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Our reference:
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Date: 20 September 2023

To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held on Thursday, 28 September 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
[Link to further information in the Council's Constitution](#)
3. Minutes of the Meeting held on 29 June 2023 (Pages 1 - 12)
4. Internal Audit Progress Report Q1 (Pages 13 - 38)
Report of the Director – Finance and Corporate Services
5. Risk Management (Pages 39 - 52)
Report of the Director – Finance and Corporate Services
6. Changes to the Constitution – Planning Committee Working Group (Pages 53 - 56)



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Report of the Monitoring Officer

7. Going Concern (Pages 57 - 66)

Report of the Director - Finance and Corporate Services

8. Capital and Investment Strategy Monitoring Q1 (Pages 67 - 76)

Report of the Director - Finance and Corporate Services

9. Governance Scrutiny Work Programme (Pages 77 - 78)

Report of the Director – Finance and Corporate Services

Membership

Chair: Councillor A Edyvean

Vice-Chair: Councillor P Gowland

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

Meeting Room Guidance

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MINUTES OF THE MEETING OF THE GOVERNANCE SCRUTINY GROUP THURSDAY, 29 JUNE 2023

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

PRESENT:

Councillors A Edyvean (Chair), P Gowland (Vice-Chair), T Birch, S Calvert,
H Om, N Regan, D Simms, C Thomas and G Wheeler

ALSO IN ATTENDANCE:

Mr G Dulay – BDO (Council's Internal Auditors)
Mr M Armstrong – BDO (Councils Internal Auditors)
Mr M SurrIDGE – Mazars (Council's External Auditors)
Ms B Frudd – Mazars (Council's External Auditors)

OFFICERS IN ATTENDANCE:

P Linfield	Director of Finance and Corporate Services
L Ashmore	Director of Development and Economic Growth
G Dennis	Monitoring Officer
S Whittaker	Service Manager - Finance
P Cook	Principal Planning Officer
T Coop	Democratic Services Officer

APOLOGIES:

There were no apologies

1 Declarations of Interest

There were no declarations of interest reported.

2 Minutes of the Meeting held on 23 February 2023

The Minutes of the meeting held on 23 February 2023 were approved as a true
record and were signed by the Chair.

3 Role and Remit of Governance Scrutiny Group

The Service Manager – Finance informed the Group of it's Terms of Reference,
and the purpose of the Group to positively and proactively contribute to the
ongoing success and management of the Council.

It was noted that the Group will achieve this by:

- Reviewing the outcomes of both the internal and external audit
investigations to ensure the Council is compliant with legislation and best
practise

- Monitor the Annual Governance Statement (AGS) to ensure compliance with the Council's Code of Corporate Governance
- Scrutinise and approve the Statement of Accounts
- Scrutinise and approve reports on the Council as a 'Going Concern'
- Consider the Council's Risk Management Framework
- Consider regular reports on Asset and Investment Management to ensure prudent use of Council resources to fulfil objectives of the Investment Strategy and Capital Programme
- Monitor the operation of the Council's constitution and to recommend to Council any necessary changes

The Group were advised that the Service Manager – Finance and on occasion the Council's s151 officer would support and attend the Group meetings.

4 **Internal Audit Progress Report Q4**

Mr Dulay from BDO, the Council's internal auditors presented the fourth report for this financial year which reflects the progress made for the year against the annual internal audit programme along with any significant recommendations with regard to audit completed during this period.

The report highlighted the completion and issuing of three reports as follows:

Channel Shift

This audit received a substantial rating for both Design and Effectiveness, with two low priority findings with recommendations to improve the Council's arrangements for Channel Shift.

Safeguarding

This audit received a substantial rating for Design and a moderate rating for Effectiveness, with one low priority finding and two medium priority findings. It was noted that the Council does not undertake periodic checks to ensure staff with direct contact with children have had a DBS check, although this has since been implemented during the audit review. Furthermore, the Council is failing to ensure that key personnel are attending an internal steering group where discussions on safeguarding concerns are raised with delivery partners.

Sustainable Warmth Grants

The audit received a substantial rating for both Design and Effectiveness with two low priority findings. It was noted that the Council were missing key documents to display E.on being responsible for delivering the Sustainable Warmth Grants which may cause confusion in areas such as costings and FPI results.

Mr Dulay advised the Group that there had been no limited assurance reports and management actions had been agreed for all recommendations.

In addition, the Group were informed that the Audit Opinion and Fraud Report would be covered in a separate item and that the Audit Plan is substantially

complete except for Hybrid Mail which had not yet been finalised and would be reported at the next meeting of Governance Scrutiny Group.

Members of the Group questioned the safeguarding audit and staff DBS checks not being up to date and raised concerns regarding the Council's run leisure facilities and were there assurances that companies supporting the leisure facilities were adequately DBS checked. Mr Duly advised the Group that officers have ensured the annual review would be completed. In addition, Mr Duly asked Councillors to note that all staff who are involved with children as part of their work were enhanced DBS checked.

The Service Manager – Finance offered to provide the Group with an update on compliance in this area.

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

5 **Internal Audit Annual Report**

Mr Duly presented the Internal Audit Annual Report for 2022/23 including the annual opinion of the Head of Internal Audit required by the Public Sector Internal Audit Standards.

The Group were informed that the Internal Auditors concluded that the Council has a substantial system of internal control and asked the Group to note that a substantial assurance is the highest level and that this is a significant achievement particularly in the current economic climate.

Mr Duly explained that on following up on recommendations the Council has a high compliance rate and have achieved moderate or substantial ratings throughout the year and no high priority findings.

The Group commended officers on their excellent work and compliance on achieving these results.

It was **RESOLVED** that Governance Scrutiny Group notes the Internal Audit's Annual Report 2022/23 (Appendix A)

6 **Annual Fraud Report**

Mr Duly presented the Annual Fraud Report which summarises the incidence of fraud and fraud prevention activities at the Council during the year 2022/23.

The Group noted that the auditor had not undertaken a full fraud risk assessment or audited any information provided to it by the Council's officers. However, when undertaking other audit work if a fraud is suspected or identified, then it would be investigated and reported to Governance Scrutiny Group. A detailed report was appended with no frauds identified.

Mr Duly highlighted that training on fraud awareness had been delivered by BDO to staff across the Council, anti-fraud and corruption policies and in

particular the Council's whistleblowing policy arrangements were robust, and staff are made aware of procedures on the staff intranet page and managers encourage an open culture.

Group were informed of the National Fraud Initiative (NFI), a data matching exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Mr Dulay advised the Group that the Council started a review in respect of single person discounts via the NFI and 800 matches were reviewed, from these matches there had been 69 live cases investigated and 69 cases where the discount had been removed. The Group were advised that due to other work pressures, resources were diverted to Council Tax Energy Rebate payments.

It was noted that all discounts awarded (except single person discounts) are reviewed on an annual basis.

In concluding Mr Dulay advised that the Council's fraud arrangements are good.

Members of the Group raised specific concerns in respect of the 800 matches found via the NFI data matching exercise and only 69 cases being identified and investigated. The Group also asked what the Council does when a fraud has been identified. Mr Dulay reassured the Group that these were flagged matches and are not necessarily fraudulent. The Service Manager – Finance added that in most cases they are found to be a mistake, when fraudulent activity is identified the customer is rebilled for the outstanding amount.

The Chair considered the report to be positive and complimented officers on their proactive approach to fraud.

It was **RESOLVED** that 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.

7 **Annual Audit Letter and Value for Money Conclusion**

Mr SurrIDGE from Mazars, the Council's external auditors presented the Annual Audit Letter along with the Council's Value for Money arrangements.

The report summarised the progress of the external audit process for the financial year 2021/22. Mr SurrIDGE advised the Group that no actions are required in relation to the report other than a misstatement and an unadjusted misclassification were identified as a result of new guidance issued in relation to infrastructure assets. In relation to pensions the Group were also advised there was a non-material misstatement arising from a revised pension report which was issued during the audit. The Group were asked to note the report was positive with no major concerns.

With regards to the Value for Money arrangements Mr SurrIDGE explained that as part of their work the auditors are required to consider whether the Council has made proper arrangements for economy, efficiency and effectiveness in its use of resources, reporting on the following criteria:

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

Mr Surridge informed the Group there are no indications of significant weaknesses in the Council's arrangements for financial sustainability.

Members of the Group asked a specific question relating to the cash reserves and what was the logic for holding such large cash reserves. The Director – Finance and Corporate Services explained the reserves are earmarked for the medium-term financial strategy and are linked to risk and the Council's future capital plans.

Members questioned the misclassification of assets and whether this would have any effect on the council's accounts further down the line. The Group were advised the misclassification related to infrastructure assets that were misclassified and the adjustment provides no burden to the taxpayer.

The Group noted a typo error in the Mazars Annual Audit Report of an extra £4m in Government Grants for 2022/23 which had been tabled within the Capital Programme under General Fund.

It was **RESOLVED** that Governance Scrutiny Group note the receipt of the Annual Audit Letter

8 External Audit Annual Plan

Ms Frudd from Mazars presented the Council's External Audit Annual Plan which summarised the approach to external audit activity with regards to the final accounts process and value for money arrangements for the financial year 2022/23.

The Group were advised of the audit scope, approach and timeline with the expected completion by October 2023. It was noted that the end of year accounts should be reported to the Governance Scrutiny Group at its meeting in September, however due to the Council's meeting schedules and extra audit pressures this may be pushed back to the November meeting of Governance Scrutiny Group.

Ms Frudd explained the significant risk assessment approach, which identifies risks relevant to the audit of financial statements. The risks identified include:

- Management override of controls
- Valuation of net defined benefit liability
- Valuation of property, plant and equipment

- Insourcing of Streetwise

The Director – Finance and Corporate Services added that there have been some challenges of the audit and accounting due to increased standards of audit and external audit pressures in respect of the pension audit. However, it was noted that the Council had prepared its draft Statement of Accounts in good time with the view to them being signed off by September 2023.

The Group raised a specific question relating to Streetwise and whether an audit on it now, (only after 6 months being back in the control of the Council), would give a realistic view of its financial performance. Mr SurrIDGE advised the Group that Streetwise moved back to the Council on 1 September 2022 and that audit would take a view over the half year.

It was **RESOLVED** that Governance Scrutiny Group accept the External Audit Annual Plan.

9 **Annual Governance Statement (AGS)**

The Director – Finance and Corporate Services presented the Annual Governance Statement report and the Council's Annual Governance Statement signed by the Leader and Chief Executive in Appendix 1, which is published alongside the Council's Statement of Accounts in accordance with the Accounts and Audit Regulations 2015.

The Group noted that any changes prior to the publishing of the final Statement of Accounts would be brought back to Governance Scrutiny Group for review and recommendation.

The Director – Finance and Corporate Services highlighted some of the principles in Appendix 1 around the Constitution, policies and procedures, risk management development of staff and councillors and the delivery of an annual training programme.

The Group were asked to consider the significant governance issues identified, including the impact of Covid, the cost of living crisis and new standards being introduced within the CIPFA Financial Management Code. In addition, the Director – Finance and Corporate Services advised the Group that there are still ongoing risks and uncertainties around the Ratcliffe on Soar power station, Freeport and Development Corporation.

It was noted that the Annual Governance Statement was currently at the draft stage.

One Member of the Group felt the Statement didn't really explain in detail what the Council had achieved or its aims of what it wanted to achieve and asked whether a comparison against last year's report would be helpful. The Director – Finance and Corporate Services explained that the purpose of this report is to explain the governance position of the Council's accounts and is not an annual report such commentary is provided in the Narrative Statement within the Council's Financial Statements.

Councillor Thomas asked a specific question in relation to the power station site, Freeport and Development Corporation projects and what are the likely financial regarding business rate income. The Director – Finance and Corporate Services advised that there is always a risk with any new project and that the Council's expectations are that the closure of the power station would not have a detrimental effect on business rates as it is anticipated that the Freeport and development of this site would bring further business rate streams, however it was noted that this is difficult to predict or evaluate and such income is dependent on the speed at which the site becomes operational.

Councillor Gowland asked a specific question in relation to risks around Emergency Planning and also whether the Council is likely to meet its carbon zero targets and whether this should be considered a risk if targets are not met in time. The Director – Finance and Corporate Services proposed to take this back to the Director – Neighbourhoods with a view to amending the Annual Governance Statement in its final version within the Statement of Accounts for November Governance Scrutiny Group.

It was **RESOLVED** that the Governance Scrutiny Group reviewed and approved the Annual Governance Statement 2022/23 (Appendix 1).

10 **Revisions to the Council's Constitution**

The Monitoring Officer provided a report that summarised the amendments to the Council's Constitution to reflect legislative and procedural changes and introduction of administrative textual amendments. These were tabled in Appendix 1 of the report.

