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Rushcliffe Borough Council

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

To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held on Thursday, 22 February 2024 at 6.30 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West Bridgford to consider the following items of business.

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

Yours sincerely

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 23 November 2023 (Pages 1 - 8)

4. Annual Audit Letter and Value for Money Conclusion (Pages 9 - 38)

   Report of the Director – Finance and Corporate Services.

5. External Annual Audit Plan

   A verbal update will be provided by Mazars, the Council's External Auditors.

6. Internal Audit Progress Report Q3 (Pages 39 - 62)

   Report of the Director – Finance and Corporate Services.

7. Internal Audit Strategy 2024/2025 (Pages 63 - 94)

   Report of the Director – Finance and Corporate Services.

8. Asset Management Plan (Pages 95 - 110)

   Report of the Director – Finance and Corporate Services.

9. Risk Management Update (Pages 111 - 134)

   Report of the Director – Finance and Corporate Services.

10. Capital and Investment Strategy Monitoring Q3 (Pages 135 - 146)

    Report of the Director – Finance and Corporate Services.

11. Capital and Investment Strategy 2024/25 (Pages 147 - 178)

    Report of the Director – Finance and Corporate Services.

12. Work Programme (Pages 179 - 180)

    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

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

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

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

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

Recording at Meetings

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

Rushcliffe Borough Council is committed to being open and transparent in its decision making. As such, the Council will undertake audio recording of meetings which are open to the public, except where it is resolved that the public be excluded, as the information being discussed is confidential or otherwise exempt

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

Held at 7.00 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West Bridgford
and live streamed on Rushcliffe Borough Council's YouTube channel

PRESENT:

Councillors A Edyvean (Chair), P Gowland (Vice-Chair), T Birch, S Calvert, H Om, C Thomas, R Butler and P Matthews

ALSO IN ATTENDANCE:

Max Armstrong – BDO (Internal Auditor)
Bethan Frudd – Mazars (External Auditors)

OFFICERS IN ATTENDANCE:

P Linfield	Director of Finance and Corporate Services
S Whittaker	Service Manager - Finance
G Dennis	Monitoring Officer
M Heald	Finance Business Partner
T Coop	Democratic Services Officer

APOLOGIES:

Councillors N Regan, D Simms and G Wheeler

22 **Declarations of Interest**

There were no declarations of interest.

23 **Minutes of the Meeting held on 28 September 2023**

The minutes of the meeting held on 28 September were approved as a true record and were signed by the Chairman.

The Group noted that the Service Manager – Finance had responded to the actions from the meeting on 28 September by email.

24 **Internal Audit Progress Report Q2**

Mr Armstrong from BDO, the Council's Internal Auditors presented the second Internal Audit Report and its progress for the year against the Internal Audit Programme.

The report highlighted the completion of the Reconciliation Review, which received a substantial rating for design and a moderate rating for effectiveness with one medium and two low level recommendations. There were no limited assurance reports issued and management actions had been agreed for all recommendations.

Mr Armstrong provided the Group with a sector update from the Chancellors autumn statement, advising that there will be changes to the planning process including central government support on larger applications and a freeze on business rates to support the retail and hospitality sector. It was noted that with regards to the planning reform the details are yet to be finalised.

Councillor Gowland questioned the audit findings and the lack of evidence retained for the separation of duties between officers preparing and reviewing the reconciliations and asked whether the Group should be concerned. The Service Manager – Finance explained that the Council's financial processes do have substantial support in place and the verification and authorisation of financial transactions are completed by separate officers.

It was **RESOLVED** that the Governance Scrutiny Group considered and noted the Q2 Internal Audit Progress Report for 2023/24 (Appendix A) prepared by the Council's Internal Auditors.

25 **External Audit Completion Report**

Ms Frudd from Mazars, the Council's External Auditors, presented the External Audit Completion report provided in Appendix A and the Management Representation Letter in Appendix B. The documents report to those charged with Governance the key conclusions in the audit process for 2022/23 and also comments upon the Statement of Accounts and their quality.

Ms Frudd provided a recap of the audit approach and highlighted the significant findings and the audit conclusion. These include:

- **Management Override** – No issues had been identified.
- **Net defined benefit liability valuation** – No issues had been identified. However, the audit was ongoing as they had not received the assurance required form the pension fund auditor.
- **Valuation of land and buildings and investment properties** – 2 immaterial misstatements had been identified and these remain unadjusted in the 2022/23 accounts. However, the Council will correct these for 2023/24.
- **Insourcing Streetwise** – No issues had been identified.

It was noted that the draft accounts were received (for the financial year to 31 March 2023), some minor adjustments had been identified and a further set of revised draft accounts were received on 4 August 2023.

With regards to internal control recommendations the Group were advised there had been one level 2 recommendation in respect of 2 missing Councillor declarations of interest forms. It was noted the Councillors were no longer serving.

Ms Frudd provided a summary of misstatements that the audit had identified and confirmed these had been corrected.

With regards to Value for Money the Group noted the audit work of the Council's arrangements had not been completed at the time of preparing this report. However, Ms Frudd confirmed the audit had not identified any significant weaknesses in the Council's arrangements and the Group were advised that commentary would be provided in the Auditor's Annual Report by January 2024.

Councillor Thomas asked a specific question in respect of S106 contributions not yet recognised as income due to conditions not yet being met and whether the Council's Growth Boards had had a significant role in highlighting where there were potential issues. The Group were reminded that in the recent review of Growth Boards in some areas these had been removed. The Service Manager – Finance explained S106 contributions were held by other organisations such as Nottinghamshire County Council and that planning officers regularly liaise with the organisations who requested the contribution, as well as contacting beneficiaries where a contribution is nearing its expiry date.

Councillor Birch commented on the valuation of assets and asked what measures are in place to assure members that officer valuations are accurate. Ms Frudd explained that valuation of assets is a significant risk area based on assumptions, expectations and benchmarking and due to the high degree of estimation uncertainty this has been determined as a significant risk. The Director – Finance and Corporate Services informed the Group that valuations are undertaken by a senior officer and overseen by the Director – Growth and Economic Development and finance also review the valuations, in particular with regards to key variances.

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

a) Approved the findings of Mazars Audit Completion Report (Appendix A)

b) Approved the Management Representation Letter (Appendix B)

26 **Statement of Accounts**

The Service Manager – Finance presented the Council's Statement of Accounts for the financial year 2022/23 for the Group to approve.

The Group were advised there has been no significant issues arising from the audit and the Council was in a good position in comparison to other local authorities.

The Service Manager – Finance summarised the salient points from the Statement of Accounts provided in Appendix A of the report.

The Group were asked to note that under continuing financial challenges the Council has maintained its focus on achieving a viable Medium Term Financial Strategy (MTFS), securing Value for Money and delivering and growing its services. The Council's reserve balances remain healthy ensuring a good position to respond to both unexpected financial shocks and maintain service delivery.

Councillor Birch asked a specific question relating to the transfer of reserves from the New Homes Bonus (NHB) to offset the Minimum Revenue Provision (MRP) charges in relation to the capital cost of the Arena and Cotgrave Master plan, and whether this would have any impact on the building of new and affordable homes. The Service Manager – Finance explained that the NHB is not ringfenced for housing and the Council is free to use the NHB how we choose to help facilitate growth within the Borough.

The Group commented on Member Working Groups in reference to Transparency, adding that not all reports are publicly available on the Council's website. Members highlighted the West Bridgford Special Expenses and CIL Advisory Group as one meeting where the Council might want to consider it being publicly available. Councillor Gowland requested that the list of annuity charges for historical works charged to the Special Expenses budget annually, is shared with Governance Scrutiny Group members.

Councillor Birch asked a specific question in relation to Business Rates collection and highlighted the Ratcliffe on Soar power station being a large contributor and whether any future development at the site had been secured. The Service Manager – Finance explained the loss of the power station business rates have been calculated and new models are being worked on. With regards to future development at the site the Group were advised this is still unknown.

Councillor Thomas asked why Rushcliffe Enterprises Account remains dormant and not closed and informed officers that the correspondence address requires updating to reflect the change in Monitoring Officer.

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

a) Approved the Statement of Accounts for 2022/23 (Appendix A) including the Annual Governance Statement at Section B page XXIX.

b) Delegate authority to the Director of Finance and Corporate Services to make any changes necessary resulting from the matters outstanding on the accounts and advise both the Chair of Governance Scrutiny Group and Finance Portfolio Holder accordingly, such changes to be reported to the Governance Scrutiny Group.

27 **Capital and Investment Strategy Monitoring Q2**

The Finance Business Partner presented the Capital and Investment Strategy Monitoring report for mid-year 2023/24, which summarised the capital and investment activities of the council for the period 1 April to 30 September 2023.

The Group were advised that as from 1 November 2023 the Council have a new Treasury Management Advisor, Arlingclose Financial Advisors, who replace Link Treasury Services for the next three years.

The Finance Business Partner advised the Group that economic environment is looking favourable, inflation has fallen and is forecast to fall further. Interest rates remain stable.

With regard to investment income, the Group were advised that whilst the base rate have risen the pooled investment funds have not been positively affected and interest is expected to exceed the budget target. The Group noted that in order to maintain returns on its investments, the council has continued to diversify its investment mix, details of which were provided in Appendix A of the report.

With regards to borrowing and with reference to the Council's cash balances, the Council continues to internally borrow to fund capital expenditure and does not envisage having to externally borrow during the medium term.

In concluding the Group noted that treasury management continues to be challenging. Inflationary pressures are reducing, and although interest rates are stable, they are forecast to fall over the longer period which will have a negative impact on investment returns. Changes to the accounting codes will also restrict what local authorities can do. The Group were advised that officers will continue to report any significant issues to the governance Scrutiny Group.

The Group were informed that a training session hosted by Arlingclose is being scheduled for Tuesday 23 January which is essential for Governance Scrutiny Group members to attend.

Councillor Calvert asked a specific question relating to the interest return on S106 and CIL contributions and who benefits from this. The Service Manager – Finance explained the interest earned will be forwarded to the recipient of the S106 or CIL agreement, this could be health, education or highways.

Councillor Om referred to the list of investment institutions and questioned why some of the investments were only earning 0.5%. The Finance Business Partner explained that this was the Council's day-to-day account with immediate access to funds if needed.

It was **RESOLVED** that the Governance Scrutiny Group approved the Capital and Investment Strategy up-date position as at 30 September 2023.

28 **Review of Regulation of Investigatory Powers Act Policy**

The Monitoring Officer presented the Review of Regulation of Investigatory Powers Act policy and explained the Investigatory Powers Commissioners Office (IPCO) requires that Councillors are updated annually on the Council's use of powers under the Regulation of Investigatory Powers Act (RIPA) to ensure compliance with the regulations.

The Monitoring Officer advised the Group that the Council does not actively make use of its RIPA powers as a rule, but it is important that Councillors are aware of RIPA, the policy and its usage.

The Group were informed that an inspection was undertaken in August 2023 and following this inspection several changes to the policy have been made and were attached as at Appendix 1 of the report.

Members asked whether these powers could be used to combat graffiti and antisocial behaviour in parks and around village halls or to help prevent fly-tipping. The Monitoring Officer explained RIPA is more of a covert power and the Council would need to apply for approval through a Magistrates court. If the Council were to consider CCTV approval would not be required under the RIPA Act.

Members asked specific questions relating to officer training and which officers would be required to undertake the training and whether this was something Members should be made aware of and have there been instances in other local authorities where covert exercises have been used. The Monitoring Officer advised that RIPA is more likely to be used within the capacity of Environmental Health or Licensing officers and that she was not aware of any instances in neighbouring authorities.

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

a) Considered the information provided regarding the Council's use of RIPA powers

b) Endorsed the updates to the Council's RIPA policy in line with the IPCO Inspection recommendations.

29 **Amendments to the Constitution**

The Monitoring Officer presented the amendments to the constitution and reminded the Group that at the last meeting on 28 September 2023, the Group approved the creation of a Working Group to consider outstanding changes to the Council's Constitution and nominated two members to sit on this Group, Councillor Calvert and Councillor Thomas.

The Group noted that the Working Group met on 7 November and has concluded its work.

The Monitoring Officer advised that a further change has been proposed regarding the timing of the submission of motions to be heard at Full Council meetings. The proposal is to extend the timescales within which motions must be delivered to the Chief Executive from not later that seven clear working days, to not later than ten working days (except in exceptional circumstances).

The exact wording for all amendments were outlined in the appendices for the Group consider.

Both Councillor Calvert and Councillor Thomas shared their experience with the Group. They felt the report overall was well drafted and approved the changes. Councillor Thomas commented on the order in which speakers addressed the Committee as this was incorrect and asked the Monitoring Officer to check with planning officers.

Members commented on a Ward Councillors request that an application be referred to Planning Committee and that such a request should be made within the statutory consultee timescales of 21 days and in view of previous discussions at the meeting in September these timescales were often too tight. The Group were advised that officers need to be made aware early in the process to allow time to write the reports for committee.

The Chairman advised that a Ward Councillor may make further comments or amend comments outside of this timeframe for example, where new information has become available. The Chairman suggested the Monitoring Officer makes the 21 days clear when reporting to Full Council in December.

It was **RESOLVED** that Governance Scrutiny Group considered and approved the proposed changes to the Constitution prior to consideration by Council.

30 **Work Programme**

The Service Manager – Finance explained that there may be a delay with the External Annual Audit Plan and this may not be reported at the next meeting of Governance Scrutiny Group in February.

The Chairman proposed and the Group agreed that due to the number of items on the agenda in February the meeting would be brought forward to start at the earlier time of 6.30pm.

It was **RESOLVED** that Governance Scrutiny Group approve the work programme as follows:

22 February 2024

- Internal Audit Progress Report Q3
- Internal Audit Strategy
- Risk Management Strategy
- Risk Management – Update
- Capital and Investment Strategy Monitoring Q3
- External Annual Audit Plan
- Annual Audit Letter and Value for Money Conclusion
- Capital and Investment Strategy 2024/25
- Work Programme

June 2024 (Date TBC)

- Internal Audit Progress Report Q4
- Internal Audit Annual Report
- Annual Fraud Report
- Annual Governance Statement (AGS)
- Capital and Investment Strategy Monitoring Q3 Outturn
- Constitution Update
- Code of Conduct
- Work Programme

Actions – 23 November 2023

Min No	Action	Officer Responsible
26	In relation to West Bridgford special Expenses and CIL Advisory Group, the Group asked for a historical list of annuity charges	Service Manager – Finance
26	Councillor Thomas highlighted that the correspondence address for Rushcliffe Enterprises required updating with the current monitoring Officers details	Monitoring Officer

The meeting closed at 8.32 pm.

CHAIR

Governance Scrutiny Group

Thursday, 22 February 2024

Annual Audit Letter

Rushcliffe
Borough Council

Report of the Director – Finance and Corporate Services

1. Purpose of report

1.1. The attached letter from Mazars summarises progress on the audit process for the 2022/23 financial year. It reiterates the key conclusions of the Auditors' Report on the 2022/23 Accounts and the Report to those Charged with Governance, both of which were considered by the Governance Scrutiny Group on 23 November 2023.

1.2. At the last meeting, Mazars reported that they had not completed their work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, and had not issued recommendations in relation to any identified significant weaknesses in those arrangements at the time. This work has now been completed and the attached report provides commentary on the Council's arrangements. No significant weaknesses in arrangements were identified and there are no recommendations arising.

1.3. The report is very positive (particularly in the context of the troubles across the sector in relation to finance and audit), no major concerns have been raised and no actions are required in relation to the report.

2. Recommendation

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

3. Reasons for Recommendation

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

4. Supporting Information

4.1. The Auditors Annual Letter for 2022/23 is attached at Appendix A.

4.2. The sector is under considerable pressure due to a backlog of audits coupled with recruitment and retention issues and revised audit standards which makes this a challenging time for all involved. This is a key reason we have yet to receive the Audit Plan for the 2023/24 audit which Mazars will give a verbal update on. The statutory deadline for signing off the Statement of Accounts was returned to the original deadline of 30 September for the 2022/23 accounts. Nationally, just one per cent of local authority accounts were signed off by this deadline. Although not meeting this deadline, the Council was one of a handful that had their accounts signed off by the end of November. Despite the above challenges, there were no significant issues that have arisen during the 2022/23 financial year.

4.3. Mazars are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The table below summarises the outcomes of their work against each of the three reporting criteria, including whether they have identified any significant weaknesses in arrangements or made other recommendations.

Reporting Criteria	Identified risks of significant weakness?	Actual risks of significant weakness?	Other recommendations made?
Financial Sustainability	No	No	No
Governance	No	No	No
Improving economy, efficiency and effectiveness	No	No	No

4.4. Page 13 of the Auditors Annual Letter refers to data published in May 2023 by the Department for Levelling Up, Housing and Communities (DLUHC) on Local authority general fund earmarked and unallocated reserve levels. It should be noted that there was an error in the data used by OFLOG to populate these charts. This has now been corrected with DLUHC but has not yet been reflected by OFLOG. The correction results in the Un-ringfenced reserves as percentage of service expenditure reducing from 361% to 202% - much closer to the other Nottinghamshire Districts. It should also be noted that over the term of the MTFS going to Full Council in March 2024 reserves are expected to substantially reduce.

5. Risks and Uncertainties

There is a risk that the Council's accounts for 2023/24 will not meet the statutory deadline of 30 September 2024 due to the aforementioned backlog.

We are also reliant on a timely completion of the pensions audit by Mazars who are in turn reliant on Nottinghamshire Councty Council accounts being completed in good time. The Government, the National Audit Office, audit suppliers and regulators are working together to find a way to clear the backlog in 2023/24, which is the first year of a new external audit contract let by Public Sector Audit Appointments Limited. In January 2024, proposals were announced to address the backlog with an initial backstop date of September 2024 for all outstanding audits. The Council maintain ongoing dialogue with Mazars on new matters and the timetable for the 2023/24 audit. At this point, interim audit and planning are scheduled for March 2024, but the Audit Plan and completion date cannot be finalised until the extent of changes from the backstop proposal are known.

6. Implications

6.1. Financial Implications

The existing budget covers the fee for audit work of £42,739 (£31,792 for 2021/22 audit). In addition to this, Mazars propose fee variations of £16,290 in relation to additional testing due to the changes in the Code of Audit Practice requirements on new auditing standards ISA540, insourcing of Streetwise and new VFM approach. These variations are subject to confirmation by Public Sector Audit Appointments (PSAA). The Council has received additional grant funding of £17,808 to cover this increase. Note the 2023/24 fee is substantially increasing to c£128k as a result of the national tender by PSAA across the sector. This is consistent with other authorities and reflects supply and demand in the audit market and the backlog of work and the impact on audit firms resourcing the work. It is an additional financial pressure in relation to the budget. The Council remains mindful of the amount of time the audit takes and the potential impact on officer workload.

6.2. Legal Implications

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

6.3. Equalities Implications

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

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

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

6.5. **Biodiversity Net Gain Implications**

There are no Biodiversity Net Gain implications connected to the recommendations of this report.

7. Link to Corporate Priorities

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

8. Recommendations

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

For more information contact:	Peter Linfield Director - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	None.
List of appendices:	Appendix A – Mazars Annual Audit Letter 2022/23

Auditor’s Annual Report

Rushcliffe Borough Council– year ended 31 March 2023

February 2024

Contents

01

Section 01:

Introduction

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Rushcliffe Borough Council ('the Council') for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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

Opinion on the financial statements

We issued our audit report on 11th December 2023. Our opinion on the financial statements was unqualified.

Wider reporting responsibilities

At the date of reporting our work on the Council's Whole of Government Accounts return remains incomplete whilst we wait for final instructions from the National Audit Office

Value for Money arrangements

In our audit report, we reported that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council's arrangements. No significant weaknesses in arrangements were identified and there are no recommendations arising from our work.

02

Section 02:

Audit of the financial statements

Page 17

2. Audit of the financial statements

The scope of our audit and the results of our opinion

At Appendix A, we have set out the main financial statement risks addressed in our audit – detailed findings were presented to the Governance Scrutiny Group.

In the table below, we set out the main audit outcomes for 2022/23.

Audit Area	Outcomes
Financial Statements	The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued in December 2023, gave an unqualified opinion on the financial statements for the year ended 31 March 2023.
Qualitative aspects of the Council's accounting practices	We reviewed the Council's accounting policies and disclosures and concluded they complied with the 2022/23 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances, with one exception relating to transfers out of assets under construction when projects are complete. We did however confirm this had no impact on the closing balances.
Internal Control Recommendations	As part of our audit, we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We did not identify any 'High – level 3' recommendations for 2022/23.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.
Wider responsibilities	Our powers and responsibilities under the 2014 Act are broad and include the ability to: • issue a report in the public interest; • make statutory recommendations that must be considered and responded to publicly; • apply to the court for a declaration that an item of account is contrary to law; and • issue an advisory notice under schedule 8 of the 2014 Act. We have not exercised any of these powers as part of our 2022/23 audit.

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary

Page 20

3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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

Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services

Governance - How the Council ensures that it makes informed decisions and properly manages its risks

Page 21

Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment
At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

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

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

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation
Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations
We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

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

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

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

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

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	11	No	No	No
Governance	15	No	No	No
Improving economy, efficiency and effectiveness	18	No	No	No

3. Commentary on VFM arrangements

Financial Sustainability

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

Page 23

mazars

Overall commentary on the Financial Sustainability reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

Position brought forward from 2021/22

We reported in our Annual Auditor's Report for 2021/22, that we had:

- Reviewed the 2021/22 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements;
- Reviewed the 2022/23 General Fund Budget.
- Reviewed the Council's Annual governance Statement for any significant issues and considered the general findings from our audit work in other areas.

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from 2021/22. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2022/23.

Overall responsibilities for financial governance

We have reviewed the Council's overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2022/23. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council's service users.

The Council's financial planning and monitoring arrangements

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

2022/23 Budget Setting and the Medium-Term Financial Strategy

We considered the 2022/23 budget setting process, including the Medium Term Financial Strategy as part of our work on the 2021/22 review of arrangements, with no significant concerns arising. We were satisfied that, the Budget Report for 2022/23 adequately explains revenue and capital budgets, with a sufficient link to specific business units, as well as an explanation on the impact to the general fund balance. The Council reported its financial outturn position in the 2022/23 Statement of Accounts, which highlighted a total net budget variance of £2.081m, of which £0.502m was carried forward to 2023/24 to support continuing cost pressures and delivery of the Council's priorities, with the remaining £1.579m appropriated to reserves.

In 2022/23, the Council spent £12.8m on capital additions per Note 15 of the financial statements. Our testing of these balances did not identify any concerns relating to the Council's arrangements. Furthermore, there is no indication of excessive use of capital flexibilities to support revenue expenditure, nor has our work on the financial statements highlighted any concerns regarding the Council's policy for setting the Minimum Revenue Provision. Furthermore, there is no indication that the Council's Medium Term Financial Strategy and budget setting process is not aligned to supporting plans given the Council has a track record of delivering against budget.

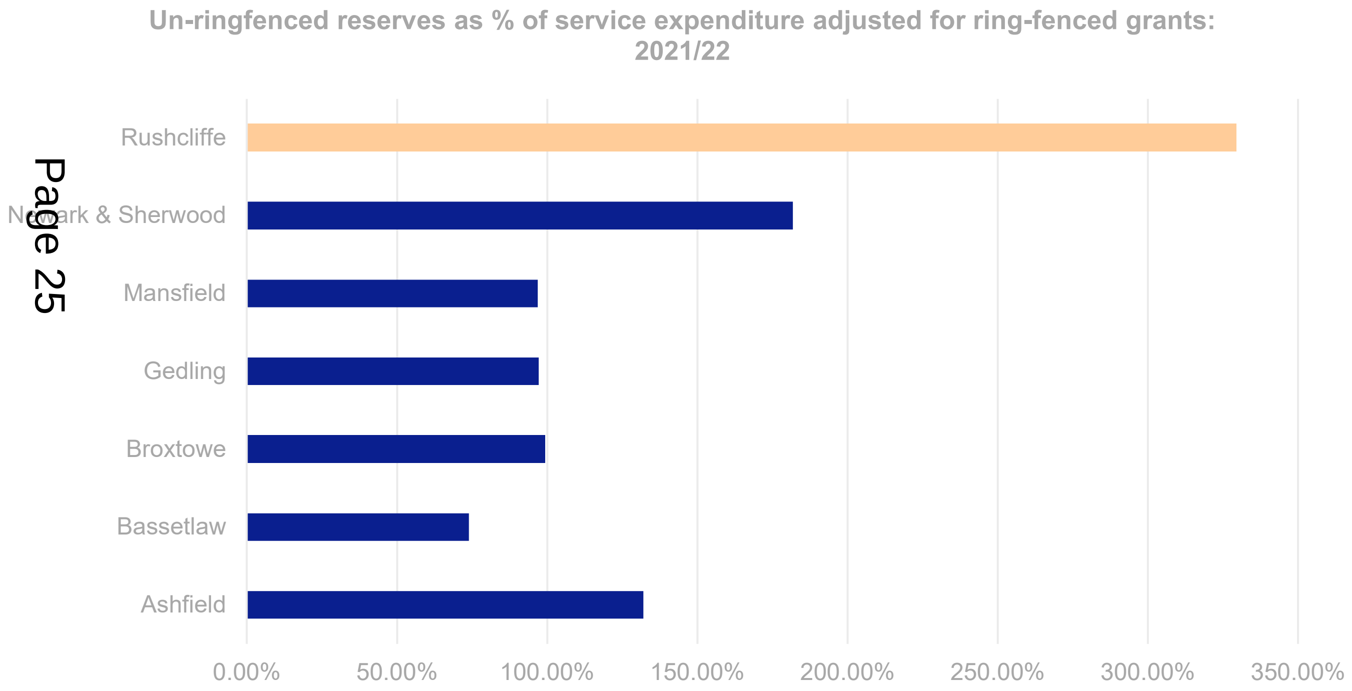
2022/23 Statement of Financial Position

We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and the Balance Sheet, our work to date has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council's financial sustainability.

