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Our reference:
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Date: 21 June 2023

To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held on Thursday, 29 June 2023 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 23 February 2023 (Pages 1 - 12)

4. Role and Remit of Governance Scrutiny Group

The Director – Finance and Corporate Services will provide a verbal update

5. Internal Audit Progress Report Q4 (Pages 13 - 36)

Report of the Director – Finance and Corporate Services

6. Internal Audit Annual Report (Pages 37 - 60)

Report of the Director – Finance and Corporate Services

7. Annual Fraud Report (Pages 61 - 70)



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Report of the Director – Finance and Corporate Services

8. Annual Audit Letter and Value for Money Conclusion (Pages 71 - 100)

Report of the Director – Finance and Corporate Services

9. External Audit Annual Plan (Pages 101 - 138)

Report of the Director – Finance and Corporate Services

10. Annual Governance Statement (AGS) (Pages 139 - 156)

Report of the Director – Finance and Corporate Services

11. Revisions to the Council's Constitution (Pages 157 - 186)

Report of the Monitoring Officer

12. Capital and Investment Strategy Q4 (Pages 187 - 202)

Report of the Director – Finance and Corporate Services

13. Governance Scrutiny Work Programme (Pages 203 - 204)

Report of the Director – Finance and Corporate Services

Membership

Chair: Councillor A Edyvean

Vice-Chair: Councillor P Gowland

Councillors: P Gowland, T Birch, S Calvert, H Om, N Regan, D Simms, C Thomas and G Wheeler



Rushcliffe
Borough Council

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MINUTES OF THE MEETING OF THE GOVERNANCE SCRUTINY GROUP THURSDAY, 23 FEBRUARY 2023

Held at 6.00 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West
Bridgford

PRESENT:

Councillors D Virdi (Chairman), R Adair, K Beardsall, R Butler, D Simms and
P Gowland (Vice-Chairman)

ALSO IN ATTENDANCE:

Mr G Dulay – BDO (Council's Internal Auditors)
Mr D Hoose – Mazars (Council's External Auditors)

OFFICERS IN ATTENDANCE:

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

APOLOGIES:

Councillors Mrs M Stockwood, L Howitt, K Shaw and J Stockwood

24 Declarations of Interest

There were no declarations of interest.

25 Minutes of the meeting held on 24 November 2022

The minutes of the meeting held on 24 November 2023 were approved as a
true record and were signed by the Chairman.

26 Third Internal Audit Progress Report

Mr Dulay from BDO, the Council's internal auditors presented the third Internal
Audit Progress Report for this financial year, in Appendix A, 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.

The report highlighted the completion and issuing of one report from the
Internal Audit Annual Plan as follows:

The Main Financial Systems

This audit received a substantial rating for both design and operational effectiveness. Mr Dulay informed the Group of three low level findings of concern:

1. In one instance an officer external to the finance team had been granted both requisitioner and authoriser level access up to the value of £15,000. However due to the systems automated controls this was deemed a low risk finding.
2. In respect of the procurement card procedure notes, these do not state what type of spend is permitted and associated limits nor the requirement for cardholders to retain receipts.
3. In two instances invoices that had been raised from Purchase Orders on the e-procurement system had goods received values different from the invoice. These related to annual contracts where the goods receipt had been completed ahead of the service being received.

Mr Dulay explained that overall, the council has good controls in place to manage its main financial system and that the findings raised are low level findings and would be addressed by management.

Members asked whether the concerns had been actioned by management, highlighting the individual officer access to both requisitioner and authoriser and the potential risk of fraudulent activity occurring. The Service Manager – Finance confirmed that all management recommendations had been completed and the relevant controls were in place. In respect of the individual who had been granted access to both requisitioner and authoriser this had not been picked up when the officer had changed roles. The Service Manager – Finance advised that the financial system does not allow an individual to raise and authorise a purchase order/invoice.

It was **RESOLVED** that the Group notes the Internal Audit Progress Report for 2022/23 prepared by the Council's Internal Auditor.

27 Internal Audit Strategy

Mr Dulay presented the Internal Audit Strategy 2023-2026 which focuses on the planned audits due to take place in year one of the new cycle of audits, starting 2023/24. These were provided in Appendix A for the Group to consider.

Mr Dulay explained the plan is set within the context of a multi-year approach to internal audit planning, looking at key risk areas over a three-year audit cycle, adding that the audit programme is kept under continuous review with any areas of significant risk added.

The Group noted that ten audits are planned for 2023/24, covering a number of the Council's key policies and systems. These include:

- Main Financial Systems
- Reconciliations
- Rushcliffe Oaks Crematorium (income)
- Fleet Management and Air Pollution

- Fraud Report
- Governance and Partnership Arrangements

There will also be a follow-up audit of recommendations made in previous years but not yet implemented to ensure that audit recommendations are being complied with by officers.

Mr Dulay advised that there is also the requirement that Councillors understand and approve the role and scope of Internal Audit covered in the Internal audit Charter as stated at Appendix 1 of the Audit Plan.

In considering the audit plan the Group were asked the following questions:

- Is the Group satisfied that sufficient assurance is being received within the annual audit plan to monitor the council's risk effectively?
- Does the strategy for internal audit cover the Council's key risks as they are recognised by the Group?
- Are the areas selected for coverage this coming year appropriate?

Members asked whether Streetwise had successfully been transferred back to the Council's control, adding that should Streetwise be considered as a risk and therefore an area to be looked at within the internal audit programme. The Director – Finance and Corporate Services explained that Streetwise forms part of the Transformation Programme and would be looked at through the Council's budget and performance reports at the Corporate Overview Group.

The Group noted that Streetwise had been added to the Corporate Risk Register as an Opportunity Risk and could be added to the internal audit programme in a future financial year.

It was **RESOLVED** that the Group review and approve:

- a) The Internal Audit Strategy and Plan 2023-2026
- b) The Internal Audit Charter, Appendix 1 of the Internal Audit Strategy and Plan

28 **Annual Audit Completion Report**

Mr Hoose, from Mazars, the Council's external auditors presented the Audit Completion Report in Appendix A and the Management Representation Letter in Appendix B, which reports to those charged with Governance the key conclusions in the audit process 2021/22 financial year.

Mr Hoose explained that there had been a delay in issuing the Audit Completion Report due to delays in the outcome of the Nottinghamshire authorities Pension Fund audit which feeds into Rushcliffe's accounts in addition to a national issue relating to the treatment of infrastructure assets which were out of the Council's and Mazars control.

The Group were advised that Mazars are also required to report their Value for Money conclusion within 90 days of the Audit Completion. Mr Hoose explained

this had not yet been completed, it was noted that Mazars had not identified any weaknesses in the Council's arrangements and do not anticipate any issues.

The Audit Completion report identified the key risks as follows:

- Pension Scheme valuations in the estimated asset values used by the Actuary to prepare the Council's IAS19 report. Management has chosen not to amend the accounts on the grounds of this not being material which was agreed by Mazars.
- There were a small number of minor disclosure amendments and two adjusted misstatements which were reported to officers in the Internal Control recommendations. It was noted that officers would be putting controls in place.
- The deadline for signing off the Statement of Accounts had not been met due to delays in the auditor's gaining assurance from the Pension Fund Adjustment again for a third year, resulting in a Prior Period Adjustment (PPA) requiring amendments to some infrastructure assets in the 2020/21 balance sheet which has had a knock on effect on the 2021/22 balance sheet.
- A further PPA was required in relation to the recognition of a deferred capital receipt in the 2020/21 accounts. The Director – Finance and Corporate Services did not agree with it being a PPA but was not prepared to risk the accounts being qualified.

In concluding, Mr Hoose advised there had been no significant issues during 2021/22 financial year. The Group were presented the Management Representation Letter at Appendix B of the report. The letter confirmed that the Council is satisfied with the validity of the financial statements provided by Mazars.

The Chairman thanked Mr Hoose and acknowledged the accounts would be completed and confirmed in the next week. In respect of the next financial year, it was noted that due to delays and timescales the Statement of Accounts may be delayed again for the meeting in September 2023. The Group were also advised that from 2024 Mazars would be taking on the Audit of the Nottinghamshire Authorities Pension Scheme.

The Chairman commented on the Prior Period Adjustment (PPA) in respect of deferred capital receipts for the sale of Sharpill and asked whether this may cause future issues in the accounts. Mr Hoose explained this should have been shown as a debtor in the accounts with a corresponding entry in unusable reserves, which overall had no impact on the 2021/22 balance sheet and this had been resolved with the PPA entries.

The Group observed the healthy and frank conversations between Officers and auditors and expressed their thanks to Mazars and Officers.

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

- a) Approve the findings of Mazars Audit Completion Report (Appendix A)
- b) Approve the Management Representation Letter (Appendix B)

- c) Receive at a later date a follow up letter from Mazars in relation to the significant matters outstanding.

29 **Approval of the Statement of Accounts**

The Group were presented the Council's statutory Statement of Accounts for the financial year 2021/22.

The Group were advised that there had been a delay submitting the Statement of Accounts for approval due to issues outside the Council's and the Auditors control. As with the previous year, the audit completion report was again delayed due to assurances in respect of the Pension Fund audit and an issue identified nationally relating to the treatment of infrastructure assets which had resulted in the delay to signing off the accounts until a decision had been made by CIPFA.

The Statement of Accounts 2021/22 were provided in Appendix A, and includes the Council's Annual Governance Statement (AGS) at section B. This was agreed by the Leader and Chief Executive and was approved by Governance Scrutiny Group at its meeting on 30 June 2022.

Members asked specific questions in respect of inflation and how had this impacted on the Council's capital expenditure. The Director – Finance and Corporate Services advised that the Bingham Hub and Crematorium have been delivered within budget. In addition, the Group were advised that contingency reserves are in place to mitigate financial shocks and were also informed that a more detailed Budget report will be presented at its Full Council meeting on 2 March 2023.

In respect of the Council's pension liability, members were asked to note a graph showing the Council's net worth over the past ten years, which shows a positive trend of an increase in net worth, with a downward turn in 2020/21 due to the impact of Covid-19 on pension values, with the net worth increasing in 2021/22 to £47m.

It was **RESOLVED** that the Governance Scrutiny Group approve the Statement of Accounts for 2021/22 (Appendix A) including the Annual Governance Statement at Section B.

30 **Risk Management Progress Report**

The Service Manager – Corporate Services presented the Risk Management Progress report which provided an update on risk activity since the last risk report was presented on 1 November 2022.

The Group were advised that the Risk Management Group last met on 31 January 2023, in order to review risks on the register and to make recommendations. A risk management audit was also carried out in June/July 2022 by BDO, the Council's Internal Auditors, and the Risk Management Level of Assurance was given a substantial rating for design and operational effectiveness.

The Group noted that training had been delivered by Zurich to provide Service Managers with an opportunity risk workshop and Zurich had also provided training for members of Governance Scrutiny Group on 1 November 2022.

The Service Manager – Corporate Services advised the Group that there are currently 41 corporate risks and 27 operational risks on the risk register and advised the Group that the number of risks will fluctuate as active risk management is undertaken.

At Appendix A of the report, the Group were presented the Council's existing Risk Registers containing Corporate, Operational and Opportunity risks. It was noted that there were no new risks and one risk had been removed as a result of the completion of the Bingham Arena. Risks that have decreased or increased were summarised as follows:

Risk Increased

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: the likelihood has increased from 3 to 4 as a result of receiving a request for refund on a major scheme £32,324. Taking legal advice but likely to have to be paid back.

Risk reduced

CRR_NS18 Failure of public sector partnerships / withdrawal of financial support: likelihood reduced from 2 to 1 - Rushcliffe Primary Care Network committing more funding to the joint Health Development Officers post.

CRR_NS19 Failure to safeguard children and vulnerable adults: likelihood decreased from 2 to 1 - the risk has improved with all staff undertaking E-learning Training and the Steering group now meeting again on a quarterly basis.

OR_CED01 Threat of violence to staff: likelihood reduced from 3 to 2 - likelihood was increased due to covid, but has now been reduced back to unlikely

Risk change

CRR_FCS23 ICT supplier goes out of business: the impact reduced from 3 to 2 and likelihood increased from 2 to 3 - there is a lot of uncertainty and acquisitions happening in the technical market for companies struggling and on the verge of bankruptcy. One of our suppliers have recently been acquired. A number of factors are contributing to the instability of suppliers.

Members asked a specific question in relation to taxi licensing and whether the standard of taxis in Rushcliffe had been affected by cheaper licensing fees offered by other authorities, and whether the Council had noticed any loss in income due to taxi's obtaining these cheaper licenses, proposing that taxi licensing should be considered as a risk to both the Boroughs standards and

loss of income. The Service Manager – Corporate Services explained that as Rushcliffe’s standards for taxi licensing had increased, taxi drivers were safer, thus eliminating any risk. The Service Manager – Finance added that there had been no financial loss.

The Chairman highlighted Operational risk OR_DEG08 ‘Loss of income as a result of the refund of planning application fees’ and asked whether the increase in likelihood from 3 to 4 could rapidly escalate. Councillor Butler as the Chairman of Planning Committee explained that this was due to a refund on a major planning application and was an exceptional example. The Chairman questioned whether this risk should increase if it were an exception and the Service Manager – Corporate Services will request it be reviewed at the next Risk Management Group meeting.

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

- a) Noted the report contents
- b) Considered and made recommendations on risks that have red alert status

31 **Draft Risk Management Strategy 2023 - 2026**

The Service Manager – Corporate Services presented the Council’s Draft Management Strategy, informing the Group that the current strategy is due to expire in April 2023. The Group noted that a review had taken place and changes had been made to reflect best practice as a result of further risk management training for officers and the Group last Autumn.

The Group were reminded that the Council’s Risk Management Strategy forms the framework within which risks are identified, articulated, assessed and managed, and noted that risks are reviewed monthly by Lead Specialists, bi-monthly by Service Managers and twice yearly by the Risk Management Group and the Governance Scrutiny Group.

The Group were advised that the Council use Zurich Municipal to provide advice and deliver training to both officers and councillors and current best practice has been drawn from the training and implemented withing the draft strategy. The Group also noted the Council’s Internal Auditors (BDO) had also conducted and audit on the Council’s Risk Management process during 2022 and the following changes have been made to the strategy:

- More comprehensive introduction and explanation of the RBC Risk Management process
- Reference to the recent training from Zurich Insurance and BDO audit
- Reference to Pentana, the Council’s performance monitoring system which includes a risk management module
- Information about the monitoring and review process of both risks and the Risk Management Strategy
- Alterations to the roles and responsibilities section to reflect the internal management restructure of 2021.

The Group commented on the frequency of when the Risk Management Group meet and questioned whether the meetings ought to be more frequent. The Service Manager – Corporate Services explained that anything significant would be picked up at the bi-monthly performance clinics and reported to the Risk Management Group, adding that the risk register is constantly changing and that the reports that come to Governance Scrutiny Group are just a snapshot.

The Group expressed that they were more than happy with the reviewed Risk Management Strategy and the process for identifying and reporting risks.

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

- a) Considered and noted the Draft Risk Management Strategy 2023-2026
- b) Approved the ~Risk Management Strategy for 2023-2026

32 **Capital and Investment Strategy Monitoring Q3**

The Finance Business Partner presented the Capital and Investment Strategy, Quarter 3 report, which summarised the capital and investment activities of the council for the period 1 April to 31 December 2022.

The Finance Business Partner referred to the supporting information within the report.

In relation to the Economic Forecast the Group were advised that the Bank of England had warned that inflation may reach 12% in the coming months, as the price of fuel, energy and food put pressure on household budgets. In reaction to this the Bank of England increased the base rate to 3.5% with further increases anticipated.

The Council's treasury advisors, Link Group have revised its interest rate forecasting, reporting that interest rates will peak at 4.5% in June before starting to tail off from December 2023.

In relation to Investment Income the Group were presented the Council's current investments and respective counterparties at Appendix D of the report. It was reported that interest receipts are higher than had been estimated due to ongoing increases in interest rates and larger investment balances, due to the re-profiling of the Capital Programme and additional S106 monies. It was noted that all investments have been made in accordance with the Council's Capital and Investment Strategy.

In light of the cash balances, the Group were advised that the Council continues to internally borrow to fund the capital expenditure, whilst ensuring investments are secure and liquidity is achieved.

The Group noted the Council's diversified funds at Appendix A of the report. The Finance Business Partner explained that funds are currently showing a £1.4m deficit from the downward trend experienced by the political turmoil last year. In addition, there is also a statutory override preventing any accounting

loss impacting on the revenue accounts, which was due to end 31 March 2023. However, DLUHC have decided to extend this for a further 2 years.

In relation to Borrowing the Council has established a range of Prudential Indicators as detailed in Appendix B of the report. The Finance Business Partner highlighted the Liability Benchmark which would reflect the need to borrow. However, a credit balance confirmed the Council has no need to borrow in the medium term.

In relation to Commercial Investments, it was noted that the Council's target should not exceed 30% with the current actual just under 20%.

In conclusion the Group were advised that Treasury Management continues to be fraught with difficulty, Officers will continue to monitor the environment and report any significant issues to the Governance Scrutiny Group.

Members felt the report was positive in light of the inflationary pressures and rising interest rates and were encouraged to see that the Council was in a good position.

Members asked specific questions in relation to the Council's investments provided in Appendix A, and asked whether these were ethical investments, adding that officers should be mindful of the risk if not investing ethically. The Service Manager – Finance explained that the Council will not knowingly invest in non-ethical businesses and are guided by Link the Council's Treasury Advisors. Members acknowledged good steps were being made but that 'not knowingly' does not go far enough.

The Chairman advised that this had been raised at a previous meeting of Governance Scrutiny Group and requested that further information to support the Council's investments would be helpful to the Group in defining the Council's Corporate responsibility in relation to ethical investments.

It was **RESOLVED** that the Group noted the Capital and Investment Strategy update position as of 31 December 2022.

33 **Capital and Investment Strategy 2023/2024**

The Finance Business Partner presented the Council's Capital and Investment Strategy 2023/24 to 2027/28 (Appendix A), which focuses on both traditional treasury activity and the Council's commercial property investments in light of CIPFA's updated Prudential and Treasury Management Codes.

The Group were advised that the Department for Levelling Up, Housing and Communities (DLUHC) regulations have been issued, which will require the Governance Scrutiny Group to consider a Minimum Revenue Provision (MRP) Statement in advance of each year. It was noted that out of the variety of options provided to local authorities, the Council has chosen option 3, the Asset Life Method.

The Group were informed of the CIPFA Treasury Management Code (2021), whereby under the revised Prudential code, investments are separated into

categories for Treasury Investment, Service Investment and Commercial Investment, and requires local authorities to produce a treasury Management Strategy Statement on an annual basis. The Strategy Statement includes those indicators that relate to the treasury management functions and ensure that the Council's investment plans are affordable, prudent and sustainable, whilst providing security and liquidity on investments.

In relation to the Borrowing Strategy 2023/24 to 2027/28 the Finance Business Partner explained that the Council chooses to internally borrow within operational boundaries. This means that no external borrowing costs are incurred, but there is an opportunity cost of using internal borrowing by way of lost interest on cash balances. The Finance Business Partner explained that the Treasury Management Code introduced a new indicator, 'Liability Benchmark' which reflects the real need to borrow. It was noted that the Council's reserves are being used to fund future capital expenditure and working capital and S106 monies are returning to a more realistic level.

In relation to current investments the Group were advised that as part of the budget and financial strategy 2023/24 report being taken to Council on 2 March 2023, it is recommended that a separate reserve is identified to cover mitigation by appropriations to reserves of £1m. The Group were asked to note these funds over the past 3 years have generated £1.35m in interest receipts and the expectation is over time the value will rise as the economy recovers.

In relation to Commercial Investments, the Finance Business Partner explained that whilst the Council is committed to being self-sustainable, it has taken the decision to no longer invest in property for commercial gain and this accords with the current professional ethos of CIPFA.

The Group were reminded that the updated Treasury Management Code requires local authorities to document a comprehensive knowledge and skills schedule for both members and officers responsible for treasury management and that training is kept up to date.

Members who had attended the Treasury Training for members expressed their greater understanding of the Council's Capital and Investment Strategy. The Chairman asked if there had been any changes in the Treasury Management Code since the last training in November 2022. The Service Manager – Finance advised that the Council's Strategy remains the same, however there have been two additional indicators; the Liability Benchmark; and the updated Prudential code in respect of investing in property for commercial gain. The Group were reminded that the Council is in a good position and therefore does not need to borrow externally and that it has made the decision to no longer invest in property for commercial gain and no longer has an Asset Investment Fund.

Members were encouraged by the Council's financial performance, expressing how it was a credit to management and officers that the Council was in the fortunate position of being debt free.

It was **RESOLVED** that Governance Scrutiny Group recommend for approval at Full Council:

- a) The Capital Strategy and Capital Prudential Indicators and Limits for 2023/24 to 2027/28 contained within Appendix A (paragraphs 5 to 15)
- b) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraphs 16 and 17) which sets out the Council's policy on MRP
- c) The Treasury Management Strategy 2023/24 to 2027/28 and the Treasury Indicators contained within Appendix A (paragraphs 18 to 66)
- d) The Commercial Investments Indicators and Limits for 2023/24 to 2027/28 contained within Appendix A (paragraphs 67 to 81).

34 **Work Programme**

The Chairman advised that Governance Scrutiny Group has an intense programme of substantive items for future meetings and asked officers if there is likely to be further delays with the Council's Financial Statements. The Service Manager – Finance explained that the evenings agenda had been unusually large with delays to the signing off of the Statement of Accounts, adding that the Statement of Accounts is unlikely to go to the meeting scheduled for September 2023.

It was noted that this was the last meeting of Governance Scrutiny Group for 2022/23 and that the Group membership is likely to change after the elections in May and when the membership of scrutiny groups are announced at Annual Council on 25 May 2023.

The Chairman thanked all members and officers for their contribution at Governance Scrutiny Group over the last 12 months.

It was **RESOLVED** that the Group note the Work Programme for 2023-2024:

June 2023 (Date TBC)

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Fraud Report 2022/23
- Annual Governance Statement (AGS)
- External Audit Annual Plan
- Annual Audit Letter and Value for Money Conclusion
- Constitution Update
- Capital and Investment Strategy Outturn 2022/23
- Work Programme

September 2023 (Date TBC)

- Internal audit Progress Report
- Statement of Accounts

- Annual Audit Report
- Risk Management
- Going Concern
- Capital and Investment Strategy Monitoring Q1
- Work Programme

November 2023 (Date TBC)

- Internal Audit Progress Report
- Capital and Investment Strategy Monitoring Q2
- Work Programme

February 2024 (Date TBC)

- Internal Audit Progress Report
- Annual Audit Strategy
- Risk Management Strategy 2024/25
- Capital and Investment Strategy Monitoring Q3
- Capital and Investment Strategy 2024/25
- Work Programme

The meeting closed at 7.52 pm.

CHAIRMAN



Governance Scrutiny Group

Thursday, 29 June 2023

Internal Audit Progress Report Quarter 4

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 fourth report for this financial year. It reflects the progress made for the year 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 quarter 4 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 three reports from the 2022/23 Internal Audit Annual Plan. In terms of findings:
 - The Channel Shift audit received a substantial rating for both Design Effectiveness, with two low level findings
 - The Safeguarding audit received a substantial rating for Design and Moderate for Effectiveness with one low level finding and two medium level findings
 - The Sustainable Warmth audit received a substantial rating for both Design Effectiveness, with two low level findings
 - No limited assurance reports have been issued
 - Management actions have been agreed for all recommendations
 - The Audit Opinion and Fraud Report are covered as a separate item on this agenda

4.3. The audit plan is substantially complete however Hybrid Mail will be reported to the next meeting as this has not yet been finalised.

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	There are no links between the recommendations of this report and the Council's Sustainable Growth priority
The Environment	There are no links between the recommendations of this report and the Council's Environment priority

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group notes the quarter 4 progress report for 2022/23 (**Appendix A**) prepared by the Council's Internal Auditor.

