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Our reference:
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Date: Wednesday, 11 June 2025

To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held on Thursday, 19 June 2025 at 7.00 pm in the Council Chamber to consider the following items of business.

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



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 20 February 2025 (Pages 1 - 12)
4. Internal Audit Progress Report (Pages 13 - 44)
Report of the Director – Finance and Corporate Services
5. Internal Audit Annual Report (Pages 45 - 68)
Report of the Director – Finance and Corporate Services
6. Annual Fraud Report (Pages 69 - 76)
Report of the Director – Finance and Corporate Services



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7. External Audit Annual Plan (Pages 77 - 116)
Report of the Director – Finance and Corporate Services
8. Annual Governance Statement (Pages 117 - 136)
Report of the Director – Finance and Corporate Services
9. Capital and Investment Strategy Outturn (Pages 137 - 152)
Report of the Director – Finance and Corporate Services
10. Work Programme (Pages 153 - 154)
Report of the Director – Finance and Corporate Services

Membership

Chair: Councillor D Simms

Vice-Chair: Councillor M Gaunt

Councillors: K Chewings, P Gowland, H Om, N Regan, C Thomas, T Wells and G Wheeler

Meeting Room Guidance

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**MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 20 FEBRUARY 2025**

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), D Polenta (Vice-Chair), J Billin, T Birch,
S Calvert, H Om, N Regan, T Wells and G Wheeler

ALSO IN ATTENDANCE:

Max Armstrong - BDO (The Council's Internal Auditors)
Jennifer Norman – Forvis Mazars (The Council's External Auditors)

OFFICERS IN ATTENDANCE:

S Whittaker	Head of Finance
M Heald	Finance Business Partner
S Pregon	Monitoring Officer
E Richardson	Democratic Services Officer

APOLOGIES:

Councillors C Thomas

28 Declarations of Interest

There were no declarations of interest.

29 Minutes of the Meeting held on 28 November 2025

The minutes of the meeting held on 28 November 2024 were agreed as a true record and were signed by the Chair.

The Chair advised and the Group noted the change in the order of the items to be discussed on the agenda.

The Chair noted that the Council had had its Accounts signed off and thanked Officers and External Audit for their hard work.

30 Internal Audit Progress Report Q3

Mr Armstrong from BDO, the Council's Internal Auditors, presented the Internal Audit Progress Report Quarter 3 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.

Mr Armstrong informed Members of the Group of an update in professional standards for internal audit, being that in January 2024, the Institute of Internal Auditors published the new Global internal audit standards and that in December 2024, the Internal Audit Standards Advisory Board published Application Note Global Internal Audit Standards in the UK Public Sector.

Mr Armstrong confirmed that BDO had been involved in the consultation process for the new Application Note and were reviewing their processes to evaluate any changes or amendments needed but remained confident that their existing processes would meet the new requirements with minimal change.

Mr Armstrong referred Members of the Group to the summary review of the audit programme for 2024/25 and confirmed that seven of the nine reviews had been completed and that they were on track to complete the remaining two reviews by the deadline of June 2025.

In relation to the Carbon Management Action Plan and the Housing Benefits review, Mr Armstrong noted that BDO had provided a substantial assurance for the Carbon Management Action Plan design, with two medium assurances, being around how SMART the actions were and the monitoring of delivery of the actions. In relation to Housing Benefits he said that substantial assurance had been provided for the Control Design and Effectiveness with two low (housekeeping) findings over documentation and review and approval process of discretionary housing payments, with the Council having accepted and completed recommendations.

Councillor Om asked about the Cyber Security review and Mr Armstrong confirmed that findings had been presented to the last meeting of this Committee.

Councillor Polenta noted reference in the report to gas consumption in leisure centres being a high contributor to emissions and also that BDO did not provide assurance as to whether data provided was correct. Mr Armstrong explained that the scope of the review did not involve validation of data but related to governance and management and monitoring of data and activity by the Council. He confirmed that there were clear actions for various service areas, including leisure centres.

Councillor Birch asked for information about Co2 emissions from Bingham Arena. The Head of Finance said that she would feedback this request.

The Chair noted that Bingham Arena had been designed with Co2 emissions in mind to make it as efficient as possible and that the Council was currently looking to upgrade Cotgrave and Keyworth Leisure Centres to reduce their carbon footprints.

It was **RESOLVED** that the Governance Scrutiny Group considered the quarter 3 progress report for 2024/25 (Appendix A) prepared by the Council's Internal Auditor.

31 **Internal Audit Strategy 2025/26**

Mr Armstrong BDO presented the Internal Audit Strategy 2025/26 and asked the Group to review and approve the Strategy for BDO to start work on delivering it over the next financial year.

Mr Armstrong explained that BDO approached preparation of the Plan by looking at the Council's Strategic Plan from the previous year and the Council's risk management process and risk register. He said that the draft Plan was reviewed by the Executive Management Team and that he had met with all Directors individually.

Mr Armstrong referred Members of the Group to page 58 of the report which provided a summary of the nine audits in the Plan. He said that the Plan sought to provide core assurance over key processes and financial areas and some areas of future focus of the Council.

It was **RESOLVED** that the Governance Scrutiny Group reviewed and approved:

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

32 **Risk Management Progress Report**

The Head of Finance presented the Risk Management Progress Report which provided the Group with an update on the Council's risk activity since the last meeting on 19 September 2024. She said that the Council's Risk Management Group had met on 21 January 2025 to review risks on the register and to make recommendations.

The Head of Finance said that a Risk Management audit had been carried out in July 2022 by BDO and that the level of assurance given was a substantial rating for both design and operational effectiveness and that recommendations had been incorporated where necessary.

The Head of Finance explained that during 2023/24 BDO completed a desktop exercise evaluating risk descriptions following which and in line with best practice, the Council had revised some to make them clearer with the new descriptors being adopted into 2024/25 Service Plans.

The Head of Finance said that there were currently 38 corporate risks, with three new corporate and one new operational risk added. She explained that the three corporate risks related to local government reorganisation, which may result in some difficulty in recruiting and retaining staff, some break in service delivery and a risk to the Medium Term Financial Strategy given that it may not reach its five year term. She explained that the fourth operational risk related to a potential loss of housing benefit subsidy linked to potential supported housing providers but this was currently considered low risk.

Councillor Calvert asked about Rushcliffe Oaks Crematorium likelihood risk rating of two and the Head of Finance said that the business was still in its infancy and was in the process of developing a new customer base. She said that the Council carried out regular review of delivery against business case and confirmed that if the risk changed then the score would change also. She added that a report on Rushcliffe Oaks Crematorium had been presented to the Growth and Development Scrutiny Group and was included in quarterly budget reporting to Cabinet.

Councillor Polenta asked about loss of housing benefit subsidy and the Head of Finance said that accommodation was provided by a charity or registered provider who provided support and health care service for people who needed additional elements of care alongside providing the accommodation and due to the providers' status, the Council was not able to claim back 100% subsidy on the rent allowances for those residents.

It was **RESOLVED** that Governance Scrutiny Group

- a) reviewed the contents of this report; and
- b) considered and made recommendations on risks that, in particular, are new risks or have red alert status or any risks that are not identified.

33 **Capital and Investment Strategy Update Q3**

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 31 December 2024.

The Finance Business Partner said that the UK economy was experiencing low growth, although Gross Domestic Produce had unexpectedly increased to 0.4% in December 2024. She said that economic growth was expected to reach 1.5% later in 2025 and it was expected that the Bank of England would cut interest rates in May, August and November of 2025.

The Finance Business Partner noted that inflation had risen to 3% in January but was expected to fall again and that unemployment had risen slightly but was expected to remain stable.

The Finance Business Partner referred to investment income and noted that interest receipts were higher than estimated due to larger investment balances and interest rates remaining higher for longer. She said that overall, the Council achieved an average interest rate of 4.69% in quarter 3.

Members of the Group were referred to Appendix A of the report which set out the Council's investment balances at the end of December 2024. The Finance Business Partner confirmed that the Council held a diversified portfolio to protect itself from interest rate risk and said that the Council continued to consider green investments compliant with its investment strategy.

In relation to diversified funds, the Finance Business Partner said that the current position could be seen in Appendix B, showing a drop in value. She

said that funds were volatile and affected by political and economic instability and that there was a statutory override in place until the end of March so that the impact of any loss did not impact on the revenue accounts. It was thought that MHCLG may be minded to end the statutory override thereafter but that the Council had mitigated risk by appropriations to the Treasury Capital Depreciation Reserve.

In relation to Capital, the Finance Business Partner said that the Council was predicting an underspend due to reprofiling and savings for some of its schemes. She referred Members of the Group to Appendix C for Prudential and Treasury Indicators and noted that the liability benchmark showed that the Council did not need to borrow over the medium term.

In relation to ratio of financing costs to net revenue streams, the Finance Business Partner referred Members of the Group to Table 3 and noted that interest receipts exceeded financing costs. In relation to net income from commercial and service investments to net revenue streams, she referred Members of the Group to Table 4.

In conclusion, the Finance Business Partner said the interest rates had remained higher than expected which had had a positive impact on returns but that slower economic growth in the UK and global events impacted negatively on some of the Council's investments. That the UK was also experiencing inflationary pressures which meant that the Bank of England would be reluctant to drop interest rates significantly which was good for investments but made borrowing more expensive, negatively impacting on consumer spending and slower economic growth.

Councillor Regan asked how the Council accounted for inflation, including on materials and labour, for capital expenditure not spent in the allocated year and rolled forward. The Head of Finance said that for specific schemes it would be calculated using recognised indices and that for slipped projects, as they were often only a few months behind schedule would not ordinarily be impacted, but that for a longer delay inflationary costs would be factored in. She said that capital appraisals included in the Annual Budget were revisited on an annual basis and any cost changes would be factored in.

The Chair noted that for some larger projects prices for labour and materials would be fixed ahead of time in the contract which mitigated against inflation.

It was **RESOLVED** that the Group considered the Capital and Investment Strategy update position as of 31 December 2024.

34 **Capital and Investment Strategy 2025/26**

The Finance Business Partner presented the Capital and Investment Strategy 2025/26 to 2029/30.

The Finance Business Partner took Members of the Group through the report and supporting information provided at Appendix A and Appendix B and highlighted some of the key information, including:

- Capital Prudential Indicators

- Minimum Revenue Provision Statement
- Treasury Management Strategy
- Commercial Investments

In conclusion, the Finance Business Partner said that the financial environment was facing uncertainty which brought risks, which were included in the Strategy, but that by setting and following prudential indicators and managing risk through setting investment limits and diversifying investments, the Council had set a robust capital investment strategy. She said that the Council's Treasury advisors, Arling-Close, endorsed the Council's proportionate approach to both its Treasury and commercial property investments.

Councillor Birch asked about the risk to investments and whether the Council had received any advice about the impact of geopolitical events. The Head of Finance confirmed that global events did impact on interest rates and said that Advisors looked at the wider economic environment and gave advice based on events taking place, such as advice about making investments, with constant monitoring taking place.

It was **RESOLVED** that the Governance Scrutiny Group scrutinised and recommended 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).

35 **Amendments to the Constitution**

The Monitoring Officer presented the Amendments to the Constitution report which had been prepared following an annual review of the constitution. She explained that the Council had a statutory duty to keep its constitution under review to ensure that it was relevant, up to date and fit for purpose. She said that, as minimum, the Council must undertake a review of its constitution on an annual basis, which this report demonstrated compliance with. She noted that this was her first review of the constitution since joining the Council and that she brought her experience from elsewhere and also her review of best practice in neighbouring local authorities.

The Monitoring Officer referred Members of the Group to Appendix 1 which set out the proposed amendments, which followed on from feedback from Councillors, Officers and members of the public. She said that the first two

amendments related to matters of clarification, the first in respect of situations where the ombudsman were to consider complaints against the Council from members of the public and the second in relation to the scheme of delegation to Officers in respect of planning matters covered by the Local Development Order. She said that the remaining changes related to rules that governed Council meetings and were intended to assist with the efficient running of those meetings, and also to address accessibility issues in the current rules.

The Monitoring Officer said that subsequent to the publication of this report, the Council had received a report from the Local Government Association who had undertaken a review of the Council's last meeting held in December 2024. They had considered this good opportunity for the Council to review its arrangements for the running of Council meetings.

The Chair clarified that Members of the Group were asked to consider the proposals put forward in the Amendments to the Constitution report.

Councillor Birch said that he thought that opposition Councillors required tools to be able to provide scrutiny of the ruling Group and thought that recorded votes were a part of that. He said that opposition groups were disadvantaged and had the odds stacked against them and said that the proposal in relation to recorded votes was counter to democracy and transparency.

The Chair suggested that the Group focus on and consider the proposals one by one.

Citizen's Rights

The Chair suggested that the Council should have opportunity to review a complaint through its formal procedure before consideration by the Ombudsman. Councillor Birch asked whether the Council had time limits for completion of complaints. The Monitoring Officer confirmed that there set time periods for completion of the different stages of the complaints procedure. She confirmed that the amendment did not change the right for members of the public to complain to the Ombudsman, only that they would need to go through the Council's formal complaints procedure first as required by the Ombudsman. She confirmed that the Council's complaints procedure would need to be followed fully before the Ombudsman would consider a complaint.

Members of the Group agreed the change in relation to Citizen's Rights.

Note: Director Development and Economic Growth

The Chair said that this related to the Local Development Order (LDO). He noted that there was mechanism within existing process for Ward Members to submit their objections. Councillor Billin welcomed inclusion of the phrase 'as required under the LDO' in the wording of the additional text. The Monitoring Officer said that the change was to provide clarity that the existing delegation to the Director applied also to the LDO, to provide clarity as to who the decision maker would be. She explained that the Supplemental Planning Guidance could be any that applied to that particular application.

Members of the Group agreed the change in relation to Note: Director Development and Economic Growth.

Recorded Vote, paragraph 4.24.

Councillor Birch said that he thought recorded votes were a vital mechanism for opposition parties. He noted that different councils had differing requirements for how many Councillors were needed to support a request for a recorded vote but thought that what was important was to do what was right. He noted that his political Party had requested recorded votes regarding Bingham car parking and kerbside glass collection. He said that recorded votes were not about scoring political points but were about what was good for democracy and said that he had never requested a recorded vote gratuitously. He called for the number of people required to call for a recorded vote to be in line with the number of Councillors in the smallest political party.

The Monitoring Officer explained that the decision today was to agree what Members of the Group recommended be taken forward to Full Council for debate and approval. She confirmed that every Councillor had the right to request that the way they voted be recorded in minutes and added that as a council was only required to keep minutes for six years, the record of vote would not be recorded indefinitely. She said that she had benchmarked the proposal against other local councils and noted that two required fewer than five nominators and four required five or more.

Councillor Polenta said that during her time as a Councillor over the past two years she did not think that recorded votes had taken up a big chunk of meeting time and as such did not perceive them to be a problem. She recognised that this Group was not decision making but appreciated it being able to scrutinise and explore the proposal. She supported the proposal made by Councillor Birch for the number of requesters to be in line with the membership of the smallest Group and said that Full Council was a public space and the aim should be to have transparency and accountability.

In response to questions from Members of the Group, the Monitoring Officer said that a request for a recorded vote would be made at the point of voting, with the Chair then asking if there were the required number of supporters for the request.

Following discussion over the wording of 'or more', the Monitoring Officer suggested amending the wording to be 'at least five' rather than 'five or more'.

In response to discussion about changing the number of supporters required to trigger a recorded the vote, the Chair expressed reluctance to put forward an amended number and suggested that the Group vote on the number recommended by in the report.

Members of the Group did not agree the proposal, as amended to be 'at least five', in relation to Recorded Vote.

It was proposed that the number of requesters be changed to be two and Members of the Group did not agree the proposal.

It was proposed that the number of requesters be changed to be 'at least four' and Members of the Group agreed this proposal and for this amendment to be carried forward as the recommendation to Full Council.

Questions on notice at Full Council.

Members of the Group agreed the amendment.

Response

Members of the Group agreed the amendment.

Notice

Members of the Group agreed the amendment.

Scope, paragraph 4.40

Councillor Birch said that there could be value in bringing motions not within the remit of Council as they could lead to interesting discussions with an educational value and said that there was no financial impact on the Council in doing so. He said that having the facility to do this was valuable and good for democracy. He suggested that an annual limit could be set for the number of motions that could be brought regarding matters outside of the remit of Council. Councillor Polenta supported this proposal and said that the Council Chamber was the Councils' sovereign body and provided a direct link with residents and neighbourhoods. She said that the Council did not operate in a vacuum and was affected by wider events taking place and which could have an impact on residents.

The Chair said that proposals for Motions went to the Chief Executive for approval before being brought to Annual Council and referred to calls at the last Full Council for the meeting time to be extended past 10pm to debate business, which was an impact, and as such meeting time needed focus on matters relevant to the business of the Council.

The Monitoring Officer said that the amendment was proposed on the basis of feedback from Councillors and members of the public and was about deciding how, as a Council, it wanted to spend the time within Council meetings. She confirmed that the Chief Executive was the decision maker for acceptance of motions and that they were impartial and not political.

Members of the Group agreed the change in relation to Scope, paragraph 4.40.

Scope, paragraph 4.41

Councillor Birch said that he thought the word 'frivolous' was ambiguous and vague, and suggested it be removed.

The Monitoring Officer explained that that was current wording and she was not aware of anything being rejected on that basis. She said that it was

standard wording in most constitutions and was there to serve a purpose. She confirmed that the Chief Executive was apolitical and would take advice from the Monitoring Officer.

Members of the Group agreed the change in relation to Scope, paragraph 4.41.

Motions Not Moved

The Monitoring Officer said that the rationale for this addition was for instances where a motion had been put forward properly but was not deal with within Full Council due to the meeting running out of time. She said the currently the motion would carry forward to the next Full Council meeting but due to there being some length of time between meetings, a motion may no longer be relevant. The suggestion was therefore that motions not heard would not be carried forward. She clarified that they could be resubmitted to the next meeting if wanted.

Councillor G Wheeler asked whether motions not heard and resubmitted could be considered with priority. Councillor Birch asked whether wording could be added that a motion not heard, be heard first at the next Council meeting. After discussion over possible additional wording, it was agreed that the recommendation, if not supported, should not be recommended for approval rather than adding additional wording to try to cover every eventuality.

Members of the Group agreed that the amendment in relation to Motions Not Moved was not supported by the Group.

Recorded Vote, paragraph 4.80

Members of the Group agreed the additional wording to be 'at least 4'.

Standing to Speak

Councillor Regan said that it would be unfair for someone with a disability to have to make a request every single time and thought that if they made the request once it should apply for future meetings and that they should not be disallowed to speak if they did not inform the Mayor prior to every meeting. Councillor Billin suggested amending the wording to say that a Councillor needed to give notice, rather than notifying the Mayor before the meeting.

The Monitoring Officer explained that the rationale had been to provide clarity to members of the public as to why a Councillor may be sitting down and dispel any misunderstanding that they may be less involved or more dispassionate. It was also to ensure that the protocol to stand was followed unless there was a valid reason not to do so. In relation to notifying the Mayor, she confirmed that this could be done just before the meeting and did not need to be in writing or made in advance. She said that she would incorporate wording to ensure that it was clear that someone with a disability need not to make a request at every meeting.

Members of the Group agreed the amendment in relation to Standing to Speak, incorporating wording to clarify that a request could carry over to future

meetings where applicable.

It was **RESOLVED** that Governance Scrutiny Group considered the proposed amendments to the Constitution at Appendix 1 to this report and recommended them with the agreed changes as detailed for adoption by Council.

36 **Work Programme**

The Head of Finance presented the Work Programme. She advised that two items were to be added to the Programme, being the External Audit Plan to the June meeting and the Statement of Accounts to the September meeting. She said that Members of the Group may wish to start the June meeting early due to the length of the agenda.

The Chair asked if it would be possible for a draft timetable of meetings to be circulated to Councillors to help Councillors plan their diaries. The Head of Finance agreed but noted that the meeting dates would be provisional and subject to change prior to them going to Annual Council in May for formal approval.

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

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
- External Audit Plan

September 2025 (Date TBC)

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

Actions

Minute No.	Action	Officer Responsible/ Update
31.	Councillor Birch asked for information about Co2 emissions from Bingham Arena	Head of Finance to check if the information was available
37.	The Chair asked if a list of provisional Council and Committee	The timetable of provisional meeting

	meeting dates for 2025/26 could be circulated to Councillors ahead of them going to Annual Council in May	dates has been circulated to Councillors
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The meeting closed at 9.00 pm.

CHAIR



Governance Scrutiny Group

Thursday, 19 June 2025

Internal Audit Progress Report Quarter 4

Report of the Director – Finance and Corporate Services

1. Purpose of report

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

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group considers the quarter 4 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 Equality, Diversity and Inclusion (EDI) audit was an advisory report and is not rated in the same way as other audits
 - The Disabled Facilities Grant audit received a substantial rating for Design and Moderate rating for effectiveness with two low level recommendations
 - No limited assurance reports have been issued
 - Management actions have been agreed for all recommendations.
 - The Audit Opinion and Fraud Report are covered as separate items on this agenda.
- 4.3. This years audits have been completed in line with the plan and therefore the Group should be satisfied that sufficient assurance can be gained from the work carried out by Internal Audit. This is a key consideration for this meeting.

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 4 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; Internal Audit Progress Q3 Governance Scrutiny Group 20 February 2025
List of appendices:	Appendix A - Internal Audit Progress Report – BDO

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INTERNAL AUDIT PROGRESS REPORT

RUSHCLIFFE BOROUGH COUNCIL

2024/2025



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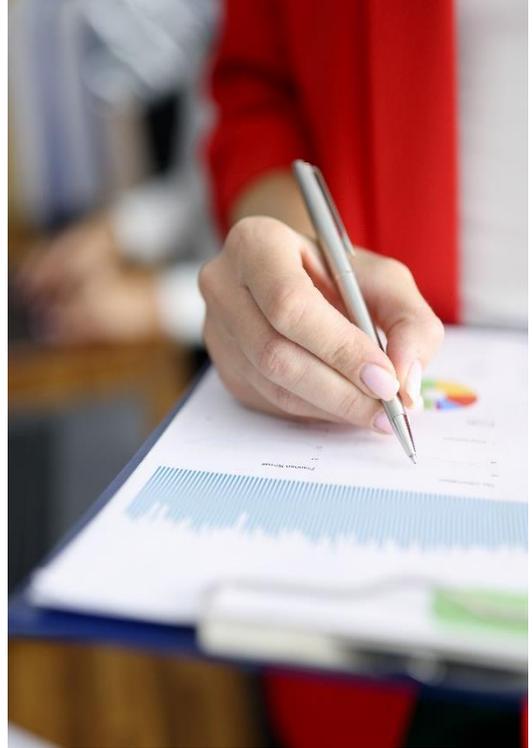
SUMMARY OF 2024/2025 WORK

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 reports to this Governance Scrutiny Group meeting:

- ▶ Equality, Diversity and Inclusion (EDI)
- ▶ Disabled Facilities Grant (DFG)
- ▶ Fraud Report.

We have commenced our planning and delivery for the 2025/26 audit plan and anticipate the following final reports will be presented at the next Governance Scrutiny Group meeting:

- ▶ Main Financial Systems.

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	✓	✓	✓	S	M
Fraud Report	September 2024	✓	✓	✓	N/A	N/A
Workforce and Succession Planning	September 2024	✓	✓	✓	S	S
Cyber Security	November 2024	✓	✓	✓	Confidential	
Housing Benefits	February 2025	✓	✓	✓	S	S
Carbon Management Action Plan	February 2025	✓	✓	✓	S	M
Equality, Diversity and Inclusion (EDI)	February 2025 June 2025	✓	✓	✓	Advisory Report	
Disabled Facilities Grant (DFG)	February 2025 June 2025	✓	✓	✓	S	M

EQUALITY, DIVERSITY AND INCLUSION

CRR REFERENCE: EQUAL PAY CLAIM AND INSUFFICIENT STAFF CAPACITY - SKILLS, KNOWLEDGE, ETC.