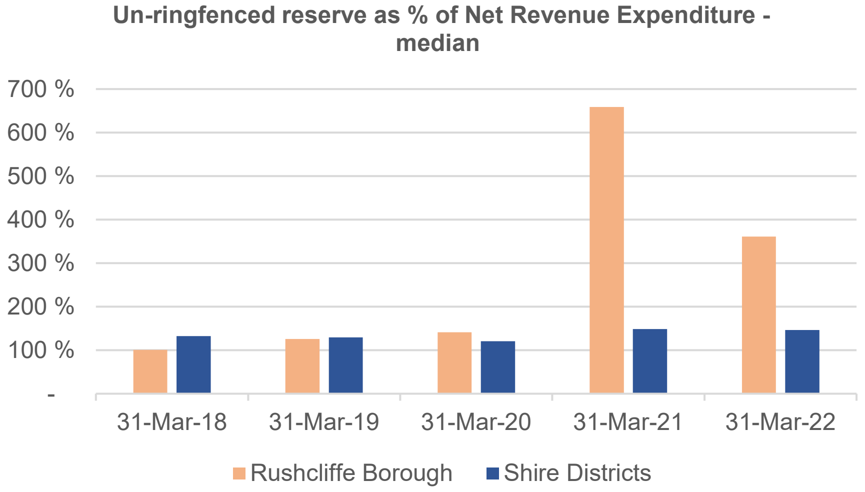
VFM arrangements – Financial Sustainability

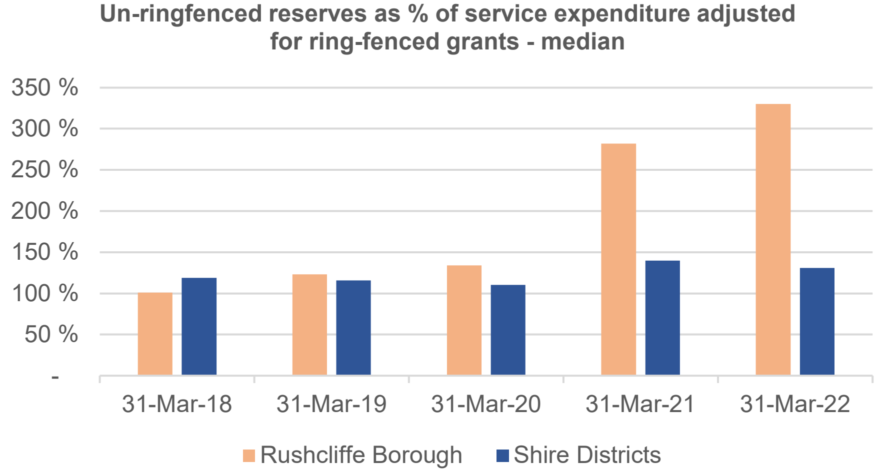
Financial sustainability and revenue reserves

We have also performed a more detailed review of the Council's revenue reserves. We reviewed data published in May 2023 by the Department for Levelling Up, Housing and Communities on Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22. The Council's reserves have generally been in line with or above the median compared to shire districts since 2018, increasing significantly from 2021 onwards (charts right), significantly above other Nottinghamshire district councils.



Page 25





Details on the definitions and data quality arrangements are available here: *https://www.gov.uk/government/publications/local-authority-general-fund-earmarked-and-unallocated-reserve-levels-2017-18-to-2021-22*

VFM arrangements – Financial Sustainability

Financial sustainability and reserves (continued)

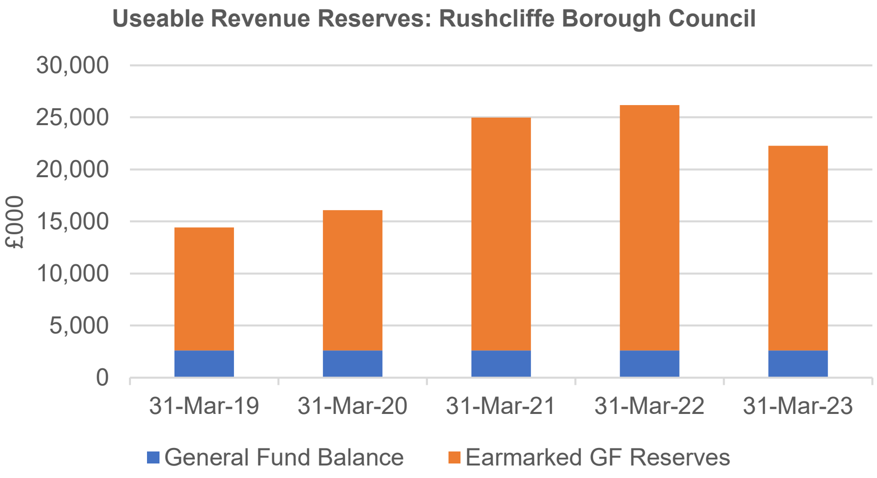
The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves, are set aside for specific purposes.

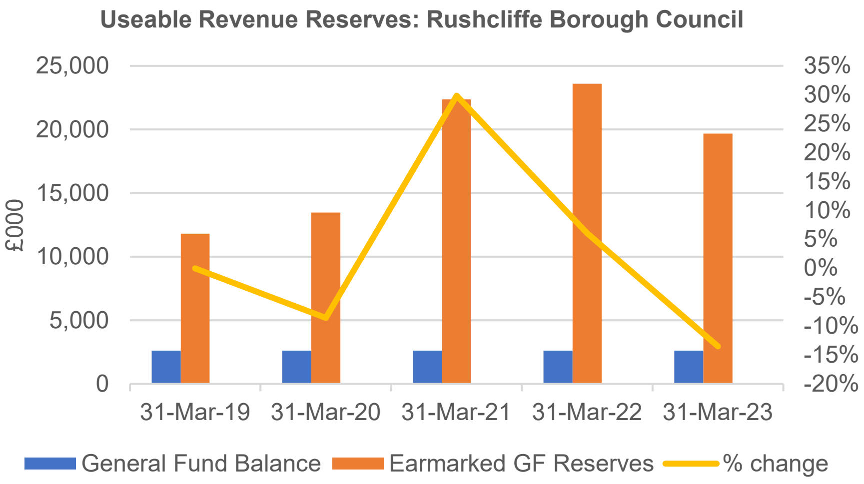
Through a review of the financial statements, we have considered the Council's revenue reserves over time:

- As set out on the previous page, the Council's revenue reserves are above the median for district councils.
- Whilst reserves have increased to 2021, and remained relatively stable since, they are finite. The Council's General Fund Balance has remained stable over the last 5 years, but overall revenue reserves have decreased in the year to 31st March 2023.

Overall, we are satisfied that the Council's Reserves position does not give rise to an immediate risk of significant weakness in arrangements to secure financial sustainability but is something that Council need to continue to monitor and manage through savings programmes going forwards.

Page 26





Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2023.

3. Commentary on VFM arrangements

Governance

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

Page 27

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

Position brought forward from 2021/22

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

The Authority's governance structure

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

Our review of corporate governance arrangements confirms the Council has an agreed Constitution, setting out how it operates, how decisions are reached and what procedures are followed to ensure that these are transparent and accountable to local people.

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

2023/24 Budget Setting and the Medium-Term Financial Strategy

The Council's budget setting and medium-term financial planning follows a similar process and format to previous years and our review is supported by discussions with officers during the year and experience from prior year audits. The arrangements in place for budget setting and updating the Medium-Term Financial Strategy are as expected for a District Council, with arrangements for: consultation, scrutiny, evaluation of financial risk, alignment to business plans and sources of funding.

We reviewed the Council's balanced budget for 2023/24 as set by Council in February 2023, which approved a 2% increase in Council Tax.

We read the assumptions underpinning the Medium-Term Financial Strategy (MTFS) as included in reports to the Cabinet. In our view, these include an adequate level of detail over the assumptions and cost pressures facing the council, which are consistent with our experience at similar sized authorities and not unreasonable. In addition, there is sufficient narrative to explain the rationale and key financial risks.

Over the duration of the MTFS, the general fund shows a planned consistent balance of £2.604m, every year to 2027/28. Proposals to achieve this outcome are laid out in the report and include the need to deliver additional transformation plan savings totalling £1.539m across the 5 years, with a target of £622k for 2023/24, as well as a need to draw on reserves from 2025/26. The use of general fund and earmarked reserves to support the revenue budget are not significant, at an estimated £485k in 2025/26, and is currently estimated to be for one year.

The MTFS was, of course, approved early in 2023 and the Council has the benefit of a further year to this point to develop and implement its strategy. We reflected on the progress in 2023/24 by reviewing the budget monitoring report to the December 2023 meeting of the Cabinet covering the period to Quarter 2 of 2023/24. The report gives an overview of the financial position, supported by adequate detail available within the appendices, and shows a current projection of £278k savings against the full year target of £622k, a shortfall of £344k, mostly relating to income at the Crematorium, and additional Streetwise costs. The revenue budget is projecting a total overspend of £898k (including the £344k transformation plan shortfall), however due to a lower than anticipated Business Rates Levy charge and the Business Rates Pool surplus distribution, there is a projected overall budget efficiency of £287k and the Council have proposed to earmark this for future cost pressures.

Overall, the Council's reported financial performance at Quarter 2 does not indicate any risk of significant weakness in the Council's arrangements in setting the 2023/24 MTFS.

Audit observations: the Council, like many other local authorities, reports the financial position on a net basis. As shown by the explanation on the overall variance to budget, this means that income variance and expenditure variances can be obscured by being combined in this way. We note, however, that the Council splits out variance analysis by income and expenditure type as an Appendix.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Pooled Investments

From the work performed on the financial statements, we included commentary in our Audit Completion Report to the Governance and Scrutiny Group regarding the Council's pooled investment funds and how an earmarked reserve of £1m has been set aside to go towards mitigating the current (31 March 2023) £1.5m loss in value of these investments. We are satisfied this does not present a risk of significant weakness in arrangements.

Risk management

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation.

The Governance Scrutiny Group is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the Cabinet. We have attended meetings of the Committee and reviewed minutes and reports presented during the year, including matters relating to risk. From our attendance at meetings and review of the minutes, we are satisfied there is sufficient evidence of Member oversight of risk management, including holding Officers to account.

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self-assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. No significant weaknesses in internal control have been identified from our work to date and Internal Audit have not identified or raised any significant concerns. We reviewed the Annual Governance Statement as part of our work on the financial statements with no significant issues arising.

Governance Scrutiny Group

The Council has an established Governance Scrutiny Group that incorporates the functions of an Audit Committee. We have reviewed supporting documents and confirmed the Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. Our attendance at Governance Scrutiny Group has confirmed there is an adequate level of challenge.

Key observation: recommended practice is for local authorities to have an Audit Committee and not confuse responsibilities with scrutiny. Whereas Scrutiny is concerned with the review of policy, its formulation and implementation, audit operates to ensure that the governance and risk environment within the Council is effective and that financial management is fit for purpose. Proposals from the Redmond Review recommended independent members on Audit Committees to ensure membership included an adequate level of skill and experience to be able to challenge the complexities of local government finance and governance. This is something the Council may wish to consider for 2025.

Internal Audit

We have met with management and the Head of Internal Audit regularly during the year, reviewed Governance Scrutiny Group reports and attended Committee meetings to observe the performance of Internal Audit and the Governance Scrutiny Group. No issues arose from our review to indicate there is a significant weakness in the Council's arrangements for governance.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Governance criteria for the year ended 31 March 2023.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

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

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements brought forward from the prior year.

Performance Monitoring

The Council's arrangements are consistent with the prior year, which were deemed adequate, with the Council's Corporate Strategy setting out what it wants to achieve for local residents and communities and is published on its website. The Council's overall financial objectives and strategy are documented in the Council's budget and Medium-Term Financial Strategy which is reviewed and updated annually.

Our review of minutes and reports confirms Members receive regular reporting on performance measures. We reviewed the performance outturn for 2022/23 as evidence of the Council's approach to evaluating performance. In our view, reports contain sufficient narrative, including the appendices, to demonstrate that there are adequate arrangements to assess performance and identify areas for action.

Partnerships and Commissioning

Through our work on the financial statements, our testing of expenditure, and consideration of key financial controls, has not identified any issues relating to procurement.

During 2022/23, the Council brought their environmental services, "Streetwise" back in-house, from 1st September 2022. The decision was made during 2021/22, not the year under review. Our work on the financial statements included testing the in-housing, including the transfer of their assets to the Council, and testing of the income and expenditure recognised in the 2022/23 financial statements, with no issues arising.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2023.

04

Section 04:

Other reporting responsibilities and our fees

Page 32

4. Other reporting responsibilities and our fees

Matters we report by exception

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

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

We have not exercised any of these statutory reporting powers.

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

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

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. As at the date of writing, instructions regarding sampled components have not yet been received.

4. Other reporting responsibilities and our fees

Fees for work as the Council’s auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Governance Scrutiny Group in June 2023. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2021/22 actual fees £’000	2022/23 fees* £’000	2023/24 Scale Fees
Planned fee in respect of our work under the Code of Audit Practice	31,792	42,739	128,376
Additional fees in respect of additional testing undertaken to comply with increased regulatory requirements relating to: IAS 19 pension liabilities; and valuation of land, buildings and investment properties.	8,840	N/A - included in revised scale fee	TBC
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	3,590	3,590	
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 315)	-	5,700	
Accounting and auditing infrastructure assets	6,200	-	
Other additional testing – audit adjustments to resolve prior period errors	5,240	-	
Other additional testing – additional testing arising from Streetwise insourcing	-	1,000	
Additional fees in respect of the VFM Commentary	6,000	6,000	
Sub-total: variations	**29,870**	**16,290**	**TBC**
Total fees	**61,662**	**59,029**	**TBC**

*These costs are subject to PSAA review and approval. The Council received £17,807.50 of grant funding to meet rising audit costs.

At the time of issuing this report, the additional fees for 2022/23 have not been agreed with the Council.

A

Appendix

Appendix A: Further information on our audit of the financial statements

Main financial statement audit risks and findings

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment. Following the risk assessment, we identified risks relevant to the audit of financial statements and the significant audit risks and conclusions reached are set out below:

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.	**Significant risk:** an area that, in our judgment, requires special audit consideration.	We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to test accounting journals.	There are no significant matters to report.
Valuation of the net pension liability The defined benefit liability relating to the Local Government and Fire-Fighter's pension scheme represents significant balances on the Council's balance sheet and involves a high degree of estimation uncertainty. The Council uses two actuaries to provide an annual valuation of these liabilities in line with the requirements of accounting standards.	**Significant risk**	Our procedures to address this risk included, but was not limited to: • critically assessing the competency, objectivity and independence of each actuary; • liaising with the auditors of the Lincolnshire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the valuation is complete and accurate; • reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuations, including comparing them to expected ranges using a consulting actuary; • agreeing the data in the valuation report provided by the Fund Actuaries for accounting purposes to the financial statements; and • considering whether the pension asset should be capped.	We identified that the actuary's figures had been based on the incorrect pensionable pay value. A revised actuary report was obtained to confirm the impact on the net liability. The impact was immaterial so the council chose not to revise the financial statements but will adjust the pensions values accordingly in the 2023/24 accounts. In addition, the Pension Fund auditor identified an overstatement of assets of £12.5m as at 31 March 2023. The Council's share of this was approximately £0.14m, and we reported this as an unadjusted misstatement.

Appendix A: Further information on our audit of the financial statements

Main financial statement audit risks and findings

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment. Following the risk assessment, we identified risks relevant to the audit of financial statements and the significant audit risks and conclusions reached are set out below:

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
Valuation of land & buildings, and investment properties Land, Building and Investment Property assets are significant balances on the Council's balance sheet and the valuation of these assets is complex and is subject to a number of management assumptions and judgements.	**Significant risk**	Our procedures to address this risk included, but was not limited to: • considering whether the overall valuation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends; • critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation are materially correct; and • engaging our own valuation expert to support our testing of a sample of individual valuations back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied.	We identified 2 misstatements. As these were immaterial, they remained unadjusted in the 2022/23 accounts, but the Council is planning to correct these for 2023/24.
Insourcing of streetwise In February 2022, Cabinet took the decision to insource its wholly-owned grounds maintenance and street cleansing companies Streetwise Environmental Limited and Streetwise Environmental trading Limited with effect from 1 September 2022. The Council needed to consider the accounting treatment for the change in group structure and incorporate relevant assets, liabilities, income and expenditure into the financial statements for 2022/23.	**Enhanced risk:** an area that, in our judgment, requires additional consideration but does not rise to the level of a significant risk	We addressed this risk by: • Reviewing the proposed accounting treatment to bring services back in house • Evaluating the impact on our testing approach of income, expenditure, assets and liabilities for 2022/23.	There are no significant matters to report.

Mark Surridge, Key Audit Partner

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

*where permitted under applicable country laws.

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Governance Scrutiny Group

Thursday, 22 February 2024

Internal Audit Progress Report Quarter 3

Report of the Director – Finance and Corporate Services

1. Purpose of report

The attached report has been prepared by the Council's internal auditors BDO and is the second report for this financial year. It reflects the progress made 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 3 progress report for 2023/24 (Appendix A) prepared by the Council's Internal Auditor.

3. Reasons for Recommendation

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

4. Supporting Information

4.1. The Internal Audit Plan for 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 of four reports from the 2023/24 Internal Audit Annual Plan.In terms of findings:

- The Country Parks Income audit received a moderate rating for Design and a substantial rating for Effectiveness with one medium and two low level recommendations
- The Governance of Partnerships audit received a substantial rating for both Design and Effectiveness with one low level recommendation
- The Grant Management Controls audit received a substantial rating for both Design and Effectiveness with 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.

4.4. There are two questions to assist the Group in their consideration of the audit plan. These are:

- Is the Group satified that there is sufficient assurance given for the audit completed to Q3?
- 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. There are no direct legal implications identified in this report.

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 Section 17 implications identified for this report.

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	There are no links between the recommendations of this report

Growth	and the Council's Sustainable Growth priority

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group considers the quarter 3 progress report for 2023/24 (Appendix A) prepared by the Council's Internal Auditor.

For more information contact:	Peter Linfield Director of Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Internal Audit Plan 2023/24 Governance Scrutiny Group 2 February 2023 Internal Audit Progress Q1 Governance Scrutiny Group 28 September 2023 Internal Audit Progress Q2 Governance Scrutiny Group 23 November 2023
List of appendices:	Appendix A - Internal Audit Progress Report – BDO

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INTERNAL AUDIT PROGRESS REPORT

RUSHCLIFFE BOROUGH COUNCIL

FEBRUARY 2024

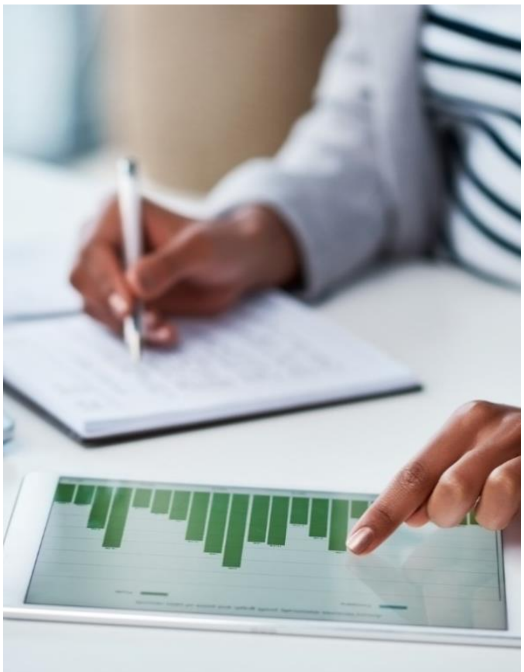
IDEAS | PEOPLE | TRUST

CONTENTS

SUMMARY OF INTERNAL AUDIT WORK

INTERNAL AUDIT

This report is intended to inform the Governance Scrutiny Group of 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.

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:

- Governance of Partnership Arrangements
- Country Parks – Income
- Grant Management Controls.

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:

- Fleet Management
- Rushcliffe Oaks Crematorium – Income
- IT General Controls.

REVIEW OF 2023/2024 WORK

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

COUNTRY PARKS - INCOME

CRR REFERENCE: 13 - FEE INCOME VOLATILITY

Design Opinion	Moderate	**Design Effectiveness**	Substantial	
Recommendations	0	1	2	

SCOPE

BACKGROUND

- Rushcliffe Country Park, located within the borough, opened in 1993 providing facilities and green space for public use, and to restore biodiversity into the area. It was awarded the Green Flag Award in 2007 and has maintained this status since
- The Country Park provides a range of events activities and facilities to the public, including a visitor centre, outdoor exercise equipment, a play area, a skate park, trails, and other activities arranged by Friends of Rushcliffe Country Park.
- Rushcliffe Borough Council (the Council) generate income from the Country Park from:
  - Car parking – collected through the Ringo app with cash income from pay and display transactions collected by Broxtowe Borough Council
  - Concession contract for catering (café, ice cream and hot food)
  - Room hire, in conference room inside the education centre – through online bookings via Rushcliffe Venues booking system
  - Events for large groups
  - Trail sheets / dog bags - with customers paying into an honesty box
  - Ranger-led activities – paid by cash on the day
  - Notts Outdoor Educations Activity.
- Income is collected from customers for these activities in accordance with the Council's fees and charges schedule, on its website. Cash is banked from the Country Park by the Rushcliffe Country Park Manager who will take it to the Finance Team at the Rushcliffe Arena, usually monthly. The total income generated through the Country Park between April and November 2023 was:
  - Concession contract - £39,659 (with an annual income of £48,390 excluding bin collection and electricity costs)
  - Room hire - £4,286
  - Outdoor/open space hire - £2,761
  - Trail sheet, bird seed and dog bag sales - £2,237
  - Ranger-led activities - £1,496
  - Car parking (held outside of the Communities budget) - £64,910.

AREAS REVIEWED

As part of this audit, we reviewed the following areas:

- Cash, income collection and banking procedure notes to assess whether these provided sufficient clarity on processes and that they were clear to staff.
- Advertising of charges to customers for services provided at Rushcliffe Country Park to ascertain whether these were transparently promoted and publicised.
- A sample of cash receipts from the RCP Income spreadsheets to assess whether they were accurately banked.
- Income received from the concession contract/licences to confirm whether rent costs were accurately invoiced in line with the contractual terms and paid to the Council in a timely manner.

- Observe arrangements in place for securely holding cash at the Rushcliffe Country Park before it is transported to the Rushcliffe Arena for banking.
- Management reporting on income trends for the Rushcliffe Country Park to assess whether there is adequate monitoring of income versus targets and analysis of seasonal trends.

AREAS OF STRENGTH

The following areas of good practice were identified:

- Charges for facilities, meeting room and event hire at the Rushcliffe Country Park were transparently advertised on the 'Fees and Charges' section of the Council's website. For indoor activities (room hire), customers book and pay directly through the Switch system on the website, which calculates the fee based on the time that the meeting room is booked for. A daily email is automatically sent to the Rushcliffe Country Park Manager from Switch to ensure they can verify that those using the meeting room in the Visitor Centre have paid. For large events, customers are required to fill out a hard-copy form, which is retained in the Country Park office, where it is recorded whether payment has been received. Charities and not-for-profit organisations can benefit from a discounted price which is clearly labelled on the website.
- Charges for other income sources at the Rushcliffe Country Park, ie dog bags, trail sheets, bird seed and car parking charges, are clearly advertised on the site to ensure it is clear to customers what the costs are.
- Small cash receipts for bird seed, dog bags and trail sheets are collected through honesty boxes, located directly outside of the Country Park office and covered by CCTV. While this relies on the honesty of customers, low values are collected for these items (only £2,237 between April and November 2023). The Rushcliffe Country Park Team have explored installing electronic payment terminals or vending machines however, the capital installation costs reduce the viability of these due to the low level of income collected through sales.
- The Rushcliffe Country Park Manager records all cash and cheque receipts on the RCP Income spreadsheet before transporting it to the Finance Team at the Rushcliffe Arena to be deposited. Cash is usually deposited monthly however, due to seasonal trends this can be more frequent during summer months where higher volumes of cash and cheques are received. Receipts are generated by the Finance Team and provided to the Rushcliffe Country Park Manager on the following occasion they deposit cash. We reviewed six deposits between August 2022 and July 2023 totalling £3,941 and confirmed that the value recorded on the RCP Income spreadsheet was consistent with the receipts provided by the Finance Team, indicating that the correct amount had been banked. Although, as receipts for individual transactions are not issued, we were unable to verify that the amount banked was consistent with what was originally collected (see Finding 2).
- The Council have concession contracts/licences with Tree Tops Catering Ltd for the café, mobile hot food van and mobile ice cream van. These generate £48,390 per annum, with additional fees charged for electricity costs and bin collection. We reviewed the past three invoices issued to Tree Tops Catering Ltd for each of these services and confirmed:
  - The quarterly instalments were accurate, in line with the annual fees stipulated in the Deed of Variation signed in September 2022.
  - Payments received from the supplier were accurate and within the credit terms outlined in the invoice.
- Income from the Rushcliffe Country Park car park is managed by Broxtowe Borough Council, who provide these services across all of the Council's car parks. Car park users can pay the £1 all day car parking fee or £35 annual permit via cash, credit/debit card or through the Ringo app. Each month, Broxtowe Borough Council send a Car Park Usage and Income report to the Council showing a breakdown of income received at the Country Park car park through cash, debit/credit card and Ringo. Between April and November 2023, £64,910 was generated through the pay and display and annual permits, with a further £5,969 through penalty charge notices. The Rushcliffe Country Park Team use the income and usage report as an indication of visitor numbers and demand throughout the year.
- Cash and cheques are stored in a safe which is in a closed cabinet in the Country Park office before it is transported to the Rushcliffe Arena to be banked. The safe is locked at all times a secured by a code which only the Rushcliffe Country Park Manager and the three park rangers have been informed of. These officers all have cash handling responsibilities. The Country Park office is locked overnight, with shutters over the entrance and windows, and CCTV throughout the building. Similarly, the honesty boxes, which hold low volume of cash, are tied to the wall and locked. Therefore, appropriate controls are in place to keep cash secure before it is banked.