The Monitoring Officer highlighted some changes relating to Planning Committee as follows:

Part 3 – Responsibility for Function and Scheme of Delegation

- 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.

Part 4 – Standing Orders, Rules and Financial Regulations

- Revisions to the timings of Planning Committee meetings
- Revisions to the rules relating to public speaking at Planning Committee meetings
- Revision to the rules relating to consultation on planning applications

Prior to the Scrutiny Group meeting Councillor Thomas asked the Monitoring Officer if amendments could be made resulting from discussions at a recent Local Development Framework meeting in respect of amendments to the circumstances in which Certificates of Compliance must be considered by Planning Committee under Part 3 of the Constitution.

With regards to Part 3 – Where a valid request that a planning application be referred to the Planning Committee for determination has been made by a ward Councillor(s), the Group asked for a more flexible approach in respect of the statutory consultee timescale of 21 days. The Director – Development and

Economic Growth explained that the timescales are narrow in order that the Council meets its planning targets and to allow for a month's lead in for officers to prepare reports for Planning Committee. It was agreed that some flexibility under exceptional circumstances only, could be allowed, for example, material reasons.

The Group requested that the wording be 'softened' in respect of a ward Councillor referring an application to the Planning Committee and that they must attend the Committee in person to present their views. The Group felt that 'must' implies they have to attend when an alternative representation, for example a written statement would be more appropriate, adding that Councillors may not be able to attend in person due to personal or work commitments. The Director – Development and Economic Growth explained that a ward Councillor being present at committee provides best balance in an argument and is the preferred approach for Committee members. The Group were unable to reach a consensus on this issue.

With regards to Part 4 - The Group agreed with the new start time of 6.00pm for Planning Committee, however they questioned the proposal that 'no new items shall be started after 9.00pm' and suggested that this should be the decision of the Planning Committee Chair on the advice of the planning officer. With regards to applications for consideration at the planning committee it was proposed that the committee may ask questions, seeking clarity from the objector or representative and the applicant. Councillor Gowland felt this required a more controlled environment and if an objector and applicant could be questioned by the committee then why not the Ward Councillor. There were mixed views on this. No consensus could be reached on this issue.

The Monitoring Officer agreed to take those amendments on which consensus had not been reached away to consider these further.

It was **RESOLVED** that:

- a) Governance Scrutiny Group considered the revised proposals to the Constitution and concluded that further work should be undertaken on those items on which consensus had not been reached by the Group.
- b) All other proposed revisions are recommended for adoption by Council

11 **Capital and Investment Strategy Q4**

The Service Manager – Finance presented the Capital and Investment Strategy Outturn report, which summarised the capital and investment activities during the financial year 2022/23 against the Council's Capital and Investment Strategy 2022/23-2026/27.

With regard to Treasury Management, the Service Manager – Finance referred to the supporting information within the report and highlighted the prudential and treasury indicators and the impact of capital expenditure during the year. The Group were advised that the re-profiling of expenditure on the Bingham Hub and crematorium reduced the need to borrow in 2021/22, but instead impacted on 2022/23 (£7m), however it was noted that this expenditure can be

financed from the Council's capital resources and internal borrowing, thus mitigating the need to externally borrow.

The Service Manager – Finance referred to the ratio of financing costs to net revenue streams which is an indicator for affordability and compares net financing costs to net revenue income and highlighted income from investments were exceeding expectations due to rising interest rates throughout the year.

A new indicator that looks at net income from commercial and service investments, for example the crematorium was lower than anticipated due to the delay in the opening of the crematorium.

In relation to the Treasury position on 31 March 2023 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. The Group were provided with a list of financial institutions and the investments held in each.

The Service Manager – Finance explained that the economic forecast looks favourable in the short term, the Bank of England base rate stands at 5%. The Council continues with prudent investment of treasury balances to achieve both security and liquidity of its investments, whilst achieving the optimum return on its investments.

With regards to asset investments the Group were reminded that due to new Government and CIPFA guidance on Treasury Management the purchase of commercial property purely for profit cannot lead to an increased capital financing requirement, and as the Council's Asset and Investment Strategy fell within the definition of this guidance, the Council took the decision to no longer invest in property for commercial gain.

The Service Manager – Finance advised the Group that the updated Treasury Management Code requires Local Authorities to document knowledge and skills to ensure that both members and officers dealing with treasury management are trained and kept up to date. With regards to members of Governance Scrutiny Group there will be periodic training sessions on finance issues and reporting and advising the Group of treasury issues at its meetings.

In concluding the Group were advised that all Council investments remain fluid, the economy, monetary measures and the future remain uncertain and will be monitored closely. The Group will be presented a quarterly update showing the Council's Treasury Management position.

Members of the Group asked specific questions relating investments with the various financial institutions and in particular other authorities and green and social investments and whether the officers could provide a more detailed breakdown to show the Council were doing their best to invest in greener and more ethical companies. The Service Manager – Finance explained such ratings for investments are difficult to measure, the Council is guided by Link the Council's Treasury advisors who advise on greener investments and

confirmed the Council do already hold some investments in 'green' funds. It was noted that investments also need to be both secure and liquid.

With regards to training Councillor Wheeler highlighted some of the training delivered during the past year and in particular training delivered before Governance Scrutiny Group on topics that covered the reports at that scrutiny group meeting.

It was **RESOLVED** that Governance Scrutiny Group agrees the 2022/23 outturn position.

12 Governance Scrutiny Work Programme

The Service Manager – Finance and visited the Group that there are still some delays to the signing off of the Statement of Accounts as reported in the Annual Audit Plan and this item is likely to slip to the Governance Scrutiny Group meeting on 23 November 2023.

It was **RESOLVED** that Governance Scrutiny Group approve the Work Programme as follows:

28 September 2023

- Internal Audit Progress Report Q1
- Statement of Accounts *This may be pushed to the meeting in November
- 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 2024/25
- Work Programme

ACTIONS – 29 June 2023

Min No	Action	Officer Responsible
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4	Members requested more detail on safeguarding and employee DBS checks within the leisure and facility companies that support the Council's operations	Service Manager – Finance
9	Members asked for specific detail regarding around emergency planning and whether the council will meet its net zero targets and the risks involved should these not be met and the AGS to be amended as appropriate when the Financial Statements are presented to the Group in November.	Service Manager - Finance

The meeting closed at 9.46 pm.

CHAIR

DRAFT

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Governance Scrutiny Group

Thursday, 28 September 2023

Internal Audit Progress Report Quarter 1

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 first report for this financial year. It reflects the progress made for the year against the annual Internal Audit programme, any recommended changes to the 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 considers the quarter 1 progress report for 2023/24 (**Appendix A**) prepared by the Council's Internal Auditor and the recommended change to the Plan.

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 2023/24 was approved by the Governance Scrutiny Group at its meeting on 23 February 2023 and includes ten planned reviews.

4.2. The attached report highlights the completion and issuing two reports from the 2023/24 Internal Audit Annual Plan and one report from the 2022/23 plan. In terms of findings:

- The Main Financial Systems audit received a substantial rating for both Design Effectiveness, with one low level finding
- The Markets audit received a substantial rating for both Design and Effectiveness with one low level finding
- Hybrid Mail audit from the 2022/23 plan has received a substantial rating for Design and a Moderate rating for Effectiveness with one medium and two low level recommendations
- No limited assurance reports have been issued
- Management actions have been agreed for all recommendations.

- 4.3. The audit plan is on target for completion in line with the plan. Page 2 of the report includes a management request that the plan is altered with a focus on Fleet management and this does not include air pollution (not ideal bed fellows) which BDO accept is justified for the reasons stated within the report.
- 4.4. There are two questions to assist the Group in their consideration of the audit plan. These are:
- Is the Group satisfied that there is sufficient assurance given for audits completed to Q1?
 - Is the Group satisfied with the progress made to date and to ensure completion of the plan?

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.

6.5. Biodiversity Net Gain

There are no bio-diversity implications associated with this report.

7. Link to Corporate Priorities

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

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group considers the quarter 1 progress report for 2023/24 (**Appendix A**) prepared by the Council's Internal Auditor and the recommended change to the plan.

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 2023/24 Governance Scrutiny Group 2 February 2023
List of appendices:	Appendix A - Internal Audit Progress Report – BDO

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**INTERNAL AUDIT
PROGRESS REPORT**

RUSHCLIFFE BOROUGH COUNCIL

SEPTEMBER 2023

CONTENTS

SUMMARY OF INTERNAL AUDIT WORK 2

REVIEW OF 2022/2023 WORK 4

REVIEW OF 2023/2024 WORK 5

PROJECT MANAGEMENT - HYBRID MAIL..... 6

MAIN FINANCIAL SYSTEMS 10

MARKETS - INCOME 13

SECTOR UPDATE 16

KEY PERFORMANCE INDICATORS 19

APPENDIX I 20

SUMMARY OF INTERNAL AUDIT WORK

INTERNAL AUDIT

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

- ▶ Project Management - Hybrid Mail

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:

- ▶ Main Financial Systems
- ▶ Markets - Income.

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 meeting:

- ▶ Reconciliations
- ▶ Governance of Partnership Arrangements.

CHANGES TO THE 2023/24 INTERNAL AUDIT PLAN

As part of our scoping process with management, it has been requested that the Air Pollution and Fleet Management review focuses solely on Fleet Management for the following reasons:

- ▶ To maximise the value of Internal Audit's work, focusing on fleet management only will provide more time to have a deeper dive into the fleet management controls, including the management of vehicle replacement programme (and how this is aligned to the Carbon Management Plan), statutory maintenance of vehicles and compliance with the O-licence requirements
- ▶ BDO undertook a review of Environment in 2022/23 where we provided Substantial assurance over the design of controls and Moderate assurance for the effectiveness. While the scope of the review covered the Council's wider management of environmental strategies and policies, air quality and emissions data formed part of the review,

with a Medium finding raised around the Council's capturing and reliability of emissions data from some leisure centres, Cotgrave Precinct and the Depot. We have subsequently followed up on this recommendation with management and confirmed that work has been undertaken on communications around improving data quality.

We request the Governance Scrutiny Group's approval to revise the scope of this review to concentrate solely on fleet management.

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	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)	September 2023	✓	✓	✓	S	M








REVIEW OF 2023/2024 WORK

AUDIT	AUDIT COMMITTEE	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENESS
Country Parks Income	February 2024	✓				
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	✓	✓	✓	S	S
Markets - Income	September 2023	✓	✓	✓	S	S
Reconciliations	November 2023	✓	✓			
Rushcliffe Oaks Crematorium - Income	June 2024	✓				



PROJECT MANAGEMENT - HYBRID MAIL

CRR REFERENCE: FAILURE TO PROPERLY MANAGE DELIVER SIGNIFICANT PROJECTS

Design Opinion		Substantial	Design Effectiveness		Moderate
Recommendations					



SCOPE

BACKGROUND

In December 2016, Rushcliffe Borough Council (the Council) relocated its offices from the Civic Centre to the Rushcliffe Arena. Due to the limitation on space at the Rushcliffe Arena the Council explored the hybrid mail solution, reducing the need for photocopiers and printers. The project was an initiative introduced as part of the ‘Digital by Design’ programme, to offer more digital communications and business operations and make best use of digital development to improve service delivery.

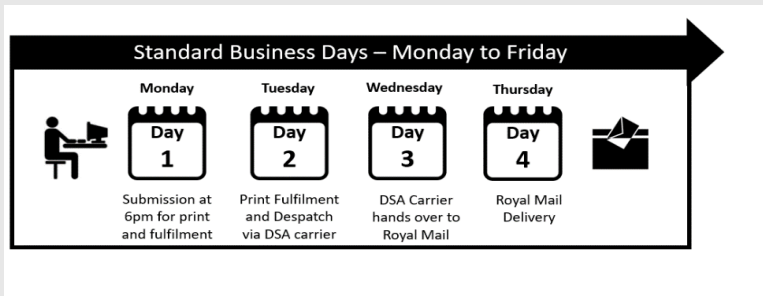
The hybrid mail transition has allowed the Council to deliver mail using a combination of electronic and physical methods. Digital data is transferred into physical letters at printing distribution centres located closer to the recipient’s address. Recipients can also receive electronic mail by entering a PIN to view the mail online. All post sent via hybrid mail is recorded in a ‘post box’ system, allowing users to monitor the delivery status of the mail.

The hybrid mail has a supervisory review process enabled so that a letter can be previewed before being sent out. A 2D barcode is placed within the envelope window to guarantee best value for postage costs.

Prior to the implementation of hybrid mail, the Council estimated that the annual postage costs for the Revenues and Benefits Team, who send large volumes of council tax and business rates bills to customers, exceeded £93,000. However, this fell to c£79,000 following the implementation of hybrid mail.

