

# Public Document Pack

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**Direct dial** 0115 914 8511  
**Email** democraticservices@rushcliffe.gov.uk

**Our reference:**  
**Your reference:**  
**Date:** 16 November 2022

To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held on Thursday, 24 November 2022 at 7.00 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West Bridgford to consider the following items of business.

This meeting will be accessible and open to the public via the live stream on YouTube and viewed via the link: <https://www.youtube.com/user/RushcliffeBC>  
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Yours sincerely



Gemma Dennis  
Monitoring Officer

## AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minutes of the Meeting held on 1 November 2022 (Pages 1 - 8)
4. Internal Audit Progress Report (Pages 9 - 32)  
Report of the Director - Finance and Corporate Services
5. Capital and Investment Strategy - Mid Year Review 2022-23 (Pages 33 - 44)  
Report of the Director - Finance and Corporate Services
6. Work Programme (Pages 45 - 46)  
Report of the Director - Finance and Corporate Services



Rushcliffe Borough  
Council Customer  
Service Centre

Fountain Court  
Gordon Road  
West Bridgford  
Nottingham  
NG2 5LN

**Email:**  
customerservices  
@rushcliffe.gov.uk

**Telephone:**  
0115 981 9911

[www.rushcliffe.gov.uk](http://www.rushcliffe.gov.uk)

**Opening hours:**  
**Monday, Tuesday and Thursday**  
8.30am - 5pm  
**Wednesday**  
9.30am - 5pm  
**Friday**  
8.30am - 4.30pm

**Postal address**  
Rushcliffe Borough  
Council  
Rushcliffe Arena  
Rugby Road  
West Bridgford  
Nottingham  
NG2 7YG



## 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**

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

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

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## **MINUTES OF THE MEETING OF THE GOVERNANCE SCRUTINY GROUP TUESDAY, 1 NOVEMBER 2022**

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

### **PRESENT:**

Councillors D Viridi (Chairman), Mrs M Stockwood, P Gowland (Vice-Chairman), K Shaw and J Stockwood

### **ALSO IN ATTENDANCE:**

G Dulay – Senior Manager - BDO  
C Thomas – Senior Internal Auditor - BDO  
Paul Emmerson – Company Secretary - Streetwise

### **OFFICERS IN ATTENDANCE:**

P Linfield	Director of Finance and Corporate Services
C Caven-Atack	Service Manager - Corporate Services
S Whittaker	Service Manager - Finance
T Coop	Democratic Services Officer

### **APOLOGIES:**

Councillors R Adair and L Howitt

#### **11 Declarations of Interest**

There were no declarations of interest recorded.

#### **12 Minutes of the Meeting held on 30 June 2022**

The minutes of the meeting held on 30 June 2022 were approved and were signed by the Chairman.

#### **13 Internal Audit Progress Report**

Ms Thomas from BDO, the Council's internal auditors presented the Internal Audit Progress Report, which highlighted the completion and issuing of three reports from the 2022/23 Internal Audit Plan.

In terms of the audit findings the following was reported:

- Risk Management received a substantial rating both in Design and Effectiveness and one medium and two low level recommendations were made.
- The Project Management audit received a moderate rating for Design Opinion and a substantial rating for Effectiveness, with one medium and

one low level recommendation being made.

- The Environment audit received a substantial rating for Design Opinion and a moderate rating for Effectiveness with two medium and two low level recommendations.

Management actions had been agreed for all recommendations and it was noted that a moderate rating did not pose any concern.

The Chairman noted that the audit plan was progressing well and is on track to be completed on target and was pleased with the positive audit opinion.

Members of the Group asked for some clarity in respect of the risk management recommendations, expressing that the report did not make it clear what was being asked of officers to improve the mitigation of risk. Ms Thomas explained that this report provides a summary of the audits progress and that a further follow up report would come to Governance Scrutiny at a future meeting. It was noted that the report findings were positive and that there were no concerns in respect of the Council's risk management arrangements.

The Group commented on the lapsed deadline of the Council's Project Management Framework 2012 and asked why this had not been picked up sooner. Mr Dulay, from BDO the Council's internal auditors explained that this had only recently been audited within the audit programme. The Director for Finance and Corporate Services added that the Framework maybe outdated, but the methodology of reporting through scrutiny and Cabinet is a good approach on larger projects, such as the Bingham Hub and Crematorium.

The Chairman asked a specific question relating added value bench marking and when was this likely to come for scrutiny. The Group were advised that there had been delays in reporting and is likely to come to Governance Scrutiny in the new year.

The Chairman reminded the group that at its meeting in June 2021 a Redmond Review report was delivered which suggested that local authority audit committees are to have an independent member. The Chairman asked what whether there was any further detail on this and whether other authorities were being proactive in this area. The Director for Finance and Corporate Services advised that local authorities will be expected to do so at some stage. However, the Group were advised attracting and retaining independent members can be challenging.

It was **RESOLVED** that the Group noted the progress report for 2022/23 prepared by the Council's Internal Auditor.

#### 14 **Streetwise Annual Report**

The Director for Finance and Corporate Services provided the Group with a brief update of the position of Streetwise, explaining that with Cabinet approval the /streetwise services would be brought back in house on 1 September 2022. Therefore, the Annual report presented being presented for scrutiny details the

performance for the previous year 2021/22.

Mr Emmerson, Company Secretary, Streetwise Environmental continued presenting the annual reports for Streetwise Environmental Ltd and Streetwise Trading Ltd, wholly owned companies of Rushcliffe Enterprises Ltd (Rushcliffe Borough Council) 2021/22.

Mr Emmerson explained some of the key figures and performance indicators provided in the appendices with the report, highlighting the improved position in respect of the balance sheets, including cash reserves and tangible fixed assets such as vehicles, equipment, stock and debtors.

In respect of performance, Mr Emmerson explained that the loss of a large contract and the impact of Covid had seen a drop in turnover. However, the company had continued to deliver in other areas which provide a favourable financial position going forward.

The Group noted that the Managing Director had left in May 2022 and questioned whether he had set budgets/targets to grow the business and had these been achieved. Members also asked specific questions in relation to the Key Performance Indicators (KPI's) and whether these raised any concerns with Cabinet and what happens next with the Company.

Mr Emmerson explained that as the company secretary he was confident that the reports provided were a true reflection of the Company and its financial position was good with business steadily improving. The Director for Finance and Corporate Services added that the company had been through a couple of challenging years due to the Covid pandemic and that profit margins were tight due to the nature of the business.

Members of the Group highlighted that the original business plan was to create a Social Enterprise Project and questioned whether this was achieved. The Group also asked what has been learned and how is this recorded future projects. The Group requested that for future scrutiny reporting could certain elements/targets be added that reflect the Council's Corporate Priorities, for example: Social Impact, Environmental Impact and a Carbon Management Plan. The Director for Finance and Corporate Services added that he would feedback these suggestions to Cabinet.

It was **RESOLVED** that the Group note the Streetwise Annual Report from the Chief Executive and provide comments to Cabinet.

## 15 **Risk Management**

The Service Manager – Corporate Services presented the Risk Management Progress Report which provided a mid-year update of the Council's risk management activities as well as changes to risks in the Council's risk register since last reported in February 2022.

The Service Manager - Corporate Services advised the Group that the Council's risk management group met on 21 June and 16 August, a risk management audit was carried out by the Council's internal auditor and

received a substantial rating, and general risk management training had been provided to Lead Specialists and above, with Service Managers participating in a more specific session about Opportunity Risk, and the training Councillors received earlier this evening.

The Group were informed that the number of risks within the register will fluctuate throughout the year as active risk management is undertaken, it was noted there are currently 41 corporate risks and 28 operational risks

The Service Manager – Corporate Services referred to Appendix A circulated with the report, which presents the Council's Risk Register containing corporate and operational risks.

The Service Manager – Corporate Services advised the Group that there are seven new risks and fifteen risks have been removed, as a result recent reviews, concluding that many of these risks were related to the Covid-19 pandemic. Additionally, the Group were advised that there have been three increases and four reductions to risk ratings.

The 7 new risks include:

- Delivery of the new Core Strategy
- Failure to secure the LDO for Radcliffe on Soar site
- The increase in interest rates should the Council need to borrow funds
- Homes for Ukraine Scheme
- Failure to deliver the Carbon Management Plan.

Plus 2 opportunity risks:

- Interest rates / investment income
- Insourcing of Streetwise

The Service Manager – Corporate Services asked the Group to consider the standard risk register presented in the report, which contained information about each of the risks identified as well as explanations where changes have been made since the last review of the risk register.

The Service Manager – Corporate Services highlighted the current high level 'red risks' so that the Group could review controls and mitigating actions if needed.

The Group referred to the Risk Management Training that had been delivered prior to the meeting and asked questions relating to strategic risk and new projects for the Council and the risks associated with them, requesting when/how these risks would be added to the risk register for scrutiny. The Service Manager – Corporate Services explained that officers were looking at the forward plan for next year, adding that risk checks are made bi-monthly and would appear in the register next time round. The Service Manager – Corporate Services agreed to send the Group an update and link to the webpage.