SCOPE

BACKGROUND

- ▶ The Public Sector Equality Duty (PSED, or “the duty”), which applies in Great Britain (England, Scotland and Wales), requires public authorities to have due regard to certain equality considerations when exercising their functions, like making decisions. It requires public authorities to have due regard to the need to:
 - Eliminate discrimination, harassment and victimisation and any other conduct that is prohibited by or under the Equality Act
 - Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it
 - Foster good relations between people who share a relevant protected characteristic and those who do not share it.
- ▶ Additionally, an organisation’s approach to equality, diversity, and inclusion is indicative of its culture, which is intrinsically linked to its development and performance. It is also integral to service planning to ensure that the Council is able to demonstrate its commitment to integrating equality, diversity, and inclusion into its service delivery.
- ▶ Rushcliffe Borough Council (‘the Council’) has an EDI Scheme in place, with a supporting action plan, which has four central aims:
 - We want Rushcliffe to be a welcoming place for everyone
 - We want our services to be easy to access for all
 - We will treat people fairly and aim to meet individual needs
 - We aim to make Rushcliffe a place where everyone can achieve their potential.
- ▶ The Council does not have an EDI Officer and aims to incorporate EDI as business as usual across all roles, meaning there is no specific protected time for working on EDI issues.
- ▶ However, the Council has an EDI Steering Group, chaired by the Head of Economic Growth and Property and attended by senior staff in HR and across all service areas.

PURPOSE

- ▶ The purpose of the BDO Equality, Diversity and Inclusion Maturity Assessment is to help ensure an effective approach to Equality, Diversity and Inclusion becomes embedded across the Council by highlighting areas where processes could be improved. As primarily an advisory piece of work assessing the Council’s current position against the BDO Equality, Diversity and Inclusion Matrix, this assessment will not generate an assurance opinion.

AREAS REVIEWED

We considered the maturity of the Council’s current EDI arrangements by assessment against BDO’s EDI maturity model.

The following elements were assessed:

Tone from the Top	<ul style="list-style-type: none"> ▶ Mission, Vision, Values and Strategy ▶ The Board and Senior Management ▶ Roles and Responsibilities ▶ EDI Risk Management
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Governance, Compliance and Strategy	<ul style="list-style-type: none"> ▶ EDI Strategy ▶ Operational Planning ▶ Compliance ▶ Pay Gap Analysis ▶ Third parties
Structure	<ul style="list-style-type: none"> ▶ Committees, Networks and Forums ▶ Resources
Policies, Procedures, Training and Development	<ul style="list-style-type: none"> ▶ Policies and Procedures ▶ Training and Development
Measurement, Accountability and Continuous Improvement	<ul style="list-style-type: none"> ▶ Measurement ▶ Accountability ▶ Continuous Improvement

The current and target levels of maturity for each area were assessed in accordance with five categories, defined in Appendix I:

Immature	Aware	Defined	Mature	Continuous Improvement
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It is the intention that the results of the EDI Maturity Assessment assist those charged with governance in the further development of an effective and embedded EDI framework.

We have summarised below the current and target maturity levels, based on our work performed and a realistic trajectory of progress for the Council.

	Tone from the Top	Governance, Compliance and Strategy	Structure	Policies and Procedures	Continuous Improvement
Current	Defined	Defined	Defined	Aware	Aware
Target	Mature	Mature	Mature	Defined	Defined


AREAS OF STRENGTH

We identified the following areas of good practice:

Tone from the Top

- ▶ The Council has stated EDI as one of its core values through the 2021-25 Equality Scheme, which outlines four high-level strategic aims focused on making the Council welcoming, accessible, fair and enabling achievement for all. This commitment is to be reinforced by having EDI embedded as a core value within the People Strategy, with a dedicated strategic theme focused on ‘Being Inclusive & Building Diversity.’
- ▶ The Council demonstrates commitment through structured EDI governance with the EDI Steering Group having cross-departmental representation from key service areas including HR, Community Development, and Communications.
- ▶ The Council’s risk management strategy has a risk appetite statement defining its approach to risk, and it has identified three key equality risks on its corporate risk register, which are regularly monitored through the Risk Management Group, consisting of the Chief Executive and three Directors.

Governance, Compliance and Strategy

- ▶ The Council has established a robust Equality Impact Assessment (EIA) process with a two-stage approach that ensures thorough evaluation of policy impacts and EDI considerations are embedded in policy and decision-making.
- ▶ The quarterly EDI Steering Group meetings provide systematic monitoring of action plan progress and its commitment to transparency is evidenced through regular reporting to the Corporate Overview Group with comprehensive documentation of

workforce demographics, gender pay gap analysis, and recruitment diversity statistics.

- ▶ There is clear alignment with statutory requirements including Public Sector Equality Duty and gender pay gap reporting obligations. Notable progress is evident in the gender pay gap figures, with female mean pay now exceeding male mean pay for the second consecutive year, showing positive outcomes from equality initiatives.

Structure

- ▶ The Council has implemented effective structural support for EDI through cross-functional collaboration. The EDI Steering Group's quarterly meetings is further supported by East Midlands Councils Equality, Diversity and Inclusion Regional Network, which provides updates on legislation, and knowledge sharing on best practices.
- ▶ The EDI Steering Group has a clear term of reference and defined reporting lines to the Corporate Overview Group.
- ▶ The Council successfully delivered cultural initiatives such as the Moon Festival and Lunar New Year events, which attracted significant community participation.
- ▶ The Council has also made notable progress in improving accessibility, as demonstrated by the installation of changing places facilities across multiple locations within the borough.

Policies, Procedures, Training and Development

- ▶ The Council demonstrates robust policy framework particularly through its Equality Scheme 2021-25 which provides clear strategic direction, while the Complaints Policy 2024, and the Confidential Reporting (Whistleblowing) Policy effectively outline expected behaviours and protection for those raising concerns.
- ▶ The Council has embedded EDI considerations within its procurement processes, extending EDI principles to external relationships.
- ▶ New starters receive scheduled training covering essential EDI topics within their first two months, covering areas such as Disability & Discrimination, Equality Act and Hate Crime awareness training. Additionally, the Council has proactively identified emerging training needs such as British Sign Language for customer-facing staff and neurodiversity awareness for managers.

Measurement, Accountability and Continuous Improvement

- ▶ The Council exhibits strong data collection practices, maintaining comprehensive workforce demographic data across protected characteristics that enables comparison with borough-wide census statistics. There is systematic tracking of recruitment diversity metrics and gender pay gap analysis demonstrating commitment to evidence-based decision making.



AREAS OF CONCERN

Finding	Recommendation and Management Response
<p>The Council's Corporate Strategy 2024-27 and Equality Scheme 2021-25 lacks a clear framework connecting EDI objectives, values and day-to-day operations, as there is no defined golden thread linking EDI Scheme to the Corporate Strategy and values. Furthermore, explicit roles and responsibilities are not defined within the Scheme risking disconnecting the EDI initiatives from core business activities and hindering the effective flow of EDI considerations from high-level values to operational delivery. Also, there is no visible senior</p>	<p>1a. The Council should include an Equality action plan within its Corporate Strategy that would be monitored each year, this is to ensure alignment of day-to-day operations to Council strategic objectives. For example:</p> <ul style="list-style-type: none"> • Ensure recruitment and Selection Training includes training to avoid bias • Provide training and support across services like Customer Service to improve complaint responses in relation to equality related complaints.

executive sponsorship of EDI initiatives and while the Council has an EDI Steering Group, it lacks active staff networks or forums to enable employee voice and engagement with EDI initiatives.

1b. The Council should develop a clear strategic framework that connects the EDI Scheme, Corporate Strategy and values. This would create a golden thread demonstrating how EDI considerations flow from values through to operational delivery.

1c. The EDI Scheme 2021-25 since coming to an end, the Council should consider updating it to outline clear responsibilities' matrix defining specific EDI duties and accountabilities for:

- Senior leadership
- Service managers
- Line managers
- Individual employees
- HR/EDI specialists
- Elected members

1d. The Council should consider designating a senior executive team member as EDI sponsor /Champion.

Management Response

1a. The Council already have an action plan that is reported to Corporate Overview Group and feel this is sufficient (and prior to this reviewed by Directors at EMT) - this includes actions relating to the examples given. When the planned refresh of the Corporate Strategy takes place EDI will be included and linked to the existing action plan. There are few if any equality related complaints and consider this to be a low risk for the Council.

1b. We feel that a framework is in place but is not documented. When capacity enables, we may look at this.

1c. When reviewed in 2025/26 we will consider the above but currently have responsibilities highlighted within our action plan.

1d. Disagree - there is a Cabinet Portfolio Holder that has Equality within his remit. We feel Head of Service is a sufficient level and the fact that reports come to EMT managing Equality and associated risks is a collective responsibility of all of the Directors and this filters down to all levels of management (so there is a golden thread). Council reports have a section that covers equality issues.

Target dates:

		<p>1a. Not accepted</p> <p>1b. September 2026</p> <p>1c. April 2026</p> <p>1d. Not accepted</p>
	<p>There is a lack of specific, measurable outcomes or outputs for some of the EDI actions in the Council's action plan, making it difficult to assess the true impact of initiatives.</p>	<p>2a. Equality Steering Group to develop and implement a structured action planning framework that requires initiatives to include: a single accountable lead with clearly defined supporting roles; specific quantifiable success measures, KPIs and completion dates. This framework should require actions to be broken down into specific, measurable sub-tasks. The framework should be supported by a quarterly review process where progress against metrics is assessed and reported to the Equality Steering Group. A few actions from the plan have been reformulated below to provide clarity</p> <ul style="list-style-type: none"> • Original Action was "Support Councillors to lead on Equality, Diversity and Inclusion by building their knowledge and awareness through training" <p>Reformulated as "Deliver comprehensive EDI development program for Councillors" by March 2025: To cover mandatory e-learning module to all councillors (by June 2024) and two face-to-face EDI workshops (September 2024 & January 2025. Targeting 90% completion rate for e-learning and 75% attendance at workshops with monthly tracking of completion rates.</p> <p>Lead: Head of Corporate Services (supported by Learning & Development Team)</p> <ul style="list-style-type: none"> • Original Action was "Make sure our conversations with our communities are inclusive and ensuring information on our website and in our communications is clear and accessible" <p>Reformulated as "Implement an Inclusive Communications Framework by March 2025 with an improved website accessibility score of 95%", by conducting accessibility audit of Council digital channels in Q1, creating inclusive language guide for all staff by Q2 and establish community feedback mechanism by October 2024 to achieve target satisfaction rate of 80% from feedback surveys.</p>

		<p>Lead: Communications and Customer Services Manager (supported by Digital Team, Community Engagement Officer).</p> <p>2b. Equality Steering Group to leverage its Pentana management system to create an EDI performance management system specifically for EDI initiatives that includes: a dashboard of key metrics for each action area; regular data collection and reporting mechanisms; clear escalation routes for actions falling behind schedule to be reviewed quarterly by the Equality Steering Group; and an annual evaluation process that assesses impact and informs future action planning. This system should incorporate both quantitative metrics (such as training completion rates, diversity).</p> <p><u>Management Response</u></p> <p>2a. This has been actioned.</p> <p>2b. The Action Plan is on a shared folder on Teams so that all members of the Steering Group can access and update. It is felt that this is sufficient to provide oversight and the ability to effectively monitor and report on the plan.</p> <p>Target dates:</p> <p>2a. Complete</p> <p>2b. Not accepted</p>
	<p>EDI training completion rates are low, with only 26.4% of staff having completed Equality Act 2010 training between January 2023 and October 2024 and training contents were not provided for review.</p>	<p>3a. The Equality Steering Group should consider undertaking a self-assessment against the Local Government Association Equality Framework for Local Government (EFLG), This would provide:</p> <ul style="list-style-type: none"> • A structured approach to evaluating EDI policies and practices • Benchmarking opportunities against sector standards • Clear framework for identifying areas of improvement. <p>3b. The Strategic HR Manager should implement a comprehensive induction training pack/framework that establishes clear refresher schedules for EDI mandatory training, create role-specific development pathways, and includes robust monitoring systems. This would ensure consistent skill maintenance across the organisation while supporting the Council's broader EDI objectives.</p>

		<p>3c. The Strategic HR Manager to develop a structured process for reviewing and documenting training content and how they map to legal/regulatory requirements, before the January 2025 Learning Pool update launch. As well as implementing a quality assurance framework for periodic review of training content that includes assessment criteria, review schedules, and clear responsibility for maintaining alignment with current legislation.</p> <p>3d. The Strategic HR Manager to communicate to non-compliant staff particularly those with managerial roles, with defined completion timeframe, the need to complete the EDI training.</p> <p>3e. The HR Strategic Manager to maintain an accessible repository of all training content, including version history to enable regular review and update, measurement through feedback and survey from participants of effectiveness as well as alignment with current EDI related policies and legislative quality assurance checks.</p> <p>3f. The HR Strategic Manager to implement a mandatory refresher cycle for EDI training (2-3years is the best practice approach we have seen in other organisations), track and record completion dates to flag due refreshers or uncompleted new starters.</p> <p><u>Management Response</u></p> <p>3a. We will complete this if capacity enables.</p> <p>3b. The training on EDI will be refreshed and clear completion requirements and timescales for review will be implemented.</p> <p>3c. The training on Learning Pool will have a 2 yearly completion schedule for all staff. Managers are responsible for ensuring staff complete and will be notified of non-completions. The Strategic HR Manager will review these annually.</p> <p>3d. See above - Managers are responsible for ensuring completion as they are notified via email.</p> <p>3e. Version history is maintained on Learning Pool. Staff are encouraged to notify HR if any learning needs are not met by the e-learning courses. This is</p>
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		<p>also picked through regular one to ones and PDR to identify training needs.</p> <p>3f. This is now in place.</p> <p>Target dates:</p> <p>3a. April 2026</p> <p>3b. November 2025</p> <p>3c. September 2025</p> <p>3d. Ongoing</p> <p>3e. Complete</p> <p>3f. Complete.</p>
	<p>The Council lacks a structured process for evaluating the effectiveness of its EDI strategy and incorporating learning. While workforce data is collected, there is limited analysis of EDI outcomes for residents and service users, and lessons learnt are not documented to evidence continual learning or improvement initiatives.</p>	<p>4a. The Equality Steering Group should develop a structured approach to analysing EDI data, including identifying key metrics, setting benchmarks, and defining what constitutes significant changes or concerns, by including processes for investigating disparities and developing action plans to be monitored through the EDI Steering Group.</p> <p>4b. The Equality Steering Group should implement a more robust action tracking system, including RAG rating and clear review points for ongoing actions.</p> <p>4c. Where actions are deprioritised or not going to be progressed when original plans prove unviable, decisions should be documented and with alternative, clearly communicated in meeting notes or action logs.</p> <p>4d. Where actions are delayed, an escalation process should be implemented to ensure accountability. This will further ensure the action plan delivers meaningful progress on EDI objectives.</p> <p>4e. The Council should develop more robust analysis that converts raw statistics into actionable insights. This should include clearer links between data interpretation and strategic decision-making, structured analysis of trends over time, and explicit use of data insights to inform service improvements and policy development. Such as conducting regular resident satisfaction surveys to understand what residents think about Council services and needs, to help develop strategies.</p> <p>4f. The Equality Steering Group to review its regular reporting to include</p>

		<p>recommendations based on data analysis.</p> <p>4g. The Council should establish a structured evaluation framework that includes regular public consultation cycles and external assessment mechanisms such as the LGA Equality Framework. This should incorporate clear quantitative and qualitative success measures for strategic objectives. The framework should ensure evaluation of regular touchpoints for community input and independent assessment of progress. This would provide more robust evidence of effectiveness and areas needing improvement.</p> <p>4h. The EDI Steering Group should create formal mechanisms for capturing, analysing and implementing learning from both successful and unsuccessful initiatives. This should include detailed analysis when initiatives don't achieve desired outcomes (like the Community Cohesion Network engagement), documenting key insights, and clear processes for feeding these learnings into strategy development and service delivery improvements.</p> <p><u>Management Response</u></p> <p>4a. EDI data is contained within the annual EDI report and scrutinised by Corporate Overview Group.</p> <p>4b. Action plan has been reviewed based on this feedback.</p> <p>4c. This will be recorded in the Action Plan via version-controlled documents.</p> <p>4d. If it is felt that the action is high priority and is not completed in a timely manner this would be escalated.</p> <p>4e. Bi-annual resident survey is completed and statistics reviewed and actions taken where appropriate.</p> <p>4f. Diversity report and EDI report have been brought together to better link this information.</p> <p>4g. The Communication and Engagement Strategy has recently been refreshed with an enhanced focus on engagement. A structured evaluation framework would not be specific to EDI and would require a corporate approach and the Projects Team.</p> <p>4h. Informal mechanisms are in place and we feel this is adequate.</p>
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	<p>Target dates:</p> <p>4a. Completed</p> <p>4b. Completed</p> <p>4c. Completed and ongoing</p> <p>4d. Completed</p> <p>4e. Completed and ongoing</p> <p>4f. Completed</p> <p>4g. April 2026</p> <p>4h. Not accepted.</p>
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CONCLUSION

The Council demonstrates a defined level of commitment to Equality, Diversity, and Inclusion (EDI) through its established frameworks and governance structures and has made notable progress in the following areas:

- ▶ **Governance Structure:** The establishment of the EDI Steering Group with cross-departmental representation provides systematic oversight of EDI initiatives.
- ▶ **Policy Framework:** Development of the Equality Scheme 2021-25 sets clear strategic aims around inclusivity and accessibility.
- ▶ **Compliance:** Strong demonstration of meeting statutory requirements through regular gender pay-gap reporting, equality impact assessments, and public sector equality duty compliance.
- ▶ **Data Collection:** Systematic gathering of workforce demographics and implementation of equality monitoring across recruitment processes.

Our EDI Maturity Assessment measures the Council’s arrangements against best practice. However, we recognise that this sets higher standards than the Equality Framework for Local Government (EQLG) which allows local authorities to identify as ‘Developing, Achieving or Excellent’. Albeit, there are significant areas of overlap between our EDI Maturity Assessment and the EQLG. Furthermore, as with many other local authorities, the Council do not have dedicated resource exclusively to manage EDI.

As such, while there are more findings in this report than our usual audit reports, this is a similar trend to other local authorities where we have undertaken EDI Maturity Assessment reviews. This is demonstrated by the graphs in the ‘Added Value’ section of our report which compares our maturity ratings for each scope area to our other local authority clients. Overall, compared to other lower tier local authorities, the Council’s arrangements were proportionate to its size and resources. The positive tone from the top and culture for promoting EDI across the authority was evident, which is a critical step to creating an inclusive organisation, including at a Portfolio Holder level.

However, there is still scope for the Council to improve in some other areas to advance its EDI maturity:

Strategic Integration:

- ▶ While EDI is recognised in the Council's values, there is limited evidence of systematic integration into service delivery and operational planning.
- ▶ The Corporate Strategy 2024-27 could benefit from an explicit EDI action plan with measurable outcomes, to demonstrate clearer connection between EDI considerations and day-to-day operations.

Leadership and Accountability:

- ▶ Absence of executive-level EDI sponsor limits visible leadership commitment.
- ▶ The Council would benefit from establishing clearer EDI roles and responsibilities across all levels, from senior leadership to frontline staff and defining clear governance roles and leadership accountability within the EDI Steering Group terms of reference.

Training and Development:

- ▶ EDI training while mandatory, review of quality of training, monitoring of completion rates and regular refresher schedules requires enhancement.

Measurement and Continuous Improvement:

- ▶ While basic data collection exists, there is limited evidence of data being used to drive strategic decision-making.
- ▶ There is scope to establish clearer feedback mechanisms for both internal (staff) and external stakeholders (residents, services users and the public).
- ▶ Limited framework for evaluating EDI strategy effectiveness and capturing organisational learning through regular public consultations.

The Council has established foundational EDI elements but needs to focus on systematic integration of EDI principles across operations, enhanced leadership accountability, and more robust measurement and evaluation frameworks to progress from its current 'Defined' level toward greater maturity. Implementation of the recommended actions would significantly strengthen the Council's EDI performance and impact.

DISABLED FACILITIES GRANT

CRR REFERENCE: 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.

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

SCOPE

BACKGROUND

- ▶ The Housing Grants, Construction and Regeneration Act 1996 places statutory responsibilities on local authorities to provide the Disabled Facilities Grant (DFG) to private sector property adaptations when certain criteria are met to support disabled residents to live in their properties. These changes aim to make living safer and more independent. Examples include level access showers, building extensions, installing stair lifts, ramps, handrails, and widening doors. To obtain the DFG, the applicant must be disabled and intend to live in the property for five years after the work is completed.
- ▶ Rushcliffe Borough Council (the Council) administers the grant to residents within the borough. The grant amount depends on the applicant's household income and savings, with a maximum available grant of £30,000. However, for disabled children under 18, the family's income is not considered. The grant is means-tested, therefore, applicants may need to contribute towards the cost of the work. The Council's DFG Policy does allow for a £10,000 discretionary top-up to be provided but this has been paused due to the large waiting list that it currently has.
- ▶ Nottinghamshire County Council's (the County Council's) Occupational Therapy service refer applicants to the Council for a formal application to be submitted. Independent occupational therapists may also make referrals. Where the Council will have to consult with the County Council to determine whether the proposed works are necessary and appropriate to meet the need of the applicant.
- ▶ Applicants must obtain at least two quotes from contractors for the adaptation works. Where these are like-for-like, the contractor offering the best value for money is required to be selected to carry out the works. The Council's Technical Officers support applicants throughout the process, where required. The Council is collaborating with other local authorities in Nottinghamshire for the purchase of equipment used for DFG adaptations via an Equipment Solutions Framework.
- ▶ The Council uses the Uniform System (Uniform) to record applications and documentation to support applications is required to be retained on IDocs (the Document Imaging System).
- ▶ There is a high volume of demand for DFG in Rushcliffe. As a result, there is a waiting list. The budget for DFG in 2024/25 was £738,612 in year allocation (actual award £825,541 less HPAS £86,929 = £738,612) plus £293,000 brought forward of own resources from a Cabinet award of £500,000 on 1st December 2022 totalling £1,031,612. In December 2024, Cabinet approved an additional £200,000 of DFG funding in the Capital Programme to increase the support to its residents for the 2025/26 budget.

PURPOSE

- ▶ The purpose of the audit was to provide assurance over the Council's arrangements for assessing DFG grant applications and the accuracy and timeliness of payments to contractors, following the satisfactory completion of works.

AREAS REVIEWED

The following areas were covered as part of this review:

- ▶ We assessed whether the DFG is sufficiently and transparently published on the Council's website to promote the take-up of the grant support, and whether direct/targeted contact is made with residents that could be eligible for the DFG.
- ▶ A sample of ten DFG applications to follow the process from start to finish to ensure that the following steps had taken place:
 - A referral was received from an occupational therapist
 - Application forms were received, means-tested and approved in accordance with the delegated authorities prior to an Approval Notice being issued, and sufficient documentary evidence was retained from the applicant to support the application, ie ID, benefits statements, bank statements, etc.
 - There is evidence that quotes were obtained from at least two contractors and that value for money was appropriately assessed
 - A purchase order for the works was raised on the E-Financials System (E-Financials) and approved in accordance with the Scheme of Delegations
 - Confirmation for completion of the works and appropriate inspections were conducted to ensure the works met the agreed standards prior to payment of the DFG
 - The contractor was paid in a timely manner.
- ▶ Reporting to the Council's management teams and committees to ascertain whether these were accurate, timely and provided sufficient information to support effective oversight of the use of the DFG.
- ▶ Reporting to the Ministry for Housing, Communities and Local Government (MHCLG) to assess whether this was compliant with the grant reporting requirements and issued in a timely manner.



