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Rushcliffe Borough Council

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To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held on Thursday, 20 February 2025 at 7.00 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West Bridgford to consider the following items of business.

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

S Pregon

Sara Pregon
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 28 November 2025 (Pages 1 - 6)

4. Amendments to the Constitution (Pages 7 - 12)

   Report of the Monitoring Officer

5. Internal Audit Progress Report Q3 (Pages 13 - 38)

   Report of the Director – Finance and Corporate Services

6. Internal Audit Strategy 2025/26 (Pages 39 - 76)

   Report of the Director – Finance and Corporate Services

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

7. Risk Management Progress Report (Pages 77 - 94)

   Report of the Director – Finance and Corporate Services

8. Capital and Investment Strategy Update Q3 (Pages 95 - 106)

   Report of the Director – Finance and Corporate Services

9. Capital and Investment Strategy 2025/26 (Pages 107 - 142)

   Report of the Director – Finance and Corporate Services

10. Work Programme (Pages 143 - 144)

   Report of the Director – Finance and Corporate Services

Membership

Chair: Councillor A Edyvean
Vice-Chair: Councillor D Polenta
Councillors: T Birch, S Calvert, H Om, N Regan, C Thomas, T Wells and G Wheeler

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

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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

Rushcliffe Borough Council

MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 28 NOVEMBER 2024
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), T Birch, S Calvert, J Chaplain, D Mason, D Soloman, C Thomas and G Wheeler

ALSO IN ATTENDANCE:
Charlotte Thomas – BDO (The Council's Internal Auditors)
Max Armstrong - BDO (The Council's Internal Auditors)

OFFICERS IN ATTENDANCE:

P Linfield	Director of Finance and Corporate Services
M Heald	Finance Business Partner
S Pregon	Monitoring Officer and Head of Chief Executive's Department
A Disney	Strategic ICT Manager
E Richardson	Democratic Services Officer

APOLOGIES:
Councillors H Om, D Polenta, N Regan and T Wells

20 **Declarations of Interest**

There were no declarations of interest.

21 **Minutes of the Meeting held on 19 September 2024**

The minutes of the meeting held on 19 September 2024 were agreed as an accurate record and were signed by the Chairman.

The Director for Finance and Corporate Services provided an update to the Group regarding the Statement of Accounts in that External Audit had advised that they had received assurance from the County Council Pension Fund and it was hoped that the Accounts would be signed off before the end of the year.

22 **Regulation of Investigatory Powers Act (RIPA) Review**

The Monitoring Officer and Head of Chief Executive's Department presented the Regulation of Investigatory Powers Act 2000 (RIPA) Review report.

The Monitoring Officer and Head of Chief Executive's Department explained that a local authority could only undertake directed surveillance where such activity had been authorised in accordance with RIPA, which covered covert cameras, covert observations and use of undercover officers conducting surveillance. She said that authorisation could only be granted where it was necessary for the prevention or detection of crime or preventing disorder and only then when a crime would receive at least a six month custodial sentence or for the selling of tobacco or alcohol to children, and that it must be proportionate. If authorised by the Council then judicial approval would also be required before any activity could take place.

The Monitoring Officer and Head of Chief Executive's Department explained that only specified Officers could authorise activity, being the Chief Executive Officer and the relevant Director and Head of Service. She explained that she was the Senior Responsible Officer for overseeing the process, keeping records and ensuring the training was delivered to Officers and reviewing the Council's policy.

The Group was informed that there had been no authorisations for directed surveillance by the Council in the period since the report was last brought to this Committee in November 2023, but that the Monitoring Officer and Head of Chief Executive's Department was still required to review and bring the policy to Members for review on an annual basis. She noted that she had revised the policy slightly to update the code of practice, provide clarity on some of the definitions and the communications contact points.

Councillor Thomas asked for clarification around authorisations and the process for reporting of authorisations. The Monitoring Officer and Head of Chief Executive's Department said that this was monitored both through the management of staff to ensure that they did not undertake work without appropriate authorisation and ensuring that relevant Officers undertook the required training, with a new training module being introduced at the beginning of October.

Councillor Thomas noted that the updates to the policy were not specified through track changes and the Monitoring Officer and Head of Chief Executive's Department said that this was not done in part to keep the length of papers down. The chair suggested that changes could be highlighted to help identify them.

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

a) Considered and noted the information contained within this report regarding the Council's use of RIPA powers; and

b) Endorsed the updates to the Council's RIPA Policy at Appendix 1 to this report.

23 **Capital and Investment Strategy Update Q2**

The Finance Business Partner presented the Capital and Investment Strategy update 2024/2025 report which summarised the capital and investment of the Council for the period 1 April to 30 September 2024.

The Finance Business Partner highlighted some of the key headings from the update report, including in relation to:

- Economic forecast
- Investment Income
- Borrowing and Prudential Indicators
- Capital Expenditure and Financing
- Treasury Management and Prudential Indicators
- Risk Exposure Indicators
- Security and Liquidity
- Training and Development

The Finance Business Partner advised that interest rates were expected to stay higher, for longer, having a positive effect on returns in the medium term and that the UK economic outlook was generally positive. She said that pooled funds could be unpredictable with prices subject to fluctuations based on economic conditions, which could have a negative effect on the capital value. She said that the statutory override currently in place was due to end on 31 March 2025, so the Council would continue to monitor the situation and take advice from its Treasury Advisors.

Councillor Calvert referred to liquidity achieved and asked whether there was an acceptable level that the Council should aim for. The Director for Finance and Corporate Services said that it would be approximately £10m for a Council of this size.

Councillor Calvert asked about other adjustments and the Director for Finance and Corporate Services said that this information could be found in more detail in the Cabinet report and that it was for costs in addition to the budget.

Members of the Group asked about s106 monies and whether the Council used those for internal lending and how interest on them was calculated. The Director for Finance and Corporate Services said that the facility to utilise s106 monies was available but that the Council had not necessarily needed to use it, however, it made sense to use funds available to the Council rather than incur costs from external borrowing. He confirmed that the Council distinguished between the Council's own funds and funds it was holding for s106.

The Finance Business Partner said that older s106 agreements would define the level of interest to be applied to the funds and for more recent s106 agreements the Council would apply an average of the interest rates available on the market. In relation to interest earned on funds, the Finance Business Partner said that that when reporting on interest, the Council did not include interest earned on s106 funds and that interest on s106 funds was calculated at the point that they were paid out.

Councillor Brich asked what was meant by medium term borrowing and the Finance Business Partner said that this covered five years.

It was **RESOLVED** that the Group reviewed and commented as necessary on the Capital and Investment Strategy update position as of 30 September 2024.

24 **Redmond Review of Public Sector Audit - Update**

The Director for Finance and Corporate Services presented the Update on the Redmond Review of Public Sector Audit Report.

In relation to the Redmond Review, the Director for Finance and Corporate Services noted that a key consideration for the Group was whether it supported the principle of appointing an Independent Member. He noted that this recommendation had been brought to the Group previously and had been rejected as it had been considered that there had been enough expertise and experience within the Group at that time, and that it was for the Group to review whether it wished to recommend appointing one now. He said that there could be challenge in appointing an Independent Member who had relevant experience and given the low remuneration.

Members of the Group asked how the Independent Member would be chosen and by whom. The Director for Finance and Corporate Services said that a person specification and job description would be drawn up and the position would be advertised and an interview process would be undertaken.

Members of the Group said that having an Independent Member could offer a different perspective, a fresh take on matters and may assist in digesting aspects of reports and be someone to raise questions with.

Councillor Thomas suggested that there may be benefit in appointing more than one, perhaps two or three, Independent Members to the Group. The Chair said that that could be something for review in the future and given that the current recommendation was to appoint one.

In relation to questions about appropriate qualifications, Ms Thomas suggested that a chartered accountant qualification and experience of financial audit would be beneficial.

The Group voted unanimously in favour of appointing an Independent Member and the Director for Finance and Corporate Services confirmed that a report would be taken to Full Council with the recommendation from this Group.

The Director for Finance and Corporate Services referred the Group to paragraphs 4.5.1 through 4.5.5 of the report which focussed on matters such as market stability and fee structures, publishing dates of accounts, system leadership options, enhancing the local audit function and improving transparency of local authority accounts.

The Director for Finance and Corporate Services said that the Council offered training for Members ahead of the publication of the accounts and tried to explain key messages but appreciated that they could be difficult to understand.

In relation to Effective Scrutiny of Treasury Management, the Director for Finance and Corporate Services referred to paragraph 4.6 and appendix B of the report which set out some suggested recommendations, such as Officers suggesting questions pertinent to the report that the group may wish to consider, seeking feedback from the group on the technical content of reports, including the Treasury Management Policy Statement as part of the Capital and Investment Strategy, appointing an Independent Person, requesting that the group raise questions in advance of the scrutiny meeting and asking for suggestions from the group on how to improve reports.

Councillor Birch referred to the enhancement of transparency through the provision of a summary document at the end of the Accounts. The Director for Finance and Corporate Services said that the Council sought to follow best practice and was waiting for guidance from CIPFA as to how this should be set out.

Councillor Calvert referred to fee structures and scale fees and the Director for Finance and Corporate Services said that the fees were set nationally by the PSAA and that they went out to consultation with local authorities for future years. He said that fees had been increasing over the past number of years but would hopefully plateau.

Councillor Calvert asked about publishing dates and how realistic they were and the Director for Finance and Corporate Services said that some local authorities may be in the position of having to get qualified opinions to close their accounts but confirmed that the Council was not in that position.

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

a) Considered the recommendation at paragraph 4.5.3 (b) to appoint an independent member to the Governance Scrutiny Group subject to approval by full Council

b) Considered the recommendations arising from CIPFA's Self-assessment 'Effective Scrutiny of Treasury Management' at paragraph 4.6 and Appendix B.

25 **Work Programme**

The Director for Finance and Corporate Services presented the Work Programme.

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

20 February 2025

- Internal Audit Progress Report Q3
- Internal Audit Strategy
- External Annual Audit Plan (May slip to next meeting)
- Risk Management Update
- Capital and Investment Strategy Update Q3
- Capital and Investment Strategy 2025/26
- Annual Audit Letter and Value for Money Conclusion
- Work Programme

26 Exclusion of the Public

It was resolved that under Regulation 20 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

27 Internal Audit Progress Report Q2

Ms C Thomas from BDO, the Council's Internal Auditors, presented the Internal Audit Progress Report Quarter 2 which reflected progress made for the year against the annual Internal Audit programme, recommended changes to the programme and any significant recommendations to the audits.

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

a) Considered the follow up report prepared by the Council's Internal Auditor (Appendix A);

b) Considered the quarter 2 progress report for 2024/25 (Appendix B) prepared by the Council's Internal Auditor (Exempt Item); and

c) Approved the proposed amendment to the plan as detailed at paragraph 4.2.

The meeting closed at 8.05 pm.

CHAIR

Governance Scrutiny Group

Thursday, 20 February 2025

Amendments to the Constitution

Rushcliffe
Borough Council

Report of the Monitoring Officer

1. Purpose of report

1.1. To enable Governance Scrutiny Group to consider proposed changes to the Council's Constitution prior to consideration by full Council.

2. Recommendation

It is RECOMMENDED that Governance Scrutiny Group consider the proposed amendments to the Constitution at Appendix 1 to this report and recommend them for adoption by Council.

3. Reasons for Recommendation

3.1 The Council has a duty to keep its Constitution up to date and is required to review it at least on an annual basis.

4. Supporting Information

4.1. The proposed reversions to the Council's Constitution are set out in Appendix 1 and can be summarised as follows:

4.2. Part 1 – Clarification that the Local Government and Social Care Ombudsman will only consider complaints where the Council's formal complaints procedure as been followed.

4.3. Part 3 - Clarification that the delegation to the Director for Development and Economic Growth in respect of development management extends to determination of approvals and consents under the Local Development Order.

4.4. Part 4 – Amendments to the Standing Orders – Council to ensure the efficient running of council business, to take account of best practice and ensure the Council complies with its equality duty in respect of accessibility.

5. Risks and Uncertainties

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

6. Implications

6.1. Financial Implications

There are no direct financial implications arising from these proposals.

6.2. Legal Implications

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

6.3. Equalities Implications

The proposed amendments are intended to address an accessibility issue in compliance with the Council's equality duty.

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

There are no direct Section 17 implications.

6.5. Biodiversity Net Gain Implications

There are no implications.

7. Link to Corporate Priorities

The Environment	Regular review of the Council's Constitution is essential to ensure effective and efficient democratic decision-making which supports all of the Council's Corporate Priorities.
Quality of Life	
Efficient Services	
Sustainable Growth	

8. Recommendations

It is RECOMMENDED that Governance Scrutiny Group consider the proposed amendments to the Constitution at Appendix 1 to this report and recommend them for adoption by Council.

For more information contact:	Sara Pregon Monitoring Officer SPregon@rushcliffe.gov.uk
Background papers available for Inspection:	None
List of appendices:	Appendix 1 – Proposed Amendments

APPENDIX 1

Page No. Part & Section	**Proposed Amendments in red**
Page 5, Part 1, Para 1.12	**Citizen's Rights** • Complain to the Local Government and Social Care Ombudsman if not satisfied with the Council's administration of, and provision of, services after following the Council's Complaints Procedure.
Page 27 Part 3, Appendix 1	**Note: Director Development and Economic Growth** • Ward Councillors and the Chair of Planning Committee will be consulted on Certificate of Compliance applications for the area covered by the Local Development Order (LDO) and will have 21 days to provide comments. Where there is a difference of opinion about material planning considerations between these Councillors and the planning officer, the planning officers will work with the Councillor(s) and the applicant to satisfy material objections. Where the difference of opinion cannot be resolved, it will be referred to the Cabinet Portfolio Holder for Planning and the Director for Development & Economic Growth for consideration. The Director will work with the Councillor(s) to arrive at a consensus. Where a consensus is not achieved, the ward Councillors and/or Chair of Planning Committee can refer the Certificate to Planning Committee for determination. Under delegated powers, the Director for Development & Economic Growth has authority to determine other approvals or consents as required under the LDO, including the approval of section 106 or other legal agreements provided the proposed agreement complies with the terms of the LDO, and any documents approved pursuant to it, and the Council's Supplemental Planning Guidance.
Page 61 Part 4, Para 4.24	**Recorded vote** If a recorded vote is called for by five or more councillors during this process it will be taken immediately
Page 62 Part 4, Para 4.33	**Questions on notice at Full Council** Subject to the below, at any Ordinary Meeting of the Full Council other than the annual budget meeting and any extraordinary meeting, a Councillor may ask the Leader, a member of Cabinet or the Chair of any scrutiny committee or member group a question on any matter in relation to which the Council has statutory powers or duties or responsibility ~~or which affects the Borough~~. A Councillor may only submit one question per meeting and if the Councillor asking the question is not present at the meeting the question will not be put.
Page 62	**Response**

Part 4, Para 4.35	Every question shall be put and answered without discussion. An answer may take the form of: • A direct oral answer • A reference to publication in which the desired information is published by the Council or other published work • A written answer circulated later to the questioner Where a question which would otherwise have been put cannot be dealt with before the close of a meeting, a written answer shall be provided after the meeting.
Page 63 Part 4, Para 4.38	**Notice** Except for motions which can be moved without notice under the provisions made in this Constitution, written notice of every motion, signed by the Councillor or Councillors moving the motion, must be delivered to the Chief Executive not later than 5pm ten clear working days (not including the day of the meeting) before the meeting. The Chief Executive, in discussion with the Mayor, has the discretion to accept a late motion in exceptional circumstances if delivered to the Chief Executive not later than 5pm seven clear working days (not including the day of the meeting) before the meeting. No Councillor may give notice of more than one motion for each Council meeting where motions can be submitted.
Page 63 Part 4, Para 4.40	**Scope** Motions must be about matters for which the Council has a responsibility, statutory duty or power ~~or which affect the Borough~~. For a motion to be valid it must be asking the Council to make a decision which is lawful.
Page 63 Part 4, Para 4.41	The Chief Executive, having due regard to the advice of the Monitoring Officer, may reject any motion submitted if it: a) is a matter for which the Council has no responsibility or statutory duty or power ~~and which does not affect the Borough~~ b) is defamatory, frivolous, ~~or~~ vexatious, unlawful or improper e) relates to a planning application or any other quasi-judicial matter
Page 68, Part 4, NEW Para 4.70*	**Motions Not Moved** If a Motion, notice of which is specified in the agenda, is not moved it shall be treated as abandoned and shall not be moved without fresh notice.
Page 69 Part 4, Para 4.80	**Recorded vote** If any five or more Councillors present at the meeting demand~~s~~ it, the names for and against the motion or amendment or abstaining from voting will be taken down in writing and entered into the minutes. A recorded vote will also be taken when required by the Budget and Policy Framework Standing Orders.
Page 71 Part 4, Para 4.89	**Standing to speak** When a Councillor speaks at full Council they must stand (where able to) and address the meeting through the Mayor. If more than one Councillor stands, the Mayor will ask one to speak and the others must sit. Other Councillors must remain seated whilst a Councillor is

	speaking unless they wish to make a point of order or a point of personal explanation. Where a Councillor is unable to stand to speak at a meeting, they should notify the Mayor in advance of the meeting.

