increase in cost of energy commodities

The Finance Business Partner continued, informing the Group of the Council's

underlying need to borrow and its investment position represented by the Capital Financing Requirement (CFR) indicator under the Prudential Code. It was noted that the Council holds usable reserves and working capital which represents the underlying resources available for investment and that the Council's current strategy is to use these resources, by way of internal borrowing on projects such as the Crematorium and Bingham Leisure Hub, to avoid commitment to external debt.

The Finance Business Partner informed the Group of an update to the Treasury Management Code which requires Local Authorities to document a formal and comprehensive knowledge and skills schedule to ensure both members and officers dealing with treasury management are trained and kept up to date.

The Service Manager – Finance advised the Group that the Council whilst committed to being self-sustainable has taken the decision to no longer invest in property for commercial gain, and as such the Council no longer has an Asset Investment Fund. In addition, the Group were reminded that the Council acquired two business units in West Bridgford, leaving a balance (in the Asset Investment Fund) of £3.828m which has since been removed from the Capital Programme. The Service Manager – Finance advised the Group that due to the changes to the Prudential Code Local Authorities will no longer be allowed to borrow to fund non-financial assets solely to generate a profit.

Members commented on the Treasury Management training provided to members in November 2021, which they expressed was very valuable for the purpose of this scrutiny group. However, the Council's external treasury advisors are only there to steer and guide members and officers, but ultimately decisions are made by officers under this guidance. The Service Manager – Finance advised that officers involved in treasury decisions are provided with extensive training which CIPFA is insisting on with the emphasis on both officer and member training and skills.

The Chairman referred to the table which shows the assumed average interest that the Council expects to receive over the next five years and asked, how does the Council expect that level of investment to be maintained when the amount of investment is going down. The Service Manager – Finance explained that the investment funds are in the higher earning accounts and that the more liquid funds with typically lower interest rates are utilised first leaving higher balances in the higher interest accounts.

It was **RESOLVED** that the Governance Scrutiny Group forward the following for approval at Full Council on 3 March 2022:

- a) The Capital Strategy and Capital Prudential Indicators and Limits for 2022/23 to 2026/27 contained in Appendix A (paragraph 5 to 15);
- b) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraphs 16 to 17) which sets out the Council's policy on MRP;

- c) The Treasury Management Strategy 2022/23 to 2026/27 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 for 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.

34 Risk Management - 3 February 2022

The Service Manager – Corporate Services presented the Risk Management Progress report which provided the Group with an update on the Council’s risk activity following the previous update in September. It provided a summary of risks in the Council’s Risk Registers that have changed, including the risks identified as impacted by Covid-19 pandemic.

The Group were advised that there were currently 45 corporate risks and 33 operational risks, and in addition there are 2 opportunity risks identified and one risk removed. It was noted that the number of risks within the register will fluctuate throughout the year as active risk management is undertaken.

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.

New Opportunity 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

Members asked a how often does the Risk Management Group meet to determine what constitutes a risk and the mitigation processes the Council has in place. The Service Manager – Corporate Services advised that the Risk Management Group meet twice yearly, however, risk is monitored day by day by officers and reported to their Service Managers monthly with any immediate issues highlighted and reported upwards where necessary.

Members commented on the ongoing issues in respect of staff resources in planning and the likelihood of the increase of risk from 1 to 2 in determining planning applications within the agreed period and loss of income as a result of the refunding planning application fees. The Service Manager – Corporate Services informed members that there had been an increase in applications of 42% and that key staff, namely principal officers and team leaders had left the organisation. The Service Manager – Corporate Services explained that a recruitment campaign is in progress and confirmed that 2 new planning positions had been filled with 2 further vacancies yet to be filled, agency staff had been employed to cover and manage the principal and team leader positions and one designated CAPITA consultant employed to oversee the department.

The Chairman questioned the 9 risks with red alert status and what actions had been implemented to mitigate the risk. The Service Manager – Corporate Services explained that control and mitigation does not change substantially over time and that, therefore, the risk will remain at red until the situation changes. She also reminded the Group that details about the controls and mitigating actions for the risks identified as red had been brought to a previous meeting for the Group to scrutinise.

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

- a) The report in relation to existing risk
- b) The progress of the risks identified in response to the global Covid-19 pandemic;
- c) The recommendations on the information provided for risks that are red alert status

35 **Work Programme**

The Service Manager – Finance presented the report that detailed the proposed Governance Scrutiny Work Programme for the remainder of 2021/22.

Due to the number of items the Governance Scrutiny need to consider at the meeting in June, it was proposed to bring the start time of the meeting forward to 6.30pm.

30 June 2022

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Governance Statement
- Annual Audit Letter and Value for Money Conclusion (VFM)
- External Audit Plan
- Constitution Update – Councillor Code of Conduct
- Work Programme – 2022/23

The meeting closed at 8.23 pm.

CHAIRMAN

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Governance Scrutiny Group

Thursday, 30 June 2022

Internal Audit Annual Report 2021/22

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 summarises the work undertaken during the course of 2021/22 and the management actions arising from the audits. It also provides the annual opinion of the Head of Internal Audit required by the Public Sector Internal Audit Standards.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes Internal Audit's Annual Report in relation to 2021/22 (**Appendix A**).

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 appended BDO report highlights the completion of the Internal Audit Plan for 2021/22. In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit, BDO, is required to provide an annual opinion and the Group is asked to note that for 2021/22 BDO has concluded that the Council has a substantial system of internal control. Substantial assurance is the highest level and it should be noted that this is a significant achievement as this level of assurance is very difficult to achieve particularly against the backdrop of a pandemic.
- 4.2. In 2021/22, BDO undertook ten internal audit reviews. As reported previously in the quarterly progress reports, of the ten audits:
 - Four received substantial assurance on both design and effectiveness – Main Financial Systems, Housing Benefits, Homelessness and GDPR
 - One received substantial assurance on design effectiveness only – Business Continuity and Disaster Recovery

- Four received moderate assurance on both design and effectiveness – Planning and S106, Corporate Governance, Health and Safety and Contract Management.
- The Annual Fraud report is not classified in the same way.
- There were no reports issued with limited assurance.

4.3. A total of 26 management actions were identified including 12 ‘medium’ priority and 14 ‘low’ priority. Management actions have been agreed in all cases.

5. Risks and Uncertainties

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

There are no legal implications arising from this report.

6.3. Equalities Implications

There are no equalities implications arising from this report.

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

There are no Section 17 implications arising from this report.

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 Internal Audit's Annual Report in relation to 2021/22 (**Appendix A**).

For more information contact:	Peter Linfield Director of Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	None.
List of appendices:	Appendix A – Internal Audit Annual Report 2021/22

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INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE

Rushcliffe Borough Council

2021/22

IDEAS | PEOPLE | TRUST



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SUMMARY OF 2021/22 WORK

Internal Audit 2021/22

This report details the work undertaken by internal audit for Rushcliffe Borough Council and provides an overview of the effectiveness of the controls in place for the full year. The following reports have been issued for this financial year:

- Contract Management and Procurement
- Corporate Governance
- Health and Safety
- Business Continuity
- Housing Benefits
- Main Financial Systems
- Planning and S106
- Homelessness and Temporary Accommodation
- General Data Protection Regulation (GDPR)

We have detailed the opinions of each report and key findings on pages four to eight. Our internal audit work for the 12-month period from 1 April 2021 to 31 March 2022 was carried out in accordance with the internal audit plan approved by management and the Governance and Scrutiny Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Board, through the Audit Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

Overall, we are able to provide **Substantial Assurance** that the risk and control arrangements at the Council should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance. This is our highest level of assurance. In forming our view we have taken into account that

- In the current year all audits provided either substantial or moderate assurance in the design of controls (Substantial: 5, Moderate: 4). In the current year all audits provided either substantial or moderate assurance in the operational effectiveness of controls (Substantial: 4, Moderate: 5). We did not issue any limited assurance reports this year
- Some areas of weakness have been identified through our reviews, including opportunities for improvement in the performance against KPIs in relation to planning, as well as the need to ensure training compliance is improved for Officers with regards to asbestos and legionella and for those Members who sit on the Planning and Licensing committees. Additionally, where thresholds have been set for the sign off of contracts, this should be adhered to. Overall, however these weaknesses did not have an over-bearing impact on the general control environment.
- During 2021/22 the Council have implemented the majority of audit recommendations. At the time of writing, of the 23 that have become due this year:
 - 20 have been implemented
 - Three are no longer applicable and have been moved to a low and will therefore not be followed up
 - Overall, this demonstrates good progress and an effective escalation process
- The projected revenue outturn position as at December 2021 and reported to Cabinet in March 2022 for the year 21/22 is a net service expenditure of £12.327m, and funding of £11.754m. Overall, the expected revenue budget efficiency position for the year is £0.054m inclusive of reserves commitments. Our discussion with External Audit noted that whilst the accounts are still in draft, they do not anticipate any financial position concerns
- Overall, while there remain some gaps and risks, our work has concluded that the Council is able to maintain robust controls, particularly given the ongoing impact of Covid on operations and workforce during the year. Good practice was identified in areas such as the review of the Homelessness and Temporary Accommodation as well as Treasury Management, reviewed as part of this year's Main Financial System review.

REVIEW OF 2021/22 WORK

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Contract Management & Procurement	-	3	1	Moderate	Moderate	<p>The achievement of many aspects of Rushcliffe Borough Council's purpose and vision relies on effective procurement and contract management, alongside the management of relationships with key partners. Local authorities are required to demonstrate sound financial administration supporting protection of the public purse, and work to rules governing how the Council will conduct procurement and ensure fair and transparent competition in the award of contracts.</p> <p>The purpose of the audit was to provide assurance over key governance processes for procurement and contract management at the Council. This review will include selecting a sample of significant contracts and ensuring they were appropriately procured and managed.</p> <p>We noted some good practices in relation to the Council's reviewing of key performance monitoring and found that from sample testing of 5 high value contracts in all 5 cases the agreed KPIs were reported as per contract terms and where the supplier was not performing, there was an appropriate escalation processes with adequate resulting action in place.</p> <p>However, it was identified that there was no formalised process for the regular review of aggregated spend for low value works to establish if a formal procurement process should be completed, following sample testing of ten contracts we found that in four instances that the Council's Contract and Procurement Process had not been followed and finally, following sample testing of ten high value contracts, we found that two contracts had not been signed by officers who have sufficient authority to do so.</p> <p>This has led us to conclude a moderate assurance over both the design and operational effectiveness of controls.</p>
Corporate Governance	-	2	6	Moderate	Moderate	<p>Effective corporate governance should equip the Council with a mechanism for ensuring that the focus of activities supports the achievement of its strategic aims. Good corporate governance extends from policy setting through to control objectives and is based on the people, ethos and culture established within the organisation. Governance</p>

		<p>processes can be more narrowly defined as comprising committee structures, schemes of delegation, higher level strategies, policies and processes.</p> <p>The purpose of this audit was to review the Council’s corporate governance arrangements to ensure they comply with best practice and help deliver the outcomes required by the District.</p> <p>In our audit, we identified the following key findings:</p> <ul style="list-style-type: none"> • Ongoing confirmation of interests - Councillors - At the time of our review, 8 Councillors had not updated their declaration of interests in the last 12 months. It is recognised that this may have been affected by not having meetings in person due to COVID-19, where declarations of interest forms would have been completed on paper • Councillor engagement in training - Engagement from Councillors with the training programme provided by the Council needs improvement, especially with the Regulatory committees where: <ul style="list-style-type: none"> ○ 18% of the Planning Committee had not completed Planning Training since election in 2019 ○ 20% of the Licensing Committee had not completed Licensing Training since election in 2019. <p>Overall, we found that fundamental governance structures and processes were in place. However, we identified two in particular areas that require attention - both of which the Council were already aware of. These relate to the finding that 8 Councillors have not completed their declaration of interest in the prior 12 months and instances of non-compliance for training completion for Regulatory committees.</p> <p>We have reported two medium and six low priority findings. Therefore, we have assessed the systems in place are of moderate design and moderate operational effectiveness.</p>
<p>Health and Safety - 2 1</p>	<p>Moderate Moderate</p>	<p>The Council has a legal duty to put in place suitable arrangements to manage health and safety risks. According to the Health and Safety Executive (HSE), managing health and safety should be part of the everyday process of running an organisation and an integral part of workplace behaviours and attitudes. For HSE, the core elements to effectively manage health and safety are: strong leadership and management, a trained and skilled workforce, and an environment where people are trusted and involved.</p> <p>The purpose of this review is to assess the Council’s arrangements for ensuring the health and safety of staff and visitors and how assurances on the effectiveness of these arrangements are reported to the Council.</p> <p>Our review noted that there are number of good areas of practice at the Council regarding health and safety. These areas include the reviewing of health and safety</p>

		<p>policies, the defining of roles and responsibilities in the management framework and the clear reporting groups for health and safety.</p> <p>However, areas for improvement were identified during the review. These findings relate to the training rates for Display Screen Equipment, asbestos and legionella and the need for refresher training for the latter two. Further, there is a need for more frequent monitoring of actions identified in risk assessments and a more consistent process of review in Pentana which has led us to moderate assurance able to be provided over both the design and operational effectiveness of controls in place regarding the management of health and safety within the Council.</p>
<p>Business Continuity - 1 1</p>	<p>Substantial Moderate</p>	<p>Any disruption to the availability of the Council's systems could result in the Council being unable to provide its critical services. In order to mitigate this risk, the Council have an overall Business Continuity Plan (the Plan) in place, supported by a number of business impact assessments (BIA) for areas that have identified as critical service functions. There is also a complimentary IT Business Continuity Plan which includes processes relating to disaster recovery.</p> <p>The purpose of this audit was to assess the design and operational effectiveness of the Council's business continuity and disaster recovery controls and to highlight any areas where the controls might be improved.</p> <p>Overall, the Council has controls in place that are designed to ensure that there is adequate control over business continuity and disaster recovery. This includes detailed Council wide and IT specific business continuity plans, which clearly identify responsible persons with clear roles and responsibilities at directorate and business level.</p> <p>The Council have a template Business Impact Assessment for those areas which have been identified as critical service functions. However, further progress needs to be made in ensuring these are appropriately and accurately completed.</p> <p>Much of the Council's business continuity work is continuous. Despite this, it is important for there to be a frequent review and reflection process through regular testing of the Plan.</p> <p>Therefore, the overall rating is a substantial opinion on the design of the system, and a moderate opinion on the effectiveness of the system.</p>
<p>Housing Benefits - - -</p>	<p>Substantial Substantial</p>	<p>Rushcliffe Borough Council (the Council) is responsible for administering housing benefit and council tax reduction in the Borough. Housing benefits are intended to help meet housing costs for rented accommodation and council tax and are available to people on a low income or no income. Housing benefits are means tested based on a claimant's income and capital.</p>

		<p>The Council use the Capita system to process new claims and changes in circumstances, and the Northgate system for document management.</p> <p>The purpose of the audit is to provide assurance over the adequacy and effectiveness of the key processes and controls in place over the processing and payment of housing benefit claims and checking that housing benefit claims are cancelled in a timely manner where individuals have been set up by the Department for Work and Pensions (DWP) to receive universal credit payment.</p> <p>We noted no key findings from this review. 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.</p> <p>Through our testing we can provide substantial assurance that the controls that the Council has in place and follows in administering housing benefits is sound. The Council has sufficient controls in place around the procedures for processing new housing benefit claims, making amendments to existing claims, monitoring performance, minimising duplication and overpayments of housing benefits and performing write-offs.</p> <p>By following the BDO sampling methodology, we selected a sample of records from the overall population for our analysis. Hence, we are unable to provide absolute assurance that the remaining population is also free of errors. Therefore, on the basis that no errors were identified in the audit sample, substantial assurance is provided on both the design and the operational effectiveness of controls around the administration of housing benefits at the Council.</p>
<p>Main Financial Systems</p>	<p>- - 1</p> <p>Substantial Substantial</p>	<p>The purpose of this review was to provide assurance over the design and effectiveness of the controls in place around council tax and NNDR, treasury management and payroll as well as to highlight any areas where the controls could be improved. We also performed a follow up of the recommendations raised in the 20/21 Budgetary Management audit to ensure these have been implemented.</p> <p>We raised one medium priority finding that there were two instances where the One Revenues user declaration form identified friends, relatives, partners or acquaintances that live in the Council’s jurisdiction, but these individuals had not been blocked on the users’ account.</p> <p>The Council have a Substantial control design for the management of its main financial systems. This review focused on the administration of revenues received through council</p>

		<p>tax and NNDR which were robust. Users were admitted to the Capita One Revenues system with appropriate authorisations based on their job role and leavers were deactivated from the system. Accurate bills were generated and issued to occupiers in a timely manner and nationally reported figures show that the Council have performed well compared to other local authorities in collecting council tax and NNDR.</p> <p>There were adequate arrangements in place for approving refunds, with refunds over £5k requiring the approval of the Director of Finance & Corporate Services. Our sample test identified compliance with these approval levels. Furthermore, the Council's Treasury Management Strategy was outlined clearly and publicly available on its website. Treasury deals were completed with approved counterparties, within limits and with the approval of the Financial Services Officer.</p> <p>Although the payroll function is outsourced to GBC, the Council reconcile the payroll authorisations spreadsheet to the payroll control account each month to ensure accurate payments are made.</p> <p>Overall, there was a Substantial control effectiveness and consistent compliance with controls.</p>
<p>Planning and S106 - 3 -</p>	<p>Moderate Moderate</p>	<p>The purpose of this audit was to review and assess the effectiveness of controls in place regarding planning and review the management of Section 106 funds.</p> <p>Between 1 April 2020 and 31 July 2021, the Council decided on 1,196 planning applications. Planning permission was granted in 93% of these cases. The Town and Country Planning (General Permitted Development) (Amendment) (England) Order 2015 requires minor applications to be decided on within eight weeks of an application being validated and major applications to be decided on within 13 weeks. The Government have a planning guarantee that all applications, where an extension of time has not been agreed, will be decided on within 26 weeks from validation. The Council use the Uniform system to manage planning applications and Idox to retain all documentation relating to applications.</p> <p>We raised three medium findings:</p> <ul style="list-style-type: none"> • The KPI reports identified that the Council were failing to meet its target of 85% of householder applications completed within statutory time limits. This appeared to be due to vacancies in the team and a focus on processing major applications • Developers failed to notify the Council when S106 Agreement triggers had been met which led to delays in contributions being collected and the Council is not enforcing penalties for this, as it wants to maintain good relationships with

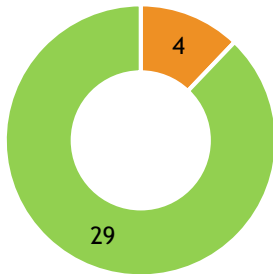
		<p>developers. There was also one instance, now corrected, where a developer had been overcharged due to the incorrect indexation being applied</p> <ul style="list-style-type: none"> • 10/15 planning applications we tested were not processed within the statutory time limits and where extension of time agreements were made, in 8 cases these were agreed after the statutory time limit had elapsed <p>Overall, the Council's management of planning and S106 Agreements was adequate but with improvements required in some areas. This led us to conclude that the control design and effectiveness was Moderate.</p>
<p>Homelessness and Temporary Accommodation - - 3</p>	<p>Substantial Substantial</p>	<p>The Housing Act 1996, Homelessness Act 2002, and the Localism Act 2002 place statutory duties on local housing authorities relating to homelessness. This has been extended more recently by the Homelessness Reduction Act 2017 which requires the authorities to undertake prevention work with people threatened with homelessness in 56 days, increasing from 28 days. As such Rushcliffe Borough Council (the Council) is required to ensure that advice and assistance is provided (free of charge) to individuals who are homeless or threatened with homelessness. Where the authority is satisfied that an applicant is eligible for assistance, unintentionally homeless and falls within a specified priority need group, local authorities have a 'main homelessness duty' to ensure that suitable accommodation is available for the applicant.</p> <p>We found:</p> <ul style="list-style-type: none"> • Actions identified in the Joint Strategy are not SMART and targeted, however, we understand that the Council are already taking a considerable number of actions towards the delivery of the actions, particularly around engagement with landlord forums to increase the availability of private rented accommodation • Key performance indicators (KPIs) around time spent in temporary accommodation, numbers of homelessness cases prevented, etc. were collected on Pentana but were not presented to the Neighbourhood Management Clinic and the Corporate Overview Group. Reporting of these KPIs to both groups would add value and context to performance • There was one instance out of seven in our sample test of out-of-district temporary accommodation placements where a S208 letter could not be located on HomeSearch or Information@Work. <p>Overall, the Council have substantial controls for the management of homelessness and temporary accommodation. The Council have taken a co-operative approach with other neighbouring local housing authorities through its Joint Strategy with Broxtowe Borough Council and Gedling Borough Council, and its interaction with other East Midlands authorities via the Housing Sub-Group.</p>

		<p>Whilst some weaknesses were identified around the reporting of KPIs and one instance where a S208 letter could not be located, it was evident that the Council take a proactive approach towards homelessness prevention through its engagement with households and landlords.</p> <p>This leads us to conclude that the design of controls and control effectiveness is substantial.</p>
<p>General Data Protection Regulation (GDPR) - 1 1</p>	<p>Substantial Substantial</p>	<p>The management and use of information has become more important as both expectations of information governance and the service expected by customers are getting more demanding. Using and managing information appropriately has a significant part to play in the delivery of meeting these expectations. In order to share information internally, with its Partners, with third parties and with the public, the Council needs to comply with the regulations governing the release of information, including the General Data Protection Regulation (the GDPR) 2018 and the Freedom of Information Act (the FOIA). Members of the public have the right to request information about any data that the Council holds about them and this must be provided within a defined timeframe as dictated by the GDPR.</p> <p>We have raised one medium and one low priority recommendation to improve the Council’s GDPR compliance controls. Overall, the Council has a robust internal control environment, derived primarily from defined roles and responsibilities and the completion of appropriate training by members of staff.</p> <p>However, gaps were identified in the Council’s Information Asset Register and the GDPR compliance training. We therefore conclude substantial assurance over both the design of the Partnership’s GDPR compliance controls and their operational effectiveness.</p>

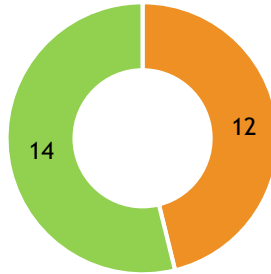
SUMMARY OF FINDINGS

RECOMMENDATIONS AND ASSURANCE DASHBOARD

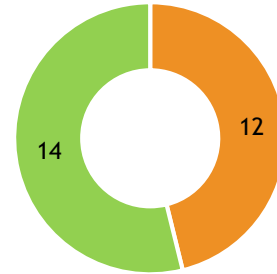
Recommendations 2019/20 (RSM)



2020/21

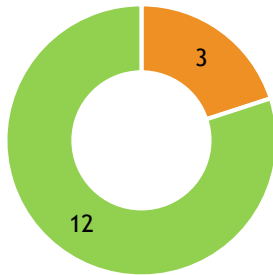


2021/22

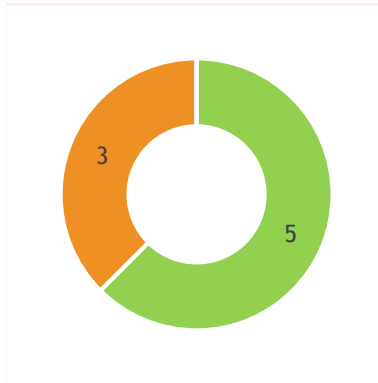


■ High ■ Medium ■ Low

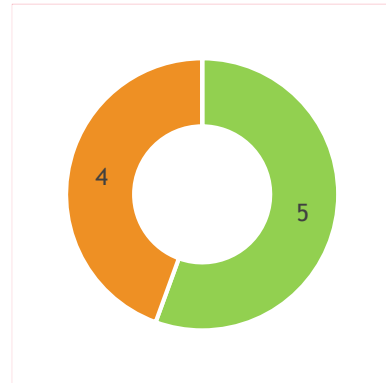
Control Design 2019/20 (RSM)



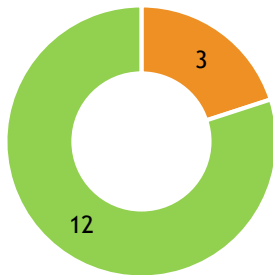
2020/21



2021/22



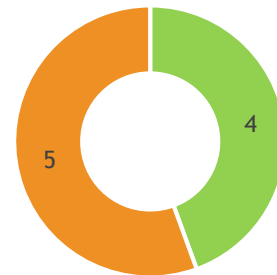
Operational Effectiveness 2019/20 (RSM)



2020/21



2021/22



■ Substantial ■ Moderate ■ Limited ■ No

ADDED VALUE



USE OF SPECIALISTS

We undertook one IT review this year (GDPR) and deployed an IT specialist to undertake the work. Further, the annual Fraud Report was delivered by our Fraud specialist.