For more information contact:	Peter Linfield Director of Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Internal Audit Plan 2022/23 Governance Scrutiny Group 3 February 2022 Internal Audit Q1 Progress Report 2022/23 – Governance Scrutiny Group, 1 November 2022 Internal Audit Q2 Progress Report 2022/23 – Governance Scrutiny Group, 23 February 2023 Internal Audit Q3 Progress Report 2022/23 – Governance Scrutiny Group, 23 February 2023
List of appendices:	Appendix A - Internal Audit Progress Report – BDO

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INTERNAL AUDIT PROGRESS REPORT

RUSHCLIFFE BOROUGH COUNCIL

JUNE 2023

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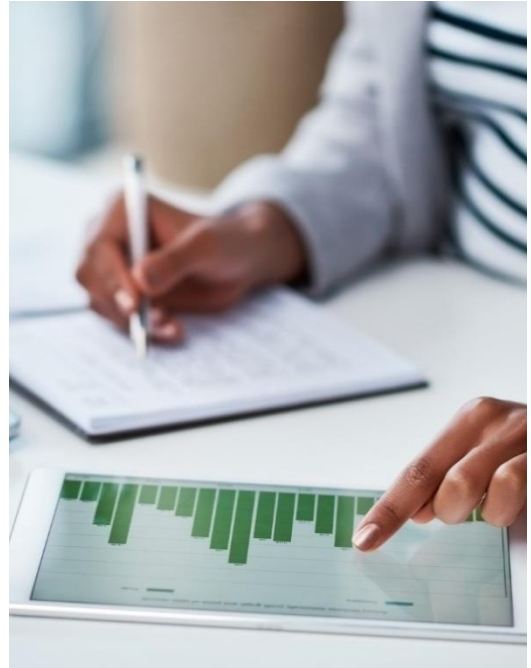
SUMMARY OF 2022/2023 WORK

INTERNAL AUDIT

This report is intended to inform the Governance Scrutiny Group of progress made against the 2022/2023 internal audit plan and the 2023/24 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 have substantially completed the work for the 2023/2024 internal audit plan, and we are pleased to present the following reports to this Governance Scrutiny Group meeting:

- ▶ Channel Shift
- ▶ Safeguarding
- ▶ Sustainable Warmth Funding
- ▶ Follow Up Report
- ▶ Head of Internal Audit Opinion

2023/2024 INTERNAL AUDIT PLAN

As part of the 2023/24 internal audit plan we have completed and are pleased to present the following report to the Governance Scrutiny Group:

- ▶ Fraud Report.

We have commenced our scoping and planning of audits for 2023/24 reviews and expect to present the following reports the next Governance Scrutiny Group meetings:

- ▶ Reconciliations
- ▶ Main Financial Systems
- ▶ Markets.

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	June 2023	✓	✓	✓	S	M
Main Financial Systems (MFS)	February 2023	✓	✓	✓	S	S
IT Asset Management	November 2022	✓	✓	✓	M	S
Sustainable Warmth Funding	June 2023	✓	✓	✓	S	S
Channel Shift	June 2023	✓	✓	✓	S	S
Project Management (2)	TBC	✓	✓			



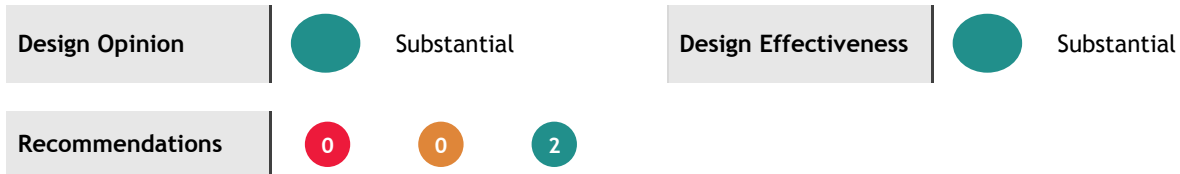
REVIEW OF 2023/2024 WORK


AUDIT	AUDIT COMMITTEE	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENESS
Country Parks Income	February 2024	✓				
Fleet Management & Air Pollution	February 2024	✓				
Fraud Report	June 2023	✓	✓	✓	N/A	N/A
Governance of Partnership Arrangements	November 2023	✓				
IT General Controls	June 2024	✓				
Main Financial Systems	September 2023	✓				
Markets	September 2023	✓				
Reconciliations	September 2023	✓				
Rushcliffe Oaks Crematorium - Income	June 2024	✓				



CHANNEL SHIFT

CRR REFERENCE: FAILURE TO DELIVER THE TRANSFORMATION STRATEGY





SCOPE

BACKGROUND

Local authorities are transferring customer communication to digital platforms on an increasing basis to improve the service for residents, and to reduce costs.

Rushcliffe Borough Council’s (RBC’s) ICT Digital Strategy 2019- 2023 outlines that its approach is to continue to encourage a digital culture and empower its residents when accessing Council services without removing existing access channels. The strategy is based on central government’s Government Transformation Strategy, and echoes the same principles:


- ▶ Be accessible and easy to use
- ▶ Save time and money for residents and the Council
- ▶ Be relevant and informative
- ▶ Be secure and have privacy safeguards in place
- ▶ Take advantage of Cloud technology where possible.

The Council has already undertaken significant channel shift work during its ‘Digital by Default’ programme between 2014-17, which covered developing e-forms, customer contact analysis, web development and back-office integration.

The Council does not have a specific channel shift strategy, however the concept of channel shift is managed predominantly via the Customer Access Strategy, which sets out the Council’s approach to channel shift and details the common forms of access to Council services at the time of writing the Strategy. The ICT Digital Strategy also supports channel shift activity via all four of its core priorities (‘enabling a digital culture’; ‘efficiencies and reducing overall costs’; ‘customer satisfaction’ and ‘security and privacy’).

AREAS REVIEWED

This audit focused on the channel shift activities undertaken at the Council. This included an assessment of the adequacy of the Council’s Customer Access Strategy and whether performance targets and objectives are in place. We have also assessed the arrangements in place for collecting data and presenting trends to support channel shift activities.





AREAS OF STRENGTH

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

- ▶ The Council has a dedicated Customer Access Strategy that was updated and introduced in 2022. This strategy sets out the Council’s approach to channel shift and outlines clear objectives for channel shift. The four themes of the strategy include embedding further self-service, reviewing and building on partnerships, building on and exploring innovation and listening and responding
- ▶ Reporting on channel shift is conducted for both the Customer Access Strategy and the Digital Access Strategy. The Digital Strategy is reported on a monthly basis to the Executive Management Team (EMT) while the Customer Access Strategy is reported on a quarterly basis to EMT

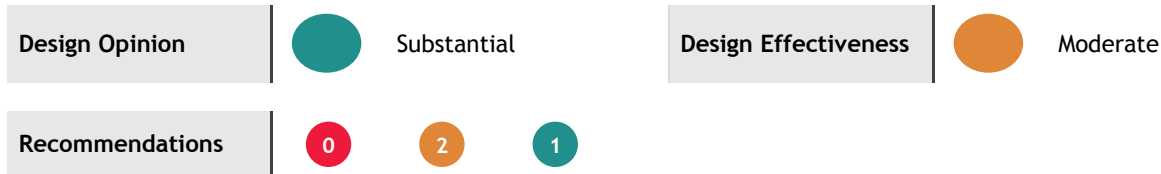
▶ Within the Customer Services report, it was noted that customers contacting the Council through contact points and through phone calls had shown a decreasing trend over 2022 while the number of visitors to the Council’s website averaged 800 visits during each month of 2022. This shows alignment between customer needs and the Customer Access Strategy.

 AREAS OF CONCERN	Finding	Recommendation and Management Response
	Channel shift savings from the actions/projects have not been collated into the Transformation Strategy to support monitoring of the savings impacts from projects (Finding 1 - Low)	The Council should look at collating its various savings and costs associated with channel shift and articulate this more via Transformation Strategy. Although we recognise that the financial savings are being achieved and monitored, it would be beneficial to ensure this is clearly stated through the Transformation Strategy.
	SMART (specific, measurable, achievable, realistic and time-bound) KPIs have not been identified for each of the 10 actions from the Customer Services Action Plan (Finding 2 - Low)	SMART KPIs should be identified for the 10 actions identified in the Customer Services Action Plan, included within the Customer Access Strategy. These should identify measurable targets to support effective oversight of the delivery of the strategy, allowing management and members to assess whether actions are achieving the desired effect.

 CONCLUSION	
	<ul style="list-style-type: none"> ▶ We have raised two Low priority recommendations to improve the Council’s arrangements for channel shift ▶ Overall, the Council is in a good position with regards to channel shift. There are clearly defined objectives in place for channel shift within the Customer Access strategy and progress against this is being reported to EMT ▶ However, control gaps were identified with regards to anticipated channel shift savings not being articulated, a lack of business cases for projects undertaken in relation to channel shift and supporting data and key performance indicators not being clear. This leads us to conclude Substantial assurance over the design of the controls and control effectiveness for the channel shift.

SAFEGUARDING

CRR REFERENCE: FAILURE TO SAFEGUARD CHILDREN AND VULNERABLE ADULTS



SCOPE

BACKGROUND

The term safeguarding refers to an organisation's responsibility to protect people whose circumstances make them particularly vulnerable to abuse, neglect or harm. Safeguarding is a statutory duty and is the responsibility of local authorities and partner agencies.

District and borough councils do not have the same level of safeguarding responsibilities as unitary or county authorities who provide adults and children's social care services. Borough councils must however work effectively with county councils and other partners in relation to safeguarding. As distinct organisations, they must ensure that effective policies, reporting procedures, training and information recording in relation to safeguarding is in place.

Section 11 of the Children Act 2004 places a statutory duty on the Council to make arrangements for ensuring that its functions and services are discharged with regard to the need to safeguard and promote the welfare of children.

There is a county-wide Safeguarding Policy in place and the Multi-Agency Safeguarding Hub (the MASH) is the first point of contact for all safeguarding concerns regarding vulnerable children and adults raised by professionals, members of the public or family members within Nottingham.

Adult safeguarding at the Council is managed through the internal safeguarding steering group, and the Council also links into the Nottinghamshire Safeguarding Adults Board (NSAB) via the CEO of Broxtowe Borough Council who acts as a representative for all the district councils. The NSAB is made up of representatives from various organisations including the Police, Crown Prosecution Service, NHS, local authorities, and voluntary organisations. The NSAB meets with a wider partnership of agencies twice a year to check the Board's progress, provide support and guidance to the Board, and to raise awareness of key issues relating to safeguarding.

Child safeguarding at the Council is also managed through the internal safeguarding steering group, as well as linking into the Nottingham City Safeguarding Children Partnership (NCSCP) Board.

'Easements' to services were allowed under the provisions of the Coronavirus Act 2020 emergency legislation and instances of abuse and or neglect were expected to have increased during lockdown. It had a marked impact on referral numbers and a report to the Council's Communities Scrutiny Group in July 2021 stated that in 2020-21 there were 6,698 Safeguarding Referrals which is 884 (15%) more than the previous year, this being the most safeguarding referrals on record.

AREAS REVIEWED

The following areas were covered as part of this review:

- ▶ We reviewed whether the Council has clear safeguarding policies which comply with statutory requirements
- ▶ We confirmed if there are clear processes and responsibilities for reporting safeguarding queries and overall responsibilities are in place
- ▶ We reviewed if the Council has mapped sufficiently its functions to identify risk areas in relation to safeguarding and has implemented adequate controls (eg enhanced DBS checks in recruitment)
- ▶ We confirmed if the internal steering group has a clear purpose and proactively seeks assurance that adequate safeguarding controls are in place
- ▶ We sought to confirm whether the Council works effectively with the Nottinghamshire Safeguarding Adults Board (NSAB) and Nottingham City Safeguarding Children Partnership (NCSCP) Board

▶ We confirmed if the Council had completed a Section 11 self-assessment form.



AREAS OF STRENGTH


- ▶ The Council uses the County safeguarding policy which is updated regularly and available online to all staff and the wider public. It contains an introduction to safeguarding, explaining key definitions, confirms the aims of the policy, procedures and scope. The policy covers both adults and children and for each it explains how to raise a concern, the referral process and how it is recorded. The policy references to key safeguarding legislation
- ▶ The Council has an up to date Recruitment and Selection Policy (last updated in May 2022). The Policy states that certain roles may be required to have a DBS check before employment can be offered
- ▶ The Council has completed a Section 11 assessment and identified areas of improvement for areas rated a RAG rating of Amber
- ▶ The Terms of Reference for the Internal Steering Group clearly defines the role and responsibilities of the Group.



AREAS OF CONCERN

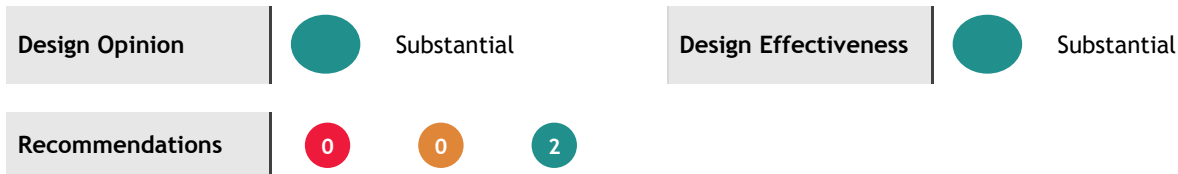
Finding	Recommendation and Management Response
Major delivery partners are not attending the internal Steering Group (Finding 1 - Medium)	<p>The attendance of major deliver partners in particular Leisure Services should be monitored by the Designated Safeguarding Lead, and continuous non-attendance should be highlighted and raised to the individuals and their line management if necessary.</p> <p><u>Management Response</u></p>
The Council’s safeguarding e-learning has not been completed by 40 of a possible 201 (20%) staff members (Finding 2 - Medium)	<p>a) The Council should keep on reminding staff to complete the training and stress the importance of completion. The Council should consider incorporating the necessity of this completion within the appraisal process</p> <p>b) Once all Staff have completed the training, monitoring should be undertaken to ensure that refresher training is also completed every two years.</p> <p><u>Management Response</u></p> <p>Accept that ideally all staff should complete the safeguarding training and further regular reminders will be sent out to staff. The e-learning system is set up to send a reminder to staff a month before the 2 year refresher training is due to be completed.</p> <p>Target Date: 31/05/2023</p>
The Council do not undertake annual/periodic checks with all service managers to ensure that all staff requiring a DBS check have had one completed (Finding 3 - Low).	<p>The Council should, at least annually, contact each service manager to ensure that all staff that have direct contact with children, through their job role, have a DBS check and that the certificate is retained in a central file. It should also confirm that DBS certificates of staff remain valid and have not passed the expiry date.</p> <p><u>Management Response</u></p>

		<p>Annual reviews will be completed by HR with the appropriate managers to check compliance with DBS checks. This will be reported into the Steering Group.</p> <p>Target Date: Completed</p>
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 CONCLUSION	<ul style="list-style-type: none"> ▶ Overall, we noted some good practices in relation to the Council’s management of safeguarding in particular having a clear policy and completing a Section 11 assessment. ▶ However, the Council does not undertake periodic checks with line managers to ensure that staff with direct contact with children have had a DBS check. Although, this has since been implemented during the review. Furthermore, whilst the Council has an internal steering group where discussions on safeguarding concerns are raised with delivery partners, the Council is failing to ensure that key personnel are attending the meetings. ▶ This has led us to conclude a Substantial assurance over the design of the controls and a Moderate assurance over the operational effectiveness of controls.
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SUSTAINABLE WARMTH

CRR REFERENCE: FAILURE TO PREVENT OR DETECT FRAUD AND CORRUPTION



SCOPE

BACKGROUND

The Department for Business, Energy, and Industrial Strategy (BEIS) ran a Sustainable Warmth Competition from June to August 2021, which invested over £430 million across 57 projects to help local authorities upgrade energy inefficient homes of low-income households in England.

The aim of the funding is to improve the energy performance of homes up to band C, to take homes out of fuel poverty where possible and deliver progress towards the UK’s commitment to Net Zero by 2050. The projects were to start in early 2022 and complete by March 2023.

The competition combines two existing fuel poverty schemes into one funding opportunity: the Local Authority Delivery Phase 3 (LAD3) - supporting low income households heated by gas mains and the Home Upgrade Phase 1 (HUG1) - supporting low income households off the gas grid.

Rushcliffe Borough Council (RBC) was successful in securing funding as part of the Nottingham City Council consortium, which was awarded a total of £82.44m. RBC received the following funding:

FUNDING	CAPITAL	ADMINISTRATIVE ALLOCATION (ADMIN AND ANCILLARY)
HUG 1	£205,000	£20,500
LAD 3	£565,000	£56,500

Local authorities that receive funding have the responsibility of ensuring that all installers or delivery partners collect and provide appropriate information specified by BEIS to support monitoring and evaluation.


RBC procured E-ON to support on the delivery of the works for the sustainable warmth grant issue. E-ON are responsible for providing a fully managed solution for the delivery model and managing the project to ensure full compliance and delivery. Additionally, E-ON’s Management team will hold the responsibility for retaining all records, completion certificates and accreditations to ensure operational, commercial, and reputational risk are considered and managed.

This purpose of this audit is to provide assurance over the design and operational effectiveness of the controls relating to the application of the grant funding and reporting back to BEIS. It is a requirement from the government that an independent audit review is conducted on the issue of the sustainable warmth grant.

AREAS REVIEWED


The following areas were covered as part of this review:

- ▶ We reviewed the Memorandum of Understand between Nottingham City Council and BEIS to verify RBC are complying with the grant conditions.
- ▶ We reviewed the contract information between the contractors (E-On) to confirm that responsibilities are clear and that both parties compliant with the agreement
- ▶ We reviewed three monthly performance reports which were issued to the Midlands Net Zero Hub to ensure KPIs have been established
- ▶ To confirm how the data on the performance reports is validated by the Council
- ▶ To verify if the Council were compliant with the criteria stated in the sustainable warmth funding allocation proposal award letter.




AREAS OF STRENGTH

- ▶ We reviewed the grant proposal letter issued by Nottingham City Council stating the grant is provided to RBC by the Midlands Energy Hub. The proposal outlined the BEIS and sustainable warmth grant (SWG) conditions. It was signed by the Director of Carbon Reduction, Energy and Sustainability at the Midlands Energy Hub and the Director, Neighbourhoods and DCE at RBC
- ▶ A requirement stated within the proposal is that RBC must submit a development plan for their first project to the Midlands Energy Hub by 28 February 2022. RBC were compliant by submitting the plan at the required date which was approved by the Environment Team Manager and approved by the Deputy Chief Executive. The Plan contains a robust level of detail on the project, procurement and funding
- ▶ Discussions with the Environment Team Manager stated that each property is registered with Trust Mark PAS:2035 which is established in conjunction with Government, industry and consumer protection bodies and was appointed a master license by the Department of BEIS in 2005. The PAS 2035 standard introduced newly defined and qualified roles including the Retrofit Assessor and Retrofit Coordinator. The aim of this scheme is to ensure that scheme providers work with Trust Mark to deliver a robust level of quality and protection to customers. The Trust Mark operating framework requirement states under the PAS:2035, Retrofit Coordinator or Retrofit Assessor Scheme Providers must conduct on-going checks and monitoring must occur for each registered property on-site. The monitoring must include compliance with relevant specific standards, codes of practice and scheme rules. The Environment Team Leader relies on this scheme to ensure the data provided in the performance reports is valid as a Retrofit Coordinator must manage each property under the scheme
- ▶ Every Quarter, the Environment Team Manager completes an on-site walkthrough inspection of 2-3 samples to examine if the work has been completed or in progress. RBC carry out this inspection to confirm if the data in report provided from E.ON is an accurate reflection of the work carried out.



AREAS OF CONCERN

Finding	Recommendation and Management Response
<p>The E.ON contract proposal we reviewed related to the LAD 2 issue of the grant, as this contract was rolled over for the LAD 3/HUG 1. Although aspects of the grant maybe similar, the previous contractor’s proposal is not identical to the Sustainable Warmth Grant due to the different value in funding and HUG not existing in the previous issue. The Council should request a new contract from E. ON to ensure the costings and completion of the grant work is consistent to the data provided to BEIS (Finding 2 - Low).</p>	<p>If further funding is secured, the Council should request E.ON to create an amended contract that directly applies to the SWG. This should be signed by both parties and RBC should retain a copy and financial information to be reconciled.</p> <p>Target Date: 31/07/2023</p>
<ul style="list-style-type: none"> ▶ The Letter of Intent (LOI) governs the relationship between RBC and E.ON. Whilst it was signed by RBC in July 2022, RBC does not have a completed copy where both parties have signed to indicate there is a binding contractual agreement (Finding 3 - Low) ▶ A document outlined in the LOI which comprises as forming the contract is the JCT Intermediate with Design Contract 2016. We requested the document from the Council to review and whilst it vaguely outline E.ON’s responsibility, it was not in a finalised form and not signed by both parties (Finding 3 - Low). 	<p>When the council receive similar grants in the future and outsource the works to a third party, finalised contracts must be obtained and retained.</p> <p>Target Date: 31/07/2023</p>



CONCLUSION

- ▶ Whilst RBC are compliant with BEIS grant conditions in some respects, such as submitting the development plan at the required deadline to BEIS. RBC are missing key documents to display E.ON are responsible for delivering the SWG works which may result in a confusions in areas such as costing and KPI reporting

- ▶ Due to the Government Trust Mark PAS:2035 scheme and outsourcing the works to a reliable third party we have no reason to believe RBC are misusing the grant monies
- ▶ The Team Manager informed us the scheme has been delivered and the Council are in the process of a negotiating an extension an extension to receive additional funding to deliver beyond
- ▶ This led us to conclude a substantial opinion on the control design and effectiveness.

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 management and Members.

LOCAL GOVERNMENT ASSOCIATION HAVE COMMISSIONED SHARED INTELLIGENCE TO PROVIDE SUPPORT WITH LEP

The Local Government Association (LGA) have commissioned Shared Intelligence (SI) to provide support for councils and combined authorities undertaking Local Enterprise Partnership (LEP) integration and to share good practice/learning. LEPs were established in 2010 and originally conceived as local business-led partnerships between the private and public sector that would drive local economic growth. This commission flowed from the Levelling Up white paper and subsequent ministerial letter in March 2022.

The role of LEPs increased significantly in 2015 when they were handed responsibility for £12 billion local growth deal funding over six years. They also led the development of strategic economic plans and then local industrial strategies, with mayoral combined authorities in relevant areas, under the government's national Industrial Strategy.

LEPs saw a rapid expansion of their role, followed by an incremental tailing off of central support and funding. In 2016, a National Audit Office (NAO) report noted that: "funding uncertainty has also made it difficult (for LEPs) to recruit and retain skilled staff." That theme has continued, and 'uncertainty' is a word that has been integral to the LEP experience.

Arrangements vary from place to place and in some areas, local authorities have been playing a strong role alongside LEPs in supporting their delivery work. There is an important policy question about where accountability for local economic growth should sit and the budget announcement was couched in terms of an opportunity to empower democratically elected local leaders. The research has identified that areas not subject to a devolution or 'county' deal will need to accelerate integration plans, with key benefits to be obtained from more integration including: clarity of economic vision, efficiency gain and proactive working with business.

[Supporting the integration of Local Enterprise Partnerships | Local Government Association](#)

FOR INFORMATION

For the Governance and Scrutiny Committee Members and Executive Directors

LGA PUBLICATION FOR HEAT AND BUILDING DECARBONISATION BY 2050

The UK Government has recognised the value of local level actors and has committed to exploring the opportunities and challenges presented by local area energy (mapping) planning, as well as outlining the vital importance of local stakeholders to the energy transition in both the Heat and Buildings Strategy and Net Zero Strategy. A high-level partnership framework across three stages has been proposed and comprises the accelerating local action on fuel poverty and social housing between 2023 and 2026, accelerating local decarbonisation delivery between 2026 and 2029 and accelerating local demand aggregation 2030 and 2035.