*If approved, subsequent numbering of the Standing Orders to be amended accordingly

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Governance Scrutiny Group

Thursday, 20 February 2025

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 third 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 2024/25 (**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 2024/25 was approved by the Governance Scrutiny Group at its meeting on 22 February 2024 and includes nine planned reviews.

4.2. The attached report highlights the completion and issuing of two reports from the 2024/25 Internal Audit Annual Plan. In terms of findings:

- The Housing Benefits audit received a substantial rating for both Design and Effectiveness with two low level recommendations
- The Carbon Management Action Plan audit received a sunstantial rating for effectiveness and a moderate rating for design with two medium 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 Growth	There are no links between the recommendations of this report and the Council's Sustainable Growth priority

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group considers the quarter 3 progress report for 2024/25 (**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 2024/25 Governance Scrutiny Group 22 February 2024 Internal Audit Progress Q1 Governance Scrutiny Group 19 September 2024 Internal Audit Progress Q2 Governance Scrutiny Group 28 November 2024
List of appendices:	Appendix A - Internal Audit Progress Report – BDO

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INTERNAL AUDIT PROGRESS REPORT

RUSHCLIFFE BOROUGH COUNCIL

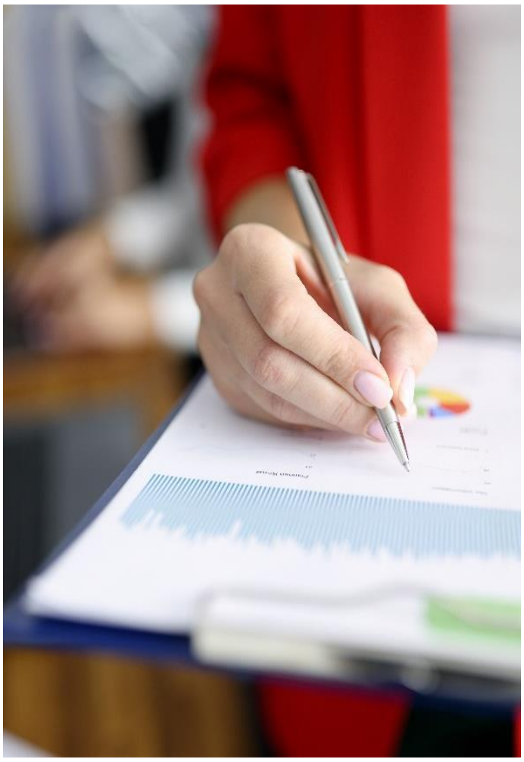
2024/2025

IDEAS | PEOPLE | TRUST

CONTENTS

SUMMARY OF 2024/2025 WORK

INTERNAL AUDIT



This report is intended to inform the Governance Scrutiny Group of progress made against the 2024/2025 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.

2024/2025 INTERNAL AUDIT PLAN

We continue to make good progress in the delivery of the 2024/25 audit plan and remain on schedule with our planned internal audit delivery. We are pleased to present the following final report to this Governance Scrutiny Group meeting:

- Carbon Management Action Plan
- Housing Benefits.

We have commenced fieldwork for 2024/25 audits and anticipate presenting the following final reports at the next Governance Scrutiny Group meeting:

- Disabled Facilities Grant
- Equality, Diversity and Inclusion.

NEW GLOBAL INTERNAL AUDIT STANDARDS

In January 2024, the Institute of Internal Auditors (IIA) published the new Global Internal Audit Standards (GIAS) to replace the International Professional Practices Framework with effect from January 2025. This was followed by the publication of the Internal Audit Code of Practice by the Chartered Institute of Internal Auditors in the UK in September 2024, applicable to internal auditors in financial services, private and third sectors with effect from January 2025, however this was not drafted with the public sector in mind.

In December 2024, the Internal Audit Standards Advisory Board (IASAB) published Application Note Global Internal Audit Standards in the UK Public Sector. This, together with the GIAS, comprises the "Public Sector GIAS", which will replace the current Public Sector Internal Audit Standards from 1 April 2025. The Application Note sets out the expectations of internal audit providers and chief audit executives under the new standards. Auditors working in the UK public sector must follow the requirements of the GIAS subject to the interpretations and additional requirements set out in the Application Note.

BDO participated in the consultation process for the new Application Note. Ahead of the application date, we are reviewing our existing processes to evaluate any changes or amendments needed but remain confident that our existing processes will meet the new requirements with minimal change. The requirements of the new Public Sector GIAS will be explicitly outlined in the final version of our Internal Audit Plan for 2025/26, within our Internal Audit Charter.

REVIEW OF 2024/2025 WORK

AUDIT	GOVERNANCE SCRUTINY GROUP	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENESS
Budgetary Control	September 2024	✓	✓	✓	S	S
Main Financial Systems	September 2024	✓	✓	✓	M	S
Fraud Report	September 2024	✓	✓	✓	N/A	N/A
Workforce and Succession Planning	September 2024	✓	✓	✓	S	S
Cyber Security	November 2024	✓	✓	✓	S	M
Housing Benefits	February 2025	✓	✓	✓	S	S
Carbon Management Action Plan	February 2025	✓	✓	✓	S	M
Equality, Diversity and Inclusion (EDI)	~~February 2025~~ June 2025	✓	✓	✓	The report currently remains in draft	
Disabled Facilities Grant (DFG)	~~February 2025~~ June 2025	✓	✓			

CARBON MANAGEMENT ACTION PLAN

CRR REFERENCE: 38 - FAILURE TO DELIVER THE CARBON MANAGEMENT PLAN OBJECTIVES.

Design Opinion	Substantial	Design Effectiveness	Moderate
Recommendations	0 / 2 / 0		

SCOPE

BACKGROUND

- Rushcliffe Borough Council (the Council) has made a commitment to work towards becoming carbon neutral by 2030 for its own operations, and to support residents and businesses in reducing their carbon footprint.
- The Council has developed a Carbon Management Action Plan (CMP) to achieve these goals.
- The Council has published a Climate Change Strategy which runs from December 2021 to December 2030 and, along with the Carbon Management Action Plan, is regularly reviewed by the Council's Community Scrutiny Group on an annual basis.
- In 2022, BDO undertook an Environment audit, for which the Council was given a substantial assurance opinion in relation to the design of controls due to the extensive plans in place (including the CMP) and a moderate assurance opinion in relation to operational effectiveness of those controls because of the data quality in relation to emissions and other findings relating to the potential improvements that could be implemented to help fully realise the ambitious plans. These included monitoring the progress of actions and creating tangible milestones that will enable Members to measure how successfully the CMP is progressing and strengthening the decision-making processes.

PURPOSE

- The purpose of the audit was to provide assurance on the effectiveness of the Council's Carbon Management Action Plan and its implementation and identify areas for improvement in the governance, management, and monitoring of the plan, as well as the alignment between the plan and the Council's budget. We did not provide assurance on whether the Council is likely to hit its carbon neutral target.

AREAS REVIEWED

The following areas were covered as part of this review:

- We reviewed the Carbon Management Action Plan and assessed whether it is specific, measurable, achievable, relevant and time-bound (SMART), has been approved at the appropriate level and is robust. We reviewed reporting and performance targets to assess whether they are accurate and monitored by management.
- We reviewed a sample of completed actions to verify the accuracy of their reported status.
- We examined the costing and budgeting processes for the Carbon Action plans and how the Council consider environmental impacts within decisions.

We identified the following areas of good practice:

- In March 2020, the Cabinet approved of the Council's target to become carbon neutral by 2030 and granted delegated authority to the Communities Scrutiny Group to

AREAS OF STRENGTH

annually scrutinise the delivery and update of the Carbon Management Action Plan Tracker.

- We reviewed the meeting pack for the March 2024 Communities Scrutiny Group where the last annual review of the plan was undertaken. Risks, uncertainties and financial implications were discussed.
- The Carbon Management Action Plan Tracker is well structured, with a section for responsible individual, timescale, estimated carbon dioxide equivalent (CO_2e) saving, estimated cost, status, latest update and evidence for each action.
- It splits Council activities into the categories Property Assets; Policy & Regulation; Contracts & Procurement; Fleet & Transport; Waste & Recycling; Operational Activities and Offsetting, which allows for clear accountability and encouraging this agenda to be embedded across all Council service areas.
- This tracker also includes a dashboard which shows:
  - Scope 1, 2 and 3 emission values, comparing these to 2008/09 figures and breaking these down between scope. This shows that as of September 2024, scope 1 and 2 emissions are down by 32% from 2008/09 and scope 3 is up by 19% (although this is likely due to the Council more accurately identifying its scope 3 emissions).
  - The tonnes of carbon dioxide equivalent (tCO_2e) from the Council's own operations (scope 1, 2 and 3) are broken down by area (such as fleet and machinery and gas for own consumption). This shows that gas consumption from externally managed leisure centres is the highest emission area.
  - A graph of tCO_2e emissions since 2008/09 with a trendline estimates that the Council will hit net zero, within its own operations and with offset included, within 2027/28 and so shows that the Council is on target to become carbon neutral by 2030. However, we did not provide assurance on whether the data is correct, or the Council is likely to hit its carbon neutral target.
  - Action progress is detailed for all actions and by area, showing that 38% of actions in the tracker are complete and 5% have not yet started. However, we understand that some actions have been removed from the tracker (see finding 1).
- Costs for each action are estimated when actions are first identified using previous contracts or other knowledge, and these costs are then updated within the action plan as more information is obtained. When the actions come from projects within the annual capital programme, these projects are costed through the process of an appraisal to Cabinet and are included within the annual budget.
- In March 2020, £1m was put towards a Climate change Reserve within the 2020/21 budget and this reserve is topped up at the annual budget approval process. The Council maintains a Climate Change Reserve Monitoring workbook which is updated monthly by the Capital team and is discussed in monthly meetings between the Finance Business Partner – Capital and the Communities Manager. From the October 2024 version of this workbook, the balance as of 31 March 2024 was £201k and the projected balance as of 31 March 2025 is £1.3m. This reserve monitoring workbook details all inputs and outputs from the Climate Change reserve, commitments, and schemes funded from other funds. Approval pathways for spending out of the reserve are detailed on the reserve monitoring spreadsheet.

AREAS OF CONCERN

Finding	Recommendation and Management Response
Actions in the Carbon Management Action Plan are not all SMART and some actions have been removed from the action plan tracker since the update to the March 2024 Communities Scrutiny Group, without a formal change control process Furthermore, some actions have related carbon savings when the action is only to 'investigate' a solution	A. Review all actions, and any new actions, to ensure these are SMART. This review could be undertaken through the Carbon Reduction_Working Group to ensure all services input into this exercise and have accountability. B. The Communities Manager should include progress status options such as

	rather than implement it **(Finding 1 - Medium).**	‘investigated and not taken forward’ with a reason why, and a date at which actions are completed (such as ‘complete 2023/24’) to filter out less relevant actions rather than remove them altogether. C. Ensure actions to ‘investigate’ do not have associated carbon savings. Once the investigation is complete; a follow up action should be added to undertake the solution, and this action should have the associated carbon savings and be monitored separately. Again, this review could be undertaken through the Carbon Reduction Working Group to ensure all services input into this exercise and have accountability. <u>Management Response</u> Recommendations are accepted and the refinement to the action plan will be incorporated over the next quarter to provide a golden thread for audit on our journey to Carbon Neutrality. Target date: 30 April 2025
	It is unclear whether performance targets are sufficiently monitored for each action due to a lack of meeting minutes at the quarterly Carbon Reduction Working Group. Furthermore, meeting minutes would be useful to evidence discussion of environmental considerations for non-key operation decisions **(Finding 2 - Medium).**	A. The Carbon Reduction Working Group should keep an action log with a responsible officer and target completion date for all actions arising from the meetings. This should be reviewed and updated at the start of each meeting. B. Meeting minutes should be taken for the Carbon Reduction Working Group. To save time, this could be done in note form rotating the minute taker, or as the meeting is via Microsoft Teams, the transcription could be downloaded after each meeting. <u>Management Response</u> Recommendation 2a is agreed in full and 2b is agreed in part: The Team Manager for Environment will produce an action Log as per the recommendation for each carbon reduction working group meeting which will be revied at the start of each meeting. It is proposed that meeting will be recorded using MS Teams with a transcription download as a pilot over the next year. This would then be retained for two years for audit purposes. The reason it is a pilot is to understand the storage data requirements of implementing this policy as we don’t want to increase carbon by keeping data for longer than is required.

	Target date: 31 May 2025

CONCLUSION

- The Council's Carbon Management Action Plan has a comprehensive structure with all areas we would expect to see covered. However, this is not always completed correctly, and some actions have been removed from the plan, meaning there is no clear audit trail for monitoring and reporting purposes (see finding 1).
- The Carbon Clever Progress Dashboard enables figures and trends related to carbon targets to be reported and broken down by scope and area for additional detail. It shows that the council is on track to hit net zero by 2030.
- Annual reporting to the Communities Scrutiny Group was sufficient. However, we were unable to evidence monitoring of performance for all actions due to a lack of meeting minutes for the Carbon Reduction Working Group.
- We therefore conclude substantial assurance on the design of the controls and moderate assurance on the effectiveness of the controls in place to hit the Council's 2030 carbon neutral target using the Carbon Management Action Plan and its implementation and management.

HOUSING BENEFITS

CRR REFERENCE: FRAUD IDENTIFICATION - INADEQUATE OR POORLY EXECUTED INTERNAL CONTROLS FAILING TO PREVENT OR DETECT FRAUD MAY LEAD TO FINANCIAL AND/OR REPUTATIONAL LOSSES.

Design Opinion	Substantial	**Design Effectiveness**	Substantial

Recommendations	0	0	2

SCOPE

BACKGROUND

- Rushcliffe Borough Council (the Council) submit housing benefits payments to support eligible applicants to pay rent where an individual is unemployed, on a low income or claiming other benefits (ie Universal Credit). This is a means tested benefit, with the eligibility criteria for the receipt of housing benefits set nationally by central government. This guidance includes circumstances where an applicant may not be eligible for housing benefits (see: https://www.gov.uk/housing-benefit).
- Housing Benefit is in the process of being slowly phased out for most new claims nationally, and replaced by Universal Credit, which is managed by the Department for Work and Pensions (DWP). The transition is not fully complete and further migration notices were issued this year by the Government. Housing Benefit remains in place for pensioners and those claiming for supported accommodation.
- The Council spends around £11m a year on Housing Benefit. It uses the Capita system to process new claims and changes in circumstances, and the Northgate system for document management. The Benefits team is responsible for all aspects of service delivery to administer benefits, including all actions required to recover overpayments and investigate fraudulent claims. The Benefits team focuses on processing new benefit claims and changes in circumstances in accordance with local performance indicators and these are monitored on a quarterly basis by the Council.
- Individuals receiving Housing Benefit must inform the Council of any changes in circumstances that may affect their entitlement to housing benefits, such as moving home or changes to their partner's or dependent/non-dependent children's living status.
- There are currently 326 outstanding overpayments of Housing Benefit amounting to £624,413, of which 34 are over £5,000. The Council complete a write off process once or twice a year to write-off any overpayments that are considered irrecoverable. These must be approved by the Lead Specialist Benefits for write-offs under £5,000 and by the Section 151 Officer for write-offs over £5,000. There were £8,867 and £7,750 of overpayments written off in October and November 2024 respectively.

PURPOSE

- The purpose of the audit was to provide assurance over the adequacy and effectiveness of the key processes and controls in place for the processing and payment of Housing Benefit claims, including changes in circumstance applications.

AREAS REVIEWED

The following areas were covered as part of this review:

- Verification processes in place that confirm the completeness and validity of the information provided by Housing Benefit claimants by conducting a walkthrough of the processes and confirmed these were being appropriately followed in our sample test of Housing Benefit claims.

- The Council's website and suite of staff policies assess whether there was clear guidance for claimants on how to submit claims and eligibility requirements and for staff to assess claims.
- A sample of ten new claims and ten change in circumstances applications to verify whether these were processed accurately and in a timely manner (or confirmation that they had been subject to a quality check).
- Controls for processing of amendments to claimant details and retention of documentation to evidence the changes. This included approval processes to confirm that changes to claimant's payment details were only be made once it had been authorised by an appropriate member of staff.
- Quality assurance controls for monitoring processing times in accordance with service standards.
- The process for checking and evidencing claims and actions taken to address issues identified. We assessed whether these were clearly documented to support effective oversight.
- Walkthrough and enquiry about controls in place to cancel Housing Benefit claims where claimants have been set up to receive Universal Credit.
- Processes for identifying and recovering Housing Benefit overpayments in a timely manner.
- A sample of eight Discretionary Housing Payments (DHPs) to assess whether these were processed in accordance with the Council's policies and procedures.
- Walkthrough of the payment run process, including the past three payment runs, to assess whether the necessary checks and authorisations were obtained before payments were made to claimants.
- A sample of overpayment write-offs to assess whether these were approved in accordance with the Scheme of Delegation.