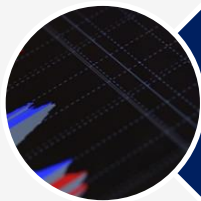
RESPONSIVENESS

We ensured we were responsive to the Council's needs and, following scoping for an audit originally planned, we adjusted the audit plan to accommodate a separate audit (Health and Safety) which was felt to be of more relevance.



BENCHMARKING AND BEST PRACTICE

Benchmarking was completed in a number of our reviews, including Planning and s106 as well as Homelessness and Temporary Accommodation. Further, we shared evidence of best practice in the Corporate Governance review.



INNOVATION

As noted above, we utilised our audit days to ensure areas of highest risk were covered. Additionally, we undertook data analytics where possible including in Main Financial Systems and Housing Benefit reviews.

KEY THEMES



PEOPLE

The Council welcomed internal audit and provided us with strong levels of time and support during our reviews. However, training for Officers and Members could be improved as noted in Health and Safety and Corporate Governance respectively.



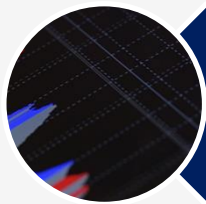
SYSTEMS & PROCESSES

We identified that the systems and processes were largely operating effectively. However, we noted that there are areas for improvement, eg planning applications response times and ensuring Members declarations of interest are regularly updated.



POLICES & PROCEDURES

Overall, policies and procedures were in place and were subject to approval throughout service areas within the Council. Adherence was positive in most cases, however, we contract sign-offs did not follow the approved scheme of delegation.



GOVERNANCE & FOLLOW UP

Governance processes were largely robust with formal reporting lines established. However, it was identified there was scope to improve monitoring and reporting of KPIs as part of the Planning and Homelessness and Temporary Accommodation audits.

BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to Rushcliffe Borough Council is to provide an opinion to the Board, through the Governance Scrutiny Committee on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our internal audit work for the 12-month period from 1 April 2021 to 31 March 2022 was carried out in accordance with the internal audit plan approved by management and the Governance Scrutiny Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

Scope and Approach

Audit Approach

We have reviewed the control policies and procedures employed by Rushcliffe Borough Council to manage risks in business areas identified by management set out in the 2021-22 Internal Audit Annual Plan approved by the Governance Scrutiny Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Rushcliffe Borough Council's management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

The opinion provided on page 4 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Reporting Mechanisms and Practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Governance Scrutiny Committee is to agree reports with management and then present and discuss the matters arising at the Governance Scrutiny Committee meetings.

Management actions on our recommendations

Management was engaged with the internal audit process and provided time to us during the fieldwork phases of our reviews, providing audit evidence promptly and allowing the reviews to proceed in a timely manner, including opportunities to discuss findings and recommendations prior to the issue of draft internal audit reports. Management responses to draft reports were mostly within our requested time frame, however, there were some instances where the turnaround of draft reports was slow.

Recommendations follow-up

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner, then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

During 2021/22 the Council have implemented the majority of audit recommendations. At the time of writing, of the 23 that have become due this year:

- 18 have been implemented
- Two became overdue and provided revised implementation dates
- Three are no longer applicable and have been moved to a low and will therefore not be followed up

It should be noted that a further nine recommendations are due to be followed up prior to June's Governance Scrutiny Committee.

Overall, this demonstrates good progress and an effective escalation process.

Relationship with external audit

All our final reports are available to the external auditors through the Governance Scrutiny Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

Report by BDO LLP to Rushcliffe Borough Council

As the internal auditors of Rushcliffe Borough Council, we are required to provide the Audit Committee, and the Director with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides Rushcliffe Borough Council with Moderate Assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2021-22. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2021-22
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to Rushcliffe Borough Council
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work







KEY PERFORMANCE INDICATORS

Quality Assurance	KPI	RAG Rating
Quality of work	<p>We received good feedback on our work from Officers with an average score of 4.2/5 from the five satisfaction survey responses we obtained. Further all respondents either Agreed or Strongly Agreed that the final reports were clear and concise, the recommendations were constructive and practical and that our work added value.</p> <p>BDO also passed their external quality assessment undertaken by the Institute of Internal Auditors in the last 12 months confirming our arrangements 'generally conform' (the highest standard) to Public Sector Internal Audit Standards (PSIAS)</p>	G
Responsiveness of the service	<p>We have responded to deadlines and targets well with the plan completed by the earliest Governance Scrutiny Committee following the 31st March. An audit was pushed back to later in the year as result of new policies being written (Contract Management and Procurement) to ensure the Council obtained the most benefit. Further, one audit was removed and replaced at the request of the Council due to a procurement being underway.</p>	G
Completion of audit plan	<p>We have completed out Internal Audit Programme for 2020-21.</p>	G
Follow-up of recommendations	<p>We escalate all non - responses and recommendations with several revised due dates to the Council's Corporate Services Manager (if required). However, there have been no instances where we have had to escalate for responses as auditees have been receptive in responding to both legacy and BDO recommendations.</p>	G

APPENDIX I

ANNUAL OPINION DEFINITION	
Substantial - Fully meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance.
Moderate - Significantly meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is some risk of failure or non-compliance.
Limited - Partly meets expectations	Our audit work provides assurance that the arrangements will deliver only some of the key objectives and risk management aims of the organisation in the areas under review. There is a significant risk of failure or non-compliance.
No - Does not meet expectations	Our audit work provides little assurance. The arrangements will not deliver the key objectives and risk management aims of the organisation in the areas under review. There is an almost certain risk of failure or non-compliance.

REPORT OPINION SIGNIFICANCE DEFINITION				
Level of Assurance	Design Opinion	Findings	Effectiveness Opinion	Findings
 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 noncompliance 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.

RECOMMENDATION SIGNIFICANCE DEFINITION	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

FOR MORE INFORMATION:

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Governance Scrutiny Group

Thursday, 30 June 2022

Annual Fraud Report 2021/22

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. The purpose of this report is to summarise the incidence of fraud and fraud prevention activities at the Council during the year 2021/22.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes the Annual Fraud Report for 2021/22 and, in particular, the requirement for further fraud awareness training in 2022/23 (as set out in paragraph 11.2 below).

3. Reasons for Recommendation

- 3.1 To provide an annual update to the Governance Scrutiny Group regarding the Council's fraud prevention environment.
- 3.2 This report has been prepared by BDO LLP ("BDO") to summarise the fraud prevention and detection activities undertaken by the Council. For the avoidance of doubt, BDO has not undertaken a full fraud risk assessment or audited any information provided to it by the Council's officers.

4. Supporting Information

- 4.1 The latest Chartered Institute of Public Finance and Accountancy ("CIPFA") Annual Fraud and Corruption Tracker Summary Report was published in 2020. This report highlights that:

- The total estimated value of fraud impact on local government was £7.3bn, with the amount identified or prevented by local authorities in 2019/20 estimated at £239.4m, £13.6m less than last year's total;
- The average value per fraud case in 2019/20 was £5,090, which is higher than the average of £3,600 in 2018/19;
- The approximate number of frauds detected or prevented has fallen to 47,000 in 2019/20 from the 71,000 cases found in 2018/19;
- The two greatest areas of perceived fraud risk for 2019/20 remained unchanged from the previous year: procurement, council tax single person discount (SPD).

- The perceived third, fourth and fifth highest fraud risk areas are business rates, adult social care and council tax reduction (CTR) respectively;
 - The area that has grown the most in the last year is council tax single person discount (SPD) with an estimated increase in the amount of money lost to SPD fraud of £9.6m since 2018/19; and
 - Council tax fraud represents 65.1% of the identified instances of fraud, with an estimated value of £35.9m.
- 4.2 CIPFA has not yet published a report for the 2021/22 year. However, fraud remains a concern in the public sector and more recent data is likely to reflect the impact of pressures caused by the Covid-19 pandemic. For example, grant claims became a significant risk due to the short timescales in which government bodies were required to implement and issue the grants.
- 4.3 As an indication of the scale of this risk across the public sector, the Department for Business, Energy and Industrial Strategy's (BEIS) 2020-21 accounts report estimated levels of losses due to fraudulent claims under the Bounce Back Loan Scheme of £4.9bn¹. Furthermore, it is estimated that material levels of fraud are present in the business support loans issued across the UK by local authorities. Grant claims are discussed in more detail in paragraph 10 of this report below.
- 4.4 The purpose of this report is to provide an overview of general and specific fraud related issues that have arisen at the Council during 2021/22.

5. Preventing and Detecting Fraud

- 5.1 Fraud and conduct issues can involve Council employees, elected members, partners, customers and the general public. Both conduct and fraud issues can be identified/raised in a number of ways:
- Pro-active detection work, undertaken internally or externally, for example as part of the National Fraud Initiative; and
 - Referral by employees, elected members, partner organisations, or members of the public identification by management.
- 5.2 In carrying out its functions and responsibilities, the Council is firmly committed to dealing with fraud or corruption and will deal equally with attempted and perpetrated fraud or corruption from inside or outside the Council.
- 5.3 The Council does not have a dedicated fraud prevention resource. However, it is the responsibility of managers as part of the internal control environment to ensure controls are in place to mitigate the risk of fraud. Officers with responsibility for monitoring and reporting levels of housing benefit and council tax fraud (under the NFI) and grant fraud, as described in the report, are located within the Finance Directorate. These areas are therefore subject to

¹ Department for Business, Energy and Industrial Strategy's (BEIS) 2020-21 accounts The Report of the Comptroller and Auditor General to the House of Commons

oversight by the same managers and directors, ensuring a level of consistency in the fraud control framework. There have not been any changes to the control environment in 2021/22.

- 5.4 Internal Audit may also identify fraud through their reviews and are available to support managers to investigate any allegations of fraud. During 2021/22 Internal Audit services were provided by BDO.
- 5.5 The Council's Anti-Fraud and Corruption Policy was reviewed during 2019/20 to ensure it is up to date and appropriate. BDO also provided comments as part of their Internal Audit plan in 2020/21 and compared it to the Government Functional Standard for Counter Fraud, Bribery and Corruption. The policy is due for review in 2024. For the avoidance of doubt, no additional work has been undertaken by BDO in relation to fraud risks beyond the scope of this report and the activities described within it and BDO has not undertaken a fraud risk assessment exercise for the Council.

6. Whistleblowing Policy

- 6.1 It is important to any organisation that any fraud, misconduct or wrongdoing by workers or officers of the organisation is reported and properly dealt with. The Council encourages all individuals to raise any concerns that they may have about the conduct of others within the Council.
- 6.2 There are no specific awareness campaigns, such as posters advertising the whistleblowing policy. However, employees are made aware of the whistleblowing procedures on the staff intranet page and managers also encourage an open culture and encourage their teams to discuss any concerns with them.
- 6.3 The whistleblowing policy applies to all employees and those contractors working for the Council, on Council premises, for example, agency staff, builders. It also covers suppliers and those providing services under a contract with the Council on their own premises.
- 6.4 BDO has not reviewed the Council's whistleblowing policy for the purpose of this report. Recommendations in relation to staff awareness and training are included at **paragraph 11.2** below.
- 6.5 There have been no whistleblowing concerns reported during 2021/22.

7. National Fraud initiative (NFI)

- 7.1 The NFI is a data matching exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. A national exercise is undertaken every two years, although electoral roll and council tax data is required to be submitted annually. Once the data-matching process for each exercise is completed, the NFI makes the output available to the relevant participating body for consideration and investigation via the

secure NFI software. Participating bodies are then responsible for investigating any matches.

7.2 Council Tax Single Person Discount

The Council started a review in respect of single person discounts via the NFI in December 2021. The results of this exercise were:

2021/22	2020/21	
517	721	Number of cases identified by NFI
23	591	Number of live cases investigated
17	81	Number of cases where the discount was removed
£2,146	£24,222	Value of extra Council Tax billed

7.3 The number of cases investigated, and the additional council tax billed, reduced significantly compared to the prior year. This is due to other work pressures and resource constraints, with resources being diverted to Business Grants and Council Tax Energy Rebates payments since these had been assessed as priority tasks. The Council is planning to undertake a Single Person Discount review during 2022/23.

7.4 Housing Benefit awards and localised Council Tax Support awards were also reviewed in 2021/22:

2021/22	2020/21	2019/20	
93	182	1,059	Number of matches reviewed
0	0	1	Number of frauds identified
3	3	6	Number of errors identified
£14,496	£2,374	£52,712	Amount of Council Tax errors identified

7.5 Following consultation by the Cabinet Office in 2020/21, the market trader and alcohol license data was not collected and therefore there are no statistics to report. The Cabinet Office also amended the matching rules in 2020/21 which significantly improved the quality of the matches. This has resulted in the reduction in matches to be reviewed for a second year, as shown in the table above.

7.6 All discounts awarded (except single person discounts due to the volume) are reviewed on an annual basis and applicants are advised that they should inform the Council of any changes. The Council does not undertake any wider exercises to publicise measures taken against residents who have incorrectly claimed a discount to act as a deterrent, with the annual reminders instead relied upon to remind residents of their obligations.

7.7 Where it is discovered that a discount has been incorrectly claimed, the discount is removed on the billing system and the correct charge raised (these amounts are included in the value of extra council tax billed quoted in the tables above). The discount is removed from the customer's account from the date that they are no longer entitled to it. The charge is then recovered as unpaid Council Tax, subject to reminders/summons as per the Council's recovery policy.

8. Internal Investigations 2021/22

8.1 There have been no allegations of fraud reported in 2021/22. However, as noted in **paragraph 6.2** above, the internal whistleblowing hotline is not actively promoted, which could potentially impact the reporting rate.

9. Benefit Fraud Investigations conducted by the Counter Fraud and Compliance Directorate

9.1 The Council no longer investigates Housing Benefits frauds. These are undertaken by the Department for Work and Pensions (DWP) Counter Fraud and Compliance Directorate (CFCD).

9.2 The DWP has a suite of Management Information (MI) that allows Local Authorities (LAs) to monitor the progress of referrals made to CFCD and enables LAs to see the outcomes CFCD are achieving on their behalf. Additionally, it enables LAs to make a comparison of the volume of referrals that they have made against the national average.

9.3 For the second year running due to Covid-19, no data has been available from the DWP at the time of this report.

10. Internal Audit – Covid-19 Grants Assurance (SBGF and RHLG)

10.1 In 2021/22, the Council has administered the following grants:

- Restart Grants – from April 2021
- Omicron Hospitality and Leisure Grants (OHLG) – from January 2022; and
- Additional Restrictions Grant (ARG) – covered the whole period.

10.2 The number and quantum of grants issued by the Council in 2021/22 was as below:

Grant type	Number of grants awarded	Total quantum of payments (£)
April 2021 - Restart	530	£4,234,032
April 2021 - ARG	232	£420,349
January 2022- OHLG	178	£591,369

January 2022 ARG	-	130	£142,500
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10.3 As highlighted above, there are indications that grant claim fraud levels across the public sector have been significant in 2021/22. To try and prevent fraudulent claims being paid, the Council applied a defined procedure for assessing and awarding all grants, incorporating a number of checks and controls. The process is outlined below:

- Applicants completed an online application (only one application form for both applicable grants);
- Each application was assessed by an officer for eligibility (Restart/ARG/None or OHLG/ARG/none) based on the nature of the business and the sector they operated in;
- Supporting evidence checked, including:
 - Proof of trading entity/recent trading;
 - Proof of ownership of applicant's bank account; and
 - Evidence of recent trading.
- Details uploaded to Spotlight (online Government system to check validity of company/charity records);
- Bank account online check via NFI website; and
- Once all above checked then file sent to Finance department to make the payment.

10.4 As outlined above, the Council used its own internal controls such as ensuring officers obtained supporting evidence and made use of existing frameworks such as Spotlight and NFI to cross check data. The Council received a total of 792 grant applications in April 2022, of which 762² (96%) were approved and paid. In January 2022, the Council received 354 applications, of which 308³ (87%) were approved and paid. No analysis has been undertaken for the purpose of this report to assess the failed applications in detail to understand whether they were rejected by the Council or withdrawn by the applicants, but it is evident that not all applications resulted in a payment being made.

10.5 The details of all grants paid were submitted to BEIS, the department ultimately responsible for the grants and the Council was informed that a random sample would be requested for auditing. The Council is required to provide all supporting documents it collected for any selected samples to demonstrate that it has confirmed the applicant's eligibility before making payment. As at the date of this report, the Council has received a request from BEIS for the documents relating to one OHLG grant (in April 2022) and three Restart grants (in May 2022). No feedback has been received from BEIS as at the date of this report.

10.6 BDO's Internal Audit team completed an audit of the processes and controls in place for issuing COVID-19 grants in May 2021. The report concluded that there was substantial assurance over the design and operational effectiveness

² 530 + 262 per summary table above

³ 178 + 130 per summary table above

of controls. This was on a sample basis and their conclusions relate to the sample only.

11. Fraud Awareness Training and Counter Fraud Staff Survey

11.1 During 2020/21 BDO also undertook fraud awareness training to staff across the council and undertook a survey to measure the impact of this training.

11.2 No training has been undertaken in 2021/22. However, it is recommended that training is regularly undertaken, and it is proposed that a fraud awareness session is scheduled to take place in the 2022/23 year. It may also be relevant to consider the level of awareness around the whistleblowing procedures as part of this training (see **paragraph 6.2** above).

12. Risks and Uncertainties

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

13. Implications

13.1. Financial Implications

There are no financial implications associated with the recommendations to this report.

13.2. Legal Implications

There are no legal implications associated with the recommendations to this report.

13.3. Equalities Implications

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

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

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

14. Link to Corporate Priorities

Quality of Life	The detection and subsequent investigation of fraudulent activity supports the Council's ability to deliver services across its priority areas.
Efficient Services	
Sustainable Growth	
The Environment	

15. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group notes the Annual Fraud Report for 2021/22 and, in particular, the requirement for further fraud awareness training in 2022/23 (as set out in paragraph 11.2 above).

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:	None.



Governance Scrutiny Group

Thursday, 30 June 2022

Annual Audit Letter

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. The attached letter from Mazars summarises progress on the audit process for the 2020/21 financial year. It reiterates the key conclusions of the Auditors' Report on the 2020/21 Accounts and the Report to those Charged with Governance, both of which were considered by the Governance Scrutiny Group on 25 November 2021.
- 1.2. No actions are required in relation to the report although a non-material misstatement in relation to pensions was identified. The report is positive, no major concerns have been raised.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group note the receipt of the Annual Audit Letter.