- All cost centres for the Rushcliffe Country Park are monitored monthly by the Communities Manager. The Rushcliffe Country Park Manager (the budget holder) provides comments to each of the seven income account codes each month to explain any variances to the budgeted income targets. They also hold a monthly Microsoft Teams meeting to discuss the costs and income for the Country Park. Between April and November 2023, the Country Park had generated £53,385 in income, which was marginally below its year-to-date target. It is forecasting income of £70,600 by the end of 2023/24. This financial reporting provides reasonable oversight of income collection performance by the budget holder, who then reports into the Neighbourhoods Performance Clinic as part of the wider Communities service performance.

AREAS OF CONCERN

Finding	Recommendation and Management Response
Cash is only counted and transported to the Rushcliffe Arena by one officer which could leave the Council more vulnerable to theft or loss of cash. Although, no instances were identified during our review (Finding 1 - Medium)	Two officers should be present to count the cash before it is bagged up and transported to the Rushcliffe Arena. Both officers should be required to sign to confirm the value of the cash counted and recorded on the RCP Income spreadsheet. We understand that the Team Manager for Environment attends the Country Park office once a week therefore, cash counting and banking could be completed on those dates to allow for a separation of duties. Management Response This recommendation is accepted and two officers, one of whom is the Team Manager for Environment are now checking and signing the RCP income sheet as of 22/01/24. Target date: 22 January 2024
Receipts are not provided to customers for ranger-led activities and therefore there is not a clear audit trail for the amount of income received from these activities (Finding 2 - Low)	a. A list of all attendee names should be recorded for ranger-led activities and these registers should be retained. b. The Rushcliffe Country Park Team should issue receipts to customers, and retain a merchant copy, for each ranger-led activity. These should be retained and reconciled to the RCP Income spreadsheet by the Communities Manager, or another appropriate officer that is not involved in the cash collection process. c. As a long-term solution to reduce the level of cash handling, the Council should continue to explore whether digital bookings and payments can be incorporated into the Rushcliffe Venues booking system for ranger-led activities. Receipts for these booking should be retained if this can be introduced. Management Response This recommendation is accepted, and all event bookings will now keep a record of the attendees and issue them with a receipt. An online booking system is currently being investigated for future events to be fully digital. Target date: 26 January 2024
The cash taking procedure note did not contain robust details on the process for banking cash, potentially leading to inconsistencies in the process if it were to be administered by different officers (Finding 3 - Low)	The Rushcliffe Country Park Team should expand on the 'Cash-Taking Procedure' document to include details on the following: • Who is responsible for counting, counter-signing and banking the cash

	• Requirements for multiple officers to count and be a signatory for the value of cash • Security measures to be taken when transporting the cash to prevent theft or loss, or to protect the safety of staff involved, ie bagged cash should be in a secure bag or container and should not be visible to the public • Process for logging cash income on the RCP Income spreadsheet • Where receipts from the Finance Team for the amount of cash banked should be retained. <u>Management Response</u> This finding is accepted and the Rushcliffe Country Park Manager will create an expanded and explanatory cash-taking procedure to add to the Park Management Plan. Target date: 26 February 2024

CONCLUSION

Overall, we have provided moderate assurance over the Council's management of income (including cash) from Rushcliffe Country Park. There were gaps identified in the control design, particularly the lack of a separation of duties in the cash counting process and receipts not being provided for each booking on the ranger-led activities. While no issues have been noted around misappropriation of cash, these control gaps could leave the Council more vulnerable to theft or loss of cash being undetected. Albeit, the values of cash and cheques collected at the Country Park is relatively low (£6,494 between April and November 2023).

Higher amounts of cash are collected through the concession contract for rent of the café, hot food and ice creams at the Rushcliffe Country Park (£48,390 per annum). Our review of the past three invoices issued to the tenant confirmed that these were charged accurately and paid in a timely manner. Similarly, there was reasonable reporting to the Council on the car park income collected by Broxtowe Borough Council for the Rushcliffe Country Park car park.

There were appropriate security measures in place for cash and cheques to be stored securely in the Country Park office until it could be banked. Access to the safe was limited to officers involved in cash collection and the building had CCTV, which could be monitored from the office.

This leads us to conclude that the control effectiveness was Substantial.

7

GOVERNANCE OF PARTNERSHIP ARRANGEMENTS

CRR REFERENCE: 34 - FAILURE OF PUBLIC SECTOR PARTNERSHIPS / WITHDRAWAL OF FINANCIAL SUPPORT

Design Opinion	Substantial	**Design Effectiveness**	Substantial
Recommendations	0	0	1

SCOPE

BACKGROUND

- Rushcliffe Borough Council (the Council) enter partnerships with other local authorities to deliver collective and mutual benefits across the borough and county. Partnerships can be developed for a range of services, with a growth in recent years for place-based and themed partnerships. Current partnerships that the Council have with other local authorities include: building control (East Midlands Building Consultancy), waste management (Joint Waste Management Board), planning (Joint Planning and Advisory Board), safeguarding (Multi-Agency Safeguarding Hub and Nottinghamshire Safeguarding Children Partnership), community health and well-being (South Notts Place Based Partnership).
- This audit focused on the governance and management of the following four partnerships:
  - **East Midlands Building Consultancy (EMBC)** - The EMBC is a partnership with South Kesteven District Council (SKDC) and Newark & Sherwood District Council (NSDC) to manage building control applications across a selection of authorities in Nottinghamshire and Lincolnshire. SKDC are the host authority for this partnership. The partnership aims to provide efficient and cost-effective building control services, providing better value for money by sharing skills, experience, and management between the councils.
  - **South Nottinghamshire Community Safety Partnership (SNCSP)** - The SNCPSP is a partnership between Broxtowe Borough Council (BBC), Gedling Borough Council (GBC) and the Council, to tackle safety and crime issues across South Nottinghamshire. It is also attended by other organisations such as the National Probation Services, Office of the Nottinghamshire Police and Crime Commissioner, Nottinghamshire Fire and Rescue.
  - **Joint Waste Management Committee (JWMC)** - The JWMC is a partnership with all other borough councils in Nottinghamshire, Nottingham City Council and the County Council to collaborate on waste management, discuss the performance of external waste collection/management providers and monitor the Waste Local Plan.
  - **South Notts Place-Based Partnership (SNPBP) -** As part of the new Integrated Care System structure established in July 2022, the SNPBP supports a joined up local approach to health and social services. Its principal aim is to help people live healthier lives and get the care and treatment they need. This partnership is with GBC, BBC and Ashfield Borough Council (ABC).

AREAS REVIEWED

As part of this audit, we reviewed the following areas:

- The terms of reference or partnership agreements for each partnership to assess whether the obligations of each partner, the purpose and objectives of the partnership, performance indicators, governance structures and reporting frameworks are clear. This included an assessment of whether the agreements were signed and/or approved by all partners to demonstrate the commitment to the partnership.

- Partnership meeting papers and minutes to assess whether adequate information was reported to partners to support effective decision-making and effective oversight of the delivery of the partnership's objectives.
- Partnership meeting minutes to assess whether there was reasonable buy-in from senior officers to maximise the effectiveness of the partnerships.
- Interviewed partnership leads and reviewed performance reporting through the Council's internal governance structures to assess the adequacy of issue escalation.

AREAS OF STRENGTH

The following areas of good practice were identified:

- There were robust terms of reference in place for the JWMC and the SNPBP, proportionate to the size and the role of the partnerships. These clearly outlined the groups' structures, membership, roles and responsibilities, and objectives. Furthermore, these were regularly reviewed by the relevant groups to ensure that it reflects the current arrangements and priorities of the partnership.
- The EMBC is supported by a partnership agreement which has been signed by all parties involved in the partnership. The partnership agreement clearly outlined the objectives, performance metrics and obligations of each partner.
- Each of the four partnerships is led, and partnership meetings are attended, by Director or Service Manager grade officers. This supports effective decision-making within the partnership meetings and ensure that senior officers are aware of any strategic or operational issues that could impact the Council's priorities (which are delivered through cooperation with partners). Our review of the partnership meeting minutes confirmed that the meetings were well-attended by senior officers. Additionally, the JWMC was also attended by the Portfolio Holder for Environment and Safety, providing reasonable input from members into joint decision-making.
- There was formal reporting to the Council's Executive Management Team (EMT) for the EMBC partnership, to provide oversight on its performance and escalate any issues, as appropriate. For the JWMC, SNPBP and SNCSP where the partnership is more around cooperating to meet shared objectives, matters were reported through informal meetings with line managers and verbal reporting to EMT or the relevant Portfolio Holder.
- The partnership meeting agendas and papers were issued sufficiently in advance of the meetings which supported effective governance and transparency. The minutes also reflected robust discussions on shared matters with partners and proactive involvement from the Council's representatives at the meetings. The discussions, and Council's contribution to the meetings, were broadly aligned to the purpose of the partnership. For instance, the JWMC focused mainly on shared operational matters for waste management. In contrast, there was a more strategic outlook from the SNPBP, focusing on local issues to feed back into the Integrated Care Partnership.
- An Annual Business Plan has been developed for the EMBC partnership with regular monitoring of its delivery by the partnership board and the Council's EMT. For example, there was financial reporting to EMT and information about the complaints were discussed, arising from the customer feedback survey completed in August 2023. Feedback from customers was broadly positive with 88% of respondents confirming they were pleased with the service provided.
- For the EMBC and the SNPBP partnerships there are key areas of performance monitoring reported into the partnership meetings, including: budget utilisation, data on the partnership's market share and project milestones. This supports effective oversight of performance by the performance of the partnerships and the Council's overall assessment on whether the partnership remains the most effective vehicle for the service delivery.

AREAS OF CONCERN

Finding	Recommendation and Management Response
The terms of reference for the SNCSP has not been formally approved by all partners (Finding 1 - Low)	The Council should work with its partners on the SNCSP to update the partnership terms of reference and ensure that there is documented approval of the terms of reference by each partner. Management Response The current TOR for SNCSP is in the process of being updated to reflect the recent changes to both the Making Notts Safe Plan, SNB Priorities

	and the cessation of the Operational SNCSP meeting. The revised TOR will be agreed at the next Strategic SNCSP meeting which will be held in early 2024 (three meetings are held per year). Target date: 30 April 2024

CONCLUSION

Overall, the Council had substantial controls in place to support the management and governance of its partnerships, focussing on four key partnerships in this review: EMBC, JWMC, SNPBP and SNCSP. There were strong levels of senior buy-in from the Council, with meetings attended by Portfolio Holders, Directors and/or Service Managers, demonstrating a robust approach to commitment and cooperation with partners on shared priorities. Furthermore, the partnership meetings were regular with good discussions on strategic and operational matters.

Each partnership had a clear and concise remit which, except for the SNCSP, had been approved by all partners. The EMBC followed a more formal approach with a signed partnership agreement, mainly due to the obligations of each party. However, for the other partnerships, a terms of reference had been developed and approved at the partnership meetings.

This leads us to conclude that the control effectiveness was substantial and consistently applied across a range of partnerships, supporting strong governance of the partnerships and their contributions to the Council's wider priorities.

GRANT MANAGEMENT CONTROLS

CRR REFERENCE: 13 - FEE INCOME VOLATILITY

Design Opinion	Substantial	Design Effectiveness	Substantial

Recommendations	0	0	2

SCOPE

BACKGROUND

- Rushcliffe Borough Council (the Council) received grant income from the Department for Business, Energy and Industrial Strategy (BEIS)[1] for the Local Authority Delivery Phase 3 scheme (LAD3 grant). This is managed through the Midlands Net Zero Hub (MNZH) which is administered by Nottingham City Council.
- The purpose of the grant is to support energy efficiency measures and low carbon heating for on gas grid homes with an aim of upgrading homes to a target energy efficiency rating of EPC C, or EPC D where this is not possible. The grant is for 'eligible households' only and should focus firstly homes with lower energy ratings (ie EPC E homes before EBC D homes).
- The Council received grant income for the LAD3 grant of £565,000 for capital costs and £56,500 (10%) to cover it administrative costs. Further funding was agreed in April 2023 as a result of an underspending of the grant across other local authorities that are part of the MNZH. The additional grant was £294,098 for capital costs and £29,409.80 for the administrative costs. The works for the LAD3 grant were completed in November 2023. The works were completed by E.ON.

AREAS REVIEWED

As part of this review, we conducted the following testing:

- A walkthrough of the Council's processes for managing and administering the LAD3 grant to ascertain whether appropriate controls were in place to issue grant payments in accordance with the conditions. This included ensuring separation of duties were in place throughout the entire process to mitigate the risk of inappropriate allocation of the grant payments.
- Payments made to E.ON for the works for 10 properties which received grant funding under the LAD3 scheme to identify whether:
  - A grant application had been received and approved in accordance with the scheme of delegation prior to any grant payments.
  - Invoices were raised by suppliers for the delivery of the grant work prior to payment.
- Only properties eligible received funding under the LAD3 conditions.

AREAS OF STRENGTH

The following areas of good practice were identified:

- The Council procured E.ON to deliver the works required under the HUG1 and LAD3 grant conditions. The LAD3 works are delivered as part of a partnership between the Council and Nottingham Energy Partnership (NEP). E.ON are responsible as the contractor for delivering the works and NEP are responsible for customer service and support. This is documented in the Contract Proposal.

[1] BEIS split into three departments in 2023 but administered the LAD3 grant. These departments are now: Department for Business and Trade (DBT), the Department for Energy Security and Net Zero (DESNZ) and the Department for Science, Innovation and Technology (DSIT). Any references to BEIS in this document are now superseded by the aforementioned departments.

- Ahead of the commencement of the project delivery, the Council, E.ON and NEP identified properties with a lower EPC rating (EPC C or below) and contacted the occupiers to inform them that they may qualify for the LAD3 grant and directing them to the application form on the Council's website. This provides effective advertising of the grant schemes to increase participation.
- Weekly meetings were established between the E.ON's Project Manager, NEP's Programme Manager, NEP's Project Coordinator of the Green Homes Grant and the Council's Environment Team Leader to evaluate and verbally approve applications. E.ON and NEP then lead of the work from a delivery and customer service perspective. Following the completion of the works, E.ON issue the formal accreditation and energy certificate to the occupier and register the new energy certificate with Trust Mark PAS:2035. This Trust Mark is the key document in a framework of new and existing standards on how to conduct effective energy retrofits of existing buildings. It covers how to access dwellings for retrofit, identify improvement options, design and specify Energy Efficiency Measures (EEM) and monitor retrofit projects. Under the PAS:2035 requirement, a Retrofit Coordinator or Retrofit Assessor Scheme Providers must conduct on-going checks and monitoring on each registered property. Therefore, a Retrofit Assessor undertakes a walkthrough of each property to obtain and retain photographic evidence of the property before and after the works have been delivered. For this scheme, E.ON were the Retrofit Assessor who retained the documentation to evidence the assessment.
- The MNZH host an online customer interface, Perci, which is used by the Council to monitor the progress of the work subject to an upgrade. The system is updated by E.ON and NEP daily to provide regular and clear reporting to the Council.
- We reviewed 10 properties that had received an energy upgrade through LAD3 grant support and confirmed that in all instances:
  - Grant application forms had been submitted by the applicant to the Council
  - Application forms had been reviewed and approved collectively by the Council, E.ON and NEP
  - The property had a lower EPC rating (either EPC D or EPC E) before the completion of the works
  - A PAS assessment had been completed by the assessor to assess the condition of the property. These reports identified existing efficiency measures installed in the property
  - A new EPC certificate had been issued for the property and certified by the assessor.
- The Environment Team Leader, supported by the Finance Business Partner, maintain a HUG1/LAD3 monitoring spreadsheet for the delivery of the schemes. This records the balances received from Nottingham City Council for the Green Energy grants and the invoices (including invoice reference numbers) from E.ON. This spreadsheet is updated regularly to monitor expenditure against the grants. Invoices are raised by E.ON periodically for the schemes. However, there was one invoice that has not yet been paid as it is above the value of the purchase order (see Finding 2).

AREAS OF CONCERN

Finding	Recommendation and Management Response
Preventative fraud measures are not in place to mitigate the risk of subcontractors charging occupiers despite them being in receipt of the grant. This happened in one instance and was only detected due to the occupier reporting the incident to E.ON (Finding 1 - Low)	For future grants, the Council should ensure that there are preventative fraud controls established and agreed with contractors, to create greater awareness to grant recipients of safeguards that they can take. This may include the completion of a fraud risk assessment. <u>Management Response</u> For the HUG 2 scheme, a far more stringent fraud detection procedure has been introduced and will be part of the monthly reporting procedure once works start. This is looking to be around 02/2024 onwards when installs are due to commence. Target date: 01/02/2024

	There is an outstanding payment for LAD3/HUG1 grant work to E.ON for £424,493 due to the final invoice exceeding the original purchase order. Subsequent purchase orders do not appear to have been raised for additional grant funding provided to the Council (Finding 2 – Low).	a. The Council should raise a purchase order with E.ON for £287,115 to cover the final invoice from E.ON for the HUG1 and LAD3 works b. For future grant projects, where additional funding is provided to the Council at a later date for work that it contracts out to a third party, a purchase order should be raised immediately once the value of the works are contractually agreed. Management Response We will take this recommendation on board and look to implement. Target date: 14/12/2023

CONCLUSION

Overall, we have provided substantial assurance over the Council's grant management controls for the LAD3 grant. Our walkthrough of grant management and administration processes identified that there was a sound system of internal control designed to ensure that grants were provided to eligible properties and that appropriate assessments were undertaken and by qualified assessors.

This was supported by the effective use of the Perci system which allowed the Council to maintain effective oversight of the progress of projects. Critically, our sample testing of properties in receipt of grant funding found that in all instances a PAS Assessment Report had been undertaken in advance of the work and the property had been issued a new EPC certificate rating post-completion of the work. Additionally, applications to the scheme were evaluated by representatives from E.ON, NEP and the Council to ensure that funds were allocated to eligible properties with lower energy ratings. All properties from our sample test had an EPC D or EPC E rating before the upgrades were done.

There were some issues identified from our review, notably that a purchase order had not been raised following the allocation of additional funding from the MNZH to the Council. This resulted in the final invoice of £424,493 having not been paid to E.ON at the date of our fieldwork (8 December 2023). There were also limited fraud prevention controls in place at the start of the scheme, which may have contributed to a potential fraud incident whereby a subcontractor requested and received payment from an occupier directly, in addition to funding through the grant.

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.

SECTION 114 FEAR FOR ALMOST 1 IN 5 COUNCIL LEADERS AND CHIEF EXECUTIVES AFTER CASHLESS AUTUMN STATEMENT

Almost one in five council leaders and chief executives in England surveyed by the Local Government Association think it is very or fairly likely that their chief finance officer will need to issue a Section 114 notice this year or next due to a lack of funding to keep key services running.

The LGA estimates that councils in England face a £4 billion funding gap over the next two years just to keep services standing still but last month's Autumn Statement failed to provide the additional funding needed to protect services from further cuts. This is despite councils of all political colours and types warning that growing demand and cost pressures are threatening their financial sustainability.

In 2024/25, councils will be able to increase general council tax by 3% without the need for a referendum. Those with social care responsibilities will again be able to increase the adult social care precept by up to a further 2%. This means that councils continue to face the tough choice about whether to increase council tax bills to bring in desperately needed funding to provide services when they are acutely aware of the significant burden that could place on some households.

The LGA survey – of council leaders and chief executives - also revealed:

- Half are not confident they will have enough funding to fulfil their legal duties next year (2024/25). This includes the delivery of statutory services.
- Nearly two thirds of council leaders and chief executives said there were no announcements in the Autumn Statement that they thought would help them deal with their council's financial position.

The LGA said the circumstances that have led to a Section 114 notice so far have been unique to each local area and the pressures they face.

However, all those that have had to curb spending in this way have faced the same underlying pressures - councils' core spending power falling by 27 per cent in real terms from 2010/11 to 2023/24, the impact of the pandemic, rising demand for services, in particular statutory services like social care and homelessness support, and the extra costs to provide them.

Section 114 fear for almost 1 in 5 council leaders and chief executives after cashless Autumn Statement | Local Government Association

FOR INFORMATION

For the Governance Scrutiny Group and Executive Directors

BEST VALUE STANDARDS AND INTERVENTIONS

A refresh of the oversight framework seeks to improve clarity around how councils deliver and evaluate services, the Local Government Association has said. In its second consultation on the framework, the LGA said there is no single document that outlines all the elements of council assurance and how they all fit together.

The LGA said creating this single document would increase clarity and transparency within the sector, and improve understanding of how assurance and oversight works. The consultation is seeking views on the principles of assurance and accountability, including performance monitoring against local targets, good quality data and clarity over the responsibilities of officers and councillors.

Abi Brown, chairman of the LGA's Improvement and Innovation Board, said: "Feedback from our initial engagement was really helpful, and has helped us to extend our mapping of the improvement and assurance framework for local government, which hasn't previously been written down anywhere.

"We are taking on board all comments received and now want to follow up with some more detailed questions about how the current framework can be improved.

"It's important we hear the views of all councils, partners and all other stakeholders and I encourage everyone to engage with us, for the benefit of the whole of local government and the wider public."

https://www.publicfinance.co.uk/news/2023/11/council-performance-reviews-get-refresh

FOR INFORMATION

For the Governance Scrutiny Group and Executive Directors

PROCUCTIVITY PLANNING FOR LOCAL AUTHORITIES

Local authorities will be required to develop productivity plans to be submitted to the Department for Levelling Up, Housing and Communities (DLUHC), to be published by July 2024. These will be reviewed and assessed by a new productivity review panel, made up of sector experts including the Office for Local Government and the Local Government Association.

The productivity plans should cover four key areas:

- Transformation of services to make better use of resources
- Opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design
- Ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and discredited staff equality, diversity and inclusion programmes
- Barriers preventing activity that government can help to reduce or remove.

These plans must be agreed by council leaders and members and be published on local authority websites, with updates on progress made against the plans.

https://www.gov.uk/government/news/council-funding-package-confirmed

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.	G
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.	G
Quality of Work	We have received three survey responses for audits completed in 23/24 with an average score of 4.33/5 for the overall audit experience. We also received individual scores of 5/5 for the added value from the report and the constructiveness of our recommendations. We will continue to send surveys out to officers with final report.	G
Completion of audit plan	We are in line with our schedule for the 23/24. Seven of the 10 reviews for 23/24 are either finalised or at the reporting stage, with the remaining three reviews fully scoped and set to commence later in the year.	G

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.

FOR MORE INFORMATION:

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Governance Scrutiny Group

Thursday, 22 February 2024

Internal Audit Strategy 2024-2027

Rushcliffe
Borough Council

Report of the Director - Finance and Corporate Services

1. Purpose of report

1.1. On 3 February 2022, the plan for 2022/23, as well as provisional internal audit plans for a new cycle of audits in 2023/24 and 2024/25, were approved by the Governance Scrutiny Group.

1.2. This report focuses on the planned audits due to take place in year two of of the new cycle of audits. These are listed at Appendix A for consideration.

1.3. A member of the BDO internal audit team will attend the meeting to present the report and answer any questions the Group may have.

2. Recommendation

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

a) the Internal Audit Strategy and Plan 2024/25-2026/27

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

3. Reasons for Recommendation

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

4. Supporting Information

4.1. The Governance Scrutiny Group in February 2023 considered and approved the Audit Strategy for the 2023/24 to 2025/26 period. This report presents the proposed audit plan for the three-year period 2024/25 to 2026/27.

4.2. The plan is set within the context of a multi-year approach to internal audit planning, such that areas of key risks would aim to be looked at over a three-year audit cycle.

4.3. Appendix A gives an indicative strategic plan for 2024/25-2026/27 and the programme is kept under continuous review during the year with any areas of significant risk added during that period.