AREAS OF STRENGTH

We identified the following areas of good practice:

- There were clear instructions and guidance on the Council's website relating to the eligibility for Housing Benefit and how to submit a claim. An online form is available on the website for eligible individuals to submit a Housing Benefit claim, along with a suite of policies to advise customers.
- Internal policies and procedure notes were available to staff to process new claims or change in circumstance applications. There was also guidance on how to process claims using the Capita system to support staff. The Council have a well-established team with limited turnover, so staff are familiar with procedures.
- To prevent duplicated payments being made to recipients of Housing Benefit and Universal Credit, the Council submit monthly data to the DWP to review and report back any duplicated payments. We reviewed the DWP returns for September to November 2024 and confirmed that duplicates were actioned and payments stopped promptly.
- We reviewed ten new Housing Benefit claims between April and November 2024 and identified that:
  - Claims were consistently checked by a Team Leader, with one exception where a complex case was processed by a Team Leader
  - Claims were processed within 13 days. There were two exceptions, but these were due to delays in applicants responding to the Council with further information, which is outside of the Council's control
  - In all instances there was evidence that the Council had obtained proof of income from HMRC for the applicant

- Searchlight checks were performed in most cases, with one minor exception (see Finding 1 for details of this case).
- We reviewed ten change in circumstance requests between April and November 2024 and identified that there was evidence to support the reason for the change in circumstances in all instances
- The Lead Specialist Benefits reports bi-monthly to the Executive Management team and quarterly to the Corporate Overview Group on performance against the Housing Benefits budget and service standards. This supports adequate oversight and escalation of performance.
- A separate report is prepared for managers in the Benefits team to identify outcomes of checks completed on processed claims. They record the number of checks that resulted in no changes made and those where changes were required, to inform future training needs and staff development.
- Weekly Housing Benefit payment runs are prepared by a Team Leader and approved by the Lead Specialist Benefits, maintaining a separation of duties and controls to detect inappropriate or inaccurate payments. We reviewed three weekly payment runs on 14th, 21st and 28th November 2024 and confirmed that payments were authorised by the Lead Specialist Benefits before the payment was uploaded to claimants.

AREAS OF CONCERN

Finding	Recommendation and Management Response
The Council conduct Searchlight checks of new claimants but do not perform ID checks or review bank statements or payslips to verify the income and investments of applicants. We identified one case where a Searchlight check was not completed as the claimant had been transferred from Universal Credit, so it was assumed that identity checks had been performed by the DWP **(Finding 1 - Low)**.	A. The Accuracy Control Sheet should split out Housing Benefit and Council Tax checks to provide a clear record of which claims have been checked by a Team Leader. This could enable the Benefits team to report on the percentage of overall claims that have been checked. B. The Council should review its processes for performing identity checks and income/investment checks, alongside Searchlight checks, to obtain assurance that claimants are eligible. It should review the government's guidance on its website to assess the full list of suggested ID for checking. <u>Management Response</u> A. The Accuracy Control Sheet will have an extra column added from 01/01/25 to show whether the claim is HB on CTR, this will a percentage figure to be calculated. B. With regards to performing identity checks - if the claimant is in receipt of a passported benefit, such as Universal Credit, the Searchlight check, or UC file provided by the DWP is sufficient evidence to confirm the claimants identity - you cannot claim a passported benefit from the DWP without passing their ID security checks. For other non-UC / passported benefit claims, such as a pensioner who just receives their state pension, we would check Searchlight to

	verify their state pension and NINO and ask for another form of ID from the prescribed list. It was maybe not made 100% clear this is what the team ask for when the audit was being carried out, most of the claims we deal with are now UC based or receive a passported benefit. This is very different to a few years ago before UC was implemented, and we would be asking most claimants to provide additional evidence of their ID. Target date: 1 January 2025
DHPs are not subject to a separate review or approval to ensure that these are being consistently accepted or rejected in accordance with the policy **(Finding 2 - Low)**.	A sample of successful DHP claims should be reviewed by the Lead Specialist Benefits to moderate decision making to maintain consistency over the acceptance of DHPs. We understand that the Lead Specialist Benefits was considering implementing this process prior to this audit. There is already an appeals process for unsuccessful applications, therefore, this review should be limited to successful applications only. Management Response From 1 January 2025 a sample check will be conducted on successful DHP applications – this will be conducted monthly. The control spread sheet will be updated and a note annotated to the DHP summary sheet regarding the management check. Target date: 1 January 2025

CONCLUSION

We conclude that the Council has a substantial design and effectiveness of controls for its management of Housing Benefit.

There were clear policies and procedures for processing Housing Benefit claims, with defined roles and responsibilities of the Benefits team. This was supported by reporting to the Executive Management team and the Corporate Overview Group to monitor performance for processing claims and changes in circumstances.

Control Design

The control design is Substantial because there was a sound system of internal control designed to achieve system objectives. We have raised one exception relating to the absence in performing physical ID checks or obtaining bank statements from claimants. However, there were suitable arrangements for engaging with the DWP to identify duplicate payments for Housing Benefit, ie where the individual is claiming a similar benefit for Universal Credit. Additionally, robust processes were in place for quality checking of benefits claims to identify opportunities for improvement and training.

Control Effectiveness

The control effectiveness was Substantial as controls that are in place were being consistently applied.

	Across our sample of new benefit claims and changes in circumstance, these were generally processed in line with service standard targets and separation of duties were implemented, where appropriate. Furthermore, weekly payment runs were uploaded and approved with a separation of duties. Adequate action was taken to recover Housing Benefit overpayments in the cases we reviewed.

LOCAL GOVERNMENT SECTOR UPDATE

Our monthly local government briefing summarises recent publication and emerging issues relevant to local authorities that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers and Governance Scrutiny Group members.

SECTOR UPDATE
PROCUREMENT
TRANSFORMING PUBLIC PROCUREMENT: PROCUREMENT ACT 2023 - SECONDARY LEGISLATION AND GO-LIVE On Monday 9 December, the Procurement Act 2023 (Consequential and Other Amendments) Regulations 2025 were laid in Parliament. These regulations primarily make technical amendments to references to the existing procurement regulations in other legislation and are the last that are needed to enable go-live in February 2025. The Procurement Act 2023 (Consequential and Other Amendments) Regulations 2025 Public Procurement Reform - Hansard - UK Parliament FOR INFORMATION: Governance Scrutiny Group and Senior Managers
FINANCIAL SETTLEMENTS
LGA STATEMENT ON PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT The local government finance settlement is the annual determination of funding to local government from central government. This briefing covers the provisional local government finance settlement for 2025/26 which was announced on 18 December 2024. We expect the final 2025/26 settlement to be laid before the House of Commons, for its approval, in late January or early February 2025. The **Governments figures** indicate that total Core Spending Power will rise by 6.0 per cent in 2025/26. Core Spending Power consists of: - Settlement Funding Assessment (which consists of Revenue Support Grant, and the baseline funding level). - Income from council tax assuming that the tax base grows, and Councils increase council tax by the maximum possible allowable under council tax referendum principles. - Compensation for under-indexing the business rates multiplier. - Social Care Grant. - Local Authority Better Care Grant. - Adult Social Care Market Sustainability and Improvement Fund. - Children's Social Care Prevention Grant. - New Homes Bonus. - Recovery Grant. - Domestic Abuse Safe Accommodation Grant will be consolidated as a new, separate line in the settlement, maintaining its existing distribution. - A funding floor, to ensure that no local authority sees a reduction in their Core Spending Power in 2025/26, after accounting for council tax levels. Core Spending Power does not include the £515 million funding for National Insurance or a £13 million uplift to the Children's Social Care Prevention Grant.

The Government has held back some grant funding as a contingency. The Government will make clear how this contingency funding will be allocated at the final settlement. Detailed Core Spending Power figures are included in Annex A.

Employer National Insurance Contributions

The Government has announced that:

- £515 million of new funding will be provided to support Councils with the costs associated with the increase in employer National Insurance Contributions (NICs). Individual allocations will be based on 2023/24 Revenue Outturn data and published at the final settlement. A methodology note has been published as part of the provisional settlement.
- The £515 million in new funding for NICs has not been included in Core Spending Power. The Government has said this funding will be reflected in Core Spending Power figures at the final settlement.

Council tax

The Government has announced the following referendum principles for 2025/26:

- A core referendum principle of up to 3 per cent will apply to shire County Councils, shire unitary authorities, metropolitan districts and London boroughs.
- Shire districts will have a referendum principle of up to 3 per cent or £5, whichever is higher.
- Social care authorities will be able to set a 2 per cent adult social care precept without a referendum (in addition to the existing basic referendum threshold referred to above).
- Fire and Rescue Authorities will have a principle of £5.
- £14 for police authorities and police and crime commissioners (PCCs) including the PCC component of the Greater Manchester, West Yorkshire and York and North Yorkshire Combined Authorities' precepts.
- The non-police element of the Greater London Authority (GLA) will have a referendum principle of 3 per cent.
- There will be no referendum principles for mayoral combined authorities (MCAs) except where the Mayor exercises police and crime commissioner functions. In these cases the PCC principle will apply. There are no referendum principles for parish and town Councils.

The Government has announced that where a Council in need of exceptional financial support views additional council tax increases as critical to maintaining their financial sustainability, the Government will continue to consider requests for bespoke referendum principles. Local proposals will be considered on a case-by-case basis.

The Government expects that additional increases would only be agreed in exceptional circumstances, and following careful consideration of a Councils' specific circumstances, such as their existing levels of council tax relative to the average, the potential impact on local taxpayers, and the strength of plans to protect vulnerable people.

Provisional Local Government Finance Settlement 2025/26: On-the-day factual briefing | Local Government Association

FOR INFORMATION: Governance Scrutiny Group and Senior Managers

PLANNING POLICY AND DEVELOPMENT

LGA RESPONDS TO CHANGES TO NATIONAL PLANNING POLICY FRAMEWORK

The Ministry for Housing, Communities and Local Government (MHCLG) published its revised **National Planning Policy Framework (NPPF)** on 12 December 2024.

Alongside the revised NPPF, additional documents have also been published and can be found **here**. These include:

- Government response to the proposed reforms to the National Planning Policy Framework and other changes to the planning system consultation
- Indicative local housing need (December 2024 – new standard method)
- Updated Planning Practice Guidance (PPG).

Key reforms to the planning system or National Planning Policy Framework (this is not an exhaustive list):

- **Reintroduction of Mandatory Housing Targets**

  The Government intend to make the changes set out in the consultation, reversing the changes made in December 2023 to what was previously paragraph 61 regarding the word 'advisory' and removing the reference to the exceptional circumstances in which the use of alternative approaches to assess housing need may be appropriate. Revised planning practice guidance on assessing housing needs and additional guidance on setting a housing requirement have been published.

- **Restoration of Five-Year Housing Land Supply Rules**

  The Government confirmed that local planning authorities are again required to demonstrate a five-year housing land supply. There are many authorities whose local housing need figures will be substantially larger than their adopted or emerging local plan housing requirement figures, and to help close the gap, Government are introducing a new requirement that authorities with plans adopted under the old standard method must provide an extra year's worth of homes in their 5-year housing pipeline.

- **A new Standard Method**

  The Government will take forward the proposals to introduce a new standard method that uses housing stock to set a baseline figure. The method will use 0.8% of existing stock as the baseline. As noted in the consultation, over the last 10 years housing stock has grown nationally by around 0.89%. Setting a baseline of 0.8% provides a consistent base for growth, which is then increased to reflect housing affordability pressures, setting ambitious expectations across the country while directing housing to where it is most needed.

- **Localisation of planning fees**

  The government have announced their intention to take forward measures in the proposed Planning and Infrastructure Bill to introduce a power for local planning authorities to be able to set their own fees. As part of these proposals, it will conduct a comprehensive review of all national fees to establish a robust baseline for full cost recovery of fees and to inform a national default fee. The government intends to pursue a model that would enable local variation from a national default fee. In varying or setting their own fees, local authorities will not be able to be set fees above costs.

- **Funding to support local authorities**

  The Government has announced funding to support local plan delivery which will provide a direct financial contribution to local authorities that are at an advanced stage of the local plan making process (Regulation 19 stage), and that will need to revise their draft plans to accommodate the increase in their Local Housing Need figures as a result of changes in the revised NPPF. Local authorities that meet the eligibility criteria will be able to submit an Expression of Interest (EoI) to receive a share of this funding.

Revisions to the National Planning Policy Framework (NPPF) and other announcements on planning reform | Local Government Association

FOR INFORMATION: Governance Scrutiny Group and Senior Managers

HOUSING, PLANNING AND HOMELESSNESS

Local government shares the collective national ambition to tackle their local housing crisis, which will only be achieved with strong national and local leadership working together. As house builders, housing enablers, and landlords; as planners, place-shapers, and agents of growth, transport and infrastructure; as responsible guardians to the vulnerable and the homeless; and as democratically accountable to communities – local government is at the heart of the housing solution.

- Council Housing Revenue Accounts (HRAs) are under severe financial strain. Owing to significant expenditure pressures councils' have not been able to reduce their operating spend in line with the fall in their income. As a consequence, debt servicing costs now account for a growing share of HRA 'surpluses' where they still exist. An increasing number of councils have had to address end of year deficits by drawing on their dwindling reserves. At the same time, councils' ability to supplement their HRA capital programmes from their revenue resources has been severely curtailed.

- We support the principle of a multi-year rent policy to give registered providers, lenders and investors more confidence to commit the investment needed for both existing and new social homes.
- To really strengthen and provide stability to Housing Revenue Accounts (HRAs), a minimum 10-year rent settlement is needed, alongside restoration of the lost revenue due to the rent cap in 2023/24, new burdens funding for new responsibilities and a review of the self-financing settlement of 2012.
- Council Housing Revenue Account's need CPI+1 per cent for 10 years as an absolute minimum, but this will still result in a national Housing Revenue Account deficit and is highly unlikely to support an uptick in new build.
- The LGA therefore strongly advocates for the reintroduction of convergence of rents to formula rents. This should be in addition to CPI+1 per cent for a minimum of 10 years.
- Rent convergence at either an additional £2 or £3 week delivers cumulative surpluses of up to £1.0 billion by 2036/37, potentially enabling all existing stock pressures to be addressed with some capacity for additional development.

LGA submission to MHCLG's consultation on future social housing rent policy | Local Government Association

FOR INFORMATION: Governance Scrutiny Group and Senior Managers

LOCAL GOVERNMENT REFORM

ENGLISH DEVOLUTION WHITE PAPER

On 16 December 2024, the Government published the English Devolution White Paper to widen devolution across the country by introducing Strategic Authorities. This forms part of its local government reorganisation.

The Government has announced that it will legislate for the concept of Strategic Authorities. Each Strategic Authority will belong to one of the following:

- **Foundation Strategic Authorities:** these include non-mayoral combined authorities and combined county authorities automatically, and any local authority designated as a Strategic Authority without a Mayor.
- **Mayoral Strategic Authorities:** the Greater London Authority, all Mayoral Combined Authorities and all Mayoral Combined County Authorities will automatically begin as Mayoral Strategic Authorities.

This includes the East Midlands Combined Authority. The proposals would reduce the number of local authorities by creating unitary authorities across larger geographical areas.

It was announced on 16 January 2025 that leaders of all nine councils across Nottinghamshire and Nottingham have agreed to work together on a response to the Government's invitation for local government reorganisation. Detailed testing of options are being undertaken by a team across all nine authorities with initial responses set to be announced in March 2025.

The Local Government Minister said on 22 January 2025 "There is a requirement that we bring to an end the two tier system and councils will be required to reorganise".

English Devolution White Paper: Ministry of Housing, Communities and Local Government

FOR INFORMATION: Governance Scrutiny Group and Senior Managers

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 Partner and/or the 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 two responses to our audit satisfaction surveys for 2024/25 reviews, with an average score of 4.5/5 for the overall audit experience and for the value added from our work. This is lower than we would expect and we will work with the management team to increase the number of responses to our surveys.	G ↓ A
Completion of the audit plan	We have progressed our work on the 2024/25 Internal Audit Plan with the remaining audits due to be reported to the June 2025 Governance Scrutiny Group meeting with our Head of Internal Audit Opinion.	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, 20 February 2025

Internal Audit Strategy 2025-2028

Report of the Director - Finance and Corporate Services

1. Purpose of report

1.1. On 22 February 2024, the plan for 2024/25, as well as provisional internal audit plans for a new cycle of audits in 2025/26 and 2026/27, were approved by the Governance Scrutiny Group.

1.2. This report focuses on the planned audits due to take place in year two 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 Plan 2025/26-2027/28 Appendix A

b) the Internal Audit Charter, Appendix 1 of the Internal Audit 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 2024 considered and approved the Audit Strategy for the 2024/25 to 2026/27 period. This report presents the proposed audit plan for the three-year period 2025/26 to 2027/28.