AREAS OF STRENGTH

The following areas of good practice were identified:

- ▶ The Council has a dedicated page on its website providing information about the DFG, including details on the grant's purpose, conditions, repayment process, and eligibility criteria. The Council also provides additional information about the Handy Person Adaptions Service (HPAS) to support local businesses to deliver the works.
- ▶ Once a referral has been received from the Occupational Therapy service and before work commences, the Council's Business Support Unit performs a review of the applicant's benefit status with the Benefit Team to assess their likelihood of eligibility for the DFG. The Council offer a home visit to assist applicants in completing the application form and obtaining relevant evidence to support their eligibility. It uses the Ferret System to means test grant entitlement and to calculate contributions required by the applicant. However, a means test is not required for applicants under 18 or those receiving passport benefits, including income support. Once the application is approved by the Housing Strategy and Development Team Leader (the Team Leader), an Approval Notice letter is issued to the applicant. Documentary evidence of each stage of this process is retained on the applicant's iDocs record.
- ▶ To verify that the work has been completed to the required standards and in accordance with the application, the Technical Officer conducts an initial inspection (or pre-start meeting) to confirm the construction start date and a final inspection of the works once an invoice is received from the contractor. If both the Council and the applicant are satisfied, a Substitute Invoice Form (SIF) is raised by the Council, confirming the payment amount and corresponding invoice details. Once the SIF is approved by the Team Leader, the payment is processed to the contractor.

- ▶ We tested a sample of ten DFG applications received between January and December 2024, totalling £142,667 of DFG funding (excluding contributions made by the applicants). We noted in all instances:
 - A referral form from the Occupational Therapy service was received before an application form was completed.
 - Application forms were completed and signed by the applicants.
 - No means testing was conducted for the applicants in our sample as they were either under 18 or in receipt of passport benefits. Evidence obtained from the applicant with sufficient to confirm that they were eligible for the grant.
 - All payments to the contractors were processed after the property had been inspected by the Technical Officer and once confirmation had been obtained from the applicant that they were satisfied with the works.
 - SIFs were approved by the Team Leader in accordance with the Scheme of Delegation.
- ▶ The Council' DFG Policy clearly outlines the process for assessing grant applications, approvals, and payments to contractors and is published on the Council's website. The Housing Team have developed procedure notes for staff to guide them on how to process and application. These were clear and easy to follow, with flow charts and narrative to explain each phase of the process.
- ▶ There is a structured process for reporting DFG allocations to the County Council using its standardised workbook template provided. The workbook has financial and performance metrics, including the amount of the annual DFG budget spent and the number of people supported each quarter. The form is jointly completed by the Team Leader and the Finance Business Partner using data from the Grant Monitoring Spreadsheet and Finance Report. The Finance Report uses data extracted from E-Financials and is reconciled monthly by the Finance Business Partner to confirm the data is accurate.
- ▶ There were robust governance structures and reporting channels to support effective oversight of how the grant has been spent. Due to the high level of demand for the DFG in the borough, there was regular monitoring of its management, including:
 - **DFG Strategic Oversight and Consistency Groups.** Meetings are held every eight weeks to focus on improving financial management, service satisfaction, and future planning. Key topics include the completion of agreed actions, the DFG budget management, and HPAS updates.
 - **Finance Updates.** Monthly and quarterly updates from Finance Business Partners are presented to the Corporate Overview Group, which includes information of the DFG budget. These updates allow for timely issue resolution and informed decision-making.
 - **Engagement with Politicians.** Due to the increasing pressure on the Council's funding situation, a letter was written to MPs about funding disparities and administrative burdens placed on the Council. This demonstrates proactive engagement with Central Government to seek solutions for equitable DFG funding and support for the Council.



AREAS OF CONCERN

Finding	Recommendation and Management Response
<p>The audit trail for applications, including the approvals of applications, are overwritten on Uniform when changes to the grant are made. This results in the Council being unable to demonstrate that applications were approved before an Approval Notice Letter was initially sent to the applicant, if there were subsequent changes to the grant award (Finding 1 - Low).</p>	<p>The Council should liaise with the Uniform system providers to ascertain whether full audit trails of DFG application approvals can be retained. If this is not possible, an alternative mechanism should be established to record approvals, ie a log of the authorisations on a spreadsheet or email confirmation of approvals being retained in a folder.</p> <p>Management Response</p> <p>The Council acknowledges the importance of maintaining a comprehensive and accurate audit trail for all DFG application approvals and variations. During 2024, we implemented several process improvements, including the appointment of a new team and team leader, which have strengthened our internal controls.</p> <p>While current system limitations prevent Uniform from retaining detailed historical data on variations and approvals, we recognise the need for alternative measures to ensure accountability and traceability. Consequently, we will implement the following actions:</p> <ul style="list-style-type: none"> ▶ All approvals and re-approvals will be manually logged on the IVAs by the Team Leader. ▶ Confirmation emails of all approvals and variations will be uploaded and retained within the iDocs system for each case, ensuring an auditable record of approvals. <p>We will continue to liaise with the Uniform system provider to explore potential enhancements that could facilitate automated retention of full audit trails in future system updates.</p> <p>Target date: 13 May 2025</p>
<p>Only one quote was obtained from a contractor for one of the works selected in our sample of DFG projects. This is non-compliant with the DFG Policy (Finding 2 - Low).</p>	<p>The Lead Specialist Strategic Housing should remind staff that multiple quotes must be obtained from contractors, and retained on iDocs, for works undertaken using the DFG. Reviewers should be prompted to actively confirm that they have verified that multiple quotes have been obtained or that they are satisfied with the rationale for appointing a supplier directly.</p> <p>Management Response</p> <p>In 2024, several improvements have been implemented within the DFG process to enhance case progression, which has been reflected in the recent audit. The specific</p>

	<p>case in question was longstanding, dating back to 2022. To ensure the works were completed promptly and to meet the client’s needs, the contractor responsible for the building works was also tasked with completing the soundproofing. A decision was made to proceed with this contractor because they could provide a confirmed start date, helping to avoid further delays for the family.</p> <p>Action: An email has been sent by the Strategic Housing Manager to the DFG team, and this will be discussed at the upcoming DFG Team Meeting. The purpose is to remind staff that two quotes must be obtained and uploaded to Idox for all works, unless a framework agreement is in place. When reviewing Grant Summary sheets, Technical Officers should verify that at least two quotes have been received. Similarly, Team Leaders should confirm that at least two quotes are available before approving the grant. All quotes should be checked for valid dates. If there is a valid reason for accepting only one quote, this must be approved by the Team Leader.</p> <p>Target date: 13 May 2025</p>
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CONCLUSION

We conclude that the Council have a Substantial control design and Moderate control effectiveness for its management of DFG applications. While the Council have high levels of demand for DFG and, at a political level there has been challenge over whether additional funds should be allocated to DFG, the scope of our audit and our opinion is based on the management and processing of applications in accordance with internal policies.

Control Design

The control design is Substantial because there is a sound system of internal controls designed to achieve its objectives.

The DFG Policy establishes a robust control environment for processing and reviewing DFG applications and making payments to contractors for the completion of satisfactory works. It clearly outlines the eligibility criteria for applicants, who also receive support to create a full application for a DFG. There were also internal procedure notes for staff to refer to when processing an application.

Reporting on the DFG spend was proportionate to the level of risk for the funds. As there are high levels of demand in Rushcliffe for support, the Council have submitted letters to political figures to raise its challenges to support residents.

Control Effectiveness

The control effectiveness was Moderate because there was evidence of non-compliance with some controls that may put certain objectives at risk. However, generally controls were complied with. Critically, our sample testing of ten DFGs identified that applications were submitted in full for successful awards and records were retained on Uniform, with supporting documentation to evidence eligibility on iDocs. Before payments were made to contractors, inspections were conducted by the Council to verify that these met the appropriate standards. However, there was one instance where only quote was obtained for DFG works, which does not comply with the DFG Policy. Furthermore, due to the setup of Uniform, where variations to a DFG application is made and approved, this overwrites the approval evidence for the initial application

assessment. Therefore, for two cases we were unable to verify that the application was approved before an Approval Notice Letter was sent to the applicant.

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
<p>PENSION SCHEME REFORM</p> <p>PENSION SCHEME REFORMS TO BOOST BENEFITS AND TACKLE INEQUALITY CHANGES WILL MEAN MORE MONEY IN THE POCKETS OF HARD-WORKING PEOPLE WHEN THEY REACH RETIREMENT, DELIVERING ON GOVERNMENT’S PLAN FOR CHANGE</p> <p>Street cleaners, school cooks and other dedicated public servants are set to benefit from a package of reforms to the Local Government Pension Scheme (LGPS) with an aim to ‘end discrimination and lead to more money in people’s pockets’.</p> <p>Measures announced on the 15 May 2025 build on the government’s wider Make Work Pay agenda that will back millions of workers by banning exploitative zero-hours contracts, ending ‘Fire and Rehire’ and ‘Fire and Replace’ practices and strengthening statutory sick pay.</p> <p>The Local Government Pension Scheme for England and Wales will become the first public service pension scheme, of which 74% of the scheme’s seven million members are women, to make all maternity, shared parental and adoption leave automatically pensionable.</p> <p>Issues with current regulations that saw survivors of members receiving smaller pensions based on their relationship type will be fixed, ending historic inequalities. Loopholes that allow those guilty of serious offences to continue benefitting from the pension scheme will also be closed, as part of a crackdown to ensure public servants’ money does not go to those who do not deserve it.</p> <p>In addition, an age cap currently in place that requires an LGPS member to have died before the age of 75 for their survivor to receive a lump sum payment will also be abolished.</p> <p>The government is also taking steps to keep people in the scheme by enhancing data collection on why people opt out, in a bid to ensure as many people as possible benefit.</p> <p>A consultation on the proposed reforms to LGPS members’ benefits is open for 12 weeks, and those affected are encouraged to register their views.</p> <p>Pension Scheme reforms to boost benefits and tackle inequality - GOV.UK</p> <p>FOR INFORMATION: GOVERNANCE SCRUTINY GROUP AND SENIOR MANAGERS</p>
<p>LOCAL DEMOCRACY</p> <p>REFORM UK TAKES CONTROL OF NOTTINGHAMSHIRE COUNTY COUNCIL</p> <p>On the 2 May 2025, Reform UK became the majority party in Nottinghamshire County Council. The group secured 40 of the Council’s 66 seats, surpassing the required majority of 34. The Conservatives, who previously had a majority, are now the main opposition with 17 councillors, with Labour in third with four seats.</p> <p>The Reform UK Member of Parliament for Ashfield has noted that the first thing that will be looked at is where money is being spent and where savings can be made, with funding expected to be taken from net zero teams and reallocated to frontline services. The Leader of Reform UK has stated that they want to see “a Doge in every county”, referring to the Department of Government Efficiency which has been set up in the United States of America.</p> <p>In other authorities, Reform UK has proposed ending working from home practices.</p> <p>Reform takes control of Nottinghamshire County Council - BBC News What now for Nottinghamshire County Council after Reform win? - BBC News</p> <p>FOR INFORMATION: GOVERNANCE SCRUTINY GROUP AND SENIOR MANAGERS</p>

COUNCIL FUNDING GAP

SPENDING REVIEW: COUNCILS COULD FACE £8BN FUNDING BLACK HOLE BY 2028/29

Analysis by the Local Government Association (LGA) on the 14 February 2025 revealed that Councils in England could face a £1.9 billion gap in 2025/26 rising to £4.0 billion in 2026/27, £6.0 billion in 2027/28, and £8.4 billion in 2028/29 without adequate funding in place.

In its submission to the Treasury ahead of the Spending Review, the LGA demonstrated the vital role councils have in Government reform and its growth agenda and the negative impact of not investing across the many critical council services relied upon everyday by millions of people.

Without urgent action in the Spending Review announced by the Chancellor on the 11 June 2025, many councils will be left with having to make impossible choices on what desperately needed services can be provided in the future, as well as missing opportunity to boost growth and reform.

Last year 18 councils required Exceptional Financial Support (EFS) to set their 2024/25 budgets. Of those who responded to the LGA's survey, 25 per cent of Chief Financial Officers (CFOs) now say that their council had either applied for EFS to support their 2025/26 budget or that they expected to do so in 2025/26 or 2026/27. This is indicative of the growing financial emergency facing councils.

The continued implementation of one-year settlement for councils, has severely hindered the ability to plan services and deliver to local communities. The commitment from the government to provide councils with three-year settlements is therefore encouraging.

This is still a critical time for councils, which are experiencing continued financial strain resulting from long-standing funding reductions and are expected to worsen as costs and demand pressures rise at an increased rate.

New costs associated with employer National Insurance Contribution changes not fully compensated by the government, alongside demographic change, inflation and unfunded rises to the National Living wage further exacerbate this challenge.

The LGA revealed that if current cost and demand trends continue, by the end of 2028/29 cost and demand pressures would add £21.4 billion to the cost of delivering council services since 2024/25. This is 29.8 per cent in additional service costs.

Spending Review: Councils could face £8bn funding black hole by 2028/29 | Local Government Association
FOR INFORMATION: GOVERNANCE SCRUTINY GROUP AND SENIOR MANAGERS

DEVOLUTION AND LOCAL GOVERNMENT REORGANISATION

THE DEVOLUTION AND LG REORGANISATION HUB

BRINGING TOGETHER INFORMATION AND RESOURCES ON DEVOLUTION AND LOCAL GOVERNMENT REORGANISATION FOR PUBLIC AND LOCAL AUTHORITIES.

Following the publication of the English Devolution White Paper, the LGA have been working at pace to respond to, and digest the proposals and their respective opportunities and risks.

Our position is clear: we want every council in England to have the ability to secure devolution that works for them, their local economies, and their residents. The devolution of powers and resources can play a huge role in promoting inclusive economic growth, creating jobs, and improving public services. In a very centralised country, moving funding and power from Whitehall to local leaders is needed.

Devolution

Devolution will provide greater freedoms and flexibilities at a local level, meaning councils can work more effectively to improve public services for their area. The result will be more effective, better targeted public services, greater growth and stronger partnerships between public, private and community leaders in local areas.

Local government reorganisation (LGR)

The government has announced that it will facilitate a programme of local government reorganisation for two-tier areas and for those unitary councils where there is evidence of failure or where their size or boundaries may be hindering their ability to deliver sustainable and high-quality services for their residents.

Proposed reforms in the White Paper will have a significant impact on every council and community. We remain clear that local government reorganisation should be a matter for councils and local areas to

decide. There are differing directions of travel underlining the diverse range of views about devolution and local government reorganisation that exist within the local government sector. The LGA will continue to respect each perspective and each choice equally.

The devolution and LG reorganisation hub | Local Government Association

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.	
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards	
Quality of work	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.	  
Completion of the audit plan	We have completed our work on the 2024/25 Internal Audit Plan and commenced our work on the 2025/26 Internal Audit Plan.	

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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The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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Governance Scrutiny Group

Thursday, 19 June 2025

Internal Audit Annual Report 2024/25

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. The attached report has been prepared by the Council's internal auditors BDO. It summarises the work undertaken during the course of 2024/25 and the management actions arising from the audits. It also provides the annual opinion of the Head of Internal Audit required by the Public Sector Internal Audit Standards.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes Internal Audit's Annual Report in relation to 2024/25 (**Appendix A**).

3. Reasons for Recommendation

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

4. Supporting Information

- 4.1. The appended BDO report highlights the completion of the Internal Audit Plan for 2024/25 with all planned audits completed. In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit, BDO, is required to provide an annual opinion. The Group is asked to note that for 2024/25 the Head of Internal Audit BDO has concluded that the Council had a sound system of internal control, that controls were applied consistently across services and has reached an overall opinion of substantial assurance which is the highest level of assurance that can be awarded. It is the fourth consecutive year that the Council has received a substantial opinion and it should be noted that it is a significant achievement to maintain this level of assurance.
- 4.2. In 2024/25, BDO undertook nine internal audit reviews. As reported previously in the quarterly progress reports, of the nine audits completed:
 - Three received substantial assurance on both design and effectiveness – Budgetary Control, Workforce and Succession Planning, and Housing Benefit

- Three received substantial assurance on design effectiveness only and moderate for effectiveness – Main Financial Systems, Carbon Management Action Plan, and Disabled Facilities Grants
- The Annual Fraud report and Equality Diversity and Inclusion (EDI) report are not classified in the same way
- Cyber Security was a confidential report and therefore not summarised for the annual report.
- There were no reports issued with limited assurance.

4.3. BDO have issued no high-level findings and a total of 2 medium recommendations, reflecting limited control weaknesses. This is a reduction from the previous years, demonstrating the Council's positive culture for maintaining effective controls. Management actions have been agreed in all cases and recommendations have been implemented in a timely manner throughout 2024/25 with improvements made to the follow-up process.

5. Risks and Uncertainties

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

6. Implications

6.1. Financial Implications

There are no direct financial implications to the report. Indirectly, a better internal control environment suggests risk has reduced and can result in a reduced audit workload and therefore cost.

6.2. Legal Implications

There are no legal implications arising from this report.

6.3. Equalities Implications

There are no equalities implications arising from this report.

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

There are no Section 17 implications arising from this report.

6.5. Biodiversity Net Gain

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

7. Link to Corporate Priorities

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

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group notes Internal Audit's Annual Report in relation to 2024/25 (**Appendix A**).

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

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RUSHCLIFFE BOROUGH COUNCIL INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE

2024/25

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EXECUTIVE SUMMARY

Internal Audit 2024/25

This report details the work undertaken by internal audit for Rushcliffe Borough Council ('the Council') and provides an overview of the effectiveness of the controls in place for the full year. The following reports have been issued for this financial year:

- ▶ Workforce and Succession Planning
- ▶ Cyber Security
- ▶ Main Financial Systems
- ▶ Fraud Report
- ▶ Budgetary Control
- ▶ Equality/Equity Diversity and Inclusion (EDI)
- ▶ Carbon Management Action Plan
- ▶ Disabled Facilities Grants (DFG)
- ▶ Housing Benefits.

We have detailed the opinions of each report and key findings on pages three to nine. Our internal audit work for the period 1 April 2024 to 31 March 2025 was carried out in accordance with the internal audit plan approved by management and the Governance Scrutiny Group. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Council, through the Governance Scrutiny Group, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period. The basis for forming my opinion is as follows:

- ▶ An assessment of the design and operation of the underpinning risk management processes
- ▶ An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year; this assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses
- ▶ Any reliance that is being placed upon third party assurance.

Overall, we provide **Substantial** assurance that there is a sound system of internal controls, designed to meet the Council's objectives, that controls are being applied consistently across various services, with limited levels of non-compliance.

In forming our view, we have taken into account that:

- ▶ We completed a total of nine reviews (eight assurance audits and two advisory reviews). Across the internal audit reviews, we consistently provided Substantial assurance over the design of controls and/or the control effectiveness. There were only four reviews where we provided a Moderate opinion for the control design of effectiveness.
- ▶ There has been prompt implementation of audit recommendations, with most recommendations implemented by the initial due date. We have collaborated with Management to improve our follow up process by obtaining access to the Council's Microsoft Team channel to allow continued follow up throughout the year.
- ▶ There has been a continued engagement with internal audit by the Executive Management Team

(EMT), demonstrating a commitment to enhancing internal controls, governance and risk management processes. This is despite a backdrop of increasing challenges on resources for local authorities, compounded by other demands that have impacted capacity of staff (such as managing the electoral pressures of a General Election). Staff have consistently provided our Internal Audit Team with availability to support the delivery of our reviews.

- ▶ While the Council has a new Chief Executive, there has been a consistency in the ELT which supports the organisational stability. There has been a similar stability on the Governance Scrutiny Group who have embraced further improvement and developmental opportunities during the year. This includes Audit Committee training provided by us to support new and existing members understand their roles and functions of an effective Audit Committee.
- ▶ The Council's external auditors have issued an unqualified opinion on its Statement of Accounts for the Year-Ended 31 March 2024. Across local authorities, there have been 300 accounts that have a disclaimed opinion from the external auditors across 2022/23 and 2023/24 by the backstop set by the Government. Against this wider view of challenges in the sector, the fact that the Council's accounts have been audited demonstrates good governance and effective management.



REVIEW OF 2024/25 WORK

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
Workforce and Succession Planning	-	-	2	Substantial	Substantial	<p>This audit assessed the Council's workforce and succession planning arrangements, focusing on critical and senior roles, and whether sufficient skills and development programmes were in place.</p> <p><u>Conclusion</u></p> <p>We concluded that there were substantial controls in place for workforce and succession planning and these controls were consistently complied with. There was regular dialogue between the HR Team and departments, although there could be enhanced controls for analysing staff productivity and demand to improve short, medium and long term planning. There was also a workforce strategy in place.</p> <p>The Council had succession plans for critical and senior roles, which is not always the case for local authorities. However, there were no formal plans for identifying and developing high performing staff through the appraisal process to support their learning and progression.</p> <p><u>Findings</u></p> <ul style="list-style-type: none"> ▶ While the Council has workforce and succession plans in place, there was not a detailed analysis of the current workforce and service demand, along with an analysis of forecast demand and future workforce requirements for services. We also observed some areas for improvement when benchmarking to professional guidance. ▶ A quantitative scoring metric is not used for appraisals to objectively identify high performing staff to then enrol them onto development programmes. Furthermore, the compliance rates for performance development reviews were lower than expected.
Cyber Security	This was a confidential internal audit report, therefore, we do not include the opinion or the conclusions in Annual Report.					
Main Financial Systems	-	-	4	Substantial	Moderate	We review the Council's main financial systems on a cyclical basis as part of our core assurance. The focus of this review was payroll and accounts receivable. The Council's

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>payroll service is outsourced to Gedling Borough Council based on information provided by the Council.</p> <p><u>Conclusion</u></p> <p>We provided Substantial assurance for the design of controls because these were generally robust. There were appropriate procedures for debt recovery, underpinned by the Debt Recovery Policy, and this was followed appropriately to support effective collection. There was also adequate reporting to the Executive Management Team on debts and write-offs.</p> <p>However, the control effectiveness was Moderate because there were some exceptions to how these controls were applied. We identified that there were seven Council staff members who had access to changing pay scales in the payroll system, which should be limited to Gedling Borough Council only. Additionally, payroll reconciliations were not reviewed promptly, although they were performed on time. From the sample of new starters, leavers and salary changes, we confirmed that these were processed accurately and supported by sufficient documentation.</p> <p><u>Findings</u></p> <ul style="list-style-type: none"> ▶ Segregation of duties were not in place for journals on E-Fins below the value of £10,000. ▶ While suppliers of high value transactions and those procured through frameworks were subject to due diligence, low value or low risk new suppliers were set up without credit checks, and there was no way to record approvals of supplier set up within the system. ▶ Four members of the HR Team and three of the Finance Team could change pay scales in the payroll system which should be restricted to payroll staff at Gedling Borough Council only. ▶ A review of the payroll reconciliation was not completed promptly for one month, although the reconciliation was performed on time.
Fraud Report	-	-	-	Advisory Report		This was an advisory report where findings and recommendations are not raised.