There are many challenges to achieving heat and buildings decarbonisation including the multifaceted and complex nature of heat decarbonisation covers multiple policy areas across government, for example building standards, skills and planning. The Government aim to agree a funding deal with each council by the end of 2023, providing greater autonomy on how they work towards delivering the overall objective of accelerating local action on fuel poverty and social housing

The social housing decarbonisation fund was introduced in support of the Government's Heat and Building Strategy. This offers a total of £3.8 billion up to 2030 and is distributed across different waves.

[Green heat - achieving heat and buildings decarbonisation by 2050 | Local Government Association](#)

FOR INFORMATION

For the Governance and Scrutiny Committee Members and Executive Directors

COUNCIL LEADER CRITICISES THE 'EASE' OF PUBLIC WORKS LOAN BOARD BORROWING

The Leader of Woking Borough Council has said the ease with which councils could borrow money from the Public Works Loan Board (PWLB) has been an “issue”. They further commented that “Clearly proposals have to go through council committees and procedures but beyond that, the money was getting signed off by the finance officer of the council. I think that has been the issue.”

Rob Whiteman, chief executive of the Chartered Institute of Public Finance and Accountancy (CIPFA), said that steps taken in recent years to strengthen the prudential code and the borrowing rules for councils “means that the casino-style investments that some councils have made, has been brought to an end”. “But it may be that some other councils have made terrible commercial decisions before the regime was tightened,” he added.

One of the key changes to the Prudential Code in the 2021 edition was to explicitly state that authorities must not borrow to invest primarily for financial return.

Woking leader criticises ‘ease’ of PWLB borrowing | Local Government Chronicle (LGC) ([lgcplus.com](https://www.lgcplus.com))

FOR INFORMATION

For the Governance and Scrutiny Committee Members and Executive Directors

PARTNERSHIP WORKING - REMOVE THE RISK FROM INCOME GENERATION

Chief executive of Norse Group, Justin Galliford, has stated that partnership working offers a safer way to generate additional revenue. The Local Government Information Unit (LGIU) found that over half of local authorities in England are planning further services cuts while simultaneously increasing council taxes by the maximum possible amount amidst further solvency challenges.

Research by the LGIU has found that increases in council tax will not be sufficient to balancing budgets, with the inevitability of cost-cutting and attempts to generate income through increased commercialisation.

BritainThinks’ research has found that local benefit from high levels of trust and satisfaction from residents, providing a strong platform to develop revenue streams from commercial trading. But, local authorities often lack the skills and expertise to maximise the benefits, so partnership working allows councils to generate external income while minimising its exposure to the risks.

Norse Group has found that the partnership model, or joint venture approach, is more akin to insourcing than outsourcing and gives partners a high degree of control through share ownership, board representation and direct input to service delivery.

<https://www.lgcplus.com/finance/partnership-removing-the-risk-from-income-generation-22-05-2023/>

FOR INFORMATION

For the Governance and Scrutiny Committee Members and Executive Directors

EX LGA CHIEF EXECUTIVE STATES PEER REVIEWS SHOULD BE MANDATORY

A former Chief Executive of the LGA, Carolyn Downs has stated that all local authorities should be subject to mandatory peer reviews.

Speaking to Local Government Chronicle (LGC), she said that the challenging financial situation local government is in means even well led and well managed councils can struggle which marks a change from 10 years ago. She further remarked that “those councils that reached the point of requiring intervention are those that had failed to recognise

they needed help or to look ‘externally’ to see what they could learn from others”, firmly supporting the benefits of LGA-funded peer reviews from her experience as chief executive of Brent London Borough Council.

The LGAs peer challenge initiative offers participating councils the opportunity to host a team of experienced officers to spend time with them, provide challenge and share learning. The LGA provides a fully funded corporate peer review to all councils where it spends time with the authority identify and address issues and challenge progress across themes, including: local priorities and outcomes, organisational and place leadership, governance and culture, financial planning and management and capacity for improvement.

Ex-LGA chief: ‘Peer reviews should be mandatory’ | Local Government Chronicle (LGC) ([lgcplus.com](https://www.local.gov.uk))

FOR INFORMATION

For the Governance and Scrutiny Committee Members and Executive Directors

COUNCILS SOUND THE ALARMS ON CLIMATE THREATS

Risks to people’s health from heatwaves is the greatest priority climate concern for councils, according to a new Local Government Association survey on local climate preparedness.

Last year brought record breaking temperatures, wildfire incidents and significant infrastructure disruption, with extreme heat leading to thousands of excess deaths across the country, and the year before dealt with significant flash flooding.

The LGA said urgent action is needed to prepare our villages, towns, and cities for the impacts of climate change. It is calling for government to enable urgent acceleration of local adaptation action as part of its forthcoming National Adaptation Programme (NAP).

The NAP sets out the actions that government and others will take to adapt to the challenges of climate change in England over a five-year period. The Department for Environment, Food and Rural Affairs (Defra) are currently working on the third iteration of the NAP which is expected to be published this summer and will run from 2024 to 2029.

Councils are also calling for government guidance on critical thresholds for different weather patterns. This would include the threshold temperatures that different services can change or close, from play areas to libraries.

Over 300 councils have declared a climate emergency, and many are assessing risks and developing plans. They deliver wide ranging services including on roads, flooding, fire, natural environment, housing, public health, and social care.

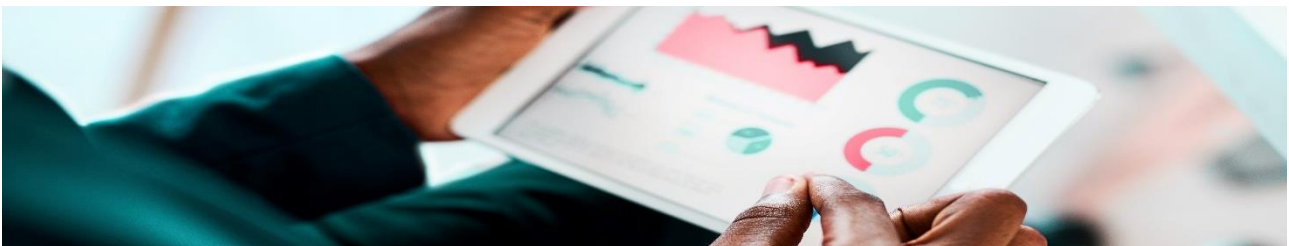
A survey, also conducted by the LGA, found that:

- Damage to critical infrastructure and buildings, including roads and homes ranks as the second greatest concern for councils. Widespread risks to people and the economy from climate related failure of the power-system was the third greatest risk
- 21% of responding councils said a “lack of data” was a barrier in addressing climate impacts to communities and service delivery. “Lack of funding and/or available finance” was also the top identified barrier (93%) faced by authorities.





<https://www.local.gov.uk/about/news/councils-sound-alarm-local-climate-threats>

FOR INFORMATION

For the Governance and Scrutiny 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	Only one survey response for 22/23 was received, scoring 4/5 for the overall audit experience. We will continue to send surveys out to officers with final report.	
Completion of audit plan	We have completed the 22/23 and have commenced the planning for 23/24, with scoping calls for more than 75% of the reviews completed and review dates agreed.	

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

RECOMMENDATION SIGNIFICANCE	
 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.

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Governance Scrutiny Group

Thursday, 29 June 2023

Internal Audit Annual Report 2022/23

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 2022/23 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 2022/23 (**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 substantial completion of the Internal Audit Plan for 2022/23 with only one audit with an outstanding conclusion. 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 2022/23 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 in the current economic climate. The opinion notes a positive direction of travel with a reduction in medium findings from the previous year.
- 4.2. In 2022/23, BDO undertook ten internal audit reviews (nine completed at the time of this report). As reported previously in the quarterly progress reports, of the nine audits completed:
 - Four received substantial assurance on both design and effectiveness – Risk Management, Main Financial Systems, Channel Shift and Sustainable Warmth

- Two received substantial assurance on design effectiveness only and moderate for effectiveness– Safeguarding and Environment
- Two received substantial assurance on effectiveness only and moderate assurance on design – IT Asset management and Project Management
- One audit received a moderate opinion for both design and effectiveness – Health and Wellbeing
- The Annual Fraud report is not classified in the same way.
- There were no reports issued with limited assurance.

4.3. A total of 30 management actions were identified including 10 medium priority and 20 low priority. Management actions have been agreed in all cases. It should also be noted a moderate opinion, whilst not as good as substantial, is still reasonably positive.

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	There are no links to the Council's Quality of Life priority
Efficient Services	Undertaking a programme of internal audit ensures that proper and efficient services are delivered by the Council.
Sustainable	There are no links to the Council's Sustainable Development

Growth	priority
The Environment	There are no links to the Council's Environment priority

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group notes Internal Audit's Annual Report in relation to 2022/23 (**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 2022/23

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INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE

Rushcliffe Borough Council

2022-23



IDEAS | PEOPLE | TRUST

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SUMMARY OF 2022-23 WORK

Internal Audit 2022-23

This report details the work undertaken by internal audit for Rushcliffe Borough Council (the 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:

- Risk Management
- Fraud Report
- Safeguarding (Children and Vulnerable Adults)
- Main Financial Systems
- IT Asset Management
- Environment
- Project Management
- Channel Shift
- Health and Wellbeing
- Sustainable Warmth.

We have detailed the opinions of each report and key findings on pages five to ten. Our internal audit work for the period from 1 April 2022 to 31 March 2023 was carried out in accordance with the internal audit plan approved by management and the Governance Scrutiny Group. 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 Full Council, through the Governance Scrutiny Group (GSG), on the adequacy and effectiveness of the internal control system to ensure the achievement of the Council's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the Council'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. The basis for forming my opinion is as follows:

- Overall, we are able to provide **Substantial Assurance** that there is a sound system of internal controls, designed to meet the Council's objectives, that controls are being applied consistently across various services. In forming our view we have taken into account that:
 - Of the nine reviews that we have undertaken in 2022/23 (excluding Fraud Report which was an advisory piece of work), we have provided Substantial assurance over the control design or the control effectiveness, or both, in eight reports reflecting the robust processes that the Council have in place. Critically, we were able to provide Substantial assurance for both control design and effectiveness in the Risk Management and Main Financial Systems reviews. In comparison to 2021/22, there has been an increase in the

Substantial Assurance opinions on both design and control. There has also been a reduction in Medium findings issued in 2022/23 compared to the previous year from 12 to 10. Collectively, the positive direction of travel supports that the Council's control environment remains Substantial

- The E-Financials system has robust system access controls for identifying discrepancies in data that is uploaded into it. Additionally, our review of purchases noted that broadly there were separations of duties and transactions were processed accurately. This supports a strong financial control environment. Similarly, the Council's Risk Management procedures were strong and supported a mature framework for reviewing and reporting on risks
- BDO undertook an Annual Fraud Report for the Council in June 2022 which identified no allegations or instances of fraud, although it was noted that there could be better promotion to staff of the whistleblowing hotline
- We follow up on all High and Medium recommendations bi-annually from prior audit reports as they fall due. During 2022/23, the Council have implemented the majority of audit recommendations that have been raised in the year. At the time of writing, of the nine Medium recommendations raised in the year that have fallen due by June 2023, five have been fully implemented. There has also been significant progress towards implementing the recommendations that are 'in progress'. This demonstrates good progress around implementing recommendations and improving controls
- The Council have been nominated as finalists for the Local Authority of the Year by the Municipal Journal, demonstrating the strength of leadership and delivering for its residents.

REVIEW OF 2022-23 WORK

Page 45

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Risk Management	-	1	2	Substantial	Substantial	<p><u>Conclusion</u></p> <p>The Council's controls and processes within risk management were adhered to and there was a robust and mature framework in place for reviewing and reporting on its risks. This supported clarity around roles and responsibilities, as well as regular reporting on risk. Some exceptions were identified around the rating of risks and quality of the mitigating controls.</p> <p>Findings:</p> <ul style="list-style-type: none"> Risks, on risk registers, were not always assessed using the cause-risk-consequence approach and controls/mitigating actions were occasionally not specific, measurable, achievable, relevant and time-bound (SMART) The Risk Management Strategy could provide more clarity for staff on risk management processes, including the identification and scoring of risks. For instance, it does not specify whether risk scores should be based on the inherent risk (pre-controls) or residual risk (after controls have been implemented) Key risk information is not recorded in the risk reports from Pentana, including risk owners, mitigating controls/actions and the progress of implementing the controls.
Fraud Report				Advisory Report		No instances or allegations of fraud were identified in 2021/22.
Safeguarding	-	2	1	Substantial	Moderate	<p><u>Conclusion</u></p> <p>The Council have some good practices in relation to the management of safeguarding in particular having a clear policy and completing a Section 11 assessment. However, there were gaps identified around the ongoing checking with service manager on staff that require a DBS. Furthermore, the Internal Steering Group for safeguarding met more sporadically, with areas having poor attendance. Mandatory training modules were also not completed by all staff.</p>

					<p>Findings:</p> <ul style="list-style-type: none"> The Internal Steering Group meetings took place less regularly than scheduled in the last 12 months due to COVID and appropriate representation by Leisure Services was not present at either meeting 20% of staff failed to complete safeguarding training within the deadline with most of these being in the Planning department Ongoing checks were not undertaken with service managers to ensure all staff requiring a DBS check have had one completed. 	
Main Financial Systems	-	-	3	Substantial	Substantial	<p><u>Conclusion</u></p> <p>The Council has good controls in place to manage its main financial systems. The E-Financial system has automatic parameters to identify discrepancies within data that is uploaded from other systems and conducts bank reconciliations. However, there was one case identified in which an individual was granted both access to raise and approve a purchase order and procurement card procedure notes do not provide guidance on the type and value of transactions that are considered acceptable.</p> <p>Findings:</p> <ul style="list-style-type: none"> One individual was granted Requisitioner and Authoriser level of access on the E-Financial System allowing them to bypass a separation of duties when process purchases The procurement card guidance documents do not explicitly outline the permissible use of the cards or the requirement for cardholders to retain receipts and attach them to the procurement log There was two purchases where the goods received note was input for an annual contract in advance of the full service being provided. This was due to errors made by new staff who have subsequently received refresher training on the process.
IT Asset Management	-	1	3	Moderate	Substantial	<p><u>Conclusion</u></p> <p>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. However, there were exceptions identified relating to the Council's documentation of asset management procedures, asset refresh procedure and the software licensing procedures.</p> <p>Findings:</p> <ul style="list-style-type: none"> The Hardware Asset Policy, Remote Working Policy, Encryption Policy and Software Policy were due to be reviewed in March 2022 but had not been reviewed

						<p>at the time of the audit. The Council would also benefit from a documented procedure for managing IT assets</p> <ul style="list-style-type: none"> • The IT Asset Register was not maintained with appropriate evidence in all cases. From a sample of 10 Assets there were cases in which the purchase order number, historic notes, cost and supplier is either not recorded or recorded inaccurately with one case in which an asset was lost or stolen and no notes were added to explain this • The ICT Strategy Delivery Plan covers 2017-2021 and was being reviewed at the time of the review. Although the procedure for refreshing IT assets is well understood by management, a documented refresh procedure should be implemented to ensure that IT assets are being managed in accordance with the Council’s expectations • There was not a proactive procedure in place to regularly review license allocation. While the software portals do show how many licenses are in use and will notify admin when the maximum allocated licenses are exceeded, management did not take a proactive approach to reviewing software licenses to ensure they remained appropriate to business needs.
Environment	-	2	2	Substantial	Moderate	<p><u>Conclusion</u></p> <p>The Council is demonstrably committed to tackling climate change and has devised a clear strategy and action plan to reduce its emissions and impact on the environment, incorporating the requirements of the Environment Act. However, while there was positive intent to tackling climate changes, there were issues identified with data quality of emissions data underpinning actions. There were also areas for improvement for cooperation between service areas in relation to transparency of work plans and decision making.</p> <p><u>Findings:</u></p> <ul style="list-style-type: none"> • Data quality issues were identified due to data from some leisure centres and depots being omitted from the Annual Emissions Report • The reporting of environmental impact of decisions to Cabinet could be improved by quantifying, or more clearly stating, whether the decision would have a direct impact on greenhouse emissions or biodiversity • Actions within the Carbon Management Plan were not SMART (specific, measurable, achievable, realistic and time-bound), limiting the Corporate Scrutiny Group’s ability to monitor performance against tangible targets.
Project Management	-	1	2	Moderate	Substantial	<p><u>Conclusion</u></p> <p>The Council has historically successfully managed large-scale and complex projects, such as the Rushcliffe Arena. Whilst this review has identified that there is a control gap in relation to the absence of an up-to-date Project Management Framework, testing of</p>

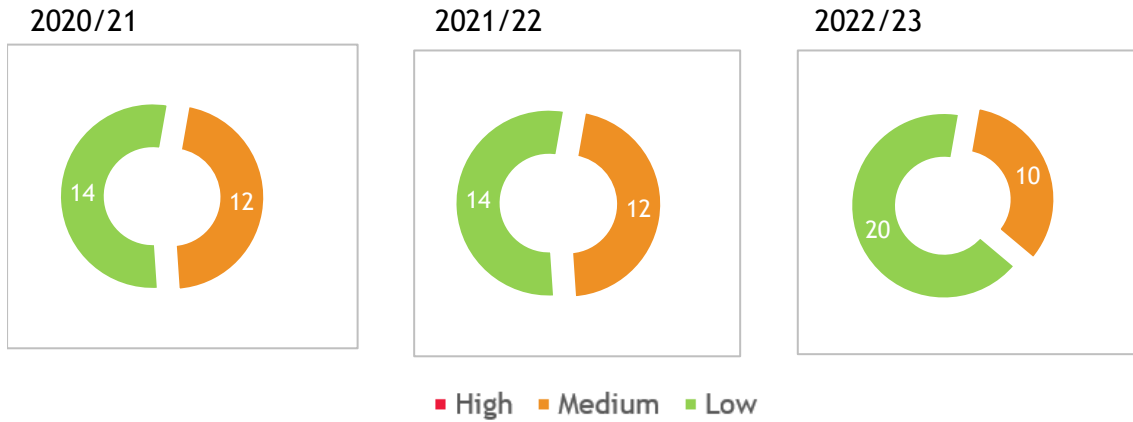
					<p>specific projects found that operationally this has not impeded their delivery and that robust measures such as regular and transparent reporting to Cabinet and continuous risk assessment is in place.</p> <p>Findings:</p> <ul style="list-style-type: none"> The Project Management Framework has not been reviewed since 2012, resulting in some processes no longer being relevant to how the Council manage project. Furthermore, the Framework omitted key information on financial/budgetary monitoring and procedures to follow when external contractors are used to manage projects The approval of the Project Initiation Document (PID) for the Bingham Leisure Centre project had not been dated and there was no evidence that the Stragglesthorpe Crematorium had been approved and reviewed in accordance with the Scheme of Delegation Lessons learned from projects are discussed as part of the project closure process but not formally recorded. 	
Channel Shift	-	-	2	Substantial	Substantial	<p><u>Conclusion</u></p> <p>The Council have strong controls in place to support its channel shift, with robust customer access and ICT strategies supporting the transition of customer contact. There was adequate reporting to the Executive Management Team (EMT) on the number of telephone calls and face-to-face interactions with customers. However, there could be improvement in identifying channel shift savings in the Transformation Strategy and identification of SMART KPIs in the Customer Access Strategy.</p> <p>Findings:</p> <ul style="list-style-type: none"> While there is robust monitoring of the savings generated through the channel shift, the target savings have not been clearly articulated or collated within a strategy document The 10 objectives in the Customer Access Action Plan were not supported by SMART KPIs to measure the effectiveness of the actions.
Health and Wellbeing	-	3	3	Moderate	Moderate	<p><u>Conclusion</u></p> <p>The Council have a positive culture and commitment towards supporting employee health and well-being, evident through its regular initiatives and dedicated Workplace Health Group structure. However, many of the processes to establish and guide future activity had not been formalised. Additionally, the Council has not adopted an Employee Health & Well-Being Strategy. There was adequate communication to staff on health and well-being through Staff Matters, but other platforms such as the intranet could be utilised more to improve awareness around initiatives and other support.</p>

					<p>Findings:</p> <ul style="list-style-type: none"> The Council do not have an Employee/Workplace Health & Well-Being Strategy outlining its vision, mission and objectives on staff health and wellbeing. It should also identify roles and responsibilities, including highlighting the Workplace Health Champions Sickness absence days are reported to each performance clinic but it did not provide a breakdown on the reasons for absence. Additionally, overall sickness absence rates and days lost were not reported to the Total Clinic The Workplace Health page on the Council’s intranet site was not updated regularly, limiting the communication with staff on initiatives being delivered. Additionally, not all Workplace Health Champions were listed on the page. As a result, from our discussions with Workplace Health Champions, we were informed that they were unsure whether staff knew about the role or support they could provide. 	
Sustainable Warmth	-	-	2	Substantial	Substantial	<p><u>Conclusion</u></p> <p>Overall, from the evidence we reviewed, the Council were compliant with the conditions of the grant set by the Department for Business, Energy & Industrial Strategy (BEIS) and have used the funding correctly. However, documentation of signed contracts and letters of intent had not been retained, and E.ON did not report fully on the KPIs that the Council are required to feed back into the Midlands Net Zero Hub.</p> <p>Findings:</p> <ul style="list-style-type: none"> The KPI reporting to the Midlands Net Zero Hub did not include the target forecast spend of the grant which is required by the Memorandum of Understanding that Nottingham City Council, who administer the grant, have with the BEIS. Monthly reports are provided to the Council by E.ON who have been contracted to deliver the grant funded works The contract proposal form for LAD 2 grant has been carried forward for the LAD 3 / HUG 1 grant but not all conditions are relevant to these grants A signed and final version of the letter of intent and the JCT Intermediate with Design Contract with E.ON had not been retained by the Council.

SUMMARY OF FINDINGS

RECOMMENDATIONS AND ASSURANCE DASHBOARD

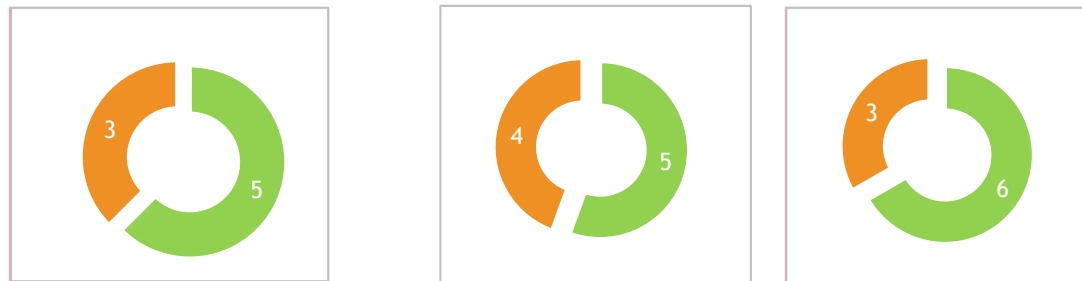
Recommendations



In 2022-23 there were a total of 30 recommendations issued; 10 Medium and 20 Low.

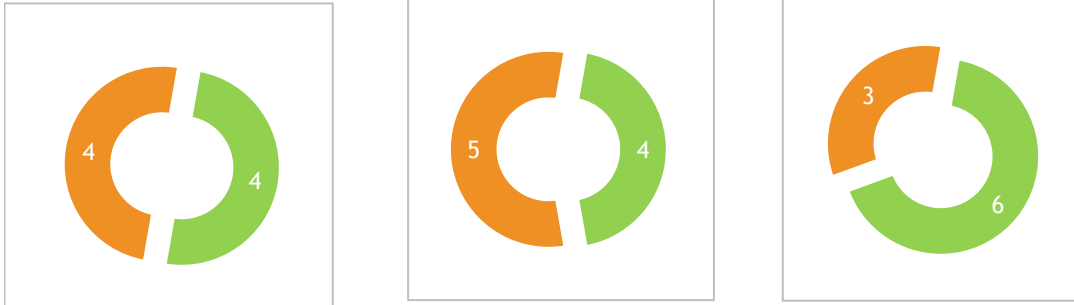
In comparison, in 2021-22, there were a total of 26 recommendations issued; 12 Medium and 14 Low recommendations. There has been an increase in the overall number of recommendations issued however, this has been more weighted towards Low recommendations.