3. Reasons for Recommendation

- 3.1. To ensure that due regard has been given to issues and concerns raised by the Council's external auditors.

4. Supporting Information

- 4.1. The Annual Audit Letter for 2020/21 is attached at Appendix A.
- 4.2. This year was another challenging year with the continued impact of Covid. The statutory deadline for signing off the Statement of Accounts was extended for a second year until 30 November 2021. No significant issues have arisen during the 2020/21 financial year with the auditors commenting upon the smooth process of the audit.

5. Risks and Uncertainties

- 5.1. There are no issues arising from this report.

6. Implications

6.1. Financial Implications

The existing budget covers the fee for audit work of £31,792. In addition to this, Mazars propose fee variations of £20,440 in relation to additional testing due to the changes in the Code of Audit Practice requirements and work as a result of Covid-19. These variations are subject to confirmation by Public Sector Audit Appointments (PSAA) and, if approved, will be covered by budget efficiencies identified in the year.

6.2. Legal Implications

There are no direct legal implications arising from the recommendations of this report.

6.3. Equalities Implications

There are no equalities implications connected to the recommendations of this report.

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

There are no Section 17 implications connected to the recommendations of this report.

7. Link to Corporate Priorities

Quality of Life	None
Efficient Services	Undertaking a programme of external 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 note the receipt of the Annual Audit Letter.

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 – Mazars Annual Audit Letter 2020/21

Auditor's Annual Report

Rushcliffe Borough Council – year ended
31 March 2021

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March 2022



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales

01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Rushcliffe Borough Council ('the Council') for the year ended 31 March 2021. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



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Opinion on the financial statements

We issued our audit report 20 December 2021. Our opinion on the financial statements was unqualified.



Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Council's arrangements to secure, economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council's arrangements.



Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office confirming their requirements in relation to the Council's Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We did not receive any questions or objections in respect of the Council's financial statements.

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Section 02:

Audit of the financial statements

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2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

Qualitative aspects of the Council's accounting practices

We reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties and we have had the full cooperation of management.

The audit was again carried out remotely but there were no significant difficulties in carrying out our normal audit procedures and obtaining the audit evidence required to complete the audit. We continue to work with management to complete any remaining audit work and resolve audit queries and are grateful for the cooperation and support provided.

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Section 03:

Commentary on VFM arrangements

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3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

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At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. We did not identify any risks of significant weakness, or actual significant weakness, in the Council's arrangements. On the following pages we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	9	No	No
Governance	11	No	No
Improving economy, efficiency and effectiveness	14	No	No

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3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to the Council’s operating environment in 2020/21

The Council entered 2020/21 at the start of the national lockdown, and faced a significant operational impact from the effects of the pandemic. In response to the Covid-19 pandemic, central government made a series of policy announcements, a number of which have impacted on local authorities such as Rushcliffe Borough Council. During the 2020/21 year the Council dealt with a wide range of issues to support local residents and businesses.

Some of the Government’s initiatives in response to the Covid-19 pandemic have been backed by additional funding, and the Council received a range of government grants during 2020/21 to either support local businesses/individuals or meet the Council’s own costs. The Council received £2.7m of Covid-19 Response funding to cover the Council’s extra costs.

2020/21 Financial statement performance

We have carried out a high level analysis of the audited financial statements, including the Comprehensive Income and Expenditure Statement, the Balance Sheet and Movement in Reserves Statement.

The Council's balance sheet does not give us cause for concern relating to financial stability. Current assets have increased from £27.5m to £46.8m, with short term creditors increasing from £8.9m to £17.4m which as at other councils this year is largely due to deferred Covid-19 government grants. The level of total year-end Cash and Cash Equivalents rose from £5.2m to £19.4m. This was in line with cash flow forecast and requirements.

The most significant change in the balance sheet relates to movements in the Council's share of the pension fund net liability (being a deficit position) of £63.2m, up from £50.7m in the prior year. It is not unusual to see material movements in the net pension liability and this is consistent with our experience at other local authorities. The deficit position is not unusual and is a recognised area of financial challenge for local authorities.

The Council's useable reserves have increased overall from £19.8m to £25.8m in 2020/21, with:

- General Fund and Earmarked Reserves of £24.9m, up from £16.1m in 2019/20; and
- Capital Receipts Reserves of £0.5m, down from £3.5m in 2019/20.

These reserves provide some mitigation against future financial challenges, and will assist in addressing future volatility and support savings and efficiencies plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long term solution to funding gaps. Notwithstanding this, our work has not highlighted a risk of significant weakness in the Council’s arrangements for ensuring financial sustainability.

Financial planning and monitoring arrangements

In January 2020 the Council set a balanced General Fund budget for the 2020/21 financial year. During the year the Council reported its financial position through quarterly financial performance reports, and carried out an early in-year review to reflect the impact of Covid-19 on budgets and financial performance.

We noted that budget monitoring was reported to Cabinet on a quarterly basis. We reviewed the final report covering the whole year and outturn that was received by Cabinet in July 2021 and the reports contain detail on any significant variances to budget and an update on performance against targets. The reports also contain information on progress against the approved capital programme and reasons for over or underspends against the budget profile to provide adequate scrutiny and oversight. The Council reported the final revenue outturn position for the 2020/21 year showing the General Fund had favourable variance of £7.3m against the budget.

We have considered the arrangements in place in respect of budget management as part of the Governance criteria on page 11 and not identified any significant weaknesses in the Council's arrangements..

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria (continued)

Arrangements for the identification, management and monitoring of funding gaps and savings

We confirmed a Medium Term Financial Strategy (MTFS) is in place to cover 2021/22 to 2025/26 and that it supports the Council's priorities communicated in its corporate strategy, and identifies its financial implications. It shows the approach the Council will take in order to deliver its services and priorities within its financial constraints and in doing so, how it will look to provide value for money.

A key part of the strategy is to highlight the budget issues that will need to be addressed by the Council over the coming financial years, by forecasting the level of available resources from all sources and budget pressures relating to both capital and revenue spending as well as assessing sufficient reserves and provisions are held for past and unknown events which may impact on the Council's resources. There is a process in place for challenging any growth items and agreeing the achievability of planned savings.

Arrangements and approach to 2021/22 financial planning

The arrangements for the 2021/22 budget setting process have largely followed the arrangements in place for 2020/21 but with a better understanding based on the experiences during the year of the impact of Covid-19 on the Council's services. There were still though a number of unavoidable uncertainties regarding likelihood and impact of any future lifting of restrictions or lockdowns, and the availability of any further government support.

A General Fund budget for 2021/22 was approved at the February 2021 Cabinet meeting with any required savings expected to be covered by actions in hand.

We reviewed the Council's budget to actual performance as presented in the financial statements. The Council has a track record of spending within the net budget to within an immaterial variance in both 2018/19 and 2019/20 with General Fund revenue outturn positions against budget. As the underlying arrangements for financial planning and control have not significantly changed for 2020/21, there is no indication of a significant weakness in arrangements for financial forecasting and financial planning.

We have reviewed the MTFS and supporting reports to Cabinet in February and are satisfied that it adequately explained the financial risks and that the main financial assumptions were not unreasonable.

There was an acknowledgement in approving the MTFS that the roll over of the Local Government Funding Settlement meant that some of the expected changes in the Fair Funding Review and in relation to New Homes Bonus and any Business Rates reset were not enforced. Changes in these areas were regarded as a risk through expected loss of funding so their deferral represented a gain to the Council's immediate financial position.

The continuing uncertainty does make though strategic financial planning difficult for Councils, particularly in relation to its General Fund services. The MTFS forecasts a balanced budget for 2021/22 however, to meet the balanced budget, £0.8m in corporate transformational savings will need to be attained. For 2022/23 and 2023/24, the Council has forecast a deficit on the General Fund of £794k and a surplus of £328k respectively, with these sums to be met from useable reserves (total transfer from reserves for 2021/22 to 2023/24 is anticipated to be £4.3m). As set out on page 9, General Fund and Earmarked Reserves were £24.9m as at 31 March 2021. In the context of the level of useable revenue reserves, the gross deficit of £0.8m deficit and total transfer of £4.3m balances do not present an immediate risk of significant weakness in the Council's arrangements for financial sustainability, action does need to be taken to ensure savings plans are robustly planned and delivered.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management and monitoring arrangements

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of effectiveness, economy and efficiency. In doing this it is responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk.

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. There is an updated and approved Corporate Risk and Opportunity Management Strategy which includes the Council’s approach to managing risk, guidance, the Council’s risk appetite and roles and responsibilities.

We have met with officers regularly during the year and made specific inquiries regarding risk management arrangements, including examples of the Council putting risk mitigation actions into place and reporting those to the Corporate Leadership Team and Members. We have reviewed the Strategic Risk Register and determined it is adequate for the Council’s purposes and consistent with sector norms.

The Governance Scrutiny Group is responsible for overseeing the effectiveness of the Council’s risk management arrangements, and challenging risk information. The Group is presented with the risk register on a regular basis and provides challenge as part of the process. The Corporate Leadership Team consider the Group’s minutes and summary reports and then determine appropriate risk appetite, risks and opportunities. These arrangements are consistent with what we would expect at a local authority and are adequate for the Council’s purposes.

The Annual Governance Statement is a critical component of the Council’s governance arrangements. It is an evidenced self assessment by the Council on the Council’s governance, assurance and internal control frameworks for the financial year. As such, those who are responsible for those arrangements must approve it. The Annual Governance Statement formally signed by the Chief Executive and the Leader of the Council. This emphasises that the document is about all corporate controls and is not just financial controls. We reviewed the Annual Governance Statements as part of our work on the financial statements with no significant issues arising

To provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Council has an out of house Internal Audit function (provided by BDO). The annual Internal Audit plan is agreed with management at the start of the financial year and is reviewed by Governance Scrutiny Group prior to final approval. The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. The planned work can be supplemented if necessary by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2020/21 and 2021/22 and confirmed they are consistent with the risk based approach.

Internal Audit progress reports are regularly presented to the Governance Scrutiny Group meeting including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Group to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion, based on the work completed during the year, on the overall adequacy and effectiveness of the council’s control environment. For 2020/21 the Council’s Internal Auditor’s concluded that: ‘Overall, we are able to provide Moderate Assurance that there is a sound system of internal control, designed to meet the Council’s objectives and that controls are being applied consistently.’

Throughout the year we have attended Governance Scrutiny Group meetings. Through attendance at these meetings we have confirmed that the Group receives regular updates on both internal audit progress and risk management. We have seen active Member engagement from the Group who challenge the papers and reports which they receive from officers, internal audit and external audit.

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3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (continued)

Arrangements for budget setting and budgetary control

The Council has an established set of arrangements in place for budget setting and control. The process is set out and approved through the Constitution, which encompasses the budget setting rules and financial procedures. The framework includes:

- Clear responsibilities, including the role of the Cabinet and drawing up initial proposals; the Overview and Governance Scrutiny Group providing consultation; and the Council in making the final decision on whether to adopt the proposals.
- Close working between the finance team and with external advisors and neighbouring councils to agree the key budget assumptions, which are challenged and agreed through the budget review process by Management, Governance Scrutiny Group and Council.

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Following approval of the budget, budget monitoring commences to monitor progress against targets. Budget monitoring responsibilities of budget holders are documented and they are supported in this role by the finance team. Budget monitoring reports are produced and there are regular meetings held, including finance team members, to discuss the financial performance and forecasts. There are rules in place regarding the reporting of budget variances and budget changes. There are similar processes and controls in place for development and control of the capital programme alongside the revenue budget setting. The Treasury Strategy reports are approved at the same time as the revenue budgets and monitored and reported on throughout the year.

We have reviewed minutes of meetings and the year end reports presented to the Cabinet during the year as well as the and narrative statement to the financial statements. In addition, we have reviewed capital expenditure as presented in the financial statements with no issues arising from our testing of additions.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (continued)

Decision making arrangements and control framework

The Council has an established governance framework in place which is set out within its Annual Governance Statement (AGS). The governance framework, as described in the AGS includes the Council's Code of Corporate Governance, the Constitution and the scheme of delegation which shows the levels of authority required for all key decisions, and the Council's Corporate Strategy.

The Council's Code of Corporate Governance sets out the governance principles which the Council are committed to and within which the Council conducts its business and affairs. The Code identifies the arrangements in place to enable the Council to meet the good governance principles identified. The Constitution is kept under review and updated as required. The Constitution sets out how the Council operates, how decisions are made and the procedures to support the Council's aims of being transparent and accountable. The Constitution includes the Budget and Policy Framework Rules, Contract Procedure Rules, Member and Officer codes of conduct.

The Council has a scrutiny function in place with arrangements shaped to reflect Council priorities. The Governance Scrutiny Group provides further focus on risk, governance and control matters. The Overview and Scrutiny Group have work programmes in place to steer their coverage of services and key decisions. We have reviewed the Scrutiny Groups' minutes throughout the year and not identified any concerns.

Regulators

There are few external regulators for district councils and we have not identified any matters that indicate significant weaknesses in the Council's governance arrangements.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to governance.

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3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Performance Management

The Council's Corporate Strategy sets out the Council's priorities and objectives for the period covered by the Strategy, including the values which underpin the overarching vision of 'supporting a sustainable, productive and prosperous Rushcliffe, a place where people are proud to live, work and do business'. The core priorities in the Strategy are: Quality of life, Efficient Services, Sustainable Growth and The Environment. Each of the themes have a detailed delivery plan in place with specific indicators to measure success.

The Council produces a Themes update on an annual basis that summarises how far the Council has progressed in meeting the priorities set in the Corporate Strategy. We reviewed the 2020/21 Themes report and noted that for all of the themes an action plan has been developed, with measurable success criteria and an indicator of direction of travel. This allows the Council to monitor successful delivery and identify any areas where corrective action is required.

We have reviewed a sample of the performance reports and the Cabinet and Scrutiny Group's minutes which show member challenge of the reported performance. The reports demonstrate that performance has been managed throughout the 2020/21 year and there were no major unexpected gaps in performance at the year end. The process has continued in the first half of 2021/22.

Partnerships

The Council has a number of partnership arrangements in place, through which the Council works to deliver services in line with its ambitions and priorities (as disclosed within the Council's AGS). These include:

- Rushcliffe Enterprises Ltd;
- The Development Corporation; and
- D2N2 one of the largest Local Enterprise Partnerships (LEPs) in England. Its purpose is to lead and support economic growth across Derby, Derbyshire, Nottingham and Nottinghamshire

We do not consider these to be significant in relation to our VFM commentary.

Procurement

The Council has a Procurement Strategy and set of Contract Procurement Rules which outlines how the procurement of goods, works and services is achieved. These documents take into account latest legislative and operational changes at the Council, and provide a corporate framework for the procurement of goods, works and services. There are also controls in place designed to ensure that all procurement activity is conducted with openness, honesty and accountability.

Our work on the financial statements has not identified any significant internal control deficiencies.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.

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04

Section 04:

Other reporting responsibilities and our fees

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4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

We have not yet received group instructions from the National Audit Office confirming their requirements in relation to the Council's Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.

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4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum and Audit Completion Report presented to the Audit Committee in February 2021 and November 2021. We expect our final audit fees to be as follows.

Area of work	2019/20 fees	2020/21 fees
Scale fee in respect of our work under the Code of Audit Practice	£31,792	£31,792
Additional testing as a result of changes arising from increased audit quality expectations involving the work on the valuation of land and buildings and on the local government pension scheme	£7,067	£7,067*
Additional testing as a result of the implementation of new auditing standards	-	£2,892*
Additional testing as a result of a new significant audit risk relating to Covid-19 grants	-	£1,188*
Other additional testing - additional testing and reporting in 2019/20 on uncertainties in key estimates as a result of Covid-19	£5,032	-
Additional work as a result of the new Code of Audit Practice and VFM reporting	-	£9,293*
Total fees	£43,891	£52,232*

* Fee variations subject to approval and confirmation by Public Sector Audit Appointments Limited.

Fees for other work

We can confirm that we have not been engaged by the Council to undertake any other work for 2020/21.

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

David Hoose

Partner

Mazars

David.Hoose@mazars.co.uk

Page 60
Park View House,
58 The Ropewalk,
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NG1 5DW

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.



Governance Scrutiny Group

Thursday, 30 June 2022

External Audit Annual Plan 2021/22

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. The attached report from Mazars summarises their approach to external audit activity with regard to the final accounts process and their approach to value for money work in relation to the financial year 2021/22.
- 1.2. Mazars highlight four significant risks concerning management override of controls, net defined benefit liability valuation, valuation of property, plant and equipment (see pages 15 to 17 of Appendix One).
- 1.3. Mazars will conduct a Value for Money (VFM) review in line with the 2020 Code of Audit Practice.
- 1.4. Mazars staff will be available at the meeting to answer any detailed questions arising from the report.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group accept the External Audit Annual Plan.

3. Reasons for Recommendation

- 3.1. To comply with the Audit Commission's Code of Audit Practice and relevant legislation and accord with good governance.

4. Supporting Information

- 4.1. Councillors will be aware that the Council has a legal requirement to produce a draft Statement of Accounts by the 31 July which is then subject to review by the Authority's external auditors, Mazars, and approval by 'those charged with governance', the Governance Scrutiny Group, by the 30 November 2022. Statutory dates of 31 May and 31 August respectively, have again been extended due to Covid related pressures.
- 4.2. The attached report details the approach that Mazars will use when auditing the 2021/22 Statement of Accounts. It specifies the work they will undertake, when they anticipate undertaking this work, and how they will liaise with

Council staff. It also details the key risks with regards to both the year-end accounts and the Council achieving value for money. These include:

- management override of controls
- net defined benefit liability valuation
- valuation of property, plant and equipment.

4.3. It should be noted that the audit fees for 2021/22 are currently set at £51,392 plus VAT (fees for 2020/21 are £52,232). These are in line with PSAA and include additional testing as a result of the implementation of new auditing standards and the Code of Audit Practice. This represents an increase of £19,600 (62%) on the original base fee of £31,792 set in 2019/20.

5. Risks and Uncertainties

5.1. The Mazars report highlights relevant risks (stated at paragraph 4.2 above).

6. Implications

6.1. Financial Implications

The audit fee relating to the costs of the audit work will be met from existing budgets.

6.2. Legal Implications

The Governance Scrutiny Group plays a key role in supporting the Council's governance controls by supporting and contributing to the Council's responsibility to maintain an adequate and effective system of internal control.

6.3. Equalities Implications

There are no equalities implications.

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

There are no Section 17 Implications.

7. Link to Corporate Priorities

Quality of Life	
Efficient Services	Undertaking an external audit of the financial accounts 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 accept the External Audit Annual Plan.

For more information contact:	Peter Linfield Director - Finance and Corporate Services 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	None.
List of appendices:	Appendix 1 – External Audit Annual Plan 2021/22

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Audit Strategy Memorandum

Rushcliffe Borough Council

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Year ended 31 March 2022



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- 01 Engagement and responsibilities summary
- 02 Your audit engagement team
- 03 Audit scope, approach and timeline
- 04 Significant risks and other key judgement areas
- 05 Value for money
- 06 Fees for audit and other services
- 07 Our commitment to independence
- 08 Materiality and misstatements
- Appendix – Key communication points

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This document is to be regarded as confidential to Rushcliffe Borough Council. It has been prepared for the sole use of Governance Scrutiny Group as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

24 May 2022

Dear Group Members,

Audit Strategy Memorandum – Year ended 31 March 2022

We are pleased to present our Audit Strategy Memorandum for Rushcliffe Borough Council for the year ended 31 March 2022. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Rushcliffe Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0115 964 4744.

Yours faithfully



David Hoose

Mazars LLP

Mazars LLP – {Park View House, 58 The Ropewalk, Nottingham, NG1 5DW}

Tel: {0115 964 4744 } – Fax: {0115 964 4755} – www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

01

Section 01:

Engagement and responsibilities summary

Page 68

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Rushcliffe Borough Council (the Council) for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

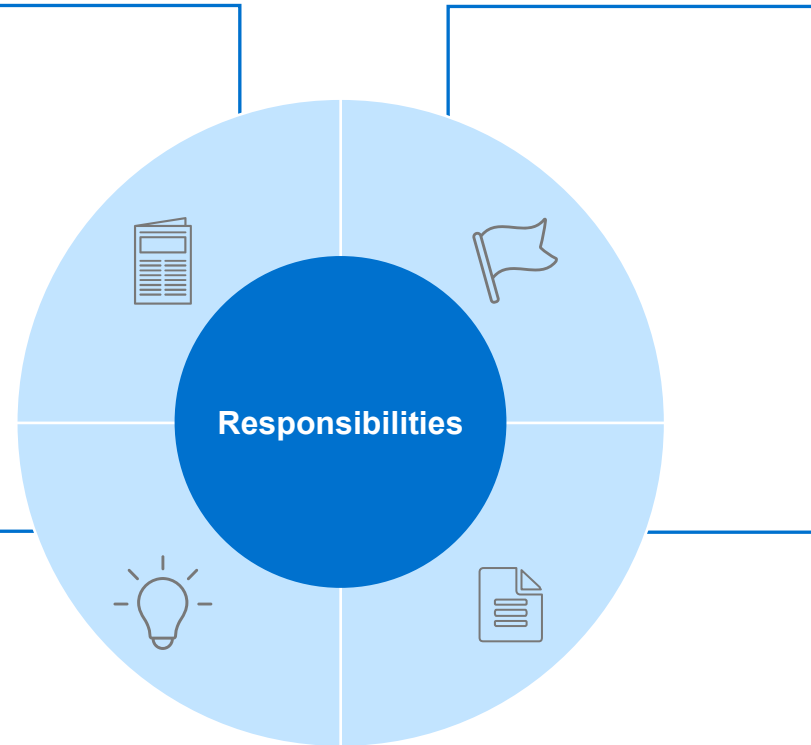
Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or Governance Scrutiny Group, as those charged with governance, of their responsibilities.