Initially the Council trialled hybrid mail for 12 months from July 2017, before investing in it across its services. Service Level Management (SLM) Ltd were commissioned to manage the hybrid mail process from preparation of the mail to despatching to recipients. Publisure operate the hybrid mail software for printing and despatching mail. Royal Mail are used as the postal carrier.


A summary of the Publisure hybrid mail process and timeframes can be seen below:



As part of the 2022/23 Internal Audit Plan, BDO did undertake a comprehensive review of the Council’s project management and concluded that the control design was Moderate, and the control effectiveness was Substantial.

AREAS REVIEWED

This review focused on the management of the implementation of hybrid mail project. The Council had a Project Management Framework in 2012 in place which we used as the basis for our review. However, this document is no longer in use which we noted in the Project Management review, has led to inconsistencies in project management across the Council. We assessed the project management of the rollout of hybrid mail against this framework and standard project management best practice from inception and initiation to the current status.

 AREAS OF STRENGTH

The following were areas of good practice we found:


- ▶ The Council undertook a system review of the Hybrid Mail system in 2021, evaluating the user perceptions, the technical management and the supplier responsiveness. This concluded that there have been minimal issues with the system, and it has broadly delivered the necessary outputs required by the Council
- ▶ A project initiation document (PID) was prepared for the initial phase of the project. This identified the operational benefits on reducing the amount of storage space for printing equipment in the Rushcliffe Arena and allowing home workers to print documents remotely. Following the increase of remote working since the Covid-19 pandemic the benefits through this have materialised significantly. The PID also provided a financial appraisal of the project, identifying potential savings that could arise.
- ▶ Project risk assessment was done prior to commencement and a copy attached to the PID.
- ▶ During the Hybrid Mail project, the project manager did deliver presentations to update them on its progress and outline next steps for integrating it across other departments in the Council.
- ▶ The Council migrated its end provider for production and despatch services from GI Solutions to Nottingham County Council in 2022. A project plan was developed by Publisure outlining the objectives of the project. We were informed that there has been an improvement in the timeliness of delivery to recipients, as noted by fewer issues raised around delays by managers.
- ▶ Publisure send a daily report to the Council of all documents submitted for printing, with a breakdown by each department that these came from. These are monitored on a spreadsheet and checked within 48 hours that they have been confirmed (received by the printers) and if there are any variances, these are raised as a fault on Publisure’s system to be investigated.

 AREAS OF CONCERN

Finding	Recommendation and Management Response
<p>Documentation relating to the initiation and monitoring on the hybrid mail project was not retained or accessible to the Council as the project manager has since left the Council (Finding 1 - Medium)</p>	<p>As part of the development of the Project Management Framework (see Finding 1 of Project Management Report) the Council should establish a standard filing structure for Level 3 and 4 projects, to ensure that project documentation can be accessed once staff have left. This should include:</p> <ul style="list-style-type: none"> • Files being numbered sequentially. • Approval for the project and key project documentation • Project governance documentation • Legal agreements with contractors or suppliers (signed by both parties) • Project performance reports. <p><u>Management Response</u></p> <p>The existing project management framework and associated documentation have been reviewed. An updated framework is currently being drafted, following discussions with colleagues across the organisation with experience delivering projects for Rushcliffe. Recommendations from the most recent Hybrid Mail audit regarding project management will be incorporated into this process and reflected in the updated framework. Once this initial draft is complete, it will be circulated for comment to colleagues in project roles. It is proposed that the final</p>

		<p>framework and associated documents be shared at a future leadership forum.</p> <p>Target Date: April 2024</p>
	<p>A documented evaluation/assessment of the hybrid mail was not conducted at the end of the one-year trial period to identify the financial and operational impact on the Council (Finding 2 - Low)</p>	<p>For future similar projects where there is a financial and operational impact on the Council, a formal and documented evaluation of the project should be undertaken at the end of the trial period, or at an agreed interval, to assess whether it has delivered the expected outcomes and savings. This should better inform the Council when considering whether to continue with these types of projects.</p> <p><u>Management Response</u></p> <p>As indicated above, the procurement officer involved in the original Hybrid Mail project has left the Council and whilst there are records relating to this project they had not been sufficiently organised to allow relevant documents to be easily shared for this audit or to demonstrate that evaluation of the project had been undertaken at various intervals.</p> <p>Whilst no formal evaluation was carried out for this project (that can be located) target savings are incorporated into the budget (and where applicable in the Transformation Plan) and therefore they are monitored via the normal monthly budget monitoring process and captured in the Transformation Plan and any targets not met would therefore be highlighted. The Council will follow a similar model for trial periods of services/goods moving forwards ensuring that regular meetings are diarised with the key stakeholders to review and evaluate the progress and impact of each project in terms of both financial and non-financial benefits before engaging in the project on a permanent basis.</p> <p>What was demonstrated with this project was that it has been a success with less printers, printing cost and a movement to successful electronic printing and thereafter postage by a third party.</p> <p>KPIs are in place and monitoring reports and exception reports are received on a weekly basis which we review on an exceptions basis and any budget variations would be separately reported.</p> <p>Target Date: April 2024</p>
	<p>The Council are unable to track the delivery of mail to recipients through Publisure. Internal testing of the process by the Council has identified some letters were received outside the agreed timescales in the SLA (Finding 3 - Low)</p>	<p>The Council should liaise with Publisure to ascertain whether they are able to track mail to delivery to the recipient within its system. If this involves additional postage costs, the Council should assess whether this provides sufficient value for money, obtaining assurance that mail has been delivered.</p> <p><u>Management Response</u></p>

		<p>Currently a tracked/signed for service is not available, but it is something that the County Council are planning to introduce. NCC are confident that tracking a single mail item to the point that included the Royal Mail aspect of delivered to the recipient is/unlikely not available in the Publisure system. The current plan is for the Publisure solution to give the following statuses: 'Pending Post', 'Printed' and posted and then to continue the audit trail with data input by us and provided by Royal Mail.</p> <p>Target Date: April 2024</p>
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CONCLUSION

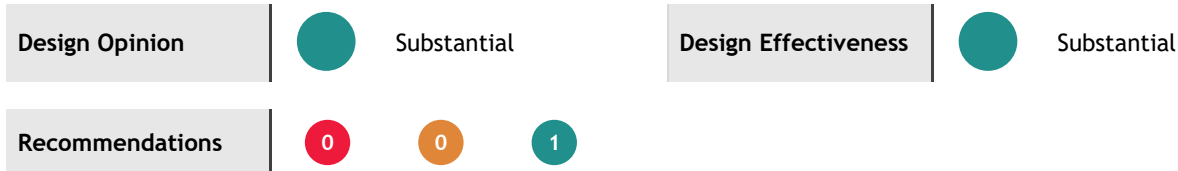
The Council has Substantial controls in place to support the project management and monitoring of its hybrid mail system. Due to the project managers having since left the Council, project documentation was no longer available, however, the hybrid mail system does operate effectively and has generated financial savings across Council departments.

However, due to system limitations, the Council are unable to verify that mail has been delivered to the recipient through the Publisure system, only that it has been sent out to the Royal Mail for delivery. Testing of this by the Council identified that 38.4% of letters are not consistently delivered in line with the agreed SLA.

Overall, this leads us to conclude that the control effectiveness for the oversight of the Hybrid Mail project is Moderate.

MAIN FINANCIAL SYSTEMS

CRR REFERENCE: POTENTIAL INFLATIONARY PRESSURES, WITH VOLATILITY OVER PREDICTION FOR BUDGET



SCOPE

BACKGROUND

- ▶ Local authorities are required to maintain sufficient effective controls over their main financial systems to support effective management of resources. Financial controls play an important role in ensuring the accuracy of reporting, eliminating fraud and protecting the organisation's resources, both physical and intangible. These internal control procedures reduce process variation, leading to more predictable outcomes
- ▶ Good treasury management is a key element of the effective management of working capital, ensuring that the organisation has cash available to meet its obligations while ensuring any surplus cash is managed within the council's appetite for risk and return
- ▶ Legislation requires local authorities to have regard to statutory proper practices in relation to treasury management, including CIPFA's Treasury Management in the Public Services Code of Practice (the Code of Practice) and CIPFA's Prudential Code (the Prudential Code), which provides guidance on recommended treasury management practices (TMPs). The Council's external treasury advisors, Link Asset Management, support of the Treasury Management Strategy and risk management. A Treasury Group also meets periodically to discuss and oversee treasury management, including identifying any counterparties that the Council no longer want to use. All long term investments are authorised by members of the Treasury Group
- ▶ The Council invest in low risk money market funds, banks and building societies and other local government bonds. Additionally, it has no borrowings, using its cash reserves to fund its capital programme
- ▶ We undertake a cyclical review of main financial systems, focussing on a different key financial control each year. As part of the 2023/24 review, we have agreed with the Governance Scrutiny Group and management for the focus to be on treasury management.

AREAS REVIEWED

As part of the scope of this audit, the following areas were reviewed:

- ▶ Treasury Management Strategy to assess whether it had been approved by Cabinet and relevant Committees, that it complies with statutory requirements and sufficiently outlines the approach and limits for investments and borrowing for the Council
- ▶ TMPs to ascertain whether these covered the minimum requirements of the Code of Practice, and clearly outlined the Council's treasury management procedures
- ▶ A sample of daily investments to assess whether these were processed in accordance with the limits set in the Treasury Management Strategy, with counterparties approved by the external treasury advisors, Link Group, and with appropriate levels of approval
- ▶ Treasury management performance reporting to confirm that the treasury management activity is presented to management and Members regularly, and in compliance with the Prudential Code, to support effective oversight and scrutiny of treasury performance
- ▶ A sample of monthly reconciliations between the investment cashflows spreadsheet and the general ledger system to confirm that they are prepared and reviewed with a separation of duties, and that they are completed accurately with appropriate backing data
- ▶ Risk management arrangements in relation to treasury, including risk registers and oversight of key risks by management and Committees, to assess whether risks are identified and managed effectively.

EXCLUSIONS

As the Council do not currently have any borrowings, we were unable to test whether money is borrowed in accordance with treasury management policies. Additionally, the Council has not made any long-term investments in the past two years and therefore, we were unable to test the approval process for recent long-term investments.



AREAS OF STRENGTH

During the review, the following good practice was identified:


- ▶ The Council’s TMPs were reviewed and approved annually by the Service Manager - Finance and the Director for Finance and Corporate Resources, most recently in January 2023. In compliance with the requirements of the Code of Practice, the TMPs identify the Council’s risk attitude for investing and borrowing, measures to evaluate counterparties for investment and the approved list of counterparties
- ▶ The Council prepares its budget annually in accordance with the priorities in the Medium Term Financial Strategy. This includes its capital investment strategy and its treasury management strategy for how to maximise returns from surplus cash. This is subject to review by the Service Manager Finance and the Director for Finance and Corporate Resources, before being scrutinised by the Governance Scrutiny Group and Cabinet. We observed the Governance Scrutiny Group in June 2023 and noted that there was robust scrutiny over the Council’s treasury management approach and liquidity risk, with its high levels of cash reserves
- ▶ Quarterly treasury management performance and activity reports are prepared for the Governance Scrutiny Group. These include: average rate of returns for funds invested, emerging treasury risks and the overall treasury position. The Prudential Code has mandated that treasury performance must be reported to local authority committees quarterly, from half-yearly, commencing in April 2023. The Council were already reporting on its treasury activity quarterly, indicating a positive culture for effective oversight. Additionally, amendments to the Prudential Code in December 2021, including reporting on the liability benchmark, have been incorporated into the treasury management reporting
- ▶ Daily investments in money market funds, local authority loans and bank bonds were processed with approved counterparties and in accordance with the limits set in the Investment Strategy. These counterparties were recommended by Link Asset Group, the Council’s treasury advisors, based on low-risk credit ratings. The Council have developed an effective formula-based Excel to appraise investment options to ensure that it maximises its returns, based on interest rates offered. These formulas also provide a check that an investment is with an approved counterparty and within the limits before a deal is processed. We reviewed 12 investments and verified that it was with an approved counterparty and in line with the counterparty limits, supporting the effectiveness of the investment appraisal document
- ▶ All 12 investment transactions were prepared by the Finance Technician and approved by the Finance Business Partner or the Service Manager - Finance, ensuring a separation of duties
- ▶ An officer-led Treasury Group meets monthly to monitor treasury risks and support effective decision-making using advice from Link. We reviewed the minutes of the meetings between September 2022 and June 2023 and noted that there were robust discussions on the investment strategy to maximise returns, macro-economic issues affecting treasury decisions and other treasury risks
- ▶ Treasury risks are managed effectively by the Treasury Group, with high level reporting on risks to the Governance Scrutiny Group, outlining the impact on the Council’s decision-making on investments and borrowing. This provides the Governance Scrutiny Group with reasonable assurance that risks are being monitored and that the strategy is informed by wider inflationary and interest rates in the economy.