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
Budgetary Control	-	-	2	Substantial	Substantial	<p>We assessed whether there were adequate controls in place for budgetary reporting and management to support accountability for budget holders and effective budget management. We also benchmarked the Council's practices to other local authorities.</p> <p><u>Conclusion</u></p> <p>The control design was Substantial as there were proportionate governance structures to oversee budgetary performance at departmental and a senior level. There was cooperation with internal and external stakeholders during the budget setting process. Furthermore, there was regular one-to-one meetings between Finance Business Partners and budget holders to scrutinise and re-forecast budgets. These were also presented to Performance Clinic meetings.</p> <p>Annual budget holder training sessions were held and attended by all budget holders. The Finance Team has also established tailored sessions with some departments on specific topics that had been requested.</p> <p>Overall, amidst a backdrop of financial and budgetary challenges in local government organisations, the Council's budget management was effective.</p> <p><u>Findings</u></p> <ul style="list-style-type: none"> ▶ Budget holders may benefit from further training such as short sessions on challenging areas of the role and a 'how to' guides for the functionality of the finance system for self-service use. ▶ While there was a consistent baseline, there was an inconsistency in the level of detail provided by budget holders in the completion of action logs and justifications for variances.
Carbon Management Action Plan	-	2	-	Substantial	Moderate	<p>The purpose of this audit was to assess whether the Carbon Management Action Plan was effectively monitored and managed, including alignment between the actions and the Council's budget.</p> <p><u>Conclusion</u></p> <p>The Carbon Management Action Plan covered the areas we would expect. However, there were actions which had been removed from the Action Plan, reducing the audit trail for actions taken. To help monitor trends and the reduction of carbon emissions, a Carbon Clever Progress Dashboard has been developed. This shows that the Council is on target</p>

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>to reach its objective to be carbon neutral by 2030. The actions taken are reported to the Communities Scrutiny Group who maintain oversight of the delivery.</p> <p>Costs for actions on the Carbon Management Action Plan had been estimated based on historic contracts or general understanding of the costs. When these are incorporated into the capital programme a formal appraisal is documented with more tangible costs. To demonstrate its commitment to carbon neutrality, the Council put £1m towards a climate change reserve which is topped up annually and monitored monthly.</p> <p><u>Findings</u></p> <ul style="list-style-type: none"> ▶ Actions in the Carbon Management Action Plan were not all SMART (specific, measurable, achievable, realistic and time-bound) and some actions have been removed from the action plan tracker without a formal change control process. Other actions were not worded as a clear action and referred to 'investigating' a solution, which is not tangible and measurable. ▶ Minutes of Carbon Reduction Group meetings were not retained; therefore, we were unable to provide assurance over the effectiveness of scrutiny and governance.
Housing Benefits	-	-	2	Substantial	Substantial	<p>Housing Benefits are a statutory service provided by local authorities. We assessed the new housing benefit claims and changes in circumstances and overpayments processes.</p> <p><u>Conclusion</u></p> <p>The control design and effectiveness were Substantial because there was a sound system of internal control designed to achieve system objectives and these were consistently followed.</p> <p>Policies and procedures for processing housing benefit claims were clear, with roles and responsibilities defined. There was also robust reporting to the Executive Management Team and Corporate Overview Group to monitor timescales for processes changes in circumstances.</p> <p>Our sample testing of new benefit claims and changes in circumstances identified consistent compliance with targeted timescales for processing applications. Weekly payment runs were made to ensure prompt payments to claimants, with a separation of duties embedded to mitigate the risk of fraud or error.</p>

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>However, we identified that there was not a formal separation of duties when awarding discretionary housing payments (DHPs) to claimants in accordance with the Council's policies.</p> <p><u>Findings</u></p> <ul style="list-style-type: none"> ▶ 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. ▶ 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.
Equality/Equity Diversity and Inclusion	-	-	-	Advisory Report		<p>We used our internally developed EDI Maturity Assessment Toolkit to assess the Council's internal EDI controls and management for its workforce. This is a 'gold standard' criteria which overlaps with the Equality Framework for Local Government (EQLG) but has higher standards than those recommended in the EQLG.</p> <p><u>Conclusion</u></p> <p>We concluded that the Council had a Defined level of maturity for EDI in its workforce, with some scope areas being Aware. Critically, the tone from the top and the governance was Defined, which relates to the culture in the Council and statutory reporting compliance. This is in line with other local authorities that we have conducted the EDI Maturity Assessment for. As there are limitations to resource available to EDI, the implementation of the Equalities Scheme is delivered through the EDI Steering Group and collaboration between service areas.</p> <p>To improve its maturity for EDI, sponsorship of EDI at a senior level could be allocated to a member of the Executive Management Team and higher completion rates for EDI training modules could be enforced. Furthermore, the Council could use its workforce data more effectively to drive its EDI outcomes.</p> <p>Critically, the Council complied with the gender pay gap reporting requirements of the Public Sector Equality Duty. Furthermore, the Chief Executive and Executive Directors demonstrated a commitment to EDI and attended key meetings to monitor and oversee EDI objectives.</p> <p><u>Findings</u></p>

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> ▶ There did not appear to be a golden thread between corporate strategies and values, and the Equality Scheme. Roles and responsibilities to promote EDI across the Council were not documentation and there was no senior sponsor for EDI to promote networks and forums. ▶ The EDI Action Plans did not have SMART objectives or outcomes, making it difficult to assess the impact of EDI initiatives. ▶ EDI training completion rates are low, with only 26.4% of staff having completed Equality Act 2010 training between January 2023 and October 2024. ▶ There were inadequate arrangements for evaluating the implementation of the EDI Strategy, using data collected on the workforce, residents and services users to share lessons learnt and drive future initiatives.
Disabled Facilities Grants	-	-	2	Substantial	Moderate	<p>The purpose of this audit was to review the operational management and administration of the Disabled Facilities Grant (DFG), including an end-to-end review of the application process.</p> <p><u>Conclusion</u></p> <p>There was a Substantial design of controls for the administration of the DFG and a Moderate effectiveness of controls, as some non-compliance was identified.</p> <p>The DFG Policy establishes a robust procedure and timescales for reviewing and assessing applications, including how the Council will cooperate with the County Council. This included clarity over the eligibility criteria and requirements for obtaining multiple quotes for the works to obtain value for money. There was one instance where three quotes, as required by the policy, were not obtained. However, this was an exception and, broadly, the application process was followed correctly, with appropriate levels of sign off. There were two applications where we were unable to verify that the application was approved before an Approval Notice Letter was sent to the applicant.</p> <p>Documentation was retained on iDocs for each stage of the application process.</p> <p><u>Findings</u></p> <ul style="list-style-type: none"> ▶ The audit trail for applications, including the approvals of applications, were overwritten on Uniform when changes to the grant are made. This results in the Council being unable to demonstrate that applications were approved before an

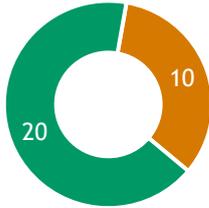
Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>Approval Notice Letter was initially sent to the applicant, if there were subsequent changes to the grant award.</p> <ul style="list-style-type: none"> ▶ Only one quote was obtained from a contractor for one of the works selected in our sample of DFG projects. This is non-compliant with the DFG Policy, however, this relates to works that an existing contractor had supported on before and so they were considered the best value for money.

SUMMARY OF FINDINGS

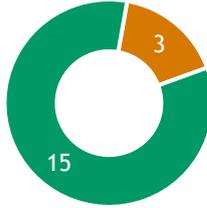
RECOMMENDATIONS AND ASSURANCE DASHBOARD

Recommendations

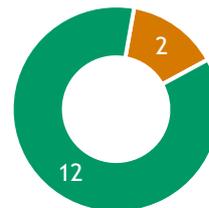
2022/23



2023/24

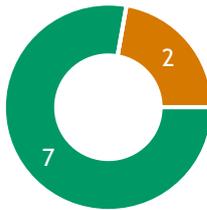
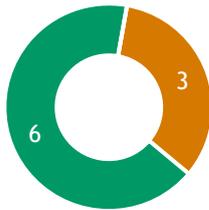


2024/25



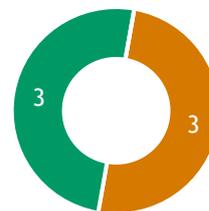
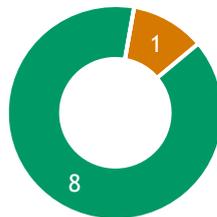
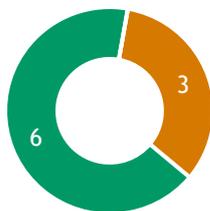
As with prior years, we did not raise any high findings in the year. The proportion of Medium and Low findings remained consistent with 2023/24.

Control Design



We provided Substantial opinions for the control design for all reviews in 2024/25. Other advisory work was conducted in the year which supported our Head of Internal Audit Opinion.

Operational Effectiveness



There was an increase in the number of Moderate assurance opinions provided on the control effectiveness across our reviews. Broadly, the overall view control effectiveness remained positive.

ADDED VALUE



USE OF SPECIALISTS

Our reviews were performed by our dedicated Public Sector Internal Audit Team. For specialist reviews, these were completed by subject matter experts to ensure the Council received assurance from qualified individuals. This includes the Fraud Report where the work was performed and reviewed by Accredited Counter Fraud Specialists. The Cyber Security audit was undertaken by our Cyber Security and Infrastructure Security Agency (CISA) qualified staff.



ADDITIONAL TRAINING OUTSIDE OF THE AUDIT PLAN

We recognise the importance of assurance providers supporting local authorities, at no extra cost, outside of the Internal Audit Plan. Training was provided to the Governance Scrutiny Group on how to be an effective Audit Committee, changes to the Global Internal Audit Standards, the impact of the Redmond Review and good governance principles.



BLEND OF ASSURANCE

Our Internal Audit Plan had a blended assurance approach, covering core assurance, soft controls and future-focused assurance. We used innovative methods, such as our internally-developed Equality and Diversity Maturity Assessment to review the Council's arrangements against best practice, to support an improved control environment. Our risk-based auditing methodology considered the higher risk areas, such as Cyber Security, to focus our audit days on the areas that will have the most impact to the Council.



KEY THEMES

PEOPLE AND WORKFORCE



There was a continued welcoming of internal audit reviews from staff across the Council, demonstrating the commitment to improving internal controls, governance and risk management. Furthermore, our audit review of Workforce and Succession Planning and advisory review for the EDI Maturity Assessment identified an effective approach to managing changes in the workforce and promoting an inclusive culture, which has helped good retention.

EFFECTIVE FINANCIAL CONTROL



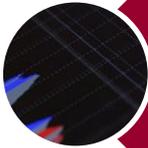
Our internal audit reviews of Budgetary Control and Main Financial Systems (focusing on payroll and accounts receivable) identified strong controls in place which were consistently followed. As the Council are integrating a new financial system in 2025/26, these sound foundations support an effective system of financial controls.

COMPLIANCE WITH STATUTORY REQUIREMENTS

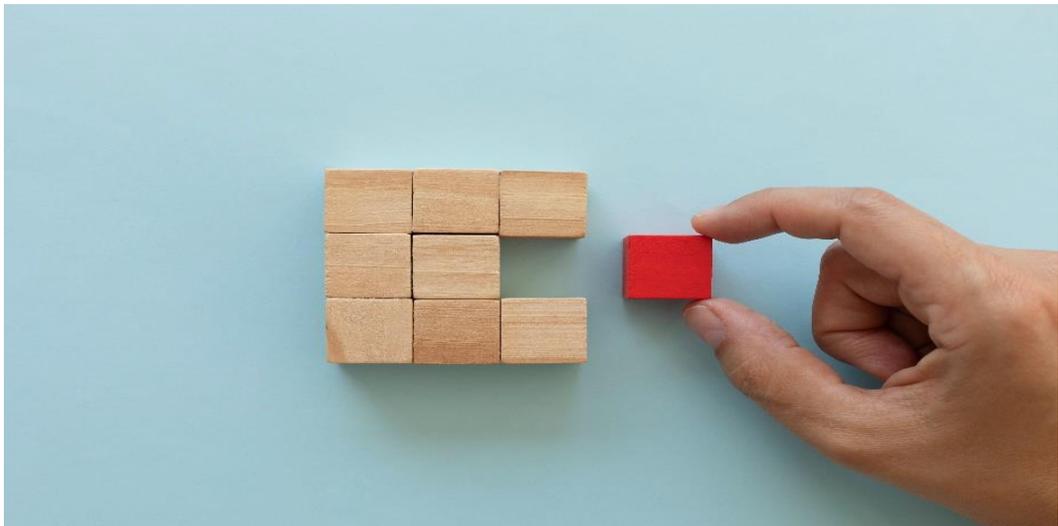


Our audit plan covered statutory processes to provide assurance to the Governance Scrutiny Group that the Council complied with legislative requirements, such as for Housing Benefits and DFG. Controls were designed effectively and generally complied with.

EMERGING RISKS



An effective audit plan has due consideration with emerging risks. We reviewed the Council's delivery of its Carbon Management Action Plan (amidst a climate emergency declaration) and Cyber Security. Due to a growth in cyber risks, caused by technological advancements and an increase in malicious actors, this is an emerging risk for local authorities.



BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to Rushcliffe Borough Council (the Council) is to provide an opinion to the Council, through the Governance Scrutiny Group, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our internal audit work for 2024/25 was carried out in accordance with the internal audit plan approved by the Executive Management Team (EMT) and the Governance Scrutiny Group, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

Audit Approach

We have reviewed the control policies and procedures employed by the Council to manage risks in business areas identified by management set out in the 2024/25 Internal Audit Annual Plan which was approved by the Governance Scrutiny Group. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with the Council's management for each review, by:

- ▶ Considering the risks that have been identified by management as being associated with the processes under review
- ▶ Reviewing the written policies and procedures and holding discussions with management to identify process controls
- ▶ Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- ▶ Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- ▶ Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Reporting Mechanisms and Practices

Our initial draft reports are sent to the key contact responsible for the area under review to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Governance Scrutiny Group is to agree reports with management and then present and discuss the matters arising at the Governance Scrutiny Group meetings.

Management actions on our recommendations

Management was engaged with the internal audit process and provided considerable time to us during the fieldwork phases of our reviews, generally providing audit evidence promptly and allowing the reviews to proceed in a timely manner. This included opportunities to discuss findings and recommendations prior to the issue of draft internal audit reports. Management responses to draft reports were consistently provided within our requested timescale.

We had direct channels of communication to members of the EMT throughout our audit engagements and in our audit planning process. We had a one-to-one meeting with the Council's new Chief Executive to establish an open and transparent communication channel to ensure that any audit matters can be escalated where appropriate.

Recommendations Follow-up

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner, weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

Recommendations from our internal audit reports have generally been implemented promptly with appropriate actions taken to improve controls where weaknesses have been identified.

Relationship with External Audit

All our final reports are available to the external auditors through the Governance Scrutiny Group papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

Report by BDO LLP to Rushcliffe Borough Council

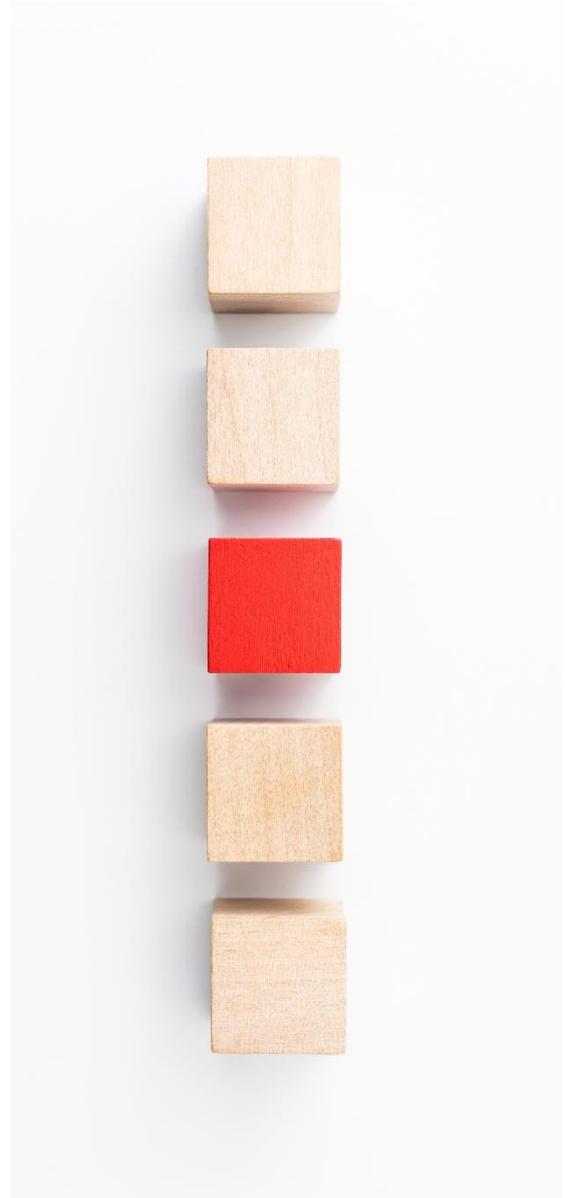
As the internal auditors of Rushcliffe Borough Council we are required to provide the Governance Scrutiny Group, and the Executive Management Team with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

In giving our opinion, it should be noted that assurance can never be absolute.

The internal audit service provides [name of organisation] with **Substantial assurance** that there are no major weaknesses in the internal control system for the areas reviewed in 2024/25. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- ▶ All internal audits undertaken by BDO LLP during 2024/25
- ▶ Any follow-up action taken in respect of audits from previous periods for these audit areas
- ▶ Whether any significant recommendations have not been accepted by management and the consequent risks
- ▶ The results of regulatory reviews and other assurance providers
- ▶ The effects of any significant changes in the organisation's objectives or systems
- ▶ Matters arising from previous internal audit reports to the Council.



KEY PERFORMANCE INDICATORS

Quality Assurance	KPI	RAG Rating
High quality documents produced by the auditor that are clear and concise and contain all the information requested.	Average client satisfaction received in 2024/25 was 4.3/5. While this is a positive score, we will continue to aim for high levels of satisfaction and act on any areas identified for further improvement.	
Frequent communication to the customer of the latest mandatory audit standards and professional standards prescribed by the main accountancy bodies.	Sector updates are provided within our quarterly Progress Report to the Governance Scrutiny Group. We also provided a training session to the Governance Scrutiny Group in November 2024 which covered the changes to the Global Internal Audit Standards and the impact of this on public sector bodies.	
The auditor attends the necessary meetings as agreed between the parties at the start of the contract.	All meetings (Governance Scrutiny Group, meetings, pre-meetings, individual audit meetings and contract reviews) are attended by a BDO Partner or Manager. Where there has been a change in contract manager during the year, we had an effective handover process to ensure continuity in the service provided to the Council.	
Information is presented in the format requested by the customer.	In our audit satisfaction survey issued after each assignment identified that our reports added value and were presented appropriately. An average score of 4.7/5 was received when asked whether our final reports were clear and concise.	
External audit can rely on the work undertaken by internal audit (where planned).	Our internal audit work is available to external audit.	
Annual Audit Plan delivered in line with timetable.	We have completed our annual programme of work for 2024/25 in time to issue our HoIA opinion ahead of the Trust finalising its Annual Governance Statement. Our audit work was delivered evenly over the year.	
At least 60% input from qualified staff.	In delivering the Internal Audit Programme, 70.4% of input was from qualified staff. Remaining audit work was performed by staff working towards a professional qualification.	
Positive result from any external review.	The External Audit Quality Assessment by the Institute of Internal Auditors in April 2021 found BDO to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	

APPENDIX I: OPINION AND RECOMMENDATION SIGNIFICANCE

ANNUAL OPINION DEFINITION	
Substantial - Fully meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance.
Moderate - Significantly meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is some risk of failure or non-compliance.
Limited - Partly meets expectations	Our audit work provides assurance that the arrangements will deliver only some of the key objectives and risk management aims of the organisation in the areas under review. There is a significant risk of failure or non-compliance.
No - Does not meet expectations	Our audit work provides little assurance. The arrangements will not deliver the key objectives and risk management aims of the organisation in the areas under review. There is an almost certain risk of failure or non-compliance.

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

RECOMMENDATION SIGNIFICANCE DEFINITION	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

FOR MORE INFORMATION:

GURPREET DULAY

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Governance Scrutiny Group

Thursday, 19 June 2025

Annual Fraud Report 2024/25

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1 The purpose of this report is to summarise the incidence of fraud and fraud prevention activities at Rushcliffe Borough Council (“the Council”) during the year 2024/25.
- 1.2. This report has been prepared by BDO LLP (“BDO”) to summarise the fraud prevention and detection activities undertaken by the Council. For the avoidance of doubt, BDO has not undertaken a full fraud risk assessment or audited any information provided to it (as summarised within this report) by the Council’s officers.
- 1.3. This report is prepared under BDO’s service level agreement with the Council dated 4 April 2024 for internal audit services and it has been prepared strictly for use by the Council. BDO understands that it will be made available to relevant internal committees within the Council. In all other respects, this report is confidential and should not be used, reproduced, or circulated for any other purpose, in whole, or in part, without BDO’s prior written consent. BDO does not owe a duty of care to anyone other than the Council.

2. Recommendation

- 2.1. It is RECOMMENDED that the Governance Scrutiny Group considers the Annual Fraud Report for 2024/25.

3. Reasons for Recommendation

- 3.1. To provide an annual update to the Governance Scrutiny Group regarding the Council’s fraud prevention environment and report on any frauds, if identified.

4. Supporting Information

- 4.1. In August 2022, the government launched the Public Sector Fraud Authority (“PSFA”). A key objective of this body is to help ensure a consistent strong approach to counter fraud across the public sector, and to support public sector bodies to better understand and manage their fraud risks. The PSFA is also responsible for maintaining the Government’s Functional Standards for Counter Fraud (GovS 013), which details measures that public bodies should have in place to control fraud and assesses public bodies’ compliance with these.

- 4.2. In November 2023 the PSFA published its latest Annual Report¹, which highlighted that the PFSA had surpassed its target of achieving £180 million of savings for the taxpayer in its first 12 months by preventing and recovering £311 million. Approximately 50% of the amount prevented and recovered was in relation to COVID and Bounce back loan schemes.
- 4.3. Part of the level of detected fraud in the public sector arises from the National Fraud Initiative (NFI) exercises, which this Council is actively involved with. Across England in 2022 to 2024, £73.0m² of fraud was detected and there was a 92% recovery rate. Significant issues that were identified included misuse of concessionary travel passes and blue badges, as well as incorrect council tax single person discount claims. Updated detailed results for the period since 2024 have not yet been released. Further commentary is covered in **Section 7** of this report.

5. Preventing and Detecting Fraud

- 5.1. Fraud and conduct issues can involve Council employees, elected members, partners, customers, and the public. Both conduct and fraud issues can be identified/raised in several ways, for example:
- a) Proactive detection work, undertaken internally or externally, for example as part of the NFI; and
 - b) Referral by employees, elected members, partner organisations, or members of the public, or identification by management.
- 5.2. In carrying out its functions and responsibilities, the Council is firmly committed to dealing with fraud or corruption and will deal equally with attempted and perpetrated fraud or corruption from inside or outside the Council.
- 5.3. The Council does not have a dedicated fraud prevention resource. However, it is the responsibility of managers within the Council's teams ("Management"), as part of the internal control environment, to ensure controls are in place to mitigate the risk of fraud. Officers with responsibility for monitoring and reporting levels of council tax fraud (under the NFI), as described in the report, are located within the finance directorate. These areas are therefore subject to oversight by the same managers and directors, ensuring a level of consistency in the fraud control framework. There have not been any changes to the control environment in 2024/25.
- 5.4. Whilst it is not their direct responsibility to detect fraud, Internal Audit may identify instances of fraud through its reviews and is available to support Council officers to consider next steps for investigating any allegations of fraud, in

¹https://assets.publishing.service.gov.uk/media/6554919250475b000dc5b5e0/Public_Sector_Fraud_Authority_Annual_Report_2022-2023.pdf

² <https://www.gov.uk/government/publications/national-fraud-initiative-reports/national-fraud-initiative-report-2022-2024-html#:~:text=Outcomes%20from%20the%202022%2F23,council%20tax%20to%20deceased%20pilot.>

consultation with BDO's Forensic Investigations' specialists if required. During 2024/25 Internal Audit services were provided by BDO.

