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22 July 2020

To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held virtually via Zoom on Thursday, 30 July 2020 at 7.00 pm to consider the following items of business.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Sull'.

Sanjit Sull
Monitoring Officer

AGENDA

1. Declarations of Interest
2. Apologies for absence
3. Minutes of the meeting held on 6 February 2020 (Pages 1 - 6)
4. Internal Audit Report Q4 2019/20 (Pages 7 - 20)
Report of the Executive Manager – Finance and Corporate Services.
5. Internal Audit Annual Report 2019/20 (Pages 21 - 36)
Report of the Executive Manager – Finance and Corporate Services.
6. Constitution Update (Pages 37 - 44)
The report of the Monitoring Officer is attached.
7. Annual Governance Statement (Pages 45 - 60)
Report of the Executive Manager – Finance and Corporate Services.

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8. Annual Capital and Investment Strategy Report 2019/20 (Pages 61 - 74)
Report of the Executive Manager – Finance and Corporate Services.
9. Impact of Covid19 on Risk (Pages 75 - 92)
Report of the Executive Manager – Finance and Corporate Services.
10. Fraud Annual Report 2019/20 (Pages 93 - 128)
Report of the Executive Manager – Finance and Corporate Services.
11. Work Programme 30 July 2020 (Pages 129 - 130)
Report of the Executive Manager – Finance and Corporate Services.

Membership

Chairman: Councillor F Purdue-Horan

Vice-Chairman: Councillor J Walker

Councillors: R Adair, G Dickman, L Howitt, K Shaw, D Simms, J Stockwood and D Virdi

Meeting Room Guidance

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



**MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 6 FEBRUARY 2020**

Held at 7.00 pm in the Council Chamber Area B, Rushcliffe Arena, Rugby Road,
West Bridgford

PRESENT:

Councillors F Purdue-Horan (Chairman), J Walker (Vice-Chairman),
J Stockwood, D Viridi and P Gowland (Substitute)

ALSO IN ATTENDANCE:

C Williams	Head of Internal Audit – RSM
D Hoose	Partner – Mazars
G Dulay	Senior Manager - BDO

OFFICERS IN ATTENDANCE:

L Ashmore	Executive Manager - Transformation
P Linfield	Executive Manager - Finance and Corporate Services
S Whittaker	Financial Services Manager
T Coop	Democratic Services Officer

APOLOGIES:

Councillors B Gray and K Shaw

ABSENT:

Councillors R Adair, R Hetherington and D Simms

22 Declarations of Interest

There were no declarations of interest reported.

23 Minutes of the Meeting held on 3 December 2019

The Minutes of the meeting held on 3 December were approved as a true record and signed by the Chairman.

24 Internal Audit Progress Report

Mr Chris Williams, Head of Internal audit at RSM, the Councils internal auditors attended the meeting to present the Internal Audit Report Quarter 4, for the financial year 2019/20. The report highlighted the completion of one assignments on Enforcement – Statutory Nuisance. In terms of the audit findings Mr Williams reported a Substantial Assurance resulting in one low priority management action being identified and this was agreed by

management.

Mr Williams advised the Group that the final report for 2019/20 and the remaining four assignments: Property Leases/Rent, Follow Up, Garden Waste and Main Accounting would be completed by the end of February.

It was **RESOLVED** that the group notes the progress made against the Internal Audit Programme.

25 **External Audit Strategy**

Peter Linfield informed the Group that the agenda had been published before the Cabinet agenda was approved, and advised that some changes have been made to section 5. Value for Money. The amended page was circulated to the Group prior to the meeting and the appendices have been amended and republished to the website.

Mr David Hoose, Partner, Mazars – the Council's External Auditors presented a report that summarised 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 2019/20. The report detailed the four areas of significant risk, these include:

- Management override controls
- Valuation of property, plant and equipment
- Defined benefit liability valuation (Pensions)
- Fraudulent revenue recognition

Mr Hoose explained that significant risk is an identified and assessed risk of material misstatement that in the auditor's judgement requires special consideration. The audit process provides detail on the identified risks and the auditors testing approach with respect to the significant risks. In addition, Mr Hoose advised the Group that should the auditor change the view of risk or approach to address the identified risks during the course of the audit this would be reported to the governance scrutiny Group.

It was **RESOLVED** that the Group accept the External Audit Strategy.

26 **Internal Audit Strategy**

The Executive Manager - Finance and Corporate Services advised the Group that the Internal Audit contract was due for renewal 2019/20 and a procurement exercise was undertaken in conjunction with Gedling Borough Council. The Council's current auditors, RSM, were unsuccessful and the contract was awarded to BDO who scored highly against all cost and quality indicators.

Mr Gurpreet Dulay, Senior Manager, BDO, the Council's new internal auditors addressed the Group and presented a report that focused on the Council's three-year Internal Audit Strategy 2020 to 2023. Mr Dulay informed the Group that following discussions with senior officers of the Council ten audits are planned for 2020/21 covering a number of the Council's key processes and

systems. These include:

- Budget Management and Reporting
- Licensing
- Markets
- Pest and Dog Control

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

To assist with their consideration of the audit plan the Group were asked the following questions:

- Is the Group satisfied that sufficient assurances are being received within the annual plan to monitor the Council's risk profile effectively?
- Does the strategy for internal audit cover the Council's key risks as they are recognised by the group?
- Are the areas selected for review this coming year appropriate?
- Is the Group content that the standards within the charter (provided in the appendix with the report) are appropriate to monitor the performance of internal audit?

The Group asked specific questions in relation to the plan and whether there were additional areas highlighted for targeting not covered in previous years and whether there are risk ratings that could be quantified for the Group to benchmark and compare with other similar authorities.

Mr Dulay explained that some reviews were not included and provided the example Building Control, as this was completed recently by the previous internal audit done by RSM, adding that BDO would conduct follow up audits where areas of concern have been highlighted. In respect of benchmarking Mr Dulay advised the Group that this would be provided in the audit opinions that BDO will provide in their reports.

The Executive Manager - Finance and Corporate Services advised that BDO had demonstrated an innovative approach to the Audit Programme, adding that the plan was not fixed, and is likely to change as challenges arise. The Executive Manager – Finance and Corporate Services added that a report on Risk Management Strategy is to be presented at the next meeting of Governance Scrutiny in May 2020.

It was **RESOLVED** that the Group approve the Internal Audit Strategy and Audit Plan for 2020 to 2023.

27 Treasury Management Strategy

The Financial Services Manager presented the report of the Executive Manager – Finance and Corporate Services for the Council's Treasury

Management Strategy, which provided the group with details of the Capital and Investment Strategy for 2020/21 to 2024/25 focusing on both traditional treasury activity and the Council's commercial property investments.

The Financial Services Manager explained that the CIPFA Treasury management Code defines treasury management activities as:

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

The code also covers non-cash investments such as investments in property and subsidiaries or loans that support service outcomes.

In addition, and in the appendices supporting the report, the Financial Service Manager highlighted the Council's Treasury Management Strategy which covers:

- The current economic climate and prospects for interest rates;
- The Council's debt and investment projections;
- The limits and prudence of future debt levels;
- The affordability impact of the capital programme;
- The Council's borrowing and investments linked to the environment, human rights and social agenda;
- Specific limits on treasury activities;
- Any local treasury issues.

In respect of commercial investments, The Financial Services Manager explained that CIPFA's definition of treasury management activities covers all financial assets as well as other non-financial assets which the Council holds primarily for financial returns. The Financial Services Manager advised that all investments require an investment management and risk management framework which is defined in the Council's Asset Investment Strategy (AIS) within the Capital Programme.

The Capital Prudential Indicators and Treasury Management Strategy provide the position statement and details of the future position of the Council's Capital, Commercial Investment and Treasury plans. A summary of the Council's current Commercial Investments was provided as appendices to support the report.

Councillor Stockwood questioned the Council's Minimum Revenue Provision Policy and why the Council has chosen Option 3 within the CLG guidance regulations, 'Asset Life Method', referring to the capital receipts assumptions and Section 106 investments. The Executive Manager – Finance and Corporate Services explained that this option was agreed by Governance Scrutiny and is generally the option most local authorities use, adding that targets are difficult to achieve on monetary earned investments and priority is given to security and liquidity.

Councillor Stockwood also questioned the changes in the Net Book Value of the Investment Property Assets (Appendix ii) and the change between years. The executive Manager – finance and Corporate Services stated he would provide an explanation once he had analysed the figures.

Councillor Viridi asked a specific question in respect of Capital Financing Requirement (CFR), and why these balances were increasing significantly. The Executive Manger – Finance and Corporate Services explained that as the Capital Programme increases so will the Council's borrowing, and provided examples in Bingham Leisure Centre and the Crematorium.

It was **RESOLVED** that the Governance Scrutiny Group endorsed the following for approval by Council on 6 March 2020.