AREAS OF CONCERN

Finding	Recommendation and Management Response
Evidence for the review and approval of the reconciliations between the investment cashflows spreadsheet, counterparty bank statements and the eFinancials system were not retained and accessible during our review. We were informed that these were usually held in Microsoft Teams chats between the preparer and the reviewer (Finding 1 - Low)	Evidence for the review and approval of the reconciliations should be retained in a folder on the Finance Team’s shared drive. The approval should be confirmed via an email from the reviewer to the preparer of the reconciliation. <u>Management Response</u>

		<p>A separate section has been added to the reconciliation for both preparer and approver to complete. This will be saved on the monthly treasury cash flow file.</p> <p>Target Date: 31 August 2023</p>
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CONCLUSION

Overall, the Council have substantial controls in place to support the management of its treasury function, underpinned by robust reporting on the performance and position of its investments. The Council have been reporting its treasury management activity quarterly to the Governance Scrutiny Group since 2022/23, despite the Prudential Code only mandating this frequency of reporting from April 2023, reflecting the transparent approach. The Council do not currently have any borrowings as its capital investment programme is funded from its cash reserves.






Across its treasury processes, whether it be daily investments or reconciliations, a separation of duties was embedded; albeit records were not retained for the approval of reconciliations. The investment appraisal process was more mature than other local authorities, with formulas built into the investment cashflow spreadsheet to identify which funds provide higher returns and whether investments would be within the counterparty limits.


Similarly, there was robust oversight of treasury risks, through the Treasury Group. Adequate assurance is provided to the Governance Scrutiny Group that macro-economic risks are being considered as part of the decision-making.

Therefore, as processes were well-followed and mostly documented, this leads us to conclude that the control effectiveness was also Substantial.

MARKETS - INCOME

CRR REFERENCE: FEE INCOME VOLATILITY

Design Opinion	 Substantial	Design Effectiveness	 Substantial
Recommendations	 0	 0	 1



SCOPE


BACKGROUND

- ▶ There are several markets within Rushcliffe Borough Council’s (the Council’s) jurisdiction, where market stalls are run by private businesses. Bingham Market is run every Thursday and managed by an external provider, Rural Retailers Ltd, on behalf of the Council
- ▶ Fees are charged for stalls at the Bingham Market ranging from £20 per market (for a 9x9ft stall) to £50 per market (for a 27x27ft stall), with an additional charge of £2 per day for electricity costs. Between April and May 2023, the Council have generated £2,819 income from the market stall, with some income received through other sources, including: rent from Number Sixteen (restaurant in Bingham Market for use of the market square), rent from an ice-cream van between April and September and hiring of the market for the weekend farmers market
- ▶ Other markets regularly held across the borough include: Bingham Farmers Market, Ruddington Village Market, Sutton Bonington Farmers Market and West Bridgford Farmers Market
- ▶ Cash receipts are collected from the markets by Rural Retailers and banked at the post office which is located in close proximity to the market at the end of the day. Rural Retailers maintain a record of all receipts which the Council reconcile with the income received on the bank statement. Other sources of income are collected through monthly invoicing and paid electronically to the Council.

AREAS REVIEWED

As part of the scope of this audit, the following areas were reviewed:

- ▶ Procedure notes for the collection, banking and reporting of cash receipts from the Bingham Market rents
- ▶ A sample of cash receipts from market traders to assess whether these collected and banked accurately and in a timely manner. We also confirmed that the banking receipt agreed to the cash collection spreadsheet provided to the Council by Rural Retailers Ltd
- ▶ Enquired about variances between the cash collection spreadsheet and the banking receipts to ascertain control weaknesses in recording the data and assess whether the Council investigated these appropriately
- ▶ Observed the cash collection process on 10 August 2023 to assess whether market traders were charge accurately and reasonable processes were in place to securely hold cash prior to banking
- ▶ Whether cash floats held were below the Council’s insurance limit
- ▶ Charging and collection procedures for other income sources from the market, including Number Sixteen café, the ice cream van and the farmers market
- ▶ Management reporting of income generation and cash collection from the Council-owned markets.




AREAS OF STRENGTH

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

- ▶ The Council have a robust and documented cash and income collection procedure for the Bingham market. The guidance covers the timing of banking, the recording of cash receipts from traders and what information should be provided to the Economic Growth and Development Team. Furthermore, the guidance was up-to-date and accurately reflected our understanding of the cash collection and banking process

- ▶ Cash is collected from traders by the Markets Manager and stored in a bag. After collection, cash is counted and held in a secure safe which is only accessible by the Markets Manager before being deposited to the Council’s bank account at the Post Office. A payment slip/receipt is provided by the Post Office and a photograph is sent to the Economic Growth and Development Team with records of which traders were on site to reconcile
- ▶ Period spot checks of the market are conducted by the Economic Growth and Development Team to verify that the Markets Manager is accurately recording the number of traders at the market. This requirement is incorporated into the Stall Holders Rent Collection Process document
- ▶ Cash held on-site was significantly below the Council’s £15,000 insurance limit
- ▶ Of the 15 market days that we reviewed, in 13 instances the banking receipt agreed to the cash collection spreadsheet, or there was a reasonable explanation for the discrepancy. Any variances usually related deposits being balanced from the prior week or banking two week’s transactions at one time due to annual leave
- ▶ Monthly or quarterly invoices for Number Sixteen, the ice cream van and the West Bridgford Farmers Market were issued and paid in a timely manner. We reviewed the E-financials system and confirmed invoices were issued accurately an in line with the licence agreements
- ▶ The Economic Growth and Development Team track the income collected from each-sized market stall and the amounts banked for each week’s Bingham market. The purpose of this is to agree the expected amounts, based on the number of traders in attendance and the fees schedule, to the actuals banked
- ▶ The Service Manager - Economic Growth and Property reports the rent income and utility service charges against the costs to run the market through their monthly budget reporting. At the time of our review rental income of £5,600 had been collected against annual budgeted income of £22,400. This was on target with the profiled income.

 AREAS OF CONCERN	Finding	Recommendation and Management Response
	<p>Records of cash collected from market traders did not agree to the banking receipts in two instances (£7 and £9 overpayments). Furthermore, cash was not provided to the Markets Manager in envelopes leading to challenges in tracing who the receipts relate to (Finding 1 - Low)</p>	<p>a. The Economic Growth and Development Team consider whether the cash collection process for market stall should be amended to require traders to place cash in envelopes before giving it to the Markets Manager. The trader’s name and amount of cash in the envelope should be recorded on the front of the envelope</p> <p>b. The Economic Growth and Development Team should undertake a weekly check that the banking deposit receipt and the cash collection spreadsheet reconcile and record confirmation that this check has been completed.</p> <p><u>Management Response</u></p> <p>a. Agreed - The Council will work with the Markets Manager to implement this ensuring she has envelopes to enable cash to be collected and amounts given by individual traders and more accurately accounted for</p> <p>b. The Economic Growth Team already do a weekly check of the receipt and spreadsheet. The minor anomalies identified could be linked to a new member of staff taking on this responsibility. The team will go through the process with them again and ensure they are confident to avoid any further issues.</p> <p>Target Date: December 2023</p>



CONCLUSION

Overall, the Council have substantial controls to support its management of market income, from its weekly Thursday morning markets to the additional income generated through licence agreements.

Roles and responsibilities for collecting and banking cash were well understood, with proportionate security and checking arrangements based on the amount of cash collected, in accordance with the Council's insurance requirements. Furthermore, we observed the cash collection at Bingham market on 10 August 2023 and noted that the accurate amount was collected from traders.

One low significance recommendation has been raised for the unexplained overpayment variances on two occasions at the market. However, these exceptions were low value.

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.

THE GOVERNMENT HAVE LAUNCHED ITS NEW SPORTS STRATEGY TO GET AN ADDITIONAL 3.5 MILLION ADULTS AND CHILDREN PHYSICALLY ACTIVE BY 2030

The Government will work with former sports stars, health professionals and fitness experts to help an additional 3.5 million adults and children get physically active by 2030, as part of a major national activity drive. On 30 August 2023, the Government launched its 'Get Active: a strategy for the future of sport and physical activity' targeting an improvement in sports facilities, a strong network of sports clubs that are open to everyone, better physical activity and sport in schools, and confidence in sport and the sector to improve physical and mental well-being in the community.

At the heart of the strategy are the core three priorities:

1. Being unapologetically ambitious in making the nation more active, whether in government or in the sport sector;
2. Making sport and physical activity more inclusive and welcoming for all so that everyone can have confidence that there is a place for them in sport; and
3. Moving towards a more sustainable sector that is more financially resilient and robust.

In response to the launch of the strategy, the Local Government Association have acknowledged the efforts of local authorities to prioritise public sport and provide leisure facilities to local communities, despite the financial challenges driven by Covid-19 and the cost-of-living crisis. However, the Chair of its Culture, Tourism and Sport Board noted that "more needs to be done at pace to integrate sport and recreation services into health systems and to invest in sport and recreation at grassroots and community level".

The Chief Executive of Sport England, Tim Hollingsworth, has welcomed the new strategy, recognising the importance of significant and sustained commitment across the public and private sector to promote and facilitate more physical activity.

[LGA Statement on Sports Strategy | Local Government Association](#)

[Sport England's Statement on the Government's New Sports Strategy | Sport England](#)

[Get Active: a strategy for the future of sport and physical activity | Department for Culture, Media and Sport](#)

FOR INFORMATION

For the Governance Scrutiny Group and Executive Directors

LOCATION DATA CAN HELP BUILD THE ELECTRIC VEHICLE CHARGING POINT NETWORK OF THE FUTURE

By 2030, the sale of new petrol and diesel cars will be phased out and by 2035 all new cars and vans will be zero emission. In December 2022 the Geospatial Commission, an independent expert committee within the Department for Science, Innovation and Technology, published 'Getting to the Point' explaining how better use of location data can support the siting of charge point infrastructure. Using location data provides valuable insights customer demand to ensure that charge points are placed in suitable locations to meet local needs and drive a seamless consumer experience of electric vehicle charging.

Building on this report, the Geospatial Commission have released a supplementary report for local authorities on how they can use location data to direct the installations of charging points. While private operators are likely to cover high traffic areas to meet demand, local authorities are increasingly turning their attentions to poorly served, often rural areas to maintain social inclusivity in the communities. To effectively deliver this, local authorities will need to cooperate across administrative boundaries to deliver a coordinated provision of charging points across the road network. They will need to understand charging demand including from visitors originating outside their area, the locations of commercial and private charge points and the better integration of the provision on local and strategic road networks.

Central to the rollout of electric vehicle charging points is a clear understanding of the existing and planned built environment is important too. This includes highways and road networks, pavement suitability, pavement width, street furniture, building and property types, car parks, whether the land is publicly or privately owned, residential parking, planned buildings, off-street parking and accessibility data. Additionally, an understanding of the availability of energy in these locations is critical to the placement of charging points. Databases available to public sector organisations, such as Ordnance Survey's Data Hub, provide detailed data on road networks, buildings and boundaries. Distribution network operators data on grid capacity and mobile network operators provide aggregated and anonymised data on population movement patterns. The Geospatial Commission recommends in their report that local authorities should adopt a data-driven approach to its strategic rollout of charging points.

[Charging Ahead: Using location data to boost local EV charge point rollout | The Geospatial Commission](#)

FOR INFORMATION

For the Governance Scrutiny Group and Executive Directors

26 ENGLISH COUNCILS COULD ISSUE SECTION 114 NOTICES IN THE NEXT TWO YEARS

Research conducted by the Special Interest Group of Municipal Authorities (SIGOMA) has found that 26 local authorities in England could issue Section 114 notices, as a result of not being able to balance the annual budget, in the next two financial years. Five councils that form part of SIGOMA have declared that they could issue a Section 114 notice in the current financial year, with a further nine members issuing a Section 114 notice next year. According to SIGOMA's survey, the most common reasons for financial pressures were increasing demand for children's and adult social care, inflationary costs and wage rises, and increased borrowing costs are set to add to the financial pressures.

In response to the report, the Government reaffirmed its priority to halve inflation in addition to its commitment to a one-off funding guarantee to at least a 3% increase in core spending powers of every council before any local decision on council tax rates. It has also stated that it is providing around £2bn in additional grants for social care.

[Councils in Section 114 Warning | LocalGov](#)

FOR INFORMATION

For the Governance Scrutiny Group and Executive Directors

FINANCE NAMED AS MAJOR BARRIER TO INTEGRATED CARE SYSTEM SUCCESS

NHS Confederation released a report looking at the state of the systems one year after they became operational, optimistically subtitled "riding the storm", following a survey of leaders.