- 5.5. Internal Audit has confirmed that no incidents of fraud directly associated with the Council were identified during the course of its work in 2024/25.
- 5.6. Management is aware of frauds that occur across the sector and engages with Internal Audit and others as appropriate to discuss whether there is any material exposure to the Council from the issues noted in any relevant cases identified. Management is not aware of any incidents of fraud that have occurred in 2024/25, where specific action has been deemed necessary to manage material risks or exposure based on these discussions in year.
- 5.7. In 2023/24, the Council took proactive steps by preparing a comprehensive fraud risk assessment. This year, the Council has initiated a collaborative effort across teams, adopting a bottom-up approach to identify potential fraud risks. The focus has been to recognise any risks that are not currently managed through existing controls. Over the coming period, work will be performed to assess these risks thoroughly and implement effective mitigations to safeguard against fraud.
- 5.8. The Council's Anti-Fraud & Corruption Policy was reviewed during the year to ensure it is up to date and appropriate, and the updated policy was published in January 2025. The updated policy was shared with all Council staff via the internal staff matters communication.
- 5.9. The Council is a member of the Nottinghamshire Fraud Partnership, which was formed in 2023. This partnership aims to bring organisations together to protect individuals and businesses against fraud, respond to emerging threats and support victims through collaboration and sharing of information. The partnership meets quarterly and is facilitated by the Office of the Police and Crime Commissioner for Nottinghamshire³.
- 5.10. For the avoidance of doubt, no additional work has been undertaken by BDO in relation to fraud risks beyond the scope of this report and the activities described within it, and BDO has not undertaken a fraud risk assessment exercise for the Council for the purpose of this report.

6. Whistleblowing Policy

- 6.1. It is important to any organisation that any fraud, misconduct or wrongdoing by workers or officers of the organisation is reported and properly dealt with. We understand that the Council's whistleblowing policy encourages all individuals to raise any concerns that they may have about the conduct of others within the Council.
- 6.2. The Whistleblowing Policy was publicised to staff in the internal staff matters communication in October 2024 and this is re-published biannually. Employees are made aware of the whistleblowing procedures during their end of week 2

³ <https://www.nottinghamshire.pcc.police.uk/Our-Work/Nottinghamshire-Fraud-Partnership.aspx>

induction with HR, this includes an overview of the policy and where to locate it on the staff intranet page. Managers also support an open culture and encourage their teams to discuss any concerns with them. In addition, staff are reminded of financial issues through internal newsletters.

- 6.3. The whistleblowing policy applies to all employees and contractors working for the Council, on Council premises, for example, agency staff. It also covers suppliers and those providing services under a contract with the Council on their own premises.
- 6.4. The Council's whistleblowing policy was reviewed during the year to ensure it is up to date and appropriate, and the updated policy was published in October 2024.
- 6.5. BDO has not reviewed the Council's whistleblowing policy for the purpose of this report. Our comments in relation to staff awareness and training are included at **Section 10** below.
- 6.6. There have been no whistleblowing concerns reported during 2024/25. It is not possible to determine the reason for the lack of reports, i.e., whether there is a genuine absence of concerns and therefore nothing to report, or whether the absence of reports is due to a lack of awareness of the policy within the employee base or a lack of willingness, for whatever reason, to make reports.

7. National Fraud initiative (NFI)

- 7.1. The NFI is a data matching exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. A national exercise is undertaken every two years, although electoral roll and council tax data is required to be submitted annually. Once the data-matching process for each exercise is completed, the NFI makes the output available to the relevant participating body for consideration and investigation via the secure NFI software. Participating bodies are responsible for investigating any matches.
- 7.2. The Council conducted a review in respect of single person discounts via the NFI in November 2023. The results of this exercise were as detailed below:

2024/25	2023/24	2022/23	2021/22	2020/21	
92	109	800	517	721	Number of cases identified by NFI
92	109	69	23	591	Number of live cases investigated
0	1	69	17	81	Number of cases where the discount was removed

£0	£18,915	£17,163	£2,146	£24,222	Value of extra Council Tax billed
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7.3. The number of cases investigated, and the additional council tax billed, are shown above. The cases identified by the NFI are split into two reports (one relating to rising 18-year-olds and the other a data match with the Electoral Register). Only the report relating to rising-18-year-olds was investigated by the Council in year. The Council undertook a Single Person Discount Review in 2023/24 and will undertake a further review during 2025/26.

7.4. The NFI data relating to Housing Benefit awards are now completed every two years and were also reviewed in 2024/25:

2024/25	2022/23	2021/22	2020/21	
127	122	93	182	Number of matches reviewed
0	0	0	0	Number of frauds identified
0	1	3	3	Number of errors identified
£0	£473	£14,496	£2,374	Amount of Council Tax errors identified

7.5. All Council Tax discounts awarded (except single person discounts due to the large volume making it unfeasible) are reviewed on an annual basis and applicants are advised that they should inform the Council of any changes. In prior years this review has always been paper based, but this is now performed online. In addition, the Council is reviewing National Non-Domestic Rates (NNDR) reliefs, such as discretionary reliefs. The Council does not undertake any wider exercises to publicise measures taken against residents who have incorrectly claimed a discount to act as a deterrent, with the annual reminders instead relied upon to remind residents of their obligations.

7.6. Where it is discovered that a discount has been incorrectly claimed, the discount is removed on the billing system and the correct charge raised (these amounts are included in the value of extra council tax billed quoted in the tables above). The discount is removed from the customer's account from the date that they are no longer entitled to it. The charge is then recovered as unpaid Council Tax, subject to reminders/summons as per the Council's recovery policy.

8. Internal Investigations 2024/25

8.1. There have been no allegations of fraud reported in 2024/25. However, as noted in **paragraph 6.2** above, the internal whistleblowing hotline is not actively

promoted, which could potentially impact the reporting rate due to a lack of awareness.

9. Benefit Fraud Investigations conducted by the DWP Counter Fraud and Compliance Directorate

- 9.1. The Council no longer investigates Housing Benefits frauds. These are undertaken by the DWP Counter Fraud and Compliance Directorate (“CFCD”).
- 9.2. The DWP has a suite of management information that allows local authorities (“LAs”) to monitor the progress of referrals made to CFCD and enables LAs to see the outcomes that CFCD is achieving on their behalf. Additionally, it enables LAs to make a comparison of the volume of referrals that they have made against the national average.
- 9.3. As was the case in the prior year, no data has been made available to the Council at the time of preparing this report.

10. Fraud awareness and strategy

- 10.1. The Council communicates reminders about fraud risk at regular intervals via the internal staff matters publication. Fraud training was last delivered to Council employees during 2022/23, when a session was delivered by BDO. Staff in the Finance Team do however receive regular sector updates from partners and recommended process changes are considered. A fraud awareness training session is scheduled to take place in June 2025.
- 10.2. In 2024/25 a new Anti-Money Laundering Course was successfully uploaded to Learning Pool and managers have recently been enrolled on this course.
- 10.3. The Council should consider offering fraud awareness training to staff on a regular basis (every 3 years), which should include reminding staff of the whistleblowing arrangements. This will dovetail with regular messaging through the Council’s usual staff communication channels. Senior officers should also consider making use of employee engagement sessions to promote counter fraud messages.
- 10.4. The Council may also wish to test levels of awareness of counter fraud arrangements amongst staff by, for example, inclusion of questions relating to this area in staff surveys.

11. Risks and Uncertainties

If recommendations are not acted upon there is a risk internal controls would be weakened, and the risk would materialise. No significant risks identified.

Implications

12. Financial Implications

There are no financial implications associated with the recommendations to this

report.

13. Legal Implications

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

14. Equalities Implications

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

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

There are no section 17 implications associated with the recommendations to this report.

16. Biodiversity Net Gain Implications

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

17. Link to Corporate Priorities

The Environment	The detection and subsequent investigation of fraudulent activity supports the Council's ability to deliver services across its priority areas.
Quality of Life	
Efficient Services	
Sustainable Growth	

Recommendations

It is RECOMMENDED that the Governance Scrutiny Group considers the Annual Fraud Report for 2024/25.

For more information contact:	Peter Linfield, Director – Finance and Corporate Services plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	None
List of appendices:	None

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Governance Scrutiny Group

Thursday, 19 June 2025

External Audit Annual Plan 2024/25

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. The attached report from Forvis Mazars (Mazars) summarises their approach to external audit activity with regard to the final accounts process and their approach to value for money work in relation to the financial year 2024/25.
- 1.2. Mazars highlight four significant risks concerning management override of controls, valuation of the LGPS defined benefit pension, valuation of land and buildings and IFRS16 (see pages 15 to 19 of Appendix 1).
- 1.3. Mazars will conduct a Value for Money (VFM) review in line with the 2020 Code of Audit Practice reporting on financial sustainability, governance and improving economy, efficiency and effectiveness.
- 1.4. Mazars staff will be available at the meeting to answer any detailed questions arising from the report.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group accept the 2024/25 External Audit Annual Plan.

3. Reasons for Recommendation

To comply with the Audit Commission's Code of Audit Practice and relevant legislation and accord with good governance.

4. Supporting Information

- 4.1. Councillors will be aware that the Council has a legal requirement to produce a draft Statement of Accounts by the 30 June which is then subject to review by the Authority's external auditors, Mazars, and approval by 'those charged with governance', the Governance Scrutiny Group, by the 27 February 2026 (backstop dates).
- 4.2. On page 11 of the Audit Plan, Mazars have set the completion target date as November 2025, which may allow for approval of the Audit Completion Report at the Governance Scrutiny Group meeting on the 26 November. If this deadline is not met then the report will have to be presented to the February

Committee, assuming the work is completed by the deadline to submit reports for this meeting.

- 4.3. The attached report details the approach that Mazars will use when auditing the 2024/25 Statement of Accounts. It specifies the work they will undertake, when they anticipate undertaking this work, and how they will liaise with Council staff. It also details the key risks with regards to both the year-end accounts and the Council achieving value for money. These are:
- management override of controls
 - valuation of the LGPS defined benefit pension
 - valuation of land and buildings
 - IFRS16- (New Leasing Standard that requires operating leases to be recognised as assets with a corresponding liability for lease payments).
- 4.4. It should be noted that the audit fees for 2024/25 are currently set at £142,471. The 2024/25 scale fee includes additional fees in respect of the auditing standard ISA315. The 2024/25 scale fee represents 11% increase on the 2023/24 scale fee. PSAA review the scale fee each year and make adjustments to reflect new requirements such as IFRS16 (Leases) and is therefore subject to change.
- 4.5. The Council received £18,082 additional grant funding as part of a £15m Government funding package to help with the costs of meeting the 2024/25 audit requirements and fees.
- 4.6. Audit fees have risen significantly over recent years due to increased audit requirements and cost pressures across the sector. These increases have been challenged by management where appropriate. It is hoped that recent initiatives by the Government to address the backlog will mean that audit fees stabilise. Any future rationalisation of audit requirements could result in reduced fees although it is not known when or if this may happen.

5. Risks and Uncertainties

The Mazars report highlights relevant risks (stated at paragraph 4.3 above).

6. Implications

6.1. Financial Implications

The audit fee (paragraph 4.4) relating to the costs of the audit work will be met from existing budgets.

6.2. Legal Implications

The Governance Scrutiny Group plays a key role in supporting the Council's governance controls by supporting and contributing to the Council's responsibility to maintain an adequate and effective system of internal control.

6.3. Equalities Implications

There are no equalities implications.

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

There are no Section 17 implications.

6.5. **Biodiversity Net Gain**

There are no Biodiversity Net Gain implications.

7. **Link to Corporate Priorities**

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

8. **Recommendations**

It is RECOMMENDED that the Governance Scrutiny Group accept the 2024/25 External Audit Annual Plan.

For more information contact:	Peter Linfield Director - Finance and Corporate Services 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	None.
List of appendices:	Appendix 1 – External Audit Annual Plan 2024/25

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Audit Strategy Memorandum

Rushcliffe Borough Council – Year ending 31 March 2025

June 2025

Governance Scrutiny Group
Rushcliffe Borough Council
Rushcliffe Arena
Rugby Road
Nottinghamshire
NG2 7YG



Forvis Mazars
2 Chamberlain Square
Birmingham
B3 3AX

[Date]

Dear Members of the Governance Scrutiny Group,

Audit Strategy Memorandum – Year ending 31 March 2025

We are pleased to present our Audit Strategy Memorandum for Rushcliffe Borough Council for the year ending 31 March 2025.

This report summarises our audit approach, including the significant audit risks and areas of key judgement we have identified, and provides details of our audit team. In addition, as it is a fundamental requirement that an auditor is, and is seen to be, independent of an audited entity, the section of the report titled '*Confirmation of our independence*' summarises our considerations and conclusions on our independence as auditors.

Two-way communication with you is key to a successful audit and is important in:

- Reaching a mutual understanding of the scope of the audit and our respective responsibilities;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising during the audit process; and
- Ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance, and other risks facing Rushcliffe Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, this report, which has been prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach or role as auditor.

This report also contains appendices that outline our key communications with you during the audit, and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact us on 07875 974 291.

This report was prepared solely for the use and benefit of Governance Scrutiny Group and to the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Yours faithfully,

Mark Surridge, Key Audit Partner

Forvis Mazars

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This document is to be regarded as confidential to Rushcliffe Borough Council. It has been prepared for the sole use of Governance Scrutiny Group as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents.

Engagement and responsibilities summary

Engagement and responsibilities summary

We are appointed to perform the external audit of Rushcliffe Borough Council (the "Council") for the year to 31 March 2025. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: [Statement of responsibilities of auditors and audited bodies from 2023/24](#). Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Council Accounting.

Our audit does not relieve management or Governance Scrutiny Group, as those charged with governance, of their responsibilities.

The Director of Finance & Corporate Services (s151 Officer) is responsible for the assessment of Rushcliffe Borough Council's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

- a) Whether a material uncertainty related to going concern exists, and
- b) The appropriateness of the s151 Officer's use of the going concern basis of accounting in the preparation of the financial statements.

Internal control

Management is responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rushcliffe Borough Council's internal control.

Whole of Government Accounts

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.



Fraud

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

As part of our audit procedures in relation to fraud, we are required to inquire of you and key management personnel, on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in the 'Value for Money' section of this report.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

02

Your audit team

Your audit team



Mark Surridge

Role: Engagement Partner

Email: Mark.Surridge@mazars.co.uk



Jennie Norman

Role: Engagement Manager

Email: Jennifer.Norman@mazars.co.uk

03

Audit scope, approach, and timeline

Audit scope, approach, and timeline

Risk-based Approach



Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with Code of Audit Practice. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations, or areas found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud), we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit has been planned and will be performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in the *'Materiality and misstatements'* section of this report.

The diagram on the next page outlines the procedures we perform at the different stages of our audit.

Audit scope, approach, and timeline

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04

Materiality and misstatements

Materiality and misstatements

Definitions

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

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to Governance Scrutiny Group.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provides a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements

Materiality (continued)

We consider that gross expenditure at surplus/deficit level is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 2% of gross revenue expenditure at surplus/deficit level.

As set out in the table below, based on currently available information (prior year audited statement of accounts) we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £0.895m and performance materiality to be in the region of £0.671m.

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

	2024-25 £'000s
Overall materiality	895
Performance materiality	671
Clearly trivial	27
Specific materiality – Senior Officers' Remuneration	5

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Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to you and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £0.027m, based on 3% of overall materiality. If you have any queries about this, please raise these with us.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to you as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover qualitative misstatements and include quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to you as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).

05

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach set out in the *'Audit scope, approach, and timeline'* section, we have identified the risks of material misstatement in the financial statements. These risks are categorised as significant, enhanced, or standard. The definitions of these risk ratings are set out below.

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. As required by auditing standards, a fraud risk is always assessed as a significant risk.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

- Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Significant risks and other key judgement areas

Audit risks and planned responses

In this section, we have set out the risks that we deem to be significant and enhanced, and our planned response. An audit is a dynamic process, and should we change our view of risk and/ or our approach to address those risks during our audit, we will report this to Governance Scrutiny Group.

Significant risks

	Risk name	Fraud	Error	Judgement	Planned response
Page 97	<p>1 Valuation of the Net Defined Benefit Pension Asset/Obligation</p> <p>The defined benefit asset/liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	○	●	●	<p>We plan to address the risk by:</p> <ul style="list-style-type: none"> • Obtaining and understanding of the skills, experience, objectivity and independence of the Pension Fund's actuary; • Obtaining confirmation from the auditors of Nottinghamshire Pension Fund that the Pension Fund have designed and implemented controls to prevent and detect material misstatement. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; • Evaluating and challenging the work performed by the Nottinghamshire Pension Fund auditor on the Pension Fund investment assets, and considering whether the outcomes would materially impact our consideration of the Council's share of Pension Fund assets; • Reviewing the actuarial allocation of Pension Fund assets to the Council including comparing the Council's share of the assets to other corroborative information; • Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; • Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements; • Reviewing and challenging the Council's assessment, under the requirements of IFRIC14, of its Pension surplus and confirming that the accounting treatment is appropriate and reasonable

Significant risks and other key judgement areas

Significant risks

	Risk name	Fraud	Error	Judgement	Planned response
2	<p>Management override of controls (a mandatory significant risk for all entities).</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	●	<p>In line with our methodology, we plan to address the management override of controls risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates; • journal entries; and • significant transactions outside the normal course of business or otherwise unusual.
3	<p>Valuation of land & buildings and investment properties</p> <p>Land and buildings assets are a significant balance on the Council's balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p>	○	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • critically assessing the scope of work, qualifications, objectivity and independence of the Council's valuer to carry out the required programme of revaluations; • considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA code of practice and the Council's accounting policies; • testing a sample of valuations carried out in the year to confirm they have been carried out on the correct basis and that the underlying judgements are based on relevant inputs and are reasonable; • assessing whether valuation movements are in line with market expectations by considering valuation trends; and • critically assessing the approach that the Council adopts to ensure that assets that are not subject to revaluation in 2024/25 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuers.

Significant risks and other key judgement areas

Other key areas of management judgement that we have determined as enhanced risks

	Risk name	Error	Judgement	Planned response
1	<p>Implementation of IFRS 16</p> <p>IFRS 16 has been applicable from 1 April 2024 and is designed to report information that better shows lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The Council is required to re-classify lease arrangements in line with this new standard for the first time in the 2024/25 accounts.</p>	●	●	<p>We will review the work that the Council has carried out for the implementation of IFRS 16 from 1 April 2024.</p> <p>We will test lease balances and supporting disclosures and seek evidence to support that they have been correctly classified and accurately measured under the new standard.</p>

Significant risks and other key judgement areas

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, we would like to seek your views/ knowledge of the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between Rushcliffe Borough Council and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

We plan to do this by formal letter to Governance Scrutiny Group which we will obtain prior to completing our audit.

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

06

Value for Money

Value for money

The framework for value for money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

This will be the first audit year where we are undertaking our value for money (VFM) work under the full 2024 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place, and to report in the auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

A key change in the 2024 Code of Audit Practice is the requirement for us to issue our Auditor's Annual Report for the year ending 31st March 2025 to you in draft by the 30th November 2025. This is required whether our audit is complete or not. Should our work not be complete, we will report the status of our work and any findings to you to that point (and since the issue of our previous Auditor's Annual Report). Further information will be provided in Appendix A.

Specified reporting criteria

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

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our approach

Our work falls into three primary phases as outlined opposite. We gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified, we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle, and we are not expected to wait until issuing our overall commentary to do so.

Planning	<p>Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include:</p> <ul style="list-style-type: none">• NAO guidance and supporting information• Information from internal and external sources including regulators• Knowledge from previous audits and other audit work undertaken in the year• Interviews and discussions with staff and members
Additional risk based procedures and evaluation	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
Reporting	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements which forms part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none">• Significant weaknesses identified and our recommendations for improvement; and• Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

07

Audit fees and other services

Audit fees and other services

Fees for work as the Council's appointed auditor

Our fees (exclusive of VAT) as the Council's appointed for the year ended 31 March 2025 are outlined below.

Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit.

Area of work	2024-25 Proposed Fee	2023-24 Actual Fee
Code Audit Work (Scale Fee)	£142,471	£128,376
Additional work to document and walkthrough key systems as a result of the audit requirements from ISA315.		£9,410
Additional work arising from the implementation of IFRS 16 Leases	TBC	
	£142,471	£137,786

08

Confirmation of our independence

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Confirmation of our independence

Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Revised Ethical Standard.

Compliance

We are not aware of any relationship between Forvis Mazars and Rushcliffe Borough Council that, in our professional judgement, may reasonably be thought to impair our independence.

We are independent of Rushcliffe Borough Council and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.

Non-audit and Audit fees

We have set out a summary of the non-audit services provided by Forvis Mazars (with related fees) to Rushcliffe Borough Council, together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Revised Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

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

Prior to the provision of any non-audit services, we will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: [Terms of Appointment from 1 July 2021 - PSAA](#). Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

C: Consultations on measures to tackle the local government financial reporting and audit backlog

Appendix A: Key communication points

We value communication with Governance Scrutiny Group, as a two-way feedback process is at the heart of our client service commitment. The Code of Audit Practice as well as ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of matters with you. We meet these requirements, principally, through presenting the following documents to you:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Our Auditor's Annual Report.

These documents will be discussed with management prior to being presented to you and their comments will be incorporated as appropriate.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

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

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Changes introduced by the 2024 Code of Audit Practice

The 2024 Code now requires the auditor to issue the draft Auditor's Annual Report by 30th November following each year end. For the 2024/25 audit, this means that we must issue our draft Auditor's Annual Report by 30 November 2025, whether our audit is complete or not.

In instances where our audit work is not complete by 30 November for any given year, the 2024 Code requires us to provide a summary of the status of the audit at the time of issuance and should reflect the work completed to date since we issued our previous Auditor's Annual Report. In such instances, we will issue an Interim Auditor's Annual Report to meet the 30 November deadline. On completion of any outstanding financial statement audit work or Value for Money arrangements work, we will re-issue the Auditor's Annual Report which will include an updated commentary on Value for Money arrangements.

Appendix A: Key communication points

ISA (UK) 260 *Communication with Those Charged with Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • Inquiries with Governance Scrutiny Group to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Governance Scrutiny Group meeting(s), audit planning meeting(s), and audit clearance meeting(s)

Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Governance Scrutiny Group in the context of fulfilling your responsibilities. 	<p>Audit Completion Report</p>

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Appendix A: Key communication points

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to the Council to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and inquiry of Governance Scrutiny Group into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that Governance Scrutiny Group may be aware of.	Audit Completion Report and Governance Scrutiny Group meeting(s)
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements. 	Audit Completion Report
<p>Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm's System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm's System of Quality Management:</p> <ul style="list-style-type: none"> • Ensure there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership • Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities • Identify, review, and update quality risks each quarter, taking into consideration the number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm's root cause analysis and remediation functions, etc.) • Identify, design, and implement responses as part of the process to strengthen our firm's internal control environment and overall quality • Evaluate responses and remediate control gaps or deficiencies <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here.</p> <p>The details of our evaluation of our system of quality management as of 31 August 2024, and our conclusion, set out in our 2023/24 Transparency Report, which is available on our website here.</p>	Audit Strategy Memorandum

Appendix B: Current year updates, forthcoming accounting & other issues

Current and forthcoming accounting issues

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2019

IFRS 16 Leases (Issued January 2016)

- IFRS 16 Leases (IFRS 16) will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17. Lessees will need to recognise right of use assets and associated lease liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed. Subsequent to initial recognition, a service concession arrangement liability will subsequently be measured following the principles set out in IFRS 16. The introduction of this standard is likely to lead to significant work being required in order to identify all leases and service concession arrangements to which the Council is party to. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed. IFRS 16 was adopted by the Code of Practice on Local Council Accounting in 2024/25.