The Group asked a specific question in relation to a traveller site and the risk associated to people living in the area. The Director – Finance and Corporate Services advised that the Council were not advanced enough in finding an appropriate site for the travelling community, explaining that the Council needs to focus on what's happening nationally and locally in respect of pressures around inflation, interest rates and the energy supplies which may impact residents over the coming months.

The Chairman highlighted the risk in respect of business rates and the closure of the power station at Ratcliffe on Soar. The Director – Finance and Corporate Services advised that the Power Station will be close in 2024/25 and that the loss of business rates is being factored into the Council's budget, adding that all Councillors are invited to attend the Budget Workshops scheduled for December 2022.

The Group noted that some risks needed to be tolerated. However, in considering the Risk Management training, the Group felt that the reporting needed to be more specific with a clearer explanation/understanding of the mitigation measures required and the positive/negative impact the risk may have on the Council's operations. Officers agreed to take back members comments to the management team for consideration.

It was **RESOLVED** that the Group:

- a) Note the contents of the report
- b) Considered and made recommendations on the risks that had a red alert status

## 16 **Going Concern**

The Director – Finance and Corporate Services as the Council's Section 151 Officer presented the Council's Going Concern status and the assumption that the authority, its functions and services will continue in operational existence for the foreseeable future.

The Group were advised that the Council is required to compile its Statement of Accounts in accordance with the Code of Practise on Local authority Accounting for 2021/22. In accordance with the Code the statement of Accounts is prepared assuming that the Council will continue to operate and that it is able to do so within the current and anticipated resources available.

The main factors that underpin the going concern assessment are:

- The Council's current financial position
- The Council's projected financial position
- The Council's governance arrangements
- The regulatory and control environment applicable to the Council as a local authority

It was noted that the Council's draft financial statements 2021/22 can be viewed on the Council's website.

The Director of Finance and Corporate Services advised that the financial outlook looks challenging as we await the autumn statement from Government. However, the Group noted that with regard to the Council's Governance arrangements and current financial position the Council remains a going concern.

The Chairman commented on the Council's Medium Term Financial Strategy (MTFS) and the knock-on effect of the next wave of austerity on the Council's financial position, but that the immediate outcomes remain positive in the current circumstances.

It was **RESOLVED** that the Group note the positive outcome of the assessment made of Rushcliffe Borough Council's status as a going concern for the purpose of the Statement of Accounts 2021/22.

## 17 **Capital and Investment Strategy Quarter 1 2022/23**

The Service Manager – Finance presented the Capital and Investment strategy report for Q1 2022/23, which summarised the Council's capital and investment activities for the period 2 April to 30 June 2022.

The Service Manager – Finance explained that the new addition to CIPFA's Code of Practise recommends that Councillors are informed of Treasury Management activities quarterly (previously twice a year) and that this Q1 report ensures that the Council is embracing best practice for the scrutiny of capital and investment activity.

The Group were advised that besides more frequent monitoring the Treasury Management Code recommends that specific training for members involved in governance scrutiny and broader training for members on full council, and the introduction of a Liability Benchmark to manage debt. It was also noted that in respect of the prudential indicators there is to be greater focus on climate and environmental, social and governance risks when making financial decisions.

The Service Manager – Finance referred to the economic forecast, which highlighted the UK's deteriorating economic outlook, with prices for fuel, energy and food rising and the Bank of England warning that inflation may reach 12%. The Group were informed that Link Group, the Council's Treasury Advisors are forecasting interest rates to increase to 4% by Christmas and 5% by March 2023. Based on Link's forecast the Group were advised that the Council has budgeted to receive £673,300 in investment income in 2022/23 compared with £462.100 in 2021/22. It was noted, that in order to maintain returns and to mitigate risk, the Council has continued to diversify its investment mix, a table highlighting the investment activity was provided in the report.

The Service Manager – Finance provided a summary of the Council's range of Prudential Indicators to monitor both Treasury and Capital activities, details of the performance against the Prudential Indicators was provided at Appendix A attached to the report, these included capital expenditure, Financing costs to net revenue streams and expected investment position.



The Group were informed of the Council's commercial investments in respect of income and costs and were advised that income is expected to be around 20% in the current year.

In concluding, the Service Manager – Finance advised that Treasury Management continues to be challenging with the risk of a recession remaining real causing inflationary pressures and rising interest rates on the UK economy.

The Group were advised that officers will continue to be vigilant and report any significant issues to the Governance Scrutiny Group.

The Group commented on the economic picture being fraught with difficulties and expressed their concerns in respect of high inflation and a recession ('stagflation'), and asked officers how they propose to manage the Council's declining investments. The Service Manager – Finance advised that a more frequent insight of reporting of the key indicators, including cash balances and interest rates on long term investments are indications of whether the Council would need to borrow in the future, adding that this is not anticipated during the next 5 years.

The Director – Finance and Corporate Services informed the Group that a training session on Treasury Management had been scheduled for 17 January 2023 and would encourage members of the Governance Scrutiny Group to attend.

It was **RESOLVED** that the Governance Scrutiny Group notes the Capital and Investment Strategy update position at 30<sup>th</sup> June 2022.

## 18 **Work Programme**

The Director – Finance and Corporate Services presented the work programme report which detailed the proposed Governance Scrutiny items for 2022/23.

The group were advised that the External Audit and Statement of Accounts may be delayed and therefore are unlikely to be presented at the meeting on 24 November 2022.

The Group were advised that in respect of an Independent Member this would be considered after the elections in May 2023.

Members of the Group commented on the amount of training Councillors are expected to complete for Governance Scrutiny and what is the procedure for briefing Councillors if they are not able to attend a training session. The Director – Finance and Corporate Services explained that Governance members are required to be adequately trained in order to deliver appropriate scrutiny. It was suggested that officers look in to recording training sessions or consider Hybrid sessions to make the training more accessible.

It was **RESOLVED** that the Group note the work programme:

## **24 November 2022**

- Internal Audit Progress Report
- Statement of Accounts (this may be deferred to February's meeting)
- Capital and Investment Monitoring Q2
- Asset Management Plan
- Work Programme

## **23 February 2023**

- Internal Audit Progress Report
- Annual Audit Report 2021/22
- Annual Audit Strategy Plan
- Risk Management – Update
- Capital and Investment Monitoring Q3
- Capital and Investment Strategy 2023/24
- Work Programme

The meeting closed at 8.50 pm.

CHAIRMAN



## Governance Scrutiny Group

Thursday, 24 November 2022

## Second Internal Audit Progress Report

### Report of the Director – Finance and Corporate Services

#### 1. Purpose of report

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

#### 2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes the progress report for 2022/23 (**Appendix A**) prepared by the Council's Internal Auditor.

#### 3. Reasons for Recommendation

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

#### 4. Supporting Information

4.1. The Internal Audit Plan for 2022/23 was approved by the Governance Scrutiny Group at its meeting on 3 February 2022 and includes 10 planned reviews.

4.2. The attached report highlights the completion and issuing of two reports from the 2022/23 Internal Audit Annual Plan. In terms of findings:

- The IT Asset Management audit received a moderate rating for Design and substantial rating for Effectiveness, with one medium and three low level findings.
- The Health and Wellbeing audit received a moderate rating for both Design and Effectiveness. Three medium and three low level findings were raised.
- No limited assurance reports have been issued.

- Management actions have been agreed for all recommendations and it should be noted that no high level recommendations have been raised, and that a moderate rating is not a cause for concern. Management do not concur with the moderate rating for the Health and Wellbeing audit given the excellent health and safety statistics (reported to Corporate overview Group) but accept there is always room for improvement.

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

## 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

The recommendation supports good risk management.

### 6.3. Equalities Implications

There are no equalities implications identified for this report.

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

There are no such implications.

## 7. Link to Corporate Priorities

Quality of Life	Good health and safety processes and statistics is indicative of a good quality of life.
Efficient Services	Undertaking a programme of internal audit ensures that proper and efficient services are delivered by the Council.
Sustainable Growth	Not applicable
The Environment	Not applicable

## 8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group notes the progress report for 2022/23 (**Appendix A**) prepared by the Council's Internal Auditor.

<b>For more information contact:</b>	Peter Linfield Director of Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
<b>Background papers available for Inspection:</b>	Internal Audit Plan 2022/23 Governance Scrutiny Group 3 February 2022 Internal Audit Q1 Progress Report 2022/23 – Governance Scrutiny Group, 1 November 2022
<b>List of appendices:</b>	Appendix A - Internal Audit Progress Report – BDO

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# INTERNAL AUDIT PROGRESS REPORT

Rushcliffe Borough Council

NOVEMBER 2022

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# SUMMARY OF 2022/2023 WORK

## INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the 2022/2023 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.



## INTERNAL AUDIT METHODOLOGY

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

## 2022/2023 INTERNAL AUDIT PLAN

We are now making good progress in the delivery of 2022/2023 audit plan, and we are pleased to present the following reports to this Audit Committee meeting:

- ▶ IT Asset Management
- ▶ Health and Wellbeing

Planning and/or fieldwork is underway in respect of the following audits:

- ▶ Safeguarding
- ▶ Main Financial Systems

We anticipate presenting these reports at future Audit Committee meetings.