- The Capital Strategy and Prudential Indicators and Limits for 2020/21 to 2024/25.
- The Minimum Revenue Provision (MRP) Statement.
- The Treasury Management Strategy 2020/21 to 2024/25 and the Treasury Indicators.
- The Commercial Investments Indicators and Limits for 220/21 to 2024/25.

28 **Work Programme**

Councillor Gowland joined the meeting.

The Group considered its Work Programme.

13 May 2020

- Internal Audit Progress Report
- Internal Audit annual Report
- Risk Management Strategy 2020/21 to 2023/24
- Annual Asset and Investment Strategy Report
- Annual Governance Statement
- Work Programme

Actions – Governance Scrutiny Group 6 February 2020

Minute No	Action	Officer Responsible
27	Members requested an explanation for the changes in the Net Book Value of Investment Property Assets and the change between the years	Executive Manager – Finance and Corporate Services

The meeting closed at 7.53 pm.

CHAIRMAN

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Governance Scrutiny Group

Thursday, 30 July 2020

Internal Audit Report Q4 2019/20

Report of the Executive Manager – Finance and Corporate Services

1. Purpose of report

- 1.1. The attached report has been prepared by the Council's internal auditors RSM. It is the fourth, and final, progress report for the financial year 2019/20 and shows the current position on the audit programme, along with any significant recommendations with regard to the audits completed during this period.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes the final progress report for 2019/20 (Appendix A) prepared by the Council's Internal Auditor.

3. Reasons for Recommendation

- 3.1. 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 2019/20 was approved by the Governance Scrutiny Group at its meeting on 7 February 2019 and includes 14 planned reviews. All scheduled reviews have been completed. The attached report highlights the completion and issuing of four reports: Garden Waste, Property Leases and Rents, Main Accounting Systems, and Follow-Up. In terms of findings:

- Three substantive audits have returned findings of Substantial Assurance; the Follow-Up audit is scored differently but received a 'Good Progress' finding.
- The Garden Waste and Property Leases and Rents audits did not result in any management actions.
- The Main Accounting Systems audit resulted in two low level recommendations and management actions have been agreed.

- The Follow-Up audit resulted in five low priority findings being re-raised. Management actions were agreed in respect of all the recommendations.

5. Risks and Uncertainties

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

6. Implications

6.1. Financial Implications

- 6.1.1. 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

- 6.2.1. The recommendation supports good risk management.

6.3. Equalities Implications

- 6.3.1. There are no equalities implications identified for this report

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

- 6.4.1. There are no such implications.

7. Link to Corporate Priorities

Quality of Life	
Efficient Services	Undertaking a programme of internal audit ensures that proper and efficient services are delivered by the Council.
Sustainable Growth	
The Environment	

8. Recommendations

It is RECOMMENDED that the Corporate Governance Group notes the final progress report for 2018/19 (**Appendix A**) prepared by the Council's Internal Auditor.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	
List of appendices:	Appendix 1 - Internal Audit Progress Report – RSM

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RUSHCLIFFE BOROUGH COUNCIL

Internal Audit Progress Report

Governance Scrutiny Group

13 May 2020

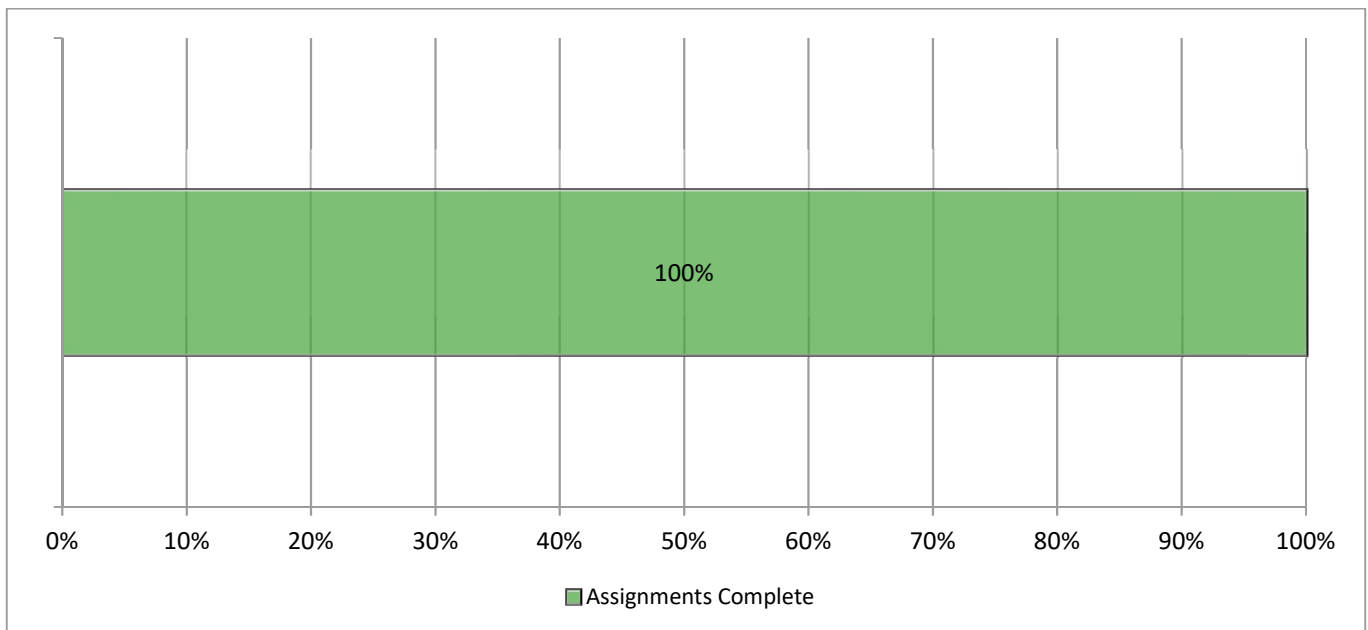


CONTENTS

1	Introduction.....	2
2	Reports considered at this Governance scrutiny group.....	3
3	Other matters	5
	Appendix A: Internal audit assignments completed to date	6
	For further information contact	8

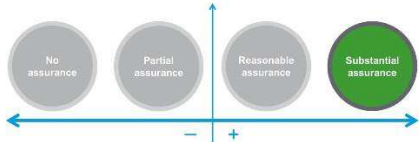
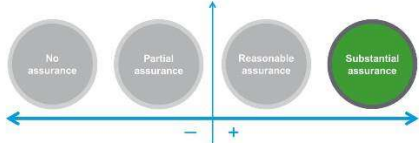
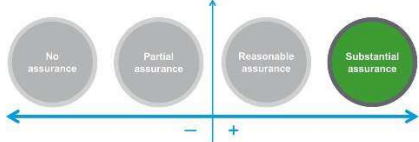
1 INTRODUCTION

The Internal Audit Plan for 2019/20 was approved by the former Corporate Governance Group on 7 February 2019. Below provides a summary update on progress against that plan and summarises the results of our work to date. Please see chart below for current progress with the Plan.



2 REPORTS CONSIDERED AT THIS GOVERNANCE SCRUTINY GROUP

The Executive Summary and Key Findings of the assignment below is attached to this progress report.

Assignments	Status	Opinion issued	Actions agreed		
			H	M	L
Follow Up (14.19/20)	Final	Good Progress	0	0	6
Garden Waste (15.19/20)	Final		0	0	0
Property Leases / Rent (16.19/20)	Final		0	0	0
Main Accounting System (17.19/20)	Final		0	0	2

2.1 Impact of findings to date



Follow Up (14.19/20)

Conclusion: Good Progress

Impact on Annual Opinion: Positive

As a result of testing undertaken, six 'low' priority management actions were identified, and these were agreed by management.



Garden Waste (15.19/20)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

Following completion of this audit, we did not consider it necessary to raise any management actions.



Property Leases/Rent (16.19/20)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

Following completion of this audit, we did not consider it necessary to raise any management actions.



Main Accounting System (17.19/20)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, two 'low' priority management actions were identified, and these were agreed by management.

3 OTHER MATTERS

3.1 Changes to the audit plan

There have been no changes to the audit plan since the Governance Scrutiny Group meeting in February 2020.

3.2 Quality Assurance and Continual Improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews being used to inform the training needs of our audit teams.

The Quality Assurance Team is made up of: Ross Wood (Manager, Quality Assurance Department) with support from other team members across the Department. All reports are reviewed by James Farmbrough as the Head of the Quality Assurance Department.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

3.3 Post Assignment Surveys

We are committed to delivering an excellent client experience every time we work with you. Your feedback helps us to improve the quality of the service we deliver to you. Currently, following the completion of each product we deliver we attached a brief survey for the client lead to complete.

We would like to give you the opportunity to consider how frequently you receive these feedback requests; and whether the current format works. Options available are:

- After each product (current option);
- Monthly / quarterly / annual feedback request; and
- Executive lead only, or executive lead and key team members.