Effective for accounting periods beginning on or after 1 January 2023

IFRS 18 Presentation and Disclosure in Financial Statements (Issued April 2024)

- IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements. As IFRS 18 was only issued in April 2024 it has yet to be adopted by the Code of Practice on Local Council Accounting in 2024/25 therefore the applicability to local government is to be determined.

Appendix B: Current year updates, forthcoming accounting & other issues

International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (Including the work of component auditors)

ISA (UK) 600 deals with the special considerations that apply to audits of group financial statements, including those circumstances when component auditors are involved. The auditing standard has been revised. The revised standard is effective for audits of group financial statements for periods beginning on or after 15 December 2023. The revisions made to ISA (UK) 600 impact how we perform audits of group financial statements, and how we communicate our audit strategy and audit findings arising from audits of group financial statements, going forward. This page sets out the key changes made to ISA (UK) 600 and how Forvis Mazars will apply the requirements of the revised standard in practice.

Key changes

The previous ISA (UK) 600 included prescriptive requirements in respect of the audit procedures required over 'significant components' of a group, i.e., a 'full scope' audit of a significant component's financial information relevant to the group financial statements was required. Forvis Mazars defined a 'significant component' as one that contributed to the group financial statements more than 15% of the materiality benchmark selected to determine group materiality, e.g., if we had determined materiality using a profit before tax benchmark, any component that contributed more than 15% of the group's reported profit before tax would be classified as a significant component and a 'full scope' audit would be performed over that component's financial information.

ISA (UK) 600 Revised eliminates the 'significant component' concept, opting instead for consideration of risks of material misstatement at the assertion level of the group financial statements that are associated with components. This results in a group audit that is better focused on the risks of material misstatement of the group financial statements and affords greater flexibility in how we classify components and how we may design the nature and extent of audit procedures to be performed over a component's financial information, i.e., we can determine the nature and extent of the audit procedures to be performed over a component's financial information based on the specific risks relevant to the group financial statements.

ISA (UK) 600 also, however, removed the option to limit the procedures performed over a 'non-significant' component's financial information to desktop analytical procedures. We are now required to perform substantive audit procedures (or a combination of substantive audit procedures and tests of controls) over the group financial statements, including the financial information relating to components in the group, until the residual, untested balances, classes of transaction and disclosures in the group financial statements are below our group materiality. This is to ensure that aggregation risk (the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole) is addressed appropriately.

In combination, these changes may result in a change to the nature and extent of the audit procedures we perform over the financial information of components on a group audit compared to previous years and may result in components that were not previously in scope of our group audit being brought into scope going forward to ensure that we address aggregation risk appropriately.

To ensure consistency of approach, Forvis Mazars will apply the definitions set out below when performing audits of group financial statements going forward:

Key component	Material component	Non-material component
Any component: i. Which is greater or equal to 15% of the benchmark chosen for calculating group materiality (key by size); or ii. Where the specific nature or circumstance of its financial information make it likely to include significant risks of misstatement of the group financial statements (key by risk).	Any component, other than a key component, that contributes to one or more group financial statement areas an amount that is above group financial statement materiality.	A component, that is not a key component or a material component, that is scoped into a group audit to reduce the risk of material misstatement of the group financial statements to an acceptably low level (based on size or risk) in situations when, after assessing which components are key components and material components, the aggregate amount of a financial statement area related to un-scoped components is still above group financial statement materiality.

Appendix B: Current year updates, forthcoming accounting & other issues

International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

Key changes (continued)

Definition of 'component' - The definition of 'component' has been revised to "an entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for the purposes of planning and performing audit procedures in a group audit".

This provides clarity on how components may be identified in a group audit and may result in a change to how we identify components on a group audit compared to previous years. For example, we may group separate legal entities (e.g., subsidiaries) in a group based on common characteristics (such as common management, common information systems, and common geographical locations) and treat those components as a single component, when appropriate to do so.

Common controls - The definition of 'group-wide' controls has been removed and we are instead required to consider 'common controls', being controls that operate in a common manner for multiple entities or business units.

This may assist us in grouping separate legal entities, business units, functions, or business activities in a group into a single component for the purposes of a group audit; or it may result in us grouping specific account balances or classes of transaction recorded by individual legal entities, business units, functions, or business activities into a single population for the purposes of our audit procedures.

For audits where we are adopting a controls-based audit strategy, this may result in efficiencies, as we can rely on a single control for the purposes of the audits of more than one component where that control is common to those components.

Definition of 'engagement team' - The definition of 'engagement team' has been revised to include component auditors. While this change may seem inconsequential, it forms part of the overall changes intended by ISA (UK) 600 Revised to enhance two-way communication between the group auditor and component auditors during a group audit. This will result in enhanced direction and supervision of component auditors by the group auditor during a group audit.

Calculation of component materiality - The requirement to set overall materiality for a component has been removed. We are now only required to determine component performance materiality.

Other changes - ISA (UK) 600 Revised includes new and revised requirements and application material that better aligns the standard with recently revised standards such as ISQM (UK) 1, ISA (UK) 220, and ISA (UK) 315. The new and revised requirements also strengthen our responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and audit documentation. These changes are to encourage proactive management of quality at the group engagement level and the component level; reinforce the need for robust communication and interactions during a group audit; and foster an appropriately independent and challenging sceptical mindset.

Scope of audit work to be performed over a component's financial information - Forvis Mazars will, going forward, determine the scope of work to be performed over a component's financial information on a group audit using the definitions set out below:

Full scope	Specific scope	Group Engagement Team Instructed Procedures
Designing and performing audit procedures on the entire financial information of a component.	Designing and performing audit procedures on one or more specified account balances, classes of transaction, and/or disclosures of a component.	Performing specified audit procedures, as designed and instructed by the group engagement team.

Contact

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Governance Scrutiny Group

Thursday, 19 June 2025

Annual Governance Statement 2024/25

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. In accordance with the Accounts and Audit Regulations 2015, the Council is required to prepare an Annual Governance Statement (AGS). This is published alongside the Council's Statement of Accounts. The Governance Scrutiny Group, by reviewing this Statement, scrutinises the Council's governance arrangements.
- 1.2. There are additional references linked to the impact of Local Government Reorganisation (LGR) which would be the single biggest change to Local Government since the current district and county councils were created in 1974.

2. Recommendation

It is RECOMMENDED that the Annual Governance Statement 2024/25 (Appendix 1), which incorporates actions for the forthcoming year, be reviewed and approved.

3. Reasons for Recommendation

To conform with best practice in regard to corporate governance and to comply with relevant legislation.

4. Supporting Information

- 4.1 The Council is required to publish an Annual Governance Statement (see Appendix 1) alongside the Statement of Accounts in accordance with the Accounts and Audit Regulations 2015.
- 4.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) have jointly issued a framework and guidance in relation to the AGS, 'Delivering Good Governance in Local Government (2016 Edition)'. The guidance urges local authorities to prepare a governance statement in order to report publicly on the extent to which they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

- 4.3 It also recommends that when complying with the guidance, authorities should use it in a way that best reflects their structure, type, functions and size. The AGS is attached at Appendix 1 and is prepared following the completion of 'Governance Assurance Questionnaires' by senior officers of the Council. The Leader and the Chief Executive are required to sign the AGS and this will accompany the Council's Statement of Accounts.
- 4.4 The AGS reflects the requirements of the CIPFA/SOLACE "Delivering good governance in local government framework (2016)". This incorporates the seven principles within the Local Code and are referenced in the relevant sections of the AGS. Other content surrounding, for example, Section 4 'Significant Governance Issues', will inevitably alter as new risks and opportunities arise, and the environment the Council operates in evolves over time most significantly LGR.
- 4.5 The AGS is subject to change when the Financial Statements are presented to the Governance Scrutiny Group, as new risks may emerge.
- 4.6 The final AGS will be reported with the Statement of Accounts which is expected to be approved at the Governance Scrutiny Group in September 2025.
- 4.7 The report highlights that currently there are no significant concerns over governance. Forthcoming LGR is likely to create a seismic shift in governance risks as the Council has to manage this significant work stream and the impact on workforce capacity.

5 Risks and Uncertainties

The process of preparing and reviewing the AGS adds value to the corporate governance and internal control framework of the Council.

6 Implications

6.1 Financial Implications

There are no direct financial implications arising from this report.

6.2 Legal Implications

Compliance with the Accounts and Audit Regulations 2015.

6.3 Equalities Implications

There are no equalities implications contained within the body of this report.

6.4 Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 implications contained within the body of this report.

6.5 Bio Diversity Net Gain Implications

There are no Bio Diversity Net Gain implications contained within the body of this report.

7 Link to Corporate Priorities

Quality of Life	Effective governance enables the Council to achieve all of its Corporate Priorities.
Efficient Services	
Sustainable Growth	
The Environment	

8 Recommendations

It is RECOMMENDED that the Annual Governance Statement 2024/25 (Appendix 1) which incorporates actions for the forthcoming year be reviewed and approved.

For more information contact:	Peter Linfield Director – Finance and Corporate Services 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Mazars –Annual Report 2023/24 BDO- Annual Report 2024/25
List of appendices:	Appendix 1 – Annual Governance Statement

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B. ANNUAL GOVERNANCE STATEMENT 2024/25

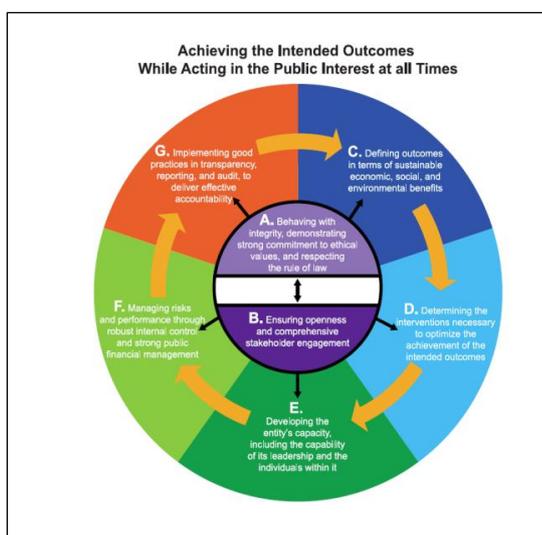
1. SCOPE AND PURPOSE

1.1 Scope of responsibility and Explanatory Foreword

Rushcliffe Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Rushcliffe Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Rushcliffe Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

Rushcliffe Borough Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*.



The seven principles (A-G) are highlighted at various points within the statement. This statement explains how Rushcliffe Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, 2011 and 2015, in relation to the publication of a statement on internal control.

In the recent past there have been no significant issues concerning governance at the Council. This statement re-affirms this position notwithstanding the seismic shift in governance that Local Government Reorganisation will bring once the Council morphs into a new organisation. There is an Action Plan included which is both backward and forward looking confirming that in 2024/25 actions were completed and has similar

actions for 2025/26 and also focuses on the reporting of progress regarding Local Government Reorganisation.

1.2 The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Rushcliffe Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rushcliffe Borough Council for the year ended 31 March 2025 and up to the date of approval of the statement of accounts.

2 THE GOVERNANCE FRAMEWORK

Principles C & D – *Defining outcomes in terms of sustainable benefits (economic, social and environmental) and determining interventions to achieve them*

2.1 Vision and priorities

Long term strategic planning has enabled Rushcliffe to address its immediate financial pressures, develop a medium-term financial strategy to 2029/30 to resource the Corporate Strategy covering the period 2024 to 2027. The document is a 'living strategy' – one which will grow and evolve over its lifespan to adapt to the change needs of the authority. The four key priorities, contained within the Strategy, are:

- Quality of Life
- Efficient Services
- Sustainable Growth
- The Environment.

The integration of service and financial planning continues year on year and is resourced by the financial strategy.

The Council continues to work towards the delivery of its Transformation and Efficiency Strategy, its plan to address the financial pressures facing all public bodies. This outlines how the Council will meet its financial challenges until 2029/30. As Local Government Reorganisation (LGR) takes shape over the next 2 years Council transformation will be dominated by this as the Council moves to becoming part of a new authority. The Transformation and Efficiency Strategy focuses upon three key

elements – income generation, transformation and business cost reduction and aligns to the Productivity requirements (Service Transformation, Technology and Reducing Waste). The Council will continue to review its services to identify improved or alternative methods of delivery which will enable it to meet its financial targets without eroding the high quality of service for which Rushcliffe is known.

All key tasks within the current service delivery plans have been linked directly to the Council's strategic objectives.

2.2 Improvement and Efficiency

As with other public bodies, the Council continues to face significant financial pressures. The 2025/26 Medium Term Financial Strategy (MTFS) predicts a net budget deficit over 5 years of a relatively small £0.172m taking into account, and the delivery of, the existing Transformation Strategy. The Council's priority will be to identify and deliver robust plans to transform processes and deliver efficiencies; and focus on opportunities to grow the Borough and manage the impact of growth and the changing socio-political, financial and environmental climate, which includes preparing for LGR. There remains international geo-political uncertainty whether through international conflict or economic policies of nations such as the USA and the introduction of tariffs and any potential trade war. This could particularly impact fuel and energy prices and the level of Government funding with regards to future local government finance settlements. Other significant risks relate to changes in Government Policy, such as the impact of Simpler Recycling over the next 2 years and beyond.

Whilst pay increases are expected to decline, the salaries base budget has increased significantly over the past 4 years. This undoubtedly presents risk to the Council's budget position. That said the Council has a Contingency budget of £0.3m and will look to any further revenue budget efficiencies to support budget pressures. Other pay and service challenges arise from the ability to attract and retain staff. Inflation does have an impact on council contracts which in turn impacts supplies and services, transport and premises budget lines.

A combination of cost control and income generation (including treasury income) and better than expected local economic performance and increased Nottinghamshire Business Rates Pool Surplus linked to prudent management of the Council's finances, resulted in a projected budget efficiency position in 2024/25 (at Quarter 3) of £2.164m. Much of which is committed with carry forward requests to meet service challenges. Going forward there remain significant financial risks, and these are commented on below. Use of the Organisational Stabilisation reserve will ensure the Council continues to deliver its main corporate objectives. The impact of ongoing high inflation linked to both rising employee and energy costs means the trajectory of wider economic recovery remains uncertain and will continue to be closely monitored along with the associated changes to the Council's projected financial position.

Going forward, the Council will review the Transformation Programme as part of its ongoing financial governance arrangements but undoubtedly as LGR progresses this will be a 'game changer' and the Council will have to refocus resources and at the same time continue to deliver the Corporate Strategy. The latter will be subject to a review later in 2025/26. The Business Rates, Fair Funding and New Homes Bonus

reviews have been delayed although the Government is that these will take place in 2025/26 to take effect from 2026/27. The MTFs will be updated accordingly.

The budget will still focus on the following thematic areas to be balanced in future years:

- (a) Service Efficiencies – focusing on both the customer and streamlining services;
- (b) Management budget control – challenging base budgets each year;
- (c) Transformational Projects – projects such as a new crematorium, Bingham leisure hub facilities and bringing Streetwise back in-house; and
- (d) ‘Thinking big’ reviews – the emergence of the Development Corporation and Freeport area around Ratcliffe-on-Soar power station.

To secure a medium-term financial position, the Council will maintain progress and focus on managing budget reductions where appropriate, managing inflationary pressures on its operational costs, whilst increasing income to deliver balanced budgets annually. Additional resource will be required to deliver LGR and the Organisational Stabilisation Reserve will be used to smooth the impact of this.

The Council continues to promote a commercial culture, although the Council has taken the strategic decision to realign its financial commitments focusing on investment in significant assets such as the Bingham Leisure Hub and the Crematorium and no longer investing in commercial assets for a financial return and its Climate Change agenda with the acquisition of land for carbon offsetting. The Council’s Capital and Investment Strategy incorporates reporting on existing commercial investments. Over the term of the MTFs, the income generated from such investments is estimated to over £2m by 2029/30 (11.1% of fees and charges and other income) and performance is reported to Governance Scrutiny Group throughout the year. The Council no longer invests in assets specifically for a commercial return.

2.3 The Constitution

Principle A - *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*

A comprehensive document detailing the Council’s constitution clearly sets out the defined structure for the Council’s organisational arrangements based upon a cabinet executive model. In essence, the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere, including the setting of the council tax;
- Cabinet is allocated authority by Council to take executive decisions and approve policies not reserved for consideration by Council. Cabinet and Council works to a Forward Plan of forthcoming decisions for up to three months ahead;
- The work of Cabinet has been supported by four scrutiny groups. The Council now has a Corporate Overview Group, which manages corporate performance and financial control as well as the work programmes for the three additional scrutiny groups of Governance, Growth and Development, and Communities;

- Separate committees exist for Standards, Planning, Employment Appeals, Licensing, and Interviewing; and
- Delegation arrangements to officers are set out in detail within the Constitution.

The Constitution also provides detailed guidance on standing orders, financial regulations and the conduct of meetings. In addition, it contains codes of conduct applying to members and officers as well as a protocol for councillor/officer relationships. The codes include reference to the need to declare any interests which may conflict with the individual's role at the Council. The registers for councillors and officers are maintained by the Council's Monitoring Officer and the Strategic Human Resources Manager respectively. The Council has in place a confidential reporting code (whistleblowing policy) and any referrals under the policy are investigated.

The Constitution, as a whole, is reviewed when necessary and appropriate. Amendments have been taken to Governance Group in February 2025 and thereafter approved at Full Council. These covered:

- 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.
- 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.
- 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

2.4 Policies, Procedures, Laws and Regulations

The Council has three statutory officer roles: the Head of Paid Service, the Section 151 Officer, and the Monitoring Officer. The Chief Executive is the Head of Paid Service and has overall corporate management and operational responsibility including overall management responsibility for all officers. The Chief Executive has the special responsibility to report if insufficient resources are available for the Council to discharge its legal duties. In March 2025 the Council appointed a new Chief Executive, Adam Hill.

The Monitoring Officer ensures lawfulness and fairness in decision making and ensures the Constitution is current.

The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources.

The Council's financial management arrangements should conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010). During 2024/25, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2024/25, the Director Finance and Corporate Services held the post of Chief Finance Officer. The post holder is a professionally qualified accountant with direct access to the Chief Executive, Leader of the Council and other Cabinet members.

The post holder also has direct access to the Governance Scrutiny Group and the Council's internal and external auditors.

- The Chief Finance Officer has a line of professional accountability for all finance staff and for ensuring that the finance function is 'fit for purpose'. The Council has established robust arrangements to manage its finances, including a Medium-Term Financial Strategy, annual budget process and compliance with CIPFA's Codes and Guidance on the Prudential Framework for Capital Finance, Treasury Management and the management of reserves.
- Internal audit services are provided to the Council by BDO. The effectiveness of this service is monitored by the Governance Scrutiny Group.
- The Chief Executive and three Directors are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice. Oversight of these arrangements is provided by the Director for Neighbourhoods.

2.5 Risk Management

Principle F – *Managing risks and performance through robust internal control and strong public financial management*

The Council's risk management arrangements are regularly reviewed. In the last twelve months, the Governance Scrutiny Group reviewed the Risk Register twice, in September 2024 and February 2025. At the last meeting in February there were 38 corporate risks and 21 operational risks on the risk register. In addition, there were 4 opportunity risks.

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

Risk managers have worked to evaluate risk descriptions as proposed by Zurich in the Risk Health Check in 2020. This work is complete, and the exercise resulted in new risks being identified and old risks being removed and reported and agreed by Governance Scrutiny Group. The Risk Management report in September 2024 contained the new risks and reworded risk descriptions, building on the Council's focus to address the ongoing impact of the cost-of-living and inflationary pressures, compounded by national living wage increases and pay negotiations and more recently LGR and the challenge this will present.

2.6 Development and training needs

Principle E – *Developing the council's capacity including the capability of council leadership and staff*

The Council has a cross party Member Development Group (MDG) to oversee the development and delivery of Councillor learning and training. This Group meets to

review the delivery of the annual training programme and looks at the Councillors' Community Grant Scheme before each election.

Learning and Development is an essential part of being a Councillor. The Council adopted a Councillors' Learning and Development Policy in July 2021, and is in the process of reviewing that document for approval at Council later this year.

The Council has an annual training programme with topics delivered in-person, virtually and via the Council's e-learning platform. Engagement with training activities has been more positive this year with 55% of councillors attending in-person training events and 40% participating in e-learning modules. Specific in-person training has been delivered in Cyber Security, Licensing, Planning, Domestic Violence, Audit, the Council budget, Treasury Management, and Working effectively with Officers.

All mandatory training (a prerequisite for acceptance of some committee positions) has been undertaken. Topics which are mandatory include planning, licensing and standards, together with courses on GDPR, understanding local government finance, risk management, motions at Council and scrutiny. Councillor Individual Training Records continue to be updated and periodically sent to each Councillor for their information.

The MDG did not meet during the 2024/25 municipal year having met shortly before the end of the previous year.

The identification and delivery of appropriate training for officers is overseen by the whole of the Executive Management Team who ensure that organisational Learning and Development Plans linking to individual annual Performance Development Reviews are effectively managed and delivered. The Council recognises the importance of training to its workforce.

2.7 Communication

Principle B - *Ensuring openness and comprehensive stakeholder engagement*

Rushcliffe Reports magazine – the Council's newsletter for residents – was circulated to over 52,000 households on three occasions with the chance to respond to the triennial Residents' Survey and information on free popular music, food and children's events and setting out key updates on investment in local leisure facilities.

Further projects included developing a refreshed Communication and Engagement Strategy responding to previous feedback with a dedicated refreshed engagement focus. It should be noted 82% of respondents were either satisfied, or very satisfied, with their local area as a place to live, 7% higher than the Local Government Association national survey. The feedback received from these exercises will continue to be used to improve services to all customers.

In a more hybrid and digital driven era, the Council has continued strong regular updates through developing effective relationships with the local media matched with tailoring relatable content on its social media channels to its key demographics to engage more subscribers across, passing 20,000 followers on all channels.

During 2024/25, the Council continued developing its electronic free subscription newsletter to stakeholders with the launch of a dedicated Garden Waste update to service users, another communication method that now sees over 25,000 residents receiving gardening hints, tips and updates on the service direct to their inbox.

Customer satisfaction surveys also continue with key customer facing services such as the Home Alarms service, averaging a remarkable 100% for the last nine years with users.

The Council will continue to communicate to all stakeholders on Local Government Reorganisation working with the other Nottinghamshire councils with much more planned in 2025/26 as more certainty on the direction of travel is known.

2.8 Partnerships

The Council has put in place strong governance arrangements around the major leisure services, garage services, and car parking contracts. We have also entered into a partnership to improve resilience surrounding procurement advice working with Nottinghamshire County Council. Work continues with regards to the Freeport with the Leader of the Council sitting on the Board for the Freeport.

Ratcliffe on Soar Power Station has been decommissioned. This could have a significant impact on the Borough both financially (loss of business rates, although mitigated as the site is an ever decreasing proportion of the overall business rates base) and with the potential to have a very large derelict site at the entrance to the Borough from the A453. The role of the Freeport is critical with regards to this key gateway into the Borough. The East Midlands Freeport was approved by the Government on 30 March 2023. It will receive up to £25million in seed funding from the government to help drive investment in local businesses to be spent by 2025/26. The Freeport presents great opportunities for a world-class green and blue environmental investment programme with research and development in climate change and zero carbon technology and will enable employment opportunities and infrastructure investment.