The Chief Finance Officer is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding and conclude on; a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



Fraud

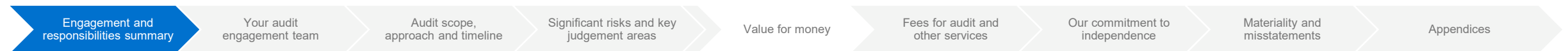
The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom



02

Section 02:

Your audit engagement team

2. Your audit engagement team

Individual	Role	Contact details
David Hoose	Engagement Lead, Partner	David.Hoose@mazars.co.uk
Michael Butler	Senior Audit Manager	Michael.Butler@mazars.co.uk
Bethan Frudd	Audit Assistant Manager	Bethan.Frudd@mazars.co.uk

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Engagement and responsibilities summary	Your audit engagement team	Audit scope, approach and timeline	Significant risks and key judgement areas	Value for money	Fees for audit and other services	Our commitment to independence	Materiality and misstatements	Appendices
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03

Section 03:

Audit scope, approach and timeline

Page 72

3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

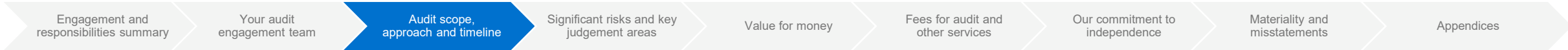
Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



3. Audit scope, approach and timeline

Page 74

Planning (January 2022)

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Completion (By November 2022)

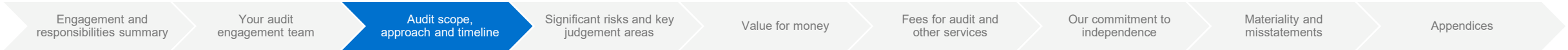
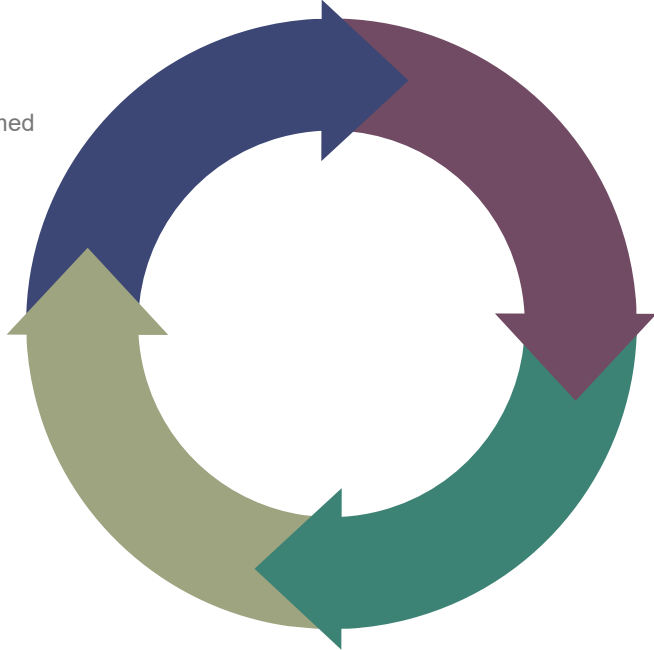
- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Governance Scrutiny Group
- Reviewing subsequent events
- Signing the auditor’s report

Interim (March- April 2022)

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork (September 2022)

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting



3. Audit scope, approach and timeline

Reliance on internal audit

We will liaise with Internal Audit to discuss the progress and findings of their work and to inform our continual risk assessment.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

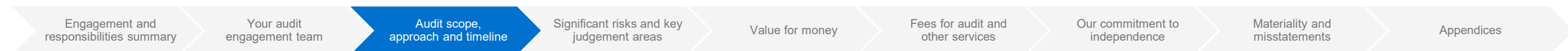
Item of account	Management's expert	Our expert
Property, Plant and Equipment and Investment property	Internal Valuer N Berry and L Ashmore	None. Third party evidence provided via the NAO to support our challenge of valuation assumptions.
	External Valuer/s (where applicable) Covers Other PPE and Investment Properties	We may engage the Mazars internal valuations team to support our work on property valuations.
Pensions	Barnett Waddingham Actuary for Nottinghamshire Pension Fund	PWC (Consulting actuary appointed by the NAO)
Financial Instrument disclosures	Link Asset Management (LAM) Treasury management advisors	None. We expect to use information supplied by LAM to support our challenge and assumptions to management.

Page 15

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

Items of account	Service organisation	Audit approach
Payroll Costs	Gedling Borough Council <i>The payroll entries that form part of the Council's financial statements are material and are derived from the processing of monthly payrolls. The payroll processing is undertaken and administered by Gedling Borough Council on behalf of the Council.</i>	We will review the controls operating at the Council over these transactions to gain an understanding of the services provided by the service organisation. We expect to be able to conclude that the Council has sufficient controls in place over the services provided by Gedling Borough Council, in addition to this we will be able to undertake substantive based procedures for payroll costs included within the financial statements.



3. Audit scope, approach and timeline

Group audit approach

We are responsible for the audit of the group consolidation. The Council’s consolidated group is made up of the following components:

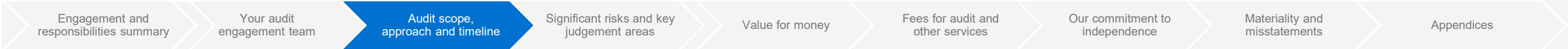
- Rushcliffe Enterprises Ltd (which covers Streetwise Environmental Ltd and Streetwise Environmental Trading Ltd)

An analysis of the group is shown below, setting out the components of the group audited directly by David Hoose (Responsible Individual (RI) for the Group and the Council).

Materiality levels have been calculated at both single entity and group level for consistency, in line with reporting requirements. Refer to section 8.

Entity	Scope *
Rushcliffe Borough Council	Full
Rushcliffe Enterprises Ltd	Out of Scope
Streetwise Environmental Ltd	Out of Scope
Streetwise Environmental Trading Ltd	Out of Scope

* Our approach can change upon receipt of draft financial statements. Any change to our audit approach in respect of group arrangements will be communicated to the Governance Scrutiny Group.



04

Section 04:

Significant risks and other key judgement areas

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4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk. These include but may not be limited to:

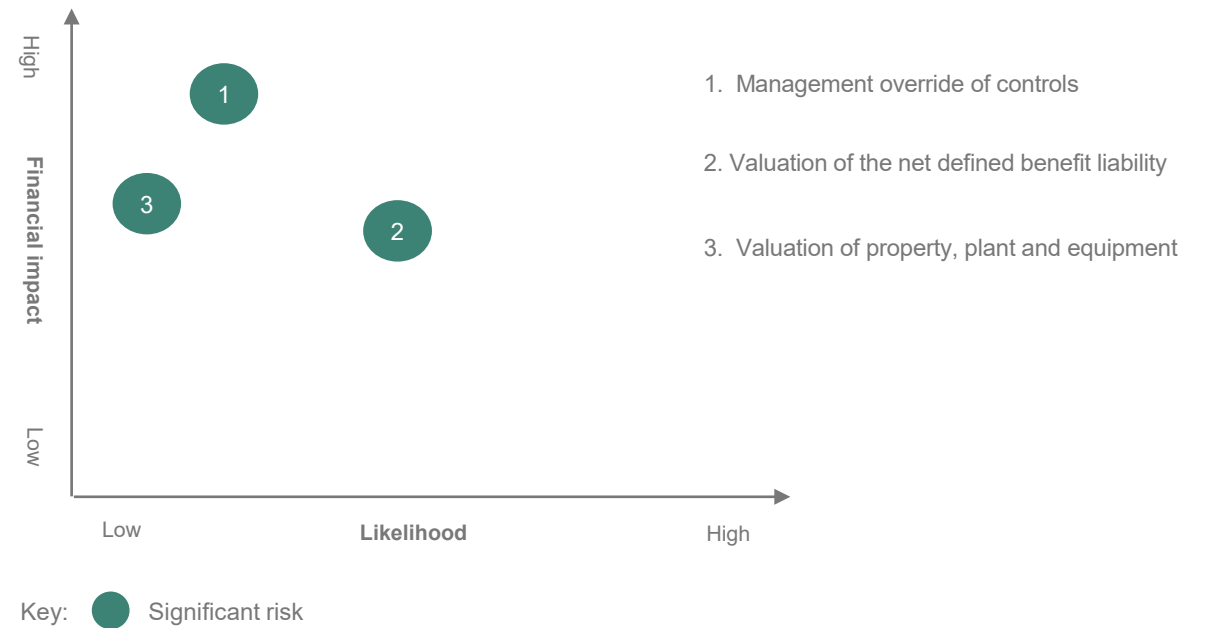
- Areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- Other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



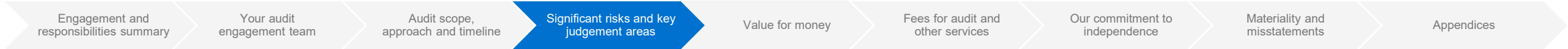
4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to Governance Scrutiny Group.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
Page 79	<p>1 Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	<p>We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>

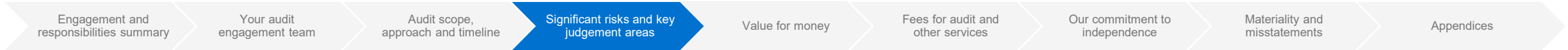


4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Net defined benefit liability valuation</p> <p>The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet.</p> <p>The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits.</p> <p>Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p> <p>Relevant Account Balances (taken from the 2020/21 audited financial statements):</p> <ul style="list-style-type: none"> Pension liability = £63,225k 	○	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> critically assess the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary; liaise with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by PWC and consulting actuary engaged by the National Audit Office; and agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements

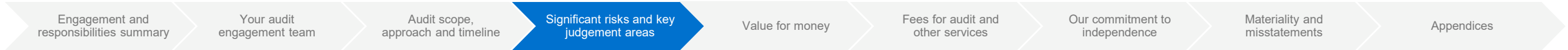
Page 80



4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
Page 81	<p>3 Valuation of property, plant and equipment</p> <p>Property related assets are a significant balance on the Council's balance sheet. The valuation of land and buildings is complex and is subject to a number of management assumptions and judgements.</p> <p>Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p> <p>At the planning stage of the audit, this risk covers (figures have been taken from the audited 2020/21 financial statements):</p> <ul style="list-style-type: none"> • Land and Buildings = £33,668k • Investment Properties = £29,127k 	○	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • critically assess the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • consider whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • assess whether valuation movements are in line with market expectations by using third party information provided by Gerald Eve to provide information on regional valuation trends; • critically assess the approach that the Council adopts to ensure that assets are not subject to revaluation in 2020/21 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and • considering engaging our own valuation expert to support our work.



05

Section 05: **Value for money**

Page 82

5. Value for money

The framework for Value for Money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2021/22 will be the second audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

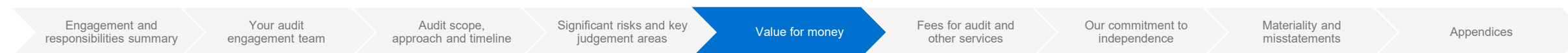
The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist. Our VFM planning and risk assessment work is an ongoing process and to date, no risk of significant weaknesses in arrangements have been identified. We will report any further identified risks to the Governance Scrutiny Group on completion of our planning and risk identification work.



06

Section 06:

Fees for audit and other services

Page 84

6. Fees for audit and other services

Fees for work as the Council's appointed auditor

Details of the 2020/21 Actual and indicative 2021/22 Audit fees in line with PSAA and other reporting mechanisms are set out below:

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Scale audit fee	£31,792	£31,792
Fee variations:		
Additional work in relation to responding to increased regulatory challenge in auditing the IAS19 pension figures contained within the financial statements.	£3,200 ¹	£2,998
Additional work in relation to responding to increased regulatory challenge in auditing the PPE figures contained within the financial statements.	£4,500 ¹	£4,069
ISA540 - additional work in relation to auditing accounting estimates and related disclosure	£2,900 ²	£2,892
Other – additional work in respect of Covid-19 grant income and expenditure	-	£1,188
Sub-total	£42,392	£42,939
Work undertaken in relation to VFM commentary	£9,000 ³	£9,293
Grand Total	£51,392 ⁴	£52,232 *

* Costs were reported to management within our 2020/21 fee letter, dated 10 March 2022. These costs are still subject to discussion and PSAA consultation.

We continue to liaise with PSAA regarding fee variations and sector-wide adjustments to the scale fee.

¹ As previously reported to you, the scale fee has been adjusted to take into account the additional work required as a result of increased regulatory expectations in these areas.

² New auditing standards have been introduced which will lead to additional audit work not reflected in the scale fee.

³ As explained in section 5, the revised Code of Audit Practice has led to a substantial amount of additional audit work to support the new value for money conclusion and the changes in reporting requirements. The final fee will take into account the extent and complexity of any significant weaknesses in arrangements we identify.

⁴ This is a proposed fee for 2021/22 at the point of the issue of our ASM. This figure is subject to change and additional costs will be discussed with management.

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendices

07

Section 07:

Our commitment to independence

Page 86

7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC’s Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

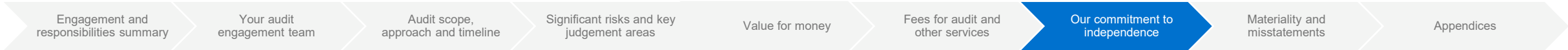
- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- pre-approval by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with David Hoose in the first instance.

Prior to the provision of any non-audit services David Hoose will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

No threats to our independence have been identified.



08

Section 08:

Materiality and misstatements

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8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold (Council) £'000s	Initial threshold (Group) £'000s
Overall materiality	799	823
Performance materiality	599	617
Trivial threshold for errors to be reported to Governance Scrutiny Group	24	25
Specific materiality:		
Senior Officers Remuneration	5*	5*
Member's allowance	44	44

* Represents movement between bandings within the note

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

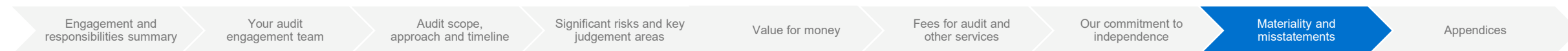
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross revenue expenditure. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to Governance Scrutiny Group.

We consider that the gross revenue expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 2% of gross revenue expenditure. Based on prior year audited financial statements we anticipate the overall materiality for the year ended 31 March 2022 to be in the region of £799k (£823k Group).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality.

Misstatements

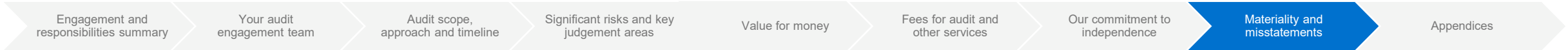
We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to Governance Scrutiny Group that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £24k (£25k Group) based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with David Hoose.

Reporting to Governance Scrutiny Group

The following three types of audit differences above the trivial threshold will be presented to Governance Scrutiny Group:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

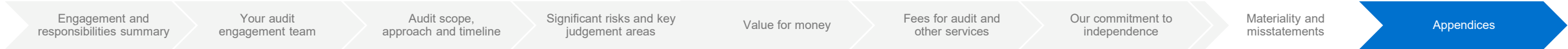
Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;

- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

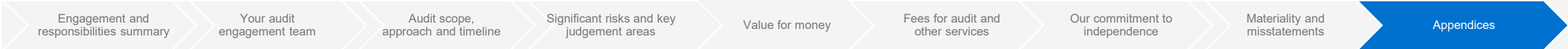
- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.



Appendix: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

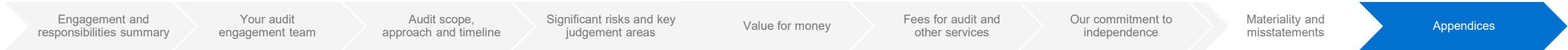
Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
<p>With respect to misstatements:</p> <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
<p>With respect to fraud communications:</p> <ul style="list-style-type: none"> • enquiries of Governance Scrutiny Group to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Governance Scrutiny Group, Audit planning and clearance meetings



Appendix: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Governance Scrutiny Group in the context of fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report

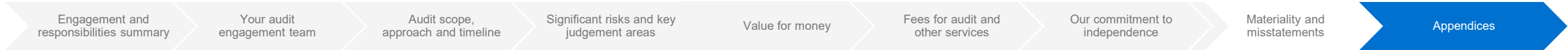
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Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of Governance Scrutiny Group into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Governance Scrutiny Group may be aware of.	Audit Completion Report and Governance Scrutiny Group meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

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David Hoose

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.



Governance Scrutiny Group

Thursday, 30 June 2022

Annual Governance Statement 2021/22

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. In accordance with the Accounts and Audit Regulations 2015, the Council is required to prepare an Annual Governance Statement (AGS). This is published alongside the Council's Statement of Accounts. The Governance Scrutiny Group, by reviewing this Statement, scrutinises the Council's governance arrangements.
- 1.2. As with last year, there are additional references linked to the impact on governance of Covid-19 and to the Financial Management Code which was introduced last year.

2. Recommendation

It is RECOMMENDED that the Annual Governance Statement 2021/22 (Appendix 1) which incorporates actions for the forthcoming year be reviewed and approved.

3. Reasons for Recommendation

- 3.1. To conform with best practice in regard to corporate governance and to comply with relevant legislation.

4. Supporting Information

- 4.1 The Council is required to publish an Annual Governance Statement (see Appendix 1) alongside the Statement of Accounts in accordance with the Accounts and Audit Regulations 2015.
- 4.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) have jointly issued a framework and guidance in relation to the AGS, 'Delivering Good Governance in Local Government (2016 Edition)'. The guidance urges local authorities to prepare a governance statement in order to report publicly on the extent to which they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.
- 4.3 It also recommends that when complying with the guidance, authorities should use it in a way that best reflects their structure, type, functions and

size. The AGS is attached at Appendix 1 and is prepared following the completion of 'Governance Assurance Questionnaires' by senior officers of the Council. The Leader and the Chief Executive are required to sign the AGS and this will accompany the Council's Statement of Accounts.

- 4.4 The AGS reflects the requirements of the updated CIPFA/SOLACE "Delivering good governance in local government framework (2016)". This incorporates the seven principles within the Local Code and are referenced in the relevant sections of the AGS. Other content surrounding, for example, Section 4 'Significant Governance Issues', will inevitably alter as new risks and opportunities arise, and the environment we operate in evolves over time.
- 4.5 The AGS is subject to change when the Financial Statements are presented to the Governance Group in September, as new risks emerge such as the war in Ukraine and the inflation pressures.
- 4.6 The final AGS will be reported with the Statement of Accounts which will be approved at the Governance Scrutiny Group in November 2022. The CIPFA Financial Management Code was introduced last year and included a requirement to undertake a self-assessment and produce an action plan. This has been revisited and a neighbouring authority will be asked to review the Council's self-assessment later this year.

5 Risks and Uncertainties

- 5.1 The process of preparing and reviewing the AGS adds value to the corporate governance and internal control framework of the Council.

6 Implications

6.1 Financial Implications

There are no direct financial implications arising from this report.

6.2 Legal Implications

Compliance with the Accounts and Audit Regulations 2015.

6.3 Equalities Implications

There are no equalities implications contained within the body of this report.

6.4 Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 implications contained within the body of this report.

7 Link to Corporate Priorities

Quality of Life	Effective governance enables the Council to achieve all of its Corporate Priorities.
Efficient Services	
Sustainable Growth	
The Environment	

8 Recommendations

It is RECOMMENDED that the Annual Governance Statement 2021/22 (Appendix 1) which incorporates actions for the forthcoming year be reviewed and approved.

For more information contact:	Peter Linfield Director – Finance and Corporate Services 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Mazars –Annual Report 2020/21 BDO- Annual Report 2020/21
List of appendices:	Appendix 1 – Annual Governance Statement

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2021/22 ANNUAL GOVERNANCE STATEMENT

1. SCOPE AND PURPOSE

1.1 Scope of responsibility

Rushcliffe Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Rushcliffe Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Rushcliffe Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

Rushcliffe Borough Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*. The seven principles (A-G) are highlighted at various points within the statement. This statement explains how Rushcliffe Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, 2011 and 2015, in relation to the publication of a statement on internal control.

1.2 The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Rushcliffe Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rushcliffe Borough Council for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

2 THE GOVERNANCE FRAMEWORK

<p>Principles C & D – <i>Defining outcomes in terms of sustainable benefits (economic, social and environmental) and determining interventions to achieve them</i></p>

2.1 Vision and priorities

Long term strategic planning has enabled Rushcliffe to address its immediate financial pressures, develop a medium term financial strategy to 2026/27 and introduce its seventh Corporate Strategy covering the period 2019 to 2023. The document is defined as a living strategy – one which will grow and evolve over its lifespan to adapt to the change needs of the authority. The four key priorities, contained within the Strategy, are:

- Quality of Life
- Efficient Services
- Sustainable Growth
- The Environment.

The integration of service and financial planning continues year on year and is resourced by the financial strategy.

The Council continues to work towards the delivery of its Transformation Strategy, its plan to address the financial pressures facing all public bodies. This outlines how the Council will meet its financial challenges until 2026/27. The Transformation Strategy focuses upon three key elements – income generation, transformation and business cost reduction. As part of the transformation process, the Council is continuously reviewing the services it provides to identify improved or alternative methods of delivery which will enable it to meet its financial targets without eroding the high quality of service for which Rushcliffe is known.

All key tasks within the current service delivery plans have been linked directly to the Council's strategic objectives.