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Report previously seen by the Governance Scrutiny Group and included for information purposes only:

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Disabled Facilities Grants (1.19/20)	Final		0	1	4
Corporate Governance (2.19/20)	Final		0	0	1
Housing Benefits (3.19/20)	Final		0	0	1
Building Control (4.19/20)	Final		0	3	3
Treasury Management, Cash and Banking (5.19/20)	Final		0	0	0
Land Charges (6.19/20)	Final		0	0	1
Annual Fraud Review	Final	Advisory *			
Cyber Risk Management (7.19/20)	Final		0	2	8
Insurance (8.19/20)	Final		0	0	1
Creditors and e-Procurement (9.19/20)	Final		0	0	1

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Markets – Review of New Contractual Arrangements (10.19/20)	Final	Advisory*			
Business Support Unit (11.19/20)	Final		0	0	4
Payroll (12.19/20)	Final		0	0	1
Enforcement – Statutory Nuisance (13.19/20)	Final		0	0	1

* A review of the Council's Fraud Annual Report was undertaken, and suggestions were provided to management to consider when finalising its Fraud Annual Report. An advisory review was also taken of the Council's Contractual Arrangements in place for Markets.

FOR FURTHER INFORMATION CONTACT

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Audit**

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This report is solely for the use of the persons to whom it is addressed. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Rushcliffe Borough Council, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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Governance Scrutiny Group

Thursday, 30 July 2020

Internal Audit Annual Report 2019/20

Report of the Executive Manager - Finance and Corporate Services

1. Purpose of report

- 1.1. The attached report has been prepared by the Council's internal auditors RSM. It summarises the work undertaken during the course of 2019/20 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 2019/20 (Appendix A).

3. Reasons for Recommendation

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

4. Supporting Information

- 4.1. The appended RSM report highlights the completion of the Internal Audit Plan for 2019/20. In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit, RSM, is required to provide an annual opinion and it is pleasing to note that for 2019/20 RSM has concluded that the Council has an adequate and effective framework for risk management, governance and internal control.
- 4.2. In 2019/20, RSM undertook 15 internal audit reviews, two advisory audits, and one follow-up review.
- 4.3. As reported previously in the quarterly progress reports, of the 15 audits, 13 resulted in a green 'substantial assurance' rating being provided and two review resulted in amber 'reasonable assurance' rating (Building Control and Cyber Risk Management). A total of 40 management actions were identified including six 'medium' priority and 34 'low' priority. Management actions have been agreed in all cases.
- 4.4. A further two advisory audits were undertaken for Fraud and the management of Bingham Market.

4.5. RSM concluded that 'good' progress' was made in implementing previously agreed management actions from a follow-up review undertaken this year.

5. Risks and Uncertainties

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

6. Implications

6.1. Financial Implications

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

6.2. Legal Implications

There are no legal implications arising from this report.

6.3. Equalities Implications

There are no equalities implications arising from this report.

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

There are no Section 17 implications arising from this report.

7. Link to Corporate Priorities

Quality of Life	
Efficient Services	Undertaking a programme of internal audit ensures that proper and efficient services are delivered by the Council.
Sustainable Growth	
The Environment	

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group notes Internal Audit's Annual Report in relation to 2019/20 (**Appendix A**).

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	
List of appendices:	Appendix A – Internal Audit Annual Report 2019/20

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RUSHCLIFFE BOROUGH COUNCIL

Annual internal audit report 2019/20

13 May 2020

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.



CONTENTS

1 The annual internal audit opinion	2
2 The basis of our internal audit opinion	4
3 Our performance	5
Appendix A: Annual opinions	6
Appendix B: Summary of internal audit work completed 2019/2020	7
For further information contact	10

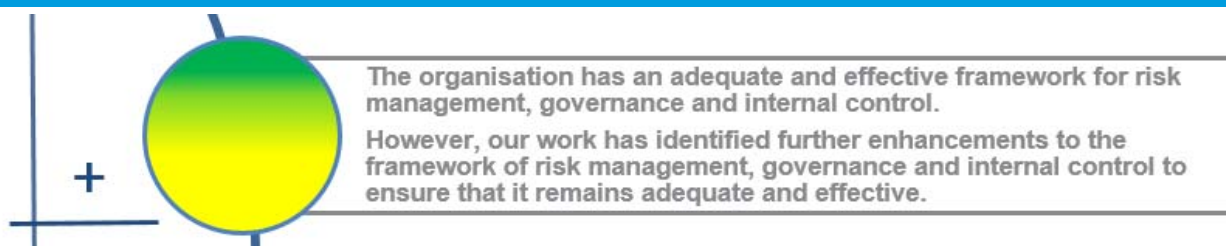
1 THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the Council's risk management, control and governance processes. The opinion should contribute to the Council's annual governance reporting.

1.1 The opinion

For the 12 months ended 31 March 2020, the Head of Internal Audit opinion for Rushcliffe Borough Council is as follows:

Head of internal audit opinion 2019/2020



Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

1.2 Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Governance Scrutiny Group. Our opinion is subject to inherent limitations, as detailed below:

- The opinion does not imply that internal audit has reviewed all risks and assurances relating to the Council;
- The opinion is substantially derived from the conduct of risk-based plans generated from a robust and Council-led assurance framework. As such, the assurance framework is one component that the board takes into account in completing its annual governance reporting;
- The opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management/lead individual;
- The opinion is based on the testing we have undertaken, which was limited to the area being audited, as detailed in the agreed audit scope;
- Where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;
- Due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to attention; and
- It remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be seen as a substitute for management responsibility around the design and effective operation of these systems; and

- Our internal audit work for 2019/20 was completed prior to the advent of the substantial operational disruptions caused by the Covid-19 pandemic. As such our audit work and annual opinion does not reflect the situation which has arisen in the final weeks of the year. We do, however, recognise that there has been a significant impact on both the operations of the Council and its risk profile.

1.3 Factors and findings which have informed our opinion

Governance

A review of Corporate Governance was undertaken at the Council as part of the approved internal audit periodic plan for 2019/20. The review reported positively on the governance framework in place and concluded that the Council could take substantial assurance.

We have also taken into consideration the governance and oversight related elements of each of the reviews undertaken as part of the 2019/20 internal audit plan. We have observed that the Governance Scrutiny Group is effective in monitoring and challenging management and holding them to account.

Risk Management

Risk Management systems and processes were reviewed throughout the course of all audits within the Audit Plan. The Corporate Risk Register contains those risks which may impact achievement of the Council's strategic objectives, whereas the Service Risk Register documents risks identified at an operational level for each service area.

In 2019/20, a Cyber Risk Management review was undertaken to ensure that computer systems and data are resilient to threats resulting from connection to the Internet. We identified that the Council has implemented a range of technical controls to help address the ever-changing cyber security landscape. The audit has highlighted that some control improvements are required with a view to enhancing the Council's cyber security risk management and strengthening the control framework. Two medium priority management actions in relation to network security and firewalls and , incident management have been raised and agreed with management along with eight low priority management actions. The Council can take 'reasonable' assurance from this review.

Internal Control

We undertook 15 internal audit reviews in 2019/20 which resulted in an assurance opinion. There were 13 reviews (87%) from which the Council can take substantial assurance and two reviews (13%) from which the Council can take reasonable assurance.

We also confirmed 'good' progress' was made in implementing previously agreed management actions from a 'Follow Up' review undertaken.

During the year we raised a total of 40 management actions across assurance and follow up reviews. Of the 40 actions raised: Six (15%) were 'medium' priority and 34 (85%) were 'low' priority actions.

To further enhance the framework for risk management, governance and internal controls, management have agreed to put actions in place.

A further two advisory audits were undertaken during 2019/20. A review of the Council's Fraud Annual Report was undertaken, and suggestions were provided to management to consider when finalising its Fraud Annual Report. At the request of management, we also carried out an additional piece of work to review the actions taken by the Council, when it appointed a new managing agent for the markets operated at Bingham.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

2 THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2019/2020.

2.2 Implementation of internal management actions

Where actions have been agreed by management, these have been monitored by management through the action tracking process in place. During the year progress has been reported to the Governance Scrutiny Group, with the validation of the action status confirmed by internal audit through the follow up audit.

Our follow up of the actions agreed to address previous years' internal audit findings shows that the Council had made **good** progress in implementing the agreed actions.

Our review considered 29 management actions (three 'Medium' and 26 'Low' priority). We confirmed that 23 of these had either been implemented in full or had been superseded.

The three ongoing management actions were in relation to:

- The schedule of delegated authority was in progress of being updated (low);
- Write offs had been appropriately authorised but refresher training for the Finance Technician had not taken place (low); and
- The Corporate Procurement Strategy has been updated and presented to EMT but not updated on the Council's website (low).

The three outstanding management actions were in relation to:

- Council Tax procedure notes had not been reviewed and updated (low);
- Starter Forms (SF1) had not appropriately authorised in all instances (low); and
- Data had not been extracted from the Finance and Planning systems to allow for monthly reconciliations to be performed (low).