They have faced challenges such as the cost-of-living crisis, significant winter pressure, industrial action and a huge backlog of care.

Nearly half (45%) named 'lack of funding for social care' or 'current financial position of the NHS' in their top three barriers over the coming two years - only below 'pressure on and morale of the workforce' (53%) among concerns.

"ICS leaders are proud of the progress they've made in really tough conditions but they are deeply frustrated by some of the potentially soluble barriers that are hindering the extent to which they can get on with transforming services for their local communities," said director of NHS Confederation's ICS network Sarah Walter.

"They want to see these tackled urgently if ICSs are to fulfil their full potential."

In March, NHS England told integrated care boards they should plan for a 30% cut in their running costs by 2025-26 - even before adjusting for inflation, which means the real-terms cut could be closer to 40%.

[Finance Named as Major Barrier to ICS Success | Public Finance](#)

FOR INFORMATION

For the Governance Scrutiny Group and Executive Directors

NAO REPORT: WHOLE OF GOVERNMENT ACCOUNTS 2020-21

The National Audit Office has published the C&AG's audit certificate and report on the Whole of Government Accounts 2020-21 (WGA). The financial statements were qualified due to:

- The non-consolidation of 155 components designated to the public sector;
- The definition and application of the accounting boundary;
- The inconsistent application of accounting policies;
- Qualifications in relation to the underlying statutory audits of bodies falling within the accounts including two that are significant - the Department of Health and Social Care, and the Department for Environment, Food and Rural Affairs;
- The consolidation of components with non-coterminous year ends; and
- The consolidation of components whose accounts have not been audited.





Whole Government Account 2020-21 | HM Treasury

FOR INFORMATION

For the Governance Scrutiny Group 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 plan and are in line with our schedule for the 23/24, with scoping calls now held and terms of reference agreed for all reviews.	

APPENDIX I

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, 28 September 2023

Risk Management Progress Report

Report of the Director – Finance and Corporate Services

1. Purpose of report

1.1. This report provides an update on risk activity since the last meeting on 23 February 2023. It provides a summary of risks in the Council's Risk Registers that have changed, been removed or new risks that have been identified as a result of management review throughout the period.

1.2 The contents of this report have not been considered by any other committee.

2. Recommendation

It is RECOMMENDED that Governance Scrutiny Group:

- a) scrutinises the content of this report; and
- b) considers and makes recommendations on risks that have red alert status.

3. Reasons for Recommendation

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

4. Supporting Information

4.1. Risk Management Activity

Since the last meeting of this Group, the Council's Risk Management Group (RMG) met on 12 September 2023, in order to review risks on the register and to make recommendations.

4.2. Risk Management Audit

A risk management audit was carried out in June/July 2022 by BDO, our Internal Auditors. Risk Management Level of Assurance was given a Substantial rating for Design and Operational Effectiveness. Three recommendations were made:

Medium

- Articulation of the risk and mitigating controls

Low

- Risk Management Strategy – requires guidance to staff
- Format of risk reports – some information in Pentana not replicated in reports.

4.3. Risk Management Training

Zurich provided training on 28 September 2023 for members of Governance Scrutiny Group. Refresher training will be arranged for risk managers in 2024 with Zurich.

4.4. Risk Management Strategy

The revised Risk Management Strategy was agreed at Governance Scrutiny Group on 23 February 2023. The revised Strategy addresses the recommendations in the BDO report and takes into account the latest best practice in Risk Management as communicated by Zurich in the training sessions. Officers are in the process of reviewing Risk Statements to take account of best practice communicated through the training and audit. It is expected that these will be in use prior to the next report to Governance Scrutiny Group.

- 4.5. There are currently 38 corporate risks (three less than the previous report) and 27 operational risks on the risk register. In addition, there are four opportunity risks. The number of risks within the registers will fluctuate as active risk management is undertaken. Changing pressures facing local government and the proactive work of managers to identify risks as they emerge will continue to influence new risks added to the register and demonstrates the Council's aim to be proactive to mitigate risk as soon as possible after identification.

- 4.6. Appendix A presents the Council's existing Risk Registers containing corporate, operational risks and opportunity risks. There are no new risks and two risks have been removed as a result of recent reviews. Risks that have decreased or increased risk ratings are summarised as follows:

Risk Increased

CRR_FCS13 Failure to deliver the Transformation Strategy: the impact has decreased from 3 to 2 and likelihood has increased from 2 to 4. Crematorium and Streetwise not achieving savings target but mitigated by additional savings from other efficiencies such as Business Rates.

CRR_FCS24 Long term loss/failure of main ICT systems. Likelihood has increased from 1 to 2 and likelihood. With the increase of cyber-attacks, especially Ransomware, if the Council were affected, it could take longer than normal to restore all systems and data back to a clean backup.

Risk reduced

CRR_FCS05 Revaluation of major business rate payer i.e., the impact of Ratcliffe on Soar Power Station closure. Impact has reduced from 4 to 3 due to percentage yield from Ratcliffe on Soar Power Station reducing.

CRR_NS09 Unforeseen incidents happening at public events. Impact has reduced from 4 to 1 as this risk is being reviewed as it should be being considered under general internal H&S / SAG.

CRR_NS10 Failure of business continuity – likelihood has reduced from 2 to 1 as plans are in place and continually reviewed.

CRR_NS11 Ineffective emergency planning arrangements. Impact has increased from 2 to 3 and likelihood has reduced from 2 to 1 – are in place and continually reviewed, we have a strong partnership with NCC who provide our emergency planning support.

OR_CED03 Risk to staff health due to their work. Impact has reduced from 3 to 2, as a result of continuous low-level recording of injuries at work. Also implemented lone worker devices which, it is anticipated, will reduce the likelihood of physical violence whilst at work. Need to monitor this based on Streetwise accident data performance.

OR_NS34 Increased risk of ASB and other related safety concerns arising from the use an asylum contingency hotel by the Home Office for asylum seekers. Impact has reduced from 4 to 2, the hotel has been in use for a couple of years now with no ASB issues arising. In any event we have good working relationships with partners at SERCO and the Home Office who would be able to manage any issues. Would consider removal of the risk appropriate.

4.7. Two risks have been removed:

CRR_DEG04 Ability to deliver Rushcliffe Oaks project on time and within budget – Rushcliffe Oaks opened.

CRR_DEG08 Failure to secure the Local Development Order for Ratcliffe on Soar site – this has been achieved and there is no longer a risk.

5. Risks and Uncertainties

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

6. Implications

6.1. Financial Implications

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

6.2. Legal Implications

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

6.3. Equalities Implications

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

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

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

6.5. Biodiversity Net Gain

There are no biodiversity net gain implications in this report.

7. Link to Corporate Priorities

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















8. Recommendation



















It is RECOMMENDED that that Governance Scrutiny Group











- a) scrutinises the content of this report; and
- b) considers and makes recommendations on risks that have red alert status.

For more information contact:	Peter Linfield Director - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	There are no additional papers
List of appendices:	Appendix A – Risk Registers – Corporate, Operational and Opportunity Risk

Corporate Risks













Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_CED01 Equal pay claim		3	2	6
CRR_CED02 Insufficient staff capacity - skills, knowledge, and availability etc		3	3	9
CRR_DEG01 Inability to demonstrate a five-year supply of deliverable housing sites against the housing target leading to further development on unallocated sites		3	1	3
CRR_DEG02 Failure to properly manage our property assets		3	1	3
CRR_DEG04 Ability to deliver Rushcliffe Oaks project on time and within budget		3	2	6
CRR_DEG07 Failure to deliver the new core strategy in partnership with Greater Nottingham Housing Market area		2	3	6
CRR_DEG08 Failure to secure the Local Development Order for the Ratcliffe on Soar site		3	3	9
CRR_FCS01 Failure to properly deal with community governance review legislation, Community Right to Challenge, and nominations for assets of community value		2	2	4
CRR_FCS02 Reduction in Government funding linked to New Homes Bonus Fairer funding and business rates reviews and the impact of the overall Comprehensive Spending Review		3	3	9
CRR_FCS03 Failure to prevent or detect fraud and corruption		2	2	4
CRR_FCS05 Revaluation of major business rate payer ie the impact of Ratcliffe on Soar Power Station closure		4 to 3	3	12 to 9
Impact has reduced due to the percentage of the yield from Ratcliffe on Soar Power Station reducing.				
CRR_FCS06 Lack of funding from partners		2	3	6
CRR_FCS07 Central Government policy changes		3	3	9
CRR_FCS08 Inadequate capital resources		3	2	6

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_FCS09 Fee income volatility		2	4	8
CRR_FCS11 Increased demand for services		2	3	6
CRR_FCS12 Risk and return from Asset Investment Strategy		3	2	6
CRR_FCS13 Failure to deliver the Transformation Strategy		3 to 2	2 to 4	6 to 8
Crematorium and Streetwise not achieving savings target but mitigated by additional savings from other efficiencies such as Business Rates				
CRR_FCS20 Failure to properly manage and deliver significant projects		2	2	4
CRR_FCS21 Potential inflationary pressures, with volatility over prediction for budget		3	3	9
CRR_FCS22 Uncertainty around Government funding and changes to the business rates system with a one-year financial settlement		3	3	9
CRR_FCS23 ICT supplier goes out of business		2	3	6
CRR_FCS24 Long term loss/failure of main ICT systems	 to 	4	1 to 2	4 to 8
With the increase of cyber-attacks, especially Ransomware, if the Council were affected, it could take longer than normal to restore all systems and data back to a clean backup				
CRR_FCS25 Loss or compromise of sensitive data		3	2	6
CRR_FCS26 Short term loss/failure of main ICT systems		3	2	6
CRR_FCS27 Threat of major successful cyber-attack		4	2	8
CRR_FCS28 Failure to comply with General Data Protection Regulation		4	2	8
CRR_FCS29 Loss or compromise of confidential or restricted information or data		3	2	6
CRR_FCS31 Increases in interest rates which potentially increases the burden if the Council has to borrow		3	2	6
CRR_NS08 Failure of internal health and safety compliance or enforcement of health and safety		3	1	3
CRR_NS09 Unforeseen incidents happening at public events		4 to 1	1	4 to 1
This risk is being reviewed as it should be being considered under general internal H&S / SAG				





Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_NS10 Failure of business continuity Plans are in place and continually reviewed.	 to 	3	2 to 1	6 to 3
CRR_NS11 Ineffective emergency planning arrangements Plans are in place and continually reviewed, we have a strong partnership with NCC who provide our emergency planning support.		2 to 3	2 to 1	4 to 3
CRR_NS13a Response to flooding impacts on delivery of statutory services		2	3	6
CRR_NS13b Inadequate resources to respond to flooding incidents		2	2	4
CRR_NS18 Failure of public sector partnerships / withdrawal of financial support		2	1	2
CRR_NS19 Failure to safeguard children and vulnerable adults		3	1	3
CRR_NS21 Ensuring the Afghan Relocation Programme is supported in accordance with national guidance (funding and community cohesion)		2	1	2
CRR_NS22 Ensure the Homes for Ukraine Scheme is supported in accordance with national guidance (funding & community cohesion)		1	1	1
CRR_NS23 Failure to deliver the Carbon management plan objectives		3	2	6

Operational Risks

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OR_CED01 Threat of violence to staff	✓	2	2	4
OR_CED02 Failure to comply with Equality legislation	✓	2	1	2
OR_CED03 Risk to staff health due to their work	⚠ to ✓	3 to 2	2	6 to 4
This was reduced in May 2023 based on continuous low-level recording of injuries at work. Also implemented lone worker devices which it is anticipated will reduce the likelihood of physical violence whilst at work. Need to monitor this based on Streetwise accident data performance.				
OR_CED04 Threat of Industrial Action	⚠	2	3	6
OR_CED05 Failure to meet major statutory duties or take on board new legislation	✓	2	2	4
OR_CED06 Inadvertent illegal activity, taking illegal decisions	✓	2	1	2
OR_CED07 Ability of the Borough Council to maintain frontline services in the event of a future wave of Covid-19	✓	2	2	4
OR_DEG01 Failure to manage legionella issues	✓	2	2	4
OR_DEG02 Failure to manage asbestos in buildings under our control	✓	2	1	2
OR_DEG03 Failure to maintain council owned trees	✓	2	2	4
OR_DEG06 Cost of defending appeals for large scale residential developments and potential award of costs	✓	2	1	2
OR_DEG07 Failure to determine major planning applications within 13 weeks or agreed period	⚠	3	2	6
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	⚠	2	4	8
OR_FCS06 Failure to manage and monitor budget	✓	2	2	4
OR_FCS07 Lack of implementation of financial controls	✓	2	2	4

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OR_FCS08 Exposure to breach of VAT rules		3	2	6
OR_FCS10 Reputational risk to the Council following adverse media coverage		2	2	4
OR_FCS11 Unauthorised access to IT systems		4	2	8
OR_FCS12 Partners closure of buildings where RBC has contact points		2	1	2
OR_NS02 Disruption and lack of fuel preventing collection of domestic waste		2	1	2
OR_NS20 Significant malfunction of core services/security risk at Council's temporary accommodation premises		2	2	4
OR_NS25 Failure to deliver mandatory DFG grant due to insufficient staffing		3	2	6
OR_NS28a Increasing number of developments and greater opportunity for affordable housing		2	3	6
OR_NS29 Lack of or inappropriate monitoring of the Council's contracts in place		3	1	3
OR_NS30 Lack of emergency accommodation for those at risk of homelessness, fleeing domestic violence and in crisis		2	2	4
OR_NS31 Increased number of residents presenting as homeless as a result of income reduction, loss of employment and domestic violence leading to a loss of homes		2	2	4
OR_NS34 Increased risk of ASB and other related safety concerns arising from the use an asylum contingency hotel by the Home Office for asylum seekers		4 to 2	2	8 to 4
Hotel has been in use for a couple of years now with no ASB issues arising. In any event we have good working relationships with partners at SERCO and the Home Office who would be able to manage any issues. Would consider removal of the risk appropriate.				