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 2025/26-2027/28 and the programme is kept under continuous review during the year with any areas of significant risk added during that period.Nine audits are planned for 2025/26 totalling 150 days and covering a number of the Council’s key policies and systems. These include:

- Main Financial Systems
- Rushcliffe Oaks Crematorium
- Asset Investment and Management
- Council Tax and NNDR
- Streetwise Management
- Procurement
- Health and Safety
- Business Continuity and Emergency Planning
- Fraud Report

4.4. 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.

4.5. 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?

4.6 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 Plan 2025/26-2027/28 Appendix A

b) the Internal Audit Charter, Appendix 1 of the Internal Audit 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 Plan 2025/26-2027/28

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INTERNAL AUDIT PLAN

RUSHCLIFFE BOROUGH COUNCIL

2025/26

IDEAS | PEOPLE | TRUST

CONTENTS

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 the client's own assessment of the risks to it achieving its 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 2025/26

The indicative Internal Audit programme for 2025/26 is set out on pages 14 to 21. We met with Executive Directors individually and our plan has been presented to the Executive Management Team in order to bring together a full draft plan to be presented to the Governance Scrutiny Group (GSG) 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 7 to 13.

INDIVIDUAL AUDITS

When we scope each review, we will reconsider our estimate for the number of days needed 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 and the Director of Finance and Corporate Resources 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 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 allows us to deliver 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

REF	STRATEGIC RISKS FROM YOUR CRR	LIKELIHOOD	IMPACT	NET SCORE	RATING
CED 01	Equal pay claim - Submission of a substantial equal pay claim due to perceived inequality might result in financial consequences and potential low staff morale	2	3	6	
CED 02	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	2	3	6	
CED 06	Health and safety - Health and safety risks are not managed adequately across the organisation as result of insufficient resources and/or priority leading to increase accidents and potentially a breach of health and safety legislation	1	3	3	
CED 07	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	1	4	4	
DEF 01	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	1	3	3	
DEG 02	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	1	3	3	
DEG 03	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	2	3	6	
DEG 07	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	2	2	4	

REF	STRATEGIC RISKS FROM YOUR CRR	LIKELIHOOD	IMPACT	NET SCORE	RATING
DEG 10	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	2	3	6	
DEG 11	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	1	4	4	
DEG 12	Gamston SPD – 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	3	3	9	
DEG 13	Impact of changes to government planning policy and legislation – Challenges in the implementation of the changes to legislation and NPPF changes, as a result of impact on resources, expertise and budget constraints, may lead to uncoordinated development, loss of income and damage to the Council's reputation	2	3	6	
FCS 01	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	2	2	6	
FCS 02	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	3	3	9	
FCS 03	Fraud identification - Inadequate or poorly executed internal controls failing to prevent or detect fraud may lead to financial and/or reputational losses	2	2	4	
FCS 05	Reduction in the Business Rates base - loss of major business rates payer reducing the rates collected leading to a potential budget deficit	3	3	9	
FCS 07	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	3	3	9	
FCS 08	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	2	3	6	

REF	STRATEGIC RISKS FROM YOUR CRR	LIKELIHOOD	IMPACT	NET SCORE	RATING
FCS 09	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	4	2	8	
FCS 11	Increased Service demand – Increase in population resulting in higher demand for services leading to expected increased cost and increased service pressures	3	2	6	
FCS 13	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	4	2	8	
FCS 21	Inflation - Potential inflationary pressures due to changes in the economic environment leading to increased costs and volatility over prediction for budget	3	3	9	
FCS 22	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	3	3	9	
FCS 23	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	3	2	6	
FCS 24	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 customer	2	4	8	
FCS 25	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	2	3	6	
FCS 27	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	2	4	8	
FCS 31	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	2	3	6	
FCS 32	Business Continuity - Being unable to deliver critical services during a disruption, such as unprecedented demand, failure to negotiate contract continuation, or	1	3	3	

REF	STRATEGIC RISKS FROM YOUR CRR	LIKELIHOOD	IMPACT	NET SCORE	RATING
	weather-related incident, and/or return to business as usual after a disruption as a result of inadequate preparation				
FCS 33	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	2	3	6	
NS 11	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	1	3	3	
NS 19	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	1	3	3	
NS 22	Failure to deliver the national relocation schemes (Asylum, Homes for Ukraine (HFU), Afghan Relocation Programme) in accordance with national guidance as a result of insufficient temporary or permanent accommodation which could lead to failures to support vulnerable refuges and result in poor publicity for the Council	2	2	4	
NS 23	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	2	3	6	
NS 35	CCTV Cameras - Potential non-compliance with ICO requirements as a result of loss of experienced resource leading to a potential reputational and legal impact on the Council	3	3	9	

MAPPING YOUR CRR TO THE STRATEGIC PLAN

REF	STRATEGIC RISKS FROM YOUR CRR	2025/26	2026/27	2027/28
CED 01	Equal pay claim	• N/A	• N/A	• N/A
CED 02	Insufficient staff capacity - skills, knowledge etc.	• N/A	• N/A	• Sickness and Absence Management
CED 06	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	• Health and Safety	• N/A	• N/A
CED 07	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	• N/A	• N/A	• N/A
DEF 01	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	• N/A	• Local Development Plan	• Strategic Housing

REF	STRATEGIC RISKS FROM YOUR CRR	2025/26	2026/27	2027/28
DEG 02	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	• Asset Investment and Management • Health and Safety	• Capital Projects	• N/A
DEG 03	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	• Rushcliffe Oaks Crematorium - Operational Management	• N/A	• Fee Setting and Income Generation
DEG 07	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	• N/A	• Local Development Plan	• Economic Growth (East Midlands Freeport)
DEG 10	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	• N/A	• N/A	• N/A
DEG 11	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 benefit	• N/A	• Local Development Plan	• Economic Growth (East Midlands Freeport)
DEG 12	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	• N/A	• Planning Services and Development Management (inc. S106) • Local Development Plan	• N/A

REF	STRATEGIC RISKS FROM YOUR CRR	2025/26	2026/27	2027/28
	community lacking in the necessary infrastructure			
DEG 13	Impact of changes to government planning policy and legislation - Challenges in the implementation of the changes to legislation and NPPF changes, as a result of impact on resources, expertise and budget constraints, may lead to uncoordinated development, loss of income and damage to the Council's reputation	• N/A	• Planning Services and Development Management (inc. S106) • Local Development Plan	• N/A
FCS 01	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	• N/A	• N/A	• N/A
FCS 02	Changes to Government policy or local circumstances could lead to adverse impacts of reduced funding and/or income and, consequently, a budget deficit	• Council Tax and NNDR • Procurement	• Waste and Recycling	• Strategic Housing • Economic Growth (East Midlands Freeport) • Fee Setting and Income Generation
FCS 03	Inadequate or poorly executed internal controls failing to prevent or detect fraud may lead to financial and/or reputational losses	• Main Financial Systems • Fraud Report • Procurement	• Main Financial Systems • Fraud Report	• Main Financial Systems • Fraud Report
FCS 05	Loss of major business rates payer reducing the rates collected leading to a potential budget deficit	• Council Tax and NNDR	• N/A	• N/A

REF	STRATEGIC RISKS FROM YOUR CRR	2025/26	2026/27	2027/28
FCS 07	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	• N/A	• Planning Services and Development Management (inc. S106) • Waste and Recycling	• N/A
FCS 08	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	• Main Financial Systems	• Main Financial Systems • Capital Projects	• Economic Growth (East Midlands Freeport)
FCS 09	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	• Main Financial Systems • Council Tax and NNDR	• Main Financial Systems	• Fee Setting and Income Generation
FCS 11	Increase in population resulting in higher demand for services leading to expected increased cost and increased service pressures	• Council Tax and NNDR • Streetwise - Management	• Planning Services and Development Management (inc. S106) • Leisure Contracts • Waste and Recycling	• N/A
FCS 13	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	• Procurement	• Capital Projects	• Sickness and Absence Management

REF	STRATEGIC RISKS FROM YOUR CRR	2025/26	2026/27	2027/28
FCS 21	Potential inflationary pressures due to changes in the economic environment leading to increased costs and volatility over prediction for budget	• Main Financial Systems • Streetwise – Management	• Main Financial Systems • Leisure Contracts • Waste and Recycling	• Main Financial Systems
FCS 22	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	• N/A	• N/A	• N/A
FCS 23	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	• Procurement	• N/A	• N/A
FCS 24	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 customer	• N/A	• N/A	• Cyber Security
FCS 25	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	• N/A	• GDPR	• Cyber Security
FCS 27	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	• Business Continuity and Emergency Planning	• N/A	• Cyber Security

REF	STRATEGIC RISKS FROM YOUR CRR	2025/26	2026/27	2027/28
FCS 31	Reduction in cash balances requiring the Council to externally borrow at a time when interest rates are high leading to uncertain increased interest costs	• N/A	• N/A	• N/A
FCS 32	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	• Business Continuity and Emergency Planning	• N/A	• N/A
FCS 33	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	• N/A	• Capital Projects	• Economic Growth (East Midlands Freeport)
NS 11	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	• Business Continuity and Emergency Planning • Health and Safety	• N/A	• N/A
NS 19	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	• N/A	• Leisure Contracts • Homelessness and Temporary Accommodation	• N/A

REF	STRATEGIC RISKS FROM YOUR CRR	2025/26	2026/27	2027/28
NS 22	Failure to deliver the national relocation schemes (Asylum, Homes for Ukraine (HFU), Afghan Relocation Programme) in accordance with national guidance as a result of insufficient temporary or permanent accommodation which could lead to failures to support vulnerable refuges and result in poor publicity for the Council	• N/A	• Homelessness and Temporary Accommodation	• N/A
NS 23	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	• N/A	• Waste and Recycling	• Environment and Air Quality Management
NS 35	CCTV Cameras - Potential non-compliance with ICO requirements as a result of loss of experienced resource leading to a potential reputational and legal impact on the Council	• N/A	• GDPR	• Cyber Security • CCTV Management

INTERNAL AUDIT OPERATIONAL PLAN 2025/26

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Core Assurance					
Rushcliffe Oaks Crematorium - Operational Management	DEG03	15	Q3	This review will provide assurance over the operational management the Rushcliffe Oaks Crematorium, including compliance with statutory legislation and maintenance of the site. We understand that the Council have scheduled a Crematorium Inspection Scheme by the Federation of Burial and Cremation Authorities for 2025/26. Therefore, we will liaise with management to scope this review and prevent any duplication with the external review. The timing of this review will also be dependent on when the external review is conducted.	Rushcliffe Oaks Crematorium was opened in April 2023 to provide crematorium services to residents in Rushcliffe. There are new regulations for death certification that have been introduced new processes for medical examination, so this review will consider whether these have been implemented adequately. As the crematorium has been open and in operation for two years, and there are changes in legislation, this is a timely review to assess the operational management of the crematorium. We undertook a review of the crematorium in 2023/24, focusing on charging/invoicing and the performance monitoring of the crematorium.
Asset Investment and Management	DEG02	15	Q3	This audit will assess the management of the Council's asset management and asset investment. <u>Asset Management</u> We will assess: • Processes for managing assets, including additions and disposals, to verify whether these comply with the Council's procedures • Completeness and accuracy of recording of assets on the Asset Register	The Council own a large number of assets for its own use or commercial use to generate income opportunities. There is also an Asset Management Action Plan for the delivery of its Asset Management Strategy. The use and management of its assets is critical to delivering sustainable growth, a priority in the Council's Corporate Strategy. Asset Investment and Management has not been reviewed by Internal Audit in recent years,

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
				• Asset maintenance and repairs scheduling to support the upkeep of Council-owned assets. Asset Investments We will assess: The asset investment strategy to assess whether this is in place and supported by clear and robust plans.	therefore, it has been included in the Internal Audit Plan the Governance Scrutiny Group with assurance over the management and use of assets.
Main Financial Systems	FCS03, FCS08, FCS09, FCS21	14	Q1	We review main financial systems on a cyclical basis to provide core assurance to the Governance Scrutiny Group over the controls in place for its financial systems. We will agree with management on the specific areas for coverage in this audit, which may include: • Accounts receivables • Accounts payables • Payroll. These areas have not been reviewed in recent years and therefore, are due to be reviewed.	Main financial systems are a core area of assurance for our Head of Internal Audit opinion. Main financial systems are reviewed on a cyclical basis to provide the Governance Scrutiny Group with assurance that these are operating effectively to mitigate the risk of control gaps/failures leading to inadequate financial management or fraud.
Council Tax and NNDR	FCS02, FCS05, FCS09, FCS11	14	Q2	This review will assess: • Council tax and NNDR policies and procedure guidance for staff • VOA valuations to confirm these reconcile with the systems • Addition of new properties and liabilities to assess whether these are billed accurately and timely • Application of discounts and exemptions in accordance with national and local policies with sufficient evidence from the occupier	This is a routine audit taken in a regular cycle. The last time this was undertaken at the Council was 2021/22.

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
				• Income recovery procedures for overdue liabilities from occupiers • Collection performance reporting to management.	
Streetwise Management	FCS11, FCS21	15	Q2	This review will provide assurance over the performance oversight and operational management of the Streetwise service. This will assess the quality of performance reporting to identify whether Streetwise has delivered in line with its objectives. Furthermore, we will review how processes are established across Streetwise to support effective street cleansing services in the borough.	The Council brought the Streetwise services back in-house in 2022 to help achieve value for money through the provision of these services. We have not reviewed the performance or operational delivery of Streetwise since it returned as an in-house function, therefore, we have included it in the Audit Plan for 2025/26. This is an important service provided by the Council.
Procurement	FCS02, FCS03, FCS13, FCS23	15	Q4	This review will assess the Council's procurement processes and procedures via sample testing of higher risk contracts to provide a deep dive and root cause analysis of non-compliance with the procurement rules. This review will also incorporate compliance with the key changes in the Procurement Act 2023.	The Procurement Act 2023 is due to go live on 24 February 2025, having been delayed by five months from its original inception date. These impact the public sector procurement rules; therefore, it is critical that the Council comply with these. The Council have recently moved its procurement function to Nottinghamshire County Council. The service was previously provided by Welland Procurement Shared Service. We have deliberately scheduled this audit for Q4 to enable the Council sufficient time to implement the requirements under the new legislation.
Health and Safety	CED06, DEG02, NS11	14	Q4	We will review Health and Safety Policies and adherence to them across the Council. We will also assess training in this area and whether arrangements are effective. The following areas will be covered in this audit:	Health and safety is considered a low risk on the corporate risk register but could have a significant impact if issues materialised. Therefore, our review will provide the Governance Scrutiny Group with assurance over the health and safety risk assessments in service areas, incident reporting

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
				• How incidents are reported and managed/escalated • How sites are maintained to ensure they are safe. This includes Council offices and housing properties • Performance reporting to management groups for oversight of health and safety management. We will review minutes and interview key stakeholders.	and management, and governance of health and safety.
Total		**102**			

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Soft Controls					
Fraud Report	FCS03	10	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.	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. There was estimated to be £33bn lost to fraud in the public sector in 2020/21, including from local authorities.
Total		**10**			

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Future Focused Assurance					
Business Continuity and Emergency Planning	FCS27, FCS32, NS11	15	Q3	To provide assurance that the processes and systems in place to manage resilience and continuity of critical services across the Council are sound. We will review the adequacy of the business continuity and emergency plans and assess how these align to local service plans and whether there is adequate oversight that these all remain up-to-date, regularly assessed and/or tested via desktop scenarios or live testing. A critical focus of this review will be the Council's emergency planning and response to flood incidents in the borough.	Business Continuity and Emergency Planning is a critical service to support the continuation of the Council's services in the event of disruption, loss of access to key systems or in an emergency incident. The Council receive support from Nottinghamshire County Council and the Local Resilience Forum on these areas and have recently refreshed is Business Continuity Plan. There has been an increase in flood incidents over recent years with a growth in the number of named storms. Therefore, our review will provide assurance over the planning and preparedness for such an event.
Total		**15**			

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Flexible Audit Resource - To be allocated during the year as required but could include the examples shown below					
Contingency	N/A	3	Q1-4	We have built contingency days into our Audit Plan to be allocated to flexible work.	Flexible audit days are built into our plan to manage and support on emerging risks that develop throughout the year.
Total		**3**			

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
Recommendations follow up	N/A	7	Q1 - Q4	Assessment and reporting of status of implementation of recommendations raised	Assurance for Executive Leadership Team and GSG
Governance Scrutiny Groups	N/A	5	Q1 - Q4	Attendance at GSG meetings, pre-meets and GSG Chair liaison	Effective contract management
Total		**20**			

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SUMMARY	DAYS
Core Assurance	102
Soft Controls	10
Future Focused Reviews	15
Flexible Audit Resource	3
Contract Management	20
Total days	**150**

APPENDIX I

INTERNAL AUDIT CHARTER

This charter is a requirement of internal audit standards.

The charter formally defines internal audit's 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 of this charter resides with the GSG on behalf of the Cabinet.