2.3 Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

3 OUR PERFORMANCE

3.1 Conflicts of interest

RSM has not undertaken any work or activity during 2019/2020 that would lead us to declare any conflict of interest.

3.2 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to Governance Scrutiny Group and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

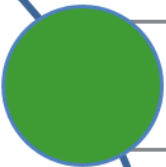
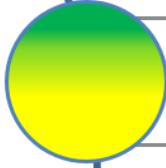
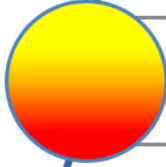
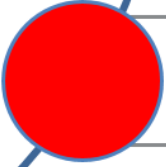
3.3 Quality assurance and continual improvement

To ensure that RSM remains compliant with the International Standards for the Professional Practice of Internal Auditing and the International Professional Practices Framework (IPPF) we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions	Factors influencing our opinion
 <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p>	<p>The factors which are considered when influencing our opinion are:</p> <ul style="list-style-type: none"> • inherent risk in the area being audited; • limitations in the individual audit assignments; • the adequacy and effectiveness of the risk management and / or governance control framework; • the impact of weakness identified; • the level of risk exposure; and • the response to management actions raised and timeliness of actions taken.
 <p>The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</p>	
 <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p>	
 <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p>	

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2019/2020

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Disabled Facilities Grants (1.19/20)	David Banks, Executive Manager Neighbourhoods		0	1	4
Corporate Governance (2.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	1
Housing Benefits (3.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	1
Building Control (4.19/20)	Dave Mitchell, Executive Manager Communities		0	3	3
Treasury Management, Cash and Banking (5.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	0
Land Charges (6.19/20)	Dave Mitchell, Executive Manager Communities		0	0	1
Annual Fraud Review	Peter Linfield, Executive Manager Finance and Corporate Services	Advisory		n/a	
Cyber Risk Management (7.19/20)	Greg Dwyer, ICT Manager		0	2	8
Insurance (8.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	1

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Creditors and e-Procurement (9.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	1
Markets – Review of New Contractual Arrangements (10.19/20)	Leanne Ashmore, Executive Manager Transformation	Advisory		n/a	
Business Support Unit (11.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	4
Payroll (12.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	1
Enforcement – Statutory Nuisance (13.19/20)	David Banks, Executive Manager Neighbourhoods		0	0	1
Follow Up (14.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services	Good Progress	0	0	6
Garden Waste (15.19/20)	David Banks, Executive Manager Neighbourhoods		0	0	0
Property Leases / Rent (16.19/20)	Leanne Ashmore, Executive Manager Transformation		0	0	0
Main Accounting System (17.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	2

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:

<p>A horizontal scale with four circles representing assurance levels: No assurance (red), Partial assurance (grey), Reasonable assurance (grey), and Substantial assurance (grey). A vertical line separates the left side (marked '-') from the right side (marked '+'). A blue double-headed arrow spans the width of the circles.</p>	<p>Taking account of the issues identified, the Council cannot take assurance that the controls upon which the Council relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>
<p>A horizontal scale with four circles representing assurance levels: No assurance (grey), Partial assurance (orange), Reasonable assurance (grey), and Substantial assurance (grey). A vertical line separates the left side (marked '-') from the right side (marked '+'). A blue double-headed arrow spans the width of the circles.</p>	<p>Taking account of the issues identified, the Council can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).</p>
<p>A horizontal scale with four circles representing assurance levels: No assurance (grey), Partial assurance (grey), Reasonable assurance (yellow), and Substantial assurance (grey). A vertical line separates the left side (marked '-') from the right side (marked '+'). A blue double-headed arrow spans the width of the circles.</p>	<p>Taking account of the issues identified, the Council can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).</p>
<p>A horizontal scale with four circles representing assurance levels: No assurance (grey), Partial assurance (grey), Reasonable assurance (grey), and Substantial assurance (green). A vertical line separates the left side (marked '-') from the right side (marked '+'). A blue double-headed arrow spans the width of the circles.</p>	<p>Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the Council relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</p>

FOR FURTHER INFORMATION CONTACT

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Rushcliffe Borough Council, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

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Governance Scrutiny Group

Thursday, 30 July 2020

Constitution Review

Report of the Monitoring Officer

1. Purpose of report

- 1.1. The Constitution provides the framework for the Council's decision making process. The purpose of this report is to ensure that the Council's Constitution remains fit for purpose, and reflects existing legislation and best practice.
- 1.2. This report sets out opportunities to enable the Governance Scrutiny Group to consider the Council's Constitution and highlights sections that may be expedient to review.
- 1.3. The Governance Scrutiny Group, in considering the Constitution, may make recommendations for consideration by Full Council to amend, remove or add sections of the document..

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group:

- a) considers the suggestions for review of the Constitution set out in Appendix A,
- b) considers other sections for review,
- c) recommends amendments considered appropriate for adoption by Full Council.

3. Reasons for Recommendation

- 3.1. It is a statutory requirement under the Local Government Act 2000, as amended, that the Council has and maintains a Constitution which must be publicly available. The Constitution should contain the Council's rules of procedure. The Council should review its Constitution annually.

4. Supporting Information

- 4.1. The Constitution was presented to Council on 16 July 2020. The adopted Constitution can be accessed at

<https://www.rushcliffe.gov.uk/aboutus/aboutthecouncil/documentsstrategiesandpolicies/>.

- 4.2. Since its inception, there have been a number of reviews of the Council's Constitution, the most recent one being in 2018.
- 4.3. The most recent reviews concentrated on the public speaking protocol and the Councillor Code of Conduct.
- 4.4. The Governance Scrutiny Group may, following review of the Constitution, propose changes to it, and make comments on the proposed amendments, if any, to be reported to the full Council meeting in June 2021.
- 4.5. Appendix A sets out suggested areas that the Group may consider appropriate for review.

5. Risks and Uncertainties

- 5.1. If the Council does not review its Constitution decisions could be taken unlawfully.

6. Implications

6.1. Financial Implications

- 6.1.1. There are no direct financial implications arising from this report.

6.2. Legal Implications

- 6.2.1. The Local Government Act 2000 requires the Council to prepare and keep up to date a Constitution. The provisions in the current, and proposed amended, Constitution comply with this requirement. Once agreed the Constitution must be publicly available.

- 6.2.2. The Council has a general duty to secure continuous improvement in the way in which its functions are exercised. The proposals in this report are designed to comply with that duty.

6.3. Equalities Implications

- 6.3.1. There are no equalities implications to this report.

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

- 6.4.1. There are no Section 17 Implications to this report.

7. Link to Corporate Priorities

Quality of Life Efficient Services Sustainable Growth The Environment	The Constitution is integral in the supporting the Council's decision making framework and delivery of its Corporate Priorities.
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8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group:

- a) considers the suggestions for review of the Constitution set out in Appendix A,
- b) considers other sections for review,
- c) recommends amendments considered appropriate for adoption by Full Council.

For more information contact:	Sanjit Sull, Monitoring Officer Tel: 0115 914215, ssull@rushcliffe.gov.uk
Background papers available for Inspection:	Constitution: https://www.rushcliffe.gov.uk/aboutus/aboutthecouncil/documentsstrategiesandpolicies/
List of appendices:	Appendix 1- Summary of suggested considerations

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	Summary	Consideration	Consideration /suggested amended	Reason
Part 3	Decision making Responsibility for Functions 1.2 Functions of Full Council	1.2 Authority for decisions which would ensue as a result of a community governance review (for example as to whether a parish council ought to be established) are added to the list of decisions for full Council.	Insert: 1.2 (o) approval of recommendations following a community governance review	To ensure lawful decision making.
Part 4	Motions	12 Notice of Motions Introduce a provision to manage the number of motions presented to a meeting to ensure business on the agenda is achievable, possibly no more than three motions will be considered at any Council meeting.	Insert 12.3: Except for motions which can be moved without notice under Standing Order 13, there shall be no more than three motions accepted for a meeting. For example, consideration be given to limit one motion per political group. 12.3 Scope insert: (b) (v) the number of motions received exceeds three for the meeting	
Part 4	Motions	14.4 Content and length of speeches To support the meeting to ensure business on the agenda is achievable reduce the duration of speeches.	14.4 Content and length of speeches Insert: (b) A Councillor presenting a report of the Cabinet or other member moving a motion of which notice has	To allow the business to be concluded in the meeting /alleviate the need to carry forward.