Control Design



In 2022-23 there were 3 Moderate and 6 Substantial design opinions, which is an improvement on the opinions provided in 2021-22.

Operational Effectiveness



■ Substantial ■ Moderate ■ Limited ■ No

In 2022-23 there were 6 Substantial and 3 Moderate control effectiveness opinions, which is an increase in Substantial opinions issued in 2021-22.

This indicates an improvement with compliance of controls across the Council.

ADDED VALUE



USE OF SPECIALISTS

We used fraud specialists and carried out work on the Annual Fraud Report. Additionally, all our staff used on reviews are local government specialists and work solely on public sector clients.



RESPONSIVENESS

We ensured that our audit approach was responsive to the Council's needs, adjusting audit timings to enable officer's to balance our work with their existing responsibilities.



BENCHMARKING AND BEST PRACTICE

We undertook a companies oversight audit review and benchmarked the controls and practices to other Councils with similar arrangements and fed these back to the Council. For example, we provided a comparison to other local authority's policies in the Health & Well-Being review.

KEY THEMES



PEOPLE

The Council welcomed our internal audits and provided us with strong levels of time and support during our reviews, whether delivered remotely or in-person. This demonstrates the organisation's positive approach towards internal audit and enhancing internal controls.



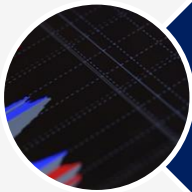
GOVERNANCE & STRUCTURES

Governance channels and processes were largely robust, supporting effective monitoring of internal controls.



STRATEGIES & POLICIES

While strategies and policies were broadly in place, several were not kept up to date and consequently did not reflect the Council's actual arrangements, notably the Project Management Framework. There were some strategy gaps, particularly on Employee/Workplace Health & Well-Being, where we provided some examples of those deployed by other local authorities to improve the control environment.



SYSTEMS & PROCESSES

The Council have effective systems in place and processes were well followed, hence the improvement in Substantial control effectiveness opinions. In particular, the Council's main financial system, eFinancials, had automatic workflows to identify discrepancies with data from other systems, reducing inaccurate data.

BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to Rushcliffe Borough Council (the Council) is to provide an opinion to the Full Council, through the Governance Scrutiny Group, 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 2022 to 31 March 2023 was carried out in accordance with the internal audit plan approved by the Executive Management Team and the Governance Scrutiny Group, 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 the Council to manage risks in business areas identified by management set out in the 2022/23 Internal Audit Annual Plan which has been approved by the Governance Scrutiny Group. 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 the 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 3 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 Group is to agree reports with management and then present and discuss the matters arising at the Governance Scrutiny Group meetings.

Management actions on our recommendations

Management were engaged with the internal audit process and provided considerable time to us during the fieldwork phases of our reviews, in some cases 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.

We have noted that there has been an improvement in the implementation of recommendations issued 2021/22, with all but one prior year recommendations now completed. In the one exception, the recommendation is almost complete and we expect it to be implemented in full by our next follow up. There has been some progress in implementing 2022/23, although some recommendations have been given revised due dates.

Relationship with external audit

All our final reports are available to the external auditors through the Governance Scrutiny Group 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 Governance Scrutiny Group, and the Executive Management Team 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 the Council with **Substantial assurance** that there are no major weaknesses in the internal control system for the areas reviewed in 2022/23. 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 2022/23
- 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 the 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	Feedback from our work was positive and recommendations were agreed with management prior to finalisation of reports. We issue a survey after each audit which we were rated 4/5 for overall audit experience.	
Effective planning	We completed many of our reviews in the first three quarters of the year however, there have been limitations due remote working.	
Completion of the audit plan	We have finalised reports for all reviews for 2022/23.	
Follow-up of recommendations	We followed up all recommendations for the prior and current year as they have fallen due, and sought evidence from management to support those that have been implemented.	





We will obtain feedback during the year upon finalisation of each report and feed the results back to the Governance Scrutiny Group.



APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

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.

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Governance Scrutiny Group

Thursday, 29 June 2023

Annual Fraud Report 2022/23

Report of the Executive Manager - Finance and Corporate Services

1. Summary

The purpose of this report is to summarise the incidence of fraud and fraud prevention activities at Rushcliffe Borough Council (“the Council”) during the year 2022/23.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes the Annual Fraud Report for 2022/23 and that the Council should carry out a Fraud Risk Assessment in the next 12 months.

3. Reasons for Recommendation

- 3.1 To provide an annual update to the Governance Scrutiny Group regarding the Council’s fraud prevention environment and report on any frauds, if identified.
- 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 (as summarised within this report) by the Council’s officers. That said when BDO do undertake other audit work if a fraud is suspected or identified, then it would be investigated; and reported to Governance Scrutiny Group if a fraud was proven. Their detailed report is appended with no frauds identified.

4. Supporting Information

- 4.1 The Appended report highlights the current landscape regarding fraud and the public sector. The Public Sector Fraud Authority (“PSFA in its 2022 annual report, entitled ‘Cross- Government Fraud Landscape’ highlighted, amongst other things, that:
 - (a) Detected fraud rose from £227m in 2019/20 to £243m in 2020/21 and detected fraud and error rose from £310m in 2019/20 to £525m in 2020/21, with the difference between fraud and error being whether a department or public body has established the intention of the action to a

balance of probabilities standard;

(b) A key driver in the increasing fraud statistics was found to be fraud identified in pandemic related spending;

(c) The undetected estimated level of fraud and error in 2020 was equal to between 0.5% and 5.0% of public expenditure.

4.2 Part of the level of detected fraud in the public sector arises from the National Fraud Initiative (“NFI”) exercises, which this Council is actively involved with. Further commentary is covered in **Section 7** of the report.

4.3 **Section 10** of the report highlights Covid related grants have reduced and consequently there has been no further work. That said during the year a number of returns have been requested by Government with a view to verifying the legitimacy of the expenditure. No issues have been identified or reported by Government.

4.4 **Section 11** of the report does highlight the need for a Fraud Risk Assessment which the Council intends to undertake in the next 12 months.

5. Other Options Considered

Not Applicable.

6. Risk and Uncertainties

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

The Council’s assessment of the implications of this report

Financial Implications

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

Legal Implications

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

Equalities Implications

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

Section 17 of the Crime and Disorder Act 1998 Implications

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

7. 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	

8. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes the Annual Fraud Report for 2022/23. and that the Council should carry out a Fraud Risk Assessment in the next 12 months.

For more information contact:	Peter Linfield, Executive Manager - Finance and Corporate Services plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	None
List of appendices:	BDO Annual Fraud Report 2022/23

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Report of the Executive Manager - Finance and Corporate Services

1. Summary

- 1.1 The purpose of this report is to summarise the incidence of fraud and fraud prevention activities at Rushcliffe Borough Council (“the Council”) during the year 2022/23. This report is prepared under BDO’s engagement letter with the Council dated 4 February 2020 for internal audit services and it has been prepared strictly for use by the Council.
- 1.2 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 (as summarised within this report) by the Council’s officers.
- 1.3 We understand that it will be made available to relevant internal committees within the Council. In all other respects, this interim report is confidential and should not be used, reproduced, or circulated for any other purpose, in whole, or in part, without BDO’s prior written consent. We do not owe a duty of care to anyone other than the Council.

2. Recommendation

- 2.1 It is RECOMMENDED that the Governance Scrutiny Group notes the Annual Fraud Report for 2022/23.

3. Reasons for Recommendation

- 3.1 To provide an annual update to the Governance Scrutiny Group regarding the Council’s fraud prevention environment.

4. Supporting Information

- 4.1 In August 2022, the government launched the Public Sector Fraud Authority (“PSFA”). A key objective of this body is to help ensure a consistent strong approach to counter fraud across the public sector, and to support public sector bodies to better understand and manage their fraud risks. The PSFA is also responsible for maintaining the Government’s Functional Standards for Counter Fraud (GovS 013), which details measures that public bodies should have in place to control fraud and assesses public bodies’ compliance with these.
- 4.2 In March 2023, the PSFA published its 2022 annual report, entitled ‘Cross-Government Fraud Landscape’. This report¹ highlights that:
 - (a) Detected fraud rose from £227m in 2019/20 to £243m in 2020/21 and detected fraud and error rose from £310m in 2019/20 to £525m in 2020/21, with the difference between fraud and error being whether a department or public body has established the intention of the action to a balance of probabilities standard;
 - (b) Prevented fraud and error rose from £388m in 2019/20 to £653m in 2020/21, and recovered fraud and error rose from £92m in 2019/20 to £193m in 2020/21;
 - (c) A key driver in the increasing fraud statistics was found to be fraud identified in pandemic related spending;

¹ Refer to Cross-Government Fraud Landscape, pages 9 and 25



(d) The estimated level of fraud and error in 2020 was between £33.2bn and £58.8bn outside of COVID-19 specific schemes, of which £10.8bn was detected; and

(e) The undetected estimated level of fraud and error in 2020 was equal to between 0.5% and 5.0% of public expenditure.

4.3 Part of the level of detected fraud in the public sector arises from the National Fraud Initiative (“NFI”) exercises. Across England in 2020 to 2022, £56.2m² of fraud was detected and there was an 85% recovery rate. Significant issues identified included misuse of concessionary travel passes and blue badges, as well as incorrect council tax single person discount claims. We discuss the Council’s specific NFI results in **Section 7** of this report below.

5. Preventing and Detecting Fraud

5.1 Fraud and conduct issues can involve Council employees, elected members, partners, customers, and the public. Both conduct and fraud issues can be identified/raised in several ways:

(a) Proactive detection work, undertaken internally or externally, for example as part of the NFI; and

(b) Referral by employees, elected members, partner organisations, or members of the public, or 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 within the Council’s teams (“Management”), 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 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 2022/23.

5.4 Whilst it is not their direct responsibility to detect fraud, Internal Audit may identify instances of fraud through their reviews and are available to support Council officers to consider next steps for investigating any allegations of fraud in consultation with BDO’s Forensic Accounting specialists if required. During 2022/23 Internal Audit services were provided by BDO.

5.5 Internal Audit has confirmed that no fraud matters were identified by them during the course of their work in the year. Management is aware of frauds that occur across the sector and engage with Internal Audit and others as appropriate to discuss whether there is any material exposure to the Council from the issues noted in any relevant cases identified. No specific action has been deemed necessary to manage material risks or exposure based on these discussions in year.

5.6 The Council’s Anti-Fraud & 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

² <https://www.gov.uk/government/publications/national-fraud-initiative-reports/national-fraud-initiative-report-december-2022-html#fraud-overpayments-and-errors-identified-and-prevented-across-the-uk-1996-to-2022>



activities described within it, and BDO has not undertaken a fraud risk assessment exercise for the Council for the purpose of this report.

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. We understand that the Council’s whistleblowing policy 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. Furthermore, staff are reminded about the whistleblowing arrangements as part of counter fraud training (see **Section 11** below).

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. Our comments in relation to staff awareness and training are included at **Section 11** below.

6.5 There have been no whistleblowing concerns reported during 2022/23. It is not possible to determine the reason for the lack of reports, i.e., whether there is a genuine absence of concerns and therefore nothing to report, or whether the absence of reports is due to a lack of awareness of the policy within the employee base.

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 The Council started a review in respect of single person discounts via the NFI in December 2022. The results of this exercise were:

2022/23	2021/22	2020/21	
800	517	721	Number of cases identified by NFI
69	23	591	Number of live cases investigated
69	17	81	Number of cases where the discount was removed
£17,163	£2,146	£24,222	Value of extra Council Tax billed

7.3 The number of cases investigated, and the additional council tax billed, are shown above. The cases identified by the NFI are split into two reports (one relating to rising 18-year-olds and the other a data match with the Electoral Register). Only the report relating to rising-18-year-olds was investigated by the Council in year. The Electoral Register report (702 cases) was due to be investigated as part of a larger review of the discount in 2022/23. However, due to other work pressures and resource constraints, with resources being diverted to Council Tax Energy Rebates payments and other energy grants this review was not started before the end of the year. Council is planning to undertake a Single Person Discount review during 2023/24.

7.4 Housing Benefit awards and localised Council Tax Support awards were also reviewed in 2022/23:

2022/23	2021/22	2020/21	
122	93	182	Number of matches reviewed
0	0	0	Number of frauds identified
1	3	3	Number of errors identified
£473	£14,496	£2,374	Amount of Council Tax errors identified

7.5 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.

7.6 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 2022/23

8.1 There have been no allegations of fraud reported in 2022/23. 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 DWP Counter Fraud and Compliance Directorate ("CFCD").

9.2 The DWP has a suite of management information that allows local authorities ("LA"s) 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 third year running due to COVID-19, no data has been available from the DWP at the time of this report.

10. Grants administered by the Council

10.1 In 2021/22, the Council has administered significant levels of grants and therefore information on these was included in the equivalent fraud report for that year. However, we understand that the level of grants awarded this year was not significant since COVID grant schemes have now ceased. We have also confirmed that Internal Audit has not undertaken any work on grants in 2022/23. We therefore do not comment further on grants in this report.

11. Fraud awareness and strategy

11.1 During 2022/23, BDO undertook fraud awareness training to staff across the council, as was recommended in the Annual Fraud Report for the previous year. The Council should consider



continuing to offer regular training to its staff, which should include reminding staff of the whistleblowing arrangements. Senior officers should also consider making use of employee engagement sessions to promote counter fraud messages.

11.2 The Council may also wish to test levels of awareness of counter fraud arrangements amongst staff by, for example, inclusion of questions relating to this area in staff surveys.

11.3 We understand from Internal Audit that a fraud risk assessment has not been undertaken by the Council in the period in which BDO has provided Internal Audit services, therefore since at least April 2020. The Council may wish to consider undertaking a fraud risk assessment in the near future to help inform its judgement as to the appropriateness and effectiveness of its fraud risk strategy.

12. Other Options Considered

12.1 Not Applicable.

13. Risk and Uncertainties

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

14. Implications - Finance

14.1 None.

15. Implications - Legal

15.1 None.

16. Corporate Priorities

16.1 Not applicable.

17. Other Implications

17.1 None.

For more information contact:	Peter Linfield, Executive Manager - Finance and Corporate Services plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	None
List of appendices:	None

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Governance Scrutiny Group

Thursday, 29 June 2023

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 2021/22 financial year. It reiterates the key conclusions of the Auditors' Report on the 2021/22 Accounts and the Report to those Charged with Governance, both of which were considered by the Governance Scrutiny Group on 23 February 2023.
- 1.2. No actions are required in relation to the report although an adjusted misstatement and an unadjusted misclassification were identified as a result of new guidance issued in relation to infrastructure assets in January 2023. In relation to pensions there is also a non-material misstatement arising from a revised pension report issued during the audit. 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

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 Auditors Annual Report for 2021/22 is attached at Appendix A.
- 4.2. This year was another challenging year. The statutory deadline for signing off the Statement of Accounts was extended for a third year until 30 November 2022. No significant issues have arisen during the 2021/22 financial year with the auditors commenting upon the smooth process of the audit.
- 4.3. Page 8 of the Auditors Annual Report includes reference to a material misstatement that required a prior period adjustment in the 2020/21 accounts and a non material misclassification that will be corrected in the 2022/23 accounts. Both of the above had arisen from new guidance on Infrastructure that had been issued in January 2023. Prior to this new guidance the Council's infrastructure assets had been treated in accordance with CIPFA

guidance and been audited with no issues raised. The new guidance, which was primarily aimed at Highways Authorities, prompted further scrutiny and discussions resulted in the restatement of the 2020/21 accounts (prior period adjustment).

5. Risks and Uncertainties

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 £29,870 in relation to additional testing due to the changes in the Code of Audit Practice requirements on Pensions and Property, Plant and Equipment, new auditing standards ISA540, new guidance on Infrastructure, prior period adjustment and new VFM approach. 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 2021/22

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Auditor's Annual Report

Rushcliffe Borough Council – year ended
31 March 2022

30 May 2023
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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.

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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 2022. 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 on 03 March 2023. Our opinion on the financial statements was unqualified.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



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 to 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

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. No such correspondence from electors has been received.

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02

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 2022 and of its financial performance for the year then ended. Our audit report, issued on 03 March 2023 gave an unqualified opinion on the financial statements for the year ended 31 March 2022.

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded other than where already documented they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 23 June 2022 and our formal audit opinion was given on 03 March 2023.

The time difference between receiving the draft financial statements and signing our audit report was due to a number of technical accounting issues in the market, in particular regarding the correct accounting treatment of Infrastructure Assets, where guidance was not published and made available until January 2023. This has led to an increase in management discussion, auditor challenge and underlying substantive testing of core data.

Whilst an unqualified opinion on the financial statements was provided, this was after the correction of two material errors requiring a restatement of prior year figures:

- £1.2m correction for incorrect accounting of infrastructure assets
- £4.1m correction for the incorrect recognition of income from a land sale.

Our detailed findings were presented to the Governance Scrutiny Group on 23 February 2023.

Internal Control Recommendations

As part of our audit, we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We did not identify any 'High – level 3' recommendations for 2021/22.

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Audit of the financial statements

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2. Audit of the financial statements

Main financial statement audit risks and findings

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. Following the risk assessment, we identified risks relevant to the audit of financial statements and the significant audit risks and conclusions reached are set out below:

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p>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>Significant risk: an area that, in our judgment, requires special audit consideration.</p>	<p>We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to extract accounting journals for detailed testing on specific risk characteristics.</p>	<p>There are no significant matters to report in respect of management override of controls.</p>
<p>Valuation of the net pension liability</p> <p>The defined benefit liability relating to the Local Government Pension Scheme represents significant balances on the Council's balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk of misstatement in this area.</p> <p>Relevant Account Balances (taken from the 2021/22 signed financial statements):</p> <ul style="list-style-type: none"> £57,057k – Balance Sheet and Note 32 (Defined benefit pension schemes) 	<p>Significant risk</p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> critically assessing the competency, objectivity and independence of the Pension Funds' Actuary; liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. This 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; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuations. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and agreeing 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. 	<p>A non-material £471k misstatement was identified in relation to the movement on Local Government Pension Fund assets.</p> <p>There are no other matters to report in respect of valuation of the net pension liability.</p>

2. Audit of the financial statements

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p>Valuation of land & buildings and investment properties</p> <p>Land, Building and Investment Property assets are significant balances on the council's balance sheet. The valuation of these assets is complex and is subject to a number of management assumptions and judgements. 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 signed 2021/22 financial statements):</p> <ul style="list-style-type: none"> • Land & Buildings (£34,604k - Note 8) • Investment Properties (£30,753k – Note 9) 	<p>Significant risk</p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> • critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • considering 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; • assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends; • critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and • testing a sample of individual valuations, back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied. 	<p>* We identified a £1,453k error in relation to classification of car parking resurfacing costs.</p> <p>** We also identified a £1,537k unadjusted misclassification error.</p> <p>There are no other matters to report in respect of valuation of land, building and dwelling assets.</p>

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* Adjusted misstatements

As part of our testing, we identified that the Council had been incorrectly accounting for £1.5m of car parking resurfacing costs for several years. The costs had never been included in the annual revaluation exercise and led to a material overstatement of assets in the balance sheet. After discussions with management and the Council's valuation expert, it was confirmed these costs needed to be written out of the 2020/21 and 2021/22 financial statements. Resulting as a restatement of prior period balances.

** Unadjusted misclassification error

As part of our testing of Infrastructure assets included on the Council's balance sheet, we identified that the Council had incorrectly classified a number of assets as Infrastructure.

Although the Gross Book Value of these assets is material to the financial statements, the Net Book Value and therefore, the primary statement (this being the Council's balance sheet), would remain the same. Therefore, after discussions with management we have deemed to this be a classification error, to be addressed in the 2022/23 financial statements.

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Section 03:

Commentary on VFM arrangements

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3. Commentary on VFM arrangements

Overall summary

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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

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

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.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor’s Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

- **Other recommendations**




We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

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3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	2020/21 Actual significant weaknesses identified?	Commentary page reference	2021/22 Identified risks of significant weakness?	2021/22 Actual significant weaknesses identified?	2021/22 Other recommendations made?
 Financial sustainability	No	15	No	No matters arising in 2021/22.	No
 Governance	No	19	No	No matters arising in 2021/22.	No
 Improving economy, efficiency and effectiveness	No	23	No	No matters arising in 2021/22.	No

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3. VFM arrangements – Overall summary

Context of the Auditor’s Annual Report

Our Auditor’s Annual Report summarises the work we have undertaken as the auditor for Rushcliffe Borough Council for the year ended **31 March 2022**, where at the time of reporting in June 2023, we recognise that the social, political and economic environment has changed and local government is facing significant challenges including:

- **Cost of Living:** With most people experiencing financial pressure, spending habits are changing. High energy costs and increasing food prices have impacted on levels of disposable income. With wage (and potentially benefit) increases failing to keep pace with inflation, more people will be facing hardship.
- **Added budget pressures:** With inflation soaring, the cost of goods, services and resources are becoming more expensive. Local authorities are not immune to the increasing cost of energy supply, although the government announcements on energy caps help, many local authorities are still facing higher costs. Local authorities typically budget for modest salary increases year on year, but expectations and demands on salary increases have changed and consideration on how they are to be funded is required.
- **Cost of Borrowing:** The Bank of England base rate has risen meaning that the cost of borrowing for capital projects has increased significantly.
- **Contractors and Suppliers:** The cost-of-living crisis has resulted in business failures. Although government support has been announced, some businesses will continue to struggle, with a greater risk of supplier failure. Supply failures anywhere in the supply chain will have a knock-on effect.
- **Service Delivery:** Likely budget reductions and savings plans are going to impact the ability of local authority services to maintain levels of delivery, particularly at a time of increased demand.

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We maintain a watching brief over the key issues facing Rushcliffe Borough Council and, should we identify a risk of significant weakness in arrangements, will follow the process as described in section 3 to promptly raise these with management and issue any reports to the Audit Committee as part of our audit for the year ending 31 March 2023.

3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

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3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Significant weakness in 2020/21	Nil.
Significant weaknesses identified in 2021/22	Nil.

Position brought forward from 2020/21

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2020/21.

Overall responsibilities for financial governance

We have reviewed the Council’s overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2021/22. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council’s service users.

The Trust’s financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Council’s arrangements for budget monitoring remain appropriate, including quarterly reporting to Members and established arrangements for year-end financial reporting.

We reviewed Revenue And Capital Outturn Position for 2021/22 presented to Cabinet 12th July 2022. The report set out the Council’s year end outturn position for the revenue and capital budgets for the 2021/22 financial year, and the impact on the General Fund.

The Council’s General Fund Outturn saw a £1.5m favourable variance against budget, which was transferred to Reserves to mitigate against expected future budget pressures. The Council also saw a net favourable balance prior to financing analysis of £10.9m. The movement is mainly due to slippage in the plan caused by construction delays due to economic conditions.

Financial Statement performance 2021/22

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 position does not highlight any concerns. The Council’s useable reserves have increased from £25.8m to £27.1m in 2021/22, with:

- General Fund Reserves of £26.1m, up from £24.9m in the prior year
- Capital Receipts Reserve of £0.8m, up from £0.5m in 2020/21
- Capital Grants Reserves of £0.2m, down from £0.4m in 2020/21.

The Council’s reserves position does not indicate a risk of significant weakness in VFM arrangements for financial sustainability and 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.