Opportunity Risk

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OPP_DEG01 Opportunity provided by Rushcliffe Oaks		4	4	16
OPP_DEG02 County Deals – failure to secure opportunities for greater collaboration and Government funding		3	3	9
OPP_FCS01 Increases in interest rates leading to higher interest income on cash balances that are invested		4	3	12
OPP_NS01 Opportunity with the in-sourcing of Streetwise to provide other chargeable services to both public and private sector in line with the Council's charging policy		2	2	4

Risk Threat and Opportunity Matrix

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

Table 1 Consequence / Impact

This is a measure of the consequences of the identified risk

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

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

Table 2 Likelihood / Probability of Occurrence

This measures the chance of the risk or opportunity occurring

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



Governance Scrutiny Group

Thursday, 28 September 2023

Changes to the Constitution – Creation of a Member Working Group

Report of the Monitoring Officer

1. Purpose of report

- 1.1. Members will recall that at the meeting on the 29 June 2023, a report summarising proposed changes to the Council's Constitution was presented to the Group for consideration and comment.
- 1.2. Several of the proposed changes generated lengthy debate and the Group was unable to provide comments on which all agreed. As a result, these changes were not subsequently presented to Council to consider and remain outstanding. The Group is asked to note the decision to create a Working Group to consider the outstanding changes and to nominate two members of the Group to sit on this Working Group.

2. Recommendation

It is RECOMMENDED that Governance Scrutiny Group:

- a) Notes the decision to create a Member Working Group to finalise the proposed changes to the Constitution in relation to Planning
- b) Nominates two members of the group to sit on the Member Working Group.

3. Reasons for Recommendation

- 3.1. The Council has a duty to keep its Constitution up to date and is required to review it annually.
- 3.2. Several of the revisions recommended by Officers this year remain outstanding, and it is considered that the creation of a Working Group is the best way to progress these and bring this work to a conclusion. The final proposed revisions will be reported back to this Group for comment before being taken to Council for a decision.

4. Supporting Information

- 4.1. The outstanding revisions relate solely to Planning matters. When the issues under consideration were last reviewed, this work was undertaken in consultation with the Chair and Vice Chair of the Planning Committee and

reported to Cabinet, and subsequently approved by full Council. It is considered that this worked well previously, hence the decision to take the same approach again. The Working Group will consist of the Portfolio Holder for Planning, the Chair and Vice Chair of the Planning Committee and two members of the Governance Scrutiny Group.

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 the alterations proposed to the Constitution do 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.

6.5. Biodiversity Net Gain

There are no Biodiversity Net Gain implications.

7. Link to Corporate Priorities

The Environment	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.
Quality of Life	
Efficient Services	
Sustainable Growth	

8. Recommendations

It is RECOMMENDED that Governance Scrutiny Group:

- a) Notes the decision to create a Member Working Group to finalise the proposed changes to the Constitution in relation to Planning
- b) Nominates two members of the group to sit on the Member Working Group.

For more information contact:	Gemma Dennis Monitoring Officer gdennis@rushcliffe.gov.uk
Background papers available for Inspection:	None
List of appendices:	None

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Governance Scrutiny Group

Thursday, 28 September 2023

Going Concern Assessment 2022/23

Report of the Director - Finance and Corporate Services

1. Purpose of report

- 1.1 This report sets out the Council's assessment by the Council's Section 151 officer of the Council's Going Concern status. The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Given potential legacy issues from Covid 19, combined with increasing inflation linked to Russia's war with Ukraine, there remains a requirement for a separate report confirming the Council's position with regards to its Going Concern status. The report also contextualises the Council's the position compared with other authorities.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group note the positive outcome of the assessment made of Rushcliffe Borough Council's status as a going concern for the purposes of the Statement of Accounts 2022/23.

3. Reasons for Recommendation

- 3.1. To conform with professional standards with regards to the Local Authority Code of Accounting Practice.

4. Supporting Information

The Assessment of Going Concern

- 4.1. As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2022/23 (hereafter referred to as the Code). The Code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.
- 4.2 The main factors which underpin the going concern assessment are:
- the Council's current financial position

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

These are considered in more detail below.

The Council's current financial position

4.3 The Council's draft financial statements 2022/23 can be viewed on the Council's website. The financial outturn position for 2022/23 showed efficiency savings of £0.570m in relation to its direct service costs. This compares against a net revenue service revised budget of £14.768m (i.e., a 3.8% variation). As at 31 March 2023, the Council held a General Fund Balance of £2.6m. In addition, the Council held earmarked reserves of £19.6m (£23.6m in 2021/22) which are held to meet specific identified pressures, but which ultimately can be diverted to support general expenditure should the need arise. The reduction due to the release of the Collection Fund reserve to offset the deficit position arising from Covid related business rates reliefs from previous years as a result of the pandemic.

4.4 General reserves reflect the ability of the Council to deal with unforeseen events and unexpected financial pressures in any particular year and are a key indicator of the financial resilience of the organisation. In October 2011, the Cabinet approved as part of its MTFs, the following guiding principle:

“General Fund Balance should not fall below £1.25m and overall revenue reserves should not fall below 20% of net revenue expenditure.”

The current General Fund balance of £2.6m accords with this principle.

4.5 At 31 March 2023, the Council held £46.4m (£52.8m 2021/22) in the form of either cash or short term investments maturing within the next financial year. The reduction is mainly due to the fact that in 2021/22 additional grants and funding of reliefs in relation to Covid advanced to the Council by central government were received.

4.6 The year-end Capital Programme provision totalled £21m. Actual expenditure in relation to this provision totalled £15.4m (73% of the budget) giving rise to a variance of £5.6m. Budgets to the value of £5.4m have been carried forward into 2023/24. The Council funds its capital programme from internal borrowing, capital receipts, earmarked reserves, direct financing from revenue, government grants and partnership funding (such as developer contributions).

The Council's Balance Sheet as at 31 March 2023

4.7 The balance sheet shows a net worth of £106.3m (£46.8m in 2022/23) this varies, in particular, due to pension fund volatility. There are statutory arrangements for funding the Council's pension scheme and deficit, through

increasing contributions over the remaining working life of the employees, as assessed by an independent actuary. As well as an improving pension fund position, investment in Council property assets has increased with long term assets rising from £105m to £125m from 2021/22 to 2022/23. The financial position of the Council remains healthy notwithstanding significant pressures in relation to both pay and energy inflation, and the 'domino effect' this creates across not only Council expenditure, but critically the ability of individuals to purchase goods and services. Other factors giving rise to the 'going concern' assessment include:

- the adequacy of risk assessed provisions for doubtful debts
- the range of reserves set aside to help manage expenditure
- an adequate risk assessed working balance to meet unforeseen expenditure.

The Council's projected financial position

- 4.8 The Council's Medium Term Financial Strategy (MTFS) is updated annually and reflects a five-year assessment of the Council's spending plans and associated funding. It includes the ongoing implications of approved budgets and service levels and the revenue costs of the Council's capital programme, as well as the management of debt and investments.
- 4.9 Full Council approved the MTFS in March 2023, including a balanced budget for 2023/24. This allows for net spending of around £14.68m (which includes adjustments to compensate for the continuing impact of Covid, transfers from reserves etc) and required a council tax increase of 2.00%, a Transformation Programme requirement of an additional £0.622m in 2023/24, rising to £1.539m by 2027/28; the use of £1.3m from the New Homes Bonus reserve to offset the impact of Minimum Revenue Provision largely in relation to the Arena; and £0.4m to be released from the Collection Fund Reserve to offset the estimated collection fund deficit chargeable in 2023/24 (see paragraph 4.3). Reserves are expected to be utilised for example the Vehicle Replacement Reserve of £1m and the Climate Change Reserve at £0.8m to enable the Council to meet its environmental objectives.
- 4.10 Since the MTFS was approved, risks continue with regards to pay and a pressure of £0.394m reported in the 2023/24 Quarter 1 Finance Report to both Cabinet and Corporate Overview Group. The Council has sufficient reserves to meet such pressures. Ongoing budget reports and the MTFS will continue to evaluate this and other risks.

Comparative Data

- 4.11 Appendix A details OFLOG (the newly formed Department the Office for Local Government) comparative data for 2021/22. Some key points to highlight:
- the data compares Rushcliffe to what are deemed similar authorities (in terms of socio-demographic and economic characteristics). All data is also subject to the accuracy of the information on various Government returns or financial statements;

- there is no right or wrong answer on levels of reserves. Every Council has a different risk profile and attitude to risk. What we can say is comparatively we have a better reserves position than many districts which gives the Council more insulation against both known risks and unexpected events; and
- one of the issues many councils are facing are dealing with the cost of debt. Rushcliffe has no external debt hence, as one would expect, shows a favourable position in terms of debt servicing against its Core Spending Power (CSP). CSP being a measure of the core revenue funding available for local authority services, includes Council Tax and locally retained business rates.

4.12 One other source of comparative data is CIPFA's resilience index (Appendix B), which is intended as an early warning system to help identify those authorities that are facing greater financial stress. Comments as follows:

- it is based on 2021/22 data but overall demonstrates low risk of financial stress;
- 2022/23 data is not currently available and this reflects the position of local authorities and delays in audits in completing relevant returns which is the source for the data;
- the information again compares against nearest neighbours; and
- the nature of the data is that it is backward looking but it does identify trends and a direction of travel.

4.13 The Council also has analysed other benchmarking information analysing Rushcliffe's balance sheet both over time and compared to other district councils, to its 2022/23 financial statements. This is more current than the above data and is summarised at Appendix C. The overall conclusion is that the Council, relative to others, has a 'healthy balance sheet'. This can quickly change with future capital demands and we cannot be complacent when approving the Council's Medium Term Financial Strategy. In all of the above, RBC has a positive 'direction of travel' in what can be stated as a hostile financial environment.

The Council's governance arrangements

4.14 The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Head of Paid Service, the Monitoring Officer and the Section 151 Officer in addition to the current political arrangements.

4.15 An overview of this governance framework is provided within the Annual Governance Statement which is included within the Statement of Accounts and was presented to the Governance Scrutiny Group on 29 June 2023. This includes a detailed review of the effectiveness of the Council's governance arrangements.

The external regulatory and control environment

- 4.16 As a local authority, the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for councils to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control, there are other factors such as the role undertaken by External Audit as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.
- 4.17 Against this backdrop it is considered unlikely that a local authority would be 'allowed to fail' with the likelihood being, when faced with such a scenario, that central government would intervene supported by organisations such as the Local Government Association to bring about the required improvements or help maintain service delivery. Increasingly, councils across the country have had their finances adversely impacted due to a combination of factors, notably, poor commercial decisions, rising demand and increasing inflation. A number of s114 Notices have been issued by s151 Officers. Good financial management by the Borough Council, ensures that we are currently not in such a position, but we cannot be complacent given the risks that prevail in the wider economy.

Conclusions

- 4.18 It is considered that having regard to the Council's arrangements and such factors as highlighted in this report that the Council remains a going concern.

5. Risks and Uncertainties

- 5.1. Inflationary pressures continue to present some financial risks to the Council, however such risks have been incorporated into the balanced budget for 2023/24 and use of budget efficiencies from 2022/23. Such risks continue to be monitored regularly.

6. Implications

6.1. Financial Implications

There are no direct financial implications arising from this report.