			<p>been given under Standing Order 12, may speak for up to five minutes. No other speech shall exceed three minutes. Provided the Council may, by resolution, extend or reduce the time limit on speeches.</p>	
		<p>To support the meeting to ensure business on the agenda is achievable remove the Mayor requesting all opposition members to speak before the debate is opened to the leader of the main opposition group only and then move to the debate (would still provide opportunity to all Councillors to speak as part of the debate).</p>	<p>14.4 Insert: (e) Immediately following the seconder speaking on a motion or report or reserving their right to speak until later in the debate, the Mayor shall ask the leader of the main opposition group to the motion to speak for no more than 5 minutes on the motion, or nominate a Councillor to speak for their group next for no more than 3 minutes on the motion</p>	<p>To allow the debate to be opened up earlier and aid conclusion of the business of the meeting</p>
		<p>15 Previous Decisions and Motions To introduce a provision to reject motions where they relate to matters more suited to review by scrutiny, for example where it requires an investigation into evidence or cost etc.,</p>	<p>15. Previous Decisions and Motions Insert: 15.3 Motion relates to matters for review by scrutiny. This may include matters that are on the current scrutiny programme.</p>	

		unless it has already been through the scrutiny matrix process.		
Part 4	Standing Orders relating to Contracts	The Council's contract procedure rules have been in place for some time, a review would ensure that they remain compliant with the law and that they are clear, the levels of delegation reflect the economic environment and comply with the transparency code. Whilst Brexit is likely to impact on the rules, it is likely that enabling legislation will be passed to adopt and retain the present rules.		
		Future considerations		
Part 5	Member code of conduct	Following the report of the Committee for Standards in Public Life in January 2019, a model code is being considered. Whilst this will be reviewed by Standards Committee, the Group could give consideration to the proposal and recommend its adoption to Full Council.		

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Governance Scrutiny Group

Thursday, 30 July 2020

Annual Governance Statement 2019/20

Report of the Executive Manager – 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.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group review and approve the 2019/20 Annual Governance Statement (**Appendix A**).

3. Reasons for Recommendation

- 3.1. To conform with best practice with regards to corporate governance and comply with relevant legislation.

4. Supporting Information

- 4.1. The Council is required to publish an Annual Governance Statement (see Appendix A) 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 A and is prepared following the completion of 'Governance Assurance Questionnaires' by senior officers of the Council. The Leader and the Chief Executive are required to sign the AGS and this will accompany the Council's Statement of Accounts.

- 4.4. The AGS reflects the requirements of the updated CIPFA/SOLACE “Delivering good governance in local government framework (2016)”. This incorporates the seven principles within the Local Code and are referenced in the relevant sections of the AGS. Other content surrounding, for example Section 4 ‘Significant Governance Issues’, will inevitably alter as new risks and opportunities arise and the environment we operate in alters over time.
- 4.5. This year, there are significant governance issues linked to the risks surrounding Covid-19 (Section 4 Appendix A), along with corresponding actions. It is likely the AGS will change when the Financial Statements are presented to the Governance Scrutiny Group in November as the legacy of Covid-19 develops.
- 4.6. The final AGS will be reported with the Statement of Accounts which will be approved at the Governance Scrutiny Group (24 November 2020).

5. Risk and Uncertainties

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

6. Implications

Financial Implications

There are no direct financial implications arising from this report.

Legal Implications

The report complies with the Accounts and Audit Regulations 2015.

Equalities Implications

There are no equalities implications associated with this report.

Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 implications associated with this report.

7. Link to Corporate Priorities

Quality of Life	Effective Governance enables the Council to achieve its Corporate Objectives
Efficient Services	
Sustainable Growth	
The Environment	

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group review and approve the 2019/20 Annual Governance Statement (**Appendix A**).

For more information contact:	Peter Linfield Executive Manager – Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Mazars – Annual Report 2019/20
List of appendices:	Appendix A: Annual Governance Statement 2019/20

2019/20 ANNUAL GOVERNANCE STATEMENT

1. SCOPE AND PURPOSE

1.1 Scope of responsibility

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

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

Rushcliffe Borough Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*. The seven principles (A-G) are highlighted at various points within the statement. This statement explains how Rushcliffe Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, 2011 and 2015, in relation to the publication of a statement on internal control.

1.2 The purpose of the governance framework

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

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

The governance framework has been in place at Rushcliffe Borough Council for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

2 THE GOVERNANCE FRAMEWORK

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

2.1 Vision and priorities

Long term strategic planning has enabled Rushcliffe to address its immediate financial pressures, develop a medium term financial strategy to 2024/25 and introduce its seventh Corporate Strategy covering the period 2019 to 2023. The document is defined as a living strategy – one which will grow and evolve over its lifespan to adapt to the change needs of the authority. The four key priorities, contained within the Strategy, are:

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

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

The Council continues to work towards the delivery of its Transformation Strategy, its plan to address the financial pressures facing all public bodies. This outlines how the Council will meet its financial challenges until 2024/25. The Transformation Strategy focuses upon three key elements – income generation, transformation and business cost reduction. As part of the transformation process, the Council is continuously reviewing the services it provides to identify improved or alternative methods of delivery which will enable it to meet its financial targets without eroding the high quality of service for which Rushcliffe is known.

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

2.2 Improvement and Efficiency

As with other public bodies, the Council faces unprecedented financial pressures. Last year we projected a budget deficit of £0.56m for 2020/21 and due to a combination of cost control, income generation and the deferral in changes to the business rates system the Council has a balanced budget. Going forward we cannot be complacent as there are significant financial challenges that lie ahead, and these are commented on below. Over the life of the Medium Term Financial Strategy (MTFS) there is a current forecast net deficit of £0.657m and a requirement to potentially use the Organisational Stabilisation reserve. Forecasts are subject to the anticipated delivery of the Transformation Strategy and Programme. Since the budget was formulated the unprecedented impact of Covid-19 has had a significant impact on the budget. This is commented on later but based on current projections could result in a budget deficit for 2020/21 of between £1.6m and £2.6m.

Going forward the Council will revisit the Transformation Programme and a particular issue here will be the impact of delivering the Leisure Contract savings reported to Cabinet in February 2020. Furthermore as a result of the Covid-19, the anticipated Business Rates and Fair Funding reviews have also been delayed until 2021 and revised assumptions will be included in the updated MTFS that is planned for Full Council in September 2020.

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, and commercial asset investment activity; and
- (d) ‘Thinking big’ reviews – for example the continued activation of the Leisure Strategy, Depot relocation (including the future use of the site) and the crematorium project.

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.

Critical to this is the Council’s approach to commercialism, covered in the Transformation Strategy. A combination of capital demands and opportunities within the Borough led the Council to take the strategic decision to realign its financial commitments resulting in a reduction in its spend on the Asset Investment Strategy as significant resources are required for investment in the Bingham Leisure Hub, a potential crematorium, and housing and employment at Fairham Pastures. The Council’s Capital and Investment Strategy incorporates reporting on commercial investments (complying with professional recommended practice), governing the risk of such investments individually; and collectively in relation to the Council’s other income streams. Over the term of the MTFS, the income generated from such investments is estimated to rise from £1.2m (2019/20) to £2.13m (2024/25).

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. Following a review of scrutiny in early 2019, the Council is now operating a Corporate Overview Group, which manages corporate performance and financial control as well as the work programmes for the three additional scrutiny groups of Governance, Growth and Development, and Communities;
- Separate committees exist for Standards, Planning, Employment Appeals, Licensing, and Interviewing; and
- Delegation arrangements to officers are set out in detail within the Constitution.

The Constitution also provides detailed guidance on standing orders, financial regulations and the conduct of meetings. In addition, it contains codes of conduct applying to members and officers as well as a protocol for councillor/officer relationships. The codes include reference to the need to declare any interests which may conflict with the individual’s role at the Council. The

registers for councillors and officers are maintained by the Council's Monitoring Officer and the Strategic Human Resources Manager respectively. The Council has in place a confidential reporting code (whistleblowing policy) and any referrals under the policy are investigated.

The Constitution, as a whole, is reviewed when necessary and appropriate. The last review was undertaken in 2019 and a further annual review is planned for July 2020.

2.4 Policies, Procedures, Laws and Regulations

The Council has three statutory officer roles: the Head of Paid Service, the Section 151 Officer and the Monitoring Officer. The Chief Executive is the Head of Paid Service and has overall corporate management and operational responsibility including overall management responsibility for all officers. The Chief Executive has the special responsibility to report if insufficient resources are available for the Council to discharge its legal duties. The Monitoring Officer ensures lawfulness and fairness in decision making and ensures the Constitution is current.

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

The Council's financial management arrangements should conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010). During 2019/20, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2019/20, the Executive Manager (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.
- Executive Managers 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 Executive Manager (Transformation).

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. The effectiveness of the overall risk management arrangements is monitored by the Governance Scrutiny Group throughout the year. As part of the annual review of Risk Management (September 2019), the Governance Scrutiny Group considered actions taken to review risk management arrangements, including acknowledging that the previous year's recommendations had been implemented. The 2019/20 Annual Report by Internal Audit acknowledges that the Council has an adequate and effective framework for risk management, governance and internal control with further enhancements required.

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 development and delivery of Councillor learning and training. This Group meets to review the delivery of the annual training programme and extend it in response to councillor requests or identified needs as appropriate. The Group also looks at the Councillors' Community Grant Scheme and the Councillors' paperlite initiative as appropriate.