4.4. Nine audits are planned for 2024/25 totalling 150 days and covering a number of the Council's key policies and systems. These include:

- Main Financial Systems
- Budgetary Control
- Procurement
- Environment – Carbon Management Action Plan
- Workforce and Succession Planning
- Fraud report
- Disabled Facilities Grants
- Equality, Diversity and Inclusion
- Cyber Security.

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

4.6. There are three questions to assist the Group in their consideration of the audit plan. These are:

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

4.8 There is also a requirement that Councillors understand and approve the role and scope of Internal Audit covered in the Internal Audit Charter as stated at Appendix 1 of the audit plan.

5. Risks and Uncertainties

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

6. Implications

6.1. Financial Implications

The audit fee relating to the costs of the audit work is included within existing budgets. The audit plan is constrained by a finite number of days commensurate with the risks pertaining to the Council.

6.2. Legal Implications

There are no legal implications arising from this report.

6.3. **Equalities Implications**

There are no equalities implications arising from this report.

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

There are no Section 17 implications arising from this report.

6.5. **Biodiversity Net Gain Implications**

There are no Biodiversity Net Gain implications arising from this report.

7. Link to Corporate Priorities

Quality of Life	The nature of audit is that it is cross cutting across a range of services and will impact on all of the Council's Corporate Objectives
Efficient Services	
Sustainable Growth	
The Environment	

8. Recommendations

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

a) the Internal Audit Strategy and Plan 2024/25-2026/27

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

For more information contact:	Peter Linfield Director - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	None
List of appendices:	Appendix A –Internal Audit Strategy 2024/25-2026/27

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INTERNAL AUDIT ANNUAL PLAN AND THREE-YEAR STRATEGIC PLAN

RUSHCLIFFE BOROUGH COUNCIL

2024/25

IDEAS | PEOPLE | TRUST

CONTENTS

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AUDIT RISK ASSESSMENT

BACKGROUND

Our risk-based approach to internal audit uses Rushcliffe Borough Council's own risk management process and risk register as a starting point for audit planning as this represents your own assessment of the risks to achieving your strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the Council's current risk profile.

PLANNED APPROACH TO INTERNAL AUDIT 2023/24

The indicative Internal Audit programme for 2024/25 is set out on pages 14 to 20. We met with the Executive Leadership Team in order to bring together a full draft plan to be presented to this Governance Scrutiny Group meeting for formal review and approval. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three-year audit cycle. We have suggested future areas of focus as part of the three-year strategic internal audit plan, set out on pages 10 to 13.

INDIVIDUAL AUDITS

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

In determining the timing of our individual audits we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff and takes account of any operational pressures being experienced.

VARIATIONS TO THE PLAN

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

As such, our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with the Executive Directors. If these were to change, or emerging risks were to develop during this period, we would take stock and evaluate our coverage accordingly.

OUR NEXT GEN INTERNAL AUDIT APPROACH

Our new and innovative Next Gen approach to internal audit ensures you maximise the potential added value from BDO as your internal audit provider and the expertise we bring from our dedicated Public Sector Internal Audit team and wider BDO specialist teams.

The Next Gen approach has allowed us to move away from the traditional approach of compliance auditing, transitioning in to delivering a healthy mix of assurance that is forward looking, flexible and responsive and undertaken in partnership with yourselves. The key components to this approach are outlined below and underpin our proposed plan coverage:

Core assurance
Reviews of fundamental finance and operational systems to provide assurance that core controls and procedures are operating as intended.

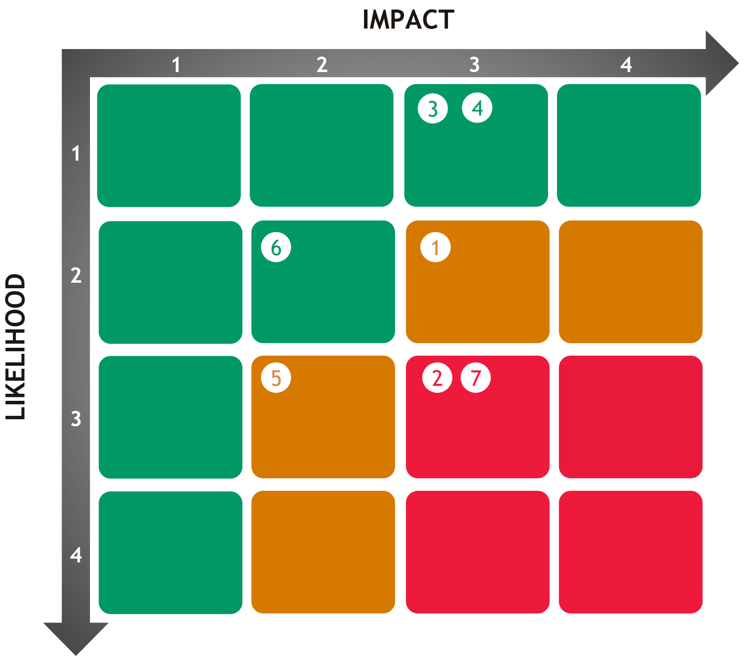
Soft controls
Reviews seek to understand the true purpose behind control deficiencies and provide a route map to enhance their effectiveness.

Future focused assurance
Rather than wait for implementation and then comment on identified weaknesses, we will work with you in an upfront / real time way.

Flexible audit resource
Undertake proactive work across the Council, perhaps in preparation for regulatory reviews or change management programmes.

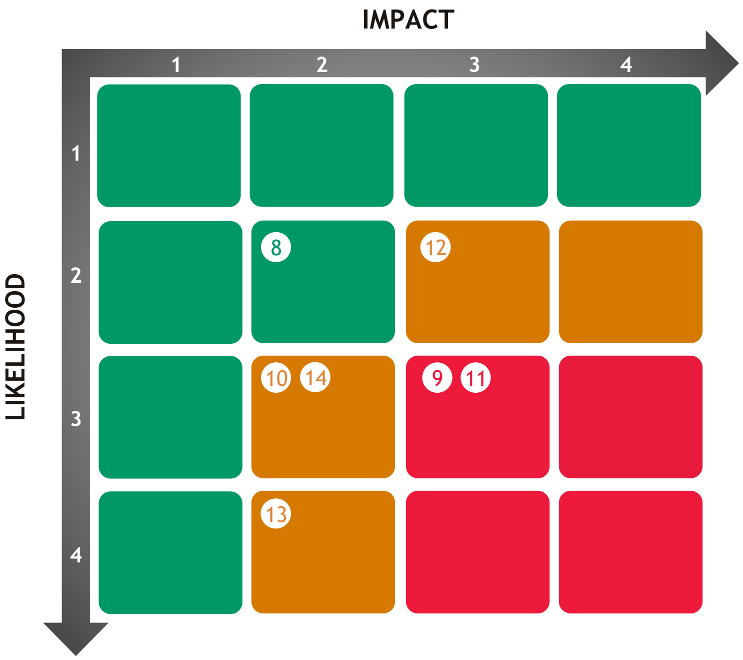
MAPPING YOUR STRATEGIC RISKS (1/6)

Ref	Strategic Risks from your CRR	Score
1	Equal pay claim	6
2	Insufficient staff capacity – skills, knowledge etc.	9
3	Inability to demonstrate a five-year supply of deliverable housing sites against the housing target leading to further development on unallocated sites	3
4	Failure to properly manage our property assets	3
5	Failure to deliver the new core strategy in partnership with Greater Nottingham Housing Market area	6
6	Failure to properly deal with community governance review legislation, Community Right to Challenge, and nominations for assets of community value	4
7	Reduction in Government funding linked to New Homes Bonus Fairer funding and business rates reviews and the impact of the overall Comprehensive Spending Review	9



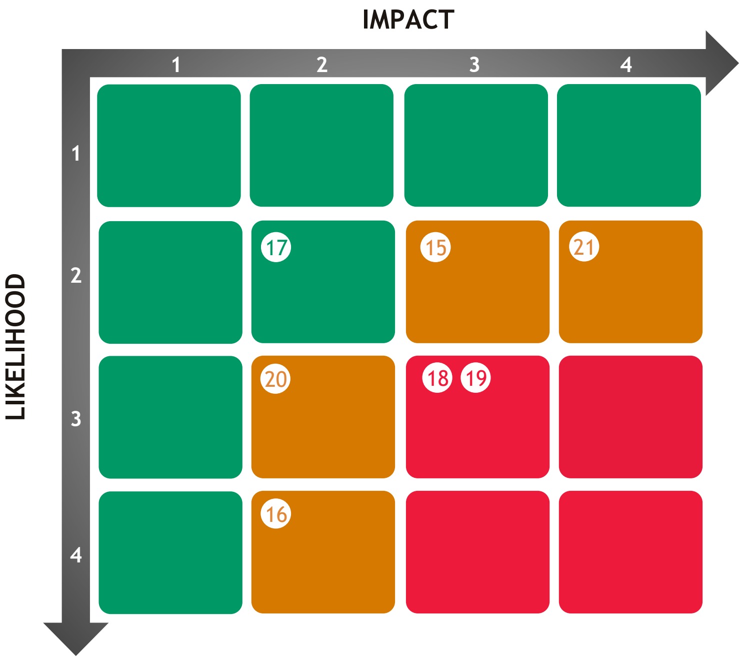
MAPPING YOUR STRATEGIC RISKS (2/6)

Ref	Strategic Risks from your CRR	Score
8	Failure to prevent or detect fraud and corruption	4
9	Revaluation of major business rate payer ie the impact of Ratcliffe on Soar Power Station closure	9
10	Lack of funding from partners	6
11	Central Government policy changes	9
12	Inadequate capital resources	6
13	Fee income volatility	8
14	Increased demand for services	6



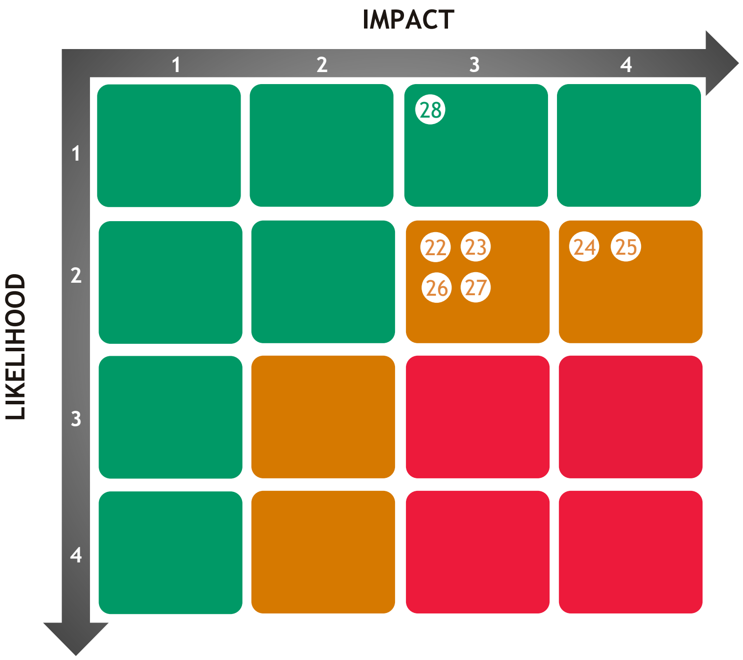
MAPPING YOUR STRATEGIC RISKS (3/6)

Ref	Strategic Risks from your CRR	Score
15	Risk and return from Asset Investment Strategy	6
16	Failure to deliver the Transformation Strategy	8
17	Failure to properly manage and deliver significant projects	4
18	Potential inflationary pressures, with volatility over prediction for budget	9
19	Uncertainty around Government funding and changes to the business rates system with a one-year financial settlement	9
20	ICT supplier goes out of business	6
21	Long term loss/failure of main ICT systems	8



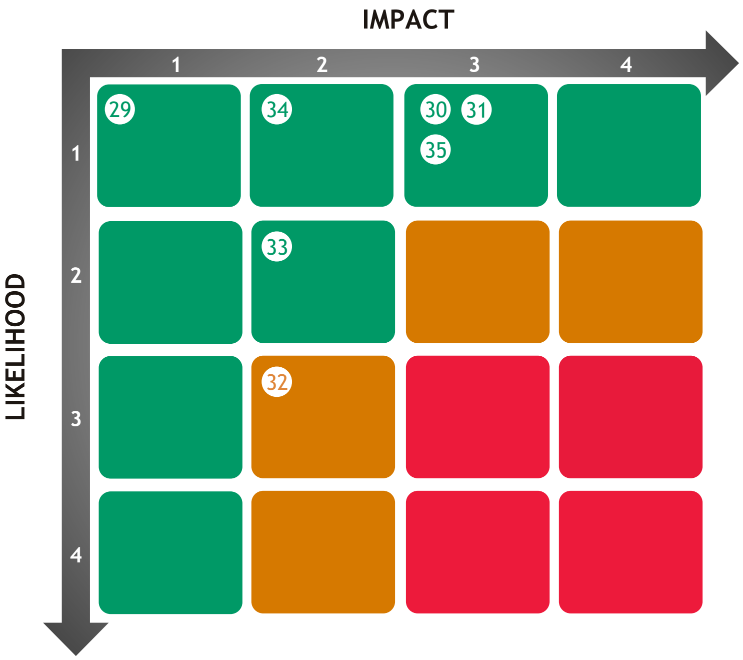
MAPPING YOUR STRATEGIC RISKS (4/6)

Ref	Strategic Risks from your CRR	Score
22	Loss or compromise of sensitive data	6
23	Short term loss/failure of main ICT systems	6
24	Threat of major successful cyber-attack	8
25	Failure to comply with General Data Protection Regulation	8
26	Loss or compromise of confidential or restricted information or data	6
27	Increases in interest rates which potentially increases the burden if the Council has to borrow	6
28	Failure of internal health and safety compliance or enforcement of health and safety	3



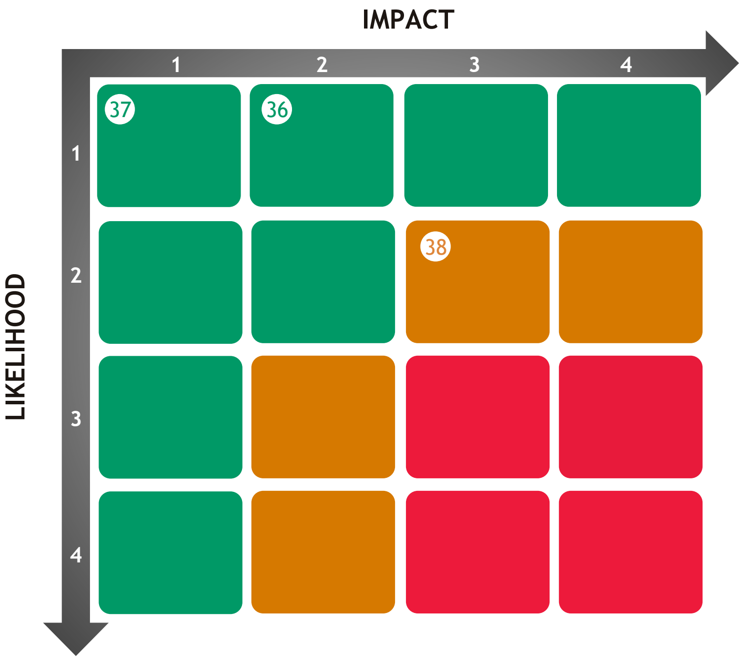
MAPPING YOUR STRATEGIC RISKS (5/6)

Ref	Strategic Risks from your CRR	Score
29	Unforeseen incidents happening at public events	1
30	Failure of business continuity	3
31	Ineffective emergency planning arrangements	3
32	Response to flooding impacts on delivery of statutory services	6
33	Inadequate resources to respond to flooding incidents	4
34	Failure of public sector partnerships / withdrawal of financial support	2
35	Failure to safeguard children and vulnerable adults	3



MAPPING YOUR STRATEGIC RISKS (6/6)

Ref	Strategic Risks from your CRR	Score
36	Ensuring the Afghan Relocation Programme is supported in accordance with national guidance (funding and community cohesion)	2
37	Ensure the Homes for Ukraine Scheme is supported in accordance with national guidance (funding & community cohesion)	1
38	Failure to deliver the Carbon management plan objectives	6



MAPPING YOUR CRR TO THE STRATEGIC PLAN (1/4)

Ref	Strategic Risks from your CRR	2024/25	2025/26	2026/27
1	Equal pay claim	• Equality, Diversity and Inclusion	• N/A	• N/A
2	Insufficient staff capacity – skills, knowledge etc.	• Workforce Planning and Succession • Equality, Diversity and Inclusion	• N/A	• N/A
3	Inability to demonstrate a five-year supply of deliverable housing sites against the housing target leading to further development on unallocated sites	• N/A	• Building Control and Development Management	• Strategic Housing • Local Development Plan
4	Failure to properly manage our property assets	• N/A	• Asset Investment and Management	• N/A
5	Failure to deliver the new core strategy in partnership with Greater Nottingham Housing Market area	• N/A	• N/A	• Planning Services • Strategic Housing • Local Development Plan
6	Failure to properly deal with community governance review legislation, Community Right to Challenge, and nominations for assets of community value	• N/A	• N/A	• N/A
7	Reduction in Government funding linked to New Homes Bonus Fairer funding and business rates reviews and the impact of the overall Comprehensive Spending Review	• N/A	• N/A	• Strategic Housing • Local Development Plan

MAPPING YOUR CRR TO THE STRATEGIC PLAN (2/4)

Ref	Strategic Risks from your CRR	2024/25	2025/26	2026/27
8	Failure to prevent or detect fraud and corruption	• Main Financial Systems • Fraud Report	• Main Financial Systems • Fraud Report	• Main Financial Systems • Fraud Report
9	Revaluation of major business rate payer ie the impact of Ratcliffe on Soar Power Station closure	• N/A	• Council Tax and NNDR	• N/A
10	Lack of funding from partners	• N/A	• N/A	• N/A
11	Central Government policy changes	• Procurement	• N/A	• Planning Services
12	Inadequate capital resources	• Budgetary Control • Main Financial Systems • Disabled Facilities Grant	• Main Financial Systems	• Main Financial Systems
13	Fee income volatility	• Budgetary Control	• Council Tax and NNDR	• Planning Services
14	Increased demand for services	• Budgetary Control • Procurement	• Building Control and Development Management • Streewise - Management	• Planning Services
15	Risk and return from Asset Investment Strategy	• N/A	• Asset Investment and Management	• N/A
16	Failure to deliver the Transformation Strategy	• N/A	• Asset Investment and Management	• N/A
17	Failure to properly manage and deliver significant projects	• Procurement	• Streewise - Management	• Planning Services
18	Potential inflationary pressures, with volatility over prediction for budget	• Budgetary Control • Main Financial Systems • Procurement	• Main Financial Systems • Streewise - Management	• N/A

MAPPING YOUR CRR TO THE STRATEGIC PLAN (3/4)

Ref	Strategic Risks from your CRR	2024/25	2025/26	2026/27
19	Uncertainty around Government funding and changes to the business rates system with a one-year financial settlement	• N/A	• N/A	• N/A
20	ICT supplier goes out of business	• Cyber Security	• N/A	• N/A
21	Long term loss/failure of main ICT systems	• Cyber Security	• N/A	• N/A
22	Loss or compromise of sensitive data	• Cyber Security	• N/A	• GDPR
23	Short term loss/failure of main ICT systems	• Cyber Security	• N/A	• N/A
24	Threat of major successful cyber-attack	• Cyber Security	• N/A	• N/A
25	Failure to comply with General Data Protection Regulation		• N/A	• GDPR
26	Loss or compromise of confidential or restricted information or data	• Cyber Security	• N/A	• GDPR
27	Increases in interest rates which potentially increases the burden if the Council has to borrow	• Budgetary Control	• N/A	• N/A
28	Failure of internal health and safety compliance or enforcement of health and safety	• N/A	• N/A	• Health and Safety
29	Unforeseen incidents happening at public events	• N/A	• N/A	• Health and Safety

MAPPING YOUR CRR TO THE STRATEGIC PLAN (4/4)

Ref	Strategic Risks from your CRR	2024/25	2025/26	2026/27
30	Failure of business continuity	• N/A	• Business Continuity and Emergency Planning	
31	Ineffective emergency planning arrangements	• N/A	• Business Continuity and Emergency Planning	• Health and Safety
32	Response to flooding impacts on delivery of statutory services	• N/A	• Building Control and Development Management • Business Continuity and Emergency Planning	• Planning Services
33	Inadequate resources to respond to flooding incidents	• N/A	• Business Continuity and Emergency Planning	• Health and Safety
34	Failure of public sector partnerships / withdrawal of financial support	• N/A	• Building Control and Development Management	• N/A
35	Failure to safeguard children and vulnerable adults	• N/A	• N/A	• Leisure Contracts • Homelessness and Temporary Accommodation
36	Ensuring the Afghan Relocation Programme is supported in accordance with national guidance (funding and community cohesion)	• N/A	• N/A	• Homelessness and Temporary Accommodation
37	Ensure the Homes for Ukraine Scheme is supported in accordance with national guidance (funding & community cohesion)	• N/A	• N/A	• Homelessness and Temporary Accommodation
38	Failure to deliver the Carbon management plan objectives	• Environment – Carbon Management Action Plan	• Waste and Recycling	• N/A

INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (1/7)

Area	CRR	Days	Timing	Description of the Review	Reason for Inclusion
Core Assurance					
Workforce and Succession Planning	2	15	Q1	This review will assess the Council's workforce and succession planning arrangements, focusing on critical and senior roles to assess whether there are appropriate controls in place to support the development and retention of knowledge and skills within the organisation.	The risk of insufficient capacity, knowledge and skills is a high risk on the Corporate Risk Register (Risk Score: 9), reflecting wider challenges around retention of staff and workforce management more widely across the sector. Additionally, succession planning for critical and senior roles is a significant risk to ensure continuity within the organisation.
Main Financial Systems	8, 12, 18	14	Q2	This is a cyclical review, and we will therefore agree with management at the start of the year what the focus of this review will be. The review will focus on Accounts Receivables and Payroll for 2024/25 as these have not been covered since 2021/22.	Assurance of main financial systems is critical to support our Annual Opinion.
Budgetary Control	12, 13, 14, 18, 27	14	Q2	The purpose of this review is to provide assurance of budgetary control arrangements in the Council from budget setting, budget management and governance structures to support effective oversight of budgets. We will also assess whether there is accountability of budgets to support ownership of budget management responsibilities. This review will also assess whether the Council's budget management reporting is aligned to other local authorities.	Potential inflationary pressures, with volatility over prediction for budget is a high risk on the Corporate Risk Register (Risk Score: 9). There has been an increase in Section 114 notices issued across the sector, with councils declaring that they will not balance the budget. Therefore, we have included this in the 2024/25 Plan to provide the Council with assurance over its budgetary control procedures.

INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (2/7)

Area	CRR	Days	Timing	Description of the Review	Reason for Inclusion
Core Assurance					
Disabled Facilities Grant	12	14	Q4	We will review the application to payment of the Disabled Facilities Grant, to assess whether it complies with statutory requirement and the Council's processes. This review will also involve a walkthrough of the processes and division of roles between the role of the Council versus Nottinghamshire County Council in managing DFG and scoping the work with contractors/architects. We will provide benchmarking to the Council on the arrangements of other local authorities.	The administration of the Disabled Facilities Grant is a statutory service provided by local authorities, to support disabled resident make modifications to their home to aid their living. Mandatory Disabled Facilities Grant is £30,000. The Council previously provided a discretionary top-up of £10,000 but due to financial pressures this was suspended by Cabinet in July 2022. For 2023/24 the Council had a budget of £1.202m for Disabled Facilities Grants capital schemes of which £0.406m had been spent at November 2023.
Fraud Report	8	12	Q1	Provide an annual report on the activities of the Council and areas of potential fraud such as council tax and benefits as well as compliance with functional standards and ensuring up to date policies and procedures are in place. Last year we recommended to the Council that it should undertake a fraud risk assessment. Therefore, as part of this review we will undertake a walkthrough of the risk assessment process and provide assurance over a sample of key risks to agree to supporting evidence.	CIFAS reported in 2019 of the rise of local authority fraud and lack of identification across the sector, therefore it is a significant risk across the sector.

INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (3/7)

Area	CRR	Days	Timing	Description of the Review	Reason for Inclusion
Core Assurance					
Procurement	11,14, 17,18	15	Q4	We will use data analytics to identify high risk procurements using the Council's purchase ledger data and its Contracts Register. We will then focus our sample testing on higher risk contracts to provide a deep dive and root cause analysis of non-compliance with the procurement rules. The review will also consider the Council's preparedness for the changes in legislation with the introduction of the Procurement Act 2023, which is expected to come into force from October 2024.	Our use of data analytics will allow us to focus the review on higher risk cases, providing the Council with deeper insights into non-compliance with procurement rules to ascertain the root cause. Procurement is a key risk for all local authorities, to demonstrate value for money with its stakeholders. There are upcoming changes to public sector procurement rules with the Procurement Act 2023, therefore, it is critical that the Council are prepared for these changes. Potential inflationary pressures has a risk score of 12 on the CRR, therefore value for money through robust procurement arrangements is an important control. The Council have recently moved its procurement function to Nottinghamshire County Council. The service was previously provided by Welland Procurement Shared Service.

INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (4/7)

Area	CRR	Days	Timing	Description of the Review	Reason for Inclusion
Soft Controls					
Equality, Diversity and Inclusion	1, 2	14	Q3	This review will provide assurance over the Council's policies, processes and procedures to promote and support EDI within its workforce. It will also assess the effectiveness of data collection, monitoring and reporting for EDI purposes. We will consider the Council's delivery of its Equalities Scheme 2021-25 to ascertain how actions are delivered and monitored, and whether there is sufficient oversight of the impact of these actions. We will ascertain whether EDI is central to staff-related processes, ie workforce reporting, recruitment, etc.	EDI is a key issue across the local government sector. The Council has publicly stated on its website that strives to ensure Rushcliffe is an inclusive council with welcoming and safe communities, demonstrating a commitment to EDI. Therefore, this review will provide assurance over actions taken to achieve this objective.
Environment - Carbon Management Action Plan	38	14	Q3	This review will assess the governance, management and monitoring of the Carbon Management Action Plan. We will also seek evidence for a sample of 'completed' actions to determine whether it support the status of actions. Importantly, we will review whether actions identified in the Carbon Management Action Plan have been costed and these are incorporated into the Council's budget.	The Council have made a commitment to work towards becoming carbon neutral by 2030 for its own operations, alongside committing to supporting local residents and businesses to reduce their carbon footprint. We previously undertook a review of Environment in 2022/23 and provided Substantial assurance for the control design and Moderate assurance for the control effectiveness. Therefore, this review would seek to assess whether the Council have developed further on its arrangements to manage its climate change commitments.

INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (5/7)

Area	CRR	Days	Timing	Description of the Review	Reason for Inclusion
Future Focussed Assurance					
Cyber Security	20, 21, 22, 23, 24, 26	15	Q3	This review will assess the Council's overall approach to Cyber including: • Review overall Security policies, risk identification and management • How systems are identified and prioritised • Assess connections and reliance on third parties and how exposure is managed • Cyber security training for staff as the gate keeper to cyber risks • Assess technology and tools in place to identify and mitigate cyber risks • Assess response management procedures.	The threat of a cyber security attack has been identified as a medium risk on the Corporate Risk Register (Risk Score: 8), recognising the increase in risk facing local authorities. More widely, there is an increase in the number of reported cyber-attacks on local authorities, by 50% in some instances. Therefore, it is critical that local authorities have sufficient controls in place to mitigate and manage cyber security risks.

INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (6/7)

Area	CRR	Days	Timing	Description of the Review	Reason for Inclusion
Flexible Live Assurance - To be allocated during the year as required but could include the example shown below					
Contingency	N/A	3	All	Contingency days left to allocate to flexible work.	We have built in an allocation of flexible days into our plan to support the Council on emerging risks or projects during the year.

INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (7/7)

Area	CRR	Days	Timing	Description of the Review	Reason for Inclusion
Contract Management					
Planning / liaison / management	N/A	8	Q1 - Q4	Creation of audit plan, meeting with Executive Directors	Effective contract management
Recommendation follow up	N/A	7	Q1 - Q4	Assessment and reporting of status of implementation of recommendations raised	Assurance for Executive Team and Governance Scrutiny Group
Governance Scrutiny Group	N/A	5	Q1 - Q4	Attendance at Governance Scrutiny Group meetings, pre-meets and Governance Scrutiny Group Chair liaison	Effective contract management
Summary					
Core assurance	Various	84			
Soft controls	Various	28			
Future focused	Various	15			
Flexible audit resource	Various	3			
Contract Management		20			
Total days		**150**			

APPENDIX I (1/5)

Internal Audit Charter - Role and Scope of Internal Audit

PURPOSE OF THIS CHARTER

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

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

Final approval resides with the Full Council (the Board), in practice the charter shall be reviewed and approved annually by management and by the Governance Scrutiny Group on behalf of the Board of the Council.

INTERNAL AUDIT'S MISSION

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

STANDARDS OF INTERNAL AUDIT PRACTICE

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

INTERNAL AUDIT DEFINITION AND ROLE

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

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

INTERNAL AUDIT'S SCOPE

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

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

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

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

EFFECTIVE INTERNAL AUDIT

Our internal audit function is effective when:

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

APPENDIX I (2/5)

Internal Audit Charter - Role and Scope of Internal Audit

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

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

INDEPENDENCE AND INTERNAL AUDIT'S POSITION WITHIN RUSHCLIFFE BOROUGH COUNCIL

To provide for internal audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Governance Scrutiny Group. The Head of Internal Audit has free and full access to the Chair of the Governance Scrutiny Group. The Head of Internal Audit reports administratively to the Section 151 Officer who provides day-to-day oversight.

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

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

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

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

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

INTERNAL AUDIT'S ROLE IN COUNTERING FRAUD, BRIBERY AND CORRUPTION

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

ACCESS TO RECORDS AND CONFIDENTIALITY

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

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

APPENDIX I (3/5)

Internal Audit Charter - Role and Scope of Internal Audit

COORDINATION AND RELIANCE WITH OTHER ASSURANCE PROVIDERS

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

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

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

INTERNAL AUDIT'S COMMITMENTS TO THE COUNCIL

Internal audit commits to the following:

- Working with management to improve risk management, controls and governance within the organisation
- Performing work in accordance with PSIAS
- Complying with the ethical requirements of PSIAS
- Dealing in a professional manner with the Council's staff, recognising their other commitments and pressures
- Raising issues as they are identified, so there are no surprises and providing practical recommendations
- Liaising with external audit and other regulators to maximise the assurance provided to the[Council.
- Reporting honestly on performance against targets to the Governance Scrutiny Group.

INTERNAL AUDIT PERFORMANCE MEASURES AND INDICATORS

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

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

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

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

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

APPENDIX I (4/5)

Internal Audit Charter - Role and Scope of Internal Audit

TABLE ONE: PERFORMANCE MEASURES FOR INTERNAL AUDIT

Measure / Indicator
Audit Coverage
Annual Audit Plan delivered in line with timetable. Actual days are in accordance with Annual Audit Plan.
Relationships and customer satisfaction
Customer satisfaction reports – overall score at average at least 3.5 / 5 for surveys issued at the end of each audit. Annual survey to Governance Scrutiny Group to achieve score of at least 70%. External audit can rely on the work undertaken by internal audit (where planned).
Staffing and Training
At least 60% input from qualified staff.
Audit Reporting
Issuance of draft report within 3 weeks of fieldwork ‘closing’ meeting. Finalise internal audit report 1 week after management responses to report are received. 90% recommendations to be accepted by management. Information is presented in the format requested by the customer.
Audit Quality
High quality documents produced by the auditor that are clear and concise and contain all the information requested. Positive result from any external review.

MANAGEMENT AND STAFF COMMITMENTS TO INTERNAL AUDIT

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

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

MANAGEMENT AND STAFF PERFORMANCE MEASURES AND INDICATORS

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

APPENDIX I (5/5)

Internal Audit Charter - Role and Scope of Internal Audit

TABLE TWO: PERFORMANCE MEASURES FOR MANAGEMENT AND STAFF

Measure / Indicator
Response to Reports Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt.
Implementation of recommendations Audit sponsor to implement all audit recommendations within the agreed timeframe.
Co-operation with internal audit Internal audit to confirm to each meeting of the Governance Scrutiny Group whether appropriate co-operation has been provided by management and staff.

BDO CONTACTS

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Rushcliffe Borough Council

Governance Scrutiny Group

Thursday, 22 February 2024

Asset Management Plan

Report of the Director – Finance and Corporate Services

1. Purpose of report

1.1. This report is intended to provide the Governance Scrutiny Group with an update on the performance of the commercial property estate.

1.2. The Asset Investment Strategy was launched six years ago, the first review of the assets took place in 2021 (previous report to Governance Scrutiny Group in November 2021) and it was agreed then that a bi-annual update report would be provided to the Group. The objective of the asset review is to assess all of the Council's commercial property portfolio, how individual properties are performing (risk rating properties in terms of their performance and property market conditions), and what the expectations are for the next five to ten years in terms of income and costs.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group scrutinise the review of the Council's commercial property portfolio with both the review and any comments from the Group being reported to Cabinet.

3. Reasons for Recommendation

3.1. It is important that the Council takes a proactive approach to managing its assets to avoid any issues in the future. The review, and this accompanying report, provides transparency for members on the performance of the portfolio and allows the opportunity for review and challenge so options for the future can be considered in detail.

3.2. The report states there are currently no high-risk properties and, therefore, no immediate action is deemed to be required. However, the proposed ongoing monitoring and review will ensure that should action be required this will be brought to the attention of members in a timely manner as appropriate.

4. Supporting Information

4.1. The Asset Investment Strategy was launched six years ago and to ensure the Council's property portfolio is still performing well it was identified that a detailed review should be carried out. It is particularly important given the potential ongoing impact of Covid-19, and more recently cost of living pressures and increasingly stringent environmental requirements (see para 4.5 below), which have had a significant impact on commercial property, particularly for some property types/sectors of business and their ongoing viability.

4.2. The Council's Asset Investment Strategy in relation to commercial investments from the outset always paid due attention to market conditions. The focus of investments has tended to be industrial, warehouse and office based rather than retail, hospitality or leisure (as detailed below). Whilst this report highlights some risk, as there is with all asset investments, ultimately the highest risk detailed below is considered to be no more than a medium rating.

4.3. The Council's property portfolio is made up of industrial estates and multi let / single let buildings, incorporating 99 investment interests, 54 of which are industrial, 25 offices, 16 retail and four leisure. The total portfolio generates an annual return from rental income of approximately £1,900,000, of which around 40% is attributable to the more recently purchased investment properties. As reported in performance updates, occupancy levels are at 100% for Industrial Property and 97.18% for Non-Industrial, providing for an overall rate of 98.46% which is very positive given the current market conditions. The privately owned commercial property in the Borough is also performing well with occupancy levels of 94.9%.

4.4. Since the last review, the Council has completed the construction of Bingham Enterprise Centre, next to Bingham Arena. This was built with £2,350,000 of external funding (from European Regional Development Fund and Local Growth Fund). There are 12 self-contained offices within the building all of which are let to small businesses. 11 of the units were let within the first 4 months of the building being open and shows the demand for high quality office space as well as the expertise of the team in understanding the local market.

4.5. The Council has recently had new draft Energy Performance Certificate (EPC) recalculations completed for all of its properties in response to changes to the EPC calculation factor for electric usage, which means that properties heated by electric are likely to benefit from improved EPC ratings, compared with those heated by gas which will have worse. This has indicated there will be a number of changes to EPC ratings for the portfolio when new EPC's are required, the majority of which have improved, reducing risk and reducing or delaying capital expenditure requirements. There's an expectation that MEES [minimum energy efficiency standards] legislation will be further tightened for 2027 and 2030, although it hasn't yet been officially confirmed. Where we can we will look to obtain external funding for such works which may mean delays as we await the availability of such funding streams.

4.6. The property portfolio also includes car parks, mast sites and land but these have not been included as part of the review. In addition, the report does not cover community buildings or the Council's own operational estate e.g. the Arena, these are, therefore, out of scope for this review. The focus is on the commercial property portfolio which is leased to businesses.

4.7. To facilitate the review a detailed spreadsheet has been produced and completed by the Property Team with the support of colleagues in Finance. This includes details of all commercial property owned by the Council, the information includes for each property:

- Value (current and projected in 2028)
- Rent (current and projected in 2028)
- Yield
- Estimated Refurbishment / Upgrade costs (over the next 10 years)
- Lease length
- Age of asset
- Current EPC rating
- A risk rating which is based on four factors; statutory risk (e.g. not meeting EPC rating), condition risk, tenant covenant risk and economic obsolescence risk (e.g. changes in terms of the market). Scoring 1 – 10 (low to high risk).

4.8. It is important to note that the information on matters such as risk is a professional judgement based on officer's professional knowledge and expertise, as well as insights from agents. It is also based on the current market and so subject to change in response to issues such inflation and interest rates.

4.9. Councillors will be aware, from discussions at budget workshops, there is increasing pressure on the Council's capital programme over the next five years. Officers from the Property and Finance teams have reprofiled budgets to reduce costs and look for funding opportunities where possible e.g. UKSPF and Salix. The property portfolio, therefore, could be utilised in future to generate a capital receipt to support the Council's financial position, albeit with the associated loss of rental revenue (although this may prove to be a better option than the cost of borrowing). The challenge will be that the better value properties are likely to generate a higher capital receipt as their value is linked to a financial return, the corollary of this being that it will result in a greater loss in rental income, impacting on the revenue budget. Officers will do further work on this and consider opportunities for any disposal as part of the wider asset review strategic task contained within the new Corporate Strategy.

4.10. A summary table and graph have been produced from the spreadsheet (Appendix A and B); they provide an 'at a glance' view of the commercial property portfolio.

The table shown at Appendix A provides a summary of the spreadsheet and it includes more information about the specific reasons why a property may appear on the graph in a certain place. It also includes information on 'Net Estimated Return' and 'Net Rent Trends', not contained within the graph and highlights properties using a traffic light system. As this demonstrates there are no properties currently rated high (or a red) risk. The graph included at Appendix B shows the properties comparing projected Estimated Refurbishment / Upgrade costs over the next ten years with average risk score.

4.11. The salient points are as follows:

- There is only one property that has an average risk score higher than five (scale is 1 to 10) – Unit 3 Walkers Yard, Radcliffe on Trent
- The majority of properties have low maintenance costs (capital) over the next ten years (less than £50k). There are a few exceptions to this:
    - The Point - £400k
    - Manvers Business Park - £320k
    - 1 Walkers Yard - £70k
    - Cotgrave Business Hub - £70k
- Properties requiring significant refurbishment / upgrade costs have seen reductions to Net Rent values although The Point and Manvers Business Park are still considered to provide good annual returns compared with asset value, at 7.73% and 7.33% respectively. 1 & 3 Walkers Yard have, however, seen significant decreases to -1.75% and 4.06% respectively over the course of the next five years (and will be discussed further in 4.12)
- None of the purchased investment properties are identified as a risk and all are performing well, particularly the two units at Edwalton Business Park.

4.12. As can be seen, the table and graph (Appendices A and B) highlight that there are a number of properties that are considered to be more of a risk than others. As already stated, these are not considered to be high risk and the following table sets out further detail on some of those properties:

Property	Reason
Unit 3 Walkers Yard	The property is used as offices; should the current tenant choose to leave this could be a risk of a longer-term vacancy due to the antiquated nature of the accommodation and the ability to re-let. Over the next 5/6 years, it is also anticipated at least £30k will be needed to upgrade the current building to EPC Grade C by 2027, and then to EPC Grade B by 2030 reducing returns for this period to 4.06%. The property is however sited on the boundary of Walkers Yard Car Park and offers significant strategic value to the greater land holding of the Council, and for this reason should be retained.

Unit 1 Walkers Yard	The property is used as a micro-pub with a small independent tenant. The location of the building is off the main retail route in Radcliffe and if it were to become vacant, could prove difficult to re-let. Although the draft EPC calculation confirms the building already has reached EPC Grade B, the property is old and £70k has been provided in the Capital Programme in 2024/25, thereby significantly reducing the net average rent over the next 5/6 years, reducing returns for this period to -1.75%. The property is however sited on the boundary of Walkers Yard Car Park and offers significant strategic value to the greater land holding of the Council, and for this reason should be retained.
Manvers Business Park (MBP)	Due to the high projected property maintenance costs over the next 5 years (£320k), net rent will decline for a period however annual return on asset value still remains at a good level of around 7.33%. Returns will regain present values (9.32%) in the longer term (post 5 years). No significant capital costs have been spent on MBP since their construction at the end of 1990s / early 2000's and those highlighted in this report are attributable to the refurbishment of roofing, new roller shutter doors, new LED lighting and rewiring where necessary. These upgrades will contribute to required improvements needed to meet EPC legislation and are reasonable outlays for property of this age and type. MBP meets many of the Council's priorities, providing new and small companies industrial / warehouse units on pro-business flexible lease terms, which reduce business risk thereby supporting new economic growth and local employment.
The Point	The property already meets the future requirements of the EPC legislation, being rated a very good Grade B. With further upgrade works to the lighting in the common areas, this may in the future improve to EPC Grade A accommodation, a significant achievement for a building constructed in 2007. The property has not however benefitted from any upgrade or refurbishment works since construction and therefore Air Conditioning and Lifts will need to be replaced soon (5 to 10 years' time), in addition to maintenance works to the roof membrane and common areas amounting to around £400k. Of the nine suites, it has been (since purchase) a regular occurrence to have one suite vacant at any one time, and after Covid, relets have proven more difficult. However, marketing

	agents again confirm there is evidence that suggests businesses continue downsizing from larger office spaces and will be attracted to The Point as there is a dearth of quality office space South of the River Trent. In this regard, the Council are currently in the latter stages of negotiation with a new tenant for the vacant suite and should this progress as anticipated, will provide full occupancy with improvement to the general covenant strength of tenants. Current return is 9.58% however will drop in years 1 to 5 to around 7.73% during refurbishment works, which still remains a good return on asset value. This reduction in return could be improved should occupation rates improve from 89% for the building, which is feasible.
Phase 1, Colliers Business Park	The property is around 25 years old and maintenance costs will start increasing over the next 10 years. Some of the costs on the longer leased units will be rechargeable to the tenant however it is expected around £25k will be required to upgrade to LED lighting, with some risk of roofing repairs going forward estimated at £25k. Demand for commercial industrial / warehouse property remains strong and is a sector which has fared well during and after the pandemic and the property remains a good asset in the next 5 years providing a return of 8.87%, with a good chance of rental growth in 2026/27.
Candleby Lane Ind Estate	The Council own the freehold interest of 8 industrial units, which are currently let on a long term lease to one tenant, with around 55 years outstanding, who then in turn sub-let to small businesses. The Council receive 11.1% of all sub rents achieved however has very little control over the sub-tenants, the condition of the units and how the industrial estate is run. As such, there is a risk that required refurbishments and capital expenditure required to meet EPC legislation will not be met, and as such the income generated could be in doubt come 2027.
Debdale Lane Ind Estate	The Council own the freehold interest of the Debdale Lane Industrial Estates, which is currently let on a long term lease to one tenant, with around 55 years outstanding, who then in turn sub-let to small businesses. The Council receive 14.2% of all sub rents achieved however has very little control over the sub-tenants, the condition of the units and how the industrial estate is run. As such, there is a risk that required refurbishments and capital expenditure

	required to meet EPC legislation will not be met, and as such building standards and the income generated could be in doubt come 2027.
Ground and first floor Bridgford Hall	The property is a Listed Building, and is rated at C62, meeting the 2027 EPC requirements however would require upgrade works to meet EPC Grade B by 2030. The Council would apply for an EPC exemption in respect to the property as the works required would be difficult to pass in respect to Listed Building Consent and / or would be very expensive (i.e. adding double glazing / heat pumps), which would also prove very difficult to accomplish. The property is split into two, with the Ground Floor Registrars and Wedding Venue operated by Notts CC and the first and second floor Aparthotel operated by Birchover Residencies. The return on the property is a healthy 9.08% and the building forms part of the greater Listed Curtilage of Bridgford Park and would be retained for strategic reasons.

4.13. As the above table outlines, those properties identified as higher risk than others in the portfolio are not of significant concern, either the buildings are continuing to provide a good return on investment or should be retained for strategic reasons. The risk ratings associated with required refurbishment / upgrade results from the age of some of the properties, as well as the new requirements on energy performance standards.

4.14. The situation with commercial property can change relatively quickly due to tenants vacating, unexpected maintenance costs etc. Through the ongoing monitoring of the Council's assets this is not anticipated to cause significant challenges over the coming months. It is important that Councillors are kept informed of the property portfolio so any required decisions can be made in a timely fashion and this review is an integral part of that. Any potential commercial property disposals are reported through Cabinet and reflected in the Council's Medium Term Financial Strategy approved by Full Council. This report will be updated towards the end of the 2025/26 financial year and reported to Governance Scrutiny Group.

5. Risks and Uncertainties

5.1. As set out there are no specific properties that are identified as high risk and that shows that the Council's chosen strategy to asset investment is performing well. There are, however, risks with managing any commercial property and these includes: the changing market, vacant units that are challenging to relet, future requirements around energy performance of buildings, and the associated costs and unforeseen maintenance costs.

5.2. By carrying out this asset review and continuing with the regular monitoring of the performance of the properties including vacancy rates, required inspections, condition reports etc, the Council can ensure it mitigates these risks as much as is possible.

6. Implications

6.1. Financial Implications

The projected enhancement costs of the assets covered in the report, form part of the Council's current and proposed capital programme. Funding of these enhancements comes from the investment property reserve or external funding if it is available. Appropriate budget provision will be provided to ensure any future liabilities are met. Provisions are made for general repairs in the revenue budget and these are assessed on an ongoing basis. As costs rise and market conditions change these will influence levels of property rental income the Council will seek to ascertain, and yield achieved.

6.2. Legal Implications

There are no legal implications associated with this report.

6.3. Equalities Implications

There are no equalities implications associated with this report.

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

There are no crime and disorder implications associated with this report.

6.5. Biodiversity Net Gain Implications

There are no Biodiversity Net Gain implications associated with this report.

7. Link to Corporate Priorities

Quality of Life	There are no direct links to this corporate priority
Efficient Services	Generating a revenue return to help fund the Council's budget
Sustainable Growth	The Council's property portfolio provides space for small businesses in the Borough to start up and grow.
The Environment	Ensuring properties have adequate energy ratings.

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Groups scrutinise the review of the Council's commercial property portfolio with both the review and any scrutiny comments being reported to Cabinet.