2.2 Improvement and Efficiency

As with other public bodies, the Council faces unprecedented financial pressures. The 2022/23 Medium Term Financial Strategy (MTFS) predicts a deficit of £1.3m to 2024/25 (returning to a surplus thereafter). Last year we projected a budget deficit of £1.5m until 2023/24 in the MTFS. The impact of both Covid and now the Ukraine conflict continues to be felt with the impact of rising inflation. This undoubtedly presents risk to the Council's budget position. That said the Council has increased Contingency budget to £0.3m and a recommendation to July 2022 Cabinet (as a result of 2021/22 budget efficiencies) a further £0.25m pay contingency given the uncertainty of future pay awards. Other pay and service pressures arise from the ability to attract and retain staff and the impact on Council pay scales of the increasing national minimum living wage. This is likely to lead to significant additional financial pressures as staff salaries are affected and pay differentials are eroded. This may also have an impact with our external partners (eg Leisure contracts) who will look to address the potential of a rising cost base.

A combination of cost control and income generation and better than expected local economic performance linked to prudent Covid assumptions, has resulted in a budget efficiency position in 2021/22 of £0.211m (taking into account government grants to mitigate the impact of Covid, carry forward requests to meet service challenges and new reserves such as for vehicle replacement to maintain effective service delivery and meet the additional investment as a result of carbon neutral initiatives). Going forward there remain significant financial risks, and these are commented on below. Over the next 5 years a budget deficit position is anticipated of £0.624m. Use of the Organisational Stabilisation reserve will ensure the Council continues to deliver its main corporate objectives. The impact of Covid and the ongoing economic impact (particularly

the impact of high inflation) as a result of the Ukraine crisis means the trajectory of economic recovery remains uncertain and will continue to be closely monitored and the associated changes to the Council's projected financial position.

Going forward the Council will review the Transformation Programme including the impact of delays to both the development of the Crematorium and Bingham Leisure Hub on income streams and leisure contract savings. Streetwise is being brought back in-house and its performance, both operational and financial, will continue to be evaluated. The Business Rates, Fair Funding and New Homes Bonus reviews continue to be delayed and it is anticipated now that these will not come to fruition until 2024/25, at the earliest. Revised assumptions will be reflected in the 2023/24 MTFS.

The budget will still focus on the following thematic areas to be balanced in future years:

- (a) Service Efficiencies – focusing on both the customer and streamlining services;
- (b) Management budget control – challenging base budgets each year;
- (c) Transformational Projects – projects such as a new crematorium, Bingham leisure hub facilities and bringing Streetwise back in-house; and
- (d) 'Thinking big' reviews – the emergence of the Development Corporation and Freeport area around Ratcliffe-on-Soar power station.

To secure a medium-term financial position, the Council will maintain progress and focus on managing budget reductions where appropriate, managing inflationary pressures on its operational costs, whilst increasing income to deliver balanced budgets annually.

Critical to this is the Council's approach to commercialism, covered in the Transformation Strategy. A combination of capital demands and opportunities within the Borough led the Council to take the strategic decision to realign its financial commitments resulting in a reduction in its spend on the Asset Investment Strategy as significant resources are required for investment in the Bingham Leisure Hub and the crematorium. The Council's Capital and Investment Strategy incorporates reporting on commercial investments (complying with professional recommended practice) including the investment in 2 office facilities in Edwalton, governing the risk of such investments individually; and collectively in relation to the Council's other income streams. Over the term of the MTFS, the income generated from such investments is estimated to rise from £1.6m (2021/22) to £2.4m (2026/27) and performance is reported to Corporate Governance Group throughout the year. The Council no longer invest in assets specifically for a commercial return.

2.3 The Constitution

Principle A - *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*

A comprehensive document detailing the Council's constitution clearly sets out the defined structure for the Council's organisational arrangements based upon a cabinet executive model. In essence, the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere, including the setting of the council tax;

- Cabinet is allocated authority by Council to take executive decisions and approve policies not reserved for consideration by Council. Cabinet and Council works to a Forward Plan of forthcoming decisions for up to three months ahead;
- The work of Cabinet has been supported by four scrutiny groups. Following a review of scrutiny in early 2019, the Council now has a Corporate Overview Group, which manages corporate performance and financial control as well as the work programmes for the three additional scrutiny groups of Governance, Growth and Development, and Communities;
- Separate committees exist for Standards, Planning, Employment Appeals, Licensing, and Interviewing; and
- Delegation arrangements to officers are set out in detail within the Constitution.

The Constitution also provides detailed guidance on standing orders, financial regulations and the conduct of meetings. In addition, it contains codes of conduct applying to members and officers as well as a protocol for councillor/officer relationships. The codes include reference to the need to declare any interests which may conflict with the individual's role at the Council. The registers for councillors and officers are maintained by the Council's Monitoring Officer and the Strategic Human Resources Manager respectively. The Council has in place a confidential reporting code (whistleblowing policy) and any referrals under the policy are investigated.

The Constitution, as a whole, is reviewed when necessary and appropriate. The last review was in July 2021 and a further review is planned for July 2022.

2.4 **Policies, Procedures, Laws and Regulations**

The Council has three statutory officer roles: the Head of Paid Service, the Section 151 Officer and the Monitoring Officer. The Chief Executive is the Head of Paid Service and has overall corporate management and operational responsibility including overall management responsibility for all officers. The Chief Executive has the special responsibility to report if insufficient resources are available for the Council to discharge its legal duties. The Monitoring Officer ensures lawfulness and fairness in decision making and ensures the Constitution is current.

The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources.

The Council's financial management arrangements should conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010). During 2021/22, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2021/22, the Director Finance and Corporate Services held the post of Chief Finance Officer. The post holder is a professionally qualified accountant with direct access to the Chief Executive, Leader of the Council and other Cabinet members. The post holder also has direct access to the Governance Scrutiny Group and the Council's internal and external auditors.
- The Chief Finance Officer has a line of professional accountability for all finance staff and for ensuring that the finance function is 'fit for purpose'. The Council has established robust arrangements to manage its finances, including a Medium Term Financial Strategy, annual

budget process and compliance with CIPFA's Codes and Guidance on the Prudential Framework for Capital Finance, Treasury Management and the management of reserves.

- Internal audit services are provided to the Council by BDO. The effectiveness of this service is monitored by the Governance Scrutiny Group.
- The Chief Executive and three Directors are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice. Oversight of these arrangements is provided by the Director Neighbourhoods.

2.5 Risk Management

Principle F – *Managing risks and performance through robust internal control and strong public financial management*

The Council's risk management arrangements are regularly reviewed. In the last twelve months, the Governance Scrutiny Group reviewed the Risk Register in September, considering Risk corporate, operational and Covid-19 related risks. Six new risks were reported and five were removed. Additionally, there were five increases and ten reductions to risk ratings.

The Council also reports on risk as part of its reporting framework to Full Council, Cabinet and Scrutiny.

The 2021/22 Annual Report by Internal Audit pleasingly states '*Overall, we are able to provide **Substantial Assurance** that the risk and control arrangements at the Council should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance. This is our highest level of assurance*'.

This reflects well on the Council particularly against the current background of the Covid-19 pandemic and now the 'cost of living crisis' and ongoing impact of the Russia-Ukraine conflict.

2.6 Development and training needs

Principle E – *Developing the council's capacity including the capability of council leadership and staff*

The Council has a cross party Member Development Group (MDG) to oversee the development and delivery of Councillor learning and training. This Group meets to review the delivery of the annual training programme and looks at the Councillors' Community Grant Scheme before each election.

Following the suspension during 2020/21 to enable Councillors to spend additional time supporting their communities, the Council adopted a Councillors' Learning and Development Policy in July 2021. Training required for membership of regulatory committees was brought up to date and additional training for councillors was delivered in-person, virtually and via the Council's e-learning platform. Topics during 2021/22 included Defib and CPR, Enforcement, Planning, Motions, Scrutiny, Treasury Management and Media Training. Councillors now have an Individual Training Record which lists the training they have done during this term of office.

During 2022/23 the Council's Member Development Group will meet four times to develop the Council's Become a Councillor Campaign, the induction programme which officers deliver

following the Borough Council election in May 2023, and the training plan for 2023/24 following the induction.

The identification and delivery of appropriate training for officers is overseen by the whole of the Executive Management Team who ensure that organisational Learning and Development Plans linking to individual annual Performance Development Reviews (PDRs) are effectively managed and delivered. The Council recognises the importance of training to its workforce. A skills audit for Corporate Governance Group Members is due to take place in the coming months.

2.7 Communication

Principle B - *Ensuring openness and comprehensive stakeholder engagement*

Three editions of Rushcliffe Reports – the Council’s newsletter for residents – are printed and circulated to over 50,000 households each year and these set out details of a number of key service changes and request customer feedback.

A three yearly resident’s survey was publicised in the magazine in its summer edition and across the Council’s digital channels that saw 84% of respondents satisfied, or very satisfied, with their local area as a place to live, 2% higher than the Local Government Association national survey.

Despite further COVID-19 challenges, the Council has continued to increasingly implement the use of recognised communication techniques to keep its residents, staff and members informed, including the use of social media which saw it attract hundreds more subscribers across its various channels as they in total approach 20,000 followers.

During 2021/22, the Council continued developing its electronic free subscription newsletter to stakeholders, another communication method that now sees thousands receive a weekly digest on council news and updates direct to their inbox.

Customer satisfaction surveys also resumed with key customer facing services such as environmental health, revenues and benefits and the Home Alarms service. The latter received a 100% satisfaction rating from users for the sixth consecutive year. The feedback received from these exercises will continue to be used to improve services to all customers.

2.8 Partnerships

The Council has put in place strong governance arrangements around the major leisure services, garage services, Streetwise Environmental Ltd (SEL) and car parking contracts. In 2021/22 there were quarterly meetings of the Streetwise Board chaired by the Non-Executive Director and Chairman of Streetwise. Whilst Streetwise brings opportunity there is also risk in terms of how the company develops. Its level of profits have been minimal and a decision was taken by Cabinet in February 2022 to bring the Company back in-house from 1 September 2022. This was precipitated by the loss of the Metropolitan Housing Contract; and when balancing risk with reward there was little justification to retain a separate Company. Since 1 June 2022 the Chief Executive is the Chair of the Company until it winds down, with the Council’s s151 Officer also representing RBC as a Corporate Director.

Rushcliffe Enterprises Ltd (REL) has also been set-up as a holding company for the Council which incorporates SEL (chaired by the Chief Executive); and any other companies that the Council creates in the future. Currently this is dormant.

A revised company and governance structure has also been adopted to provide proportionate oversight and governance of SEL and Streetwise Environmental Trading Ltd. This incorporates an Oversight Board (3 Cabinet Members and the Chief Executive) and annual reports to both Governance Scrutiny Group and Cabinet. From 1st September 2022 such arrangements will no longer be required.

Following the Government announcement regarding the decommissioning of coal-fired power stations, Ratcliffe on Soar Power Station is due to be decommissioned by 2025. This could have a significant impact on the Borough both financially (loss of business rates) and with the potential to have a very large derelict site at the entrance to the Borough from the A453. The Development Corporation (DevCo) would provide greater certainty on the redevelopment of the site, leveraging investment and resources to support delivery. The Chief Executive of the Council is a Director of the newly established interim vehicle with the Council committing £0.5m (an earmarked reserve) to support the Development Corporation along with the same contributions from North West Leicestershire and Broxtowe district councils; and £1.5m each from both Leicestershire and Nottinghamshire County Councils. The Leader sits on the Oversight Authority.

Furthermore the power station site is part of the proposal for the East Midlands Freeport one of 8 successful bids announced by the Chancellor. The Council currently awaits the outcome from the Department for Levelling Up, Housing and Communities (DLUHC), with the Final business Case now being submitted. From 1 June 2022 the Freeport was incorporated as a Company – East Midlands Freeport (EMF). The Leader of the Council sits on the Board as a Director. Both the DevCo and Freeport present great opportunities for a world-class green and blue environmental investment programme with research and development in climate change and zero carbon technology and will enable employment opportunities and infrastructure investment.

The Council is engaged in the current County Deal proposals with other Derbyshire and Nottinghamshire authorities. There is the real likelihood of an East Midlands Mayor being in situ from May 2024. Current proposals would still mean Rushcliffe as a Borough will retain its sovereignty, although there is a clear direction of travel for Councils to work more collaboratively for the benefit of their local communities.

2.9 Transparency

Principle G – *Implementing good practice in transparency, reporting and audit to deliver effective accountability*

All reports to meetings of Council, Cabinet, Scrutiny Groups and other committees are publicly available on the Council's website. Minutes are also published providing a record of the meeting and any decisions taken, and the Council provides public access to audio and video recordings of meetings. Despite Covid the Council continued with its business (see Section 4.1). Other forms of public accountability reporting include the Annual Statement of Accounts, the Council's Annual Report and in-year financial and performance monitoring reports which are reported to the Governance Scrutiny Group and Corporate Overview Group respectively. Reports from the Council's internal auditors (BDO) and external auditors (Mazars) are published online, including their annual reports.

The Corporate Overview Group monitor performance against targets on a quarterly basis. BDO are compliant with the requirements of the Public Sector Internal Audit Standards and has direct access to councillors and staff in order to discharge their duties.

The Council publishes information in accordance with the Local Authorities (Data Transparency) Code.

3 REVIEW OF EFFECTIVENESS

3.1 Introduction

Rushcliffe Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. This review is considered by the Governance Scrutiny Group.

3.2 The Council

The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including:

- The Constitution
- The Corporate Strategy
- The Capital Programme and Revenue Budget
- The Housing Strategy
- The Local Development Framework.

3.3 The Cabinet

The Cabinet carries out the executive functions of the Council as required by the legislation and the Council's constitution. It accordingly:

- Takes key decisions
- Takes other executive decisions
- Approves policies other than those reserved for Council
- Recommends to Council policies and budgetary decisions.

3.4 Scrutiny groups - Governance Scrutiny Group

The Governance Scrutiny Group is charged with Governance and has a number of responsibilities including:

- Overseeing financial governance arrangements
- Overseeing strategic risk management
- Scrutinising the Annual Governance Statement
- Scrutinising the Statement of Accounts
- Reviewing the plans and work of Internal Audit
- Overseeing the review of the Constitution

- Receiving reports from external audit in relation to the audit arrangements.

3.5 Other Scrutiny Groups

The Corporate Overview Group reviews the performance of the Council against the approved targets. Other reports are taken to this group and during the last year include the diversity annual report, annual customer survey and the health and safety reports. This Group is also responsible for driving forward and reviewing the changes brought about by the review of scrutiny in early 2019.

In addition to the Corporate Overview Group and Governance Scrutiny Group, the Council has two other scrutiny groups which were formed during 2019. The first, Communities, looks at areas that affect the community such as the Council's partnerships and the development of a Carbon Management Plan for the Council and the WISE environmental crime enforcement update. The other group, Growth and Development, is tasked with looking at different aspects of growth within the Borough and has, this year for example, scrutinised reports in relation to the River Trent footbridge and cycling networks in the borough.

3.6 Directors

Directors are responsible for ensuring proper standards of internal control within their service areas. On-going reviews are undertaken throughout the year. At the end of the financial year, Directors are required to confirm that they have reviewed the system of internal control and identify any areas where improvements are necessary. In 2021/22 the number of Directors was reduced from four to three and the Chief Executive having a department with responsibility for Legal Services, Human Resources and the Business Support Unit.

3.7 Internal Audit

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place. Following a joint procurement process with Gedling Borough Council in 2019/20, this contract was awarded to BDO until 2023/24. An Audit Strategy has been developed covering all activities of the Council at a level and frequency determined using a risk management methodology.

An annual audit plan governs each year's activity and at the completion of each audit, a report is produced for management with recommendations for improvement. Regular reports covering internal audit activities are submitted to the Governance Scrutiny Group for scrutiny.

The Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable.

A detailed annual review of the effectiveness of the Council's system of internal control is undertaken every year and reported to the Governance Scrutiny Group. The Annual Report states positively '*Overall, we are able to provide **Substantial Assurance** that the risk and control arrangements at the Council should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance. This is our highest level of assurance*'. Last year the rating was 'moderate assurance' so this represents an improvement in the rating. To this end the Council maintains an adequate and effective framework for risk management, governance and internal control, as recognised by the Head of Internal Audit.

3.8 External Audit

The external auditors, Mazars, review the Council's arrangements for:

- Preparing accounts in compliance with statutory and other relevant requirements;
- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice; and
- Managing performance to secure economy, efficiency and effectiveness in the use of resources.

The auditors give an opinion on the Council's accounts, corporate governance and performance management arrangements. The Council takes appropriate action where improvements need to be made. In their annual report for 2020/21 financial year, Mazars issued an unqualified audit opinion, expressing the view that the financial statements give a true and fair reflection of the financial position of the Authority, and of its expenditure and income for the year. This was after the 30 November deadline primarily due to the knock-on effect of delays in the pensions audit (undertaken by Grant Thornton on behalf of Notts CC) as a result of the impact of Covid on pension fund valuation and associated risks. In terms of value for money, Mazars concluded 'we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability'.

4 SIGNIFICANT GOVERNANCE ISSUES'

4.1 Issues Identified, including the impact of Covid-19, the CIPFA Financial Management Code, other issues and proposed remedial action

Covid 19 Issues

The impact of Covid meant the Council had to react to an everchanging situation and where it can take proactive action. Two reports have been presented to the Corporate Overview Group looking at both the internal and external impact of Covid on both the Council and Borough (both community and businesses) and importantly how the both the Council and the community rose to address the challenges presented by Covid.

Commendably the Council has continued to deliver its core services and many areas of income have recovered to pre-Covid levels, including car parking and planning and we have continued with services such as green waste. Some areas have still not fully recovered such as the Council's leisure centres but are approaching pre-Covid levels. There have been a number of high street incentives such as the 'free after 3' initiative for car parking, with summer events planned for 2022 to further encourage increased footfall.

Government funding was used to support those most in need with some £103k of community food based projects supporting residents over both summer and Christmas periods. Covid and Business Rates relief grants amounted to in excess of £5.6m. This continues to present work pressures on both the revenues, finance and customer service teams, which continues into 2022/23 with the new £150 energy rebate grants to assist residents with 'cost of living pressures' (£4.8m or 87% of grant, paid to residents by the start of June 2022).

Excellent IT has enabled staff and councillors to continue to work remotely. Increased enforcement has been necessary at various stages of lockdowns.

There have been numerous Covid reports to Cabinet (and many returns to central government) during the year and a 'Going Concern' Report regarding the Council's immediate financial viability

was presented to the Governance Scrutiny Group in November 2021. There are no issues currently regarding the Council operating as a 'going concern'.

A summary of key areas of impact are given below:

Area of Impact	Issue for the Council
Provision of services	Services have largely continued as normal. During periods of lockdown front line services such as leisure centres and customer contact centres have been more effected. Car Park charges were temporarily suspended to assist business recovery, in 2021/22 for 6 months. The Council also responded to new burdens such as enforcement of the Covid Regulations in workplaces and businesses.
Council's Workforce	The majority of the workforce has continued working and the impact on services as a result of Covid (on employee sickness) has been minimal. The Annual Health and Safety Report will be reported to September's Corporate Overview Group.
Supply chains and third parties	The main impact on services provided has been on leisure provision (mentioned above) and this going forward remains a risk to the Council's budget and Transformation Programme. Some payment holidays (or deferrals) have been granted to commercial tenants on a case-by-case basis. Council Tax and Business Rates collection rates remained high at the end of 2021/22,
Reserves, financial performance and financial position	<p>The March 2021 budget projected a transfer from reserves of £3.7m largely to fund Covid grants. At the end of the financial year there was a transfer to Reserves of £1.4m due partly to budget efficiencies but in the main due to Covid grants. Overall earmarked reserves stand at £23.6m at 31 March 2022.</p> <p>Retaining sufficient reserves is essential given the volatile financial environment we currently operate in. The Council's earmarked reserves at 31 March 2022 stand at £9.5m (excluding New homes Bonus and Collection Fund Surplus).</p> <p>The delay in Business Rates reform and Fair Funding creates further uncertainty going forward.</p> <p>The capital programme has been updated with a particular focus on the Crematorium and Bingham Leisure Hub. Property, plant and equipment assets have increased in value as at 31 March 2022 by £12.2m reflecting investment in the asset base (particularly 'assets under construction').</p> <p>The Council continues to monitor financial impairment regarding potential 'bad debts' and these amount to £0.14m a decrease of £0.03m from 20/21 due to a reduction in debts over 365 days.</p>
Cash Flow Management	The Council during the year has again received significant cash advances from central Government enabling sufficient cash to pay in particular business grants. No external borrowing was required.
Other major risks and recovery action	The main concern is that both local businesses and the community recover and Rushcliffe returns to pre-Covid 19 levels of activity. To date the local economy and community has been resilient to the impact of Covid. Vigilance will be maintained particularly regarding the ongoing impact of the 'cost of living crisis'.

The CIPFA Financial Management Code

The Chartered Institute of Public Finance & Accountancy (CIPFA) last year introduced a new code, The Financial Management Code 2019 (FM Code), which sets the standards of financial management for local authorities.

Last year we detailed the Council's self-assessment and nothing has changed regarding this. The approach used is to give a RAG rating and has been reviewed by the Council's Section 151 Officer. In summary, the findings of the current self-assessment against the Financial Management Standards gives a green rating against each standard. We will be asking a neighbouring authority to review the assessment with the results being reported to GSG in the AGS next year.

Other Issues

The Council continues to utilise partnership arrangements with other public bodies and private organisations to deliver services. The Council, therefore, remains committed to meeting the challenge of ensuring that the appropriate governance arrangements are in place for each of the major partnerships that the Council has entered or will enter. The biggest developing arrangements as already stated concern the Development Corporation and the Freeport (see Section 2.8 above). A £0.5m reserve has been created to ensure the Council supports the initial business case development and plays an active role in decisions taken by the DevCo and Freeport Boards. Going forward the principle of 'no detriment' for business rates future gains, on the power station site, is being pursued so that the Council still retains a share of business rates it otherwise would have received without the Freeport.