May 2019 saw whole Council elections for Rushcliffe. To support new and returning Councillors a comprehensive induction programme was developed by the MDG and delivered by officers in the six weeks following the election. This was evaluated by the MDG and additional needs identified. These were met through a comprehensive training programme for Councillors which began in September 2019 and will run until the next election.

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

2.7 Communication

Principle B - *Ensuring openness and comprehensive stakeholder engagement*

Three editions of Rushcliffe Reports – the Council's newsletter for residents – are printed and circulated to all 48,000 households each year, and these set out details of a number of key service changes, and ask for customer feedback.

The Council has increasingly implemented the use of recognised communication techniques to keep its residents, staff and members informed, including the use of social media. The Council increased its social media presence over the last year by introducing an Instagram channel to reach a different audience with news about the Council. During 2020/21, the Council will launch

an electronic newsletter to provide additional communication methods for residents. The Council also undertakes consultation to inform decisions relating to policy changes. Over the course of this year, various additional consultations were undertaken, including a large consultation to inform the future of one of the Council's community facilities, Lutterell Hall. On-going customer satisfaction surveys were undertaken by several key customer facing services such as planning, revenues and benefits and customer services. The feedback received from these exercises is used to improve services to all customers.

2.8 Partnerships

The Council has put in place strong governance arrangements around the major leisure services, garage services, Streetwise Environmental Ltd (SEL) and car parking contracts. There are quarterly meetings of the Streetwise Board chaired by the Non-Executive Director and Chairman of Streetwise. Whilst Streetwise brings opportunity there is also risk in terms of how the company develops so it continues to make a financial surplus. The impact of pension accounting on its financial statements is a continuing example of some of the risks it faces. Rushcliffe Enterprises Ltd (REL) has also been set-up as a holding company for the Council which incorporates SEL (chaired by the Chief Executive); and any other companies that the Council creates in the future, for example the Limited Liability Partnership (LLP) created with Public Sector Partnerships Ltd.

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 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 (formerly RSM and now BDO) and external auditors (Mazars) are published online, including their annual reports.

The Corporate Overview Group monitor performance against targets on a quarterly basis. The Council retendered its Internal Audit service during 2019/20. It's new supplier, BDO, is compliant with the requirements of the Public Sector Internal Audit Standards and has direct access to councillors and staff in order to discharge their duties.

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

3 REVIEW OF EFFECTIVENESS

3.1 Introduction

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

3.2 **The Council**

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

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

3.3 **The Cabinet**

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

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

3.4 **Scrutiny groups - Governance Scrutiny Group**

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

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

3.5 **Other Scrutiny Groups**

The Corporate Overview Group reviews the performance of the Council against the approved targets. Other reports are taken to this group and during the last year include the annual customer feedback report and health and safety report. This Group is also responsible for driving forward and reviewing the changes brought about by the review of scrutiny in early 2019.

In addition to the Corporate Overview Group and Governance Scrutiny Group, the Council has two other scrutiny groups which were formed during 2019. The first, Communities, looks at areas

that affect the community such as the Council's partnerships and the development of a Carbon Management Plan for the Council. The other group, Growth and Development, is tasked with looking at different aspects of growth within the Borough and has, this year, scrutinised the Council's economic growth offering and development plans for the Council's old public works depot.

3.6 **Executive Managers**

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

3.7 **Internal Audit**

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place. Following a joint procurement process with Gedling Borough Council in 2019/20, this contract was awarded to BDO until 2022/23. 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.

A detailed annual review of the effectiveness of the Council's system of internal audit is undertaken every year and reported to the Governance Scrutiny Group. As mentioned at section 2.5, the Council maintains an adequate and effective framework for risk management, governance and internal control (with enhancements required), as recognised by the Head of Internal Audit.

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. In their annual report for 2019/20, 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. In terms of value for money, Mazars concluded that the Authority developed a transformation strategy covering the five years up to 2022/23 which will ensure that the Authority is financially viable going forward.

4 SIGNIFICANT GOVERNANCE ISSUES

4.1 Issues Identified, including the impact of Covid-19 and proposed remedial action

The Council continues to utilise partnership arrangements with other public bodies and private organisations to deliver services. The Council, therefore, remains committed to meeting the challenge of ensuring that the appropriate governance arrangements are in place for each of the major partnerships that the Council has entered or will enter.

In terms of delivering value for money it is recognised that delivering on-going savings remains a challenge given anticipated future funding reductions. Mitigation regarding this is covered in section 2.2 and within the Transformation Strategy. In July 2016, the Council also introduced the Asset Investment Strategy (AIS) which is subject to continued review (revised in 2017/18) and focuses on both encouraging growth and delivering a financial return.

Cabinet, at its meeting on 13 June 2017, adopted the Leisure Facilities Strategy 2017-2027. Within this strategy, Bingham Leisure Centre, as the largest and oldest of the sites assessed, is identified as requiring the most significant works in the short, medium and long term of the Council's leisure property portfolio. The cost of maintaining Bingham Leisure Centre continues to increase with each five-year period over the fifteen-year strategy. The Bingham Leisure Hub (also including business/industrial units) is now included in the Capital Programme with an overall budget of £20m. Returns will be expected in terms efficiencies with the leisure contractor and a confidential report was presented to Cabinet in February 2020 to this effect. Furthermore income from business units should accrue to help fund the anticipated £10m in future borrowing.

Whilst the tender process is continuing with regards to the Bingham Leisure Hub, Covid-19 has presented a significant operational and financial challenge to the Council. Presently there is no income in relation to leisure and the golf course but the centres still need to be maintained and overheads incurred with regards to the leisure provider. This will also impact on the Transformation Programme with delays in the level of receipts anticipated in relation to the leisure contract and also the returns from the associated Bingham offices; and therefore impact upon the net budget position going forward unless other efficiencies are identified.

Monthly Cabinet reports since May have been provided to summarise the budgetary impact of Covid-19 and a revised Medium Term Financial Strategy is being presented to Full Council in September 2020. Whilst Covid-19's impact at the end of the 2019/20 financial year was not material (other than the downward value of financial investments in excess of £1.2m, which should recover in value over time) its ongoing impact will be far and reaching. For 2020/21, at the time of writing, it is estimated around £1.6m will be required from Reserves to balance the budget. Consideration is being given to reducing the voluntary revenue provision in relation to the Arena and charging a minimum revenue provision (MRP) instead that accords with the Council's MRP Policy, based on the assets life.

Other areas effected include reductions in income in relation to planning, building control, community facilities, commercial property, treasury investments and car parking income. The regeneration of the high street and the local Rushcliffe economy will be critical to both future service provision and the finances of the Council. Council Tax and Business Rates collection rates are being closely monitored with Council Tax currently down around 1% (£880,000) and there are currently no significant issues with business rates collection (largely due to in excess of £9m in reliefs being granted to the retail, hospitality and leisure sectors). With regards to Council Tax Nottinghamshire County Council have the largest burden to bear as the largest preceptor and this will impact on the Collection Fund deficit in future years.

The Council has included provision in the capital programme for the possibility of investing in a crematorium which was granted planning permission in 2019. A further report is planned for Cabinet in July 2020 on current progress.

One other effect of Covid-19 is that the planned reviews of Business Rates and Fair Funding have been delayed for a further year for 2021/22 implementation. The timing of the Comprehensive Spending Review remains uncertain. This is important as it will determine the overall funding available to the local government sector and, ultimately, to Rushcliffe. This complex economic environment is further compounded by the uncertainty that BREXIT creates and the impact of the deal that is eventually negotiated.

Power station appeals remain one of the Council's biggest financial risks, given the relatively large proportion of the business rates tax base the Radcliffe on Soar power station constitutes and the history of appeals against its business rates valuation. In addition, the likely de-commissioning of the power station, given it accounts for around one quarter of Business Rates income, potentially undermines any benefits the Council may gain in business rates from business growth. The Council is looking at options to mitigate this risk and has actively worked with the management of the site to prepare a long-term re-development, which is now proposed to be included within a potential development corporation company.

The Medium Term Financial Strategy will be revised to take into account in particular the effect of Covid-19. The key areas of risk being income streams, Business Rates and Council Tax collection, the capital programme and its funding, delays to the anticipated national business rates and fair funding system and ultimately the position and sustainability of the Council's reserves.

Covid-19, due to the speed with which the pandemic spread and lockdown was implemented, required a number of delegated urgent and operational decisions. These were reported to Cabinet in May 2020 and in particular related to the suspension of Council meetings including Scrutiny until July, and the introduction of virtual meetings for Cabinet and Planning. Car parking fees were suspended and a number of community events cancelled. A policy for the use of Council Tax hardship fund was also introduced as more people claim Universal Credit.

Challenges arising from welfare reform and the continued introduction of Universal Credit (which occurred in October 2018 for the majority of Rushcliffe) give further financial and operational risks. The Council also has to address the issue of ensuring there is sufficient housing supply to meet its housing targets within its local plan. Whilst the Core Strategy was approved in 2014, much work has been undertaken to identify preferred options for Local Plan part 2, which was finally adopted by Full Council in October 2019.