## FOLLOW UP OF RECOMMENDATIONS

### NOVEMBER 2022

Please find below a summary of the status of implementation of recommendations arising from reports issued in NOVEMBER 2022.

- ▶ One medium recommendation and two sub-recommendations have been implemented since the last meeting, which were from the Planning & S106 Review
- ▶ There are only two recommendations from the Planning & S106 Review with a revised implementation date of 31/01/2023, meaning once these are complete, all recommendations from all 2021/22 reviews will have been implemented.

### 2022/2023

Please find below a summary of the status of implementation of recommendations arising from reports issued in 2022/2023.

- ▶ One medium recommendation was due from the Risk Management review but the due date has been revised, and is in progress

- ▶ Two medium recommendations were due for the Environment review. Part b of one recommendation is complete, and part a of the same recommendation, along with the other recommendation are both are in progress.

### **CHANGES TO THE 2022/2023 INTERNAL AUDIT PLAN**

No changes to note.

## REVIEW OF 2022/2023 WORK

AUDIT	AUDIT COMMITTEE	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENESS
Fraud Report	June 2022	✓	✓	✓	N/A	N/A
Project Management (1)	September 2022	✓	✓	✓	M	S
Environment	September 2022	✓	✓	✓	S	M
Risk Management	September 2022	✓	✓	✓	S	S
Health and Wellbeing	November 2022	✓	✓	✓	M	M
Safeguarding	TBC	✓	✓			
Main Financial Systems (MFS)	TBC	✓	✓			
IT Asset Management	November 2022	✓	✓	✓	M	S
Sustainable Warmth Funding	TBC	✓				
Channel Shift	TBC	✓				
Project Management (2)	TBC	✓	✓			



# IT ASSET MANAGEMENT

## CRR REFERENCE:

- 25: Short term loss/failure of main ICT systems  
 26: Failure to comply with General Data Protection Regulation  
 27: Loss or compromise of confidential or restricted information or data.

Design Opinion	M	Moderate	Design Effectiveness	S	Substantial
Recommendations	0	1	3		



### SCOPE

#### BACKGROUND

Ranging from servers and networking equipment through to laptops and mobile devices, local authorities' Information Technology (IT) assets underpin their ability to function and provide its critical services. As well as physical assets, advances in technology now mean that councils should maintain a record of the virtual IT assets that are in use.

Rushcliffe Borough Council (RBC) has a responsibility to ensure that its IT infrastructure, hardware, and system assets are managed in a way that protects the Council from financial loss. Furthermore, these IT assets can be used to store the Council's information assets and their loss could result in the Council being in breach of its statutory and regulatory obligations.

New working arrangements introduced by social distancing during the current Coronavirus (COVID-19) outbreak have resulted in a rapid shift to mobile and remote working. Whilst operating remotely offers members of staff flexibility that can improve their ways of working, it could also increase the Council's exposure to information security breaches, if left unmanaged, so it is important that appropriate action is taken to secure mobile devices.

#### AREAS REVIEWED

This audit focused on the Council's physical IT assets and software licensing arrangements. This involved assessing the controls in place for managing the lifecycle of hardware, including tablets and laptops/PCs and whether decision-making regarding replacement equipment is future focused.



### AREAS OF STRENGTH

During our review, we identified the following areas of good practice:


- ▶ Overall responsibility for IT Asset Management is assigned to the Chief Information Officer, however day-to-day responsibility is assigned to the ICT Service Support Manager
- ▶ The Council maintains an IT asset register which is maintained by the Council's service desk team
- ▶ Mobile devices that connect to the Council network are required to have certain functions in place, such as having appropriately up to date operating software and appropriate password controls in place. With this in place, nothing should be able to gain access to the Council network unless it meets these requirements
- ▶ A record is maintained for disposed IT assets and the Council obtains disposal certificates relating to any assets that have been disposed which in turn are removed from the Council's asset register.



## AREAS OF CONCERN

Finding	Recommendation and Management Response
<p>▶ The Council does not have documented procedures in place for the management of IT assets and policies scheduled for review in March 2022 had not been reviewed at the time of audit (Finding 1 - Medium)</p>	<p>1. Management should review the following policies to ensure that they are accurate and up to date: Hardware asset policy Remote working policy Encryption policy Software policy.</p> <p><u>Management Response:</u> Agreed</p> <p>Target date: 31/01/2023</p> <p>2. Management should implement an asset management procedure that outlines the following: Requesting and provisioning of IT assets Returning IT assets when they are no longer required Disposal of IT assets Reporting an asset if it has been lost or stolen.</p> <p><u>Management Response:</u> Agreed</p> <p>Target date: 31/01/2023</p>
<p>▶ Sample testing found exceptions in relation to the recording of IT assets on the asset register (Finding 2 - Low)</p>	<p>1. When assigning the asset on the IT Service Desk, the relevant sections for the IT asset should be completed. This should include, but not be limited to;</p> <ul style="list-style-type: none"> <li>• Purchase Order Number</li> <li>• Asset Cost</li> <li>• The supplier of the asset</li> <li>• The notes within the asset history section.</li> </ul> <p><u>Management Response:</u> Agreed</p> <p>Target date: 31/12/2023</p> <p>2. When an asset is reported as being lost or stolen, the notes within the asset history section should be completed to allow for an accurate tracking of the asset</p> <p><u>Management Response:</u> Agreed</p> <p>Target date: 31/12/2023</p>
<p>▶ There is no asset refresh strategy in place to outline when assets are to be replaced (Finding 3 - Low)</p>	<p>Management should implement an IT asset refresh strategy which outlines how frequently IT Assets are to be refreshed and the arrangements in place to ensure that they are suitable for use.</p> <p><u>Management Response:</u> Agreed</p> <p>Target date: 31/01/2023</p>

	<p>▶ There is no procedure in place to proactively review the Council’s software licensing allocations (Finding 4 - Low).</p>	<p>Management should conduct a regular review the software licenses in place at the Council. This should be done on an annual basis at a minimum.</p> <p><u>Management Response:</u> Agreed</p> <p>Target date: 31/03/2023</p>
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 <b>CONCLUSION</b>	<p>▶ We have raised one medium priority and three low priority recommendations to improve the Council’s arrangements for IT asset management. The Council has a good control environment, derived primarily from clear roles and responsibilities being assigned to staff members and appropriate security controls being in place for data on mobile devices</p> <p>▶ However, gaps were identified in the Council’s documentation of asset management procedures, asset refresh procedure and the software licensing procedures. Consequently, we conclude moderate assurance over both the design and operational effectiveness of the Council’s IT asset management controls.</p>
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# HEALTH AND WELLBEING

## CRR REFERENCE:

CRR\_NS08 Failure of internal health and safety compliance or enforcement of health and safety

Design Opinion	M	Moderate	Design Effectiveness	M	Moderate
Recommendations	0	3	3		



### SCOPE

#### BACKGROUND

Preserving and protecting the health, safety and wellbeing of staff has been critical for all organisations throughout the COVID-19 pandemic. It has been essential that organisations continuously support the physical and mental wellbeing of the workforce, enabling staff to stay healthy and protect themselves, their colleagues, and families. An engaged workforce with strong mental and physical health is of paramount importance to help achieve the strategic aims of the Council. Staff engagement and health, safety and wellbeing will be delivered in an environment where staff are well managed, valued for their contribution and are developed within available resources. The Council has identified in its People Strategy one of the six key priorities is 'Support health and well-being' by monitoring sickness absence data and ensuring staff terms and conditions and rewards packages promote health and well-being.

In February 2020, the Council signed the Time to Change employer pledge, led by charities Mind and Rethink Mental Illness to support any staff who may suffer mental health problems. As part of its commitment, the authority continues to review its approach taken to mental health in the workplace, through providing initiatives to staff to support their wellbeing. These include: coffee and chats, lunchtime walks, mindfulness and breathing sessions and articles in Staff Matters with advice for staff on how to manage their mental well-being. Furthermore, the Council has an Employee Assistance Programme (EAP) and an external counselling service available for staff to obtain physical, mental, financial and legal advice to support their well-being. This confidential service is managed independently of the Council.

The Workforce Health Group has been established, consisting of the eight Workplace Health Champions, to arrange health and well-being initiatives that are usually coordinated with the national cycle of events, eg. a Macmillan bake sale in Cancer Awareness Month. All Workplace Health Champions and other interested staff have been provided with Mental Health First Aid training. The Council is trying to widen the number of staff receiving Mental Health First Aid training to incorporate staff outside of the Rushcliffe Arena office.