Given all of the challenges linked to Covid and other medium-term uncertainty for example as a result of Business Rates and Fair Funding reviews, the authority has responded positively. The Transformation Strategy and supporting Programme identifies the Council's approach to meeting its efficiency requirements. A combination of cost control and income generation (including fees and charges and council tax) ensures the Council's budget deficit position over the next 5 years is estimated to be £0.624m. Immediate risks are in relation to utility and pay inflation (which are key drivers for general inflation). To help mitigate these in the short term £0.43m of 2021/22 budget efficiencies are proposed leverage to support the budget in 2022/23.

Going forward there will also be service based pressures linked to statutory changes in relation to climate change, planning and waste services. The Council will seek to maximise opportunities with regards to both the Levelling-up and the UK Shared Prosperity funds and any other external funding streams.

Section 2.8 does mention Streetwise coming back in-house. Both the current operation of SEL and ultimately its winding down as a company are currently being project managed and will progress reported to the Oversight Board. The monitoring of Streetwise performance both prior to and after September will be undertaken via the Council's normal due diligence processes (ie reports to both CGG, COG and Cabinet) including an Annual Report on Streetwise performance for 2021/22.

The Council has retained an ambitious capital programme a core component of which is the Bingham Leisure Hub (also including business/industrial units) with an overall budget of £20m. Efficiencies are expected from the leisure contractor albeit Covid and its impact upon the leisure industry is estimated to have put these back by up to 2 years. Both are due to open in the Autumn of 2022 – there have been some delays, linked to issues in obtaining construction materials (not uncommon in the current economic climate). The financial impact in terms of lost income is

reflected in the 2021/22 year end outturn report to Cabinet (July 2022) where mitigation has been included in terms of the use of 2021/22 revenue budget efficiencies to offset the loss in income (estimated at £0.167m).

The Council is still committed to having a commercial ethos and maximising value for money for the benefit of its residents. The Council has a range of income streams and manages such risks proportionately and sensibly.

The continuing regeneration of the high street and the local Rushcliffe economy will be critical to both future service provision and the finances of the Council. Council Tax and Business Rates collection rates have been closely monitored. Positively the collection rates have shown an improvement from the previous year. At the 31 March 2022, collection rates for Council Tax have increased by 0.1% compared to 2020/21, equating to approximately £60k increase over the previous year's performance. The collection rate for Business Rates has also shown an increase relative to the previous year (an increase of 0.2%). Despite the challenge of the pandemic on both businesses and residents, the Borough has maintained an excellent level of Council Tax and Business Rates collection.

One other effect of Covid-19 is that the planned reviews of Business Rates and Fair Funding continue to be delayed. The current expectation is that they will be delayed until at least 2023/24. Hew homes Bonus has already been subject to consultation in 2021, as yet there has been no feedback from Government as to its future (it is expected this will be resolved in synergy with the aforementioned finance reviews). Unfortunately the Comprehensive Spending Review in 2021 shed little light on these issues. This complex economic environment is further compounded by the uncertainty that BREXIT has created.

In the past we have referenced the risk of Power station appeals given the reduction in business rates for the power station, over time, which therefore erodes this particular income stream to the Council. The Q3 Finance report to Cabinet detailed the impact of the most recent appeal with business rates reducing from £2.9m to £1.6m per annum (backdated to April 2017). Prudently retaining a sufficient business rates appeals provision on the Balance Sheet ensured the impact of this was largely nullified. The upside risk is that the Council's future exposure to a power station appeal will have a smaller impact and similarly when the power station is ultimately de-commissioned its financial impact will not be as greatly felt.

The Medium Term Financial Strategy will continue to be reported as part of the Council's normal finance and performance due diligence. The key areas of risk being its key income streams, significant levels of inflation and the ongoing ramifications of the Russian-Ukraine conflict on the global economy, staff recruitment and retention, the challenges and opportunities of both the Freeport and Development Corporation, Business Rates and Council Tax collection, the capital programme and its funding, delays to the anticipated national business rates and fair funding system and ultimately the position and sustainability of the Council's reserves.

Challenges arising from welfare reform and the continued introduction of Universal Credit (which occurred in October 2018 for the majority of Rushcliffe) give further financial and operational risks. The Council also has to address the issue of ensuring there is sufficient housing supply to meet its housing targets within its local plan. Whilst the Core Strategy was approved in 2014, much work has been undertaken to identify preferred options for Local Plan part 2, which was finally adopted by Full Council in October 2019.

The Abbey Road disposal and the development of the depot site continues (progress was reported to the Growth and Development Scrutiny Group, January 2021). This will result in 71

new homes, with at least 30% (23 properties) affordable housing in accordance with the environmentally sustainable design code and Masterplan. These are indicative of the Council's commitment to support housing, business growth and the environment.

The Council continues to be involved in various collaboration activities including payroll, tree advice, ICT provision and Building Control, and Trading Standards. In addition, where opportunities arise, consideration is given to the appropriate delivery model and how to involve partners to maximise objectives. More strategically the County Deal as referenced above will also lend itself to future opportunities of collaboration.

The external auditors have noted a number of risks in their Audit Strategy Memorandum 2022, namely:

- Appropriate controls are in place to prevent 'management override';
- The completeness and accuracy regarding the Council's valuation of property, plant and equipment; and
- The Local Government Pension Scheme and the risk that the data is inaccurate and the impact of these inaccuracies on the financial accounts.

It is recognised that ICT threats and opportunities continue to evolve, it is imperative that the Borough Council has a clear understanding of how these impact on their day to day operations, particularly in the light of recent global cyber security threats. A review of Data Protection requirements with the General Data Protection Regulations, is ongoing. Pleasingly the audit this year gives this area 'substantial assurance'.

Despite the challenging economic environment the Council remains committed to reducing its carbon footprint and continue to deliver excellent services. The Climate Change Reserve of £1m has not been diverted to resource Covid financial pressures and pertinently a new reserve to enable vehicle replacement of £1m has been established. Plans with regards to the climate challenge and the use of resources continue to be reported to the Communities Scrutiny Group (April 2022, Carbon Management Plan). Although a number of carbon reduction initiatives have been completed these have been fully funded by grants, or via existing budgets, with no call on the Climate Change reserve.

The Department for Environment, Food and Rural Affairs has launched the Resources and Waste Strategy setting out how the country can minimise waste, promote resource efficiency and move towards a circular economy. This potentially could have significant adverse financial implications for the Council in terms of both revenue and capital funding. The Council will, therefore, be making representation to relevant bodies and working with peers on how to mitigate this risk.

The pensions' triennial review was produced in 2019 with pensions costs for the next 3 years, largely unchanged to what are currently paid. Given the current volatility of financial markets with both Covid-19 and BREXIT on the horizon there will be potential revenue account and balance sheet risks that will be reported in the Medium Term financial Strategy 2023/24 (for any employer contribution rate changes) and the annual accounts closedown process in 2023/24.

Based on our review of the governance framework, the following significant issues will be addressed in 2022/23:

Issue	Reporting to	Methodology	Timescale
Compliance with the Financial Management Code	Governance Group	Local Authority peer review	By March 2023
Monitor the delivery of the Transformation Strategy and ongoing budget position covering on-going Covid-19 and inflation risks and Streetwise insourcing	Reports to EMT, Scrutiny and Cabinet	On-going financial reports	At least quarterly reporting
Monitor the delivery of the capital programme and significant projects such as the Bingham Leisure Hub and Crematorium	Report to relevant scrutiny group and Cabinet	On-going financial and performance reports	Quarterly
Monitor Business Rates, Fair Funding and New Homes Bonus developments	Report to Cabinet and Full Council	Included as part of the Medium Term Financial Strategy reporting; update to CGG as part of the AGS	By March 2023

5 STATEMENT OF THE CHIEF EXECUTIVE AND THE LEADER OF THE COUNCIL

We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Governance Scrutiny Group. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed, and those to be specifically addressed with new actions planned, are outlined above.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed.....

K Marriott (Chief Executive)

Signed.....

Councillor S Robinson (Leader)

Date 30 November 2022

Date 30 November 2022

 Rushcliffe Borough Council	Governance Scrutiny Group Thursday, 30 June 2022 Capital and Investment Strategy Outturn 2021/22
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Report of the Director – Finance and Corporate Services

1 Purpose of report

- 1.1 The purpose of this report is to summarise the transactions undertaken during the 2021/22 financial year reporting against the Council's Capital and Investment Strategy 2021/22-2025/26.
- 1.2 The report also provides information on the Council's commercial investment activity as it embraces the new CIPFA Code ensuring there is both transparency and scrutiny in terms of both treasury and asset investment decision making.

2 Recommendation

- 2.1 It is RECOMMENDED that the Governance Scrutiny Group agrees the 2021/22 outturn position.

3 Reasons for Recommendation

- 3.1 This Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing Treasury Management activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Finance in Local Authorities (the Prudential Code).
- 3.2 The Prudential Code has recently been updated following a consultation exercise. Proportionality has now been included as an objective, there has been clarification around the definition of commercial activity and investments, and the purchase of commercial property purely for profit can no longer lead to an increased capital financing requirement (CFR) ie it prohibits future PWLB borrowing. CIPFA has also introduced a liability benchmark as a treasury management indicator. It is important to note the section on commercial investments from paragraph 4.26 does cover the issue of proportionality with different types of asset investments the Council has made.

4 Supporting Information

TREASURY MANAGEMENT

Prudential Indicators Summary

- 4.1 During 2021/22, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year are as follows:

Prudential and treasury indicators	2020/21 Actual £000	2021/22 Estimate £000	2021/22 Actual £000
Capital expenditure	9,306	28,158	16,276
Capital Financing Requirement	6,300	16,909	7,726
Investments	(47,127)	(20,752)	(67,785)

- 4.2 The approved capital programme for 2021/22 was £28.158m, with £6.533m brought forward from 2020/21 plus further adjustments of £0.911m and agreed reprofiling of £8.380m during the year giving a total provision for the year of £27.222m. Actual expenditure against the approved programme was £16.276m (60%) giving rise to a variance of £10.946m. Carry forwards of £10.710m have been approved by Cabinet as part of the Final Outturn Report (July 2022). The increase in the Investments balance between years reflects slippage in the Capital Programme and additional S106 deposits.

Capital Expenditure and Financing

- 4.3 The Council undertakes capital expenditure on both its own long-term assets and on grants that can be capitalised under statute (capital payments to third parties). These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.) which has no resulting impact upon the Council's borrowing need; or
 - If insufficient financing is available or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- 4.4 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed:

	2020/21 Actual £000	2021/22 Estimate £000	2021/22 Actual £000
Capital Expenditure	9,306	28,158	16,276
Less Financed by:			
Capital Receipts	(7,600)	(15,199)	(7,787)
Capital Grants	(1,557)	(6,003)	(5,747)
Reserves	(149)	(500)	(242)
Increase in Borrowing Need	-	6,456	2,500

Re-profiling of expenditure on Bingham Hub and the Crematorium has reduced the need to borrow in 2021/22 and all of the expenditure can be financed from the Council's capital resources and internal borrowing (using the Council's own cash balances) mitigating the need to externally borrow.

The Council's Overall Borrowing Need

- 4.5 The Council's underlying need to borrow for capital expenditure is called the Capital Financing Requirement (CFR). The CFR represents the net capital expenditure in 2021/22 and prior years that has not yet been paid for by revenue or other resources.
- 4.6 Part of the Council's Treasury Management activity is to organise the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be through utilising temporary cash resources within the Council (internal borrowing) or sourced through borrowing from external bodies, for example, the Public Works Loan Board (PWLb).
- 4.7 Where a positive CFR exists, the Council is required, by statute, to make an annual charge called the Minimum Revenue Provision (MRP) to reduce the CFR based on the life of the relevant assets. This provision effectively raises cash to either help repay loans or replenish internal borrowing.
- 4.8 The total CFR can be reduced by:
- The application of additional resources (such as unapplied capital receipts); or
 - Charging more than the statutory revenue charge (MRP) each year through a voluntary revenue provision (VRP).
- 4.9 Since 2017/18 the Council decided to set the MRP at £1m. This comprised £0.250m MRP to finance the Arena based on £10m borrowing over a 40-year life. A further £0.750m was provided by way of VRP to meet the Council's commitment to repay the borrowing early. The Council has been releasing an equivalent sum (£1m) from the New Homes Bonus (NHB) Reserve to offset any impact of the borrowing charge to the taxpayer in-year. This practice will continue although with new schemes increasing borrowing requirements, the amount of MRP will increase until the Arena is repaid in full in 2026-27 then MRP will fall and VRP will stop.
- 4.10 The Council's CFR for 2021/22 represents a key prudential indicator and is shown below. The table shows additional internal borrowing was needed in 2021/22 giving a closing balance of £7.726m after deducting the MRP of £1.074m in 2021/22.

Capital Financing Requirement (CFR)	2020/21 Actual £000	2021/22 Actual £000
Opening Balance	7,300	6,300
Add: unfinanced Capital Expenditure (per above)	-	2,500
Less: MRP/VRP	(1,000)	(1,074)
Closing Balance	6,300	7,726

Net Borrowing, CFR, Authorised Limit and Operational Boundary

- 4.11 The borrowing activity is normally constrained by prudential indicators for net borrowing, the CFR and by the Authorised Limit for external debt.
- 4.12 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 and was set at £25m.
- 4.13 As the Council had no recourse to borrow externally during 2021/22 these indicators were not breached.
- 4.14 Similarly, the Council is required to set an operational boundary, which is the expected borrowing position of the Council during the course of the year. The operational boundary is not a limit and actual borrowing can be either below or over the boundary subject to the authorised limit not being breached. The Operational Boundary was set at £20m in case any borrowing is required in emergency circumstances. The Authorised limit of £25m gives room for any variations from this. Any borrowing in excess of this would require Full Council approval.

The Ratio of Financing Costs to Net Revenue Streams

- 4.15 This is an indicator of affordability and compares net financing costs (MRP, borrowing costs, including interest foregone from the use of cash balances less investment income) to net revenue income. This indicator shows how the proportion of net income used to pay for financing costs. The actual is lower than originally estimated primarily as a result of income from investments exceeding expectations and larger investment balances due to additional S106 monies and Community Infrastructure Levy (CIL).

	2020/21 Actual	2021/22 Estimate	2021/22 Actual
General Fund	2.81%	5.45%	3.43%

Upper Limits for Fixed and Variable Rate Exposure

- 4.16 The purpose of these indicators is to allow the Council to manage the extent to which it is exposed to changes in interest rates. We have been holding unusually large cash balances so not looking to borrow hence interest from fixed rate investments have been relatively low.

	2021/22 Limit	2021/22 Actual
Fixed Upper Limit for Fixed Interest Rate Exposure	50%	8%
Variable Upper limit for Variable Interest Rate Exposure	100%	92%

Upper Limit for Total Principal Sums invested over 1 year

- 4.17 This limit is intended to contain the 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. If an investment had to be repaid before its natural maturity date due to cash flow requirements, then, if market conditions were unfavourable, there would be an adverse impact on the Council.

	2021/22 Limit £000	2021/22 Actual £000
Upper Limit for Total Principal Sums Invested over 364 days	10,400	0

Treasury Position on 31 March 2022

- 4.18 The Council's debt and investment position is managed by the Treasury team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all Treasury Management activities in line with the approved treasury strategy. Procedures and controls to achieve these objectives are established through reports to Members via the Governance Scrutiny Group and reporting and through officer activity detailed in the Council's Treasury Management Practices. The following table details the Counterparties that the Council had placed investments with at the end of 2021/22.

Financial Institution	£	Duration	Interest
Goldman Sachs Asset Management	5,000,000	182 days	0.12%
Blackpool Council	3,000,000	183 days	0.05%
Close Brothers	5,000,000	179 Days	0.25%
Residual MMF/Call Account balances	19,527	Call	0.43%
Blackrock	5,649,203	Call	0.55%
CCLA-Deposit Fund	3,001,804	Call	0.58%
Federated Investors (Uk)	4,477,454	Call	0.50%
Goldman Sachs Asset Management	5,342,361	Call	0.51%
Hsbc Asset Management	366,029	Call	0.01%
Invesco Aim	707,471	Call	0.48%
Aberdeen Asset Management	2,088,323	Call	0.50%
Bank Of Scotland Plc	378,014	Call	0.40%
Bank Of Scotland Plc	4,108,627	32 Days	0.05%
Barclays Bank Plc	4,359,505	32 Days	0.45%
Handelsbanken Plc	901,929	35 Days	0.30%
Santander Uk Plc	4,145,032	Call	0.41%
Santander Uk Plc	4,017,746	35 Days	0.45%
Royal London Cash Plus Fund	991,193	On-going	0.67%
Ccla Property Fund	2,416,786	On-going	3.25%
Ccla Diversified Income Fund	2,018,480	On-going	2.41%
Aegon Diversified Income Fund	4,976,196	On-going	4.64%
Ninety One Diversified Income Fund	4,819,826	On-going	3.45%
Total Investments/Average Interest Rate	67,785,505		1.10%

The Strategy for 2021/22

- 4.19 The expectation, within the strategy for 2021/22, was that short term interest rates would decrease from 0.25% to 0.10% before increasing again to 0.5% in later years. However, in an effort to rein in inflation the Monetary Policy Committee has greatly accelerated the anticipated increase in base rates. At each of its past three meetings interest rates have been raised. December 2021 saw the base rate rise from 0.1% to 0.25%, increasing to 0.5% in February and peaking at year end to 0.75% in March 2022. The base rate today currently stands at 1% following a further increase 5 May 2022. The Council continued with the prudent investment of the treasury balances to achieve the objectives of security of capital and liquidity of its investments, whilst achieving the optimum return on investments. To mitigate any potential cash flow issues the Council's investments were placed in short-term liquid assets which have affected (and will continue to affect) the level of interest that can be achieved from investments and the underlying value of these assets.

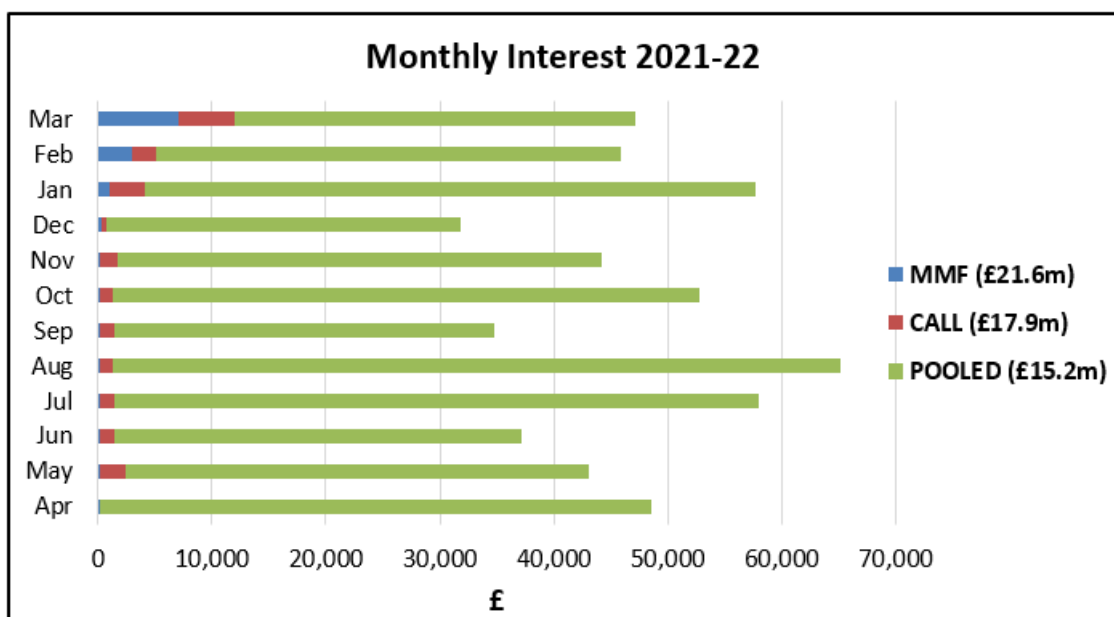
Investment Rates and Outturn Position in 2021/22

- 4.20 The Bank of England base rate was 0.10% at the start of the year which continued to have a significant impact on investment income, with interest rates only starting to rise in the final quarter (Dec 2021 onwards). Whilst the Council continues to ensure investments are secure, the Council is proactively looking to maximise its rate of return. The overall rate of return on investments for the year was 1.10% compared with the budgeted rate of 0.10%, and an actual rate of 0.68% in 2020/21. As well as rising interest rates, Covid grants from the

Government, additional S106 monies and underspends on the capital programme resulted in an increase in the amounts available to be invested resulting in a net return on investments of £672,742 against a budget of £417,100. (The budget had included costs of £45,000 for borrowing which didn't materialise). A positive budget efficiency of £255k to help support council services or mitigate risk. The fair value of the Council's diversified funds fell by £1.238m at 31/3/20. These values largely bounced back during 2020/21, with the values increasing by £1.143m. This year a further £2 million was invested. There continues to be fluctuations on these funds with a net favourable variance of £172,853 being reported at the end of the year. As part of the Final Outturn Report going to Cabinet it is proposed to appropriate funds into a reserve to cushion any adverse fluctuations in the capital value, where currently a statutory override prevails preventing adverse values impacting upon the Council's revenue account. This is due to stop from 1 April 2023.