STANDARDS OF INTERNAL AUDIT PRACTICE

To fulfil its purpose, internal audit will perform its work in accordance with the *Global Internal Audit Standards in the UK Public Sector,* which encompass:

- The global Institute of Internal Auditors (IIA) *Global Internal Audit Standards* (GIAS) effective from January 2025
- The Internal Audit Standards Advisory Board (IASAB) *Application Note Global Internal Audit Standards in the UK Public Sector* effective from 1 April 2025.

For local government internal audit, internal audit is also required to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) *Code of Practice for the Governance of Internal Audit in UK Local Government*, effective from 1 April 2025.

The GIAS refer to the 'board' as 'the highest-level body charged with governance, such as a board of directors, an Audit Committee, a board of governors or trustees, or a group of elected officials or political appointees.' For Council, 'the board' is the GSG acting on behalf of the Council.

The GIAS also refer to the 'chief audit executive' as the 'leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with Global Internal Audit Standards.' For the Council's internal audit function, 'the chief audit executive' is the BDO-assigned Partner acting as the Head of Internal Audit (HoIA).

INTERNAL AUDIT'S PURPOSE AND MANDATE

Purpose

The purpose of the internal audit function is to strengthen the Council's ability to create, protect, and sustain value by providing the GSG and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances the Council's:

- Successful achievement of its objectives
- Governance, risk management, and control processes
- Decision-making and oversight
- Reputation and credibility with its stakeholders
- Ability to serve the public interest.

The Council's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with the GIAS in the UK Public Sector
- The internal audit function is independently positioned with direct accountability to the GSG
- Internal auditors are free from undue influence and committed to making objective assessments.

The role of the Council's internal audit therefore includes:

- Supporting the delivery of the Council's strategic objectives by providing risk-based and objective assurance on the adequacy and effectiveness of governance, risk management and internal controls
- Championing good practice in governance through assurance, advice and contributing to the Council's annual governance review
- Advising on governance, risk management and internal control arrangements for major projects, programmes and system changes
- Access to the Council's collaborative and arm's-length arrangements.

Mandate - Authority

The GSG grants the internal audit function the mandate to provide the GSG and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the GSG. Such authority allows for unrestricted access to the GSG.

The GSG authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities; internal auditors are accountable for confidentiality and safeguarding records and information
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives
- Obtain assistance from the necessary organisation's personnel in relevant engagements, as well as other specialised services from within or outside the organisation to complete internal audit services.

Mandate - Independence, position, and reporting relationships

- The HoIA will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function.
- The HoIA will report functionally to the GSG and administratively to the s151 Officer.
- This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the GSG, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.
- The HoIA will confirm to the GSG, at least annually, the organisational independence of the internal audit function.
- The HoIA will disclose to the GSG any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate.

GOVERNANCE SCRUTINY GROUP OVERSIGHT

To establish, maintain, and ensure that the Council's internal audit function has sufficient authority to fulfil its duties, the GSG will:

- Discuss with the HoIA and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function
- Ensure the HoIA has unrestricted access to and communicates and interacts directly with the GSG, including in private meetings without senior management present
- Discuss with the HoIA and senior management other topics that should be included in the internal audit charter

- Participate in discussions with the HoIA and senior management about the “essential conditions”, described in the GIAS, which establish the foundation that enables an effective internal audit function
- Review and approve the internal audit function’s charter annually, which includes the internal audit mandate and the scope and types of internal audit services
- Approve the risk-based internal audit plan
- Approve the internal audit function’s human resources administration and budgets
- Collaborate with senior management to determine the qualifications and competencies the Council expects in a HoIA
- Authorise the appointment and removal of the HoIA and outsourced internal audit provider
- Approve the fees paid to the outsourced internal audit provider
- Review the HoIA’s and internal audit function’s performance
- Receive communications from the HoIA about the internal audit function including its performance relative to its plan
- Ensure a quality assurance and improvement program has been established and review the results annually
- Make appropriate inquiries of senior management and the HoIA to determine whether scope or resource limitations are inappropriate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the HoIA, GSG, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the GIAS in the UK Public Sector
- A significant acquisition or reorganisation within the Council
- Significant changes in the HoIA, GSG, and/or senior management
- Significant changes to the Council’s strategies, objectives, risk profile, or the environment in which the Council operates
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Support for Internal Audit

Internal audit’s activities require access to and support from senior management, the GSG and those charged with governance. Support allows internal audit to apply the mandate and charter in practice and meet expectations.

The Council will support the internal audit function by:

- Championing the role and work of internal audit to the staff within the Council and to partner organisations with whom internal audit works
- Facilitating access to senior management, the GSG and the Council’s external auditor
- Assisting, where possible, with access to external providers assurance such as regulators, inspectors and consultants
- Engaging constructively with internal audit’s findings, opinions and advice
- Building awareness and understanding of the importance of good governance, risk management and internal control for the success of the Council and of internal audit’s contributions.

The Council will also put in place conditions to enable the internal audit work:

- Ensuring that the reporting line of the HoIA is not lower than a member of the senior management team and that the HoIA has access to all members of the team
- Ensuring that client responsibility lies with a member of senior management

The GSG will support internal audit by:

- Enquiring of senior management and the HoIA about any restrictions on the internal audit's scope, access, authority or resources that limit its ability to carry out its responsibilities effectively
- Considering the audit plan or planning scope, and formally approving or recommending approval to those charged with governance
- Meeting at least annually with the HoIA in sessions without senior management present.

Senior management will establish and safeguard internal audit's independence by:

- Ensuring internal audit's access to staff and records, as set out in regulations and the charter, operates freely and without any interference
- Ensuring that the HoIA reports in their own right to the GSG on the work of internal audit
- Providing opportunities for the HoIA to meet with the GSG without senior management present
- Where there are actual or potential impairments to the independence of internal audit, working with the HoIA to remove or minimise them or ensure safeguards are operating effectively
- Recognising that if the HoIA has additional roles and responsibilities beyond internal auditing, or if new roles are proposed, it could impact on the independence and performance of internal audit; in such cases the impact must be discussed with the HoIA and the views of the GSG sought
- Where needed, appropriate safeguards will be put in place by senior management to protect the independence of internal audit and support conformance with professional standards. Matters around the appointment, removal, remuneration and performance evaluation of the HoIA will be undertaken by senior management, but these arrangements must not be used to undermine the independence of internal audit. The GSG will provide feedback on the performance evaluation of the HoIA, which should include feedback from the Chair of the GSG.

Interaction between the GSG and Internal Audit

The GSG will support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence from the HoIA. The HoIA will have the right of access to the Chair of the GSG at any time. The GSG can escalate its concerns about internal audit independence to those charged with governance.

To ensure there is good interaction between the GSG and internal audit, the GSG will agree its work plan with the HOIA to ensure there is appropriate coverage of internal audit matters within GSG agendas. The GSG workplan will provide for the internal audit mandate and charter, strategy, plans, engagement reporting and the annual conclusion, and quality reports.

The GSG is familiar with the Council's assurance framework, governance, risk management and internal control arrangements to facilitate its interactions with internal audit.

Senior management will engage with the GSG on any significant changes to governance, risk and control arrangements and any concerns they may have on assurance. The GSG will have oversight of the annual governance statement before final approval.

Where there is disagreement about the management of risks or agreed audit actions between internal audit and senior management, the GSG will review and make their recommendation to either management or those charged with governance.

Internal Audit Resources

The GSG and senior management will engage with the HOIA to review whether internal audit's financial, human and technological resources are sufficient to meet internal audit's mandate as set out in the regulations and achieve conformance with GIAS in the UK public sector. Where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns will be formally recorded and reported to those charged with governance.

If resource issues result in a limitation of scope on the annual conclusion, this will be reported and disclosed in the annual governance statement. Decisions on internal audit resourcing by senior management and those charged with governance must take account of the longer-term risks to the governance and financial sustainability of the Council and internal audit's role in supporting those objectives. Where there are temporary resource constraints, senior management must work with the HOIA to establish longer-term plans for sustainable internal audit resources.

Quality

Annually, the GSG will review the results of the HOIA's assessment of conformance against GIAS in the UK public sector (including CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government), including any action plan. The GSG will review the HOIA's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives. To meet the requirements of the regulations (the mandate) for internal audit, the GSG will satisfy itself on the effectiveness of internal audit. They will take into account conformance with the standards, interactions with the Committee, performance and feedback from senior management. Their conclusions will be reported to those charged with governance, for example, as part of the GSG's annual report.

External Quality Assessment

On behalf of those charged with governance and the GSG, senior management will ensure that internal audit has an external quality assessment at least once every five years of its conformance against GIAS in the UK public sector, (including CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government).

Senior management and the HoIA will discuss the timing of the review and report the options and their recommendation to the GSG. The proposals for the scope, method of assessment and assessor will be brought to the GSG for agreement. The assessor must use CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government alongside the standards and be familiar with the sector. The GSG will receive the complete results of the assessment and consider the HoIA's action plan to address any recommendations. Progress will be monitored. Where the GSG does not have delegated authority, the committee will report the overall results of the external quality assessment to those charged with governance.

HEAD OF INTERNAL AUDIT ROLES AND REPONSIBILITIES

Ethics and Professionalism

The HoIA will ensure that internal auditors:

- Conform with the GIAS in the UK Public Sector, including the principles of Ethics and Professionalism (integrity, objectivity, competency, due professional care, and confidentiality) and the Seven Principles of Public Life (the 'Nolan Principles') (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations
- Encourage and promote an ethics-based culture in the organisation
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The HoIA will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the HoIA determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the HoIA, GSG, management, or others
- Exhibit professional objectivity in gathering, evaluating, and communicating information
- Make balanced assessments of all available and relevant facts and circumstances
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The HoIA has the responsibility to:

- Understand the Council's governance, risk management and control processes, and the importance in the UK public sector of securing value for money, in developing an effective strategy and plan.
- At least annually, develop a risk-based internal audit plan that considers the input of the GSG and senior management; discuss the plan with the GSG and senior management and submit the plan to the GSG for review and approval
- Communicate the impact of resource limitations on the internal audit plan to the GSG and senior management
- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, and controls
- Communicate with the GSG and senior management if there are significant interim changes to the internal audit plan
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the GIAS in the UK Public Sector
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the GSG and senior management periodically and for each engagement as appropriate
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the GIAS in the UK Public Sector and fulfil the internal audit mandate (in public sector internal audit, the HoIA is required to have a CMIIA, or a CCAB qualification, or an equivalent professional qualification which includes training on the practice of internal audit, and suitable internal audit experience)
- Identify and consider trends and emerging issues that could impact the Council and communicate to the GSG and senior management as appropriate
- Consider emerging trends and successful practices in internal auditing
- Establish and ensure adherence to methodologies designed to guide the internal audit function
- Ensure adherence to relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the GIAS; any such conflicts will be resolved or documented and communicated to the GSG and senior management
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services; if the HoIA cannot achieve an appropriate level of coordination, the issue will be communicated to senior management (including the barriers to effective co-ordination with other assurance providers) and if necessary escalated to the GSG.

Communication with the Governance Scrutiny Group and Senior Management

The HoIA will report periodically eg quarterly to the GSG and senior management regarding:

- The internal audit function's mandate
- The internal audit plan and performance relative to its plan
- Internal audit budget
- Significant revisions to the internal audit plan and budget
- Potential impairments to independence, including relevant disclosures as applicable
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with the GIAS in the UK Public Sector and action plans to address the internal audit function's deficiencies and opportunities for improvement
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the GSG
- Results of assurance and advisory services
- Resource requirements
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite.

Quality Assurance Improvement Programme

The HoIA will develop, implement, and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit function.

The program will include external and internal assessments of the internal audit function's conformance with the GIAS in the UK Public Sector, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement.

The plan will assess the efficiency and effectiveness of internal audit and identify opportunities for improvement.

Annually, the HoIA will communicate with the GSG and senior management about the internal audit function's QAIP, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments.

External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside BDO. Qualifications must include at least one assessor holding an active Certified Internal Auditor credential. For public sector internal audit, such a person should have an understanding of the GIAS commensurate with the Certified Internal Auditor designation, including internal audit relevant continuing professional development and an understanding of how the GIAS are applied in the UK public sector.

SCOPE AND TYPES OF INTERNAL AUDIT SERVICES

The scope of internal audit services covers the entire breadth of the Council, including all the Council's activities, assets, and personnel.

The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the GSG and management on the adequacy and effectiveness of governance, risk management, and control processes for the Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed

- The actions of the Council's officers, directors, management, employees, and contractors or other relevant parties comply with organisational policies, procedures, and applicable laws, regulations, and governance standards
- The results of operations and programs are consistent with established goals and objectives
- Operations and programs are being carried out effectively and efficiently
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

INTERNAL AUDIT PERFORMANCE MEASURES AND INDICATORS

The tables below 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 GSG 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.

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 the Chair of the GSG 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 PERFORMANCE MEASURES AND INDICATORS

The management and staff of the 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 Council
- 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.

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

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 GSG whether appropriate co-operation has been provided by management and staff.

BDO CONTACTS

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Rushcliffe
Borough Council

Governance Scrutiny Group

Thursday, 20 February 2025

Risk Management Progress Report

Report of the Director – Finance and Corporate Services

1. Purpose of report

1.1. This report provides an update on risk activity since the last meeting on 19 September 2024. 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) review the contents of this report; and

b) considers and makes recommendations on risks that, in particular, are new risks or have red alert status or any risks that are not identified.

3. Reasons for Recommendation

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

4. Supporting Information

4.1. Since the last meeting of this group, the Council's Risk Management Group (RMG) met on 21 January 2025, to review risks on the register and to make recommendations.

4.2. A Risk Management audit was carried out in July 2022 by BDO, the Council's Internal Auditors. The level of assurance given was a substantial rating for both design and operational effectiveness and recommendations were incorporated where necessary.

4.3. During 2023/24 officers completed an evaluation of risk descriptions to improve articulation and quality of risk information. This work was supported by risk experts at Zurich and underpinned by a desk top review undertaken by Zurich in 2023. The revised risk descriptions were adopted into 2024/25 Service Plans.

4.4. The 2023-2026 Risk Management Strategy was agreed at Governance Scrutiny Group on 23 February 2023. The strategy incorporates the latest best practice in Risk Management as purported by Zurich.

4.5. There are currently 38 corporate risks (three new risks have been added for this report) and 21 operational risks (one risk added since the last report) on the risk register. In addition, there are 4 opportunity (upside) risks. The number of risks within the registers will fluctuate as active risk management is undertaken. Changing pressures facing local government and the proactive work of managers to identify risks as they emerge will continue to influence new risks added to the register and demonstrates the Council's aim to be proactive to mitigate risk as soon as possible after identification.

4.6. **Appendix A** presents the Council's existing Risk Registers containing corporate, operational and opportunity risks. Risks that have decreased or increased risk ratings and new risks added are summarised below.

New risks

•CRR_CED08 – Difficulty recruiting and retaining staff – reduced ability to recruit or retain staff as a result of Local Government Reorganisation leading to an impact on service delivery, staff morale and reputation

•CRR_FCS34 – Break in service delivery - risk to the ability of the Council to seamlessly deliver services during reorganisation leading to potential negative impact on residents due to a break in delivery of critical services

•CRR_FCS35 – Risk to MTFS - risk to the Medium-Term Financial Strategy (MTFS) as a result of changes in the structure of local government and on transition to a new authority leading to destabilisation of the budget

•OR_FCS17 – loss of Housing Benefit subsidy – New Supported Accommodation provided by non-Registered Provider (Charity / CIC's) resulting in loss of HB subsidy

Risk Increased

CRR_DEG01 – 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. Government set housing targets have increased which has impacted our 5-year housing land supply (was around 8 years and now under 6 - full details are still being worked on). Therefore, this risk has increased. It is unlikely that we will lose the 5 year housing land supply in the short term hence the likelihood being set at 2.

Risk reduced

No risk scores have reduced since the report in September.

4.7. Zurich delivered risk training to members of Governance Scrutiny Group on 28 September 2023 and refresher training to officers in November 2024.

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 directly related to the recommendations in this report

7. Link to Corporate Priorities

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

8. Recommendations

It is RECOMMENDED that that Governance Scrutiny Group

a) review the contents of this report; and

b) considers and makes recommendations on risks that, in particular, are new risks or have red alert status or any risks that are not identified.