The Cotgrave Masterplan is a significant project which demonstrates the Council's commitment to developing the community and provides affordable housing. The Council has been successful in leveraging external funding for both Bridgford Hall and the 'Growth Deal' for employment and housing sites alongside the A46. Negotiations have been ongoing with regards to the Abbey Road disposal and the development of the depot site and these are anticipated to be concluded in the summer of 2020. This will result in 76 new homes, with at least 30% affordable housing in accordance with the environmentally sustainable design code and Masterplan. These are indicative of the Council's commitment to support housing, business growth and the environment.

The Council's focus remains on 'growing the Borough'; examples in the Capital Programme include a proposed crematorium, the Bingham Leisure Hub and developing Gresham football pitches (supported by external contributions and s106 monies). The intention is that Covid-19 does not divert us from these objectives. The Council has already re-aligned its Asset Investment

Strategy (AIS) priorities particularly with regards to no longer investing outside of the Borough. However, commercial property investment still remains an important part of the Council's armoury in generating income returns and delivering employment and economic development across the Borough. One impact of Covid-19 is that any investments currently in train are being revisited.

The AIS currently identifies £1.2m in net income being generated from commercial investments expected to rise to £2.13m by 2024/25. The key point is that the Council has a range of such income streams and is not overly reliant on one source of income. It manages such risks proportionately and sensibly.

The Council continues to be involved in various collaboration activities including payroll, green bins, tree advice, ICT provision and Building Control, and Trading Standards. In addition, where opportunities arise, consideration is given to the appropriate delivery model and how to involve partners to maximise objectives.

The external auditors have noted a number of risks in reviewing the Council's accounts, namely:

- Appropriate controls are in place to prevent 'management override';
- The completeness and accuracy regarding the Council's valuation of property, plant and equipment (particularly given Covid-19 and any potential changes to property values as a result of this);
- The Local Government Pension Scheme and the risk that the data is inaccurate and the impact of these inaccuracies on the financial accounts as well as the accounting treatment of the prepayment;

Undoubtedly the main challenges for 2020/21 and the medium term now relate to the ongoing situation, and the aftermath, of Covid-19.

It is recognised that ICT threats and opportunities continue to evolve, it is imperative that the Borough Council has a clear understanding of how these impact on their day to day operations, particularly in the light of recent global cyber security threats. A review of Data Protection requirements with the General Data Protection Regulations, is ongoing.

Despite the challenging economic environment the Council remains committed to reducing its carbon footprint. This year a Climate Change Reserve of £1m was established to help address the challenges identified by the Climate Change scrutiny review that was reported to Cabinet in 2020.

The Department for Environment, Food and Rural Affairs has launched the Resources and Waste Strategy setting out how the country can minimise waste, promote resource efficiency and move towards a circular economy. This potentially could have significant adverse financial implications for the Council in terms of both revenue and capital funding. The Council will, therefore, be making representation to relevant bodies and working with peers on how to mitigate this risk.

The pensions' triennial review was produced in 2019 with pensions costs for the next 3 years, largely unchanged to what are currently paid. Given the current volatility of financial markets with both Covid-19 and BREXIT on the horizon there will be potential balance sheet risks that will be reported as part of the annual accounts closedown process.

Based on our review of the governance framework, the following significant issues will be addressed in 2020/21:

Issue	Reporting to	Methodology	Timescale
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A revised MTFS as a result of Covid-19 in September and MTFS for 2021/22	Full Council	Financial report	September 2020 and March 2021
Monitor the delivery of the Transformation Strategy and ongoing budget position covering on-going Covid-19 risks	Reports to EMT, Scrutiny and Cabinet	On-going financial reports	At least quarterly reporting
Monitor the delivery of the capital programme and significant projects such as the Bingham Leisure Hub	Report to relevant scrutiny group and Cabinet	On-going financial and performance reports	Quarterly
Monitor Business Rates and Fair Funding developments	Report to Cabinet and Full Council	Included as part of the Medium Term Financial Strategy reporting	September 2020 and March 2021

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

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

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

Signed.....
K Marriott (Chief Executive)

Signed.....
Councillor S Robinson (Leader)

Date 31 November 2020

Date 31 November 2020

 <p>Rushcliffe Borough Council</p>	<p>Governance Scrutiny Group</p> <p>Thursday, 30 July 2020</p> <p>Capital and Investment Strategy Outturn 2019/20</p>
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Report of the Executive Manager – Finance and Corporate Services

1 Purpose of report

- 1.1 The purpose of this report is to summarise the transactions undertaken during the 2019/20 financial year reporting against the Council's Capital and Investment Strategy 2019/20-2023/24.
- 1.2 During the year, the Governance Scrutiny Group received the half-yearly asset and investment management update report on 3 December 2019 and a training session from the Council's new treasury advisors, Link, which was well received by Councillors.
- 1.3 The report also provides information on the Council's commercial investment activity as it embraces the new CIPFA Code ensuring there is both transparency and scrutiny in terms of both treasury and asset investment decision making.
- 1.4 The report also highlights issues arising linked to Covid19 which impacted on the Council's year-end investments position and the overall council budget in 2020/21.

2 Recommendation

It is RECOMMENDED that the Governance Scrutiny Group:

- a) Agree the 2019/20 outturn position; and
- b) Recommend to Full Council as part of the MTFS the reduction in Minimum Revenue Provision (MRP) (paragraph 4.9) and subsequent release of New Homes Bonus to either support the budget gap resulting from Covid19 or to make Voluntary Repayment Provision (VRP) at a later date.

3 Reasons for Recommendation

- 3.1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing Treasury Management activities and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Finance in Local Authorities (the Prudential Code).
- 3.2 The Council has identified a significant budget gap resulting from Covid19 which will not be mitigated entirely by government financial support. Reducing the MRP charge to the revenue account releases New Homes Bonus which then can be utilised to support the budget.

4 Supporting Information

A) TREASURY MANAGEMENT

Prudential Indicators Summary

- 4.1 During 2019/20, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year are as follows:

Prudential and treasury indicators	2018/19 Actual £000	2019/20 Estimate £000	2019/20 Actual £000
Capital Expenditure	6,748	16,506	6,061
Capital Financing Requirement	8,300	15,067	7,300
Investments	(30,261)	(16,814)	(35,090)

- 4.2 The approved capital programme for 2019/20 was £16.506m, with £13.118m brought forward from 2018/19 less further adjustments of £4.322m during the year giving a total provision for the year of £25.302m. Actual expenditure against the approved programme was £6.061m (24%) giving rise to a variance of £19.241m. Carry forwards of £19.181m were approved by Cabinet on 14 July 2020 (see paragraph 4.32). The increase in the Investments balance between years reflects slippage in the Capital Programme.

Capital Expenditure and Financing

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

	2018/19 Actual £000	2019/20 Estimate £000	2019/20 Actual £000
Capital Expenditure	6,748	16,506	6,061
Less Financed by:			
Capital Receipts	(4,754)	(4,414)	(5,196)
Capital Grants	(1,862)	(2,439)	(811)
Reserves	(132)	(50)	(54)
Increase in Borrowing Need	0	9,603	0

Significant slippage in capital expenditure mitigated any need to borrow in 2019/20 and all of the expenditure was financed from the Council's capital resources.

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 2019/20 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 For 2017/18, 2018/19, and 2019/20 the Council decided to set the MRP at £1m. This comprises £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. Up until 31.03.20, the Council released an equivalent sum (£1m) from the New Homes Bonus (NHB) Reserve to offset any impact of the borrowing charge to the tax payer in-year. It is proposed that the Council take the option to reduce the VRP element of the charge, giving the option to either release NHB to help meet the budget gap as a result of Covid19 or pay VRP at a later date. By reducing the VRP the Council would free up significant resources (up to £730k in 2020/21) and up to £600k each year to 2024/25. By only making MRP payments this means the length of time payments are being made from the revenue budget for the Arena increase from 10 years to 28 years (3 years have already been discharged).

- 4.10 The Council's CFR for 2019/20 represents a key prudential indicator and is shown below. The table shows that no additional borrowing was needed in 2019/20 giving rise to a reduction in the CFR of £1m, after deducting the MRP of £1m in 2019/20.

Capital Financing Requirement (CFR)	2018/19 Actual £000	2019/20 Actual £000
Opening Balance	9,300	8,300
Add: unfinanced Capital Expenditure (per above)	0	0
Less: MRP/VRP	(1,000)	(1,000)
Closing Balance	8,300	7,300

Net Borrowing, CFR, Authorised Limit and Operational Boundary

- 4.11 The borrowing activity is normally constrained by prudential indicators for net borrowing, the CFR and by the Authorised Limit for external debt.
- 4.12 The authorised limit is the “affordable borrowing limit” required by section 3 (1) of the Local Government Act 2003 and represents the limit beyond which borrowing is prohibited and was set at £25m.
- 4.13 As the Council did not need to resort to external borrowing during 2019/20 these indicators are not applicable.
- 4.14 Similarly, the Council is required to set an operational boundary, which is the expected borrowing position of the Council during the course of the year. The operational boundary is not a limit and actual borrowing can be either below or over the boundary subject to the authorised limit not being breached. The Operational Boundary was set at £20m in case any borrowing is required in emergency circumstances. The Authorised limit of £25m gives room for any variations from this. Any borrowing in excess of this would require Full Council approval.