Fair Value	31.03.2021	Investment 2021-22	31.03.2022
Aegon (previously Kames)	3,989,037	1,000,000	4,976,196
Ninety One (previously Investec)	4,069,297	1,000,000	4,819,826
RLAM	1,006,286		991,193
CCLA Property	2,055,925		2,416,786
CCLA Diversified	1,929,083		2,018,480
	13,049,628	2,000,000	15,222,481

4.21 Although the Council's diversified funds are subject to fluctuations in capital value, they provide exceptional returns into the revenue accounts. The graph below shows monthly returns from different accounts with an indication of the average balance tied up in each in 2021/22 and a similar picture applies to previous years.



- 4.22 The Council's investment policy is governed by the annual Capital and Investment Strategy approved by Council on 4 March 2021 (and prior to this approved by the Governance Scrutiny Group on 4 February 2021). This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, for example, rating outlooks and credit default swaps information. The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.
- 4.23 The Council's longer-term cash balances comprise primarily of revenue and capital resources, although these will be influenced by cash flow considerations and the need for working balances and contingencies. The Council's core cash resources are detailed in the following table and confirm that whilst the Council has delivered a capital programme and has to operate with an increasingly constrained revenue budget, its reserves and balances have remained healthy and in a strong position given the on-going financial challenges going forward. A net transfer to earmarked reserves of £1.210m comprises: net £1.452m transferred to reserves from revenue less £0.242m reserves used for capital. Most significant transfer to reserves is £1m for a newly established vehicle replacement reserve. There is an increase in usable capital receipts. These will be used to fund deferred schemes in the capital programme.

Balance Sheet Resources	31 March 2021 £000	31 March 2022 £000
General Fund Balance	2,604	2,604
Earmarked Reserves	22,365	23,575
Usable Capital Receipts	493	825
Capital Grants Unapplied	364	160
Total	25,826	27,164

Conclusion – Treasury Management

- 4.24 Overall, the Council has successfully achieved its objectives of ensuring investments were held with relatively secure counterparties; ensuring there was sufficient liquidity to operate efficiently and enable the delivery of objectives; and achieve a yield on investment returns given the constraints placed upon the Council (in terms of both financial market risks and the need to retain liquidity and protect capital). The economy is recovering but continues to present risks. We will continue to monitor these.

ASSET INVESTMENT STRATEGY

Overview

- 4.25 The Government and CIPFA recently issued new guidance on Treasury Management activity, and both continue to focus on the role of longer-term investments specifically held to make a commercial return. The Prudential Code has been amended so that the purchase of commercial property purely for profit cannot lead to an increased capital financing requirement (see paragraph 3.1). The Council's Asset Investment Strategy fell within the definition of the

guidance, so the Council took the decision to no longer invest in property for commercial gain.

- 4.26 This section of the report reviews the position of existing commercial investments.

Commercial Investments 2021/22

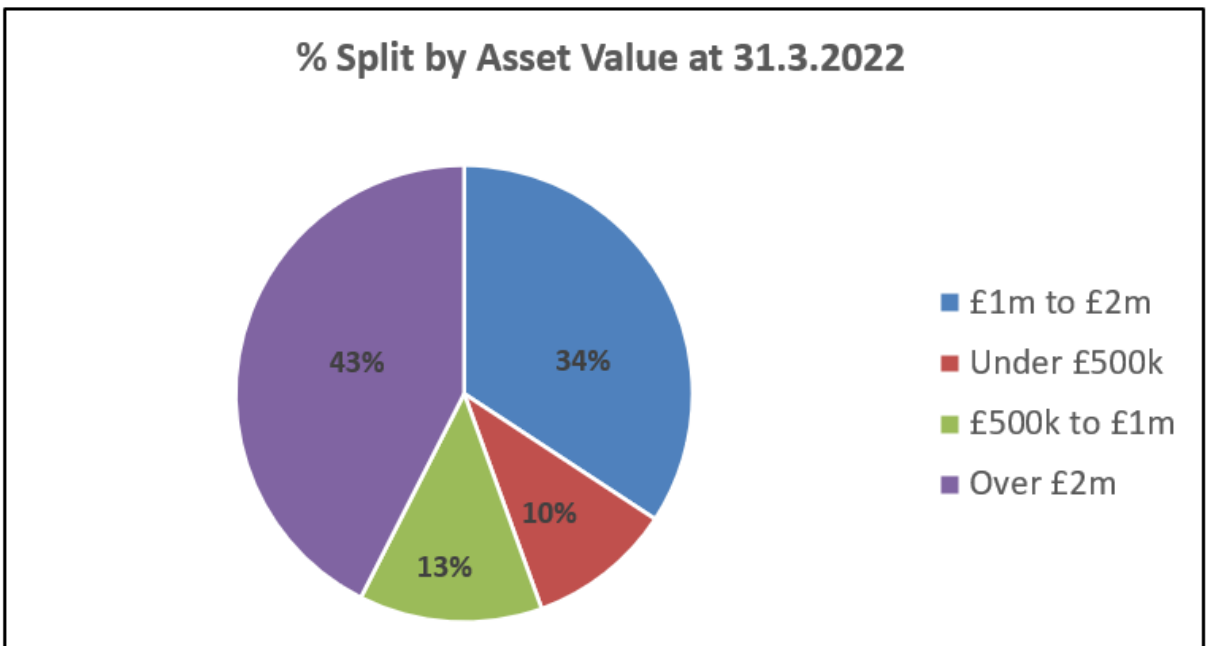
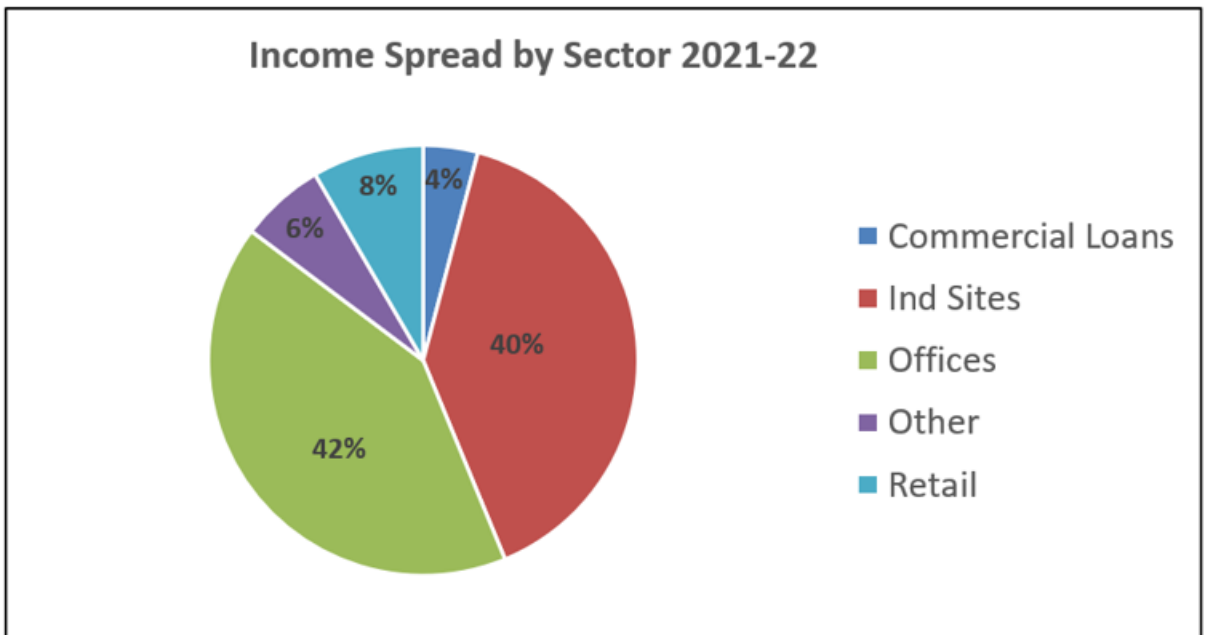
2021/22 remained an uncertain year with both Brexit and recovery from Covid impacting on the economy. No further commercial investments were pursued following the decision to remove the balance on the asset investment fund (£3.863m) as part of the MTFs (Cabinet 9 February 2021).

Current Position

- 4.27 The table below shows the returns being made on previous acquisitions from the Asset Investment Strategy. 2021-22 showed a return of 4.85% compared with 3.95% in 2020-21.

Total Spend £	Gross Return	Investment	2021-22 £	2022-23 £	2023-24 £	2024-25 £	2025-26 £	2026-27 £
1,964,500	3.28%	NCCC Loan (interest)	58,742	67,700	64,400	60,500	56,800	56,800
1,477,500	4.67%	Trent Boulevard (Co-op)	69,000	69,000	69,000	69,000	69,000	69,000
984,000	6.76%	Finch Close	66,504	66,500	66,500	66,500	66,500	66,500
1,917,000	6.26%	Bardon	120,000	120,000	120,000	120,000	120,000	120,000
2,500,000	6.20%	Cotgrave - New Offices	42,801	40,000	40,000	40,000	40,000	40,000
		& Cotgrave- Ind Units	110,121	115,000	115,000	115,000	115,000	115,000
860,000	6.98%	Boundary Court	45,761	60,000	60,000	60,000	60,000	60,000
1,900,000	4.79%	Cotgrave Phase 2	24,147	75,000	91,000	91,000	91,000	91,000
2,450,790	5.59%	Unit 3 Edwalton Business	135,256	136,900	136,900	136,900	136,900	136,900
2,083,364	5.28%	Unit 1 Edwalton Business	110,000	110,000	110,000	110,000	110,000	110,000
16,137,154	4.85%	Totals	782,332	860,100	872,800	868,900	865,200	865,200
3,862,846	RETURNED							

- 4.28 If we look at the Council's overall property portfolio there is a good spread of risk (classifying by the rental earned or the asset value), as depicted below:



4.29 Historically the Council has tended to invest more in the industrial sector given much of the property investment has been about economic growth and regeneration within the Borough. More recent acquisitions been in other sectors such as in retail and office accommodation, spreading the risk from income streams.

4.30 In terms of risk in relation to the Council's budget, the following table demonstrates that whilst property income is important for the Council's budget; there is not an over emphasis upon property income and there are other income streams. This is in keeping with the Council's Treasury Management Strategy where the objective is that the ratio of investment income as a proportion of the Council's income does not exceed 30%. The actual for the current year is significantly lower due to additional income streams in the year. Income has

been positive against a range of income streams including Government Grants, Investment income and recycling credits.

Commercial Investment income and costs

	2021/22 £'000	2021/22 ACTUAL	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Commercial Property Income	(1,660)	(1,712)	(2,100)	(2,286)	(2,356)	(2,430)	(2,432)
Running Costs	516	569	666	637	626	635	635
Net Contribution to core functions	(1,144)	(1,143)	(1,434)	(1,649)	(1,730)	(1,795)	(1,797)
Interest from Commercial Loans	(89)	(59)	(81)	(72)	(64)	(59)	0
Total Contribution	(1,233)	(1,203)	(1,515)	(1,721)	(1,794)	(1,854)	(1,797)
Sensitivity:							
+/- 10% Commercial Property Income Indicator:	166	171	210	229	236	243	243
Investment Income as a % of total Council Income	22.6%	18.1%	23.0%	24.2%	24.1%	24.5%	23.9%
Total Income	7729.3	9772	9484.3	9736.3	10042	10155.1	10182.4

The Way Forward

- 4.31 The Council's original intention was to look at generating around £1m of additional property rental income to help bridge the anticipated budget deficit. However last year, the AIG decided to rein in its commercial investment activity given risks within the property market and the amount of capital investment required. Recent changes regarding PWLB lending terms prevent Local Authorities from borrowing if they have any commercial activity in their MTFs. Investment income as a result of the Asset Investment Strategy (AIS) will reach it's full year effect in 2023/24 (see table at paragraph 4.27).

Member and Officer Training

- 4.32 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.

Now Cipfa will require a tailored, recorded and monitored training schedule to ensure that training provided achieves the desired outcomes. Members will shortly be asked to complete a survey to assess training needs.

- 4.33 Later in the year Link (the Council's treasury advisers) will once again be providing treasury training to all Councillors.

Conclusion

- 4.34 The position on all Council investments, whether treasury or commercial investments, remains fluid. Clearly risks remain in the treasury markets, the property market and also with the Council's Capital Programme. The economy,

monetary measures the future remain uncertain and will be monitored closely. A quarterly update will be presented to this group showing the position for the first three months of 2022-23.

5 Risk and Uncertainties

- 5.1 The report covers many treasury risks including counterparty, interest rate risk, changes in Fair Value and also property risks both unique to individual properties and the wider strategic view of property. The Council is mindful of the impact of Covid-19 recovery and its effect on different asset classes including investment properties, office accommodation, retail etc. It is important that the Council continues to mitigate risk by having a diversified asset investment portfolio and other income streams, so it is not over reliant on property income (paragraphs 4.28-4.30).
- 5.2 The impact of high inflation has necessitated rising interest rates. Such volatility creates further risk when investing or borrowing. The treasury team continues to monitor the position on interest rates before making investment or borrowing decisions.

6 Implications

6.1 Financial Implications

Financial implications are covered in the body of the report.

6.2 Legal Implications

This report supports compliance with the Local Government Act 2003.

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	Efficient and effective treasury and asset investment management supports all of the Council's corporate priorities
Efficient Services	
Sustainable Growth	
The Environment	

8 Recommendations

- 8.1 It is RECOMMENDED that the Governance Scrutiny Group agrees the 2021/22 outturn position.

For more information contact:	Name; Peter Linfield Director – Finance and Corporate Services 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Statement of Accounts 2021/22; Capital and Investment Strategy 2021/22; Treasury Management Update – Mid-Year Report 2021/22
List of appendices (if any):	Appendix 1 - Glossary of Terms

Glossary of Terms

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.

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.



Governance Scrutiny Group

Thursday, 30 June 2022

Revisions to the Council's Constitution

Report of the Monitoring Officer

1. Purpose of report

- 1.1. This report summarises amendments to the Council's Constitution to reflect legislative changes, changes to the Councillor Code of Conduct, an amendment to the meeting time of Planning Committee, to include a procedure for a review of the Chief Executives pay, to include Information Sharing / UK GDPR and DPA 2018 agreement between Councillors and the Council, and various other textual amendments.
- 1.2. Drafting will continue throughout the year so that the entire Constitution is compliant with the accessibility regulations, this includes formatting.

2. Recommendation

It is RECOMMENDED that Governance Scrutiny Group consider the proposed revisions to the constitution and recommend them for adoption by Council.

3. Reasons for Recommendation

- 3.1. The Borough has a duty to keep its Constitution up to date and is required to review it annually.
- 3.2. The proposed revisions incorporate and give effect to legislation, to changes requested by the Governance Member Working Group and ensure that the document is accessible.
- 3.3. The proposed information sharing guidance is to ensure that the Council and Councillors are adhering to UK GDPR and DPA 2018 legislation.

4. Supporting Information

The proposed revisions are set out at Appendix 2. A summary of the main proposed revisions is set out below:

Summary of proposed changes:

4.1. Part 2:

- Changes to management structure, Cabinet structure and committee structures.

4.2. Part 3:

- A process for the remuneration of the Chief Executive
- Amendments to the circumstances in which applications must be considered by Planning Committee
- Amendments to the terms of reference for all Scrutiny Groups to include reference to policy review.

4.3. Part 4:

- An update to the meeting time of Planning Committee
- Amendments to the Standing Orders relating to Contracts.

4.4 Part 5:

- Amendments required to the Councillor Code of Conduct and Local Government Association guidance as a result of recommendations by the Standards Committee
- Introduction of Information Sharing/UK GDPR and DPA 2018 Protocol.

4.5 Documents ancillary to the Code of Conduct revisions have also been updated as follows:

[Arrangements for dealing with Code of Conduct complaints](#)

[Public Interest Test](#)

[Register of Interests](#)

[Guidance on completion of Register of Interests](#)

5. Risks and Uncertainties

- 5.1. The Council is required to undertake an annual review of its Constitution and ensure that it complies with the law. Failure to undertake a review of the Constitution risks a legal challenge of decisions taken.

6. Implications

6.1. Financial Implications

There are no direct financial implications arising from these proposals.

6.2. Legal Implications

Under section 9P of the Local Government Act 2000, the Council has a duty to keep its Constitution up to date and that section also prescribes its minimum content. The proposals in this report comply with those requirements.

Under Article 5 - Principles relating to processing of personal data and Article 24 - Responsibility of the Controller of the UK GDPR, the Council and Councillors are to ensure these obligations are adhered to.

6.3. Equalities Implications

The formatting amendments to the Constitution made for web accessibility purposes will have a positive impact ensuring that the website is accessible to all users. No other implications as this alteration to the Constitution does not involve new or changing policies, services or functions, or financial decisions that will have an effect on services

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

There are no direct Section 17 implications.

7. Link to Corporate Priorities

Quality of Life	The proposed revisions should make it easier for members of the public, Councillors and officers to access, and use, materials, which are essential to effective and efficient democratic decision-making.
Efficient Services	
Sustainable Growth	
The Environment	

8. Recommendations

It is RECOMMENDED that Governance Scrutiny Group consider the proposed revisions to the constitution and recommend them for adoption by Council.

For more information contact:	Gemma Dennis Monitoring Officer 0115 914 8584 gdennis@rushcliffe.gov.uk
Background papers available for Inspection:	The Council's constitution is available online
List of appendices:	Appendix 1: Constitution – Highlighted changes

	Constitution Changes
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Appendix 2: Table of amendments

Summarising amendments to Constitution 2021/2022

Page Number/Section	Details Amendment
Part 2 Page 11 Management Structure	Replace Sanjit Sull with Gemma Dennis in structure
Part 2 Page 12 Cabinet Structure	Cabinet amendments to reflect Roger Upton re-joining the Cabinet as portfolio holder for Planning & Housing
Part 2 Page 14	Amendments to Scrutiny Group Chairman and Vice Chairman
Part 3 Page 19	<p>Insert the following:</p> <p>The pay of the Chief Executive is based on an agreed pay scale agreed by Council prior to appointment. Changes to this are determined by the Leader, Deputy Leader and Leader of the Opposition, who are advised by an agreed external professional and the Strategic Human Resources Manager.</p>
Part 3 Appendix 1 Page 32	<p>where, following consultation in accordance with the codes and protocols – guidance on planning application procedures, the Director –Development and Economic Growth and ward Councillor(s) have different views on a matter which is considered by the Director – Development and Economic Growth to constitute a material planning consideration</p>

<p>Page 92</p>	<p>Applications may be referred to the Planning Committee in various circumstances outlined in detail in the Constitution including:</p> <ul style="list-style-type: none"> • applications submitted by a Borough Councillor or senior member of staff • Applications where there is a difference of opinion between the planning officers’ recommendation and the ward councillors’ views as expressed during the consultation on a matter which is considered by the Director – Development and Economic Growth to constitute a material planning consideration • applications which cannot be determined by officer delegation <p>Please note that large or complex applications may be considered differently by the Planning Committee.</p>
<p>Part 3 Appendix 2</p>	<p>Corporate Overview Group</p> <ul style="list-style-type: none"> • Implementing identified improvements to scrutiny throughout the transitional period including training of scrutiny members, construction of new work programmes and reporting methods • Creating and receiving feedback on work programmes for Growth and Development, Communities and Governance Scrutiny Groups based on the Cabinet Forward Plan, Corporate Strategy, Medium Term Financial Strategy, Investment Strategy and Transformation Plan • Scrutinising financial and performance management reports on a quarterly basis to ensure the smooth running of the Council and delegate any necessary investigations into concerning elements of this report to the most appropriate scrutiny group via their work programme • Reviewing reports in respect of health and safety, diversity and customer feedback to ensure the Council is meeting its statutory duties • Reviewing the Council’s policies and strategies as appropriate prior to adoption.