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 A

Corporate Risks

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_CED01 Equal pay claim - Submission of a substantial equal pay claim due to perceived inequality might result in financial consequences and potential low staff morale		**3**	**2**	**6**
CRR_CED02 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		**3**	**2**	**6**
CRR_CED06 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		**3**	**1**	**3**
CRR_CED07 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		**4**	**1**	**4**
CRR_CED08 Difficulty recruiting and retaining staff – reduced ability to recruit or retain staff as a result of Local Government Reorganisation leading to an impact on service delivery, staff morale and reputation		**3**	**3**	**9**

New – mitigation:

- **Staff engagement is currently good at RBC**
- **Exit interviews completed which will highlight reasons for leaving and show any trends**
- **Taking part in LGA National Recruitment Campaign**
- **Rewards and Benefits have been benchmarked**
- **On local terms and conditions which enables pay awards to be set locally**
- **Job Families in place to ensure consistency with pay across the Council**
- **Corporate training budget has not been cut resulting in good development opportunities for staff**

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_DEG01 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	to	**3**	**1 to 2**	**3 to 6**
Likelihood changed from 1 to 2. Government set housing targets have increased which has impacted our 5-year housing land supply (was around 8 years and now under 6 - full details are still being worked on). Therefore, this risk has increased. It is unlikely that we will lose the 5 year housing land supply in the short term hence the likelihood being set at 2.				
CRR_DEG02 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		**3**	**1**	**3**
CRR_DEG03 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		**3**	**2**	**6**
CRR_DEG07 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		**2**	**2**	**4**
CRR_DEG10 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		**3**	**2**	**6**
CRR_DEG11 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		**4**	**1**	**4**
CRR_DEG12 Gamston SPD – 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		**3**	**3**	**9**
Mitigation: Regular meetings with the developers are ongoing and additional consultants have been secured to support with specialist areas. A planning performance agreemgent is being works upon to identify timescales and additional funding for rescoures to ensure work can continue in a timely manor to develop the SPD. Resources within the team are being reviewed to ensure resilience and rescoure is in place to support this project.				

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_DEG13 Impact of changes to government planning policy and legislation – Levelling-Up – Challenges in the implementation of the changes to legislation and NPPF changes, as a result of impact on resources, expertise and budget constraints, may lead to uncoordinated development, loss of income and damage to the Council’s reputation		**3**	**2**	**6**
CRR_FCS01 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		**2**	**2**	**4**
CRR_FCS02 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		**3**	**3**	**9**
Mitigation: Budget process, four-year plan, budget monitoring, Horizon Scanning.				
CRR_FCS03 Fraud identification - Inadequate or poorly executed internal controls failing to prevent or detect fraud may lead to financial and/or reputational losses		**2**	**2**	**4**
CRR_FCS05 Reduction in the Business Rates base - loss of major business rates payer reducing the rates collected leading to a potential budget deficit		**3**	**3**	**9**
Mitigation: Ongoing reporting of business rate valuations through performance clinic and membership of the Nottinghamshire Pool to mitigate downside risk. Assumptions on reducing business rates in the MTFS.				
CRR_FCS07 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		**3**	**3**	**9**
Mitigation: Continue to monitor as part of budgetary process				
CRR_FCS08 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		**3**	**2**	**6**

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_FCS09 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		**2**	**4**	**8**
CRR_FCS11 Increased Service demand – Increase in population resulting in higher demand for services leading to expected increased cost and increased service pressures		**2**	**3**	**6**
CRR_FCS13 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		**2**	**4**	**8**
CRR_FCS21 Inflation - Potential inflationary pressures due to changes in the economic environment leading to increased costs and volatility over prediction for budget		**3**	**3**	**9**
Mitigation: To monitor budgets and reports any overspends at performance clinics, ongoing negotiation of contracts. Budgets for contracts reflect inflation projections increase in contingency budgets. General contingency increased				
CRR_FCS22 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		**3**	**3**	**9**
Mitigation: Attending budget workshops and seminars and keeping abreast of latest developers. Sensitivity analysis and scenario planning as part of budget modelling				
CRR_FCS23 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		**2**	**3**	**6**
CRR_FCS24 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 customer		**4**	**2**	**8**

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_FCS25 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	Amber	**3**	**2**	**6**
CRR_FCS27 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	Amber	**4**	**2**	**8**
CRR_FCS31 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	Amber	**3**	**2**	**6**
CRR_FCS32 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	Green	**3**	**1**	**3**
CRR_FCS33 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	Amber	**3**	**2**	**6**
CRR_FCS34 Break in service delivery - Risk to the ability of the Council to seamlessly deliver services during reorganisation leading to potential negative impact on residents due to a break in delivery of critical services	Red	**4**	**4**	**16**
New – mitigation Participate in working groups involved in Local Government Reorganisation and look to identify potential risk areas and put contingency plan in place				
CRR_FCS35 Risk to MTFS - Risk to the Medium Term Financial Strategy (MTFS) as a result of changes in the structure of local government and on transition to a new authority leading to destabilisation of the budget	Red	**4**	**4**	**16**
New – mitigation: Participate in working groups and participate in local discussions on the Local Government Reorganisation plans				
CRR_NS11 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	Green	**3**	**1**	**3**

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_NS19 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		**3**	**1**	**3**
CRR_NS22 Asylum Relocation schemes - Failure to deliver the national relocation schemes (Asylum, Homes for Ukraine (HFU), Afghan Relocation Programme) in accordance with national guidance as a result of insufficient temporary or permanent accommodation which could lead to failures to support vulnerable refuges and result in poor publicity for the Council		**2**	**2**	**4**
CRR_NS23 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		**3**	**2**	**6**
CRR_NS35 - CCTV Cameras - Potential non-compliance with Information Commissioner's Office (ICO) requirements as a result of loss of experienced resource leading to a potential reputational and legal impact on the Council		**3**	**3**	**9**
Mitigation: Exploring viable options with external partners to ensure continued service delivery and compliance with legal requirements.				

Operational Risks

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OR_CED01 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		2	2	4
OR_CED02 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		2	1	2
OR_CED03 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		2	2	4
OR_CED04 Industrial action - Unionised staff strike because of perceived inadequate pay and /or conditions leading to pressures in the delivery of front-line services		1	1	1
OR_CED05 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		2	2	4
OR_DEG06 Planning Appeals - 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		2	3	6
OR_DEG07 Missing planning deadlines - 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		3	2	6
OR_DEG08 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		2	3	6
OR_FCS06 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		2	2	4

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OR_FCS08 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		**3**	**2**	**6**
OR_FCS10 Resident satisfaction - Decrease in resident satisfaction as a result of adverse media coverage leading to reputational damage to the Council		**2**	**2**	**4**
OR_FCS11 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		**4**	**2**	**8**
OR_FCS12 Council is unable to deliver in person services to customers as a result of the closure of partner's buildings where RBC has contact points leading to a potential negative impact on the community and reputational damage to the Council		**2**	**1**	**2**
OR_FCS13 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		**3**	**2**	**6**
OR_FCS14 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		**2**	**3**	**6**
OR_FCS15 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		**1**	**2**	**2**
OR_FCS16 Decline in pooled investments - Risk of financial loss resulting from the decline in the capital value of pooled investments		**4**	**2**	**8**
OR_FCS17 Loss of Housing Benefit subsidy – New Supported Accommodation provided by non-Registered Provider (Charity / CIC's) resulting in loss of HB subsidy		**4**	**1**	**4**
New – mitigation increase in budget to meet current liabilities				
OR_NS25 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		**3**	**2**	**6**

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OR_NS28a 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		2	3	6
OR_NS31 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		2	2	4

Opportunity Risk

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OPP_DEG01 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		4	4	16
OPP_FCS01 Increases in interest rates leading to higher interest income on cash balances that are invested		4	3	12
OPP_FCS02 Environmental Agenda leading to rising or reducing revenue and capital budgets (examples include Simpler Recycling and Rushcliffe’s carbon neutral targets)		3	3	9
OPP_FCS03 Freeport - Opportunity for additional business rates from the Freeport as a result of an increase number of businesses in the Borough leading to higher levels of financial stability for the Council		3	2	6

Risk Threat and Opportunity Matrix

Likelihood	Risk – Threats				Risk - Opportunities				Likelihood
Likely 4	4	8	12	16	16	12	8	4	Likely 4
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				

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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

Rushcliffe Borough Council

Governance Scrutiny Group

Thursday, 20 February 2025

Capital and Investment Strategy – Quarter Report 3 2024/25

Report of the Executive Manager - 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 2024.

1.2. The Capital and Investment Strategy for 2024/25, approved by Council on 7 March 2024, outlines the Council's capital and investment priorities as follows:

- Security of capital
- Liquidity of investments; and
- Optimising yield earned on investments (cash and property).

1.3. The strategy includes indicators that help ensure that the Council's capital investment plans are affordable, prudent, and sustainable. Setting an integrated Capital and Investment Strategy is a requirement of the CIPFA Code of Practice.

2. Recommendations

It is recommended that the Group considers the Capital and Investment Strategy update position as of 31 December 2024.

3. Reasons for Recommendation

3.1. 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. Inflation (CPI) rose by 2.5% in the 12 months to December 2024, slightly lower than expected. However, it is expected to rise again later in the year as service price inflation and wage growth impact. The Monetary Policy Committee (MPC) expects CPI inflation to reach 2.75% by the summer 2025.

4.2. The Bank of England (BoE) reduced the base rate to 4.75% at its meeting in November 2024, down 25 basis points from 5%. This is the second cut since August and had been expected by Arlingclose, the Council's treasury advisors, who maintained its central view that interest rates would most likely be cut again later in the second half of 2024. They forecast further cuts taking the Bank Rate to 3.75% by March 2026, when the Bank Rate will plateau.

4.3. The unemployment rate in the UK rose slightly from 4% in October to 4.3% November 2024. The BoE Monetary Policy Report (November) showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium term unemployment level.

4.4. The UK economy has expanded slightly with gross domestic product having increased by 0.1% in quarter 3 (July to September 2024), a 1% increase compared with the same quarter a year ago (minus 0.1% Q3 2023).

Investment Income

4.5. Based on the Arlingclose interest rate forecast at the time (4.5%), the Council budgeted to receive £1,043,200 in investment income in 2024/25 (compared with £1,359,300 in 2023/24). Actual interest earned to 31 December 2024 totalled £1,652,790 with total receipts for the year expected to be approximately £2,020,460 (£1,887,576 in 2023/24). Interest receipts are higher than estimated due to larger S106 balances, slippage in the capital programme and higher interest rates. All investments have been made in accordance with the Council's Capital and Investment Strategy. The Council achieved an average interest rate of 4.69% in quarter 3.

4.6. The average level of funds available for investment purposes during the quarter was £76.75m. 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 £14.038m core cash balances for investment purposes (i.e., funds available for more than one year). 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. The Council also currently holds two ESG (Environmental, Social and Governance) accounts totalling £7.42m. A full list of investments at 31 December can be found at **Appendix A**.

4.7. The Council continues to assess options for investing in high quality Bonds which have low risk of default and would help with diversification of monies currently invested in MMFs. This was reported in the quarter 2 report which also contained a more in-depth explanation of bonds.

4.8. The Council continues to internally borrow to fund capital expenditure. It ensures investments are secure and that liquidity is achieved whilst at the same time it is proactively looking to maximise its rate of return.

4.9. It has previously been reported that the Council's diversified funds have been subject to fluctuations in fair value. The current position can be seen in **Appendix B**. Funds are still volatile but loss in capital value largely experienced in previous years, is reversing and has been mitigated by appropriations to the Treasury Capital Depreciation Reserve which has a current balance of £1.173m. Currently there is a statutory override preventing any accounting adjustments impacting on the revenue accounts. This is due to end 31st March 2025. Whilst the value of this type of investment can fluctuate, the revenue returns make up a healthy proportion of the overall returns on investment (the fair value of these investments accounted for 19% of average investment balances in 2023/24 but generated 34% interest). The Council will continue to monitor the position on these investments and take advice from the treasury advisors.

Capital Expenditure and Financing

4.10. The original Capital Programme for 2024/25 was £11.079m, with £3.405m carry forwards and other adjustments of £3.254m and slippage approved in Quarters 1 and 2 of £5.191m, giving a current budget of £12.547m. The projected outturn at Quarter 3 is £8.107m, resulting in an estimated underspend of £4.440m. It has been requested (Cabinet 11 February 2025) that £0.556m is rephased to 2025/26.

4.11. The remaining £3.88m underspend is mainly due to £1.5m Land Acquisition Carbon Offsetting. Options are currently being explored, and any underspend will be requested to be carried forward at year end. £0.856m Cotgrave and Keyworth Leisure Centre Enhancements, works due to complete early 2025/26 any underspend will be required to be carried forward. Rushcliffe Oaks Crematorium (£0.369m) - £0.550m was budgeted for post opening enhancement works and potential VAT liability if partial exemption calculation is breached. Drainage and paving works have taken place and the VAT liability is not expected and therefore £150k of this underspend will be released as a saving. There is potential for additional underspend to be released at year end.

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

4.13. The actual capital expenditure forms one of the required prudential indicators. Table 1 below shows the actual capital expenditure and how this is financed.

Table 1

Capital Programme	2024/25 Estimate £'000	2024/25 Projection £'000	Projected Variance £'000
Capital Expenditure	12,547	8,107	-4,440
Less Financed by:			
Capital Receipts	-2,541	-999	1,542
Capital Grants	-6,439	-5,926	513
Reserves	-3,567	-1,182	2,385
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 2024/25 and prior years that has not yet been paid for by revenue or other resources. It is a Key Prudential Indicator and can be seen in **Appendix C.** No new borrowing is envisaged over the Medium-Term, so the CFR balance continues to reduce after deducting MRP repayments and capital receipts as seen in Table 2.

Table 2

Capital Financing Requirement (CFR)	2024/25 Projection £'000
Opening Balance	9,889
Add: unfinanced capital expenditure	0
Less MRP/VRP	-1,200
Less applied Capital Receipts and S106	-1,000
Closing Balance	7,689

4.15. The new accounting standard IFRS16 came 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.

Treasury Management 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. During the quarter ended 31 December 2024, the Council has operated within treasury management indicators set, and it is not envisaged that there will be any difficulties in the current or future years in complying with these indicators.

4.18. All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

4.19. No external borrowing was undertaken during the quarter ended 31 December 2024 and the Council does not anticipate a need to externally borrow in this financial year or over the Medium Term.

4.20. The Asset (or Liability) Benchmark reflects the real need to borrow. The Council is reporting a credit balance (asset) which shows that the Council has no need to borrow over the medium term. The projected position is healthier than originally estimated due larger investment balances due to reprofiling of the Capital Programme and S106 balances. This has a knock-on effect on the upper limit for principal sums invested over one year and this is set at a maximum of 50% of investment balances.

4.21. The ratio of Financing Costs to Net Revenue Streams is a key Prudential Indicator of affordability and compares net financing costs (MRP, borrowing costs, including interest foregone from the use of cash balances less investment income) to net revenue income (see table 3). This indicator shows the proportion of net income used to pay for financing costs. The projected actual at quarter 3 is -5.00%, the minus indicating that interest receipts exceed financing costs and interest receipts are considerably higher than estimated as mentioned at paragraph 4.5 above.

Table 3

Ratio of Financing costs to net revenue stream	2024/25 Estimate £'000	2024/25 Projection £'000
Net Financing Costs	135	-842
Net Revenue Stream	16,267	16,848
Ratio	0.83%	-5.00%

4.22. Net Income from Commercial and Service Investments to Net Revenue Streams reflects the Council's dependence on investments (see table 4). The projected figure is marginally lower than originally estimated due to slightly higher surplus from the business rates pool.

Table 4

Net Income to Net Revenue Stream	2024/25 Estimate £'000	2024/25 Projection £'000
Net Income from commercial and service investments	1,822	1,864
Net Revenue Stream	16,267	16,848
Ratio	11.2%	11.1%

Commercial Investments

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

4.24. The projected position for total contribution of non-core investments towards core functions is 12.5% compared with the estimated figure of 13.4%. Despite rent increases, offset by inflationary increases on service maintenance contracts and legal costs in connection with the disposal of Candleby Lane, this figure is lower than estimated due to total income being considerably higher than estimated primarily due to interest receipts as mentioned in paragraph 4.5. (see Table 5 below).

Table 5

Commercial Investments	2024/25 Full Year Budget £'000	2024/25 Actual Qtr 3 £'000	YTD Budget Qtr 3 £'000	24-25 Full Year Projection £'000
Commercial Property Income	(1,902)	(1,624)	(1,426)	(1,956)
Running Costs	458	302	333	470
Net contribution to core functions	**(1,444)**	**(1,322)**	**(1,093)**	**(1,486)**
Interest from Commercial Loans	(63)	(47)	(47)	(66)
Total Contribution	**(1,507)**	**(1,369)**	**(1,140)**	**(1,552)**
Total Income	(11,231)	(10,464)	(8,661)	(12,442)
Total Contribution/Total income	**13.4%**	**13.1%**	**13.2%**	**12.5%**
Sensitivity +/- 10%	(190)	(162)	(143)	(196)

5. Conclusion

5.1. Officers can confirm that the approved limits within the Capital and Investment Strategy were not breached during the quarter ended 31 December 2024.