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

For the 2021/22 General Fund budget, the Council set a balanced budget which relied on a savings target aimed at delivering efficiency savings and cuts against services totalling £0.8m.

We reviewed Revenue And Capital Outturn Position for 2021/22 provided to Cabinet on 12th July 2022. The report confirms a £1.5m favourable variance against budget which meant that the predicted use of reserves was not required and the Council instead increased the General Fund working balance.

A deficit position for 2022/23 was set out in the Budget and Financial Strategy presented to Cabinet on 8th February 2022, with the General Fund position dependent on £0.3m additional transformation savings. The level of general fund reserves and ongoing budgetary control arrangements has led us to believe satisfactory arrangements are in place. We do, however, see it as an area to be challenged by officers and members to ensure appropriate action is taken to maintain service levels under increasing cost pressures beyond 2022/23.

The Council's arrangements and approach to financial planning 2022/23

We reviewed the Medium Term Financial Strategy (MTFS) set from 2022/23 to 2026/27 and confirmed it supports the Council's priorities communicated in its Corporate Strategy. The MTFS adequately identifies the financial implications from 2022 to 2026, noting that the key assumptions underpinning expenditure budgets through the MTFS included CPI, pay increases of 3-4% annually, pension contribution rates, return on cash investments and an increased of around 2% to the Tax base.

In order to keep the General Fund working balance minimum level for 2022/23, 23/24, and 24/25 additional transformation savings or income generation are required of £1.1m

We are satisfied that based on the information presented to Cabinet, the Council will have adequate levels of General Fund working balances across the medium term to ensure the minimum level requirement of around £1.1, - £1.3m is met.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2022.

3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks

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3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Significant weakness in 2020/21	Nil.
Significant weaknesses identified in 2021/22	Nil.

Position brought forward from 2020/21

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2020/21.

The Authority’s governance structure

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.

Based on our work, we are satisfied that the Council has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit.

Our review of corporate governance arrangements confirms the Council has an agreed Constitution, setting out how it operates, how decisions are reached and what procedures are followed to ensure that these are transparent and accountable to local people. Any recommendations for amendments to the Constitution need to be approved by Full Council.

Our review of Council and Group papers confirms that a template covering report is used for all reports, ensuring the purpose, implications, and recommendations are clear. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made.

Risk management and internal control

The Council has an established risk management strategy and systems in place which are built into the governance structure of the organisation. There is an approved Risk Management Strategy which includes the

Council’s approach to managing risk, guidance, the Council’s risk appetite and roles and responsibilities.

The Governance Scrutiny Group (GSG) is responsible for maintaining an independent oversight of risk management issues and considering the effectiveness of the implementation of the risk management strategy. The GSG is presented with the risk register on a regular basis and provides challenge as part of the process. 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. The Governance Scrutiny Group are responsible for review of the Council’s Annual Governance Statement. No significant weaknesses in internal control have been identified from our work to date and Internal Audit have not identified or raised any significant concerns. 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 2021/22 and 2022/23 and confirmed they are consistent with the risk based approach.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (continued)

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 2021/22 the Council's Internal Auditor's concluded that: *“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”.*

We have attended Governance Scrutiny Group meetings and reviewed supporting documents and are satisfied that the programme of work is appropriate for the Council's requirements. Our attendance at Governance Scrutiny Group has confirmed there continues to be an appropriate level of effective scrutiny and challenge.

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. As also explained on page 16 and 18, we have reviewed the budget setting arrangements through observation and discussions with Officers and no matters have been identified indicating a significant weakness in arrangements.

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.

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 financial outturn 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.

We also reviewed the capital programme as included within the Council's 2022/23 approved MTFs, noting that the consolidated Capital Programme for the next three years from 2022/23 to 2024/25 is funded predominantly from capital receipts, capital grants and contributions. We have held regular discussions with officers regarding arrangements for the management and funding of capital programme, and noted no issues.

General Fund	2022/23	2023/24	2024/25
Total Capital Programme (£'000)	13,841	6,455	2,845
Funded by:			
Useable Capital Receipts	8,921	4,127	1,940
Government Grants	4695	695	695
Use of Reserves	1,605	150	210
Section 106 Monies	2,620	1,483	-
Total Funding	13,841	6,455	2,845

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Governance criteria for the year ended 31 March 2022.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

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3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Significant weakness in 2020/21	Nil.
Significant weaknesses identified in 2021/22	Nil.

Position brought forward from 2020/21

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from 2020/21.

Corporate Strategy

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 an annual summary of how far the Council has progressed in meeting the priorities set in the Corporate Strategy. We reviewed the 2021/22 outcomes 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 2021/22 year and there were no major unexpected gaps in performance at the year end. The process has continued in the first half of 2022/23.

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

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2022.

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

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We have not received the instructions from the NAO and therefore this work remains incomplete.

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 presented to the Governance Scrutiny Group in June 2022. Having completed our work for the 2021/22 financial year, we can confirm that our fees are as follows:

Area of work	2020/21 Actual fees	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£31,792	£31,792
Additional fees in respect of additional testing undertaken on IAS19 pension liabilities to comply with regulatory requirements	£2,998	£3,740
Additional fees in respect of additional testing undertaken on valuation of land, buildings and investment properties to comply with increased regulatory standards	£4,069	£5,100
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	£2,892	£3,590
Additional fees in respect of additional testing undertaken on infrastructure assets	-	£6,200
Additional fees in respect of additional testing undertaken in relation to two prior period adjustments	-	£5,240
Additional fees in respect of additional testing undertaken due to COVID-19	£1,188	-
Additional fees in respect of the VFM Commentary	£6,000	£6,000
Total fees	£48,939	£61,662

*These costs have initially been discussed with management and are subject to PSAA review and approval. We are aware that the Council received **£16,839** of grant funding, to meet rising audit costs for 2021/22.

Fees for other work

We have not been engaged by the Council to undertake any additional work for 2021/22.

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Mark Surridge, Key Audit Partner

Mazars

Two Chamberlain Square

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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.

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Governance Scrutiny Group

Thursday, 29 June 2023

External Audit Annual Plan 2022/23

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 2022/23.
- 1.2. Mazars highlight four significant risks concerning management override of controls, net defined benefit liability valuation, valuation of property, plant and equipment and insourcing of Streetwise (see pages 12 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

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 May 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 31 August 2023.
- 4.2. On page 10 of the Audit Plan, Mazars have set the completion target date as October 2023 and it should be noted that this is incongruent with the Committee timetable which ordinarily would approve the Audit Completion Report at its September meeting. If this deadline is not met then the report will

have to be presented to the November Committee assuming the work is completed by the deadline to submit reports for this meeting.

- 4.3. The attached report details the approach that Mazars will use when auditing the 2022/23 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 (PPE)
 - insourcing of Streetwise.
- 4.4. It should be noted that the audit fees for 2022/23 are currently set at £50,216 plus VAT less £17,808 additional government funding, although these fees are not finalised. It does not yet include additional work for the new auditing standards ISA315 and from Streetwise insourcing. Fees for 2021/22 are £61,662 offset by £16,389 additional funding. These are in line with PSAA and include additional testing as a result of the implementation of new auditing standards, more assurance required regarding pensions and PPE and the Code of Audit Practice. The 2022/23 fee represents an increase of £18,424 (58%) on the original base fee of £31,792 set in 2019/20.
- 4.5. Management will continue to challenge the level of fees and their reasonableness compared to audit risk. The public sector audit and accounting labour market is under pressure created by a combination of increasingly onerous audit standards, legacy accounting issues in the sector and a lack of good quality available labour. This is impacting upon costs across the sector.

5. Risks and Uncertainties

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	There is no link to this corporate priority within this report.
Efficient Services	Undertaking an external audit of the financial accounts ensures that proper and efficient services are delivered by the Council.
Sustainable Growth	There is no link to this corporate priority within this report.
The Environment	There is no link to this corporate priority within this report.

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 2022/23

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Audit Strategy Memorandum

Rushcliffe Borough Council

Year ending 31 March 2023

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- B Appendix B – Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

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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 the 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.

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NG2 7YG

Mazars LLP
2 Chamberlain Square
Birmingham
B3 3AX

29 June 2023

Dear Governance Scrutiny Group Members,

Audit Strategy Memorandum – Year ending 31 March 2023

We are pleased to present our Audit Strategy Memorandum for Rushcliffe Borough Council for the year ending 31 March 2023. 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, and explains the implications of the introduction of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019).

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 07875 974 291 .

Yours faithfully

Signed:

Mark Surridge

Mazars LLP

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01

Section 01:

Engagement and responsibilities summary

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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 2023. 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.psaa.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.

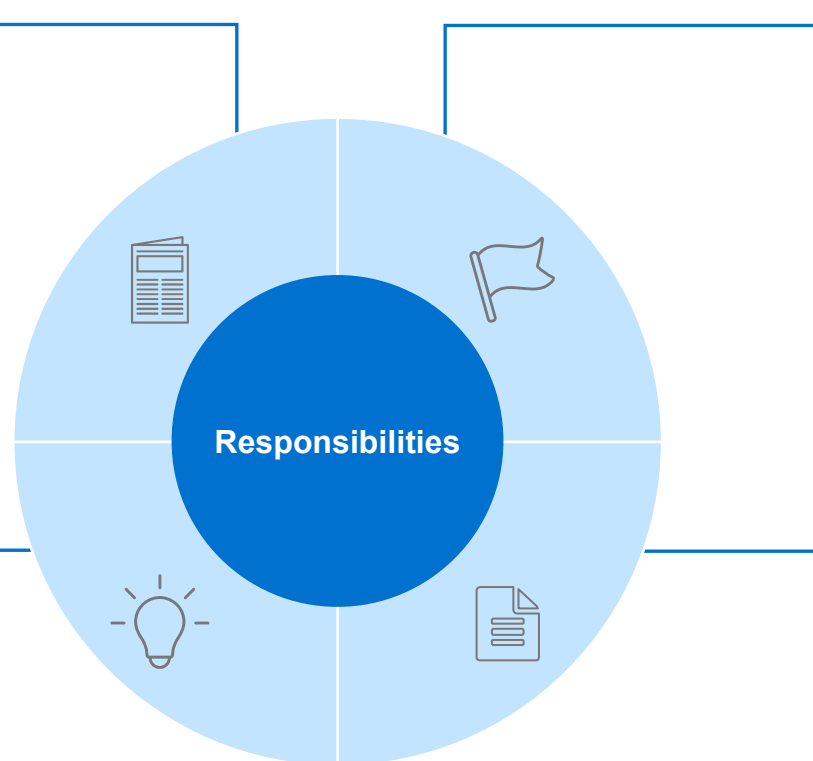
Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or Governance Scrutiny Group, as those charged with governance, of their responsibilities.

The Director of Finance & Corporate Services and s151 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 Director of Finance & Corporate Services and s151 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

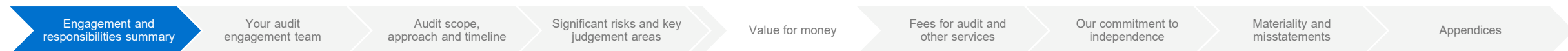
The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

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:

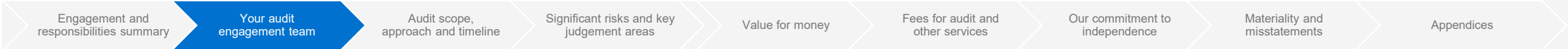
Your audit engagement team

2. Your audit engagement team

Below is your audit engagement team and their contact details.

Name	Role	Email
Mark Surridge	Engagement Lead	Mark.Surridge@mazars.co.uk
Bethan Frudd	Audit Manager	Bethan.Frudd@mazars.co.uk
David Schofield	Assistant Audit Manager	David.Schofield@mazars.co.uk

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03

Section 03:

Audit scope, approach and timeline

Page 112

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.

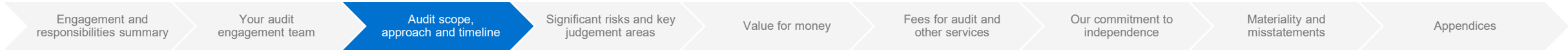
Audit approach

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 the risks identified.

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

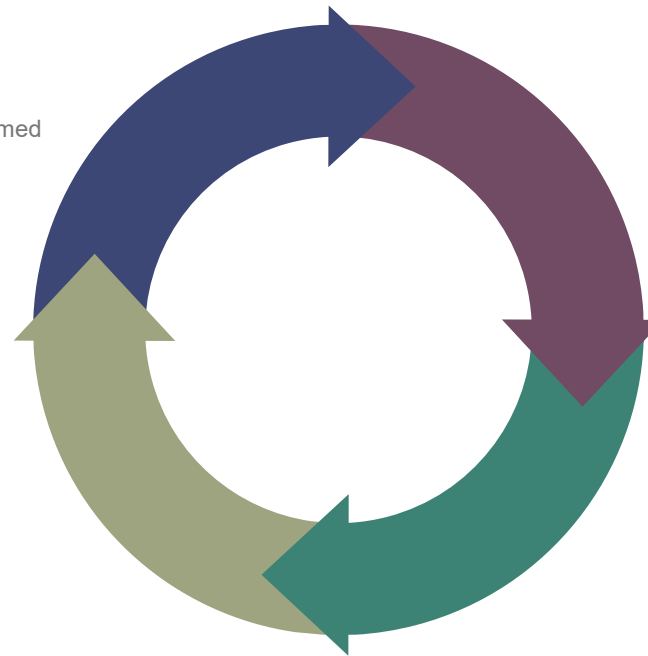
Page 114

Planning and Risk Assessment (March 2023)

- 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
- Risk assessment analytical procedures
- Determination of materiality

Completion (October 2023)

- 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 independent auditor's report
 - Finalising our work on the VFM Commentary

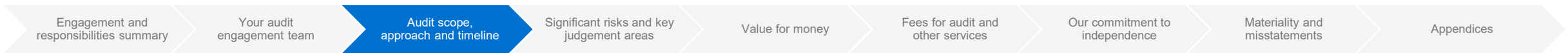


Interim (March - June 2023)

- 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 (July – September 2023)

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
 - Communicating progress and issues
 - Clearance meeting
 - Updating our VFM Risk Assessment



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

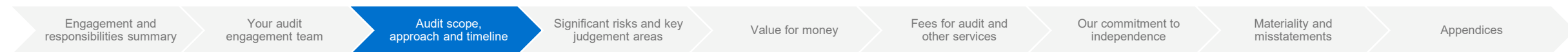
Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

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
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.

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 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.	We will review the controls operating at the Council over these transactions to gain an understanding of the services provided by the service organisation. In addition, we will undertake substantive based procedures for payroll costs included within the financial statements



04

Section 04:

Significant risks and other key judgement areas

Page 116

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

Significant risks are those risks assessed as being close to the upper end of the spectrum of inherent risk, based on the combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. Fraud risks are always assessed as significant risks as required by auditing standards, including management override of controls and revenue recognition.

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:

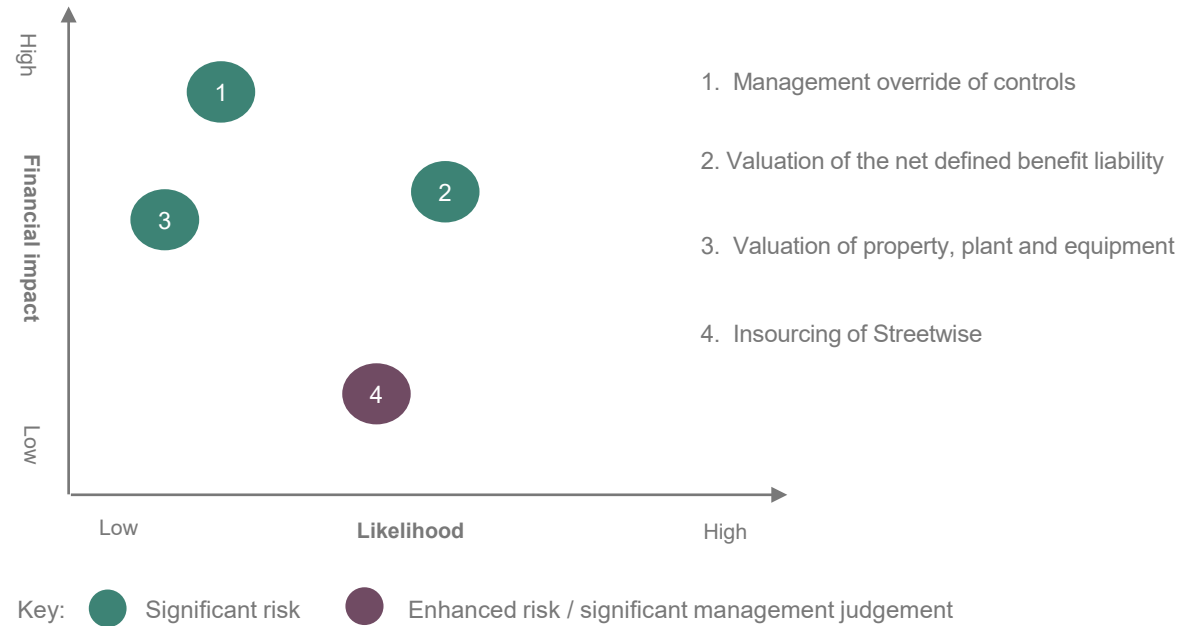
- Key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- Other audit assertion risks arising from significant events or transactions that occurred during the period.

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.



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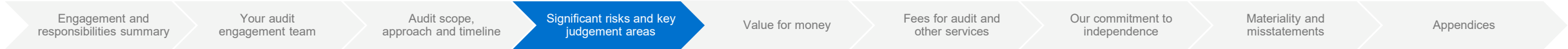
4. Significant risks and other key judgement areas

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

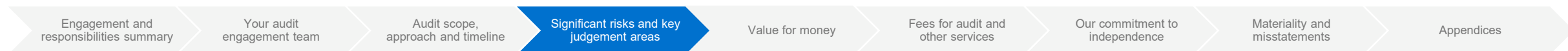
	Description	Fraud	Error	Judgement	Planned response
1 Page 118	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate 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>	●	○	○	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.



4. Significant risks and other key judgement areas

Significant risks continued

	Description	Fraud	Error	Judgement	Planned response
Page 119	<p>2 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 IAS19 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 2021/22 audited financial statements):</p> <ul style="list-style-type: none"> Pension liability = £57,057k 	○	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> Critically assessing the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary; Liaising 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 include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; Reviewing 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 Agreeing the data in the IAS19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries disclosures in the Council's financial statements <p>In addition to the above, early sector wide information is that there may be a pension surplus arising in 2022/23, which requires specific consideration under IFRC 14.</p>

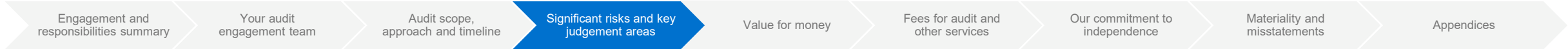


4. Significant risks and other key judgement areas

Significant risks continued

	Description	Fraud	Error	Judgement	Planned response
3	<p>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 2021/22 financial statements):</p> <p>Land and Buildings = £33,833k Investment Properties = £30,753k</p>	○	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> Critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; Considering 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; Assessing whether valuation movements are in line with market expectations by using third party information provided by Montagu Evans to provide information on regional valuation trends; Critically assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers.

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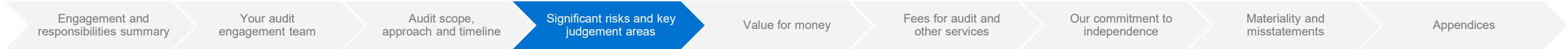


4. Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Insourcing of Streetwise</p> <p>In February 2022, Cabinet took the decision to insource its wholly-owned grounds maintenance and street cleansing companies Streetwise Environmental Limited and Streetwise Environmental trading Limited with effect from 1 September 2022. The Council will therefore need to consider the accounting treatment for the change in group structure and incorporate relevant assets, liabilities, income and expenditure into the financial statements for 2022/23.</p>	○	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • Reviewing the proposed accounting treatment to bring services back in house • Evaluating the impact on our testing approach of income, expenditure, assets and liabilities for 2022/23, which may involve higher levels of substantive transaction testing.

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05

Section 05: **Value for money**

Page 122

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.

2022/23 will be the third 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

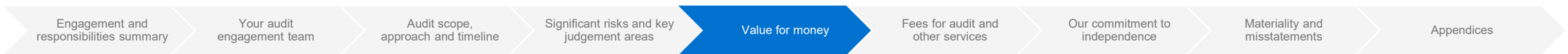
The Code requires us to structure our commentary to report under three specified criteria:

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

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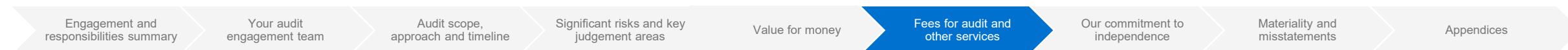
6. Fees for audit and other services

Fees for work as the Council's appointed auditor

Details of the 201/22 Actual and indicative 2022/23 Audit fees in line with PSAA and other reporting mechanisms are set out below:

Area of work	2022/23 Estimate	2021/22 Actual Fee
Scale fee in respect of our work under the Code of Audit Practice	40,626	31,792
Additional cost in respect of increased regulatory expectations:		
• Additional testing on IAS19 Pension Liabilities	Included in scale fee	3,740
• Additional testing on valuation of land, buildings, dwellings, and investment properties	Included in scale fee	5,100
Subtotal	40,626	40,632
Additional costs arising from:		
• Additional work from the introduction of new auditing standards (ISA540 Estimates)	3,590	3,590
• Additional work from the introduction of new auditing standards (ISA315 per Appendix B)	TBC	-
• Accounting and auditing infrastructure assets	-	6,200
• Other additional testing – audit adjustments to resolve prior period errors	-	5,240
• Other additional testing – additional testing arising from Streetwise insourcing	TBC	-
• Other additional testing – implications of pension fund surpluses under IAS19 and IFRIC 14	TBC	-
Subtotal	TBC	15,030
Additional cost in respect of the new VFM approach	6,000	6,000
Grand Total	TBC	61,662

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07

Section 07:

Our commitment to independence

Page 126

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
- a policy 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.

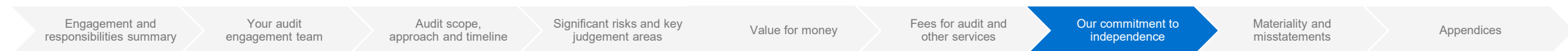
We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss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

Prior to the provision of any non-audit services Mark Surridge 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.

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08

Section 08:

Materiality and misstatements

Page 128

8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	880
Performance materiality	660
Trivial threshold for errors to be reported to Governance Scrutiny Group	26
Specific materiality:	
Senior Officers' Remuneration	10

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Materiality

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

Information is considered to be material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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.

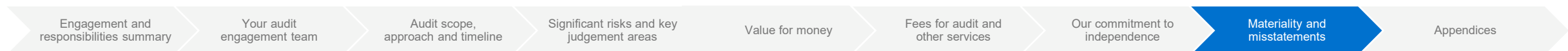
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and 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 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 the draft financial statements we anticipate the overall materiality for the year ending 31 March 2023 to be in the region of £880k (£824k in the prior year).

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.

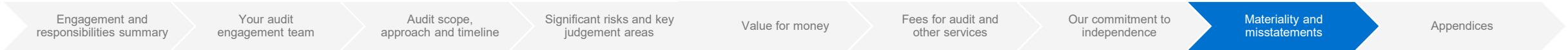
Misstatements

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 £26k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Surridge.

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).





Appendices

A: Key communication points

B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

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Appendix A: 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.

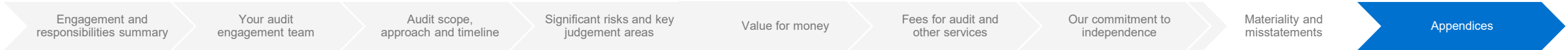
Key communication points at the planning stage as included in this Audit Strategy Memorandum

- 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;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- 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.