For more information contact:	Peter Linfield Director of Finance and Corporate Services plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	
List of appendices:	Appendix A – Property Asset Table Appendix B – Cost vs Risk Graph

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Appendix A

ADDRESS	2023 NET Financial Return	Next 5 Years Average Risk	Estimated Net Rent Trend 5 Years	Property Maintenance costs 1 to 5 Years (TOTAL)	Property Maintenance costs 6 to 10 Years (TOTAL)
Unit 3, WALKERS YARD	8.94%	6.50	-54.55%	30,000	0
UNIT 1, WALKERS YARD	11.46%	3.75	-115.23%	70,000	0
UNITS 1 TO 30, MANVERS BUSINESS PARK	9.32%	3.50	-13.52%	320,000	0
CANDLEBY LANE INDUSTRIAL ESTATE	6.55%	3.50	10.00%	0	0
DEBDALE LANE INDUSTRIAL ESTATE	5.45%	3.50	10.00%	0	0
GROUND & FIRST FLOOR, BRIDGFORD HALL	9.08%	3.50	0.00%	0	0
PHASE 1, COLLIERS BUSINESS PARK	10.02%	3.25	-2.68%	50,000	0
SUITES A TO I, THE POINT	9.58%	3.25	-19.35%	400,000	0
UNIT 1, BARDON 22, COALVILLE	6.83%	2.75	0.00%	0	50,000
6F, BOUNDARY COURT	7.59%	2.75	0.00%	0	0
PHASE 1, COTGRAVE SHOPPING CENTRE	11.46%	2.75	10.00%	0	25,000

PHASE 2, COTGRAVE SHOPPING CENTRE	N/A	2.25	0.00%	0	0
PHASE 2, COLLIERS BUSINESS PARK	8.42%	2.00	10.00%	0	0
UNIT 3, FINCH CLOSE, LENTON LANE	7.88%	1.75	10.00%	0	0
BINGHAM ENTERPRISE CENTRE	8.30%	1.50	10.00%	0	0
SUITES A TO I, COTGRAVE BUSINESS HUB	9.33%	1.50	-20.97%	70,000	0
111, TRENT BOULEVARD, LADY BAY	4.94%	1.25	10.00%	0	0
UNIT 1, EDWALTON BUSINESS PARK	5.63%	1.00	5.00%	0	0
UNIT 3, EDWALTON BUSINESS PARK	5.63%	1.00	5.00%	0	0
OFFICE, COTGRAVE MULTISERVICE CENTRE	8.76%	1.00	10.00%	0	0
KIOSK, BRIDGFORD PARK	6.97%	1.00	53.85%	0	0

Actual Net Rent	Actual Gross Rent with Property Maintenance Costs deducted.
Estimated Net Rent	Estimated Gross Rent with Property Maintenance Costs deducted.
	Risk score 3 +
	Risk score below 3 and capital expenditure £50k or less

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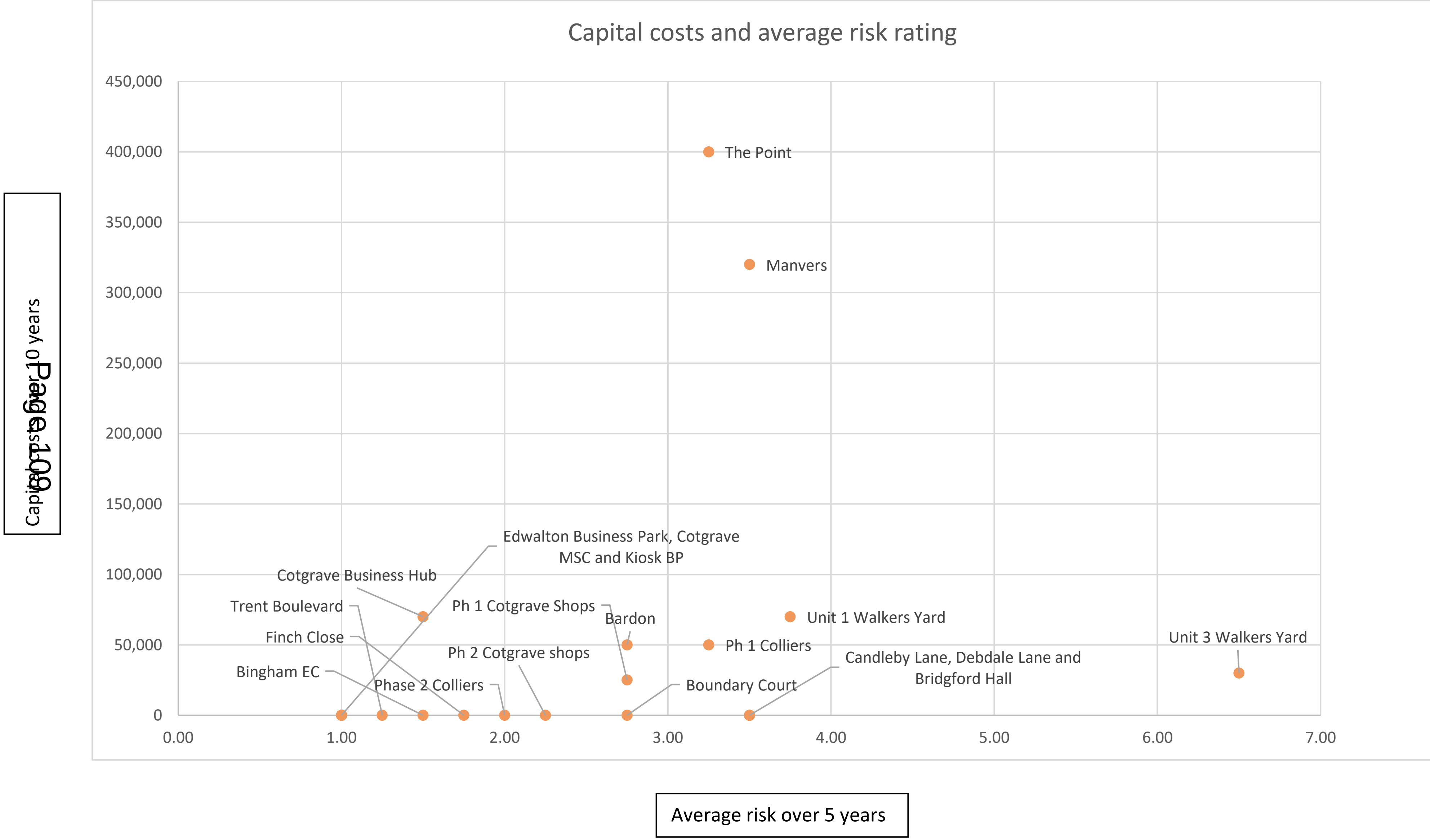
Appendix B



Capital costs and average risk rating
450,000
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
0.00
1.00
2.00
3.00
4.00
5.00
6.00
7.00
The Point
Manvers
Edwalton Business Park, Cotgrave MSC and Kiosk BP
Cotgrave Business Hub
Trent Boulevard
Finch Close
Bingham EC
Phase 2 Colliers
Ph 1 Cotgrave Shops
Ph 2 Cotgrave shops
Bardon
Boundary Court
Unit 1 Walkers Yard
Ph 1 Colliers
Candleby Lane, Debdale Lane and Bridgford Hall
Unit 3 Walkers Yard
Average risk over 5 years

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Governance Scrutiny Group

Thursday, 22 February 2024

Risk Management Progress Report

Rushcliffe
Borough Council

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 28 September 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.

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

2. Recommendation

It is RECOMMENDED that Governance Scrutiny Group:

a) considers the contents of this report.

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

Risk Management Activity

4.1. Since the last meeting of this group, the Council's Risk Management Group (RMG) met on 23 January 2024, 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 Description Review

During 2023, risk managers have been working to evaluate risk descriptions to better structure wording so that it is clear what the risk is, what triggers the risk to occur and the impact of the risk occurring. Zurich proposed this work during the Risk Health Check in 2020 and have provided guidance throughout this process. It also addresses the medium BDO Internal Audit recommendation above. The revised descriptions are shown in Appendix B and will be adopted into Service Plans on 1 April 2024 for the new financial year.

4.4. 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.

4.5. Risk Management Strategy

The 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 2022 training sessions.

4.6. There are currently 38 corporate risks 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.

4.7. Appendix A presents the Council's existing Risk Registers containing corporate, operational risks and opportunity risks. There are no new risks in this report, however, Appendix B outlines changes to risk descriptions and includes new risks that will be included in Service Plans and future reports to this Group. Risks that have decreased or increased risk ratings are summarised as follows:

Risk Increased

OR_DEG06 Cost of defending appeals for large scale residential developments and potential award of costs – Likelihood increased from 1 to 3 as Committee have refused two major (allocated) housing sites contrary to officer recommendation. Cost of defending appeals and payment of any costs claim awarded for unreasonable behaviour.

Risk reduced

CRR_CED02 Insufficient staff capacity - skills, knowledge, and availability etc - Likelihood reduced from 3 to 2. This is based on recruitment pressures generally seeming to be much better - more applications being received per post advertised and departments up to full establishment numbers.

CRR_DEG07 Failure to deliver the new core strategy in partnership with Greater Nottingham Housing Market area - Likelihood reduced from 3 to 2. The likelihood of the risk has been changed from 3 (possible) to 2 (unlikely). This is because the plan has moved closer to completion and there are now no underlying disagreements between the four partner councils around issues such as housing targets or site allocations. If there had been, then the risks of the partnership failing would be much more possible.

OR_NS21 Ensuring the Afghan Relocation Programme is supported in accordance with national guidance (funding and community cohesion) – Impact reduced from 2 to 1 as this risk is being reviewed and will be amended to consolidate other asylum related schemes i.e Homes for Ukraine, Syria etc

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 Implications

There are no implications in this report.

7. Link to Corporate Priorities

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

8. Recommendations

It is RECOMMENDED that Governance Scrutiny Group:

a) considers the contents of this report.

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 Appendix B – Risk Statement Review

Appendix A

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	to	3	3 to 2	9 to 6
Likelihood reduced from 3 to 2. This is based on recruitment pressures generally seem to be better - more applications being received per post and departments up to full establishment numbers				
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_DEG07 Failure to deliver the new core strategy in partnership with Greater Nottingham Housing Market area	to	2	3 to 2	6 to 4
Likelihood reduced from 3 to 2. The likelihood of the risk has been changed from 3 (possible) to 2 (unlikely). This is because the plan has moved closer to completion and there are now no underlying disagreements between the four partner councils around issues such as housing targets or site allocations. If there had been, then the risks of the partnership failing would be much more possible.				
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 i.e. the impact of Ratcliffe on Soar Power Station closure		3	3	9
CRR_FCS06 Lack of funding from partners		2	3	6
CRR_FCS07 Central Government policy changes		3	3	9

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_FCS08 Inadequate capital resources		3	2	6
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		2	4	8
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		4	2	8
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		1	1	1
CRR_NS10 Failure of business continuity		3	1	3
CRR_NS11 Ineffective emergency planning arrangements		3	1	3

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
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 to 1	1	2 to 1
This risk is being reviewed and will be amended to consolidate other asylum related schemes i.e Homes for Ukraine, Syria etc				
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		2	2	4
OR_CED04 Threat of Industrial Action		1	1	1
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	to	2	1 to 3	2 to 6
Committee have refused two major (allocated) housing sites contrary to officer recommendation. Cost of defending appeals and payment of any costs claim awarded for unreasonable behaviour.				
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
OR_FCS08 Exposure to breach of VAT rules		3	2	6

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
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	✔	2	1	2

Appendix B

Opportunity Risk

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OPP_CED01 County Deals – failure to secure opportunities for greater collaboration and Government funding		3	3	9
Risk has moved service from Development and Economic Growth to Chief Executive's.				
OPP_DEG01 Opportunity provided by Rushcliffe Oaks		4	4	16
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					

Page 121

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

Final Outcome – Rewording of Risk Statements

Chief Executive's Department

Risk Reference (from Pentana)	Current Wording	New Wording
CRR_CED01	Equal pay claim	Equal pay claim - Submission of a substantial equal pay claim due to perceived inequality might result in financial consequences and potential low staff morale
CRR_CED02	Insufficient staff capacity - skills, knowledge availability Insufficient capacity - resource	Inadequate services - Delivery of inadequate services as a result of poor training and / or inadequate staffing resources leading to an adverse impact on reputation, finance and staff morale
OR_CED01	Threat of violence to staff	Violence towards staff - Violence towards frontline staff undertaking their duties due to failure to adequately prepare staff with the training or equipment to keep themselves safe may lead to harm, or fear of harm, to frontline staff
OR_CED02	Failure to comply with Equality legislation	Inequality – Perception of inequality, or actual inequality by a member of the public, staff or councillor with a protected characteristic as a result of failure to carry out an Equality Impact Assessment could lead to adverse publicity, financial repercussions and negative reputational impact
OR_CED03	Risk to staff health due to their work	Staff accidents - Increased number of staff accidents or injuries as a result of inadequate control of the workplace and/or working practices might result in more staff being off sick and potential HSE sanctions for the authority
OR_CED04	Threat of Industrial Action	Industrial action - Unionised staff strike because of perceived inadequate pay and /or conditions leading to pressures in the delivery of front-line services
OR_CED05	Failure to meet major statutory duties or take on board new legislation	Compliance with statutory duties - Failure to comply with the relevant legislation due to a lack of training or internal control leading to an adverse impact on reputation, finances and or staff morale
CRR_NS08 [moved from Neighbourhoods]	Failure of internal health and safety compliance or enforcement of health and safety	Health and safety - Health and safety risks are not managed adequately across the organisation as a result of insufficient resources and / or priority leading to increase accidents and potentially a breach of health and safety legislation

OPP_DEG02 [moved from Planning and Economic Growth]	County Deals – failure to secure opportunities for greater collaboration and Government funding	Collaboration - Failure to secure opportunities for greater collaboration and Government funding as a result of a lack of influence within key governance partnerships such as the Mayoral Authority or Freeport leading to lower levels of growth and development than desired within Rushcliffe
NEW		Elections - Failure by Returning Officer and elections staff to comply with the relevant legislation and/or deliver the practical aspects of the election as a result of improper resourcing or inadequate training leading to an adverse impact on reputation and results in legal challenges

Finance and Corporate Services

Risk Reference (from Pentana)	Current Wording	New Wording
CRR_NS10 [moved from neighbourhoods]	Failure of business continuity	Business continuity - Being unable to deliver critical services during a disruption, such as unprecedented demand, failure to negotiate contract continuation, or weather-related incident, and / or return to business as usual after a disruption as a result of inadequate preparation or management leading to potential resident dissatisfaction and a break in the delivery of critical services which may also lead to government intervention
CRR_NS18 [moved from neighbourhoods]	Failure of public sector partnerships / withdrawal of financial support	Failure of partnerships - Council is unable to continue to deliver a specific service or project as a result of the withdrawal of funding support from a public sector partner leading to potential negative impacts on the community and reputational damage to the Council
CRR_FCS01	Failure to properly deal with community governance review legislation, Community Right to Challenge, and nominations for assets of community value	Failure to deliver legislation - Community is not properly represented leading to potentially poorly actioned community governance review petition, community right to challenge, or asset of community value nomination resulting in non-compliance with legislation and disenfranchisement of communities
CRR_FCS02	Reduction in Government funding linked to New Homes Bonus	Reducing New Homes Bonus – Changes to Government policy or local circumstances could lead to adverse impacts of reduced funding and / or income and, consequently, a budget deficit

CRR_FCS03	Failure to prevent or detect fraud and corruption	Fraud identification - Inadequate or poorly executed internal controls failing to prevent or detect fraud may lead to financial and/or reputational losses
CRR_FCS05	Revaluation of major business rate payer	Reduction in the Business Rates base - loss of major business rates payer reducing the rates collected leading to a potential budget deficit
CRR_FCS07	Central Government policy changes	Centralised policy changes - Changes to Government policy that result in an increase in demand on resources leading to a reduction in capacity of the Council to undertake other activities and inability to deliver identified priorities
CRR_FCS08	Inadequate capital resources	Capital resources - Reduced capital receipts and/or insufficient balances in capital reserves resulting in an inability to deliver the capital programme preventing delivery of services and generation of new income streams
CRR_FCS09	Fee income volatility	Local economic changes - Changes in the economic environment, such as the cost of living crisis or a recession, may affect consumer behaviour in terms of their take-up on Council services resulting in insufficient income to support the budget
CRR_FCS11	Increased demand for services	Increased Service demand – Increase in population resulting in higher demand for services leading to expected increased cost and increased service pressures
CRR_FCS13	Failure to deliver the Transformation Strategy	Transformation and Efficiency Strategy delivery - Insufficient staff resources or external factors such as customer spending or increased costs leading to a failure to deliver transformation and efficiency projects which may result in a budget deficit, reputational damage and potentially measures put in place to balance the budget position
CRR_FCS21	Potential inflationary pressures, with volatility over prediction for budget	Inflation - Potential inflationary pressures due to changes in the economic environment leading to increased costs and volatility over prediction for budget
CRR_FCS22	Uncertainty around Government funding and changes to the business rates system with a one year financial settlement	Central Government funding - Uncertainty around Government funding with a one-year financial settlement and delays to Government reforms leading to certainty over the budget for one year only impeding longer term planning
CRR_FCS23	ICT supplier goes out of business	Loss of ICT supplier - Key ICT services are disrupted as a result of suppliers going out of business leading to a potential loss of data or systems and a negative impact on the Council's ability to meet customer needs

CRR_FCS24	Long term loss/failure of main ICT systems	Failure of ICT systems - Council services are negatively affected by the potential short or long-term loss or failure of ICT systems leading to an inability to meet the needs of the Council’s customers
CRR_FCS25	Loss or compromise of sensitive data	Sensitive data compromised - Sensitive data lost or compromised as a result of inadequate systems, controls or staff training may lead to negative impact on residents, damage to the Council’s reputation and a potential fine from the ICO
CRR_FCS27	Threat of major successful cyber-attack	Cyber-attack - Council services or data are negatively affected as a result of major successful cyber-attack leading to short- or long-term disruption to services, damage to the Council’s reputation and financial loss
OR_FCS06	Failure to manage and monitor budget	Budget monitoring - Failure to identify fraud/error/significant financial overspends resulting from failure to undertake regular detailed budget monitoring and to follow reporting procedures leading to budget overspend
OR_FCS08	Exposure to breach of VAT rules	VAT Compliance - Inadequate controls to detect and prevent errors and staff not trained or following procedures which could lead to breach of VAT rules and subsequently increased scrutiny and penalties from HMRC
OR_FCS10	Reputational risk to the Council following adverse media coverage	Resident satisfaction - Decrease in resident satisfaction as a result of adverse media coverage leading to reputational damage to the Council
OR_FCS11	Unauthorised access to IT systems	Unauthorised access to information - Damage to, or loss of, Council information due to unauthorised access to IT systems could result in reputational damage to the Council, internal damage to IT systems and the need to take remedial action to rectify any damage to data
CRR_FCS31	Increases in interest rates which potentially increases the burden if the Council has to borrow	Borrowing costs - Reduction in cash balances requiring the Council to externally borrow at a time when interest rates are high leading to uncertain increased interest costs
OPP_FCS01	Increases in interest rates leading to higher interest income on cash balances that are invested	Rising interest rates - Increases in interest rates leading to higher interest income on cash balances that are invested
NEW		Economic environment - Fluctuations in economic environment as a result of political and economic instability leading to decrease in capital value of pooled investments ultimately resulting in a negative financial impact on the general fund and therefore taxpayer

NEW		Capital programme - Increased cost of capital programme as a result of increases in demand or rising prices resulting in an inability to deliver the capital programme preventing delivery of services and generation of new income
NEW		Failure of partner - Council is forced to find alternative supplier or bring back in-house a service ceasing to be delivered by a public sector partner leading to increased costs and operational pressure

Neighbourhoods

Risk Reference (from Pentana)	Current Wording	New Wording
CRR_NS11	Ineffective emergency planning arrangements	Emergency planning - Failure to respond adequately in an emergency situation as a result of inadequate preparation or management leading to a potentially greater impact on the community, Council finances and / or reputation
CRR_NS19	Failure to safeguard children and vulnerable adults	Safeguarding children and vulnerable adults - Avoidable safeguarding incident realised as a result of inadequate internal safeguarding arrangements and training leading to increased harm to the subject and potential for legal action against the Council
CRR_NS22	Ensure the national relocation programmes (Asylum Dispersal, Homes For Ukraine, Afghan Relocation Programme) are supported in accordance with national guidance (funding & community cohesion)	Asylum Relocation schemes - Failure to deliver the national relocation schemes (Asylum Dispersal, Homes for Ukraine (HFU), Afghan Relocation Programme) in accordance with national guidance as a result of poor administration and staff training could lead to failures to support vulnerable refuges and result in poor publicity for the Council
CRR_NS23	Failure to deliver the Carbon management plan objectives	Carbon Management Plan - Failure to deliver the Carbon Management Plan as a result of inadequate resourcing and prioritisation leading to the Council potentially missing its 2030 Carbon Neutral target
OR_NS25	Failure to deliver mandatory DFG grant due to insufficient funding	Housing Disabled Facilities Grant – Failure to fund adaptations to residents’ homes through the mandatory Disabled Facilities Grant due to poor financial planning leading to a possible loss of quality of life for disabled residents

OR_NS28a	Increasing number of developments and greater opportunity for affordable housing	Affordable homes - Affordable homes not built in line with available funding as a result of insufficient levels of influence over housebuilders and registered providers leading to missed targets and a lack of appropriate housing in the Borough
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	Homelessness - Insufficient capacity to home an increased number of residents presenting as homeless as a result of income reduction, loss of employment and domestic violence could lead to reduced quality of life to residents and a failure to deliver a statutory duty
NEW		Extreme weather and flooding - Increasing incidents of flooding or other forms of extreme weather as a result of climate change leading to increased costs to the Council in the form of flood relief schemes as well as potential increased drainage board levies

Planning and Economic Growth

Risk Reference (from Pentana)	Current Wording	New Wording
CRR_DEG01	Inability to demonstrate a five-year supply of deliverable housing sites against the housing target leading to further development on unallocated sites	Five year housing supply - Inability to demonstrate a five-year supply of deliverable housing sites against the housing target potentially leading to a lack of new homes for potential residents, and an increased possibility of further development on unallocated sites
CRR_DEG02	Failure to properly manage our property assets	Council Assets - Failure to manage our land and building assets (including trees) and meet with Landlord Compliance as a result of a lack of resources and/or inadequately trained staff potentially leading to damage to our assets or harm to the public
OPP_DEG01	Opportunity provided by Rushcliffe Oaks	Crematorium - Opportunity for new income to the Council from the operation of the Crematorium which will pay back the cost of building the facility, as well as covering the operational running costs, enabling the Council to continue to provide a facility that offers a high-quality service for local people

OR_DEG06	Cost of defending appeals for large scale residential developments and potential award of costs	Planning Appeals Increasing - An increase in the number of planning appeals lodged against the Council as a result of planning applicants being dissatisfied with the decision made leading to higher levels of demand on officer time including the Council's budget, and not meeting the Government's Planning Guarantee leading to the possibility of the Authority being put into special measures
OR_DEG07	Failure to determine major planning applications within 13 weeks or agreed period	Planning applications timeliness - Major planning and related applications not determined within specified timescales as a result of insufficient resources and/or inefficient processes that could result in Government intervention and reputational damage
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	Missing Planning targets - Missing targets under the Planning Performance and Planning Guarantee as a result of insufficient resources or unmanageable levels of complexity leading to a probable loss of income and reputational damage
NEW	Failure to successfully deliver the new Rushcliffe Oaks Crematorium business model leading to a loss of income and/or a negative reputational impact	Crematorium - Rushcliffe Oaks Crematorium not meeting the business model targets as a result of lower than forecast numbers of cremations being carried out, impacting on the internal rate of return and therefore longer return on investment
NEW	Failure to deliver the new core strategy in partnership with Greater Nottingham Housing Market area	Greater Nottingham Strategic Plan - Joint Greater Nottingham Strategic Plan not delivered within the timescale set by government could lead to unplanned development and/or increased costs associated with developing own Strategy
NEW	Gamston SPD does not progress leading to uncoordinated development on the site	Gamston SPD delivery- Uncoordinated development takes place as a result of the Gamston supplementary planning document not being approved in a timely manner potentially leading to a disjointed community lacking in the necessary infrastructure
NEW	Failure to deliver UKSPF outputs/outcomes and spending funding within required timeframes leading to loss or clawback of funding	UKSPF Compliance - UKSPF submission to government unsupported leading to the financial risk of unsupported projects and potential loss of future funding and ability to realise the borough wide benefits

NEW	Successful implementation of changes in levelling up and regen bill.	Impact of Levelling-Up - Challenges in the implementation of the changes in the Levelling Up and Regeneration Act, as a result of resources, expertise and budget constraints, may lead to uncoordinated development, loss of income and damage to the Council’s reputation
NEW	CPO at Flintham	Flintham Compulsory Purchase Order (CPO) - Legal action and CPO fail to deliver outcomes desired at Flintham to make the site safe and available for development

Recommended Deletion

Chief Executive's Department

OR_CED07	Ability of the Borough Council to maintain frontline services in the event of a future wave of Covid-19
OR_CED06	Inadvertent illegal activity, taking illegal decisions

Finance and Corporate Services

CRR_FCS06	Lack of funding from partners
CRR_FCS12	Risk and return from Asset Investment Strategy
CRR_FCS20	Failure to properly manage and deliver significant projects
CRR_FCS26	Short term loss/failure of main ICT systems
CRR_FCS28	Failure to comply with General Data Protection Regulation
CRR_FCS29	Loss or compromise of confidential or restricted information or data
OR_FCS07	Lack of implementation of financial controls

Neighbourhoods

CRR_NS09	Unforeseen incidents happening at public events
CRR_NS13a	Response to flooding impacts on delivery of statutory services
CRR_NS13b	Inadequate resources to respond to flooding incidents
CRR_NS21	Ensuring the Afghan Relocation Programme is supported in accordance with national guidance (funding & community cohesion)
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
OR_NS02	Disruption and lack of fuel preventing collection of domestic waste
OR_NS20	Significant malfunction of core services/security risk at Council's temporary accommodation premises
OR_NS29	Lack of or inappropriate monitoring of the Council's contracts in place
OR_NS30	Lack of emergency accommodation for those at risk of homelessness, fleeing domestic violence and in crisis
OR_NS34	Increased risk of ASB and other related safety concerns arising from the use of an asylum contingency hotel by the Home Office for asylum seekers

Planning and Economic Growth

CRR_DEG04	Ability to deliver Rushcliffe Oaks project on time and within budget
OR_DEG01	Failure to manage legionella issues
OR_DEG02	Failure to manage asbestos in buildings under our control
OR_DEG03	Failure to maintain council owned trees

Governance Scrutiny Group

Thursday, 22 February 2024

Capital and Investment Strategy – Quarter Report 3 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 31 December 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 Governance Scrutiny Group considers the Capital and Investment Strategy update position as of 31 December 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. The UK is currently facing a weakening economic outlook with a prolonged period of weak Gross Domestic Product (hovering close to zero), inflation (CPI) easing from a peak of 11.1% in October 2022 but unlikely to be back to normal levels of around 2% until the end of 2025 and an uncertain political climate due to an upcoming general election.

4.2. At its meeting in August 2023, the Bank of England Monetary Policy Committee (MPC) increased the base rate to 5.25%, it remained at this level for the rest of 2023.

4.3. The Council’s treasury management adviser, Arlingclose, forecasts the Bank Rate has peaked at 5.25% and rates will start to reduce in 2024 with the first cuts anticipated in Q3 2024 to a low of around 3% early-mid 2026.

4.4. Overall, UK economic activity has outperformed expectations, but the outlook remains weak and vulnerable to shocks. Risks to the outlook are skewed to the downside, and stem from more persistent inflation, delayed impact of monetary policy, labour supply and geopolitical risks.

Investment Income

4.5. Based on Link’s (the Council’s Treasury Advisors at the time) 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 31 December 2023 totalled £640,919 with total receipts for the year expected to be approximately £1.442m. Interest receipts are slightly higher than estimated due to investment balances and interest rates being higher than budgeted for. The Council achieved an average interest rate of 5.11%, compared to the average SONIA rate of 4.94%.

4.6. The average level of funds available for investment purposes during the quarter was £83.32m. 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 £14.015m core cash balances for investment purposes (i.e., funds available for more than one year).

4.7. 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. We also have a sustainable fixed term deposit with Standard Chartered and have an ESG liquidity account with HSBC and continue to consider ‘green’ investments that are compliant with the Council’s strategy.

4.8. The Council ensures investments are secure and that liquidity is achieved whilst at the same time it is proactively looking to maximise its rate of return. A full list of investments at 31 December 2023 can be found at Appendix A.