5.2. Treasury Management is affected by global activities the most recent being the inauguration of President Trump. Some of his policy decisions such as tariffs and protectionism may have an inflationary effect globally. Interest rates may go up but more likely they will stay higher for longer and these predictions have already fed into interest rate projections. Higher interest rates will have a positive effect on returns that can be achieved from investments. Another Trump policy surrounds energy and increasing fossil fuel supply in the US. This could reduce fuel costs in the short term but could also see a retreat from green investments and Global ESG with fewer products being available in this market. Renewable energy products such as wind zones could suffer, and ethical investments could shrink. 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 Councils 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**

None

7.5. **Biodiversity Net Gain Implications**

None

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

10. It is recommended that the Group considers the Capital and Investment Strategy update position as of 31 December 2024.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers available for inspection	Capital and Investment Strategy 2024/25 Capital and Investment Update Q1 and Q2
List of Appendices:	Appendix A – Investments at 31 December 2024 Appendix B – Pooled Funds Appendix C – Prudential and Treasury Indicators for 2024/25 at 31 December 2024

APPENDIX A

Investment Balances at 31 December 2024

Type	Financial Institution	Amount £	Length of Investment	Interest
Pooled Fund	Royal London Cash Plus Fund	1,005,085	On-going	3.96%
Pooled Fund	CCLA Property Fund	1,970,157	On-going	4.36%
Pooled Fund	CCLA Better World Cautious Fund	1,929,604	On-going	3.25%
Pooled Fund	Aegon Diversified Income fund	4,597,766	On-going	6.80%
Pooled Fund	Ninety One Diversified Income Fund	4,535,612	On-going	6.20%
MMF	AVIVA INVESTORS	233	Call	4.65%
MMF	BLACKROCK	3,900,860	Call	4.74%
MMF	CCLA - PSDF	3,692,728	Call	4.74%
MMF	FEDERATED INVESTORS (UK)	4,298,742	Call	4.78%
MMF	GOLDMAN SACHS ASSET MANAGEMENT	150,393	Call	4.63%
MMF	HSBC ASSET MANAGEMENT	0	Call	0.00%
MMF	HSBC ASSET MANAGEMENT ESG	5,491,232	Call	4.73%
MMF	HSBC ASSET MANAGEMENT BUSINESS DEPOSIT	239,827	Call	1.88%
MMF	INVESCO AIM	9,022,805	Call	4.74%
MMF	ABERDEEN ASSET MANAGEMENT	9,514,636	Call	4.75%
Government	BROXBOURNE BOROUGH COUNCIL	4,570,000	16/06/2025	5.50%
Government	SURREY COUNTY COUNCIL	5,000,000	28/02/2025	4.85%
Government	RUSHMOOR BOROUGH COUNCIL	5,000,000	18/04/2025	5.25%
Government	TELFORD & WREKIN	5,000,000	25/07/2025	4.80%
Government	BLACKPOOL COUNCIL	4,000,000	23/04/2025	4.77%
Government	HARLOW COUNCIL	5,000,000	19/02/2025	4.80%
Government	LB OF WALTHAM FOREST	5,000,000	22/04/2025	4.90%
Government	SURREY COUNTY COUNCIL	5,000,000	25/04/2025	4.90%
Government	NEW FOREST DISTRICT COUNCIL	5,000,000	22/09/2025	5.50%
Banks Unsecured	BANK OF SCOTLAND PLC	862	Call	0.01%
Banks Unsecured	BANK OF SCOTLAND PLC32	116,286	32 Days	3.25%
Banks Unsecured	BARCLAYS BANK PLC	6,799	Call	2.00%
Banks Unsecured	BARCLAYS BANK PLC32	4,830,436	32 Days	4.70%
Banks Unsecured	HANDELSBANKEN PLC	12,062	Call	0.00%
Banks Unsecured	HANDELSBANKEN PLC35	12,683	35 Days	2.50%
Banks Unsecured	SANTANDER UK PLC1	460,044	Call	2.02%
Banks Unsecured	SANTANDER UK PLC35	89,308	35 Days	4.28%
	Average Interest Rate			**4.69%**
	Total Investments	**99,448,160**		

Pooled Funds

Fair Value	31.03.24	31.12.24	Difference from 31.03.24	Amount Invested	Difference in valuation from initial investment
Aegon-Previously Kames	4,597,766	4,634,285	36,519	5,000,000	(365,715)
Ninety One-Previously Investec	4,535,612	4,511,518	(24,094)	5,000,000	(488,482)
RLAM	1,005,085	1,012,717	7,633	1,000,000	12,717
CCLA Property	1,970,157	1,991,128	20,970	2,000,000	(8,872)
CCLA Divesified	1,929,604	1,872,395	(57,209)	2,000,000	(127,605)
	14,038,224	**14,022,043**	**(16,181)**	15,000,000	**(977,957)**

Prudential and Treasury Indicators Quarter 3

Prudential & Treasury Indicators 31st December 2024	2024/25 Estimate £'000	2024/25 Projected £'000
Prudential Indicators		
Capital Expenditure	11,079	8,107
Expected Investment Position at 31 March 2025	55,706	77,930
Capital Financing requirement at 31 March 2025	7,863	7,689
Proportion of financing costs to net revenue streams	0.83%	-5.00%
Gross Debt (Debt incl PFI & Leases)	0	0
Net Income (from Commercial and Service Investments) to Net Revenue Streams	11.2%	11.1%
Treasury Management Indicators		
Authorised Limit for external debt (Borrowing and other Long Term Liabilities)	20,000	20,000
Operational Boundary for external debt (borrowing and other Long Term Liabilities)	15,000	15,000
Upper limit for fixed interest rate exposure on investments up to 1 year	50%	44%
Upper limit for variable rate exposure (investments)	100%	56%
Upper limit for total principal sums invested over 1 year	27,900	38,965
Liability Benchmark	-45,706	-64,598

Glossary of Terms

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

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

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

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

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Rushcliffe Borough Council

Governance Scrutiny Group

Thursday, 20 February 2025

Capital and Investment Strategy 2025/26

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 2025/26 to 2029/30 focusing on both traditional treasury activity and the Council's commercial property investments in line with CIPFA's Prudential and Treasury Management Codes.

1.2. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (updated December 2021) along with revised guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) 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 2025/26 to 2029/30 (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 2025/26 to 2029/30 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 2025/26 to 2029/30 and the Treasury Indicators contained within Appendix A (paragraphs 18 to 67);

d) The Treasury Management Policy Statement for 2025/26 (Appendix B); and

e) The Commercial Investments Indicators and Limits for 2025/26 to 2029/30 contained within Appendix A (paragraphs 68 to 81).

3. Reasons for Recommendation

3.1. To comply with the Council's 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.

4. Supporting Information

Capital Prudential Indicators

4.1. Appendix A (paragraphs 4 to 15) details the Capital Strategy and Capital Prudential Indicators for 2025/26 to 2029/30.

4.2. The Capital Prudential Indicators highlight the following:

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

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 67) details the Treasury Management Strategy which covers:

- The current economic climate and prospects for interest rates
- The Council's debt and investment projections
- The limits and prudence of future debt levels
- The affordability impact of the capital programme
- The Council's borrowing and investment strategies
- Specific limits on treasury activities; and
- Any local treasury issues.

Commercial Investments

4.6. The revised definition of investments in the CIPFA Treasury Code includes assets which the organisation holds primarily for financial returns, such as investment property portfolios.

4.7. Paragraph 69 of the Capital and Investment Strategy confirms the latest guidance from MHCLG that Local Authorities cannot borrow to fund non-financial assets solely to generate a profit. Whilst the Council adheres to this the appraisal techniques previously used are discussed in paragraph 4.8.

4.8. Appendix A (paragraphs 68 to 81) details the appraisal techniques used to assess commercial investments, and provides a risk assessment of the level of commercial investments by identifying:

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

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. Positively the Council still remains debt free and continues to invest in its asset base via its own funds and retains a healthy level of well managed investments.

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.

5.2. There is a risk to the lifespan of this strategy due to Local Government Reorganisation. Updates will be reported to Governance Scrutiny Group and Full Council.

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 2025/26 to 2029/30.

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 in this report.

7. Link to Corporate Priorities

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
Quality of Life	No direct impact
Efficient Services	Responsible income generation and maximising returns
Sustainable Growth	No direct impact

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 2025/26 to 2029/30 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 2025/26 to 2029/30 and the Treasury Indicators contained within Appendix A (paragraphs 18 to 67);

d) The Treasury Management Policy Statement for 2025/26 (Appendix B); and

e) The Commercial Investments Indicators and limits for 2025/26 to 2029/30 contained within Appendix A (paragraphs 68 to 81).

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 (MHCLG) Statutory Guidance on Minimum Revenue Provision (MHCLG)
List of appendices:	Appendix A – Capital and Investment Strategy 2025/26 – 2029/30 Appendix B – Treasury Management Policy Statement

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Appendix A

CAPITAL AND INVESTMENT STRATEGY 2025/26 – 2029/30

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 Ministry of Housing Communities and Local Government (MHCLG) 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 MHCLG 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 Treasury Management (TM) Code)

5. Each year the Council will produce a Capital Programme to be approved by Full Council in March as part of 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. The detail behind the schemes are included in the Medium Term Financial Strategy (MTFS) presented to Full Council.

Table1: Projected Capital Expenditure and Financing

	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000
Capital Expenditure	12,095	8,344	5,481	5,437	3,680	4,185
Less Financed by:						
Capital Receipts	2,571	2,719	295	246	178	795
Capital Grants/ Contributions	6,434	1,706	2,640	3,614	2,457	1,820
Reserves	3,090	3,919	2,546	1,577	1,045	1,570
Total Financing	12,095	8,344	5,481	5,437	3,680	4,185
Underlying need to Borrow	**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 provisional allocation for 2025/26 is £1.478m 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, because 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 as the final residual MRP payment in relation to the Arena is made in 2026/27.

Table 2: CFR and Investment Resources

	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000
Opening CFR	9,889	7,689	6,515	5,776	5,602	5,428
CFR in year	-	-	-	-	-	-
Less: MRP etc	(1,200)	(1,174)	(739)	(174)	(174)	(174)
Less: Capital Receipts Applied	(1,000)	-	-	-	-	-
Closing CFR	**7,689**	**6,515**	**5,776**	**5,602**	**5,428**	**5,254**
Less: External Borrowing	-	-	-	-	-	-
Internal Borrowing	7,689	6,515	5,776	5,602	5,428	5,254
Less:						
Usable Reserves	(32,267)	(31,516)	(28,730)	(25,197)	(22,058)	(18,524)
Working Capital	(50,020)	(48,020)	(46,020)	(44,020)	(42,020)	(40,020)
Available for Investment	(74,598)	(73,021)	(68,974)	(63,615)	(58,650)	(53,290)

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 Community infrastructure Levy (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 and monies from developers are released.

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. A reducing CFR is also positive as the Council's underlying need to borrow reduces.

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

	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000	2027/28 Forecast £'000	2028/29 Forecast £'000	2029/30 Forecast £'000
Debt (incl. PFI & leases)	0	0	0	0	0	0
Capital Financing Requirement	7,689	6,515	5,776	5,602	5,428	5,254

15. The new accounting standard IFRS16 came 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. (MHCLG 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. Once payments in relation to the Arena finish (2026-27) the Council does not envisage making VRP contributions on any other scheme. Table 2 (paragraph 12) includes the use of capital receipts to bring the CFR down by funding capital expenditure.

Treasury Management Strategy 2025/26 to 2029/30

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 before the start of each financial year.

20. This Strategy 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. The impact on the UK from the government's Autumn Budget, slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President Trumps second term in office and uncertainties around US domestic and foreign policy, will all influence the UK economy and ultimately impact on the performance of the Council's treasury management strategy for 2025/26.

22. The Bank of England's (BoE) Monetary Policy Committee (MPC) reduced the Bank Rate to 4.75% at its meeting in November 2024 (since maintained at this level at the December meeting), having previously cut it by 25 basis points from the 5.25% peak at the August MPC meeting. The Council's treasury management adviser Arlingclose forecasts that interest rates will continue reducing through 2025, taking the Bank Rate to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth

and inflation has reduced expectations in terms of the pace of interest rate cuts as well as pushing up the rate.

23. The Consumer Prices Index (CPI) rose by 2.6% in the 12 months to November 2024, up from 2.3% in October. However, a shock release showed the December year-on-year figure was 2.5% slightly lower than expected. The outlook for CPI inflation in the November Monetary Policy Report (MPR) showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the summer 2025. This is due to the ongoing impacts from higher interest rates and the Autumn Budget. Over the medium-term, once these pressures ease, inflation is expected to stabilise around 2% target.

24. The unemployment rate in the UK rose slightly from 4% in October to 4.3% November 2024.The BoE MPR showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium term equilibrium level.

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

	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Anticipated Interest Rate	4.06%	3.75%	3.50%	3.00%	3.00%
Expected interest from investments (£)	1,375,900	1,248,800	1,117,600	957,700	863,000
Other interest (£)	59,000	59,000	59,000	59,000	59,000
Total Interest (£)	**1,434,900**	**1,307,800**	**1,176,600**	**1,016,700**	**922,000**

Sensitivity:	£	£	£	£	£
- 0.25% Interest Rate	80,800	73,500	72,500	59,600	56,800
+ 0.25% Interest Rate	(80,800)	(73,500)	(72,500)	(59,600)	(56,800)

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 2025/26 to 2029/30

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:

- UK Municipal Bond Agency and other special purpose companies created to enable local authority bond issues
- HM Treasury's PWLB lending facility
- Any other public sector body
- UK public and private sector pension funds
- Any other bank or building societies authorised to operate in the UK
- Capital market bond investors
- National Wealth Fund (formerly 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.

Other sources of debt finance, in addition to the above, that are not borrowing but may be classed as other debt liabilities are listed below. These options would be subject to due diligence in the event that any are proposed methods to finance Council debt.

- Hire purchase
- Leasing
- Sale and leaseback
- Private Finance Initiative

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 (see table 3) plus a safety margin of £10m to £15m. The limits below satisfy this requirement.

Table 5: The Authorised Limit

	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000
Authorised Limit	20,000	20,000	20,000	20,000	20,000	20,000

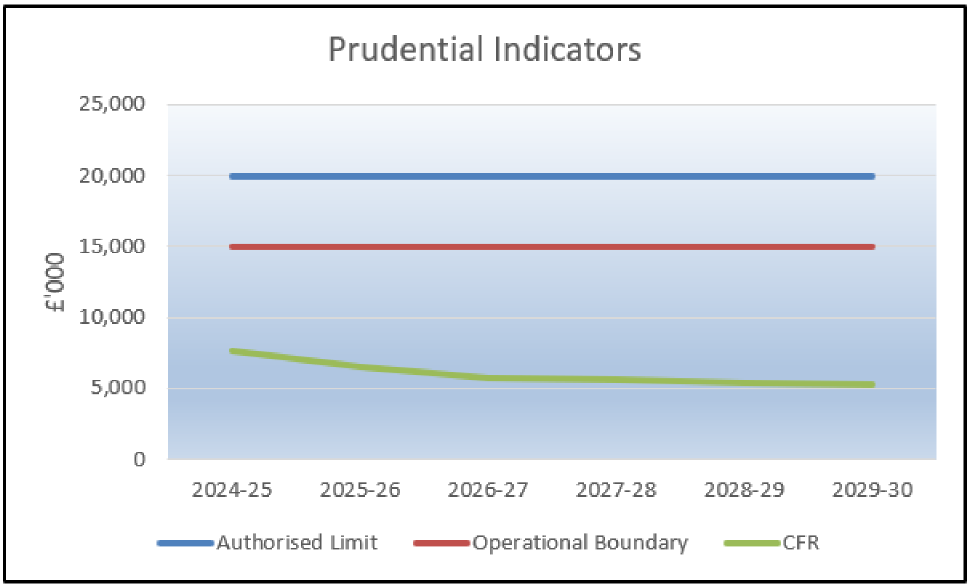
b) Operational Boundary for External Debt

31. The operational boundary is the expected borrowing position of the Council during the 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..

Table 6: The Operational Boundary

	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000
Operational Boundary	15,000	15,000	15,000	15,000	15,000	15,000

Chart 1 below shows the prudential indicators graphically



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 therefore the limits in the strategy do not need to be restrictive (see Table 7).