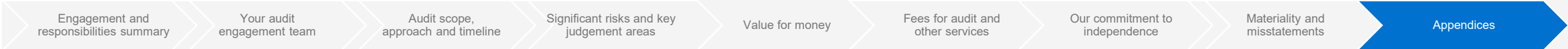


Appendix A: Key communication points

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:

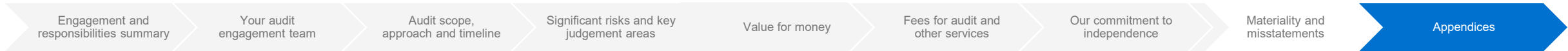
Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant 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; • a 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

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Appendix A: Key communication points

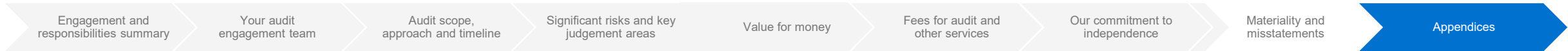
Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <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. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>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.</p>	<p>Audit Completion Report</p>



Appendix A: 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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Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor’s risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Council’s 2022/23 audit.

The most significant changes relevant to the Council’s audit are outlined below.

Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on new inherent risk factors which include:

- Subjectivity
- Complexity
- Uncertainty and change
- Susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

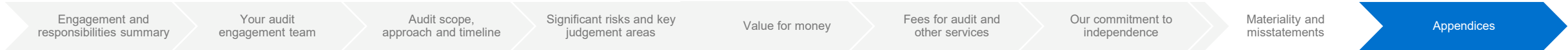
Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity’s IT environment to better understand the possible

risks within an entity’s information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.



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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.

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Governance Scrutiny Group

Thursday, 29 June 2023

Annual Governance Statement 2022/23

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. There are additional references linked to the impact of rising inflation and pay inflation, and the use of the Transformation and Efficiency plan to deliver the Medium Term Financial Strategy (MTFS). The Financial Management Code (introduced in 2021) is planned for a peer review during 2023.

2. Recommendation

It is RECOMMENDED that the Annual Governance Statement 2022/23 (Appendix 1), which incorporates actions for the forthcoming year, be reviewed and approved.

3. Reasons for Recommendation

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 Scrutiny 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 September 2023. The CIPFA Financial Management Code was introduced in 2021 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

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 2022/23 (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 2021/22 BDO- Annual Report 2021/22
List of appendices:	Appendix 1 – Annual Governance Statement

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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 2023 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 2027/28 and introduce its seventh Corporate Strategy covering the period 2019 to 2023 (to be revised in 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 and Efficiency Strategy, its plan to address the financial pressures facing all public bodies. This outlines how the Council will meet its financial challenges until 2027/28. The Transformation and Efficiency 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 2023/24 Medium Term Financial Strategy (MTFS) predicts a deficit of £0.3m to 2027/28. At 0.75% of annual gross expenditure this is manageable. The impact of the Ukraine conflict continues to be felt with the pressure of rising inflation along with pay inflation and the increases in national minimum living wage. This undoubtedly presents risk to the Council's budget position. That said the Council has increased Contingency budget to £0.3m and will look to any further revenue budget efficiencies to support employee costs, given the uncertainty of future pay awards. Other pay and service pressures arise from the ability to attract and retain staff. 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 (e.g., 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 and increased Nottinghamshire Business Rates Pool Surplus linked to prudent management of the Council's finances, resulted in a projected budget efficiency position in 2022/23 (at Quarter 3) of £1.7m (taking into account government grants and additional business rates). Much of which is committed with carry forward requests to meet service challenges and new reserves such as to manage the risk of depreciating commercial investments. Going forward there remain significant financial risks, and these are commented on below. Use of the Organisational Stabilisation reserve will ensure the Council continues to deliver its main corporate objectives. The impact of high inflation linked to rising energy costs means the trajectory of economic recovery remains uncertain and will continue to be closely monitored along with 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 has been 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 2025/26, at the earliest and revised assumptions are reflected in the 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. Areas of focus in 2023 include performance of the crematorium and streetwise as in-house service; and areas of risk and opportunity such as investment returns and that income levels are maintained given the impact of the cost-of-living crisis on individuals disposable income and therefore their ability to spend on Council services. In terms of expenditure the impact of inflation on both revenue and capital budgets continues to be monitored.

The Council continues to promote a commercial culture, although the Council has taken the strategic decision to realign its financial commitments focusing on investment in significant assets such as the Bingham Leisure Hub and the crematorium and no longer investing in commercial assets for a financial return. The Council’s Capital and Investment Strategy incorporates reporting on existing commercial investments. Over the term of the MTFs, the income generated from such investments is estimated to rise from £1.83m (2023/24) to £1.96m (2027/28) and performance is reported to Governance Scrutiny Group throughout the year. The Council no longer invests 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. 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 2022 and a further review is planned for July 2023.

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 2022/23, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2022/23, 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 February, where there were 41 corporate risks and 27 operational risks on the risk register. In addition, there were 4 opportunity risks.

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

The 2022/23 Annual Report by Internal Audit is expected to provide positive assurance regarding its risk and control arrangements although this is currently outstanding at the time of writing.

This reflects well on the Council particularly given the 'cost of living crisis' and ongoing impact of the Russia-Ukraine conflict following on the heels of the economic and social impact of Covid.

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 of councillor training 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 2022/23 included treasury management, code of conduct, risk management, greenbelt policy, planning, licensing, and cyber security. 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 met three times to develop the Council's Become a Councillor Campaign, the 2023 Induction Programme which officers deliver following the Borough Council election in May 2023, and the training plan for 2023/24 following the induction. It is expected that the Member Development Group will meet twice during 2023/24, to evaluate the Induction Programme, and then later in the year to evaluate the 2023/24 training programme and develop the programme for the coming year. A skills audit for Governance Scrutiny Group members is due to take place in the coming months.

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.

2.7 Communication

Principle B - Ensuring openness and comprehensive stakeholder engagement

Three editions of Rushcliffe Reports – the Council's newsletter for residents – were circulated to over 52,000 households on each occasion and these set out details of a number of key service changes, information on community events and request customer feedback.

Further projects are evolving to respond to the three yearly resident's survey feedback received in 2021, particularly across the Council's digital channels to build on 84% of respondents being satisfied, or very satisfied, with their local area as a place to live, 2% higher than the Local Government Association national survey.

The Council has continued to increasingly implement the use of recognised communication techniques to keep its residents, staff and members informed operating in a more hybrid and digital driven era, including the use of social media which saw it attract hundreds more subscribers across its various channels to nearly 20,000 followers.

During 2022/23, 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 continued 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 a 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, and car parking contracts. Streetwise Environmental Limited (SEL) was brought in-house from 1 September 2022. During this period and through the remainder of the year the Directors (the Council's Chief Executive as Chair and the Council's s151 Officer also representing RBC as a Corporate Director) have continued to meet until the formal winding-up of the business in May 2023.

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. Although currently the Leicestershire authorities are considering their position. 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 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. The East Midlands Freeport was approved by the Government on 30 March 2023. It will receive up to £25million in seed funding from the government to help drive investment in local businesses. 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 involved in the Devolution Deal proposals with other Derbyshire and Nottinghamshire authorities. The likelihood is that there will be an East Midlands Mayor 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. 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
- Scrutinising the Going Concern report.

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.

In addition to the Corporate Overview Group and Governance Scrutiny Group, the Council has two other scrutiny groups. 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**

The Chief Executive and 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, the Chief Executive and Directors are required to confirm that they have reviewed the system of internal control and identify any areas where improvements are necessary.

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.

At the time of writing, we are awaiting the Internal Audit report but believe we have again attained a 'substantial assurance' rating which reflects well on the authority although we cannot be complacent and will continue to look to improve our services and supporting controls.

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. 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) and clarification sought nationally regarding the treatment of infrastructure assets. The Council currently awaits the Value For Money conclusion from Mazars.

4 SIGNIFICANT GOVERNANCE ISSUES

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

Covid 19 Issues

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. Whilst there have been some delays to our capital projects (e.g., Bingham Leisure Hub and the Crematorium), these are now successfully in operation. Performance will be reported via the Council's normal finance and performance governance arrangements to both Corporate Overview Group and Cabinet.

Current budget position and the cost-of-living crisis

2022/23 budgets were uplifted from 2021/22 to ensure funding was sufficient to meet expenditure pressures in relation to energy and pay inflation. We were anticipating budget efficiencies for 2022/23 of around £1.9m. This is not unexpected and will meet service pressures such as in relation to the 'homes for Ukraine' scheme and the expected temporary reduced value in pooled treasury investments (with an appropriation to an earmarked reserve); and funds to relieve any further pay pressures as well as support further climate change initiatives. One upshot of changes in the economy has meant the Council has accrued more interest income as a result of higher interest rates (amounting to additional income of around £0.6m).

The CIPFA Financial Management Code

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

We detailed the Council's self-assessment 2 years ago 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. The Freeport has been granted approval and work is continuing to ensure that it meets its business case targets. Devolution continues with the expectation there will be a mayoral election in May 2024.

Given all of the challenges linked to Covid and the cost-of-living challenge; 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 £0.3m. Immediate risks are in relation to utility and pay inflation (which are key drivers for general inflation). Hopefully utility risk will reduce although pay inflation remains a live issue linked to the national minimum living wage. To help mitigate these in the short term budget efficiencies from 2022/23 will be used to support the budget in 2023/24.

Going forward, there will also be service based pressures linked to statutory changes in relation to planning and waste services. The Council will seek to ensure it maximises the use of its UK Shared Prosperity fund allocation and any other external funding streams.

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 maintained their high levels (despite financial pressures the community is facing). At the 31 March 2023, collection rates for Council Tax have increased by 0.1% compared to 2021/22 at 99.2%,. The collection rate for Business Rates has remained at a high 99.3%.

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 2025/26. New homes Bonus has already been subject to consultation in 2021, as yet there has been no

feedback from Government as to its future although it is expected this year. This complex economic environment is further compounded by the impact of BREXIT.

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. Business rates for the power station have reduced to around £1.6m (50% retained by central government), several years ago it was over £6m. 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.

The Council continues to be involved in various collaboration activities including payroll, tree advice, 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.

The external auditors have noted a number of risks in their Audit Strategy Memorandum 2022 (which is unlikely to be dissimilar in their 2023 Memorandum which we await), 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.

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 2023, Carbon Management Plan). At 31.03.23, £671k of the Climate Change Reserve has been applied primarily to meet green energy elements of Bingham Leisure Hub and the Crematorium. In addition, a number of significant carbon reduction measures – green energy grants have been completed which 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. Further information from Government is expected over the coming months.

Based on our review of the governance framework, the following significant issues will be addressed in 2023/24:

Issue	Reporting to	Methodology	Timescale
Review of the Financial Management Code	Governance Scrutiny Group	Report to accompany the Annual Governance Statement in 2024	Report to GSG June 2024
Monitor the delivery of the Transformation Strategy and ongoing budget position covering risks and opportunities arising from, for example, inflation, the new crematorium and Streetwise insourcing	Reports to EMT, Scrutiny and Cabinet	On-going financial reports	At least quarterly reporting
Monitor the delivery of the capital programme	Reports to Corporate Overview Group and Cabinet	On-going financial and performance reports	Quarterly
Monitor Business Rates, Fair Funding and New Homes Bonus developments	Reports 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 2024
Monitor the position with regards to significant external opportunities - Devolution, the Development Corporation and the Freeport	Reports to Cabinet and Full Council	On-going governance reports	By March 2024

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)

Date 30 September 2023

Signed.....

Councillor N Clarke (Leader)

Date 30 September 2023



Governance Scrutiny Group

Thursday, 29 June 2023

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 procedures and the introduction of new procedures, in addition to various other textual amendments.

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 and policy. In addition, revisions have been made to reflect changes within the Council following the May 2023 elections, staffing changes and other procedural amendments.

4. Supporting Information

The proposed revisions are set out at Appendix 1. A summary of the main proposed revisions is set out below:

- 4.1. Part 2 – Political Leadership and Management Structure
 - Amendments required to the Cabinet membership and portfolios and the Leader of the Council's details. Committee memberships and 'Know your Councillor' details have also been updated.
- 4.2. Part 3 – Responsibility for functions and scheme of delegation
 - Amendments to reflect updated responsibilities for individual portfolios of Cabinet members
 - Amendments to reflect changes around officer responsibilities for services and processes
 - Terms of Reference and Membership of Committees, Groups, Panels and Boards added and amended where necessary

- Amendments to the circumstances in which applications must be considered by Planning Committee and provisions around the process for requesting that an application be determined by the committee.
- 4.3. Part 4 – Standing Orders, Rules and Financial Procedures
- Public procurement thresholds have been amended following changes to procurement rules
 - Introduction of a process for alternative budget proposals
 - Revisions to the flowcharts detailing the procedure for motions and amendments to motions.
 - Revisions to the timings of Planning Committee meetings.
 - Revisions to the rules relating to public speaking at Planning Committee meetings.
 - Revisions to the rules relating to consultation on planning applications.
- 4.4 Part 5 – Codes of Conduct and Protocols
- Include reference within the Councillor Code of Conduct to the obligation to behave in accordance with all legal obligations, alongside the Council’s policies, protocols and procedures
- 4.5 Part 6 – Member Allowances
- Updates to mileage rates paid to Members to align with those paid to employees.

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 37 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.

6.3. Equalities Implications

No 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: Table of amendments

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Summary of amendments to Constitution 2022/2023

Page Number/Section	Details Amendment
Entire Document	Replace 'Chairman' with 'Chair' and 'Vice Chairman' with 'Vice Chair', add asterisk at first mention of Chairman/Vice Chairman and insert note to make it clear that the Chair / Vice Chair can choose alternative terminology should they wish to.
TOR for Planning Committee, Licensing Committee, EAC, Interviewing Committee, Civic Hospitality, LDG and Standards	Replace 'principals' with 'principles'
Part 1 – Introduction	
Page 2	Amend para 1.4 to reflect Cabinet structure following the election
Part 2 – Political Leadership and Management Structure	
Page 11 Management Structure	Add photograph of Helen Knott – Service Manager for Planning
Page 10 Cabinet Structure	Changes to Cabinet members and portfolios following the election Remove Business recovery after covid from Deputy Leader portfolio
Page 11	Amendments to Scrutiny Group Chairs and Vice Chairs following the election.
Page 12	Replace 'Know your Councillor' details following the election.
Part 3 – Responsibility for Functions and Scheme of Delegation	
Page 16 para 3.1	Remove reference to Crime and Disorder reduction strategy – this has been replaced with the Community Safety Agreement which is signed off by Safer Notts Board.
Page 17 para 3.7	Responsibilities – Cabinet Portfolio holder for 'resources' should be replaced with Cabinet Portfolio holder for Finance

<p>Page 18 (within Community and Leisure responsibilities)</p>	<p>Remove reference to YOUNG?</p>
<p>Page 22 para 3.30</p>	<p>Under general responsibilities as Chief Executive:</p> <p>Add role as Electoral Registration Officer:</p> <p>Electoral Registration Officer</p> <p>The council of every district and London borough must appoint an officer of the council to be the ERO. In the City of London, the Common Council must appoint an officer as the ERO.</p> <p>Responsibilities:</p> <ul style="list-style-type: none"> • compiling the register of electors • Electoral Registration Officer ability to appoint deputies. <p>Add new heading after head of paid service section:</p> <p>Returning Officer</p> <p>Every district, county, unitary and metropolitan council is required to appoint an officer of the council to be the RO for the election of councillors to their local authority.</p> <p>Responsible for the conduct of a local government election, including:</p> <ul style="list-style-type: none"> • publishing the notice of election • administering the nomination process • printing the ballot papers

	<ul style="list-style-type: none"> publishing the notice of poll, statement of persons nominated and notice of situation of polling stations the provision of polling stations appointing Presiding Officers and Poll Clerks managing the postal voting process verifying and counting the votes declaring the result to select an appropriate alternative polling place (if required). Formal retrospective approval be sought by Council following the election if appropriate. to appoint deputy returning officers as required.
Page 23	Amend provisions around solo sealing – remove ‘In respect of any order’
Page 24	Amend offices to officers
Page 25 para 3.35	Add appointment of Deputy Returning Officers and Deputy Registration Officers. Also add a sentence re altering Polling Places
Page 27	Footpath and bridleway diversions and creation orders under Property (acquisitions and disposals) 2
Page 27	Energy Performance of Buildings Regulations Directive
Page 27	Remove Strategic HR from Leanne Ashmore’s list of responsibilities and add new bullet point: <ul style="list-style-type: none"> Determine Certificates of Compliance
Page 28	Insert bullet point: <ul style="list-style-type: none"> Where the Member(s) consulted on a Certificate of Compliance have a difference of opinion with the planning officer, the planning officers will work with the Cllr(s) and the applicant to satisfy material objections. Where the difference of opinion cannot be resolved, it will be referred to the Cabinet Portfolio Holder for Planning and the Director for Development & Economic

	<p>Growth for consideration. The Director will work with the Cllr(s) to arrive at a consensus. Where a consensus is not achieved, the Director, in consultation with the Portfolio Holder will seek to arrive at a consensus, where this is not forthcoming, the Director will make the final decision in determining the Certificate of Compliance.</p>
<p>Page 38/39 para 3.44</p>	<p>Amend the text as follows:</p> <p>Applications made under the following statutory provisions shall be referred to Planning Committee for decision or to make observations, as may be required, in the circumstances set out below:</p> <ul style="list-style-type: none"> • 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. • where the application has been submitted by the Council, with the exception of applications to secure non-material amendments to schemes, in consultation with the Chair/Vice Chair of Planning Committee. • where the application has been submitted by the County Council; except minor development relating to existing operational premises (eg school classrooms, fences, etc) or where the timescales to respond do not allow for referral to the Planning Committee or an extension of time is not agreed, in which case a response will be submitted following consultation with the Chair/Vice Chair of Planning Committee and Director • where the Council is being consulted by an adjoining authority on an application, except where a response is required prior to the next meeting of the Planning Committee. in which case a response will be submitted following consultation with the Chair/Vice Chair of Planning Committee and Director

	<ul style="list-style-type: none"> • where a planning permission has expired and an identical or slightly amended scheme is submitted, unless there is a change in material planning considerations and or policy requirements, ward member should not refer them to the Planning Committee • where the application involves any Councillor or senior officer* as applicant or agent in consultation with the Chair of Planning Committee and Director • where a ward Councillor declares an interest and has made a request for referral to Planning Committee • where a Section 106 planning agreement is required, unless the agreement relates to standard drainage requirements or the proposed agreement complies with the Council's Supplementary Planning Guidance. <p>3.45. A valid request that the application be referred to the Planning Committee for determination has been made by a ward Councillor(s) in accordance with this referral procedure.</p> <p>• Following a planning application being registered and made valid, officers will write to:</p> <ul style="list-style-type: none"> • the ward Councillors of the ward where the application is, • ward Councillors where part of the application site is in their ward • ward Councillors where the application site is immediately adjacent to or within 15 metres of the boundary of their ward. • Ward Councillors where the application site is wholly or partly within the boundary of their ward may request that the application be referred to Planning Committee which would otherwise have been determined by the Director Development and Economic Growth under delegated authority. Such a request must be made within the statutory consultee timescale of 21 days. Requests outside of this timeframe can be made in the event that new information has been submitted for consideration in connection with the planning application.
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- Where a ward Councillor refers an application to the Planning Committee they must attend the Committee to present their views, limiting them to relevant policy and material planning considerations for the Committee to consider before making a decision, unless exceptional circumstances prevent this and agreement is obtained from the Council's Monitoring Officer.

3.46. To notify Ward Councillor(s) following the making of a Tree Preservation Order or serving a Building Preservation Notice, except where immediate action is required.

3.47. To refer to Planning Committee any Tree Preservation Order where a valid objection has been received following the service of notice in accordance with the relevant Regulations.

3.48. To refer to Planning Committee for decision any application to lop, top or fell trees included in a Tree Preservation Order where compensation may be payable if the application is refused.

3.49. To refer to the Monitoring Officer/Borough Solicitor for determination applications for Certificates of Lawful Use or Development arising under section 191 of the Town and County Planning Act 1990.

3.50. To consult ward Councillors before commenting on proposed traffic regulation orders.

3.51. To consult the relevant Cabinet portfolio holder **on any challenges surrounding the authorisation of** ~~before approving the expenditure of~~ Section 106 **payments.** ~~agreement monies where such expenditure exceeds £250,000.~~

	<p>3.52. In consultation with the relevant Cabinet member and ward Councillor(s) to exercise the power necessary to implement or amend conservation area boundaries as set out within Section 69 of the Planning (Listed Buildings and Conservation Areas) Act 1990.</p> <p>* Senior officer shall mean any officer of the Council at Grade LS11 or above and shall also include any other post specified in the Officers' Code of Conduct for this purpose.</p>
Page 45 para 3.62	<p>Insert the following bullet point into terms of reference for Governance Scrutiny Group:</p> <ul style="list-style-type: none"> • Reports on the Council as a 'Going Concern'
Appendix 5 – Terms of Ref and Membership of Committees, Groups, Panels and Boards	<p>Insert Terms of Reference for Member Development Group and Rushcliffe Strategic Growth Board (set out in full below)</p>
Part 4 – Standing Orders, Rules and Financial Regulations	
Page 64 para 4.8	<p>All meetings shall start at 7.00pm (with the exception of Planning Committee which will start at 2:30pm 6.00pm)</p>
Page 66 para 4.20	<p>Meetings of the Council, committees and member groups (with the exception of Planning Committee) shall adjourn at 10.00pm. At Planning Committee, no new items shall be started after 9.00pm.</p>
Page 66 para 4.21	<p>Provided that the Council, committee or member group may be resolution extend the closing time by 30 minutes to no later than 10:30pm. (with the exception of the Planning Committee which shall adjourn no later than 6.30pm)-</p>
Page 82	<p>Remove 'Rules of Debate: Amendments to Motions' flowchart and replace with updated version (reproduced below)</p>
Page 83 para 4.105	<p>All meetings shall start at 7pm (with the exception of Planning Committee which will start at 2:30pm 6:00pm)</p>

<p>Page 85 para 4.118</p>	<p>Provided that the Council, committee or member group may be resolution extend the closing time by 30 minutes to no later than 10:30pm (with the exception of the Planning Committee) shall adjourn no later than 6:30pm).</p>
<p>Page 93</p>	<p>Amend text as set out below:</p> <p>4.209. If you are the applicant, an objector or Ward Councillor (Borough Councillor for the ward in which the application is being made), and an application is to be discussed at Planning Committee in which you have an interest, you can present your views directly to the Committee via virtual link. The Planning Committee agenda is available on the website (at the same address as above) a week before the meeting and it lists the applications that will be discussed at the meeting. You will be able to speak directly to the Planning Committee if you are the applicant for the application under consideration or if you are representing objectors to the application for a maximum of five minutes; or if you are the ward Councillor for the ward in which the application is being made you may speak to the Committee for up to five minutes (in multi councillor wards where the views of ward councillors are different, then both viewpoints will be heard). Speakers will be heard by the Committee in the following order: Planning Officer (time unlimited), applicant, objector, and ward Councillor. No cross examination of the applicant or objector will be permitted.</p> <p>The following interested parties of an application to be discussed at Planning Committee will be able to speak directly to the Planning Committee for up to a maximum of five minutes each:</p> <ul style="list-style-type: none"> • The applicant or representative (one speaker) • Objecting to the application (one speaker) • A Ward Councillor (in multi councillor wards where the views of ward councillors are different, then both viewpoints will be heard).