4.9. As part of the Council’s diversification strategy, short term investments are, where suitable, made to other local authorities. LA’s do not have a credit rating in the same way as other organisations and therefore the Council undertakes its own due diligence before making such investments. Although the sector has in general seen an increase in the issuing S114 notices or declaration of significant budget deficits, investments in these organisations are low risk as Government support remains likely. Arlingclose advise on investment in counterparties without credit ratings in sectors such as local authorities and building societies providing other indicators which will support the Council’s investment decisions in such sectors.

4.10. The fair value of the Council’s diversified funds can fluctuate. These can be seen in Appendix B. Funds are still volatile, but values are starting to pick up after a long downward trend. 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. The risk of any impact on the accounts is mitigated by appropriations to the Treasury Capital Depreciation Reserve which has a current balance of £1.173m which is in excess of current requirement. The revenue returns from these funds make up a significant proportion of the overall returns on investments (32% in 2022/23) and have returned £2.9m since these investments were purchased. The Council will continue to monitor the position and take advice from the treasury advisors.

Capital Expenditure and Financing

4.11. The original Capital Programme for 2023/24 was £9.576m, with £5.426m carry forwards and other adjustments reducing the budget by £2.585m giving a current budget of £12.417m. The projected outturn is £8.537m, resulting in an estimated underspend of £3.880m arising from realisable savings on Bingham Arena and Crematorium and reprofiling the provision for support for Registered Housing Providers to future years,

4.12. 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 on the Council's borrowing need; or
- If insufficient financing is available or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

4.13. The actual capital expenditure forms one of the required prudential indicators. Table 1 below shows actual capital expenditure and how this will be financed. There is currently no need to borrow in the current financial year or over the medium term:

Table 1

	2023/24 Current £000	2023/24 Projection £000	Variance
Capital Expenditure	12,417	8,537	(3,880)
Less Financed by:			
Capital Receipts	(6,115)	(3,906)	2,209
Capital Grants	(3,139)	(3,112)	27
Reserves	(842)	(710)	132
Section 106 Monies	(2,321)	(809)	1,512
Increase in Borrowing Need	**0**	**0**	**0**

4.14. 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.

4.15. 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 the CFR with no additional internal borrowing in the year and after deducting the Minimum Revenue Provision (MRP) of £1.255m and capital receipts applied of £2.5m.

Table 2

	2023/24 Current £000	2023/24 Projection £000
Opening CFR	15,516	13,266
CFR in year	1,000	0
Less: MRP etc	(1,311)	(1,255)
Less: Capital Receipts Applied	(2,600)	(2,500)
Closing CFR	**12,605**	**9,511**

Borrowing and Prudential Indicators

4.16. 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 C.

4.17. The Liability Benchmark (also sometimes referred to as the Asset Benchmark) reflects the real need to borrow. A credit balance shows that the Council has no need to borrow over the medium term.

4.18. Net Income from Commercial and Service Investments to Net Revenue Streams reflects the Council's dependence on income from investments. The projected figure is lower than estimated due changes in the operational start dates for the Crematorium and Bingham Hub, rising utility costs and favourable net revenue streams.

Commercial Investments

4.19. 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, as well as pre-existing commercial investments.

4.20. The Council's target is that this should not exceed 30% with the current actual around 15% (see Appendix D), leaving it less exposed to risks surrounding commercial property.

4.21. The liquidity of the assets is also dependent on the condition of the property, the strength of the tenants and the remaining lease lengths. The Council keeps these items under review with a view to maximising the potential liquidity and value of the property wherever possible. The Asset Management review has been conducted and will be considered as a separate report on this agenda.

5. Conclusion

Treasury Management continues to be fraught with difficulty. The UK economy is recovering but risk of a recession remains with inflationary pressures and possible reductions in interest rates coupled with a general election pending. Cuts in interest rates will have a negative effect on returns that can be achieved from investments, uncertainty in the economy can also have 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.

6. Risk and Uncertainties

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

7. Implications

7.1. Financial implications

Financial Implications are covered in the body of the report.

7.2. Legal Implications

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

7.3. Equalities Implications

There are no equalities implications identified for this report.

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

There are no Section 17 implications identified for this report.

7.5. Biodiversity Net Gain Implications

There are no Biodiversity Net Gain implications identified for this report.

8. Link to Corporate Priorities

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

9. Recommendations

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

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers available for inspection	Treasury Management Strategy 2023/24
List of Appendices:	Appendix A – Investments held at 31 December 2023 Appendix B – Pooled Funds Appendix C - Prudential and Treasury Indicators for 2023/24 position at 31 December 2023 Appendix D – Commercial Investment Income and Costs

APPENDIX A

Investments held at 31 December 2023

Financial Institution	Amount £	Length of Investment	Interest
Standard Chartered	3,000,000	183 days	5.50%
Standard Chartered	3,000,000	183 days	5.43%
Close Brothers	5,000,000	179 days	4.90%
HSBC ECG	5,216,233	Call	4.82%
Goldman Sachs International	5,000,000	Call	5.84%
Rushmoor Borough Council	5,000,000	364 days	4.50%
Moray Council	5,000,000	365 days	5.00%
North Lanarkshire	5,000,000	365 days	5.00%
Central Bedfordshire Council	5,000,000	92 Days	5.30%
Stockport Metro Borough Council	5,000,000	87 Days	5.30%
Residual MMF/Bank Balances	32,144	Call	5.24%
Blackrock	4,605,206	Call	5.33%
Ccla - Psdf	137,348	Call	2.26%
Federated Investors (Uk)	7,307,907	Call	5.36%
Goldman Sachs Asset Management	262,893	Call	5.23%
Hsbc Asset Management	2,563,940	Call	0.50%
Invesco Aim	7,819,708	Call	5.32%
Aberdeen Asset Management	2,794,276	Call	5.28%
Bank Of Scotland Plc	112,244	32 Days	2.75%
Barclays Bank Plc	4,568,889	32 Days	5.20%
Santander Uk Plc	167,440	Call	3.23%
Santander Uk Plc	85,189	35 Days	4.78%
Royal London Cash Plus Fund	983,676	On-going	3.96%
Ccla Property Fund	2,018,374	On-going	4.36%
Ccla Diversified Income Fund	1,839,164	On-going	3.25%
Aegon Diversified Income Fund	4,364,956	On-going	6.80%
Ninety One Diversified Income Fund	4,559,707	On-going	6.20%
Total Investments/Average Interest R	**90,439,295**		**5.11%**

APPENDIX B

<u>Fair Value of pooled fund investments</u>

Fair Value	31.03.23	30.04.23	31.12.23	Amount Invested	Difference	Difference in valuation from initial investment
Aegon-Previously Kames	4,364,956	4,411,518	4,530,206	5,000,000	165,249	(469,794)
Ninety One-Previously Investec	4,559,707	4,560,198	4,558,231	5,000,000	(1,475)	(441,769)
RLAM	983,676	988,835	1,003,107	1,000,000	19,431	3,107
CCLA Property	2,018,374	2,018,374	2,005,610	2,000,000	(12,764)	5,610
CCLA Divesified	1,839,164	1,856,626	1,918,266	2,000,000	79,102	(81,734)
	13,765,876	**13,835,552**	**14,015,420**	15,000,000	**249,544**	**(984,580)**

APPENDIX C

Prudential and Treasury Indicators for 2023/24
Position at 31 December 2023

	2023/24 £'000 Original Estimate	2023/24 £'000 Projected
Prudential Indicators		
Capital Expenditure	9,576	8,537
Proportion of financing costs to net revenue streams	-0.37%	-1.41%
Expected Investment Position (at 31 March 2024)	48,149	54,876
Capital Financing requirement as at 31 March 2024	12,605	9,511
Net Income (from Commercial and Service Investments) to Net Revenue Streams	10.9%	8.8%
Treasury Management Indicators		
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	27,438
Liability/(Asset) Benchmark	(38,149)	(44,876)

APPENDIX D

Commercial Investment Income and Costs

2023/24	Original £'000	Current £'000	Actual £'000	Projected £'000
Commercial Property Income	(1,832)	(1,832)	(1,423)	(1,911)
Running Costs	480	483	372	593
Net Contribution to core functions	(1,352)	(1,349)	(1,051)	(1,318)
Interest from Commercial Loans	(67)	(67)	(4)	(67)
Total Contribution	(1,419)	(1,416)	(1,055)	(1,385)
Sensitivity:				
+/- 10% Commercial Property Income	183	183	142	191
Indicator:				
Investment Income as a % of total Council Income	18.1%	14.6%	15.3%	15.6%
Total Income	10,117	12,550	9,293	12,250

Glossary of Terms

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

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

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

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

MRP – Minimum Revenue Provision – is the minimum amount which a Council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing. This is an annual revenue expense in a Council's budget.

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.

SONIA – Sterling Over Night Indexed Average – is an overnight rate, set in arrears and based on actual transactions in overnight indexed swaps for unsecured transactions in the Sterling market.

ESG – Environmental, Social and Governance – a set of practices (policies, procedure etc.) that organisations implement to limit negative impact or enhance positive impact on the environment, society and governance bodies.

Rushcliffe Borough Council

Governance Scrutiny Group

Thursday, 22 February 2024

Capital and Investment Strategy 2024/25

Report of the Director – Finance and Corporate Services

1. Purpose of report

1.1. The purpose of this report is to provide the Group with details of the Capital and Investment Strategy for 2024/25 to 2028/29 focusing on both traditional treasury activity, commercial investments and capital plans. The Strategy is a key component of the Medium Term Financial Strategy (MTFS) which is approved by Full Council.

1.2. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities along with revised guidance issued by the Department of Levelling-Up, Housing and Communities (DLUHC) when carrying out capital and treasury management activities.

1.3. The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are affordable and proportionate, and all borrowing and other long-term liabilities are at prudent and sustainable levels, and that treasury management decisions are taken in accordance with the Council's treasury management strategy.

1.4. The Capital and Investment Strategy 2024/25 to 2028/29 (Appendix A) reflects Government Guidance, and the CIPFA Treasury Management and Prudential codes.

2. Recommendation

2.1. It is RECOMMENDED that the Governance Scrutiny Group scrutinise and recommend for approval by Full Council:

a) The Capital Strategy and Capital Prudential Indicators and Limits for 2024/25 to 2028/29 contained within Appendix A (paragraphs 4 to 15)

b) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraphs 16 and 17) which sets out the Council's policy on MRP

c) The Treasury Management Strategy 2024/25 to 2028/29 and the Treasury Indicators contained within Appendix A (paragraphs 18 to 63)

d) The Commercial Investments Indicators and Limits for 2024/25 to 2028/29 contained within Appendix A (paragraphs 64 to 76).

3. Reasons for Recommendation

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

3.2. To provide good governance and assurance with regards to the Council's MTFS.

4. Supporting Information

Capital Prudential Indicators

4.1. Appendix A (paragraphs 4 to 15) details the Capital Strategy and Capital prudential Indicators for 2024/25 to 2028/29.

4.2. The Capital Prudential Indicators highlight the following:

- Projected capital expenditure plans and funding
- The Council's Borrowing Need (the Capital Financing Requirement CFR)
- The on-going impact of the capital programme on the investment balance
- Projected levels of Council debt and CFR.

Minimum Revenue Provision Policy

4.3. Appendix A (paragraphs 16 and 17) contains the Minimum Revenue Provision (MRP) Policy Statement, which details the methodology used to calculate the charge to the revenue account for the cost of borrowing to fund capital expenditure.

4.4. The Government Guidance and the Council's MRP Policy includes limits to the period over which the cost of borrowing can be recovered from the revenue account (a maximum of 40 and 50 years respectively for property and land). It also clarifies the position on Voluntary Revenue Provision (VRP) and that in times of financial crisis then there is the option to not apply VRP.

Treasury Management Strategy

4.5. Appendix A (paragraphs 18 to 63) details the Treasury Management Strategy which covers:

- The current economic climate and prospects for interest rates
- The Council's Borrowing Strategy including the limits and prudence of future debt levels, refinancing risk and Liability Benchmark
- The affordability impact of the capital programme
- The Council's investment strategies including counterparty limits, current investments and specific limits on treasury activities; and
- Any local treasury issues.

4.6. There is a risk with the Council's diversified funds due to the current economic climate and a change in their fair value. As stated at para 49 of the Strategy there is an override in place until March 2025 (therefore the impact of this will not be until March 2026) and assuming an economic recovery by this date the position should improve. Prudently the Council has a separate reserve of £1.173m to mitigate this risk. This position on these funds is reported quarterly and the Council continue to take advice from the Treasury Advisors.

Commercial Investments

4.7. Appendix A (paragraphs 64 to 76) details the requirements of the prudential code including a risk assessment of the level of commercial investments:

- The limit on the Council's dependency on commercial income
- How risk is spread across both commercial sectors and the size of investments proportionately in relation to asset value; and
- Ongoing review of existing assets.

4.8. Paragraph 65 of the Capital and Investment Strategy confirms the latest guidance from DLUHC that Local Authorities cannot borrow to fund non-financial assets solely to generate a profit.

Conclusion

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

5. Risks and Uncertainties

5.1. The report identifies the risks relating to interest rates, use of counterparties for investments and the returns from commercial investments, particularly in light of the current economic environment.

6. Implications

6.1. Financial Implications

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

6.2. Legal Implications

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

6.3. **Equalities Implications**

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

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

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

6.5. **Biodiversity Net Gain Implications**

There are no Biodiversity Net Gain implications associated with the recommendations of this report.

7. Link to Corporate Priorities

Quality of Life	No direct impact
Efficient Services	Responsible income generation and maximising returns
Sustainable Growth	No direct impact
The Environment	Helping to protect the environment by consideration of carbon footprint and fossil-based investments as referred to in paragraph 39 in appendix A

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group scrutinise and recommend for approval by Full Council:

a) The Capital Strategy and Capital Prudential Indicators and Limits for 2024/25 to 2028/29 contained within Appendix A (paragraphs 4 to 15)

b) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraphs 16 and 17) which sets out the Council’s policy on MRP

c) The Treasury Management Strategy 2024/25 to 2028/29 and the Treasury Indicators contained within Appendix A (paragraphs 18 to 63)

d) The Commercial Investments Indicators and Limits for 2024/25 to 2028/29 contained within Appendix A (paragraphs 64 to 76).

For more information contact:	Peter Linfield Director - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Council Financial Regulations

	Treasury Management in the Public Services: Code of Practice (CIPFA) The Prudential Code for Capital Finance in Local Authorities (CIPFA) Guidance on Local Government Investments (DLUHC) Statutory Guidance on Minimum Revenue Provision (DLUHC)
List of appendices:	Appendix A – Capital and Investment Strategy 2024/25 – 2028/29

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Appendix A

CAPITAL AND INVESTMENT STRATEGY 2024/25 – 2028/29

Introduction

1. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out capital and treasury management activities.

2. The Department for Levelling Up, Housing & Communities (DLUHC) has issued Guidance on Local Council Investments that requires the Council to approve an investment strategy before the start of each financial year.

3. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DLUHC Guidance.

The Capital Strategy

4. The Council's capital expenditure plans are summarised below and forms the first of the prudential indicators. Capital expenditure needs to have regard to:

   - Corporate Priorities (e.g., strategic planning)
   - Stewardship of assets (e.g., asset management planning)
   - Value for money (e.g., option appraisal)
   - Prudence and sustainability (e.g., implications for external borrowing and whole life costing)
   - Affordability (e.g., implications for council tax)
   - Practicability (e.g., the achievability of the Corporate Strategy)
   - Proportionality (e.g., risks associated with investment are proportionate to financial capacity); and
   - Environmental Social Governance (ESG) (e.g., address environmental sustainability in a manner which is consistent with our corporate policies. This is now a requirement of the TM Code)

5. Each year the Council will produce a Capital Programme to be approved by Full Council in March as part of the Council Tax setting.

6. Each scheme is supported by a detailed appraisal (which may also be a Cabinet Report), as set out in the Council's Financial Regulations. The capital appraisals will address the following:

   a) A detailed description of the project
   b) How the project contributes to the Council's Corporate Priorities and Strategic Commitments (particularly the Council's environmental and carbon policies)
   c) Anticipated outcomes and outputs
   d) A consideration of alternative solutions
   e) An estimate of the capital costs and sources of funding

f) An estimate of the revenue implications, including any savings and/or future income generation potential
g) A consideration of whether it is a new lease agreement
h) How the project affects the Council's Environmental targets
i) Any other aspects relevant to the appraisal of the scheme as the S151 Officer may determine.

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

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

Capital Prudential Indicators

a) Capital Expenditure Estimates

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

Table1: Projected Capital Expenditure and Financing

	2023/24 Original £'000	2023/24 Revised £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
Capital Expenditure	9,576	10,562	11,079	8,196	2,005	1,620	1,852
Less Financed by:							
Capital Receipts	3,387	3,826	2,989	5,999	292	0	0
Capital Grants/ Contributions	3,739	4,824	6,037	1,517	695	695	695
Reserves	1,450	1,912	2,053	680	1,018	925	1,157
Total Financing	8,576	10,562	11,079	8,196	2,005	1,620	1,852
Underlying need to Borrow	**1,000**	**0**	**0**	**0**	**0**	**0**	**0**

9. The key risks to the capital expenditure plans are that the level of grants estimated is subject to change, anticipated capital receipts are not realised/deferred or spend is more than expected in the medium term. There is uncertainty surrounding the future of New Homes Bonus which has impacted on the level of capital grants received going forward. The allocation for 2024/25 as been assumed to be £1.5m with nothing anticipated in future years.

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

10. The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR) which remains a key indicator under the Prudential Code. The CFR increases with new debt-financed capital expenditure and reduces with Minimum Revenue Provision (MRP) and capital receipts used to replace debt. In addition the CFR will reduce with any voluntary contributions (VRP) made, as a result of financing requirements in relation to the Rushcliffe Arena development.

11. The Council also holds usable reserves and working capital which represent the underlying resources available for investment. The Council's current strategy is to use these resources, by way of internal borrowing, to avoid the need to externalise debt.

12. Table 2 below summarises the overall position regarding borrowing and available investments. It shows a decrease in CFR due to the anticipated capital receipt from the sale of land Hollygate Lane being used to reduce the additional CFR resulting from the completion of the Rushcliffe Oaks Crematorium and Bingham Arena and Enterprise Centre.

Table 2: CFR and Investment Resources

	2023/24 Forecast £'000	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000	2027/28 Forecast £'000	2028/29 Forecast £'000
Opening CFR	13,266	9,511	7,863	6,685	5,942	5,764
CFR in year	-	-	-	-	-	-
Less: MRP etc	(1,255)	(1,178)	(1,178)	(743)	(178)	(178)
Less: Capital Receipts Applied	(2,500)	(470)	-	-	-	-
Closing CFR	**9,511**	**7,863**	**6,685**	**5,942**	**5,764**	**5,586**
Less: External Borrowing	-	-	-	-	-	-
Internal Borrowing	9,511	7,863	6,685	5,942	5,764	5,586
Less:						
Usable Reserves	(25,560)	(22,663)	(19,662)	(17,314)	(15,707)	(14,251)
Working Capital	(42,906)	(40,906)	(38,906)	(36,906)	(34,906)	(32,906)
Available for Investment	(58,955)	(55,706)	(51,883)	(48,278)	(44,849)	(41,571)

13. The Council is currently debt free and the assumption in the capital expenditure plan is that the Council will not need to externally borrow over the period of the MTFS predominantly due to CIL and S106 monies. Available resources (usable reserves and working capital) gradually reduce with usable reserves being used over the medium term to finance both capital and revenue expenditure. Working capital is projected to steadily reduce as S106 monies in relation to Education are no longer paid to the Council.

14. Projected levels of the Council's total outstanding debt are shown below, compared with the capital financing requirement (see above). Statutory

guidance is that debt should remain below the CFR, except in the short term. As can be seen from table 3, the Council expects to comply with this.

Table 3 – Prudential Indicator: Gross Debt and the Capital Financing Requirement

	2023/24 Forecast £'000	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000	2027/28 Forecast £'000	2028/29 Forecast £'000
Debt (incl. PFI & leases)	0	0	0	0	0	0
Capital Financing Requirement	9,511	7,863	6,685	5,942	5,764	5,586

15. The new accounting standard IFRS16 comes into force on 1st April 2024. IFRS 16 affects how leases are measured, recognised, and presented in the accounts and essentially means that some leases may have to be classified as capital expenditure. The full impact of this change is to be determined but it is thought that it is unlikely to impact significantly on the CFR.

Minimum Revenue Provision Policy

16. DLUHC Regulations require the Governance Scrutiny Group to consider a Minimum Revenue Provision (MRP) Statement in advance of each year. Further commentary regarding financing of the debt is provided in paragraphs 28-34. A variety of options are provided to Councils, so long as there is prudent provision. The Council has chosen the Asset Life Method (Option 3 within the Guidance) with the following recommended MRP Statement:

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

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

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

17. As well as the need to pay off an element of the accumulated General Fund borrowing requirement used to fund capital expenditure each year (the CFR),

through a revenue charge (the MRP) the Council is also allowed to make additional voluntary contributions (VRP). In times of financial crisis, the Council has the flexibility to reduce voluntary contributions. Table 2 (paragraph 12) includes the use of capital receipts to bring the CFR down by funding capital expenditure.

Treasury Management Strategy 2024/25 to 2028/29

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

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

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

19. The CIPFA Code of Practice for Treasury Management in the Public Services (the "CIPFA Treasury Management Code") and the CIPFA Prudential Code require local authorities to produce a Treasury Management Strategy Statement on an annual basis.

20. This Strategy Statement includes those indicators that relate to the treasury management functions and help ensure that the Council's capital investment plans are affordable, prudent, and sustainable, while giving priority to the security and liquidity of those investments. TMP 1 (Treasury Management Practices) sets out the Council's practices relating to Environmental Social Governance (ESG) and is a developing area.

The Current Economic Climate and Prospects for Interest Rates

21. At the August 2023 meeting the Monetary Policy Committee (MPC) backed a hike in interest rates of 0.25 percentage points increasing Bank Rate to 5.25% as part of the monetary policy to meet Governments inflation target of 2%**.** It has remained at this level.

22. The Bank of England started raising interest rates from a record low of 0.1% in December 2021. Since then, the base rate has increased 14 consecutive times in an attempt to balance out inflation. The latest Monetary Policy report predicts that interest rates have peaked and are expected to remain around 5.25% until autumn 2024 and then decline gradually to 4.25% by the end of 2026. Arlingclose (the Council's Treasury Advisors) are forecasting cuts from quarter three 2024 to a low of around 3% by early to mid-2026.

23. The Consumer Prices Index (CPI) rose by 4.6% in the 12 months to October 2023, down from 6.7% in September. The target is to get inflation to 2% which causing pressure on the MPC to increase interest rates to the current peak. Inflation is expected to fall to a little above 4% by the end of 2023 and then gradually fall back towards 2% by the June 2024.

24. The unemployment rate in the UK is currently 4.3% (Nov 2023) and is projected to increase rise steadily to around 5% in late 2025 to early 2026.

25. Table 4 below shows the assumed average interest (which reflects a prudent approach) that will be made over the next five years for budget setting purposes.

Table 4: Budgetary Impact of Assumed Interest Rate Going Forward

	2024/25	2025/26	2026/27	2027/28	2028/29
Anticipated Interest Rate	4.50%	3.30%	2.75%	2.50%	2.50%
Expected interest from investments (£)	1,005,400	917,000	668,400	533,500	499,600
Other interest (£)	63,000	59,000	59,000	59,000	59,000
Total Interest (£)	**1,068,400**	**976,000**	**727,400**	**592,500**	**558,600**

Sensitivity:	£	£	£	£	£
- 0.25% Interest Rate	60,400	46,600	41,000	32,200	33,900
+ 0.25% Interest Rate	(60,400)	(46,600)	(41,000)	(32,200)	(33,900)

26. In the event that a bank suffers a loss, the Council could be subject to bail-in to assist with the recovery process. The impact of a bail-in depends on the size of the loss incurred by the bank or building society, the amount of equity capital and junior bonds that can be absorbed first and the proportion of insured deposits, covered bonds and other liabilities that are exempt from bail-in.

27. The Council has managed bail-in risk by both reducing the amount that can be invested with each institution to £10 million and by investment diversification between creditworthy counterparties.

Borrowing Strategy 2024/25 to 2028/29

Prudential Indicators for External Debt

28. Table 2 above identifies that the Council will not need to externally borrow over the MTFS instead choosing to internally borrow. Whilst this means that no external borrowing costs (interest/debt management) are incurred, there is an opportunity cost of using internal borrowing by way of lost interest on cash balances.

29. The approved sources of long-term and short-term borrowing are:

- Municipal Bond Agency
- HM Treasury's PWLB lending facility

- Local authorities
- UK public and private sector pension funds
- Commercial banks in the UK
- Building Societies in the UK
- Money markets
- Leasing
- Capital market bond investors
- Special purpose companies created to enable local Council bond issue
- UK Infrastructure Bank
- Any institution approved for investments
- Retail investors via a regulated peer-to-peer platform

Public Works Loan Board (PWLB) borrowing is at Gilts +80bps (certainty rate). If applying, there is the need to categorise the capital programme into 5 categories including service, housing and regeneration. If any Council has assets that are being purchased 'primarily for yield' anywhere in their capital programme they will not be able to access PWLB funding.

a) Authorised Limit for External Debt

30. The authorised limit is the "affordable borrowing limit" required by section 3 (1) of the Local Government Act 2003 and represents the limit beyond which borrowing is prohibited. It shows the maximum amount the Council could afford to borrow in the short term to maximise treasury management opportunities and either cover temporary cash flow shortfalls or use for longer term capital investment. It should be set higher than the CFR plus a safety margin of £5m to £10m.