Table 7 – Prudential Indicator: Refinancing Risk Indicator

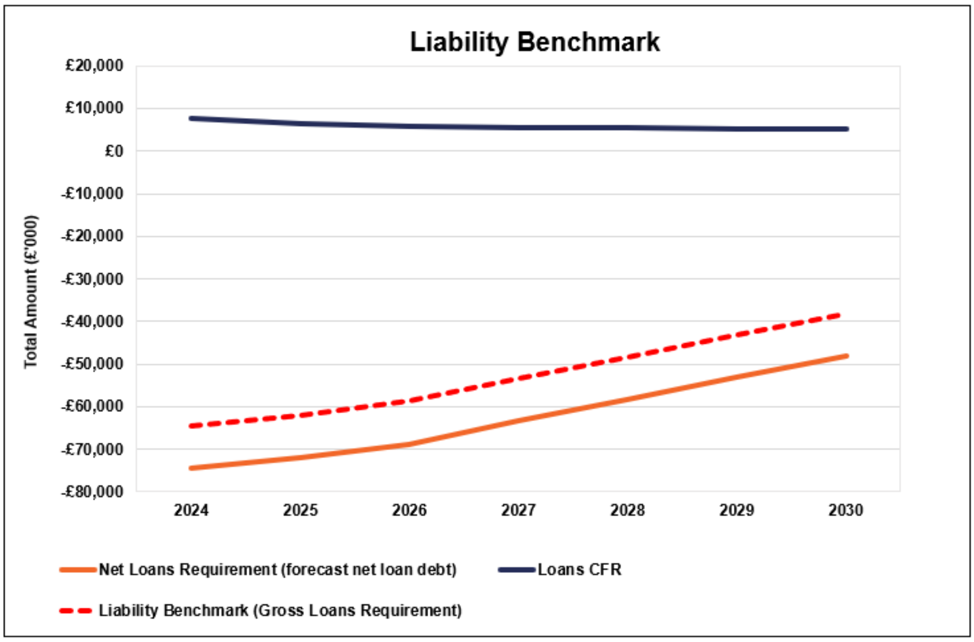
Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months an within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

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. As demonstrated by the credit figures below, the Council expects to be a long-term investor and has no need to borrow over the medium term.

Table 8 Prudential Indicator: Liability Benchmark

	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000
Closing CFR	7,689	6,515	5,776	5,602	5,428	5,254
Less:						
Usable Reserves	(32,267)	(31,516)	(28,730)	(25,197)	(22,058)	(18,524)
Working Capital	(50,020)	(48,020)	(46,020)	(44,020)	(42,020)	(40,020)
Plus minimum investments	10,000	10,000	10,000	10,000	10,000	10,000
LIABILITY BENCHMARK	(64,598)	(63,021)	(58,974)	(53,615)	(48,650)	(43,290)

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 which include borrowing costs (MRP only for Rushcliffe) 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.

36. A credit indicates interest earned rather than an interest cost. The figures fluctuate over the MTFS period but from 2025/26 all figures are in credit. This is reflective of the reducing MRP payments, as payments in relation to Rushcliffe Arena finish in 2026/27. There are other non-treasury capital commitments in relation to Rushcliffe Oaks Crematorium and Bingham Arena and Enterprise Centre which give rise to further MRP, but repayments are lower because they are spread over a longer period.

37. Net revenue streams fluctuate over the period. New Homes Bonus has been extended a further year, but no further income is expected after 2025-26. Later years reflect both the downward trend in interest from lower investment balances whilst net revenue streams increase from Council Tax and Localised Business Rate increases.

Table 9: Proportion of Financing Costs to Net Revenue Stream

	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Net Interest Payable/(Receivable)	(261)	(569)	(1,003)	(843)	(748)
Net Revenue Stream	19,392	14,883	14,849	15,446	16,070
Financing costs:Net Revenue Stream	-1.35%	-3.82%	-6.75%	-5.46%	-4.65%

b) Estimates of net income to net revenue stream

38. This 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

	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Net Income from investments	(2,142)	(2,286)	(2,331)	(2,354)	(2,373)
Net Revenue Stream	19,392	14,883	14,849	15,446	16,070
Net Income:Net Revenue Stream	11.0%	15.4%	15.7%	15.2%	14.8%

Investment Strategy 2025/26 to 2029/30

39. 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

	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Investments at 31 March £'000	74,598	73,021	68,974	63,615	58,650	53,290

40. Both the CIPFA Code requires 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.

Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing. The Council ensures that robust due diligence procedures cover all external investments.

41. As demonstrated by the liability benchmark above (paragraph 33), the Council expects to be a long-term investor and treasury investments will therefore include both short-term low risk instruments to manage day to day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support the services the Council provides.

42. 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.

43. 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.

44. The Council will invest its surplus funds with any of the counterparty types in Table 12 below, subject to the limits shown 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.

45. 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.

45. The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will be given to other available information on the credit quality of the organisations in which it invests, including financial

statements, information on potential government support, reports in the quality financial press and analysis and advice from Arlingclose.

46. The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism that may affect its public reputation, and this risk will also be considered when making investment decisions. Many local authorities are not rated by credit rating agencies, although some are. The Council will always take reasonable steps as mentioned in paragraph 45 and carry out due diligence before investing.

47. Although the Council has never made use of financial derivatives and has no current plans to do so, in line with the Cipfa code, the Council would seek external advice before entering into such an agreement to ensure that it fully understands the implications (see paragraph 61 for more detail).

Credit Risk

48. 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.

49. 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

50. 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.

51. 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 53 to 55 below.

52. Historically (prior to 2011) the Council held £2m in pooled/diversified funds. In 2018 it purchased an additional £2m, a further £9m in 2019, followed by £2m in 2021 giving a total of £15m. 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.

53. The fluctuations in capital value of the pooled funds to date is a loss of £0.978m. 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.

54. 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 19% of average investment balances in 2023/24 but generated 34% interest) and over the period of investment has returned £3.5m in interest. The Council will continue to monitor the position on these investments and take advice from the treasury advisors.

Service investments

55. 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 (or known as commercial investments where this is the main purpose).

56. 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

57. 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

58. The Council's revenue reserves available to cover investment losses in a worst-case scenario are forecast to be around £15.8 million on 31st March 2025. 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: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£10m per manager
Investments held in a broker's nominee account	£10m per broker
Foreign countries	£3m per country

Treasury Management limits on activity

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

a) Interest Rate Exposures

60. 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. The Council has set a limit of 50% on fixed interest rate exposure. During a time of falling interest rates as forecast (paragraph 25) this indicator should not be restrictive, preventing the Council from locking into higher interest rates. The definition of 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.

Table 14: Interest Rate Exposure

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
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%

Principal Sums Invested over 1 year

61. 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

	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Limit on Principal invested over 1 year £'000	37,300	36,500	34,500	31,800	29,300	26,600

Policy on the use of financial derivatives

62. 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).

63. 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.

64. 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

65. Arlingclose will act as the Council's treasury management advisors until 31 October 2026. 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.

66. 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

67. The MHCLG 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.

<u>Commercial Investments</u>

68. 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.

69. Under the updated Prudential Code, Local Authorities are no longer allowed to borrow to fund non-financial assets solely to generate a profit.

70. 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.

71. 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 (see paragraph 78).

72. 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).

73. 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**

74. The expected contributions from existing commercial investments are shown in Table 16. To manage the risk to the Council's budget, the contribution from commercial investments should not account for a significant proportion of the Council's total income. Over the medium term the contribution from commercial investments is around 11% each year leaving the Council less exposed to risks surrounding commercial property.

75. This was slightly higher in 2024/25 due to the Council's budgeted total income at the time being lower primarily due to interest receipts forecasts reflecting interest rate cuts which were anticipated at the time of budget setting.

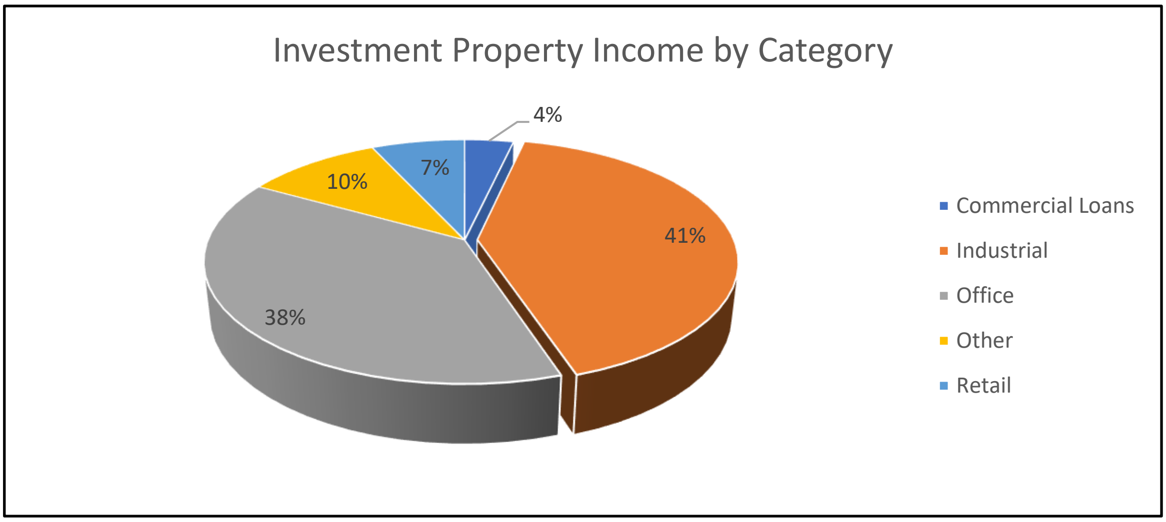
Table 16: Commercial Investment income and costs

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Commercial Property Income	(1,902)	(1,979)	(2,041)	(2,041)	(2,044)	(2,047)
Running Costs	458	465	467	476	486	497
Net Contribution to core functions	(1,444)	(1,514)	(1,574)	(1,565)	(1,558)	(1,550)
Interest from Commercial Loans	(63)	(59)	(59)	(59)	(59)	(59)
Total Contribution	(1,507)	(1,573)	(1,633)	(1,624)	(1,617)	(1,609)
Sensitivity:						
+/- 10% Commercial Property Income	190	198	204	204	204	205
Indicator:						
Total Contribution as a % of total Council Income	13.4%	11.5%	11.7%	11.6%	11.4%	11.1%
Total Income	11,231	13,650	13,949	13,977	14,228	14,436

b) Risk Exposure Indicators

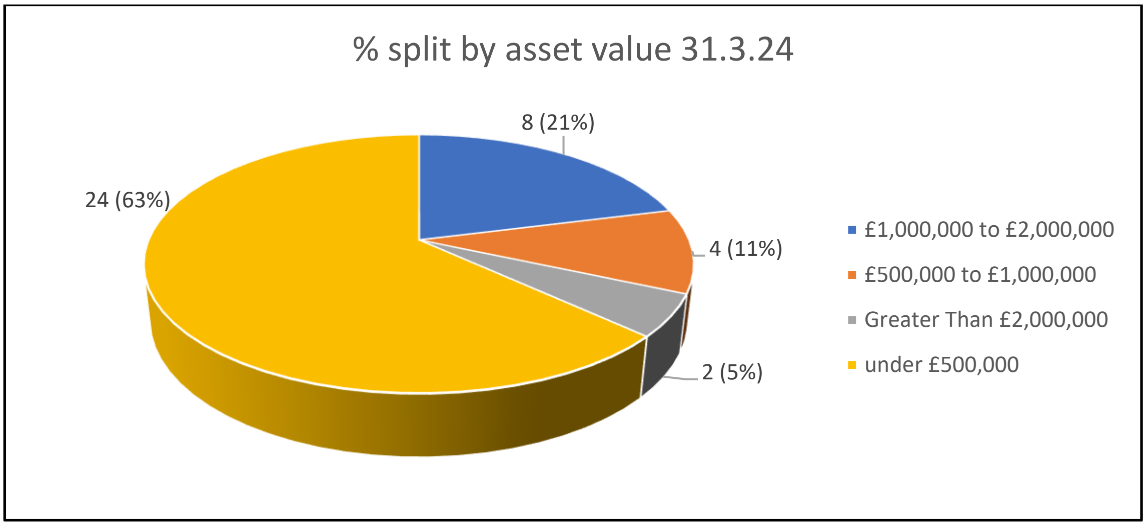
76. The Council can minimise its exposure to risk by spreading investments across sectors and by avoiding single large-scale investments (Chart 3 and 4 below). Generally, there is a spread of investment across sectors in the Council's portfolio. The Council's previous commitment to economic regeneration (not purely financial return) has meant that many of its investments have been in industrial units, which have been very successful. This is closely followed by income from Office accommodation which in some cases is linked to economic regeneration schemes. Bingham Enterprise is the latest investment which is now fully let and generating rental income of £108,000 per annum.

Chart 3 Investment Income by Category



c) Security and Liquidity

Chart 4 Investment by Asset Value



77. 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.

78. 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.

79. 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.

80. 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.

81. 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 Scrutiny 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.

Knowledge and Skills

82. The 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 involved in scrutiny and broader training for members who sit on full Council. Training for Members was last delivered in December 2024. 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.
- 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

The Governance Scrutiny Group have completed the CIPFA self-assessment tool and the results of this were scrutinised at the 28 November meeting. Actions arising from this self-assessment will be implemented during 2025. Attendance at training is recorded and members are encouraged to attend all Treasury training.

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

84. The Treasury Management Policy Statement attached at Appendix B follows the recommendations set out in Section 6 of CIPFA's Treasury Management in the Public Services: Code of Practice (2021).

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

Pooled Funds – Changes in Fair Value since Acquisition

Fair Value	31.03.24	31.12.24	Difference from 31.03.24	Amount Invested	Difference in valuation from initial investment
Aegon-Previously Kames	4,597,766	4,634,285	36,519	5,000,000	(365,715)
Ninety One-Previously Investec	4,535,612	4,511,518	(24,094)	5,000,000	(488,482)
RLAM	1,005,085	1,012,717	7,633	1,000,000	12,717
CCLA Property	1,970,157	1,991,128	20,970	2,000,000	(8,872)
CCLA Divesified	1,929,604	1,872,395	(57,209)	2,000,000	(127,605)
	14,038,224	**14,022,043**	**(16,181)**	15,000,000	**(977,957)**

Appendix (iii)

Current Book Value of Non-Treasury Investments

	Book Value 31.3.24 £000	Book Value 31.3.23 £000
The Point Office Accommodation	3.272	3.429
Hollygate Lane, Cotgrave Industrial Units	2.776	2.918
Unit 3 Edwalton Business Park	2.223	2.432
Bardon Single Industrial Unit	1.929	2.078
Unit 1 Edwalton Business Park	1.787	1.954
Trent Boulevard	1.428	1.559
Colliers Business Park Phase 2	1.386	1.422
Cotgrave Phase 2	1.227	1.266
Bingham Hub Offices	1.112	-
Bridgford Hall Aparthotel and Registry Office	1.061	1.150
Finch Close	0.911	0.978
Boundary Court	0.787	0.838
Colliers Business Park Phase 1	0.775	0.787
Cotgrave Precinct Shops	0.487	0.478
Mobile Home Park	0.477	0.400
New Offices Cotgrave	0.470	0.484
TOTAL INVESTMENT PROPERTY	**22.108**	**22.173**
Notts County Cricket Club Loan	1.499	1.611
TOTAL	**23.607**	**23.784**

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.

UK Government
Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Local authorities and other government entities: Loans to, and bonds and bills issued or guaranteed by, other 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.

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, secured deposits 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, including exchange traded 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, they can be either withdrawn after a notice period or sold on an exchange, 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 unsecured loans to companies and universities. 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.

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Appendix B

TREASURY MANAGEMENT POLICY STATEMENT

1. Introduction and Background

1.1. The Council's Treasury Management Policy Statement follows the recommendations set out in Section 6 of CIPFA's *Treasury Management in the Public Services: Code of Practice* (2021).

1.2. Full Council has delegated responsibility for ensuring effective scrutiny of reports on treasury and investment policies, practices and activities, and the implementation and regular monitoring of the Council's treasury management activities to the Council's Governance Scrutiny Group.

1.3. Full Council will receive an annual strategy in advance of the year

1.4. Reports on its treasury management policies, practices and activities and an annual report after its close, will be scrutinised by Governance Scrutiny Group.

1.5. The Governance Scrutiny Group will in addition receive an update on progress against the strategy at quarters 1,2 and 3.

2. Treasury Management Activities

2.1. The Council defines its treasury management activities as:

"*The management of the Council'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."*

2.2. The prime objectives of the Councils treasury management activities are the effective management and control of financial risks.

3. Statement of Policies

Risk management

3.1. This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

Value for money

3.2. This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Borrowing policy

3.3. The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The Council will set an affordable borrowing limit each year in compliance with the *Local Government Act 2003* and will have regard to the *CIPFA Prudential Code for Capital Finance in Local Authorities* when setting that limit. It will also set limits on its exposure to changes in interest rates and limits on the maturity structure of its borrowing in the treasury management strategy report each year.

Investment Policy

3.4. The Council's primary objective for the investment of its surplus funds is to protect the principal sums invested from loss (the security of capital) and to ensure adequate liquidity so that funds are available for expenditure when needed. Yield earned on investments is an important but secondary to security and yield considerations.

3.5. The Council will have regard to the MHCLG Guidance on Local Council Investments and will approve an investment strategy each year as part of the treasury management strategy. The strategy will set criteria to determine suitable organisations with which cash may be invested, limits on the maximum duration of such investments and limits on the amount of cash that may be invested with any one counterparty.

Policy on Environmental, Social and Governance issues (ESG)

3.6. 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.

Governance Scrutiny Group

Thursday, 20 February 2025

Work Programme

Rushcliffe
Borough Council

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.

May/June 2025 (Date TBC)

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

September 2025 (Date TBC)

- Internal Audit Progress Report Q1
- Risk Management Update
- Going Concern
- Capital and Investment Strategy Update Q1

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