	<p>The Planning Committee agenda listing all applications to be considered is available on the website a week before the meeting. Speakers will be heard by the Committee in the order as set out below in para.4.214. Members of the Planning Committee may ask questions of the representative of the objectors and the applicant to seek clarity and material planning considerations raised.</p>
<p>Page 94</p>	<p>Amend text as set out below:</p> <p>4.214. Then the applications for consideration at this meeting are presented – for each application:</p> <ul style="list-style-type: none"> • The planning officer presents a report containing the recommendation • Opportunity for one representative of objectors to speak (5 minutes) • Opportunity for the committee to ask questions, seeking clarity from objector or their representative • opportunity for the applicant or applicant’s representative to speak (5 minutes) • Opportunity for the committee to question and seek clarity from the applicant or their representative. • opportunity for a representative of any objectors to speak • Opportunity for the relevant ward councillor to speak • The committee members will then discuss the application and take a vote • This process will be repeated until all applications have been considered • Any Councillor entitled to vote on an application must be present for the entirety of the consideration of that matter in order to take part in the vote on that application.
<p>Page 115</p>	<p>Insert procedure for proposal of Alternative budget (set out in full below)</p>

<p>Page 192</p>	<p>Amend text as set out below:</p> <p>Planning application procedures 5.89. The following principles shall be followed by the Council in dealing with planning applications: Once a planning application has been registered and validated, officers will write to:</p> <ul style="list-style-type: none"> • The ward Councillors for the ward in which the application site is located • Ward Councillors where a section of the application site lies within their ward • Ward Councillors where a section of the application is immediately adjacent to the boundary of their ward • Councillors and officers will, wherever possible, avoid indicating the likely decision on an application or otherwise committing the Council during contact with applicants or objectors • Details of all applications will be sent to local ward Councillors and parish councils with the opportunity to comment. Any comments must be made in writing and returned to the planning department no later than 21 days from the date of the consultation. • The Director Development and Economic Growth will be responsible for determining all applications except those which, in accordance with the Council’s scheme of delegation, must be referred to the Planning Committee for determination.
<p>Part 5 – Codes of Conduct and Protocols</p>	
<p>Page 188 para 5.50</p>	<p>Add new bullet point:</p> <ul style="list-style-type: none"> • I behave in accordance with all legal obligations, alongside any requirements contained within the Council’s policies, protocols and procedures.
<p>Part 6 – Member Allowances</p>	
<p>Page 224 – Schedule 2 Part 1</p>	<p>Update Councillor mileage rates in line with those paid to employees.</p>

Strategic Growth Board Terms of Reference

Objectives

The Board shall:

- Lead, support and deliver the strategic growth agenda for the Borough in line with the key themes of:
 - Major infrastructure (roads, rail and broadband)
 - Business Growth
 - Employment/skill growth
 - Housing Growth
- Consider issues, provide feedback and support the Leader and the Deputy Leader of the Council when making representations to the appropriate bodies, such as the Local Enterprise Partnership, and the Nottinghamshire Joint Economic Prosperity Committee regarding future priorities and funding applications
- Oversee the development and delivery of the work programme from the local growth boards and receive reports from these groups when necessary
- Support and monitor the future implementation of the Housing delivery plan within the Core Strategy
- Allocate and monitor the Growth Board's budget as determined within the Council's budget
- Commission necessary and relevant pieces of work that will assist in the delivery of the Board's work programme and aid and support delivery of the strategic priorities for economic development
- Where necessary, make recommendations to the Cabinet regarding the Strategic Growth agenda for the Borough

Membership

Core membership of the Board:

- Council Leader – Chairperson
- Nine elected members - including the Leaders of the two political groups and also a representative from the Green party, with its cross party membership reflecting the Council's political proportionality.
- Cabinet Portfolio holders for Finance and Business and Growth
- Nottinghamshire County Councillor

Due to the nature of the Boards' work it will be necessary to ensure sufficient external expertise is available when it gives consideration to specific topics and issues. In view of this non-voting co-optees to the board will be invited to attend from organisations such as:

- D2N2 Local Enterprise Partnership
- Rushcliffe Business Partnership

- Universities
- Homes England

This list is not exhaustive and additional coopted members may be invited/included to support the work of the Board with the approval of the Chairperson.

Governance arrangements

The Board meetings are not public meetings and information shared/discussed is to remain confidential to the Board members to enable open discussions about commercially sensitive information.

Meeting notes will be taken and distributed to Board members.

It is anticipated that the Board will meet once a quarter.

Resources and support

The Council has allocated a budget to support the work of the Strategic Growth Board and decisions on expenditure will be taken by the Chairperson and Board as required.

The hosting, coordination and secretariat support will be provided by Rushcliffe Borough Council.

Terms of Reference for the Member Development Group

Membership

- Chairman of the Group currently from an Opposition Group
- Group to comprise of nine Councillors and be politically proportionate

Terms of Reference

This Group is responsible for the training and development of elected Councillors ensuring that they have the skills and knowledge required to fulfil their roles. The Group will achieve this by:

- Creating an environment that encourages self-development and continuous learning
- Identifying, delivering and evaluating training and development opportunities for all Councillors
- Creating an effective Councillor Induction programme for delivery following a Borough Council election
- Overseeing changes to the way Councillors work and deliver their role
- Evaluating and making changes to the Councillors' Community Grant Scheme as required.

Support and Resources

- The Group will be supported by Charlotte Caven-Atack, Service Manager for Corporate Services

Process for debating motions at Council – unamended motion

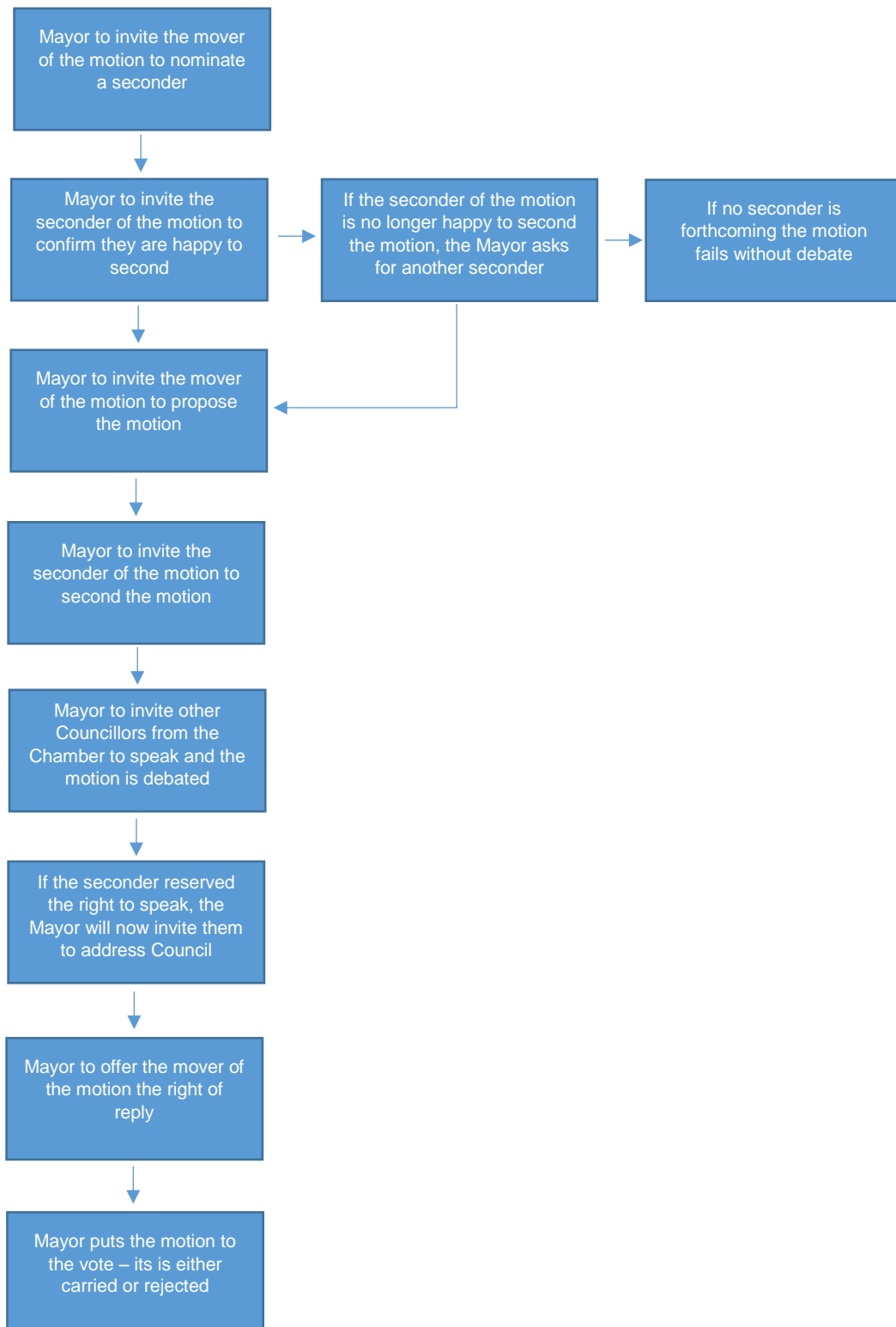
Motions for debate at Council need to be submitted in writing to the Chief Executive and Monitoring Officer no later than 5pm seven clear working days (not including the day of the meeting) before the meeting. Motions that meet the criteria set out in the Council's Constitution and accepted by the Chief Executive and Monitoring Officer will be printed with the agenda pack for the meeting and published five clear working days (not including the day of the meeting) before the meeting. At the majority of Council meetings, motions are debated towards the end of the agenda after the reports have been discussed. The following process is followed until such a point that an amendment to the motion is proposed (this will not happen in all cases). If an amendment is proposed a separate process is followed (please see Process for debating motions at Council – amended motion).

Action	Explanation
Mayor to invite the mover of the motion to nominate a seconder	Motions require a mover (the person who has submitted the motion and will propose it to Council) and a seconder (a supporter of the motion). Without a seconder the motion cannot be moved.
Mayor to invite the seconder of the motion to confirm they are happy to second	If the identified seconder is no longer happy to second the motion the Mayor can open the position out to any Councillor. If there is still no seconder, the motion has failed without debate and the Mayor will move on to the next item on the agenda.
Mayor to invite the mover of the motion to propose the motion	The mover of the motion can speak for ten minutes on the motion. Occasionally, the mover of the motion will propose a change to the motion they have submitted. These are usually minor amendments or clarifications and can be changed with the agreement of the Council. If agreement is not given the mover must present the motion as it appears in the meeting papers.
Mayor to invite the seconder of the motion to second the motion	The seconder may speak for up to five minutes in support of the motion or reserve the right to speak later in the debate.
Mayor to invite other Councillors from the Chamber to speak and the motion is debated	Any other Councillors in the Chamber can speak in support of or against the motion by indicating to the Mayor that they wish to speak and waiting to be invited to do so. They can speak for up to five minutes. The Mayor will invite Councillors to speak in the order that they indicate their wish to speak until no more speakers are waiting or until such a time that they feel the motion has been sufficiently debated and no new points of view are being raised.
If the seconder reserved the right to speak, the Mayor will now invite them to address Council	Often a seconder will reserve the right to speak until later in the debate to assist the mover of the motion in addressing the objections made by Councillors during the

Appendix 1

	debate. They may speak for up to five minutes. If they have spoken earlier, they will not be able to speak a second time.
Mayor to offer the mover of the motion the right of reply	The mover of the motion has the opportunity to address the objections made by Councillors during the debate. They may speak for up to five minutes.
Mayor puts the motion to the vote	The Mayor will ask Councillors to indicate with a show of hands whether they vote for the motion, against the motion, or if they wish to abstain.

Process of debating a motion – unamended motion – flowchart



Process for debating motions at Council – amended motion

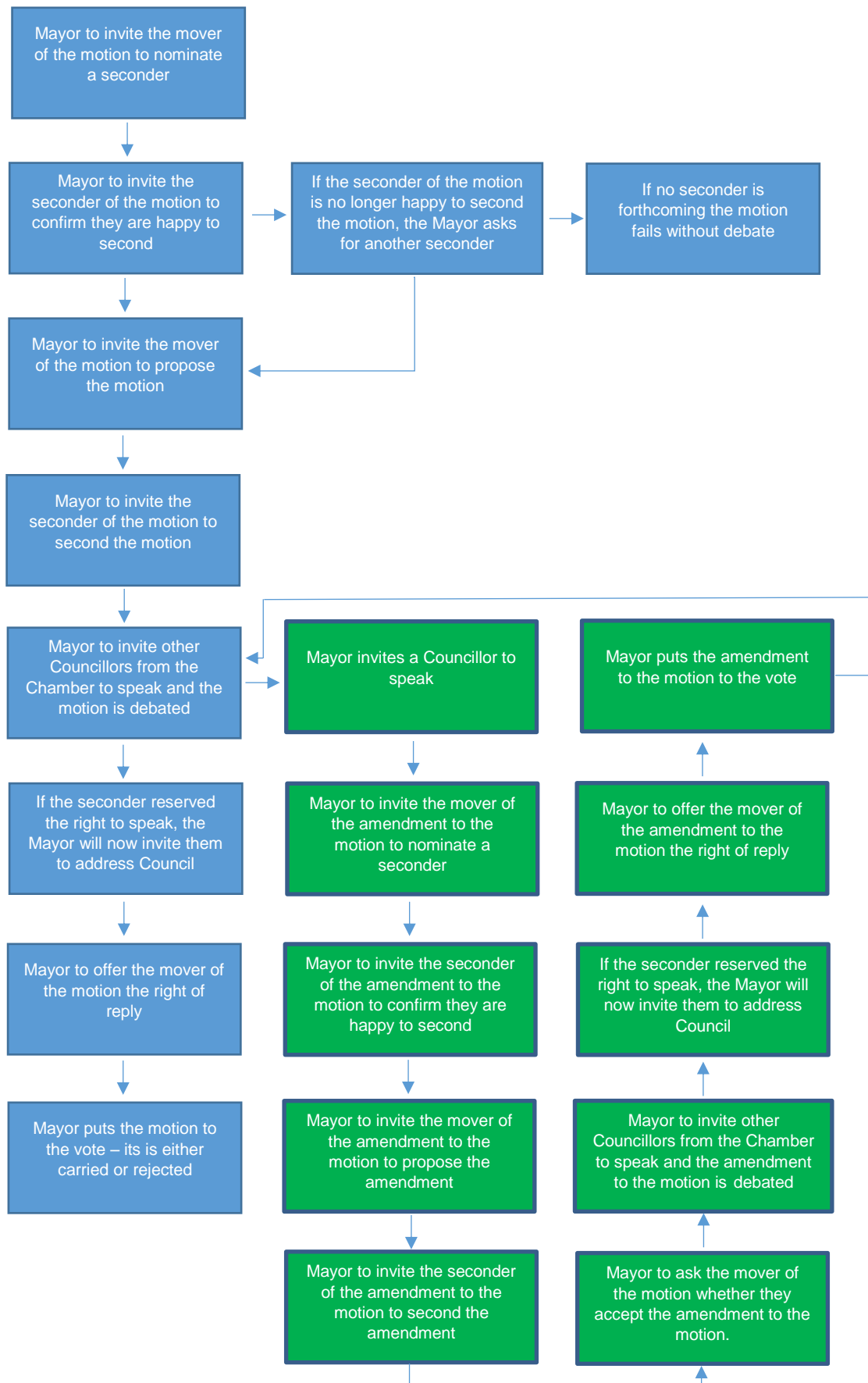
Sometimes a Councillor (or political group) may wish to make an amendment to a motion. This could be for a variety of different reasons including a clarification of responsibilities, bringing the action within the control of the Council, or to strengthen what is being proposed by being more specific about the action to be taken (the ways in which a motion can be amended are outlined in more detail in the Constitution). When an amendment is proposed, the main debate on the motion is paused and a debate on the amendment is undertaken. At the end of the debate on the amendment a vote is taken. If the amended motion is accepted by Council it becomes the substantive motion and replaces the original motion under debate. The debate continues. A motion can be amended multiple times and in each case the main debate is paused, the amendment is debated and then voted upon. Debate returns to the substantive motion each time. The substantive motion will always reflect the latest version of the motion as agreed upon by Council. The following table explains the process further with text in green highlighting those actions that are specific to debating an amendment to a motion.

Action	Explanation
Mayor to invite the mover of the motion to nominate a seconder	Motions require a mover (the person who has submitted the motion and will propose it to Council) and a seconder (a supporter of the motion). Without a seconder the motion cannot be moved.
Mayor to invite the seconder of the motion to confirm they are happy to second	If the identified seconder is no longer happy to second the motion the Mayor can open the position out to any Councillor. If there is still no seconder, the motion has failed without debate and the Mayor will move on to the next item on the agenda.
Mayor to invite the mover of the motion to propose the motion	The mover of the motion can speak for ten minutes on the motion. Occasionally, the mover of the motion will propose a change to the motion they have submitted. These are usually minor amendments or clarifications and can be changed with the agreement of the Council. If agreement is not given the mover must present the motion as it appears in the meeting papers.
Mayor to invite the seconder of the motion to second the motion	The seconder may speak for up to five minutes in support of the motion or reserve the right to speak later in the debate.
Mayor to invite other Councillors from the Chamber to speak and the motion is debated	Any other Councillors in the Chamber can speak in support of or against the motion by indicating to the Mayor that they wish to speak and waiting to be invited to do so. They can speak for up to five minutes. This is the point at which amendments will be proposed.
Mayor invites a Councillor to speak	The Councillor that has been invited to speak wishes to propose an amendment to the motion.

<p>Mayor to invite the mover of the amendment to the motion to nominate a seconder</p>	<p>The same as motions, amendments to motions require a mover (the person who has submitted the amendment to the motion) and a seconder (a supporter of the amendment to the motion). Without a seconder the amendment to the motion cannot be moved.</p>
<p>Mayor to invite the seconder of the amendment to the motion to confirm they are happy to second</p>	<p>If the identified seconder is no longer happy to second the amendment to the motion the Mayor can open the position out to any Councillor. If there is still no seconder, the amendment to the motion has failed without debate and the Mayor will return to the debate on the motion.</p>
<p>Mayor to invite the mover of the amendment to the motion to propose the amendment</p>	<p>The mover of the amendment to the motion can speak for five minutes on the motion.</p>
<p>Mayor to invite the seconder of the amendment to the motion to second the amendment</p>	<p>The seconder may speak for up to five minutes in support of the amendment to the motion or reserve the right to speak later in the debate.</p>
<p>Mayor to ask the mover of the motion whether they accept the amendment to the motion.</p>	<p>The mover of the original motion has the opportunity to accept the amendment. If they do so, no further debate on the amendment is heard, no vote is taken, and the motion still 'belongs' to them. The amended motion becomes the substantive motion and the debate continues.</p> <p>If they do not accept the amendment to the motion the Mayor proceeds with the debate on the amendment.</p>
<p>Mayor to invite other Councillors from the Chamber to speak and the amendment to the motion is debated</p>	<p>Any other Councillors in the Chamber can speak in support of or against the amendment to the motion by indicating to the Mayor that they wish to speak and waiting to be invited to do so. They can speak for up to five minutes. The Mayor will invite Councillors to speak in the order that they indicate their wish to speak until no more speakers are waiting or until such a time that they feel the amendment to the motion has been sufficiently debated and no new points of view are being raised.</p>
<p>If the seconder reserved the right to speak, the Mayor will now invite them to address Council</p>	<p>Often a seconder will reserve the right to speak until later in the debate to assist the mover of the amendment to the motion in addressing the objections made by Councillors during the debate. They may speak for up to five minutes. If they have spoken earlier, they will not be able to speak a second time.</p>

<p>Mayor to offer the mover of the amendment to the motion the right of reply</p>	<p>The mover of the amendment to the motion has the opportunity to address the objections made by Councillors during the debate. They may speak for up to five minutes.</p>
<p>Mayor to offer the mover of the original motion the right of reply</p>	<p>The mover of the original motion is also given the right of reply, often focusing on why the original motion should be supported and the amendment cast aside. They may speak for up to five minutes.</p>
<p>Mayor puts the amendment to the motion to the vote</p>	<p>The Mayor will ask Councillors to indicate with a show of hands whether they vote for the amendment to the motion, against the amendment to the motion, or if they wish to abstain.</p> <p>If Council votes to accept the amendment to the motion, it becomes the substantive motion belonging to the Councillor that proposed the amendment.</p> <p>If Council votes to reject the amendment, the debate returns to the original motion.</p> <p>The process to debate an amendment to the motion (in this table as green text) will be followed each time an amendment is proposed until no further amendments are proposed. At this time the debate returns to the main process (in this table as black text).</p>
<p>Mayor to invite other Councillors from the Chamber to speak and the motion is debated</p>	<p>The Mayor will invite Councillors to speak in the order that they indicate their wish to speak until no more speakers are waiting or until such a time that they feel the motion has been sufficiently debated and no new points of view are being raised.</p>
<p>If the seconder reserved the right to speak, the Mayor will now invite them to address Council</p>	<p>Often a seconder will reserve the right to speak until later in the debate to assist the mover of the motion in addressing the objections made by Councillors during the debate. They may speak for up to five minutes. If they have spoken earlier, they will not be able to speak a second time.</p>
<p>Mayor to offer the mover of the motion the right of reply</p>	<p>The mover of the motion has the opportunity to address the objections made by Councillors during the debate. They may speak for up to five minutes.</p>
<p>Mayor puts the motion to the vote</p>	<p>The Mayor will ask Councillors to indicate with a show of hands whether they vote for the motion, against the motion, or if they wish to abstain.</p>

Process of debating a motion – amended motion – flowchart



Glossary:

Motion: a proposed policy or action for the Council to take

Mover: a councillor who proposes a motion or an amendment to a motion

Seconded: a councillor who formally supports a motion or an amendment to a motion

Amendment: a proposed change to a motion

Debate: the opportunity for Councillors within the Chamber to put forward their views on the motion or an amendment to the motion

Substantive motion: the motion that is debated after an amendment is carried (replacing the original motion)

Provisions relating to the Budget for the Authority

Once the budget proposals are agreed by the Cabinet, a political group and/or any member of the Council can choose to prepare an alternative budget or amendments. The Finance function will specifically assign a senior finance officer to each political group to support this exercise. Consistent information will be made available to all groups but discussions and requests for supplementary information within the groups are confidential to that group. If similar requests are made by more than one group, officers will take steps to ensure there is no duplication of effort, whilst maintaining group confidentiality.

The alternative budgets / amendments produced must have the effect of providing the Council with a “balanced budget”. This must be determined by the Council’s Section 151 Officer in collaboration with the Council’s Monitoring Officer, following which a budget motion can be submitted for presentation to Full Council. Any motion to amend the Cabinet’s budget proposals will only be permissible if it has been provided to the Council’s Section 151 Officer at least 7 working days prior to the Council’s Budget Meeting; and certified by the Section 151 Officer at least 2 working days prior to the Council’s Budget Meeting as being reasonably calculated and sufficiently deliverable as to be robust and sustainable in the medium term and continue to ensure that reserves are maintained at an adequate level which protects the Council’s financial standing.

Alternative Budget Proposal Commentary

Alternative budget proposals should be published one working day in advance of Council. Further commentary can be provided when specific proposals are released. Alternative proposals are required to include Section 151 commentary which will set out the financial implications of the proposals. In general terms, alternate budget proposals would typically involve one or more of the following:

- An amendment to the proposed Council Tax increase;
- Use of reserves or contingency to fund additional revenue proposals; or
- An expansion of the Capital Programme.

Procedure for Budget Debate

All Group Leaders (or their nominated speaker) will have the opportunity to move a revenue budget or make a budget statement at the meeting in connection with the Medium Term Financial Strategy. If they intend to propose an alternative budget, the details of the proposed amendments should also be submitted in writing to the Chief Executive and Monitoring Officer by the third working day before the meeting, in

order for them to be considered by the Council's Section 151 Officer prior to the meeting.