#### AREAS REVIEWED

The following areas were covered as part of this review:

- ▶ The Council's People Strategy and its arrangements for managing health and well-being of staff, including its governance structures, initiatives held and communication with staff
- ▶ The adequacy of communication channels with staff to publicise the EAP, external counselling service and well-being initiatives organised by the Workplace Health Group
- ▶ We interviewed three Workplace Health Champions to ascertain their views on the effectiveness of the Workplace Health Group, advertising of their role to staff and the overarching culture towards well-being deposited by management
- ▶ We reviewed the key performance indicators (KPIs) set to monitor health and well-being, and the reporting frameworks for these metrics through the performance clinics, Total Clinic and the Executive Management team. We also reviewed the corresponding meeting notes to ascertain whether poor performance was identified and addressed
- ▶ We reviewed the arrangements in place to identify key themes and trends in staff wellbeing issues, to assess whether they are adequate and capture key information. We assessed what

actions were agreed based on the identified themes and whether they were completed within the agreed timeframe. We also assessed how lessons were learned and disseminated across the Council

- ▶ We reviewed the biennial staff survey and well-being survey to assess whether the Council has taken reasonable steps to obtain feedback from staff on their health and wellbeing initiatives to assess performance of these initiatives.

 AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ The Council has opted for a practical approach to managing employee health and well-being, evidenced through the regular initiatives organised by the Workplace Health Group, including some sessions that have been established at the expense of the Council, such as pilates and mindfulness sessions
- ▶ Workplace Health Champions operate across the Council and have been recruited based on their expertise in health and well-being due to their role within the Council. We were informed by all Workplace Health Champions interviewed that Workplace Health Group meetings were facilitated effectively and were an effective platform for sharing feedback on events and to arrange future events
- ▶ Health and well-being initiatives organised by the Workplace Health Group are coordinated with the national well-being calendar to raise maximum awareness for certain issues. Articles were regularly published in Staff Matters to provide advice and guidance to staff timed with these national events, such as an article on the importance and ways of ensuring good sleep on World Sleep Day. Furthermore, we noted that a significant proportion of Staff Matters on 12 May 2022 was dedicated to advising staff on how to manage their mental health, how to support those suffering from loneliness and the importance of connecting with others which aligned with Mental Health Awareness Week
- ▶ We were informed by Workplace Health Champions that the external counselling/support service has been effective as it can be accessed for free by staff and entirely independently of the Council, which is more approachable for some staff
- ▶ The positive culture and tone from the Executive Management team was raised by all Workplace Health Champions interviewed. We understand that the Chief Executive is a Mental Health First Aider which exemplifies the seriousness to which the Council considers staff well-being.

 AREAS OF CONCERN

Finding	Recommendation and Management Response
<ul style="list-style-type: none"> <li>▶ The Council does not have a detailed, overarching strategy to outline responsibilities and its approach towards managing employee health &amp; well-being. This is briefly mentioned in the People Strategy. However, it does undertake a lot of activity by holding events/sessions for staff aligned to the national calendar of events, has an EAP with an external counselling service and has established a Workplace Health Group. The Council could benefit from documenting and formalising these arrangements (Finding 1 - Medium)</li> </ul>	<p>The Council should develop an Employee/Workplace Health and Well-being Strategy, or include a detailed section within its People Strategy to cover the following areas:</p> <ol style="list-style-type: none"> <li>An overarching definition of employee health and well-being, including a breakdown between physical and mental health and the components that support each</li> <li>Its short and long-term vision and mission in relation to employee health and well-being, ie setting the culture of the organisation and how it will support staff health and well-being</li> <li>The responsibilities of employees, line managers and the Executive Management Team for creating an environment that enables employees to be open and the structures in place to identify and support employees that require further guidance or sign-posting to relevant support lines</li> <li>The Council’s approach towards managing employee health and well-being, including the EAP, aligning internal events with the national cycle, health</li> </ol>




		<p>benefits such as 50% discount at the Parkwood Leisure Centre, etc. It should also identify any future plans for the next three to five years, splitting these between physical and mental health activities</p> <p>e. Details of the roles of the Workplace Health Champions and Mental Health First Aiders in organising health and well-being activities and promoting it within the Council.</p> <p>We have provided an analysis in the ‘Added Value’ section of this report of other local authority’s Employee/Workplace Health and Well-being Strategy identifying key components.</p> <p><u>Management Response:</u> It is agreed that RBC can include more details in its People Strategy. It is felt that current processes are effective but acknowledge that further information can be articulated in the document. Comparisons with larger County Councils with different resources and with more Health and Safety risk due to the nature of some of their work (eg Social Care, Highways and Education) with worse sickness records and a different risk profile can be taken out of context. RBC has the best sickness record in Nottinghamshire and we tailor what we do to our risk profile. Consequently we do not agree this is a Medium Risk that it is not ‘a risk that could impact on operational objectives and should be of concern to senior management and requires prompt specific action’.</p> <p>Target date: 31/03/2023</p>
	<p>► KPIs for health and well-being are limited to the number of days lost to sickness absence in each service area which is reported in performance clinic reports. Causes of sickness absence and other KPIs relating to health and well-being are reported in the quarterly HR Scorecard to service managers but not to performance clinics to identify well-being issues and trends (Finding 2 - Medium)</p>	<p>The HR team should develop a suite of KPIs to monitor staff health and well-being at corporate and service area level. These metrics may include:</p> <ol style="list-style-type: none"> <li>Sickness absence rates with a breakdown of the cause/type and length of time staff were absent</li> <li>Utilisation of employee benefits offers through Sodexo</li> <li>Attendance/participation rates in health and well-being events/sessions arranged by the Workplace Health Group</li> <li>Number of employees accessing the external counselling service (if the data can be obtained)</li> <li>Participation rates in the biennial staff survey and other periodic well-being surveys.</li> </ol> <p>These KPIs should be reported to the relevant performance clinic reports every two months and the Total Clinic report. Additionally, notifying managers of details of upcoming events arranged by the Workplace Health Group should be added to the performance clinic agendas for all service areas to raise awareness of events for staff to participate in.</p> <p><u>Management Response:</u></p>

		<p>RBC will look at what relevant KPI's can be included to support the reporting and review of health and wellbeing. Although it's important that these KPI's are relevant. Having a KPI for number of staff accessing counselling for example is not a target as it is very much based on the need of staff and I would expect this to vary from one year to the next. We reiterate earlier comments about a risk based approach. If our sickness levels increase and give cause for concern then we would apply more KPIs. Given the Council's low current and historical sickness records this is not necessary currently. A good example of this is through Covid we ramped up monitoring of sickness levels. We do not agree this is a Medium Risk that it is not 'a risk that could impact on operational objectives and should be of concern to senior management and requires prompt specific action'.</p> <p>Target date: 31/03/2023</p>
	<p>▶ The Workplace Health intranet page had not been updated regularly resulting in the list of Workplace Health Champions not being accurate. The Council uses television screens in its Rushcliffe Arena office however, this has not been used to raise awareness to staff of the identity of the Workplace Health Champions (Finding 3 - Medium)</p>	<ol style="list-style-type: none"> <li>1. The Workplace Health Group should appoint a member of staff responsible for managing the intranet content on the Workplace Health page. They should ensure that the list of Workplace Health Champions is up to date (and amended if they change in the future), that upcoming events are publicised and that wider articles from other charities/research bodies are published on a monthly basis</li> <li>2. The Workplace Health Group should seek to have the names and images of the Workplace Health Champions on the television screens in the Rushcliffe Arena office to provide a visual notification to staff on who they can contact for support/guidance for employee health and well-being</li> <li>3. The HR team should include the following elements within its overarching Health &amp; Well-being Strategy (see Recommendation 1):             <ol style="list-style-type: none"> <li>a. A communication strategy outlining the methods and channels for communicating initiatives and support to staff. This should utilise existing resources such as the intranet, Staff Matters, television screens, inductions, departmental meetings and posters in communal spaces at the Rushcliffe Arena office.</li> <li>b. Named individuals or roles for the responsibility for managing the intranet and other communication channels</li> <li>c. An 'Annual Communication Workplan' to outline when certain messages will be updated on the intranet to time with the national calendar of events.</li> </ol> </li> </ol> <p><u>Management Response:</u> It is agreed that the intranet page is out of date and a process should be implemented to ensure that this is reviewed and updated regularly. We will also look at options for promoting the details of both Workplace Health Champions and MHFA's. The wellbeing workplan is discussed at quarterly meetings ensuring we plan for the next 3 to 4 months. This currently works well, but we need to ensure that the information is reflected on the Intranet</p>