	<p>Governance Scrutiny Group</p> <ul style="list-style-type: none"> • Reviewing the outcomes of both internal and external audit investigations to ensure the Council is compliant with legislation and best practice • Monitoring the Annual Governance Statement to ensure compliance with the Council’s Code of Corporate Governance • Scrutinising and approving the Statement of Accounts • Considering the Council’s Risk Management Framework annually to ensure current risks are being monitored, and effective controls and mitigating actions are in place • Considering regular reports on Asset and Investment Management to ensure prudent use of Council resources is being made to fulfil the objectives of the Investment Strategy and Annual Capital Programme • Monitoring the operation of the Council’s constitution to ensure that it is being upheld and to recommend to Council any necessary fundamental changes • Receive reports on the performance of the Council’s wholly owned companies (Streetwise) • Reviewing the Council’s policies and strategies, in respect of governance issues, as appropriate prior to adoption. <p>Growth and Development Scrutiny Group</p> <ul style="list-style-type: none"> • Overseeing significant projects contributing towards growth in the Borough to ensure deliverables are met and growth-related outcomes achieved • Scrutinising infrastructure development which acts as a catalyst for growth in the Borough to ensure such developments progress in a timely fashion and any obstructive barriers are removed or negotiated • • Reviewing the growth in demand for Council services ensuring all residents can access the services they need in a timely and cost-efficient manner
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	<ul style="list-style-type: none"> • Considering projects and initiatives to promote economic vibrancy, local democracy and community leadership within local towns and villages contributing towards the overall Council goal of creating Great Place and Great Lifestyle • Reviewing the Council's policies and strategies, in respect of growth and development issues, as appropriate prior to adoption. <p>Communities Scrutiny Group</p> <ul style="list-style-type: none"> • Reviewing the Council's partnerships to ensure that community needs are being met and the partnership is providing good value for money • Identifying areas of community concern, exploring how this can be met and making recommendations to that effect • Considering concerns specific to the local area in terms of health and wellbeing and making recommendations to improve the health and wellbeing of local residents • Considering projects and initiatives to further the Council's efforts to protect the environment of the Borough and promote environmental sustainability to our residents • Reviewing the Council's policies and strategies, in respect of community issues, as appropriate prior to adoption.
<p>Part 4 Page 54</p>	<p>5. Time and Place of Meetings</p> <p>All meetings shall start at 7.00pm (with the exception of Planning Committee which will start at 2.30pm from 1 August 2021 to 28 February 2022) and will be held at Rushcliffe Arena. Member working groups may be held at other times. The Chief Executive, in consultation with the Mayor or relevant Chairman as the case may be, may vary the starting time and location of any meeting.</p>

Part 4 page 154	An award notice is required on Contracts Finder for all Contracts awarded with a total value of £20,000 £25,000 or above.
Part 4 Page 171	<p>15. Performance Bonds Parent Company Guarantees</p> <p>Performance Bonds or other suitable alternatives need the prior approval of the S151 officer and must be sought for contracts with a value of £250,000 £500,000 and above.</p>
Part 4 Page 174 Section 17	<p>Every contract not required to be under the Common Seal of the Council under the preceding Standing Order shall be in writing and approved as follows for contracts:</p> <p>(a) up to £75,000 Lead Specialists</p> <p>(b) up to £100 £125,000 service managers;</p> <p>(c) up to £250,000 Chief Information Officer;</p> <p>(d) from £100 £125,000 to £250 £1,000,000 executive managers Directors; and</p> <p>(e) greater than £250 £1,000,000 Section 151 Officer and the Chief Executive.</p> <p>Where the Executive Management Team or a Director has given their prior approval to a contract proposal in writing, the limits above shall not apply when approving that contract in relation to (a) - (c) above.</p>
Part 5	Insert new Information Sharing Code (see attached)
Part 5	Amendments to the Councillor's Code of Conduct (attached)

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Rushcliffe Borough Council Constitution

Part 5

CODES AND PROTOCOLS

INFORMATION SHARING / UK GDPR & DPA 2018

1. Introduction

- 1.1. The nature of the relationship between the Council and Councillors means that personal data will be shared between both parties. These codes and protocols set out rules and responsibilities to ensure the Council and Councillors meet their obligations to the UK General Data Protection Regulation (UK GDPR) and Data Protection Act 2018 (DPA).
- 1.2. All Councillors are designated 'Data Controllers' and have a responsibility to ensure all safeguarding is in place to secure and protect all personal data as governed by the UK GDPR and DPA 2018.
 - 1.2.1. Data Controller – Article 24 of UK GDPR means a person who (either alone or jointly or in common with other persons) determines the purposes for which and the manner in which any personal data are or are to be processed.
 - 1.2.2. Taking into account the nature, scope, context and purposes of processing as well as the risks of varying likelihood and severity for the rights and freedoms of natural persons, the controller shall implement appropriate technical and organisational measures to ensure and to be able to demonstrate that processing is performed in accordance with this Regulation. Those measures shall be reviewed and updated where necessary.
 - 1.2.3. Where proportionate in relation to processing activities, the measures referred to in section 1.2.2 shall include the implementation of appropriate data protection policies by the controller.
- 1.3. All Councillors must complete their Information Management and Governance eLearning course. This is to ensure you kept up to date with your responsibilities outlined in this section.

2. Principles relating to processing of personal data

2.1. The UK GDPR sets out seven key principles that all Councillors must follow when handling personal data:

- (a) Lawfulness, fairness and transparency
- (b) Purpose limitation
- (c) Data minimisation
- (d) Accuracy
- (e) Storage limitation
- (f) Integrity and confidentiality (security)
- (g) Accountability

2.2. Here are definitions for each of these principles.

2.2.1. Personal data shall be:

- (a) processed **lawfully, fairly** and in a **transparent** manner in relation to the Individuals ('lawfulness, fairness and transparency');
- (b) collected for **specified, explicit** and **legitimate purposes** and not further processed in a manner that is incompatible with those purposes; further processing for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes shall, in accordance with Article 89(1), not be considered to be incompatible with the initial purposes ('purpose limitation');
- (c) **adequate, relevant** and **limited** to what is necessary in relation to the purposes for which they are processed ('data minimisation');
- (d) **accurate** and, where necessary, kept up to date; every reasonable step must be taken to ensure that personal data that are inaccurate, having regard to the purposes for which they are processed, are erased or rectified without delay ('accuracy');
- (e) kept in a form which permits identification of Individuals for **no longer than is necessary** for the purposes for which the personal data are processed; personal data may be stored for longer periods insofar as the personal data will be processed solely for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes in accordance with Article 89(1) subject to implementation of the appropriate technical and organisational measures required by this Regulation in order to safeguard the rights and freedoms of the Individuals ('storage limitation');
- (f) processed in a manner that ensures appropriate **security** of the personal data, including **protection** against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures ('integrity and confidentiality').

2.2.2. The controller shall be responsible for, and be able to demonstrate compliance with, section 2.2.1 ('**accountability**').

3. Information to be shared

The information that may be shared between the Council and Councillors are shown under '**What information is being shared**' in Annex 1.

4. Legal Basis for sharing

4.1. All Councillors must take care when processing personal data that a legal basis exists for doing so. In most scenarios, all Councillors will be processing personal data with Consent under Article 6(1)(a) or processing personal data for the purposes of carrying out a public task under Section 8 DPA 2018 and Article 6(1)(e) UK GDPR.

4.1.1 **Article 6(1)(a)** the Individuals has given consent to the processing of his or her personal data for one or more specific purposes. Consent must be recorded;

4.1.2 **Article 6(1)(e)** gives you a lawful basis for processing where processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in the controller.

4.1.3 **Act Section 8** a task carried out in the public interest, or the exercise of official authority includes processing that is necessary for the:

- (a) administration of justice;
- (b) exercise of a function of either House of Parliament;
- (c) exercise of a function conferred on a person by an enactment or rule of law;
- (d) exercise of a function of the Crown, a Minister of the Crown or a government department; or
- (e) an activity that supports or promotes democratic engagement

4.2. To the extent that information being shared with the Council includes any Personal Data, Councillors shall ensure that the Shared Information is processed in accordance with the Data Protection Legislation.

5. Access to data and individuals' rights

5.1. All Councillors must have process and procedures in place to allow Individuals to exercise their individual rights.

5.1.1. The Right to be **Informed** - Individuals have the right to be informed about the collection and use of their personal data. This is a key transparency requirement under the UK GDPR. All Councillors must provide their own Privacy Notice, explaining purposes for processing their personal data, your retention periods for that personal data, and who it will be shared with.

5.1.2. The Right of **Access** - Individuals have the right to access and receive a copy of their personal data, and other supplementary information. This is commonly referred to as a subject access request or 'SAR'. Individuals can make SARs verbally or in writing, including via social media. You should respond without delay and within one month of receipt of the request. All responses must be disclosed securely, and you should provide the information in an accessible, concise and intelligible format.

- 5.1.3. The Right to **Rectification** - Individuals have the right for inaccurate personal data rectified or completed if it is incomplete. An individual can make a request for rectification verbally or in writing and you have one calendar month to respond.
- 5.1.4. The Right to **Erasure** (right to be forgotten) – Individuals have the right to have their personal data erased however, this right is not absolute and only applies in certain circumstances.
- (a) The personal data is no longer required for the purposes for which they were collected or otherwise processed.
 - (b) Consent is withdrawn on which the processing is based and there are no legal grounds for the processing.
 - (c) The individual objects to the processing and there are no overriding legitimate grounds for the processing or for direct marketing purposes.
 - (d) The personal data has been unlawfully processed.
 - (e) The personal data must be erased for compliance with a legal obligation.
 - (f) The personal data have been collected in relation to the offer of information society services.

An individual can make a request for erasure verbally or in writing and you have one calendar month to respond.

- 5.1.5. The Right to **Restrict Processing** - Individuals have the right to request the restriction or suppression of their personal data. This is not an absolute right and only applies in certain circumstances. When processing is restricted, you are permitted to store the personal data, but not use it. An individual can make a request for restriction verbally or in writing and you have one calendar month to respond to a request
- 5.1.6. The Right to **Data Portability** – Individuals shall have the right to receive the personal data concerning him or her, which he or she has provided you, in a structured, commonly used and machine-readable format.
- 5.1.7. The Right to **Object** - Individuals shall have the right to object, on grounds relating to his or her particular situation, at any time to processing of personal data concerning him or her, including profiling based on those provisions. Councillors shall no longer process the personal data unless you can demonstrate compelling legitimate grounds for the processing which override the interests, rights and freedoms of the Individuals or for the establishment, exercise or defence of legal claims. How the Individuals makes such objections shall be detailed in your Privacy Notice.
- 5.1.8. Rights in relation to **automated decision making** and **profiling** - Individuals have the right to object to automated decision making or profiling. Unless there are grounds for the processing which override the interests, rights and freedoms of the data subject or for the establishment, exercise or defence of legal claims, you must stop processing straightaway.
- 5.2. All Councillors must notify the Council without due delay of any request by an individual for rectification or erasure of Shared Information or restriction of processing carried out in respect of the Shared Information.

- 5.3. All Councillors will respond to any notice from the Information Commissioner that imposes requirements to cease or change the way in which data is processed.

6. Privacy Notice

- 6.1. When processing personal data, you must tell individuals what you are doing with it. They have the right to know why you need it, what you'll do with it and who you're going to share it with. You should provide this information in a clear, open and honest way. This is achieved by creating a document called a Privacy Notice.
- 6.2. All Councillors must have their own Privacy Notice to comply with UK GDPR Article 5 Principle (a) Lawfulness, fairness and transparency. The Council will provide a template for you to populate and make appropriate for your use. Your Privacy Notice will be published on the main Rushcliffe website with your profile information.

7. Data Breaches

- 7.1. Councillors must report misuse, loss, destruction, damage or unauthorised access, suspected or otherwise, of information to the Council without due delay.
- 7.2. The Council must be notified without due delay of any breach of confidentiality or incident involving a risk or breach of the security of personal information.
- 7.3. Councillors are liable for any losses or liabilities incurred due to their own actions as a result of a breach under the UK GDPR and DPA 2018.
- 7.4. In the event of any personal information security breach in respect of Shared Information or otherwise, Councillors responsible for the security of that particular information will immediately take steps to contain the breach once it has been identified. If the Council decides that the Information Commissioner's Office should be notified of the breach under Article 33(1) UK GDPR, the Leader of the Council and Cabinet members will also be notified as part of that process. Councillors shall provide reasonable cooperation and assistance in respect of any personal information security breach.
- 7.5. Once the breach referred to in 7.4 above has been contained, The Council will launch an investigation to establish the reasons behind the breach and will share the outcome of the investigation with the Leader of the Council and Cabinet members.

8. Information Governance

- 8.1. Before starting any information sharing activity with the Council, the Councillor or Council will consider whether or not to carry out a Data Privacy Impact Assessment (DPIA) as required under Data Protection Legislation to minimise any data protection risks of the information sharing being contemplated and to establish that the proposed information sharing complies with the data protection obligations.
- 8.2. The Shared Information may not be used by Councillors for any other purposes than those set out in the sharing schedule of Annex 1.
- 8.3. Where possible and to the extent that it does not conflict with any of the other provisions set out in this document, Councillors shall ensure that any Personal Data, Sensitive Personal Data and Special Categories of Personal Data and Criminal Conviction Data contained within the Shared Information is anonymised.

- 8.4. In accordance with the Councils data protection policy, Councillors shall implement appropriate technical and organisational measures to maintain the quality and integrity of the Shared Information held by it, having regard to any specific requirements set out under the heading “security requirements” of the sharing schedule of Annex 1.
- 8.5. Councillors must ensure that the Shared Information is processed securely and, as a minimum, shall adhere to the Council’s information security policy and the “security requirements” set out in the sharing scheduled of Annex 1.
- 8.6. Where possible, Councillors shall ensure that the information is shared using compatible datasets and that any Shared Information is recorded in the same way by Councillors.
- 8.7. Where Councillors rely on consent as the condition for processing personal data then withdrawal of consent means that the condition for processing will no longer apply. Where information is shared with the Council and withdrawal of consent applies, you must communicate to the Council without due delay. When withdrawal of consent is received, processing must cease as soon as possible.
- 8.8. No Councillor should process or otherwise transfer any of the Shared Information outside of the United Kingdom without the written approval of the Council.

ANNEX 1 - What information is being shared

Schedule of Processing, Personal Data and data Subjects

Description	Details
Subject matter of the processing	Personal information can be shared between the Council and Councillors for example, to raise concerns from residents of Rushcliffe Borough.
Duration of the processing	Until Consent is withdrawn or there is no longer a purpose for processing the data.
Nature and purposes of the processing	<ul style="list-style-type: none"> • To provide advice, if you request it • To investigate any issues or concerns you may raise with me • To find out about your involvement with any other public authorities, if you ask me to • To prevent or detect fraud or other crime
Type of personal data	<ul style="list-style-type: none"> • Name • Address • Telephone number • Email address • Photographs • Any other details regarding your personal circumstances that you choose to provide to me to help deal with your query (including details about another person who has asked you to act on their behalf)
Categories of data subject	<ul style="list-style-type: none"> • Residents living in the Rushcliffe Borough Area. • Projects or planning applications
Plan for return and destruction of the data once processing is complete	All personal shared data must be disposed of securely once processing is no longer required.
Security Requirements	Electronic exchange - All information transmitted across public networks within the UK or across any networks overseas must be sent by secure email which meets UK central government's connection standards or be encrypted using appropriate software (e.g. Microsoft 365, Egress Switch, Cryptshare, etc.)

	<ul style="list-style-type: none">• Passwords must be sent separately to the information exchanged and must provide the correct level of security taking all factors into account, including the nature of the data being shared. Passwords must be changed regularly, and Councillors respective password arrangements will include provisions to avoid the use of weak or predictable passwords.• Personal exchange of materials for meetings - Information may be hand delivered or taken in hard copy providing it securely contained within a blue locked bag or similar locked bag or container.
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Rushcliffe Borough Council Councillor Code of Conduct

The role of councillor across all tiers of local government is a vital part of our country's system of democracy. It is important that as councillors we can be held accountable, and all adopt the behaviors and responsibilities associated with the role. ~~The Our~~ conduct of as an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to. We also want individuals from a range of backgrounds and circumstances to be putting themselves forward to become councillors.

As Councillors, we represent local residents, work to develop better services and deliver local change. The public have high expectations of ~~them us~~ and entrust ~~them us~~ to represent ~~our~~ the local area, taking decisions fairly, openly, and transparently. Councillors We have both an individual and collective responsibility to meet these expectations by maintaining high standards and demonstrating good conduct, and by challenging behaviour which falls below expectations.

Importantly, Councillors we should be able to undertake ~~theirour~~ role as a councillor without being intimidated, abused, bullied, or threatened by anyone, including the general public.

This Code has been designed to protect ~~our~~ the democratic role, encourage good conduct and safeguard the public's trust in local government.

Introduction

All councils are required to have a local Councillor Code of Conduct. ~~The Standards Committee will undertake an annual review of this Code in line with the review undertaken by the Local Government Association~~ to ensure it continues to be fit- for purpose, incorporating advances in technology, social media and changes in legislation.

The Seven Principles of Public Life

Selflessness: Holders of public office should act solely in terms of the public interest.

Integrity: Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

Objectivity: Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability: Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness: Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty: Holders of public office should be truthful.

Leadership: Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

General principles of councillor conduct

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the Seven Principles of Public Life, also known as the Nolan Principles. Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

Application of the Code of Conduct

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from the Council's Monitoring Officer on any matters that may relate to the Code of Conduct. **You must have regard to any relevant advice provided to you by the Council's Monitoring Officer, Section 151 Officer and/or Chief executive where they are acting in pursuant to their statutory duties.**

Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring **Officer and/or NALC.**

Standards of councillor conduct

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

General Conduct

1. Respect As a councillor:

1.1 I treat other councillors and members of the public with respect.

1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play. Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack. In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors. In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor officer protocol.

2. Bullying, harassment and discrimination.

As a councillor:

2.1 I do not bully any person.

2.2 I do not harass any person.

2.3 I promote equalities and do not discriminate unlawfully against any person.

Rushcliffe Borough Council supports the definition of the Advisory, Conciliation and Arbitration Service (ACAS) which characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

3. Impartiality of officers of the council

As a councillor:

3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority. Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

4. Confidentiality and access to information

As a councillor:

4.1 I do not disclose information:

a. given to me in confidence by anyone

b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless

i. I have received the consent of a person authorised to give it;

ii. I am required by law to do so;

iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or

iv. the disclosure is:

1. reasonable and in the public interest; and
2. made in good faith and in compliance with the reasonable requirements of the local authority; and
3. I have consulted the Monitoring Officer prior to its release.

4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.

4.3 I do not prevent anyone from getting information that they are entitled to by law.

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is

required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations. **For guidance and support you should contact Rushcliffe Borough Council's Chief Information Officer.**

5. Disrepute

As a councillor:

5.1 I do not bring my role or local authority into disrepute. As a Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in you or your local authority's ability to discharge your/its functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute. You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

*** see definition below**

6. Use of position

As a councillor:

6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else. Your position as a member of the local authority provides you with certain opportunities, responsibilities, and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

7. Use of local authority resources and facilities

As a councillor:

7.1 I do not misuse council resources.

7.2 I will, when using the resources of the local authority or authorising their use by others:

- a. act in accordance with the local authority's requirements; and
- b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor. Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

8. Complying with the Code of Conduct

As a Councillor:

8.1 I undertake Code of Conduct training provided by my local authority.

8.2 I cooperate with any Code of Conduct investigation and/or determination. **Failure by me to cooperate with the process will be noted but will not frustrate the process.**

8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.

8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

Rushcliffe Borough Councils arrangements can be accessed at:

[Documents, strategies and policies - Rushcliffe Borough Council](#)

9. Interests As a councillor:

9.1 I register and disclose my interests.

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority. You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early

on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in Table 1, is a criminal offence under the Localism Act 2011.

Appendix A sets out the detailed provisions on registering and disclosing interests.

If in doubt, you should always seek advice from your Monitoring Officer.

10. Gifts and hospitality

As a councillor:

10.1 **I do not accept** gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.

10.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.

10.3 I register with the Monitoring Officer **within 28 days of the said offer** any significant gift or hospitality that I have been offered but have refused to accept.

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept ~~significant~~ gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, contact your Monitoring Officer for guidance.

Appendix A

Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as

described in “The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012”. You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

“**Disclosable Pecuniary Interest**” means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.

2. A ‘sensitive interest’ is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.

3. Where you have a ‘sensitive interest’ you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.

5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to the financial interest or wellbeing of one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in **Table 1**) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise, you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

8. Where a matter arises at a meeting which **affects** –

- a. your own financial interest or well-being;
- b. a financial interest or well-being of a relative or close associate; or
- c. a financial interest or wellbeing of a body included under Other Registrable Interests as set out in **Table 2**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied.

9. Where a matter (referred to in paragraph 8 above) **affects** the financial interest or well-being:

- a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
- b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. Where you have an Other Registrable Interest or Non-Registrable Interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

Subject	Description
Employment, office, trade, profession, or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	<p>Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12 month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p>
Contracts	<p>Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person has a beneficial interest in the securities of *) and the council</p> <p>----</p> <p>(a) Under which goods or services are to be provided or works to be executed; and</p> <p>(b) Which has not been fully discharged</p>
Land and Property	Any beneficial interest in land which is within the area of the council. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.
Licenses	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer.
Corporate tenancies	<p>Any tenancy where (to the councillor's knowledge)---</p> <p>(a) The landlord is the council; and</p> <p>(b) The tenant is a body that the councillor, or his/her spouse or civil partner or the person whom the</p>

	councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	<p>Any beneficial interest in securities* of a body where----</p> <p>(a) That body (to the councillor's knowledge) has a place of business or land in the area of the council; and</p> <p>(b) (b) either—</p> <p>(i)) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) If the share capital of that body is of more than one class, the total nominal value of the shares or any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners have a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>

- 'director' includes a member of the committee of management of an industrial and provided society
- 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registerable interests

You must register as an Other Registerable Interest:

- a) Any unpaid directorships
- b) Any body of which you are a member or are in a position of general control. Or management and to which you are nominated or appointed by your authority
- c) Any body
 - (i) Exercising functions of a public nature
 - (ii) Directed to charitable purposes or

- (iii) One of whose principal includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management.

Definitions

For the purposes of this Code of Conduct,

a “**councillor**” means a member or co-opted member of a local authority or a directly elected mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

a) is a member of any committee or sub-committee of the authority, or;

b) is a member of, and represents the authority on, any joint committee or joint sub committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

“**local authority**” includes county councils, district councils, parish councils, town councils and economic prosperity boards.

“**disrepute**” means a member or co-opted member’s conduct could potentially damage the local authority’s reputation so as to bring the local authority into disrepute and could result in the public losing trust and respect for the authority.

 <p>Rushcliffe Borough Council</p>	<p>Governance Scrutiny Group</p> <p>Thursday, 30 June 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.

15 September 2022

- Streetwise Annual Report 2021/22
- Risk Management
- Going Concern
- Treasury Management Update
- Internal Audit Progress Report
- Work Programme

24 November 2022

- Internal Audit Progress Report
- Annual Audit Report 2021/22
- Statement of Accounts
- Treasury and Asset Investment – 6 Month Update
- Asset Management Plan
- Work Programme

23 February 2023

- Internal Audit Progress Report
- Treasury Management Update
- Internal Audit Strategy Plan
- Risk Management - Update
- Treasury and Asset Investments Strategy 2023/24
- Work Programme

Proposed Training

Walkthrough of the key points on the Statement of Accounts prior to Agenda item in November.

BDO to deliver training on current audit issues – Date to be confirmed.

Risk Management Training prior to Governance Scrutiny Group in September.

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.