Speeches from the Group Leaders (or their nominated speaker) will be time limited in accordance with existing procedure rules and any extension agreed at the meeting with agreement by the Mayor. The Leader of the Council (or nominated speaker) will introduce the report and move The Cabinet's recommendations. This will be the Leader's opportunity to speak on the budget and put forward any proposed additions or amendments. The motion will be seconded by the Leader's nominated Cabinet member. The other Group Leaders (or their nominated spokesperson) will then be given the opportunity to move an alternative budget or make a budget statement. Alternative budget proposals will need to be seconded.

Once all proposals and statements have been made, a vote will be taken on each budget proposal, commencing with the majority group's budget proposal first. If the vote is carried on the first proposal that will conclude the item. If the vote is not carried, the remaining budget proposals will be voted upon in the order in which they were presented, until a motion is carried. The vote on the budget will be taken by way of recorded vote.

Rates of Travelling Allowance and Provisions Relating Thereto (from 1 May 2023)

Travel by public transport (which, for the avoidance of doubt, excludes air travel) where more than one class of fare is available shall be booked/paid for with a view to ensuring best value and economy wherever possible.

The rate for travel by a Councillor's own solo motorcycle will be 24.0p per mile.

The rate for travel by a Councillor's own private motor vehicle, or one belonging to a member of his family or otherwise provided for their use, other than a solo motor cycle, shall be in accordance with the National Joint Council (NJC) rates for officers applying at the relevant time, which, from 1 May 2023 45.0p per mile.

The rates specified may be increased by not more than the amount of any expenditure incurred on tolls, ferries or parking fees and overnight garaging.

The rate for travel by bicycle shall be 20p per mile.

The rate for travel by taxicab or cab shall not exceed:

- in cases of urgency or where no public transport is reasonably available, the amount of the actual fare and any reasonable gratuity paid, and
- in any other case, the amount of the fare for travel by appropriate public transport.

The rate for travel by a hired motor vehicle other than a taxi-cab shall not exceed the rate which would have been applicable had the vehicle belonged to the Councillor who hired it provided that where the body so approves the rate may be increased to an amount not exceeding the actual cost of hiring.

The rate for travel by air shall not exceed the rate applicable to travel by appropriate alternative means of transport together with an allowance equivalent to the amount of any saving in subsistence allowance consequent on travel by air. Provided that if the Council resolves, either generally or specifically, that the saving in time is so substantial as to justify payment of the fare for travel by air, there may be paid an amount not exceeding:

- the ordinary fare or any available cheap fare for travel by regular air service; or
- where no such service is available or in case of urgency, the fare actually paid by the Councillor.

As per the independent panel recommendations, approved March 2015, the rate of allowances will remain in parity with officer allowance rates.

The cost of travel outside of the UK shall not be reimbursed unless it has previously been authorised by the Council.

Travel allowances to be payable from home to place of duty, or another location (if applicable and less), except that where a Councillor's main residence is no longer in Rushcliffe and is a greater distance than their last qualifying address in the Borough, such allowances shall be payable from the latter.

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	Governance Scrutiny Group
	Thursday, 29 June 2023
Rushcliffe Borough Council	Capital and Investment Strategy Outturn 2022/23

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 2022/23 financial year reporting against the Council's Capital and Investment Strategy 2022/23-2026/27.
- 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 2022/23 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 2022/23. 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 was updated December 2021. Proportionality is now included as an objective, there was clarification around the definition of commercial activity and investments, and the purchase of commercial property purely for profit cannot lead to an increased capital financing requirement (CFR). CIPFA also introduced a liability benchmark as a treasury management indicator.

4 Supporting Information

TREASURY MANAGEMENT

Prudential Indicators Summary

- 4.1 During 2022/23, 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	2021/22 Actual £000	2022/23 Estimate £000	2022/23 Actual £000
Capital Expenditure	16,276	14,611	15,419
Capital Financing Requirement	7,726	14,933	13,266
Investments	(67,785)	(30,917)	(59,914)

- 4.2 The approved capital programme for 2022/23 was £14.611m, with £10.646m brought forward from 2021/22 less other budget adjustments of £4.239m during the year giving a total provision for the year of £21.018m. Actual expenditure against the approved programme was £15.419m (73%) giving rise to a variance of £5.599m. Carry forwards of £5.426m have been requested by Cabinet as part of the Final Outturn Report. The decrease in the Investments balance between years is a reflection of the level of covid grants received during the pandemic.

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:

	2021/22 Actual £000	2022/23 Estimate £000	2022/23 Actual £000
Capital Expenditure	16,276	14,611	15,419
Less Financed by:			
Capital Receipts	(7,787)	(8,921)	(4,386)
Capital Grants	(5,747)	(4,085)	(2,790)
Reserves	(242)	(1,605)	(1,243)
Increase in Borrowing Need	2,500	-	7,000

Re-profiling of expenditure on Bingham Hub and the Crematorium reduced the need to borrow in 2021/22 and instead impacting on 2022/23 (£7m). All of the expenditure can be financed from the Council's capital resources and internal borrowing 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 2022/23 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 In 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 (approximately £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 2022/23 represents a key prudential indicator and is shown below. The table shows additional internal borrowing was needed in 2022/23 giving a closing balance of £13.266m after deducting the MRP of £1.017m in 2022/23.

Capital Financing Requirement (CFR)	2021/22 Actual £000	2022/23 Actual £000
Opening Balance	5,857	7,283
Add: unfinanced Capital Expenditure (per above)	2,500	7,000
Less: MRP/VRP	(1,074)	(1,017)
Closing Balance	7,283	13,266

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 2022/23 these indicators are not applicable.
- 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 minus figure as a result of income from investments exceeding expectations due to rising interest rates throughout the year and this exceeding MRP payments.

The Ratio of Financing Costs to Net Revenue Streams

	2021/22 Actual £000	2022/23 Estimate £000	2022/23 Actual £000
General Fund	3.43%	5.29%	-0.63%

- 4.16 There is a new indicator that looks at net income from commercial and service investments (for example it includes the Crematorium) and expresses it as a percentage of net revenue streams. The increase in later years reflect rent increases and full year effect of the crematorium becoming operational. The actual for 2022/23 is lower than estimated due the Crematorium not becoming operational until the spring and net revenue streams being higher due to Grant Income and Business Rates.

	2022/23 Estimate	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Net Income to Net Revenue Stream	14.5%	11.5%	11.3%	11.4%	15.5%	15.7%	15.6%

Upper Limits for Fixed and Variable Rate Exposure

- 4.17 The purpose of these indicators is to allow the Council to manage the extent to which it is exposed to changes in interest rates. Investment balances dipped at year end due to a transitional payment to DLUHC (£6.238m) which resulted in in the exposure 0.2% above the limit but this was just a temporary position and although fixed rate investment remain at the same level, exposure is currently 41%

	2022/23 Limit	2022/23 Actual
Fixed		
Upper Limit for Fixed Interest Rate Exposure	50%	52%
Variable		
Upper limit for Variable Interest Rate Exposure	100%	48%

Upper Limit for Total Principal Sums invested over 1 year

- 4.18 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.

	2022/23 Limit £000	2022/23 Actual £000
Upper Limit for Total Principal Sums Invested over 364 days	15,400	0

Treasury Position on 31 March 2023

- 4.19 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 2022/23.

Financial Institution	Amount £	Investmen t	Interest
Standard Chartered	4,000,000	182 days	4.06%
Standard Chartered	3,000,000	183 days	4.28%
Close Brothers	5,000,000	179 days	2.00%
HSBC ECG	5,050,023	Call	3.19%
Hertfordshire District Council	5,000,000	273 days	2.83%
Brentwood Borough Council	5,000,000	102 days	3.65%
Denbighshire Council	5,000,000	92 days	3.58%
Wrexham Borough Council	5,000,000	273 days	2.48%
Residual MMF/Call Account Balances	64,166	Call	3.04%
Blackrock	1,405,592	Call	4.09%
Ccla - Psdf	103,559	Call	4.12%
Federated Investors (Uk)	352,391	Call	4.04%
Goldman Sachs Asset Management	254,619	Call	4.01%
Hsbc Asset Management	320,590	Call	0.50%
Invesco Aim	509,094	Call	4.03%
Bank Of Scotland Plc	378,937	Call	0.01%
Bank Of Scotland Plc	110,303	32 Days	2.00%
Barclays Bank Plc	4,445,714	32 Days	4.20%
Handelsbanken Plc	911,993	35 Days	2.45%
Santander Uk Plc	164,129	Call	2.63%
Santander Uk Plc	77,398	35 Days	3.53%
Royal London Cash Plus Fund	983,676	On-going	3.96%
Ccla Property Fund	2,018,374	On-going	4.36%
Ccla Diversified Income Fund	1,839,164	On-going	3.25%
Aegon Diversified Income Fund	4,364,956	On-going	6.80%
Ninety One Diversified Income Fund	4,559,707	On-going	6.20%
Total Investments/Average Interest Rate	59,914,383		3.79%

The Strategy for 2022/23

- 4.20 The expectation, within the strategy for 2022/23, was that short term interest rates would increase from 0.5% with incremental increases of 0.25% until peaking and remaining at 1.25% from 2025/26 onwards. However, in an effort to rein in inflation the Monetary Policy Committee has greatly accelerated the anticipated increase in base rates. At most of the meetings during 2022/23 interest rates have been raised by at least 0.25%. The base rate today currently stands at 4.5% following a further increase 11 May 2023. 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 2022/23

- 4.21 The Bank of England base rate was 0.10% at the start of the year with interest rates increasing to 1% in May 2022 and to 2.25% in October 2022 from which date it has continued to rise. 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 3.79% compared with the budgeted rate of 0.50%, and an actual rate of 1.10% in 2021/22. As well as rising interest rates, 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 £1,139,640 against a budget of £673,300.

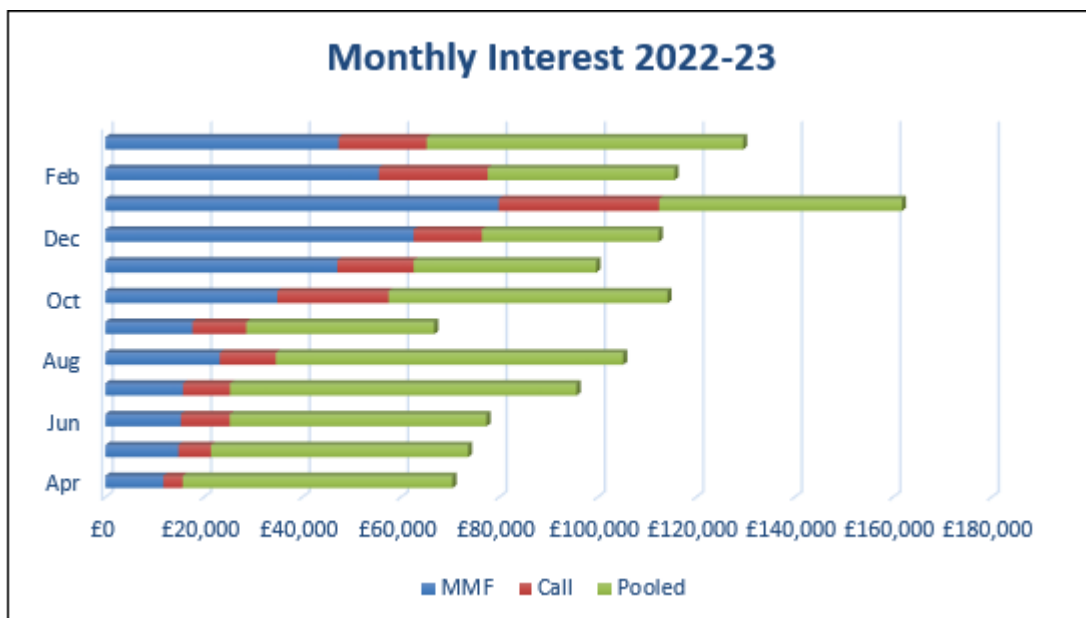
The Council's performance in comparison to (Sterling Overnight Index Average (SONIA) is shown below. SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors

	Average Balance £'000	Interest £'000	Return	SONIA
1 to 3 Months	5,000	94	1.88%	1.81%
3 to 6 Months	10,549	345	3.27%	1.42%
6 Months to 1 year	23,014	787	3.42%	0.90%

4.22 The fair value of the Council's diversified funds can fluctuate. During the year the value reduced by £1.457m. To mitigate this loss, appropriations have been made to a reserve of £0.973m (see paragraph 4.25) - £0.773m from in year efficiencies and £0.2m from 2021/22, to cushion any adverse fluctuations. There is currently a statutory override, effective for a further 2 years, which prevents any accounting loss impacting on the revenue accounts. It was due to end 31st March 2023 but has been extended to 31st March 2025.

Fair Value	1.04.22	31.03.23	Difference
Aegon-Previously Kames	4,976,196	4,364,956	-611,240
Ninety One-Previously Inves	4,819,826	4,559,707	-260,119
RLAM	991,193	983,676	-7,517
CCLA Property	2,416,786	2,018,374	-398,412
CCLA Diversified	2,018,480	1,839,164	-179,316
	15,222,481	13,765,876	-1,456,604

4.23 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 a £0.620m return from £15m investment in diversified funds compared to £0.426m from an average of £20m invested in Money Markets. It should be noted that the balance invested in Money Markets fluctuates month by month.



4.24 The Council's investment policy is governed by the annual Capital and Investment Strategy approved by Council on 2 March 2023 (and prior to this approved by the Governance Scrutiny Group on 31 Feb 2023). 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.

4.25 The Council's longer-term cash balances comprise primarily 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. There has been a net transfer from earmarked reserves of £4.003m. The most significant transfer from reserves was £3.707m from the Collection Fund reserve, whilst the largest movement to reserves is £0.773m for the creation of the IFRS 9 Capital Depreciation Reserve for movements in fair values of Treasury Assets. 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	31 March
	2022	2023
	£000	£000
General Fund Balance	2,604	2,604
Earmarked Reserves	23,575	19,572
Usable Capital Receipts	825	1,085
Capital Grants Unapplied	160	154
Total	27,164	23,415

Conclusion – Treasury Management

- 4.26 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 trying to restore stability and tame inflation so continues to present risks. We will continue to monitor these.

ASSET INVESTMENT STRATEGY

Overview

- 4.27 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.
- 4.28 This section of the report reviews the position of existing commercial investments.

Investments 2022/23

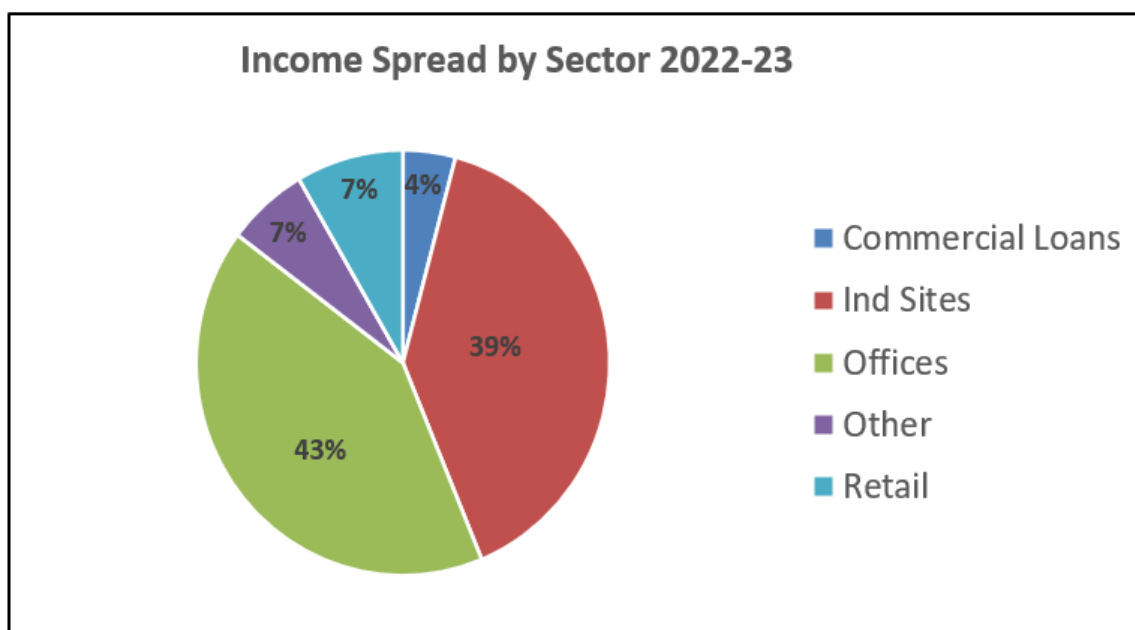
2022/23 remained an uncertain year with political unrest, spiralling inflation and counteracting interest rate rises all impacting on the economy. No further commercial investments were pursued following the decision to remove the balance on the asset investment fund (£3.863m) as part of the MTFs (Cabinet 9 February 2021).

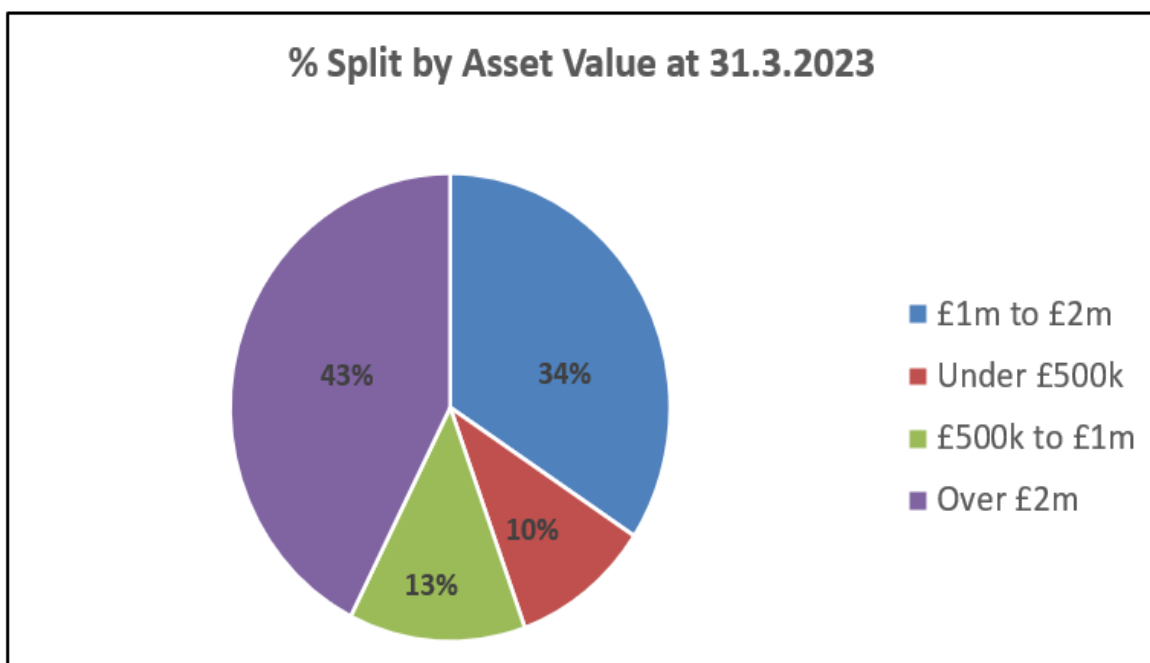
Current Position

4.29 The table below shows the returns being made on previous acquisitions from the Asset Investment Strategy. 2022/23 showed a return of 5.41% compared with 4.85% in 2021/22.

Total Spend £	Gross Return	Investment	2022-23 Actual £	2023-24 £	2024-25 £	2025-26 £	2026-27 £	2027-28 £
1,964,500	3.28%	NCCC Loan (interest)	72,810	67,000	65,900	59,200	59,200	59,200
1,477,500	4.67%	Trent Boulevard (Co-op)	72,540	77,000	77,000	77,000	77,000	77,000
984,000	6.76%	Finch Close	66,504	69,800	74,000	74,000	74,000	74,000
1,917,000	6.26%	Bardon	137,841	128,000	128,000	128,000	128,000	128,000
2,500,000	6.20%	Cotgrave - New Offices & Cotgrave- Ind Units	46,564	42,900	44,800	44,800	44,800	44,800
860,000	6.98%	Boundary Court	130,387	122,300	125,800	128,000	128,000	128,000
1,900,000	4.79%	Cotgrave Phase 2	61,035	63,600	63,600	63,600	65,200	65,200
2,450,790	5.59%	Unit 3 Edwalton Business Park	78,633	90,900	92,000	93,200	98,800	98,800
2,083,364	5.28%	Unit 1 Edwalton Business Park	136,850	136,900	136,900	140,800	143,800	143,800
16,137,154	5.41%	Totals	913,164	908,400	918,000	924,100	934,300	934,300
3,862,846	RETURNED							

4.30 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:





4.31 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.

4.32 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, favourably

affecting total income. Income has been up across the board including Government Grants, Investment income and recycling credits.

Commercial Investment income and costs

	2022/23 £'000	2022/23 ACTUAL	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Commercial Property Income	(1,738)	(1,756)	(1,832)	(1,894)	(1,924)	(1,962)	(1,962)
Running Costs	591	546	480	468	476	482	487
Net Contribution to core functions	(1,147)	(1,210)	(1,352)	(1,426)	(1,448)	(1,480)	(1,475)
Interest from Commercial Loans	(72)	(78)	(67)	(63)	(59)	(59)	(59)
Total Contribution	(1,219)	(1,288)	(1,419)	(1,489)	(1,507)	(1,539)	(1,534)
Sensitivity:							
+/- 10% Commercial Property Income	174	176	183	189	192	196	196
Indicator:							
Investment Income as a % of total Council Income	24.2%	19.9%	18.8%	19.9%	20.3%	20.5%	20.3%
Total Income	7486	9207	10117	9824	9792	9880	9955

The Way Forward

- 4.33 The Council's original intention was to look at generating around £1m of additional property rental income to help bridge the anticipated budget deficit. 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 2026/27 (see table at paragraph 4.30).

Member and Officer Training

- 4.34 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 involved in scrutiny and broader training for members who sit on full Council. Previously these needs have been reported through the Member Development Group, with the Council specifically addressing this important issue by:

- Periodically facilitating workshops for members on finance issues most recently provided in January 2023
- Interim reporting and advising members of Treasury issues via Governance Scrutiny Group

With regards to officers:

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

CIPFA have developed a self-assessment tool which will need to be completed so that a tailored, recorded and monitored training plan can be drawn up to ensure that training provided achieves the desired outcomes. Attendance at training should be recorded and action taken where poor attendance is identified. Regular communication is encouraged.

The Council has piloted a 'training needs' template which will be modified for new Governance Group Members in the coming months. This should inform training requirements. Furthermore, the Council will continue to have its Annual Treasury Management training session with Councillors provided by its Treasury advisers.

Conclusion

- 4.35 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 and the future remain uncertain and will be monitored closely. A quarterly update will be presented to this group showing the position for the first quarter of 2023/24.

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 that it is important that it 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 4.27-4.30).

6 Implications

6.1 Financial Implications

Financial implications are covered in the body of the report.

6.2 Legal Implications

This reports 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 2022/23 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 2022/23; Capital and Investment Strategy 2022/23; Treasury Management Update – Mid-Year Report 2022/23 and quarters 1 and 3 Reports 2022/23
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.

SONIA - Sterling Overnight Index Average. SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors

 <p>Rushcliffe Borough Council</p>	<p>Governance Scrutiny Group</p> <p>Thursday, 29 June 2023</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.

28 September 2023

- Internal Audit Progress Report Q1
- Statement of Accounts 2022/23
- Risk Management
- Going Concern
- Capital and Investment Strategy Monitoring Q1
- Work Programme

23 November 2023

- Internal audit Progress Report Q2
- Annual Audit Report 2021/22
- Capital and Investment Strategy Monitoring Q2
- Asset Management Plan
- Work Programme

22 February 2024

- Internal Audit Progress Report Q3
- Internal Audit Strategy

- Risk Management
- Capital and Investment Strategy Monitoring Q3
- Capital and Investment Strategy 2024/2025
- Work Programme

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.