	<p>Target date: 31/03/2023</p>
<p>Feedback/evaluations from participants of health and well-being events are not obtained to support future planning of initiatives (Finding 4 - Low)</p>	<p>The Workplace Health Group should identify mechanisms to obtain feedback on the effectiveness of the well-being events that they deliver.</p> <p><u>Management Response:</u> This has already been discussed with the Workplace Health Champions and we will aim to obtain feedback where possible at future events. The mechanism for obtaining feedback may differ based on the event and whether it's face to face etc.</p> <p>Target date: 31/01/2023</p>
<p>▶ The well-being survey undertaken in October 2021 only received 21 responses from staff, possibly due to the survey not being promoted through Staff Matters and other communication platforms with staff. Although, other Council-wide staff surveys had a c66% response therefore, this was an isolated instance (Finding 5 - Low)</p>	<p>In conjunction with Recommendation 4, the Workplace Health Group should consider the most effective platforms to communicate any well-being surveys with staff to maximise the response rate. We would expect that at a minimum the survey should be publicised through Staff Matters and on the Workplace Health intranet page. Response rates should be monitored at intervals whilst the survey is open and, if the response rate is lower than desired, reminder emails should be sent to all staff.</p> <p><u>Management Response:</u> This recommendation is based on poor response rate to one survey that was sent out. At the time of the audit I was unable to advise whether the survey was sent out via email, through staff matters and whether a reminder was sent out. I believe the response was low as a majority of staff were probably not interested in any further wellbeing activities. I can confirm that every effort is made to ensure that different forms of communication are used to engage with staff.</p> <p>Target date: 31/01/2023</p>
<p>The biennial staff survey did not include any questions relating directly to health and well-being within the Council or the effectiveness of the EAP. However, the surveys did identify a positive culture within the Council which is indicative of the work being undertaken to support staff health and well-being. Additionally, the reporting of the survey does not provide a comparison to the previous survey results, thereby failing to identify the direction of travel of employee responses. We were informed that comparisons were provided verbally (Finding 6 - Low).</p>	<p>1. The biennial staff survey should be expanded to include a section on staff health and well-being. Within this section the Council should add questions around the following areas:</p> <ul style="list-style-type: none"> <li>a) Accessibility of the EAP</li> <li>b) Effectiveness of the EAP and counselling service in providing support/guidance - this question should have a 'Not applicable' response option as not all staff may have used it</li> <li>c) Whether staff believe there is a positive environment around considering staff welfare</li> <li>d) Approachability of the Executive Management team and line managers on welfare/well-being matters</li> <li>e) Whether staff are aware of the channels through which they can receive additional support.</li> </ul> <p><u>Management Response:</u></p>

		<p>Survey questions generally remain similar to previous years to enable comparisons to be made. Consideration will be given to including more wellbeing related questions in future surveys.</p> <p>Target date: 31/12/2023</p>
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 <b>CONCLUSION</b>	<p>Overall we have provided Moderate assurance over both the control design and effectiveness of the Council’s management of Health and Well-being with three medium and three low findings.</p> <p>The positive culture and commitment towards supporting employee health and well-being was evident through its regular initiatives and dedicated Workplace Health Group structure. However, many of the processes to establish and guide future activity for health and well-being had not been formalised. The Council has not adopted a formal Employee Health and Well-being Strategy outlining its vision, short and long-term objectives, and roles and responsibilities for health and well-being. Additionally, whilst sessions and events are organised for staff, there is not a consistent approach for obtaining feedback from participants to guide future initiatives. Staff Matters was well utilised with frequent articles published around health and well-being to support staff. However, other communication platforms such as the Workplace Health intranet page were not maintained, potentially reducing staff awareness around health and well-being activities.</p>
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# SECTOR UPDATE

This briefing summarises recent publication and emerging issues relevant to local government that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers and Members.

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## GOVE 'REVIEWING' INVESTMENT ZONES

Levelling up secretary Michael Gove has said he is “reviewing” investment zones, days after rejoining the government. Asked during Sophy Ridge on Sunday whether investment zones are still happening, Mr Gove said: “I’m reviewing them.”

Investment zones were part of the mini-budget announced during Liz Truss’s administration and have been set out to offer particular areas the ability to set lower taxes for businesses and relaxed planning laws to encourage development. The policy was led by former levelling up secretary, Simon Clarke, who was replaced last week in Rishi Sunak’s reshuffle by Mr Gove.

An initial 38 local authorities were listed as having expressed an early interest in having an investment zone and were invited to place bids at the beginning of October. LGC identified 14 councils, which had collectively submitted 82 bids for an investment zone site. Mr Clarke had told parliament that hundreds of bids had been submitted.

“We need to make sure that any change we make is one which of course helps to support economic growth and good jobs for people in need,” Mr Gove said. He added that one of the “concerns raised about investment zones was the impact on the environment”.

“I have been very clear and the prime minister has been very clear that under no circumstances will we weaken environmental protections,” Mr Gove said. The levelling up secretary said he will be working with the chancellor, environment secretary and the prime minister on investment zone proposals. “Anything that might in anyway undermine environmental protections is out,” Mr Gove added.

[Gove 'reviewing' investment zones | Local Government Chronicle \(LGC\) \(lgcplus.com\)](#)

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## FOR INFORMATION

For the Audit Committee Members and Executive Directors

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## JUNIOR MINISTER GIVEN LOCAL GOVERNMENT BRIEF

Lee Rowley has become the local government minister at the Department for Levelling Up, Housing & Communities. He has been housing minister at DLUHC since September. He confirmed the appointment on Twitter this morning and said: “Delighted to become the local government minister at @luhc - looking forward to working with councillors, officers and communities across the UK to show the difference that excellent local government makes to all of our lives.”

The department has not announced what the other three MPs at the department will be responsible for and DLUHC told LGC this information would be updated on its website later. Previously the local government roles was held by someone who had a more senior position as a minister of state, but Mr Rowley is a parliamentary under secretary. There had been some criticism that Mr Rowley, as a junior minister, was too inexperienced to hold the housing brief, which in the past had been done by a more experienced minister of state.

Last month the Conservative MP Bob Blackman, who authored of the Homelessness Reduction Act 2017 and chair of the all party parliamentary group for ending homelessness, told LGC he was “very unhappy” about DLUHC’s previous ministerial line-up.

He added: “There is a new minister [Lee Rowley], who is a good mate of mine but who knows nothing about housing.” Mr Rowley’s move to local government minister does mean that the housing portfolio could go to Lucy Frazer, who recently joined the department as its only minister of state. Earlier this week she attended the launch of the New Homes Quality Board.

[Junior minister given local government brief | Local Government Chronicle \(LGC\) \(lgcplus.com\)](#)

### FOR INFORMATION

For the Audit Committee Members and Executive Directors

## LGA RESPONDS TO PAC REPORT ON NET ZERO

In response to the Public Accounts Committee’s report on Net Zero, Cllr David Renard, Environment spokesperson for the LGA, said:

“As leaders of local communities, it is councils in our cities, towns and rural areas who will drive the collective action required to address the climate emergency.

“It is vital the Government acts fast to give councils the policy and investment framework as well as the powers and resources to deliver on the projects and culture changes that will make a difference in local communities and help achieve net zero.

“Councils want to turn ambitions and policy work into a deliverable plan for decarbonising and adapting places. This starts with properly understanding local carbon emissions and councils are already taking steps towards this by using the LGA Greenhouse Gas Accounting tool to provide a straightforward and consistent approach to calculate their own carbon baseline.





“Councils are rooted in their places where people live their lives and businesses do their business, and know their communities better than anyone else. This is why they are best-placed to lead the way towards a Net Zero future.”

[LGA responds to PAC report on Net Zero | Local Government Association](#)

### FOR INFORMATION





For the Audit Committee Members and Executive Directors

# KEY PERFORMANCE INDICATORS




QUALITY ASSURANCE	KPI	RAG RATING
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings attended including Governance Scrutiny Group meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the Director or Audit Manager	
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards	
Quality of Work	No surveys have been received as yet for 22/23	
Completion of audit plan	On track	

# APPENDIX 1

## OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
 <b>Substantial</b>	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.
 <b>Moderate</b>	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
 <b>Limited</b>	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.
 <b>No</b>	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

RECOMMENDATION SIGNIFICANCE	
 <b>High</b>	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.
 <b>Medium</b>	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.
 <b>Low</b>	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:**

**GURPREET DULAY**

+44 (0)23 8088 1738  
Gurpreet.Dulay@BDO.co.uk

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## Governance Scrutiny Group

Thursday, 24 November 2022

**Capital and Investment Strategy – Mid-Year Report  
2022/23**

### Report of the Director - Finance and Corporate Services

- 1.1. The purpose of this report is to summarise the capital and investment activities of the Council for the period 1 April to 30 September 2022.
- 1.2. The Capital and Investment Strategy for 2022/23, approved by Council on 3 March 2022, outlines the Council's capital and investment priorities as follows:
  - Security of capital
  - Liquidity of investments; and
  - Optimising yield earned on investments (cash and property).
- 1.3. The strategy includes indicators that help ensure that the Council's capital investment plans are affordable, prudent and sustainable. Setting an integrated Capital and Investment Strategy is a requirement of the CIPFA Code of Practice.

### 2. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group notes the Capital and Investment Strategy up-date position as of 30 September 2022.

### 3. Reasons for Recommendation

- 3.1 CIPFA's updated Code of Practice for Treasury Management (2021) recommends that Councillors should be informed of Treasury Management activities quarterly. This report, is the second report for 2022-23..
- 3.2 As previously reported, the updated Treasury Management Code included a requirement for specific training for members involved in scrutiny and broader training for members who sit on full council. Members have received a Knowledge and Skills Framework questionnaire (due for return on 1 November). This is a pilot which will inform the questionnaire going forward and for new members on CGG after the local elections in May 2023, to be used to assess and tailor training needs in line with the code.