East Midlands County Combined Authority (EMCCA) is now functioning. The Council will aim to leverage funding where it can, working with other Derbyshire and Nottinghamshire authorities. A good example of this is attaining funding with regards to UKSPF. Current arrangements mean Rushcliffe as a Borough retains its sovereignty (until LGR takes place). There is a clear direction of travel for Councils to work more collaboratively for the benefit of their local communities.

2.9 Transparency

Principle G – *Implementing good practice in transparency, reporting and audit to deliver effective accountability*

All reports to meetings of Council, Cabinet, Scrutiny Groups and other committees are publicly available on the Council's website. Minutes are also published providing a record of the meeting and any decisions taken, and the Council provides public access to audio and video recordings of meetings. Other forms of public accountability

reporting include the Annual Statement of Accounts, the Council's Annual Report and in-year financial and performance monitoring reports which are reported to the Governance Scrutiny Group and Corporate Overview Group respectively. Reports from the Council's internal auditors (BDO) and external auditors (Mazars) are published online, including their annual reports.

The Corporate Overview Group monitor performance against targets on a quarterly basis. BDO are compliant with the requirements of the Public Sector Internal Audit Standards and has direct access to councillors and staff in order to discharge their duties.

The Council publishes information in accordance with the Local Authorities Data Transparency Code.

3 REVIEW OF EFFECTIVENESS

3.1 Introduction

Rushcliffe Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. This review is considered by the Governance Scrutiny Group.

3.2 The Council

The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including:

- The Constitution
- The Corporate Strategy
- The Capital Programme and Revenue Budget
- The Housing Strategy
- The Local Development Framework
- The Capital and Investment Strategy

3.3 The Cabinet

The Cabinet carries out the executive functions of the Council as required by the legislation and the Council's constitution. It accordingly:

- Takes key decisions
- Takes other executive decisions
- Approves policies other than those reserved for Council
- Recommends to Council policies and budgetary decisions.

3.4 Scrutiny groups - Governance Scrutiny Group

The Governance Scrutiny Group (GSG) is charged with Governance and has a number of responsibilities including:

- Overseeing financial governance arrangements
- Overseeing strategic risk management
- Scrutinising the Annual Governance Statement
- Scrutinising the Statement of Accounts
- Reviewing the plans and work of Internal Audit
- Overseeing the review of the Constitution
- Receiving reports from external audit in relation to the audit arrangements
- Scrutinising the Going Concern report.

The Council has agreed to appoint an Independent Member to GSG and is due to start in the 2025/26 Municipal Year.

3.5 Other Scrutiny Groups

The Corporate Overview Group reviews the performance of the Council against the approved targets. Other reports are taken to this group and include the diversity annual report, annual customer survey and the health and safety reports.

In addition to the Corporate Overview Group and Governance Scrutiny Group, the Council has two other scrutiny groups. The first, Communities, looks at areas that affect the community, topics covered include are as diverse as community facilities and the residents survey. The other group, Growth and Development, is tasked with looking at different aspects of growth within the Borough and has, this year for example, scrutinised reports in relation to the Crematorium and the health of town and village centres. Extraordinarily there was a joint meeting of both Groups on accessible housing.

3.6 Directors and Monitoring Officer

The Chief Executive and Directors are responsible for ensuring proper standards of internal control within their service areas. On-going reviews are undertaken throughout the year. At the end of the financial year, the Chief Executive and Directors are required to confirm that they have reviewed the system of internal control and identify any areas where improvements are necessary.

The Monitoring Officer

The Monitoring Officer has a specific duty to ensure that the Council, Officers and Members maintain the highest ethical standards of conduct. The Monitoring Officer also:

- Monitors, reviews and maintains the Constitution
- Ensures lawfulness and fairness of decision-making
- Supports the Standards processes

3.7 Internal Audit

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place. An Audit Strategy has been developed covering all activities of the Council at a level and frequency determined using a risk management methodology.

An annual audit plan governs each year's activity and at the completion of each audit, a report is produced for management with recommendations for improvement. Regular reports covering internal audit activities are submitted to the Governance Scrutiny Group for scrutiny.

The Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable.

At the time of writing, the draft report has once again given the Council a substantial assurance rating.

3.8 External Audit

The external auditors, Mazars, review the Council's arrangements for:

- Preparing accounts in compliance with statutory and other relevant requirements;
- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice; and
- Managing performance to secure economy, efficiency and effectiveness in the use of resources.

The auditors give an opinion on the Council's accounts, corporate governance and performance management arrangements. The Council takes appropriate action where improvements need to be made. Mazars issued an unqualified audit opinion, expressing the view that the financial statements give a true and fair reflection of the financial position of the Authority, and of its expenditure and income for the year. Whilst this was later than expected, with the accounts signed-off in January 2025, we are in a better position than many authorities with some several years behind regarding their financial statements being certified with new statutory 'back-stop' procedures being invoked. We continue to work with the auditors to ensure the end of September deadline is met. A positive Value for Money conclusion was given by Mazars in their September report.

It is important to note that the deadline for the draft statement of accounts and their sign-off by external audit have been put back. The 30 June 2025 is the deadline for a draft set of accounts to be published. Whilst the deadline for the publication of final audited accounts is up until 27th February for 2024/25 accounts the expectation is we will aim for these to be presented to September 2025 GSG.

4 IMPORTANT GOVERNANCE ISSUES

4.1 **Budget and Ongoing Pressures, Local Government Reorganisation, the Peer Review and other issues**

Current budget position

2024/25 and 2025/26 budgets are again under pressure due to expenditure pressures in relation to energy and pay inflation and other key risks mentioned below. We are anticipating budget efficiencies for 2024/25 of around £2.164m mainly due to additional treasury management investment income, and business rates and external grants. This is not unexpected and will meet service pressures and additional demands such as in relation to the 'homes for Ukraine' scheme, West Bridgford Town Centre reorganisation, further support for disabled facility grants, to contribute toward carbon offsetting land acquisition and to meet the uncertainty and likely significant costs of LGR.

Regarding LGR the Council has put forward a further proposal of a 3 unitary option in addition to the 3 other options that the other Nottinghamshire authorities have included as worthy of further investigation with the aim of one option to be reported to Government by November 2025. LGR will create both additional work and uncertainty for both Councillors and employees alike. Cabinet and the Executive Management Team are aware that these risks will have to be carefully managed and it is essential the Council continues with 'business as usual' for its Councillors, employees, residents and businesses.

The Peer Review and Other Issues

The Council had a Corporate Peer Review in early 2024 with no significant recommendations. The Peer Challenge Team reviewed progress in relation to the Action Plan and this was reported to cabinet in December 2024. All 9 of the recommendations have been progressed with much positive feedback from the peer review team.

Given the challenges linked to rising inflation combined with medium-term uncertainty for example as a result of Business Rates and Fair Funding reviews, the Council has balanced its budget. The Government is focused on redirecting funding to authorities with low deprivation levels and prudent assumptions have been made in the Council's MTFS to reflect this. 2025/26 requires £0.824m of budget efficiencies which will be monitored as part of the Council's ongoing finance and performance monitoring and due diligence to both Cabinet and Corporate Overview Group. The Transformation Strategy and supporting Programme identifies the Council's approach to meeting its efficiency requirements Whilst the expectation is pay and utility inflation will reduce, the base budget is already substantially inflated. Pay inflation is linked largely to government policy on the national minimum living wage but also labour market pressures generally affecting recruitment. There is also a knock-on effect on supplies and service costs, and we are already aware of cost pressures arising above and beyond those already in the budget. Fortunately, the Council's robust current financial position, enables some mitigation regarding such cost pressures.

Going forward, there will also be service based pressures linked to statutory changes in relation to planning (Levelling-Up Act) and waste services (Simpler Recycling and

the Environment Act). Cabinet received a separate report in January 2025 on the impact of Simpler Recycling and the creation of a Simpler Recycling Reserve to mitigate the future financial impact of this. That said by 2029/30 there is a net budget pressure of £0.318m regarding Simpler Recycling.

The planned reviews of Business Rates and Fair Funding continue to be delayed. The current expectation is that for the 2026/27 budget the reviews will have taken place. There remains significant uncertainty regarding both the impact on Rushcliffe and the timeliness of the 2026/27 financial settlement; given the Government's Comprehensive Spending Review and the velocity of change expected regarding local government funding.

The Council is still committed to having a commercial ethos and maximising value for money for the benefit of its residents. The Council has a range of income streams and manages such risks proportionately and sensibly. Under CIPFA guidance it cannot borrow to fund commercial activity. Projects continue to be delivered with an ambitious capital programme of £27.1m over the next 5 years, to both maintain and enhance the Council's assets and also to develop Council system (for example upgrading the Council's Financial Management System) and improve council services (for example continuing to invest in leisure facilities and its vehicle fleet).

In the past we have referenced the risk of power station appeals. However given the reduction in business rates for the power station over time, the income has been eroded and its loss is now less of a risk. Business rates for the power station have reduced to £0.23m from £6m several years ago and now amounts to only 0.7% of business rates billed. The upside risk is that the Council's future exposure to a power station appeal will have a smaller impact and similarly when the power station is ultimately de-commissioned its financial impact will not be as greatly felt. Furthermore, the Freeport site itself is an essential gateway for the Borough to enable further economic growth and prosperity.

The external auditors have noted a number of risks in their Audit Strategy Memorandum 2024/25 (which are similar to their 2023/24 Memorandum), namely:

- Appropriate controls are in place to prevent 'management override';
- The completeness and accuracy regarding the Council's valuation of property, plant and equipment; and
- The Local Government Pension Scheme and the risk that the data is inaccurate and the impact of these inaccuracies on the financial accounts.

There is one additional risk specific to the 2024/25 accounts in relation to the implementation of International Financial Reporting Standard (IFRS) 16. This is designed to report information that better shows lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The treatment of such leases will be tested as part of the audit of the Council's financial statements.

It is recognised that ICT threats and opportunities continue to evolve, it is imperative that the Borough Council has a clear understanding of how these impact on our day-to-day operations, particularly in the light of recent global cyber security threats. The Council continues to look at ensuring systems are hosted in 'the cloud' to mitigate such

risks. In 2025/26 an updated ICT Strategy for the next 3 years will be presented to Cabinet which is crucial in how the Council continues to develop its ICT for the benefit of all stakeholders and also operates within a secure and resilient working environment.

Despite the challenging economic environment, the Council remains committed to reducing its carbon footprint and continues to deliver excellent services. The Climate Change Reserve remains and with the challenge of delivering on biodiversity net gain targets and carbon offsetting. The Council continues to ‘future proof’ and replenish this reserve to fund future initiatives. For example, £1.5m has been set aside for land acquisition for the purpose of carbon offsetting.

Based on our review of the governance framework, the following significant issues will be addressed in 2025/26. There is also commentary on their achievement (where applicable) in 2024/25.

Issue	Reporting to	Methodology	Timescale	2024/25 completed
Monitor the delivery of the Transformation Strategy and ongoing budget position covering risks and opportunities arising from, for example, inflation, the new crematorium and Streetwise insourcing.	Reports to EMT, Scrutiny and Cabinet	On-going financial reports	At least quarterly reporting	Yes, financial and operational performance reported. Separate scrutiny reports regarding the Crematorium and Streetwise.
Monitor the delivery of the capital programme	Reports to Corporate Overview Group and Cabinet	On-going financial and performance reports	Quarterly	Yes
Monitor Business Rates, Fair Funding and New Homes Bonus developments	Reports to Cabinet and Full Council	Included as part of the Medium-Term Financial Strategy reporting; update to CGG as part of the AGS	By March 2026	Yes - updated assumptions in the MTFS
Monitor the position with regards to significant external opportunities regarding EMCCA and the Freeport	Reports to Cabinet and Full Council	On-going governance reports	By March 2026	Yes, although both organisations are in the early stages of their development. Regarding EMCCA UKSPF funding has been

				provided, reported separately to Cabinet in March 2025
Progress regarding Local Government Reorganisation	Reports to Full Council, and communiques from the Chief Executive on progress.	On-going reports, news releases and any specific update sessions for all councillors	March 2026	Not applicable for 2024/25.

5 STATEMENT OF THE CHIEF EXECUTIVE AND THE LEADER OF THE COUNCIL

We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Governance Scrutiny Group. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed, and those to be specifically addressed with new actions planned, are outlined above.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Signed:

A Hill (Chief Executive)

Councillor N Clarke (Leader)

Date: September 2025

Date: September 2025

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	Governance Scrutiny Group
	Thursday, 19 June 2024
Rushcliffe Borough Council	Capital and Investment Strategy Outturn 2024/25

Report of the Director – Finance and Corporate Services

1 Purpose of report

- 1.1 The purpose of this report is to summarise the transactions undertaken during the 2024/25 financial year reporting against the Council's Capital and Investment Strategy 2024/25.
- 1.2 The report also provides information on the Council's commercial investment activity ensuring there is both transparency and scrutiny in terms of both treasury and asset investment decision making.

2 Recommendation

- 2.1 It is RECOMMENDED that the Governance Scrutiny Group:
 - (a) considers and scrutinises the Capital and Investment Strategy 2024/25 outturn position.
 - (b) agrees the change the counterparty limit for banks (unsecured investments) from £3m to £5m

3 Reasons for Recommendation

- 3.1 This Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the prudential and treasury indicators for 2024/25. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Finance in Local Authorities (the Prudential Code).

4 Supporting Information

TREASURY MANAGEMENT

Prudential Indicators Summary

- 4.1 During 2024/25, the Council complied with its legislative and regulatory requirements. The key prudential and treasury indicators detailing the impact of capital expenditure activities during the year are as follows:

Table 1: Prudential and Treasury Indicators

Prudential and Treasury Indicators	2023/24	2024/25	2024/25
	Actual £'000	Estimate £'000	Actual £'000
Capital Expenditure	6,752	12,154	7,045
Capital Financing Requirement	9,889	7,863	9,989
Investments	(71,215)	(55,706)	(76,126)

- 4.2 The approved capital programme for 2024/25 was £11.079m, with £3.405m brought forward from 2023/24, other budget adjustments of £3.417m and slippage of £5.747m during the year giving a total provision for the year of £12.154m. Actual expenditure against the approved programme was £7.045m giving rise to a variance of £5.109m. Carry forwards of £4.308m have been requested for approval by Cabinet as part of the Final Outturn Report (for July Cabinet agenda).

Capital Expenditure and Financing

- 4.3 The Council undertakes capital expenditure on both its own long-term assets and on grants that can be capitalised under statute (capital payments to third parties). These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.) which has no resulting impact upon the Council's borrowing need; or
 - If insufficient financing is available or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- 4.4 The capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed:

Table 2 Capital Expenditure and Financing

Capital Programme	2023/24	2024/25	2024/25
	Actual £'000	Estimate £'000	Actual £'000
Capital Expenditure	6,752	12,154	7,045
Less Financed by:			
Capital Receipts	-3,026	-2,010	-782
Capital Grants	-3,042	-6,667	-4,860
Reserves	-684	-3,477	-1,403
Increase in borrowing need	0	0	0

All the expenditure can be financed from the Council's capital resources mitigating the need to either internally or externally borrow.

The Council's Overall Borrowing Need

- 4.5 The Council's underlying need to borrow for capital expenditure is called the Capital Financing Requirement (CFR). The CFR represents the net capital expenditure in

2024/25 and prior years that has not yet been paid for by revenue or other resources.

- 4.6 Part of the Council's Treasury Management activity is to organise the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be through utilising temporary cash resources within the Council (internal borrowing) or sourced through borrowing from external bodies, for example, the Public Works Loan Board (PWLb).
- 4.7 Where a positive CFR exists, the Council is required, by statute, to make an annual charge called the Minimum Revenue Provision (MRP) to reduce the CFR based on the life of the relevant assets. This provision effectively raises cash to either help repay loans or replenish internal borrowing.
- 4.8 The total CFR can be reduced by:
- The application of additional resources (such as unapplied capital receipts); or
 - Charging more than the statutory revenue charge (MRP) each year through a voluntary revenue provision (VRP).
- 4.9 In 2017/18 the Council decided to set the MRP at £1m. This comprised £0.250m MRP to finance the Arena based on £10m borrowing over a 40-year life. A further £0.750m was provided by way of VRP to meet the Council's commitment to repay the borrowing early. The Council has been releasing an equivalent sum (approximately £1m) from the New Homes Bonus (NHB) Reserve to offset any impact of the borrowing charge to the taxpayer in-year. This practice will continue, and new schemes which increase borrowing requirements will increase MRP. The Arena will be repaid in full in 2026-27 at which point MRP will reduce and VRP will stop.

The Impact of IFRS16 on the CFR

- 4.10 The CFR has been restated to reflect IFRS16 (new leasing standard) which requires recognising the right-of-use (ROU) asset and lease liability on the balance sheet, which impacts the CFR calculation. The CFR calculation is a measure of an authority's capital expenditure capacity, and the additional assets and liabilities increase the amount of funding required. Under IFRS 16, the resulting ROU asset and lease liability increase the CFR and authorised debt limits.
- 4.11 The Council's CFR for 2024/25 represents a key prudential indicator and is shown below. The table shows the revised opening position after IFRS16. No internal borrowing was needed in 2024/25 giving a closing balance of £9.989m after deducting the MRP of £1.652m (£1.2m planned plus an additional £0.452m to match IFRS 16 Adjustment) and £1m applied capital receipts.

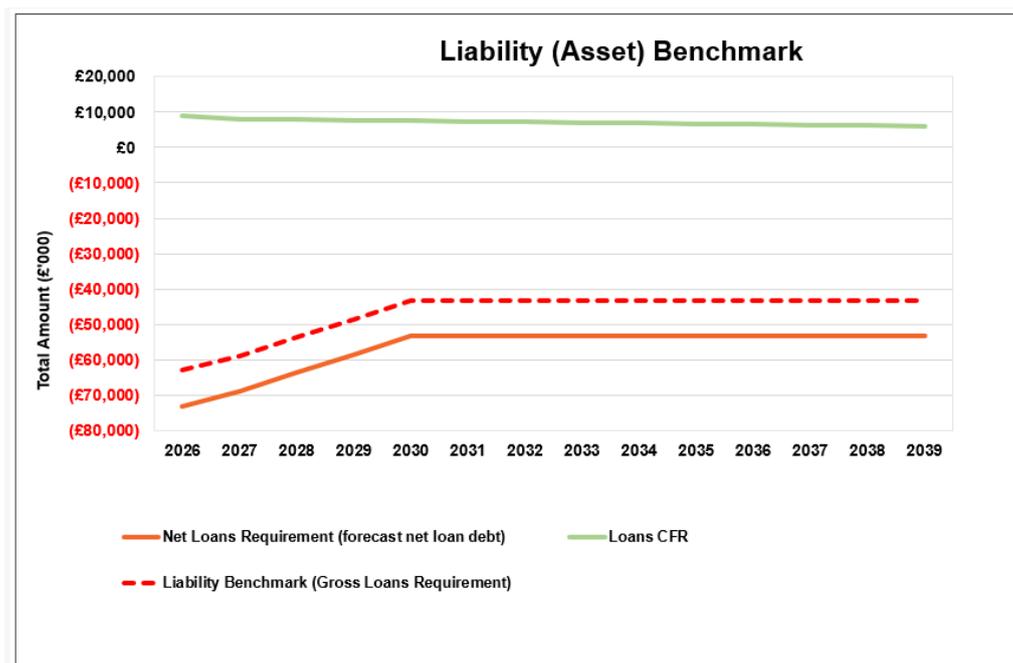
Table 3 Capital Financing Requirement

Capital Financing Requirement (CFR)	2023/24 Actual £'000	2024/25 Actual £'000
Original Opening Balance	13,266	9,889
Add: unfinanced capital expenditure (IFRS 16 - ROU Assets)	0	2,752
Revised Opening Balance	13,266	12,641
Less MRP/VRP	-1,255	-1,652
Less applied Capital Receipts and S106	-2,122	-1,000
Closing Balance	9,889	9,989

Net Borrowing, CFR, Authorised Limit and Operational Boundary

- 4.12 The borrowing activity is normally constrained by prudential indicators for net borrowing, the CFR and by the Authorised Limit for external debt.
- 4.13 The authorised limit is the “affordable borrowing limit” required by section 3 (1) of the Local Government Act 2003 and represents the limit beyond which borrowing is prohibited and was set at £20m in the 2024/25 Strategy.
- 4.14 As the Council had no recourse to borrow externally during 2024/25 these indicators are not applicable.
- 4.15 Similarly, the Council is required to set an operational boundary, which is the expected borrowing position of the Council during the course of the year. The operational boundary is not a limit, and actual borrowing can be either below or over the boundary subject to the authorised limit not being breached. The Operational Boundary was set at £15m in case any borrowing is required in emergency circumstances. The Authorised limit of £20m gives room for any variations from this. Any borrowing in excess of this would require Full Council approval.
- 4.16 The Liability (or Asset) Benchmark reflects the real need to borrow and is shown graphically (Chart 2). The Council’s CFR is reducing due to MRP repayments. Rushcliffe Arena MRP/VRP payments were spread over 10 years, and the last full year repayment is 2025/26. MRP payments for Cotgrave Masterplan, Rushcliffe Oaks and Bingham Hub are spread over 40 years so the Councils CFR will not be zero until at least 2060/61 and possibly later for Right of Use assets. Reserves are being used to fund future capital expenditure and working capital/S106 monies are returning to a normal level. The Liability Benchmark shows the Council has no need to borrow over the medium term.

Chart 2 Liability Benchmark



The Ratio of Financing Costs to Net Revenue Streams

This is an indicator of affordability and compares net financing costs (MRP, borrowing costs, less investment income) to net revenue income. This indicator shows how the proportion of net income used to pay for financing costs. The actual is negative figure as a result of higher income from investments due to interest rates throughout the year remaining above expectations and higher cash balances (as can be seen with higher investments in Table 1). Together these result in income exceeding MRP payments.

Table 4 Ratio of Financing Costs to Net Revenue Stream

	2023/24 Actual £'000	2024/25 Estimate £'000	2024/25 Actual £'000
Ratio of Financing costs to net revenue stream			
Net Financing Costs	-633	135	-856
Net Revenue Stream	15,754	16,267	17,295
Ratio	-4.02%	0.83%	-4.95%

- 4.17 Net income from commercial and service investments is expressed as a percentage of net revenue streams. 2024/25 was slightly lower than estimated due to net revenue streams being higher due to higher-than-expected Grant Income and Business Rates.

Table 5 Net Income to Net Revenue Stream

	2024/25 Estimate £'000	2024/25 Actual £'000
Net Income to Net Revenue Stream		
Net Income from commercial and service investments	1,822	1,905
Net Revenue Stream	16,267	17,295
Ratio	11.2%	11.0%

Upper Limits for Fixed and Variable Rate Exposure

- 4.18 The purpose of these indicators is to allow the Council to manage the extent to which it is exposed to changes in interest rates. Exposure is currently 57% for Fixed Rate and 43% for Variable. The Strategy states that whilst the Council has set a limit of 50% on fixed interest rate exposure, during a time of falling interest rates, as the UK is currently experiencing, this indicator should not be restrictive, preventing the Council from locking into higher interest rates.