6.2. Legal Implications

- 6.2.1 Section 25 of the 2003 Local Government Act requires the authority's S 151 Officer to comment on the robustness of the estimates and the adequacy of reserves. A report was considered as part of its budget determination by Full Council in March 2023.

6.2.2 Section 114 (1) of the Local Government Finance Act 1988 places a duty on the S151 Officer to report certain matters to the authority. The duty of the S151 Officer to report is triggered if they believe that a decision involves (or would involve) unlawful expenditure, a course of action is unlawful and is likely to cause a loss or deficiency and an entry of account is therefore unlawful.

6.2.3 Likewise, the S151 Officer must inform the authority where they believe that the authority's expenditure is likely to exceed available resources. The authority is prevented from entering into any agreements incurring expenditure until the Council has considered the report. As per this report, this is not a significant risk at this time.

6.3. Equalities Implications

There are no direct equalities implications.

6.4. Section 17 Implications

There are no direct Section 17 implications.

6.5. Biodiversity Net Gain

There are no Biodiversity Net Gain implications.

7. Link to Corporate Priorities

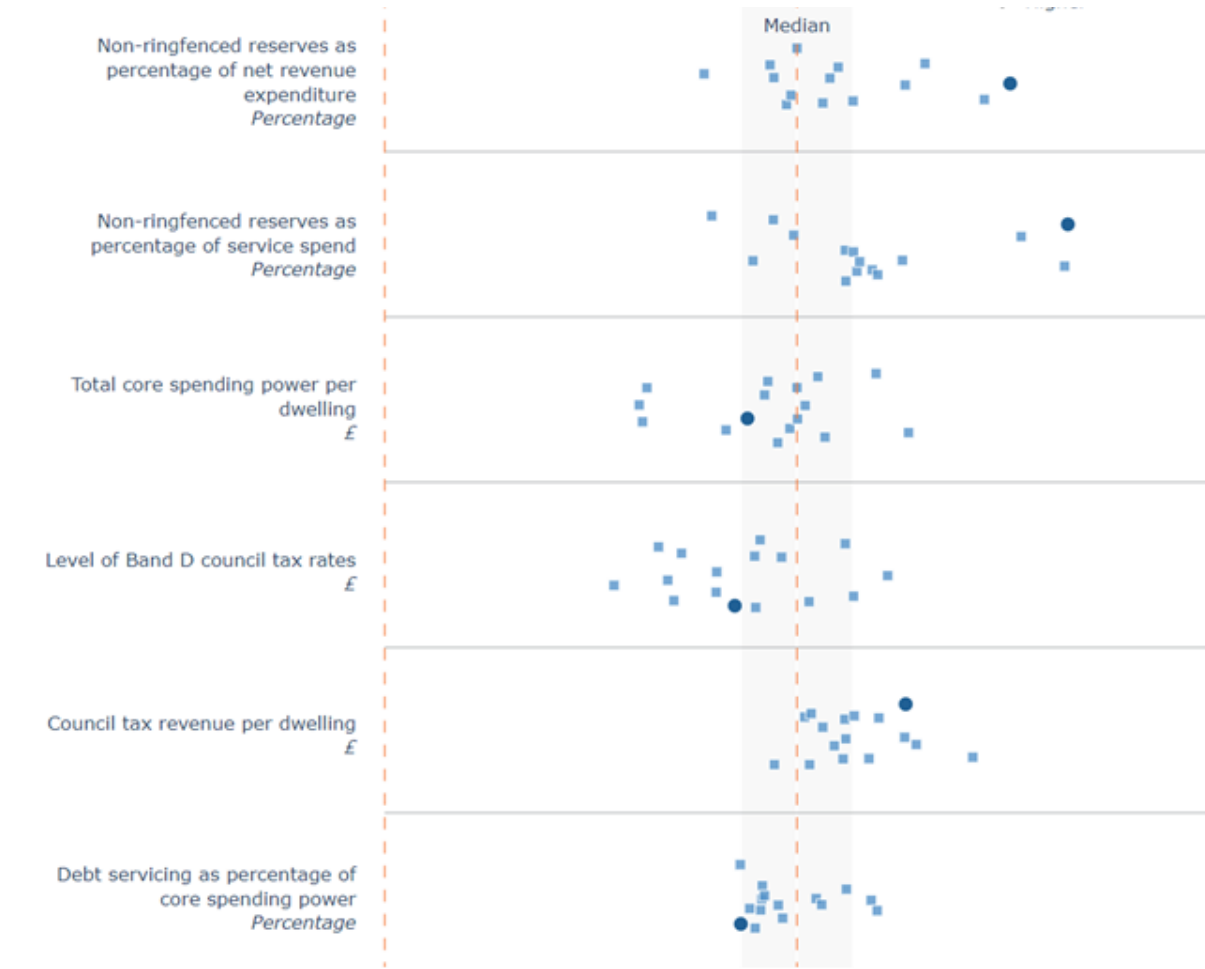
The Environment	The Budget resources the Corporate Strategy and therefore resources all corporate objectives.
Quality of Life	
Efficient Services	
Sustainable Growth	
	The Environment

8. Recommendations

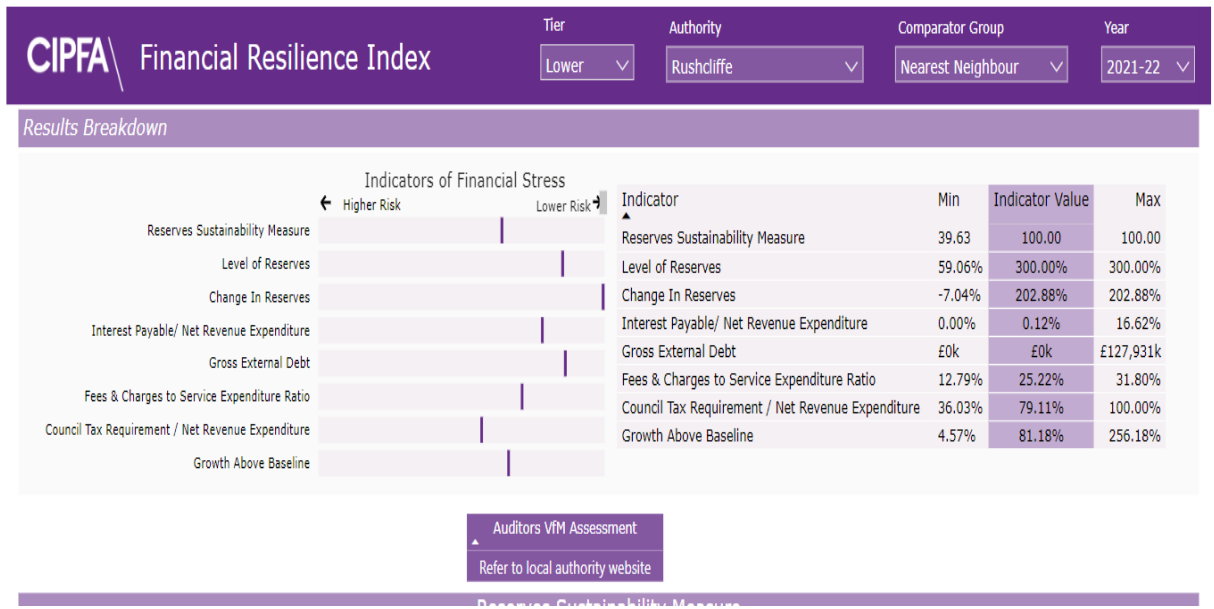
It is RECOMMENDED that the Governance Scrutiny Group note the positive outcome of the assessment made of Rushcliffe Borough Council's status as a going concern for the purposes of the statement of accounts 2022/23.

For more information contact:	Peter Linfield Director of Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Draft Statement of Accounts 2022/23 – Council website
List of appendices:	Appendix A – OFLOG 2021/22 Data Appendix B – CIPFA Financial Resilience Information 2021/22 Appendix C – Comparative Balance Sheet Analysis 2021/22 to 2022/23

OFLOG 2021/22 Data



CIPFA Financial Resilience Information



Comparative Balance Sheet Analysis 2021/22 to 2022/23

	88 Districts £'000s			RBC £'000s		
	202122	202223		202122	202223	
GF Balance	717,205	670,805	-6%	2,604	2,604	0%
Earmarked Reserves	1,727,560	1,557,331	-10%	23,575	19,572	-17%
Capital Receipts Reserve	656,316	717,463	9%	825	1,085	32%
Capital Grants Unapplied	463,691	530,756	14%	160	154	-4%
HRA Reserves	707,863	670,155	-5%	0	0	-
Other Unusable Reserves	38,495	313,888	715%	-4,147	1,492	-136%
Current Resources	4,311,130	4,460,398	3%	23,017	24,907	8%
Capital Equity	17,716,700	18,655,897	5%	82,315	97,482	18%
Pensions Deficit (Surplus)	-3,886,090	97,165	-103%	-58,930	-16,219	-72%
Net Assets	18,141,740	23,213,460	28%	46,402	106,170	129%
Non Pensions Net Assets	22,027,830	23,116,295	5%	105,332	122,389	16%
Need to Borrow	8,945,299	9,238,991	3%	7,283	13,266	82%
External Borrowing	7,261,668	7,127,392	-2%	0	0	-
Internal Borrowing	1,683,631	2,111,599	25%	7,283	13,266	82%
Net Revenue Expenditure		7,813,512			13,165	
CFR /Current Reserves	2.07	2.07		0.32	0.53	
Debt Gearing	33.55%	33.12%		8.13%	11.98%	
Net Assets / NRE	2.32	2.97		3.52	8.06	
Non Pension Net Assets / NRE	2.82	2.96		8.00	9.30	
Current Resources / NRE	0.55	0.57		1.75	1.89	

Commentary:

- Despite reducing Useable Revenue Reserves (URR), current resources have increased by 8% (higher than 3% increase for all districts). It should be noted HRA authorities can distort the figures.
- Capital equity (Property, Plant and equipment etc) increased by more than average. This reflects the Council's investment in assets.
- Low Capital Financing Requirement (CFR) and debt gearing with all borrowing internal (ie no external borrowing costs).
- CFR has increased – reflects underlying need to borrow in the future
- Much higher net assets as proportion of net expenditure than the average district.
- All indicators show good level of balance sheet health.
- Rushcliffe appears to have weathered the COVID years better than the average district.

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Governance Scrutiny Group

Thursday, 28 September 2023

**Capital and Investment Strategy – Quarter Report 1
2023/24**

Report of the Director - Finance and Corporate Services

1. Purpose of report

- 1.1. The purpose of this report is to summarise the capital and investment activities of the Council for the period 1 April to 30 June 2023.
- 1.2. The Capital and Investment Strategy for 2023/24, approved by Council on 2 March 2023, outlines the Council's capital and investment priorities as follows:
 - Security of capital
 - Liquidity of investments; and
 - Optimising yield earned on investments (cash and property).
- 1.3. The strategy includes indicators that help ensure that the Council's capital investment plans are affordable, prudent, and sustainable. Setting an integrated Capital and Investment Strategy is a requirement of the CIPFA Code of Practice.

2. Recommendations

It is RECOMMENDED that the Group considers the Capital and Investment Strategy update position as of 30 June 2023.

3. Reasons for Recommendation

CIPFA's Code of Practice for Treasury Management (2021) recommends that Councillors should be informed of Treasury Management activities quarterly. This report, therefore, ensures this Council is embracing best practice for the scrutiny of capital and investment activity in accordance with the CIPFA Code of Practice.

4. Supporting Information

Economic Forecast

- 4.1. After a short period of economic turmoil, the UK economic outlook appears to be more positive, predictable and less uncertain. Inflation (CPI) has fallen from a recent peak of 11.1% in October 2022 to 7.9% in June 2023, rather than a predicted 8.2% but remains high due to increase in wages and food inflation.
- 4.2. At its meeting on 21 June 2023, the Bank of England Monetary Policy Committee (MPC) increased the base rate from 4.5% to 5% with further increases anticipated.

- 4.3. Link Group (the Council's Treasury Advisors) has revised its interest rate forecast with rates expected to peak at 5.5% September 2023 before starting to reduce in the second quarter of 2024.
- 4.4. Overall, the economy is looking on course to avoid a technical recession with a growth rate of 0.3% expected for the whole of 2023, rising to 1.1% in 2024. There are still risks to economic growth due to labour and supply shortages, Bank of England base rate changes, UK/EU trade arrangements and Geopolitical risks.