### 4. Supporting Information

#### Economic Forecast

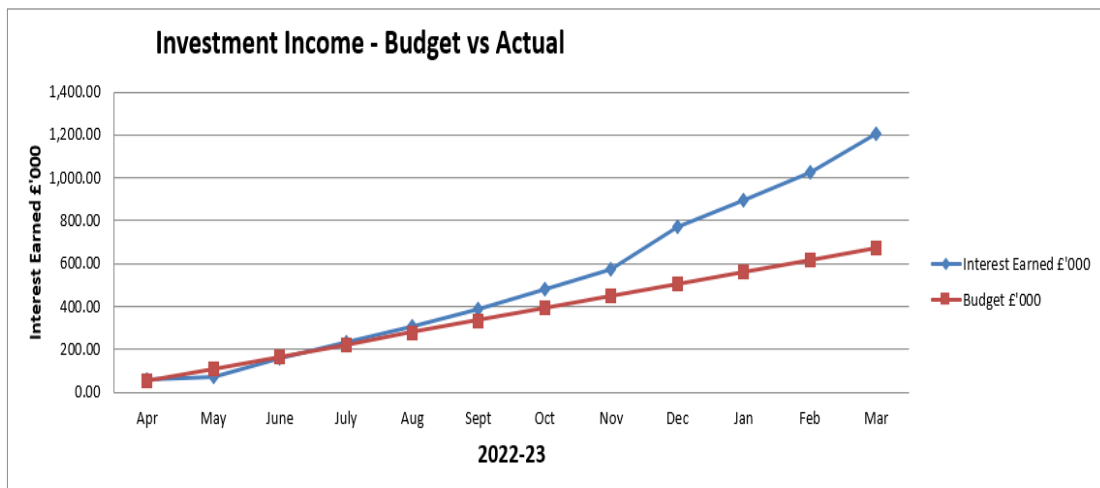
- 4.1. The UK continues to experience uncertainty and a weakening in the economy. Prices have continued to rise, with the CPI for September rising to 10.1%. Inflation has not peaked yet, but the Bank of England are warning that inflation might reach 12% by next April. The early end to the utility price cap means that

the average inflation rate forecast for next year is more likely to be 9% rather than 6%.

- 4.2. The current Bank of England base rate has just increased from 2.25% to 3% (Monetary Policy Committee 4<sup>th</sup> November). The markets are expecting the Base Rate to climb to 5.25%, not a million miles away from Link Group (the Council's Treasury Advisors) forecasts of 4% by Christmas and 5% by March 23.
- 4.3. Overall, the short-term outlook for the economy remains uncertain as we continue to head into an economic downturn. The new prime minister is facing soaring inflation with consumers and businesses paying a higher price for Russia's invasion of the Ukraine, and there is heightened risk of a recession across Europe and America.

**Investment Income**

- 4.4. Based on Link's base rate forecast of 0.5% at the time, the Council budgeted to receive £673,300 in investment income in 2022/23 compared with £462,100 in 2021/22. Actual interest earned to 30 September 2021 totalled £491,600 (£349,100 at 30 June) with total receipts for the year now expected to be approximately £1.264m (£676,742 in 2021/22). Interest receipts are higher than estimated due to higher interest rates and larger investment balances, due to re-profiling of the capital programme and additional S106 monies. All investments have been made in accordance with the Council's Capital and Investment Strategy.
- 4.5. The projected return on investments is highlighted in the following graph, which depicts the performance against the budget.

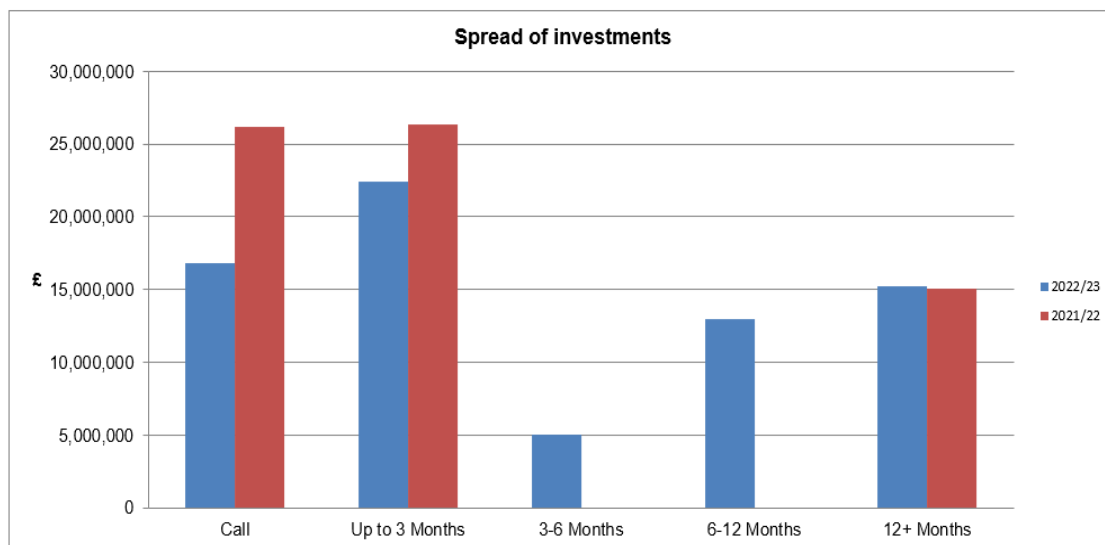


- 4.6. In order to maintain returns and mitigate risks, the Council has continued to diversify its investments mix. As a result, the Council is currently placing deposits in Money Market Funds (MMFs), Call Accounts, CCLA Property Fund, UK Local Authorities and Diversified Funds with a larger amount than normal being held in MMFs to ensure liquidity. The table below highlights the level of investment activity and the rates obtained at 30 September 2022. Investments were made in line with Link's approved counterparty list.

Financial Institution	Amount £	Length of Investmen	Interest
Goldman Sachs Asset Management	5,000,000	183 days	2.15%
Standard Chartered	3,000,000	185 days	1.44%
Blackpool Council	5,000,000	196 days	1.15%
Close Brothers	5,000,000	179 days	0.40%
South Somerset	3,000,000	212 days	0.85%
Wrexham	5,000,000	61 days	0.98%
East Hertfordshire	5,000,000	273 days	2.83%
Residual MMF/Call Account Balances	19,071	Call	0.30%
Blackrock	122,891	Call	2.01%
Ccla - Psdf	371,819	Call	1.95%
Federated Investors (Uk)	2,854,290	Call	2.09%
Goldman Sachs Asset Management	128,641	Call	1.98%
Hsbc Asset Management	356,055	Call	0.01%
Invesco Aim	3,954,398	Call	2.12%
Aberdeen Asset Management	4,488,456	Call	2.10%
Bank Of Scotland Plc	378,920	Call	0.01%
Bank Of Scotland Plc	109,570	32 Days	0.80%
Barclays Bank Plc	4,375,844	32 Days	1.70%
Handelsbanken Plc	902,777	35 Days	0.95%
Santander Uk Plc	4,154,267	Call	0.83%
Santander Uk Plc	4,031,325	35 Days	0.78%
Royal London Cash Plus Fund	991,193	On-going	2.96%
Ccla Property Fund	2,416,786	On-going	3.09%
Ccla Diversified Income Fund	2,018,480	On-going	2.79%
Aegon Diversified Income Fund	4,976,196	On-going	5.80%
Ninety One Diversified Income Fund	4,819,826	On-going	5.70%
<b>Total Investments/Average Interest Rate</b>	<b>72,470,805</b>		<b>2.16%</b>

- 4.7. As the table above indicates, investments as of 30 September 2022 totalled £72.471m compared with £64.779m in 2021/22. Whilst the Council continues to ensure investments are secure and liquidity is achieved, it is proactively looking to maximise its rate of return. The average rate of interest was 2.16% (1.51% 30 June), higher than previous year (1.16% 2020/21). This reflects increases in the base rate and also funds available for investment exceeded those in the preceding year. The rates achieved vary between different institutions, for different durations, dependant on when the investment was made.
- 4.8. It should be noted that £40.8 million of the above investments relate to funds held in relation to Section 106 and CIL Agreements that are yet to be released by the Council. As part of the agreement, interest has to be paid over once funds are released. The budget assumes interest amounts on these monies will be approximately £90,000 (0.05%) although with higher balances and higher interest rates (rising to 2%) current projections are £598,400.
- 4.9. The graph below depicts our investment spread showing the range of investments over the different time periods, balancing both cash flow risk and counterparty risk. It shows a greater spread of investments in 2022/23 than last year when Councils were concerned with liquidity due to Covid 19 grant funding and were not looking to borrow during the 3 to 6 months window. Whilst liquidity remains a priority the Council will now look to spread more of its investments

over the 3 to 6 month period over the coming months. This is compliant with the Council's Capital and Investment Strategy and recommended action by the Council's Treasury advisors.