Table 6 Upper Limits for Fixed and Variable Rate Exposures

	2024/25 Estimate £'000	2024/25 Actual £'000
Upper Limits for Fixed and Variable Rate Exposures		
Fixed Interest Rate limit	50%	57%
Variable Interest Rate limit	100%	43%

Upper Limit for Total Principal Sums invested over 1 year

- 4.19 This limit is intended to contain the exposure to the possibility of any loss that may arise as a result of the Council having to seek early repayment of any investments made. If an investment had to be repaid before its natural maturity date due to cash flow requirements, then, if market conditions were unfavourable, there would be an adverse impact on the Council.

Table 7 Upper Limit for Total Principal Sums invested over 1 year

	2024/25 Estimated £'000	2024/25 Actual £'000
Upper Limit for Total Principal Sums Invested over one year		
Total Investment balance	55706	76126
Limit (50% of total investment)	27900	38063
Sums invested over one year	0	0

Treasury Position on 31 March 2025

- 4.20 The Council's debt and investment position is managed by the Treasury team to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all Treasury Management activities in line with the

approved treasury strategy. Procedures and controls to achieve these objectives are established through reports to Members via the Governance Scrutiny Group and reporting and through officer activity detailed in the Council's Treasury Management Practices. The following table details the Counterparties that the Council had placed investments with at the end of 2024/25. The Council held two ESG funds at the end of the year totalling £7.4m which represents 9.7% of total cash balances.

Table 8 Treasury Position on 31 March 2025

Financial Institution	Amount £	Length of Investment	Interest
Royal London Cash Plus Fund	1,015,613	On-going	3.96%
CCLA Property Fund	2,008,092	On-going	4.36%
CCLA Cautious Fund	1,825,481	On-going	3.25%
Aegon Diversified Income fund	4,560,790	On-going	6.80%
Ninety One Diversified Income Fund	4,518,894	On-going	6.20%
Aviva Investors	236	Call	4.47%
Blackrock	471,027	Call	4.49%
CCLA - PSDF	1,364,225	Call	4.50%
Federated Investors (UK)	734,286	Call	4.53%
Goldman Sachs Asset Management	75,606	Call	4.43%
HSBC Asset Management ESG	5,576,188	Call	4.52%
Invesco AIM	1,074,170	Call	4.53%
Aberdeen Asset Management	3,679,232	Call	4.54%
Broxbourne Borough Council	4,570,000	16/06/2025	5.50%
Rushmoor Borough Council	5,000,000	18/04/2025	5.25%
Telford & Wrekin	5,000,000	25/07/2025	4.80%
Blackpool Council	4,000,000	23/04/2025	4.77%
LB of Waltham Forest	5,000,000	22/04/2025	4.90%
Surrey County Council	5,000,000	25/04/2025	4.90%
New Forest District Council	5,000,000	22/09/2025	5.50%
Lancashire County Council	5,000,000	19/06/2025	5.80%
Bedford Borough Council	5,000,000	03/04/2025	6.00%
HSBC Asset Management Business	41,518	Call	1.76%
Bank of Scotland PLC	862	Call	0.01%
Bank of Scotland PLC32	117,216	32 Days	3.00%
Barclays Bank PLC	6,860	Call	1.75%
Barclays Bank PLC32	4,906,132	32 Days	4.45%
Handlesbanken PLC	12,170	Call	3.95%
Handlesbanken PLC35	12,892	35 Days	4.10%
Santander UK PLC1	464,221	Call	2.73%
Santander UK PLC35	90,563	35 Days	4.03%
Average Interest Rate			4.69%
Total Investments	76,126,273		

The Strategy for 2024/25

- 4.21 The expectation, within the strategy for 2024/25, was that interest rates would remain at around 5.25% until autumn 2024 to a low of around 3% by early to mid-2026. The Monetary Policy Committee agreed to drop the base rate to 5% as of 1 August 2024 and then further reduced the base rate down 25 basis points to 4.75% in November 2024. The base rate today currently stands at 4.25% following a vote to further cut the rate in May 2025 from 4.5%. The Council continued with the prudent investment of the treasury balances to achieve the objectives of security of capital and liquidity of its investments, whilst achieving the optimum return on investments. Council's investments were where possible placed in short-term liquid assets to benefit from increasing rates. Generally, short term investment options have returned rates in line with BoE base rate and have at times yielded a better

return than longer term investment options. Notwithstanding that, the Council must invest some of its cash longer term so as to spread risk in line with the strategy.

Investment Rates and Outturn Position in 2024/25

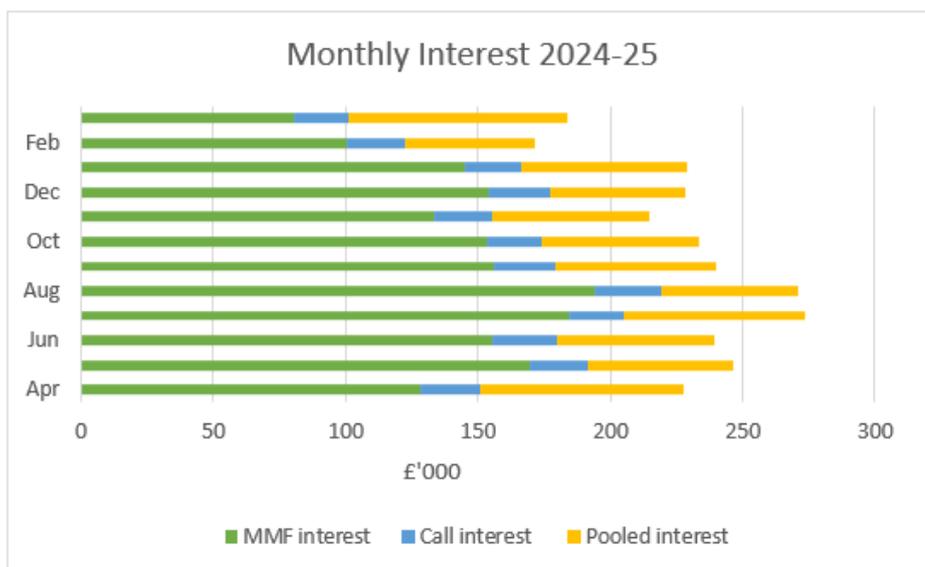
- 4.22 Whilst the Council continues to ensure investments are secure, the Council is proactively looking to maximise its rate of return. The overall rate of return on investments for the year was 4.69% compared with the budgeted rate of 4.50%, and an actual rate of 5.24% in 2023/24. As well as elevated interest rates, additional S106 monies and underspends on the capital programme resulted in an increase in the amounts available to be invested resulting in a net return on investments of £2,168,600 against a budget of £1,043,200.
- 4.23 The fair value of the Council's diversified funds can fluctuate. During the year the value decreased by £0.109m. The overall variance against the initial investment is £1.071m deficit. To mitigate this loss, appropriations have been made to a reserve and the balance currently stands at £1.173m to cushion any adverse fluctuations with a further £0.137m proposed from 2024/25 underspends. There is currently a statutory override, effective to April 2029, which prevents any accounting loss impacting on the revenue accounts.

Table 9 Fair Value of diversified (pooled) funds at 31.3.25

Fair Value	Amount			Difference	Difference in valuation from initial investment
	Invested	31/03/2024	31/03/2025		
Aegon-Previously Kames	5,000,000	4,597,766	4,560,790	(36,976)	(439,210)
Ninety One-Previously Investec	5,000,000	4,535,612	4,518,894	(16,718)	(481,106)
RLAM	1,000,000	1,005,085	1,015,613	10,528	15,613
CCLA Property	2,000,000	1,970,157	2,008,092	37,935	8,092
CCLA Cautious Fund	2,000,000	1,929,604	1,825,481	(104,123)	(174,519)
Total	15,000,000	14,038,224	13,928,870	(109,354)	(1,071,130)

- 4.24 Although the Council's diversified funds are subject to fluctuations in capital value, they provide exceptional returns into the revenue accounts. The graph below shows monthly returns from different accounts. In 2024/25, the diversified funds returned an average rate of 5.29%, over 50 basis points more than Money Market Funds at 4.78%. It should be noted that the balance invested in Money Markets fluctuates month by month.

Chart 1 -Different investments and respective interest earned



4.25 The Council's investment policy is governed by the annual Capital and Investment Strategy approved by Council on 7 March 2024 (and prior to this approved by the Governance Scrutiny Group on 22 Feb 2024). This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, for example, rating outlooks and credit default swaps information. During the year it came to light that some banks classified as secure are actually deemed unsecure by our Treasury Advisors, this means that during the year we had invested £4.9m with Barclays against a limit of £3m. Arlingclose advise that unsecure investments should be around 5% of total investments, and the equivalent for the unsecure investments actually made during the year were approximately 5.2% which accords with their guidance. Whilst this has breached the limits set in the strategy, it is recommended that the limit be increased to reflect the advice from Arlingclose and even though technically there is a breach, the Council continues to spread its risks by having a wide variety and number of investments and counterparties. Ultimately, as with setting all the limits, it is a Council decision utilising the professional views of officers who support the recommendation to change the limit that reflects the current level of investment.

4.26 The Council's longer-term cash balances comprise primarily revenue and capital resources, although these will be influenced by cash flow considerations and the need for working balances and contingencies. The Council's core cash resources are detailed in the following table. The Council continues to face financial challenges and although reserve levels are predicted to decline over the medium term, they are maintained at a healthy level sufficient to support against risk and uncertainties and continue to deliver the capital programme. The position is reported to, and reviewed by, both Corporate Overview Group and Cabinet in their year-end financial monitoring reports. There has been a net transfer to earmarked reserves of £3.34m. The key points to note are:

- £1.509m NHB income is transferred in and appropriated to Regeneration reserve (£759k) and Climate Change (£750k) included in the figures below
- Other 'Transfers out' or use of reserves total £5.793m of these, £2.189m are movements between reserves to redirect funds between reserve balances such as collection fund and freeport to new pressures i.e. simpler recycling and carbon offsetting and £1.402m used to fund capital projects, mainly vehicle replacements and Cotgrave Leisure Centre Enhancements. Of the remaining £2.202m, significant items include: £1.178m from the New Homes Bonus (NHB) reserve used to offset the Minimum Revenue Provision (MRP), this is a requirement by legislation to make a charge to the revenue budget for the recovery of internal borrowing for capital expenditure and £0.421m out from the Organisation Stabilisation Reserve for approved carry forwards from 2023/24.
- Other 'Transfers in' total £9.133m increasing reserves. The transfers between reserves as above total £2.189m. Other significant items comprise: £3.432m efficiencies to cover carry forward and reserve commitments; £1.124m for organisation stabilisation, £1.061m Regeneration and Community Projects reserve and £0.850m for Climate Change reserve to support capital spending going forward.

There is an increase in usable capital receipts. These will be used to fund deferred schemes in the capital programme.

Table 10 Balance Sheet Resources

Balance Sheet Resources	31/03/2024 £'000	31/03/2025 £'000
General Fund Balance	2,604	2,604
Earmarked Reserves	20,947	24,287
Usable Capital Receipts	3,422	5,762
Capital Grants Unapplied	98	142
Total	27,071	32,795

Conclusion – Treasury Management

- 4.27 Overall, the Council has been successful in achieving its objectives in line with the Strategy of ensuring security of its investments; ensuring there was sufficient liquidity to operate efficiently and enable the delivery of objectives; and achieve a yield on investment returns given the constraints placed upon the Council (in terms of both financial market risks and the need to retain liquidity and protect capital). The Council continues to pursue Environmental Social and Governance (ESG) investments where these satisfy the principles of security and liquidity, but it is still an emerging market and therefore the risks need to be carefully balanced. Whilst inflation was on a downward trend during the first 3 quarters of 2024/25, the fourth quarter saw an increase to 2.5% again continuing to rise to the current level of 3.5% in April 2025, well above the BoE target of 2%. This meant that there was not as rapid a decline in interest rates as expected with current rate of 4.25% not being announced until May 2025. The UK economy has expanded slightly with gross

domestic product having increased by 0.7% in the first quarter of the calendar year, 0.5% in quarter 2 and 0.1% in quarter 3. However, with the troubles surrounding the Trump presidency, and trade tariffs, the economy looks set to remain unstable. We will continue to monitor the position closely.

ASSET INVESTMENT STRATEGY

Overview

- 4.28 Guidance on Treasury Management activity focuses on the role of longer-term investments specifically held to make a commercial return. The Prudential Code includes the principle that the purchase of commercial property purely for profit cannot lead to an increased capital financing requirement (see paragraph 3.1). The Council no longer invests in property for commercial gain.
- 4.29 This section of the report reviews the position of existing commercial investments.

Investments 2024/25

- 4.30 2024/25 remained an uncertain year with the UK general election, the US presidency, inflationary pressures from fiscal policies and high interest rates all impacting on the economy.

Current Position

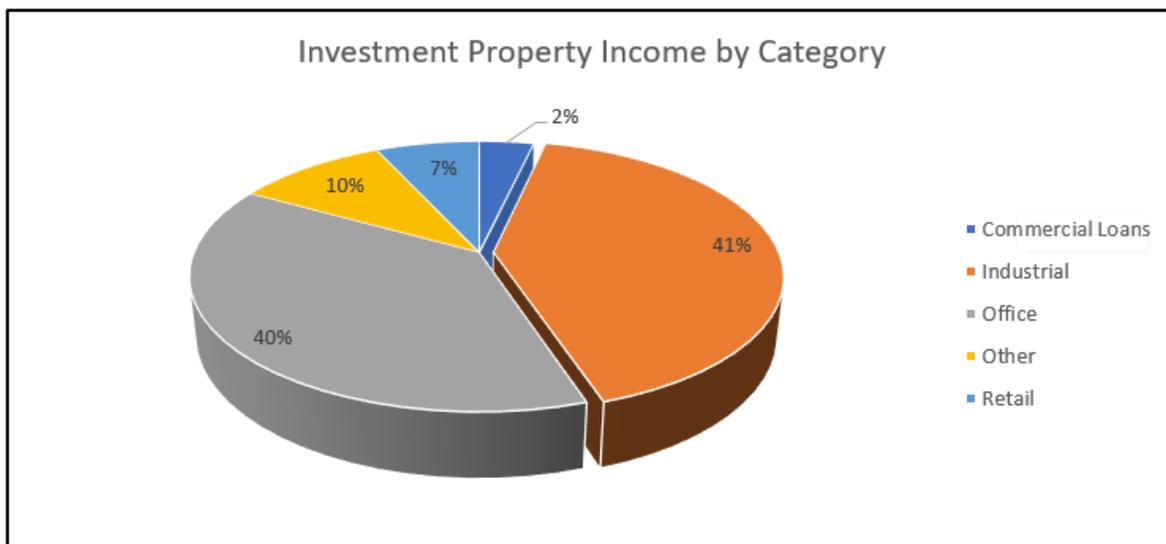
- 4.31 The table below shows the returns being made on previous acquisitions from the Asset Investment Strategy. 2024/25 showed a return of 6.06% compared with 5.92% in 2023/24.

Table 12 AIS investment returns 2024/25

Investment Value £	Gross Return	Investment	2023/24 Actual £'000	2024/25 Actual £'000
1964500	3.35%	NCCC Loan (interest)	71,468	65,892
1477500	5.21%	Trent Boulevard (Co-Op)	77,021	77,021
984000	7.83%	Finch Close	77,195	77,092
1917000	7.41%	Bardon	142,000	142,000
2500000	7.18%	Cotgrave Offices	45,364	48,385
		and Cotgrave Industrial Units	131,934	131,185
860000	7.40%	Boundary Court	58,300	63,600
1900000	5.30%	Cotgrave Phase 2	84,885	100,739
2450790	5.58%	Unit 3 Edwalton Business Park	136,850	136,850
2083364	5.28%	Unit 1 Edwalton Business Park	110,000	110,000
16137154	6.06%	Total	935,017	952,764

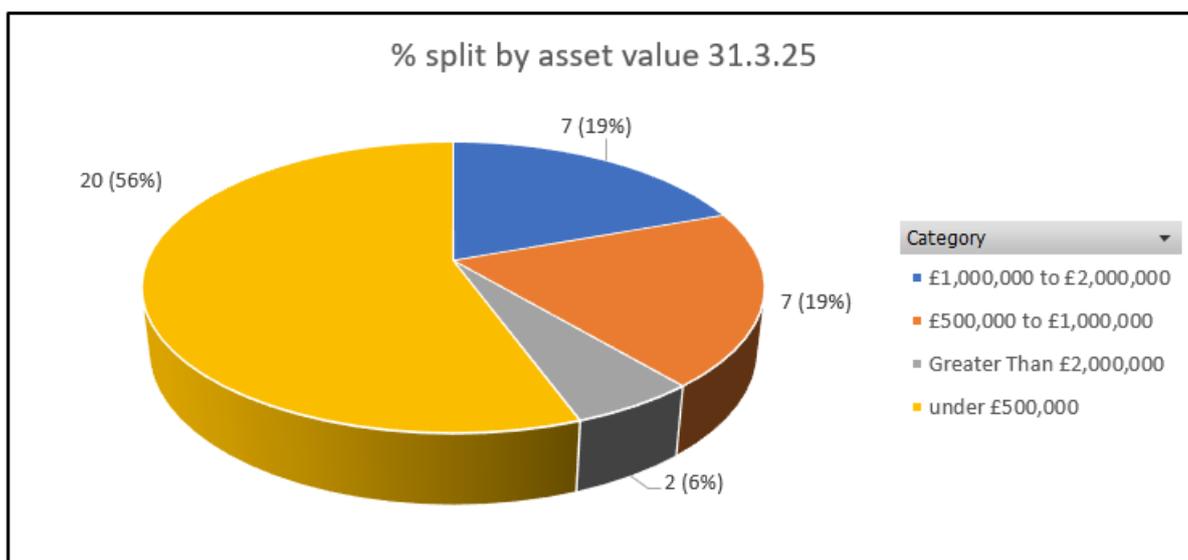
- 4.32 The Council maintains a good spread of risk over it's property portfolio (classified by the rental earned) as depicted below:

Chart 2 – Investment Property Income by Category 2024/25



4.33 Chart 3 below shows the Council’s overall property portfolio classified by asset value and number of investments

Chart 3 percentage split of overall property portfolio by asset value



4.34 Many of the Council's investments have been in industrial units (given its focus on economic regeneration) and in offices and these have been very successful. Further diversification of investments mitigates the risk of income payment default.

4.35 In terms of risk in relation to the Council’s budget, the following table demonstrates that whilst property income is important for the Council’s budget, there is not an over emphasis upon property income and there are other income streams.

Commercial Investment income and costs

Table 13 Commercial Investment income and costs

Commercial Investments	2024/25 Budget £'000	2024/25 Actual £'000
Commercial Property Income	(1,902)	(1,987)
Running Costs	458	365
Net contribution to core functions	(1,444)	(1,622)
Interest from Commercial Loans	(63)	(66)
Total Contribution	(1,507)	(1,688)
Total Income	(11,231)	(12,571)
Total Contribution/Total income	13.4%	13.4%
Sensitivity +/- 10%	(190)	(199)

The Way Forward

- 4.36 The Council's original intention for the Asset Investment Strategy (AIS) was to generate around £1m of additional property rental income to help bridge the anticipated budget deficit. Revised PWLB borrowing rules have been introduced to ensure that no lending they issue is used primarily for commercial investment. While the Council has no plans to borrow during the MTFs the Council remains compliant with these rules. Investment income as a result of the AIS will reach it's full year effect in 2026/27 with further increases relating only to rent increases rather than in growth of the portfolio from acquisitions.

Member and Officer Training

- 4.37 The Code requires a suitable training process for members and officers. There will be specific training for members involved in scrutiny and broader training for all councillors. Previously these needs have been reported through the Member Development Group, with the Council specifically addressing this important issue by:
- Periodically facilitating workshops for members on finance issues most recently provided in December 2024
 - Interim reporting and advising members of Treasury issues via Governance Scrutiny Group.

With regards to officers:

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

- 4.38 Given the technical nature of the subject failure to attend relevant training sessions undermines the scrutiny process.
- 4.39 The Council will continue to have its annual Treasury Management training session with Councillors provided by its Treasury advisers.
- 4.40 On 7 March 2025 Full Council approved the appointment of an independent person to the Governance Scrutiny Group (GSG). This post will be subject to the same training requirements as other members of GSG.

Conclusion

- 4.41 The position on all Council investments, whether treasury or commercial investments, remains fluid. Clearly risks remain in the treasury markets, the property market and also with the Council's Capital Programme. The economy, monetary measures and fiscal policy, the future remain uncertain and will be monitored closely. A quarterly update will be presented to this group showing the position during 2025/26.

5 Risk and Uncertainties

- 5.1 The report covers many treasury risks including counterparty, interest rate risk, changes in fair value and also property risks both unique to individual properties and the wider strategic view of property. The Council is mindful that it is important that it continues to mitigate risk by having a diversified asset investment portfolio and other income streams, so it is not over reliant on property income (paragraph 4.35).

6 Implications

6.1 Financial Implications

Financial implications are covered in the body of the report.

6.2 Legal Implications

This report supports compliance with the Local Government Act 2003 and the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice.

6.3 Equalities Implications

There are no equalities implications contained within the body of this report.

6.4 Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 implications contained within the body of this report.

6.5 Biodiversity Net Gain Implications

There are no Bio Diversity Net Gain implications contained within the body of this report.

7. Link to Corporate Priorities

Quality of Life	Efficient and effective treasury and asset investment management supports all of the Council's corporate priorities
Efficient Services	
Sustainable Growth	
The Environment	

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group:

- (a) considers and scrutinises the Capital and Investment Strategy 2024/25 outturn position.
- (b) agrees the change to the counterparty limit for banks (unsecured investments) from £3m to £5m.

For more information contact:	Name; Peter Linfield Director – Finance and Corporate Services 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Statement of Accounts 2024/25; Capital and Investment Strategy 2024/25; Treasury Management Update – Mid-Year Report 2024/25 and quarters 1 to 3 Reports 2024/25
List of appendices (if any):	Appendix 1 - Glossary of Terms

Glossary of Terms

BoE – Bank of England

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.

ESG – stands for environmental, social, and governance and refers to how companies score on these responsibility metrics. Environmental criteria gauge how a company safeguards the environment. Social criteria examine how it manages relationships with employees, suppliers, customers, and communities. Governance measures a company’s leadership, executive pay, audits, internal controls, and shareholder rights.

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

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

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

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

 <p>Rushcliffe Borough Council</p>	<p>Governance Scrutiny Group</p> <p>Thursday, 19 June 2025</p> <p>Work Programme</p>
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Report of the Director – Finance and Corporate Services

1. Summary

- 1.1. The work programmes for all Scrutiny Groups are created and managed by the Corporate Overview Group. This Group accepts and considers Scrutiny Matrices from both officers and councillors which propose items for scrutiny. If those items are accepted following discussion at Corporate Overview Group, they are placed on the work programme for one of the Council's Scrutiny Groups. In creating the work programme for the Governance Scrutiny Group due regard has been given to matters usually reported to the Group, the resources available for scrutiny, and the timing of issues to ensure best fit within the Council's decision-making process.
- 1.2. The work programme is provided in this report for information only so that the Group is aware of the proposed agenda for the next meeting. The work programme does not take into account any items that need to be considered by the Group as special items. These may occur, for example, through changes required to the Constitution or financial regulations, which have an impact on the internal controls of the Council.

25 September 2025

- Risk Management Update
- Going Concern
- Capital and Investment Strategy Update
- Internal Audit Progress Report
- Statement of Accounts
- External Audit Completion Report

4 December 2025

- Internal Audit Progress Report
- Annual Audit Letter and Value for Money Conclusion
- Capital and Investment Strategy Update

5 February 2026

- Internal Audit Progress Report
- Internal Audit Strategy
- Risk Management Update
- Risk Management Strategy
- Capital and Investment Strategy Update
- External Annual Audit Plan
- Asset Management Plan
- Capital and Investment Strategy 2026/27

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