Table 5: The Authorised Limit

	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
Authorised Limit	25,000	20,000	20,000	20,000	20,000	20,000

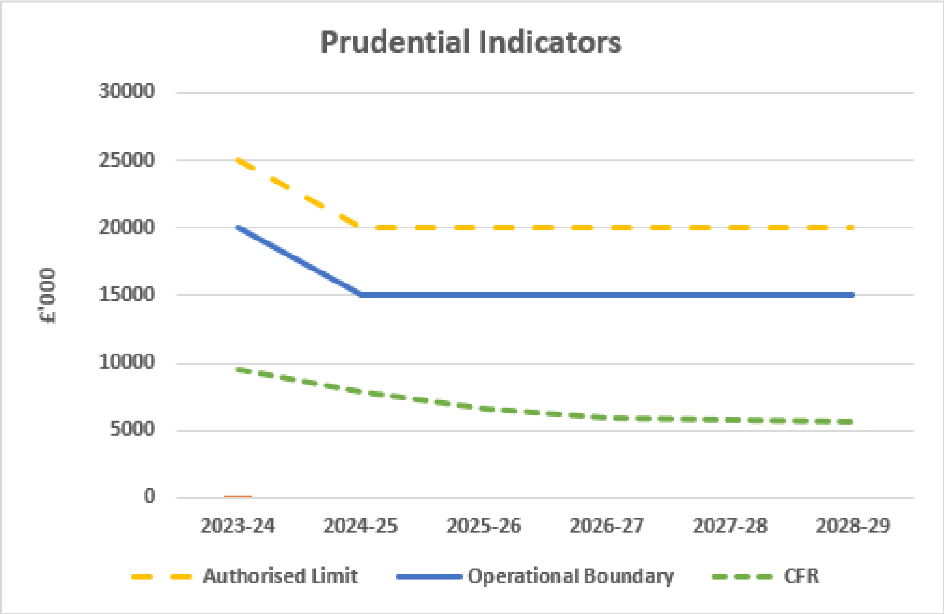
b) Operational Boundary for External Debt

31. The operational boundary is the expected borrowing position of the Council during the course of the year. The operational boundary is not a limit and actual borrowing can be either below or above the boundary subject to the authorised limit not being breached. The Operational Limit has been set at £15m (Table 6) and, whilst the Council is not expected to externally borrow over the period of the MTFS, this provides a cushion and gives flexibility should circumstances significantly change. Chart 1 below shows the prudential indicators graphically.

Table 6: The Operational Boundary

	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
Operational Boundary	20,000	15,000	15,000	15,000	15,000	15,000

Chart 1: The Prudential indicators



32. The Council's is required to show the maturity structure of borrowing. The Council had no debt and is unlikely to need to borrow over the medium term and if it did, it would only be for small amounts so there is no significant refinancing risks and the limits in the strategy do not need to be restrictive.

Table 7 – Prudential Indicator: Refinancing Risk Indicator

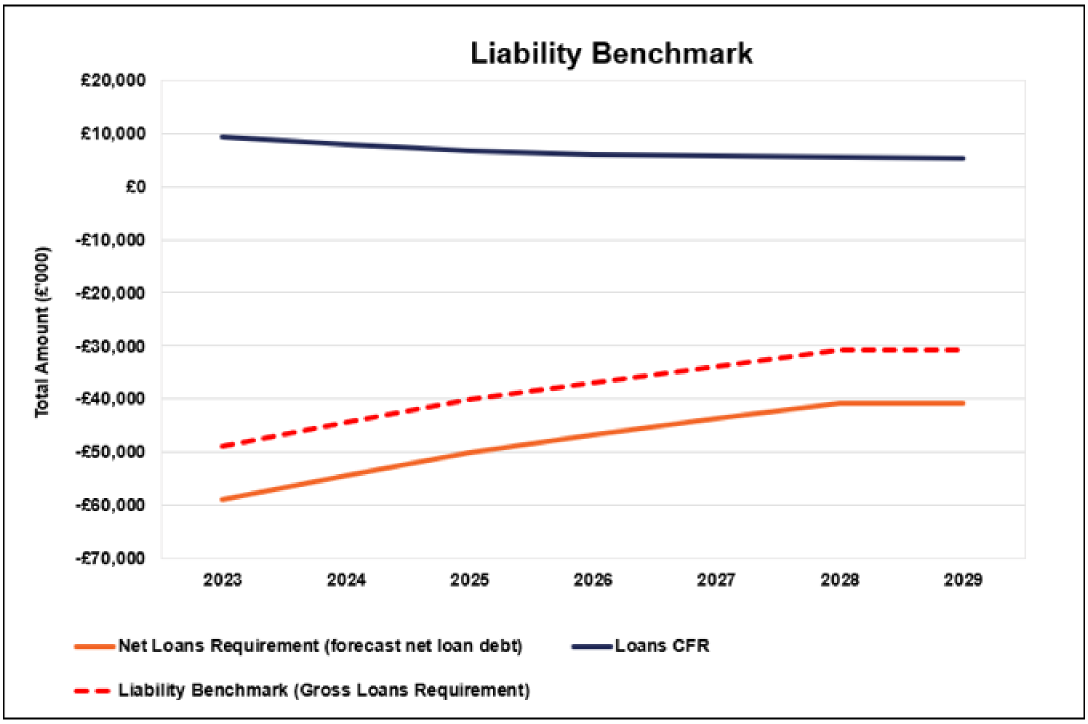
Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months an within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

33. The Liability Benchmark reflects the real need to borrow and can be seen in table 8. In accordance with the Code this must also be shown graphically (Chart 2). The Council's CFR is reducing due to MRP repayments, reserves are being used to fund future capital expenditure and working capital/S106 monies are returning to a normal level. The Council has no need to borrow over the medium term.

Table 8 Prudential Indicator: Liability Benchmark

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Closing CFR	9,511	7,863	6,685	5,942	5,764	5,586
Less:						
Usable Reserves	(25,560)	(22,663)	(19,662)	(17,314)	(15,707)	(14,251)
Working Capital	(42,906)	(40,906)	(38,906)	(36,906)	(34,906)	(32,906)
Plus minimum investment:	10,000	10,000	10,000	10,000	10,000	10,000
LIABILITY BENCHMARK	(48,955)	(45,706)	(41,883)	(38,278)	(34,849)	(31,571)

Chart 2 Prudential Indicator: Liability Benchmark



Prudential Indicators for Affordability

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

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

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

changing over time. A credit indicates interest earned rather than an interest cost. The figures fluctuate over the MTFS period but remain fairly close to a breakeven position reflecting both the downward trend in interest rates and the reducing MRP repayments, as payments in relation to Rushcliffe Arena are finalised. Although there are new non-treasury capital commitments in relation to Rushcliffe Oaks Crematorium and Bingham Arena and Enterprise Centre which give rise to further MRP, repayments are lower because they are spread over a longer period. Net revenue streams remain steady over the period.

Table 9: Proportion of Financing Costs to Net Revenue Stream

	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
General Fund	-0.72%	0.88%	1.73%	0.42%	-2.84%	-2.55%

b) Estimates of net income to net revenue stream

36. This is a new indicator that looks at net income from commercial and service investments (for example it includes Rushcliffe Oaks Crematorium and Bingham Market) and expresses it as a percentage of net revenue streams. The increase reflects rent increases and full year effect of the crematorium becoming operational.

Table 10: Proportion of Net Income to Net Revenue Stream

	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Net Income to Net Revenue Stream	10.9%	8.8%	10.1%	11.8%	12.0%	11.8%

Investment Strategy 2024/25 to 2028/29

37. Table 11 below shows the Council's investment projections. The downward movement reflects the use of capital receipts to finance capital expenditure. In addition, it reflects the release of S106 monies and the loss of S106 receipts for Education which are no longer paid to the Council.

Table 11: Investment Projections

	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Investments at 31 March £'000	58,955	55,706	51,883	48,278	44,849	41,571

38. Both the CIPFA Code and the DLUHC Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitable low investment income. Accordingly, the Council ensures that robust due diligence procedures cover all external investments.

39. Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will (in accordance with treasury advice) prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

40. The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole of the Council's inflation exposures.

41. The Council will invest its surplus funds with approved counterparties. Where appropriate, the Council is registered as a professional client (under MIFID II) with the counterparty limits shown below in Table 12 and counterparties included at Appendix i.

Table 12: Counterparty Details

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£10m	Unlimited
Secured investments *	25 years	£10m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£3m	£3m
Registered provider *	5 years	£5m	£5m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£10m	£30m
Real estate investment trusts	n/a	£5m	£10m
Other investments *	5 years	£5m	£10m

*Please refer to Glossary at Appendix (iv)

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

42. Credit rating information is provided by Arlingclose on all active counterparties that comply with the criteria above. A counterparty list will be maintained from this information and any counterparty not meeting the criteria will be removed from the list.

43. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

44. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn (on the next working day), will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Credit Risk

45. The CIPFA Treasury Management Code recommends that organisations should clearly specify the minimum acceptable credit quality of its counterparties; however, they should not rely on credit ratings alone and should recognise their limitations. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantial doubts about its credit quality, even though it may meet the credit rating criteria.

46. When deteriorating financial market conditions affect the credit worthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

Current investments

47. The Council uses its own processes to monitor cash flow and determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial strategy and cash flow forecast.

48. Surplus funds are invested based on the most up to date forecasts of interest rates and in accordance with the Council's cash flow requirements in order to gain the maximum benefit from the Council's cash position throughout the year. Generally speaking, in times of rising interest rates it is prudent to invest short term, whilst also ensuring a diversified portfolio. Funds are separated between service investment and non-specified investments as detailed in paragraphs 50 to 52 below.

49. The Council purchased £15m in pooled/diversified funds. The fair value of these funds fluctuates, the current value of these investments can be seen in Appendix ii. The downward trend experienced by the political turmoil last year coupled with high levels of inflation and monetary policies surrounding interest rates has impacted on these. The fluctuations in capital value of the pooled funds to date is a loss of £1.234m. This is currently reversed by the statutory override

preventing any accounting loss impacting on the revenue accounts. This is due to end 31 March 2025. The risk of this loss crystalising after this period has been largely mitigated by appropriations of £1.173m to the Pooled Funds reserve. It should be noted that whilst the value of this type of investment can fluctuate, the revenue returns make up a significant proportion of the overall returns on investments (the fair value of these investments accounted for 18% of average investment balances in 2022/23 but generated 32% interest). The Council will continue to monitor the position on these investments and take advice from the treasury advisors.

Service investments

50. The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities (treasury management),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

51. The Council can lend money to its suppliers, parish councils, local businesses, local charities, employees, housing associations to support local public services and stimulate local growth. The Council has existing loans to Nottinghamshire Cricket Club which not only stimulates the local economy but provides social outcomes The Trent Bridge: Community Trust delivers projects that have positive impacts on local communities such as tackling social exclusion and anti-social behaviour. The main risk when making service loans is that the borrower may be unable to repay the principal lent and/or the interest due. In order to limit this risk and ensure that total exposure to service loans remains proportionate to the size of the Council, the upper limit on any category of borrower will be £5 million.

Non-specified investments

52. Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The Council does not intend to make any such investments, that are defined as capital expenditure by legislation.

Investment Limits

53. The Council’s revenue reserves available to cover investment losses in a worst-case scenario are forecast to be around £15 million on 31st March 2024. The maximum that will be lent to any one organisation (other than the UK Government) will be £10.0 million. This figure is constantly under review to assess risk in the case of a single default. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will

also be placed on fund managers, investments in brokers' nominee accounts, foreign countries, and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries.

Table 13: Investment limits

	Cash limit
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£3m per country
Loans across unrated corporates	£5m in total

Treasury Management limits on activity

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

a) Interest Rate Exposures

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

Table 14: Interest Rate Exposure

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Upper Limit on fixed interest rate exposure	50%	50%	50%	50%	50%	50%
Upper Limit on variable interest rate exposure	100%	100%	100%	100%	100%	100%

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

Principal Sums Invested over 1 year

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

Table 15: Principal Sums Invested over 1 year

	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Limit on Principal invested over 1 year £'000	29,500	27,900	25,900	24,100	22,400	20,800

Policy on the use of financial derivatives

58. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., LOBO (Lender Option Borrowers Option) loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).

59. The Council will only use standalone financial derivatives (such as swaps, forwards, futures, and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

60. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Treasury Management Advisors

61. Arlingclose will act as the Council's treasury management advisors until 31st October 2026 and replace Link Treasury Services. The company provides a range of services which include:

- Technical support on treasury matters and capital finance issues
- Economic and interest rate analysis
- Generic investment advice on interest rates, timing, and investment instruments; and
- Credit ratings/market information service comprising the three main credit rating agencies.

62. Whilst the treasury management advisors provide support to the internal treasury function, the current market rules and the CIPFA Treasury

Management Code confirms that the final decision on treasury management matters rests with the Council. The service provided by the Council's treasury management advisors is subject to regular review.

Other Options Considered

63. The DLUHC Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance and Corporate Services, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Our policy is to have a feathered approach i.e., a range of counterparties spread over different time periods (short/medium/long term), this mitigates risk of changes in credit ratings and interest rates whether they go up or down.

Commercial Investments

64. The CIPFA definition of investments in treasury management activities above (paragraph 18) covers all financial assets of the organisation as well as other non-financial assets which the organisation holds primarily for financial returns, such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations.

65. Under the updated Prudential code Local Authorities are no longer be allowed to borrow to fund non-financial assets solely to generate a profit.

66. The Council will maintain a summary of current material investments, subsidiaries, joint ventures, and liabilities, including financial guarantees and the organisation's risk exposure. The current summary is included at Appendix iii.

67. The Council will also monitor past Commercial Property investments against original objectives and consider plans to divest as part of a biennial review. The last report was presented to Governance Scrutiny Group in February 2024.

68. Proportionality is included as an objective in the Prudential Code. Clarification and definitions to define commercial activity and investment are also included, and the purchase of commercial property purely for profit cannot lead to an increased capital financing requirement (CFR).

69. The Council must disclose its dependence on commercial income and the contribution non-core investments make towards core functions. This covers assets previously purchased through the Council's Asset Investment Strategy (AIS), as well as other pre-existing commercial investments.

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

70. The expected contributions from existing commercial investments are shown in Table 16. To manage the risk to the Council's budget, income from commercial investments should not be a significant proportion of the Council's income. Our objective is that this ratio should not exceed 30%, subject to annual review and is estimated to be around 16% in 2024/25. This percentage has reduced leaving the Council less exposed to risks surrounding commercial property.

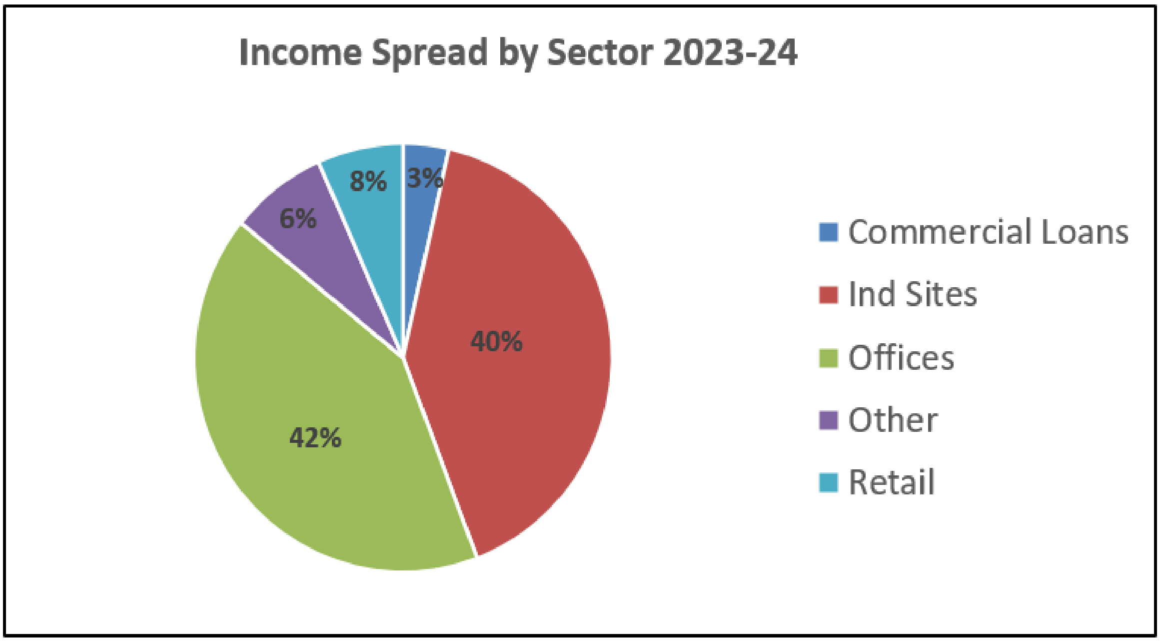
Table 16: Commercial Investment income and costs

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Commercial Property Income	(1,832)	(1,902)	(1,953)	(2,014)	(2,014)	(2,018)
Running Costs	480	581	586	589	593	597
Net Contribution to core functions	(1,352)	(1,321)	(1,366)	(1,425)	(1,421)	(1,420)
Interest from Commercial Loans	(67)	(63)	(59)	(59)	(59)	(59)
Total Contribution	(1,419)	(1,384)	(1,425)	(1,484)	(1,480)	(1,479)
Sensitivity:						
+/- 10% Commercial Property Income	183	190	195	201	201	202
Indicator:						
Investment Income as a % of total	15.7%	16.0%	16.1%	16.5%	16.3%	16.0%
Total Income	12,105	12,313	12,478	12,584	12,709	13,013

b) Risk Exposure Indicators

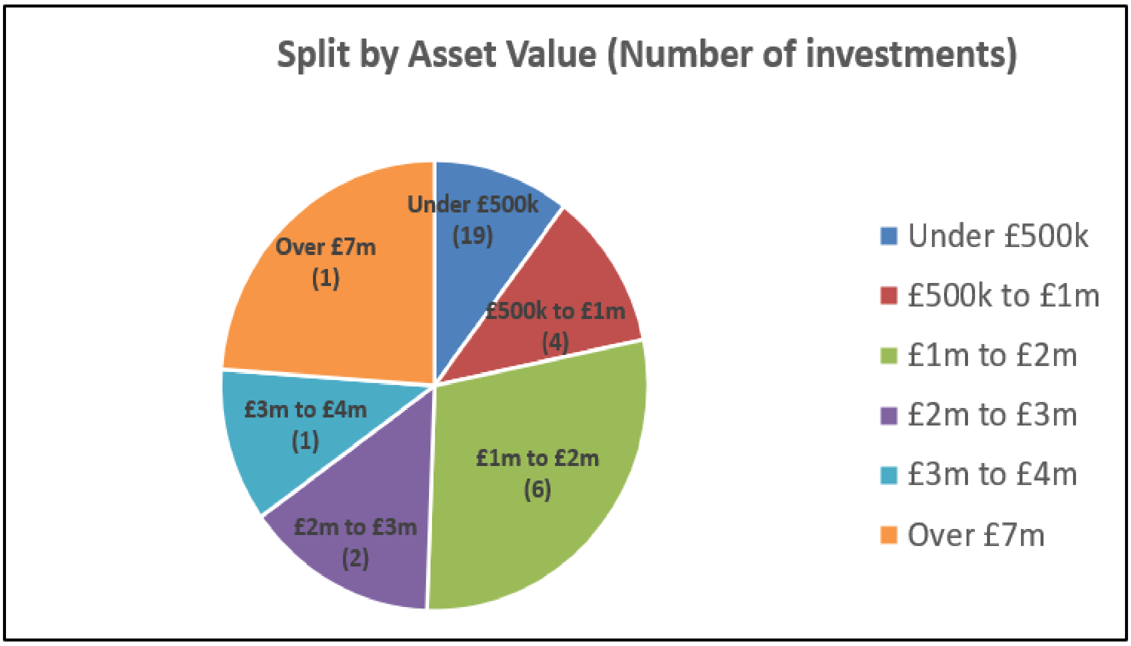
71. The Council can minimise its exposure to risk by spreading investments across sectors and by avoiding single large-scale investments (Chart 3 and 4 below). Generally, there is a spread of investment across sectors in the Council's portfolio. The Council's commitment to economic regeneration (not purely financial return) has meant that many of its investments have been in industrial units, which have been very successful.

Chart 2 Income Spread by Sector



c) Security and Liquidity

Chart 3 Investment by Asset Value



72. Commercial investments are held for longer term asset appreciation as well as yield. Investments or sales decisions will normally be planned as part of the consideration of the 5-year capital strategy to maximise the potential return. Nevertheless, the local and national markets are monitored to ensure any gains are maximised or losses minimised.

73. To help ensure asset values are maintained the assets are given quarterly inspections, together with a condition survey every 3 years. Any works required to maintain the value of the property will then form part of Council's spending plans.

74. The liquidity of the assets is also dependent on the condition of the property, the strength of the tenants and the remaining lease lengths. The Council keeps these items under review with a view to maximising the potential liquidity and value of the property wherever possible.

75. The liquidity considerations for commercial investments are intrinsically linked to the level of cash and short-term investments, which help manage and mitigate the Council's liquidity risk. A review of the Council's commercial assets was undertaken and reported to Governance Scrutiny Group in February 2024 paragraph 69 refers.

76. The investments are subject to ongoing review with regards to their financial viability or indeed whether they are surplus to requirement. At the February 2024 Governance Group Meeting, details on the risks surrounding the Council's commercial properties were reported, as well as providing a pathway to potential commercial asset disposal, if required.

Member and Officer Training

77. The updated TM Code requires Local Authorities to document a formal and comprehensive knowledge and skills schedule reflecting the need to ensure that both members and officers responsible for treasury management are suitably trained and kept up to date (TMP 10). There will be specific training for members training involved in scrutiny and broader training for members who sit on full Council. Previously these needs have been reported through the Member Development Group, with the Council specifically addressing this important issue by:

- Periodically facilitating workshops for members on finance issues, next scheduled for January 2024.
- Interim reporting and advising members of Treasury issues via Governance Scrutiny Group.

With regards to officers:

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

CIPFA have developed a self-assessment tool which will need to be completed by the Governance Scrutiny Group to ensure that training provided achieves the desired outcomes. Attendance at training is recorded and members are encouraged to attend all Treasury training.

78. The Council will continue to have its Annual Treasury Management training session with Councillors provided by its Treasury advisers.

Appendix (i)

Counterparty Registrations under MIFID II

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

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

Appendix (ii)

Pooled Funds – Changes in Fair Value since Acquisition

Fair Value	31.03.23	30.04.23	31.12.23	Amount Invested	Difference	Difference in valuation from initial investment
Aegon-Previously Kames	4,364,956	4,411,518	4,530,206	5,000,000	165,249	(469,794)
Ninety One-Previously Investec	4,559,707	4,560,198	4,558,231	5,000,000	(1,475)	(441,769)
RLAM	983,676	988,835	1,003,107	1,000,000	19,431	3,107
CCLA Property	2,018,374	2,018,374	2,005,610	2,000,000	(12,764)	5,610
CCLA Divesified	1,839,164	1,856,626	1,918,266	2,000,000	79,102	(81,734)
	13,765,876	**13,835,552**	**14,015,420**	15,000,000	**249,544**	**(984,580)**

Current Book Value of Non-Treasury Investments

	Current Book Value £000	Previous Book Value £000
The Point Office Accommodation	3.429	3.395
Hollygate Lane, Cotgrave Industrial Units	2.918	2.716
Unit 3 Edwalton Business Park	2.432	2.433
Unit 1 Edwalton Business Park	1.954	1.955
Bardon Single Industrial Unit	2.078	1.820
Trent Boulevard	1.559	1.415
Cotgrave Phase 2	1.266	1.385
Colliers Business Park Phase 2	1.422	1.323
Bridgford Hall Aparthotel and Registry Office	1.150	1.121
Finch Close	0.978	0.931
Boundary Court	0.838	0.809
Colliers Business Park Phase 1	0.787	0.720
Mobile Home Park	0.400	0.480
Cotgrave Precinct Shops	0.478	0.482
New Offices Cotgrave	0.484	0.422
TOTAL INVESTMENT PROPERTY*	**22.173**	**21.407**
Notts County Cricket Club Loan	1.499	1.570
TOTAL	**23.672**	**22.977**

* Note values are as at 31st March 2023 and 2022

Appendix (iv)

Glossary

Minimum credit rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than [AA-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £10 million per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

Operational bank accounts: The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank. These are not classed as investments but are still subject to the risk of a bank bail-in and balances will therefore be kept below £**10 million** per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Rushcliffe Borough Council	**Governance Scrutiny Group** **Thursday, 22 February 2024** **Work Programme**

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.

June 2024 (TBC)

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Fraud Report
- Annual Governance Statement (AGS)
- Capital and Investment Strategy Outturn
- External Annual Audit Plan
- 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.

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