4.10. The average interest rates achieved so far this year on the Council's investments are compared to the Sterling Overnight Index Average (SONIA) rates. £26m of RBC's investments are held in MMF/Call accounts. Interest rates earned on these accounts tend to lag behind movements in the base rate, although the trend tends to be the same. The Council also holds £31m in temporary investments which vary in duration. These earn a fixed rate of interest set at commencement of the investment so again do not immediately reflect changes in interest rates. RBC also holds just over £15m in diversified income and property accounts which are held long term (12 Months +). These are high earning accounts currently earning an average a rate of 4.75% in interest but are subject to fluctuations in capital value as discussed below in paragraph 4.11.

Benchmark	SONIA (September 2022)	Council Performance
1 Month	2.23%	1.22%
3 Months	2.75%	-
6 Months	3.40%	1.63%
12 Months +	4.12%	4.75%

4.11 The fair value of the Council's diversified funds can fluctuate. The table below shows the current position at the end of September. These funds represent less than 21% of total cash balances but contributed over 63% of the total interest received from Treasury Management investments last year (generating £531,264 interest in 2021/22). These investments will continue to fluctuate in value so are intended to be held long term rather than incur a loss at this moment in time. To mitigate the risk to the Council of movement in Capital values, the Q2 report to Corporate Overview Group and Cabinet in

November and December, respectively, recommends £0.66m to be earmarked (in addition to the £0.2m earmarked from 2021/22 efficiencies). It is expected the values will normalise over time and the values will rise. At this point this reserve is available to be appropriated to other reserves (and mitigate other risks).

Fair Value	31.03.2022	30.06.22	30.09.22	Difference
Aegon-Previously Kames	4,976,196	4,425,213	4,145,841	-830,355
Ninety One-Previously Inves	4,819,826	4,538,071	4,401,865	-417,961
RLAM	991,193	982,352	965,030	-26,162
CCLA Property	2,416,786	2,543,095	2,435,135	18,349
CCLA Divesified	2,018,480	1,887,902	1,845,419	-173,061
	<b>15,222,481</b>	<b>14,376,633</b>	<b>13,793,290</b>	<b>-1,429,190</b>

- 4.12. The Council monitors its carbon footprint and over the longer term aims to divest from fossil fuel investments. Currently 21% (18.5% in 2021) of our portfolio is invested in diversified funds which invest in equities and, therefore, carry a small risk of fossil fuel investments. Security, Liquidity and Yield are the Council's main priority (in accordance with the CIPFA Code for treasury investments). We currently have a sustainable fixed term deposit with Standard Chartered and have just opened an ESG liquidity account with HSBC.

## Borrowing

- 4.13. In accordance with the Local Government Act 2003, the Council has a statutory duty to determine and keep under review how much it can afford to borrow. Therefore, the Council establishes 'Affordable Borrowing Limits' (or Authorised Limit) as part of the Prudential Indicators within the approved Capital and Investment Strategy Statement.
- 4.14. The authorised limit represents the limit beyond which external borrowing is prohibited and is set as part of the Treasury Strategy, whereas as the operational boundary is the expected borrowing position of the Council based on the CFR and a buffer.
- 4.15. In light of cash balances in 4.6, the Council continues to internally borrow to fund capital expenditure and does not envisage externally borrowing during the medium term.
- 4.16. The need to internally borrow is now anticipated to be £9.25m in 2022/23 compared to the £5.5m projected in the Quarter 1 report. This is due to a slippage in anticipated Capital Receipts from Hollygate Lane. The Operational Boundary set for the year is £20m (see **Appendix A**). The Authorised limit is set at £25m and any change in this would require Full Council approval.
- 4.17. The Liability Benchmark reflects the real need to borrow. This benchmark, at £41m illustrates that the Council has no need to borrow over the medium term (ie existing resources exceed the underlying need to borrow).

	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	Projection	£'000	£'000	£'000	£'000
Closing CFR	14,933	15,516	10,705	9,433	8,162	7,325
<b>Less:</b>						
Usable Reserves	(22,701)	(23,287)	(21,152)	(20,380)	(18,886)	(17,510)
Working Capital	(23,149)	(43,569)	(38,625)	(35,750)	(33,750)	(31,750)
Plus minimum investments	10,000	10,000	10,000	10,000	10,000	10,000
<b>LIABILITY BENCHMARK</b>	<b>(20,917)</b>	<b>(41,340)</b>	<b>(39,072)</b>	<b>(36,697)</b>	<b>(34,474)</b>	<b>(31,935)</b>

4.18. As part of the Capital and Investment Strategy, the Council established a range of Prudential Indicators (which also accords with professional practice) to monitor both Treasury and Capital as the two are intrinsically linked. Details of the performance against the Prudential Indicators can be found at **Appendix A**. Key comments to note are as follows:

- (a) Capital Expenditure – The original budget for 2022/23 was £14.611m, with £10.646m carry forwards and other adjustments of £1.079 giving a current budget of £24.178m. The projected outturn is around £19.2m – resulting in an estimated underspend of £6m primarily due to Support for Registered Housing Providers not wholly committed - £1.958m (£1.5m of this is requested to be re-phased to 2024/25 while options continue to be assessed); unused contingencies on Bingham Hub (£1m) but these continue to be applied as completion/handover protracted; and requested re-profiling of expenditure on other operational land and buildings to 2023/24 £0.465m, this position is reported to both Cabinet and Corporate Overview Group.
- (b) Financing costs to net revenue stream – improved position anticipated due to higher investment returns and higher interest rates.
- (c) Expected investment position – is expected to be higher due to rephasing of the capital programme and additional S106 monies.
- (d) Capital Financing Requirement (CFR) – the closing position will be greater than predicted in the short-term, as a result of the potential delayed receipt from disposal of land at Hollygate Lane. The CFR projected end of year position is £15.516m. This will be reduced by applying the Hollygate Lane capital receipt in 2023/24.

### Commercial Investments

4.19. The Council has to disclose its dependence on commercial income and the contribution non-core investments make towards core functions. This covers assets purchase through the Council's Asset Investment Strategy, as well as pre-existing commercial investments.

4.20. The expected contributions from commercial investments are shown below. In order to manage the risk to the Council's budget, income from commercial investments should not be a significant proportion of the Council's income. It is estimated to be around 16.3% in the current year, below budget partly due to delays in Bingham Enterprise Centre and also because overall income has risen due to treasury investments. The Council set a target that this ratio should not exceed 30% in future years, subject to annual review.

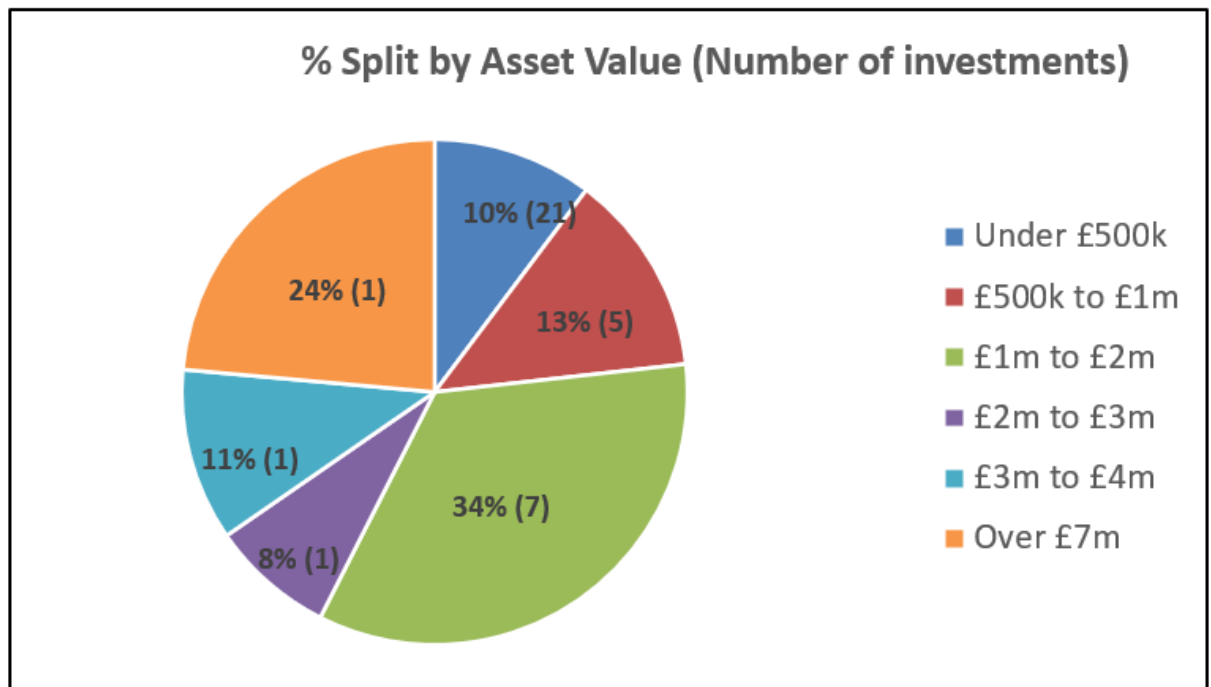
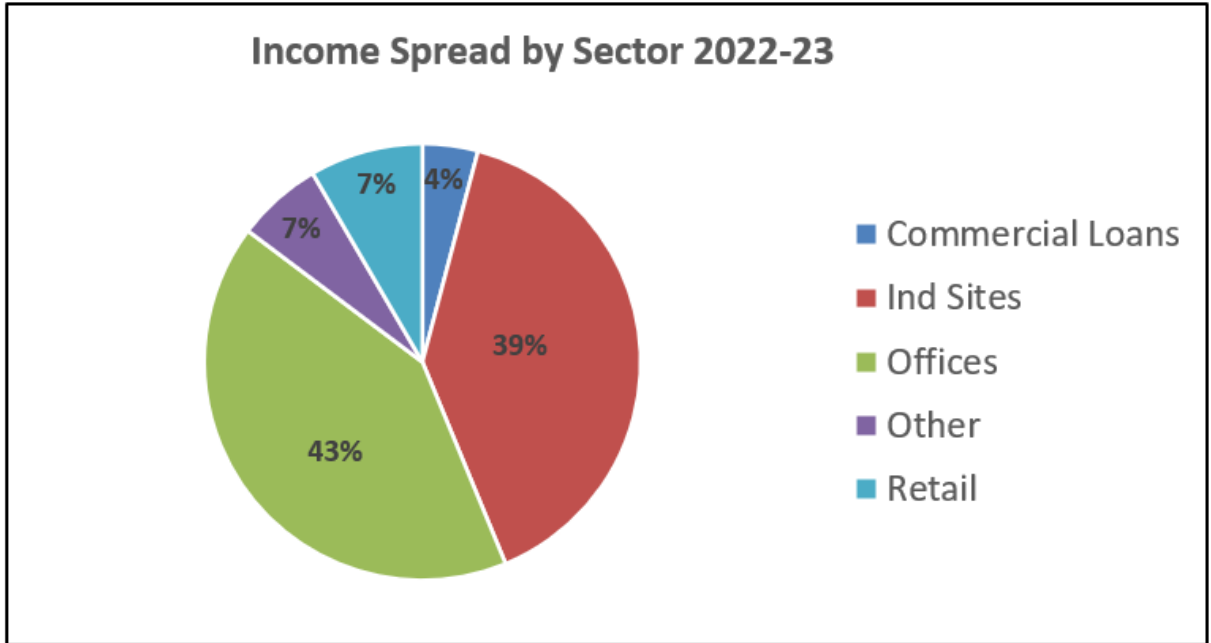