Investment Income

- 4.5. Based on Link's base rate forecast of 4.5% the Council budgeted to receive £1,359,300 in investment income in 2023/24 (compared with £673,300 in 2022/23). Actual interest earned to 30 June 2023 totalled £244,372. Whilst base rates are rising the pooled funds have not been as positively affected but we are broadly expecting the budget to hit target. All investments have been made in accordance with the Council's Capital and Investment Strategy. The Council achieved an average interest rate of 4.78% in quarter 1, compared to the average SONIA rate of 4.37%.
- 4.6. The average level of funds available for investment purposes during the quarter was £54.47m. These funds were available on a temporary basis and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The Council holds £13.766m core cash balances for investment purposes (i.e., funds available for more than one year). In order to maintain returns and mitigate risks, the Council has continued to diversify its investments mix. As a result, the Council is currently placing deposits in Money Market Funds (MMFs), Call Accounts, CCLA Property Fund, UK Local Authorities and Diversified Funds. In December 2022 £5m was invested in HSBC Global Liquidity Fund (ESG) a full list of investments as at 30 June can be found at **Appendix C**.
- 4.7. The Council continues to internally borrow to fund capital expenditure. It ensures investments are secure and that liquidity is achieved whilst at the same time it is proactively looking to maximise its rate of return.
- 4.8. The fair value of the Council's diversified funds can fluctuate. These can be seen in **Appendix A**. Funds are still volatile with the downward trend experienced by the political turmoil last year continuing, largely mitigated by appropriations to the Pooled Funds reserve which has a current balance of £1.234m. Currently there is a statutory override preventing any accounting loss impacting on the revenue accounts. This is due to end 31 March 2025 having recently been extended for a further two years. Whilst the value of this type of investment can fluctuate, the revenue returns make up a significant proportion of the overall returns on investment (32% in 2022/23). The Council will continue to monitor the position on these investments and take advice from the treasury advisors.

5. Capital Expenditure and Financing

- 5.1. The original Capital Programme for 2023/24 was £9.576m, with £5.426m carry forwards and other adjustments of £1.722 giving a current budget of £16.724m. The projected outturn is £10.267m, resulting in an estimated underspend of £6.457m arising from realisable savings on Bingham Arena and Crematorium and the need to reprofile the provision for support for Registered Housing Providers to future years.
- 5.2. 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.
- 5.3. The actual capital expenditure forms one of the required prudential indicators. Table 1 below shows the actual capital expenditure and how this was financed:

Table 1

	2022/23 Actual £000	2023/24 Estimate £000	2023/24 Projection £000
Capital Expenditure	15,419	9,576	10,267
LESS Financed by:			
Capital Receipts	(4,386)	(3,387)	(3,797)
Capital Grants	(2,790)	(3,739)	(3,867)
Reserves	(1,243)	(1,450)	(1,113)
Increase in Borrowing Need	7,000	1,000	1,490

- 5.4. 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 2023/24 and prior years that has not yet been paid for by revenue or other resources.
- 5.5. The Council's CFR for 2023/24 represents a Key Prudential Indicator and is shown below in Table 2. The table shows a forecast net reduction in internal borrowing from £13.266m in 2022/23 to £10.901m in 2023/24. This is a reduction of £2.365m after deducting the MRP of £1.255m and capital receipts applied of £2.6m in 2023/24.

Table 2

	2022/23 Actual £'000	2023/24 Budget £'000	2023/24 Forecast £'000
Opening CFR	7,283	15,516	13,266
CFR in year	7,000	1,000	1,490
Less: MRP etc	-1,017	-1,311	-1,255
Less Capital Receipts Applied	0	-2,600	-2,600
Closing CFR	13,266	12,605	10,901
Less: External Borrowing	0	0	0
Internal Borrowing	13,266	12,605	10,901
Less:			
Usable Reserves	-28,170	-21,853	-21,377
Working Capital	-45,010	-38,625	-43,010
Available for Investment (-)	-59,914	-47,873	-53,486

6. Borrowing and Prudential Indicators

- 6.1. As part of the Capital and Investment Strategy, the Council established a range of Prudential Indicators (which also accords with professional practice) to monitor both Treasury and Capital as the two are intrinsically linked. Details of the performance against the Prudential Indicators can be found at **Appendix B**.
- 6.2. During the quarter ended 30 June 2023, the Council has operated within the treasury and prudential indicators set and it is not envisaged that there will be any difficulties in the current or future years in complying with these indicators.
- 6.3. All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.
- 6.4. No external borrowing was undertaken during the quarter ended 30 June 2023 and the Council does not anticipate a need to externally borrow in this financial year.
- 6.5. The Liability Benchmark reflects the real need to borrow. The Council's reports a credit balance which shows that the Council has no need to borrow over the medium term.
- 6.6. Net Income from Commercial and Service Investments to Net Revenue Streams demonstrates the Council's dependence on investments. The projected figure is higher than estimated due to favourable net revenue streams.
- 6.7. The Ratio of Financing Costs to Net Revenue Streams is a Key Prudential 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 projected actual at quarter 1 is 0.15% a relatively small movement from the position at the start of the year due

mainly to an increase in the net cost of service relating to pay and inflation. This is included in **Appendix B**.

7. Commercial Investments

- 7.1. The Council must disclose its dependence on commercial income and the contribution non-core investments make towards core functions. This covers assets purchase through the Council's Asset Investment Strategy although no longer actively pursuing commercial investment therefore covers pre-existing commercial investments.
- 7.2. The Council's target is that this should not exceed 30% with the current actual at around 15% (see Table 3 below). This is slightly below the original target mainly because total Council income is projected to be higher.

Table 3

Commercial Investment Income and Costs

2023/24	Original £'000	Current £'000	Actual £'000	Projected £'000
Commercial Property Income	(1,832)	(1,832)	(468)	(1,800)
Running Costs	480	483	216	489
Net Contribution to core functions	<u>(1,352)</u>	<u>(1,349)</u>	<u>(252)</u>	<u>(1,311)</u>
Interest from Commercial Loans	(67)	(67)	0	(67)
Total Contribution	<u>(1,419)</u>	<u>(1,416)</u>	<u>(252)</u>	<u>(1,378)</u>
Sensitivity:				
+/- 10% Commercial Property Income	183	183	47	180
Indicator:				
Investment Income as a % of total Council Income	18.8%	15.1%	14.5%	15.0%
Total Income	10,117	12,575	3,220	12,415

8. Conclusion

- 8.1. Officers can confirm that the approved limits within the Capital and Investment Strategy were not breached during the quarter ended 30 June 2023.
- 8.2. Treasury Management continues to be fraught with difficulty. The UK economy is recovering but risk of a recession remains with inflationary pressures and interest rates remaining high. Whilst the latter will have a positive effect on returns that can be achieved from investments, uncertainty in the economy is having a negative impact on the capital value of some of the Council's investments. Officers will continue to monitor the environment and report any significant issues to the Governance Scrutiny Group.

9. Risk and Uncertainties

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

10. Implications

Financial Implications

10.1. Financial Implications are covered in the body of the report.

Legal Implications

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

Equalities Implications

10.3. There are no equalities implications identified for this report

Section 17 of the Crime and Disorder Act 1998 Implications

10.4. There are no Section 17 implications identified for this report

Biodiversity Net Gain

10.5. There are no bio-diversity implications associated with this report.

11. Link to Corporate Priorities

The Environment	Helping to protect the environment by consideration of carbon footprint and fossil-based investments as part of the Capital and Investment Strategy
Quality of Life	No direct impact on quality of life
Efficient Services	Responsible income generation and maximising returns and minimising debt liability
Sustainable Growth	No direct impact on sustainable growth

Recommendations

It is RECOMMENDED that the Group considers the Capital and Investment Strategy update position as of 30 June 2023.

For more information contact:	Peter Linfield Director - Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers available for inspection	Treasury Management Strategy 2023/24 – Council 2 March 2023
List of Appendices:	Appendix A – Pooled Funds Appendix B - Prudential and Treasury Indicators for 2023/24 position at 30 June 2023 Appendix C – Investments at 30 June 2023

Pooled Funds summary of capital value movement

Total Amount Invested	Fair Value	31.03.23	30.04.23	31.05.23	30.06.23	Difference	Difference in valuation from time of initial investment to current month
5,000,000.00	Aegon-Previously Kames	4,364,956	4,411,518	4,399,193	4,383,672	18,716	616,328
5,000,000.00	Ninety One-Previously Investec	4,559,707	4,560,198	4,509,059	4,488,899	(70,808)	511,101
1,000,000.00	RLAM	983,676	988,835	981,690	980,687	(2,989)	19,313
2,000,000.00	CCLA Property	2,018,374	2,018,374	2,018,374	2,015,601	(2,773)	- 15,601
2,000,000.00	CCLA Diversified	1,839,164	1,856,626	1,848,025	1,829,781	(9,383)	170,219
15,000,000.00		13,765,876	13,835,552	13,756,342	13,698,640	(67,236)	1,301,360

Prudential and Treasury Indicators for 2023/24
Position at 30 June 2023

	2023/24 £'000 Original Estimate	2023/24 £'000 Projected
<u>Prudential Indicators</u>		
Capital Expenditure	9,576	10,267
Proportion of financing costs to net revenue streams	(0.37%)	0.15%
Expected Investment Position at 31 March 2024	48,149	53,486
Capital Financing requirement as at 31 March 2024	12,605	10,901
Net Income (from Commercial and Service Investments) to Net Revenue Streams	11.3%	11.9%
<u>Treasury Management Indicators</u>		
Authorised Limit for external debt Borrowing and other long-term liabilities	25,000	25,000
Operational Boundary for external debt Borrowing and other long-term liabilities	20,000	20,000
Upper limit for fixed interest rate exposure on investments up to 1 year	50%	50%
Upper limit for variable rate exposure (investments)	100%	100%
Upper limit for total principal sums invested over 1 year	24,100	26,700
Liability Benchmark	(38,149)	(42,624)

Investments as at 30 June 2023**Current Investments**

Financial Institution	Amount £	Length of Investment	Interest	Date
Standard Chartered	4,000,000	182 days	5.22%	30 November 2023
Standard Chartered	3,000,000	183 days	4.70%	11 October 2023
Close Brothers	5,000,000	179 days	4.90%	30 July 2023
HSBC ECG	5,085,875	Call	4.82%	N/A
Rushmoor Borough Council	5,000,000	364 days	4.50%	19 April 2024
Cornwall Council	5,000,000	184 days	4.35%	15 November 2023
Uttlesford council	5,000,000	72 days	4.45%	01 August 2023
East Midlands Combined Authority	5,000,000	30 days	4.70%	19 July 2023
Aviva Investors	216	Call	4.74%	N/A
Blackrock	949,029	Call	4.75%	N/A
Ccla – Psdf	4,734,690	Call	4.78%	N/A
Federated Investors (Uk)	7,003,592	Call	4.73%	N/A
Goldman Sachs Asset Management	256,401	Call	4.71%	N/A
Handelsbanken Plc	12,023	Call	4.73%	N/A
Hsbc Asset Management	714,407	Call	0.50%	N/A
Invesco Aim	512,678	Call	4.71%	N/A
Aberdeen Asset Management	3,029,194	Call	4.82%	N/A
Bank Of Scotland Plc	378,943	Call	0.01%	N/A
Bank Of Scotland Plc	110,841	32 Days	2.15%	N/A
Barclays Bank Plc	6,596	Call	1.60%	N/A
Barclays Bank Plc	4,476,302	32 Days	4.45%	N/A
Handelsbanken Plc	11,993	35 Days	2.20%	N/A
Santander Uk Plc	164,851	Call	2.78%	N/A
Santander Uk Plc	83,262	35 Days	3.78%	N/A
Royal London Cash Plus Fund	983,676	On-going	3.96%	N/A
Ccla Property Fund	2,018,374	On-going	4.36%	N/A
Ccla Diversified Income Fund	1,839,164	On-going	3.25%	N/A
Aegon Diversified Income Fund	4,364,956	On-going	6.80%	N/A
Ninety One Diversified Income Fund	4,559,707	On-going	6.20%	N/A
Total Investments/Average Interest Rate	73,296,770		4.78%	

Glossary of Terms

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

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

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

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

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

SONIA – Sterling Overnight Index Average – This rate 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, 28 September 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.

23 November 2023

- Internal Audit Progress Report
- Annual Audit Completion Report 2022/23
- Statement of Accounts
- Capital and Investment Strategy Update
- Asset Management Plan
- RIPA Review
- Work Programme

22 February 2024

- Internal Audit Progress Report
- Internal Audit Strategy
- Risk Management Strategy
- Risk Management – Update
- Capital and Investment Strategy Update
- External Annual Audit Plan
- Annual Audit Letter and Value for Money Conclusion
- Capital and Investment Strategy 2024/25
- Work Programme

xx June 2024

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Fraud Report
- Annual Governance Statement (AGS)
- Capital and Investment Strategy Outturn
- Constitution Update
- Code of Conduct
- 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.