## Commercial Investment income and costs

2022/23	Original £'000	Current £'000	Actual £'000	Projected £'000
Commercial Property Income	(1,772)	(1,753)	(884)	(1,661)
Running Costs	617	647	340	677
<b>Net Contribution to core functions</b>	<b>(1,155)</b>	<b>(1,106)</b>	<b>(544)</b>	<b>(984)</b>
Interest from Commercial Loans	(81)	(110)	(55)	(81)
<b>Total Contribution</b>	<b>(1,236)</b>	<b>(1,216)</b>	<b>(599)</b>	<b>(1,065)</b>
<b>Sensitivity:</b>				
+/- 10% Commercial Property Income	177	175	88	166
<b>Indicator:</b>				
Investment Income as a % of total Council Income	19.3%	22.8%	17.6%	16.3%
Total Income	9,604	10,155	5,341	10,683

## Risk Exposure Indicators

4.21. The Council can minimise its exposure to risk by spreading investments across sectors and by avoiding single large-scale investments. Generally, there is a spread of investment across sectors. The Council's commitment to economic regeneration (not purely financial return) has meant that many of its investments have been in industrial units, which have been very successful. Fears that new ways of working in light of Covid would reduce demand for office accommodation have largely been unfounded, with workers returning to offices.



## Security and Liquidity

- 4.22. Commercial investments are held for longer term asset appreciation as well as yield. Investments or sales decisions will normally be planned as part of the consideration of the 5-year capital strategy to maximise the potential return. Nevertheless, the local and national markets are monitored to ensure any gains are maximised or losses minimised.
- 4.23. To help ensure asset values are maintained the assets are given quarterly inspections, together with a condition survey every 3 years. Any works required to maintain the value of the property will then form part of Council's spending plans.

- 4.24. The liquidity of the assets is also dependent on the condition of the property, the strength of the tenants and the remaining lease lengths. The Council keeps these items under review with a view to maximising the potential liquidity and value of the property wherever possible. The last Asset Management review was reported to this group 25 November 2021 with the next review planned for autumn 2023.
- 4.25. The liquidity considerations for commercial investments are intrinsically linked to the level of cash and short-term investments, which help manage and mitigate the Council's liquidity risk.

## **Training and Development**

- 4.26. The Council's Treasury Management Advisors, Link Asset Services held a presentation and training session to Councillors on 22 November 2021 and the next is scheduled for 17 January 2023.

## **5 Conclusion**

- 5.1. Treasury Management continues to be fraught with difficulty. The UK economy is recovering but risk of a recession remains real with inflationary pressures and rising interest rates. Whilst the latter will have a positive effect on returns that can be achieved from investments, uncertainty in the economy will have a negative impact on the capital value of some of the Council's investments. Pending the result of the consultation on the statutory override, the Council is mitigating the risk by earmarking funds from past and in-year efficiencies. As normality returns then it is expected a positive impact on asset values will materialise. Changes in accounting codes will restrict what local authorities can do coupled with the threat of borrowing caps. Officers will continue to be vigilant and report any significant issues to the Governance Scrutiny Group.

## **6 Risk and Uncertainties**

- 6.1. The report covers both counterparty, interest rate and property related risks.

## **7 Implications**

### **7.1. Financial implications**

Financial Implications are covered in the body of the report.

### **7.2. Legal Implications**

There are no specific legal implications identified in this report. The report demonstrates the Council's good practice in following CIPFA's Code of Practice for Treasury Management (2021) recommends by informing Councillors of Treasury Management activities quarterly. Adoption of the best practice ensures scrutiny of capital and investment activity undertaken during the relevant period.

### **7.3. Equalities Implications**

There are no equalities implications identified for this report

#### 7.4 Section 17 of the Crime and Disorder Act 1998 Implications

There are no implications identified for this report

### 8 Link to Corporate Priorities

Quality of Life	Good Treasury Management enables the Council to continue to deliver services that contribute to the quality of life of Rushcliffe residents.
Efficient Services	Responsible income generation and maximising returns and minimising exposure to borrowing costs.
Sustainable Growth	The recommendations in this report do not impact on or contribute to the Council's Sustainable Growth priority.
The Environment	Helping to protect the environment by consideration of carbon footprint and fossil-based investments as part of the Capital and Investment Strategy

### 9 Recommendations

It is recommended that the Governance Scrutiny Group notes the Capital and Investment Strategy update position at 30 September 2022.

<b>For more information contact:</b>	Peter Linfield Director - Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
<b>Background papers available for inspection</b>	Treasury Management Strategy 2022/23 Governance Scrutiny Group 1 November 2022 – Capital and Investment Strategy Q1
<b>List of Appendices (if any):</b>	Appendix A – Prudential and Treasury Indicators for 2022/23 position at 30 September 2022

APPENDIX A

**Prudential and Treasury Indicators for 2022/23**  
**Position at 30 September 2022**

	2022/23 £'000 Original Estimate	2022/23 £'000 Current Projections
<b><u>Prudential Indicators</u></b>		
<b>Capital Expenditure</b>	14,611	19,198
<b>Proportion of financing costs to net revenue streams</b>	5.29%	-1.20%
<b>Expected Investment Position (at 31 March 2023)</b>	30,917	61,520
<b>Capital Financing requirement as at 31 March 2023</b>	14,933	15,516
<b><u>Treasury Management Indicators</u></b>		
<b>Authorised Limit for external debt</b> Borrowing and other long-term liabilities	25,000	25,000
<b>Operational Boundary for external debt</b> Borrowing and other long-term liabilities	20,000	20,000
<b>Upper limit for fixed interest rate exposure on investments up to 1 year</b>	50%	50%
<b>Upper limit for variable rate exposure (investments)</b>	100%	100%
<b>Upper limit for total principal sums invested over 1 year</b>	15,400	30,760

## **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.

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

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

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

SONIA (Sterling Overnight Index Average) – Average interest rates that banks pay to borrow sterling overnight from other financial institutions in circumstances where credit, liquidity and other risks are minimal.

 <p><b>Rushcliffe</b> Borough Council</p>	<p><b>Governance Scrutiny Group</b></p> <p><b>Thursday, 24 November 2022</b></p> <p><b>Work Programme</b></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.

### 23 February 2023

- Internal Audit Progress Report
- Statement of Accounts
- Annual Audit Report
- Annual Audit Strategy Plan
- Risk Management – Update
- Capital and Investment Strategy Monitoring Q3
- Capital and Investments Strategy 2023/24
- Work Programme

<p><b>For more information contact:</b></p>	<p>Peter Linfield Director – Finance and Corporate Services 0115 914 8349 <a href="mailto:plinfield@rushcliffe.gov.uk">plinfield@rushcliffe.gov.uk</a></p>
<p><b>Background papers Available for Inspection:</b></p>	<p>None.</p>
<p><b>List of appendices (if any):</b></p>	<p>None.</p>

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