The Ratio of Financing Costs to Net Revenue Streams

- 4.15 This is an indicator of affordability and compares net financing costs (MRP, borrowing costs, including interest foregone from the use of cash balances less investment income) to net revenue income. This indicator shows how the proportion of net income used to pay for financing costs. The actual is lower than originally estimated and 2018-19 actual primarily as a result of income from investments exceeding expectations.

	2018/19 Actual £000	2019/20 Estimate £000	2019/20 Actual £000
General Fund	4.90%	6.77%	2.68%

Upper Limits for Fixed and Variable Rate Exposure

- 4.16 The purpose of these indicators is to allow the Council to manage the extent to which it is exposed to changes in interest rates:

	2019/20 Limit	2019/20 Actual
Fixed Upper Limit for Fixed Interest Rate Exposure	50%	22%
Variable Upper limit for Variable Interest Rate Exposure	100%	78%

Upper Limit for Total Principal Sums invested over 1 year

- 4.17 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.

	2019/20 Limit £000	2019/20 Actual £000
Upper Limit for Total Principal Sums Invested over 364 days	8,400	5,000

Treasury Position at 31 March 2020

- 4.18 The Council's debt and investment position is managed by the Treasury team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all Treasury Management activities in line with the approved treasury strategy. Procedures and controls to achieve these objectives are established through reports to Members via the Governance 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 2019/20.

Financial Institution	Amount £	Length of Investment	Interest
OLA - Cambridgeshire CC	5,000,000	12 Months	0.80%
OLA - Guildford Borough Council	5,000,000	12 Months	0.95%
OLA - Lancashire County Council	5,000,000	2 Years	1.20%
Blackrock	380,238	Call	0.42%
Federated	2,931,509	Call	0.41%
Goldman Sachs Asset Management	94,387	Call	0.27%
HSBC	2,289,496	Call	0.38%

Invesco	1,337,008	Call	0.43%
Aberdeen Asset Management	744,231	Call	0.47%
Bank of Scotland Plc	110,653	32 Days	0.95%
Barclays	263,770	32 Days	0.75%
Residual MMF/Call Account balances	32,679	Call	0.36%
Royal London Cash Plus Fund	991,347	On-going	1.42%
CCLA Property Fund	2,070,647	On-going	4.62%
CCLA Diversified Income Fund	1,779,479	On-going	3.00%
Kames Diversified Income Fund	3,358,073	On-going	4.16%
Investec Diversified Income Fund	3,706,999	On-going	3.29%
Total Investments/Average Interest Rate	35,090,516		1.73%

The Strategy for 2019/20

- 4.19 The expectation for interest rates within the strategy for 2019/20 anticipated that short term money market rates would remain the same in light of uncertainties surrounding Brexit outcomes and the evolution of the global economy and that the Bank Rate would stay at 0.75%. 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. The onset of Covid19 resulted in further challenges in terms of cash flow, market volatility and Base Rates. To mitigate any potential cash flow issues the Council investments are being placed in short-term liquid assets which have affected (and will continue to affect) the level of interest that could be achieved from investments and the underlying value of these assets.

Investment Rates and Outturn Position in 2019/20

- 4.20 On 11 March 2020 the Bank of England Base Rate decreased from 0.75% to 0.25%. On 19 March 2020, the Bank of England decreased the base rate from 0.25% to 0.10% which continues to have a significant impact on investment income. Whilst the Council continues to ensure investments are secure, the Council is proactively looking to maximise its rate of return. Despite setbacks the overall rate of return on investments for the year was 1.73% which compares with the budgeted rate of 0.75%. This improved return together with underspends on the capital programme has resulted in an increased net return on investments of £638,416 against an adjusted budget of £201,500. (The budget had included costs of £83,500 for borrowing which didn't materialise). The fair value of the Councils diversified funds fell by £1.238m at 31.3.2020. These are expected to bounce back. During the past 3 months the values have increased by £500,175:-

Fair Value	31.03.2020	30.06.2020
Kames	3,358,073	3,620,548
Investec	3,706,999	3,907,756
RLAM	991,347	1,002,092
CCLA Property	2,070,647	1,988,291
CCLA Divesified	1,779,479	1,888,033
	11,906,545	12,406,720

- 4.21 The Council's investment policy is governed by the annual Capital and Investment Strategy approved by Council on 7 March 2019 (and prior to this approved by the Corporate Governance Group on 7 February 2019). This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, for example, rating outlooks and credit default swaps information. The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.
- 4.22 The Council's longer-term cash balances comprise primarily of revenue and capital resources, although these will be influenced by cash flow considerations and the need for working balances and contingencies. The Council's core cash resources are detailed in the following table and confirm that whilst the Council has delivered a capital programme and has to operate with an increasingly constrained revenue budget, its reserves and balances remain in a healthy position given the on-going financial challenges going forward.

Balance Sheet Resources	31 March 2019 £000	31 March 2020 £000
General Fund Balance	2,604	2,604
Earmarked Reserves	11,818	13,737
Usable Capital Receipts	7,036	3,538
Capital Grants Unapplied	98	220
Total	21,556	20,099

Conclusion – Treasury Management

- 4.23 Overall, the Council has successfully achieved its objectives of ensuring investments were held with relatively secure counterparties; ensuring there was sufficient liquidity to operate efficiently and enable the delivery of objectives; and achieve a yield on investment returns given the constraints placed upon the Council (in terms of both financial market risks and the need to retain liquidity and protect capital). Covid19 presents risks and we will continue to closely monitor these.

B) ASSET INVESTMENT STRATEGY

Overview

- 4.24 The Government and CIPFA recently issued new guidance on Treasury Management activity, and both continue to focus on the role of longer term investments specifically held to make a commercial return. The Council's Asset Investment Strategy falls within the definition of the guidance.
- 4.25 This section of the report reviews the current position and the issues that influenced the Asset Investment Group's future approach to investments.

Investments 2019/20

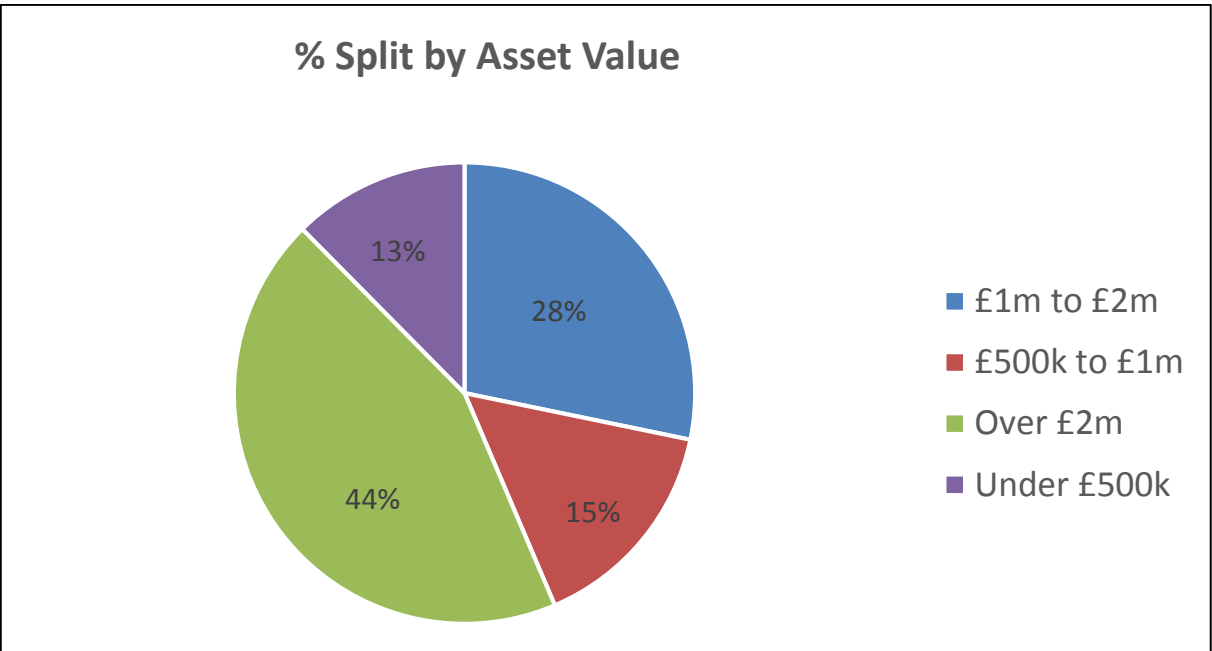
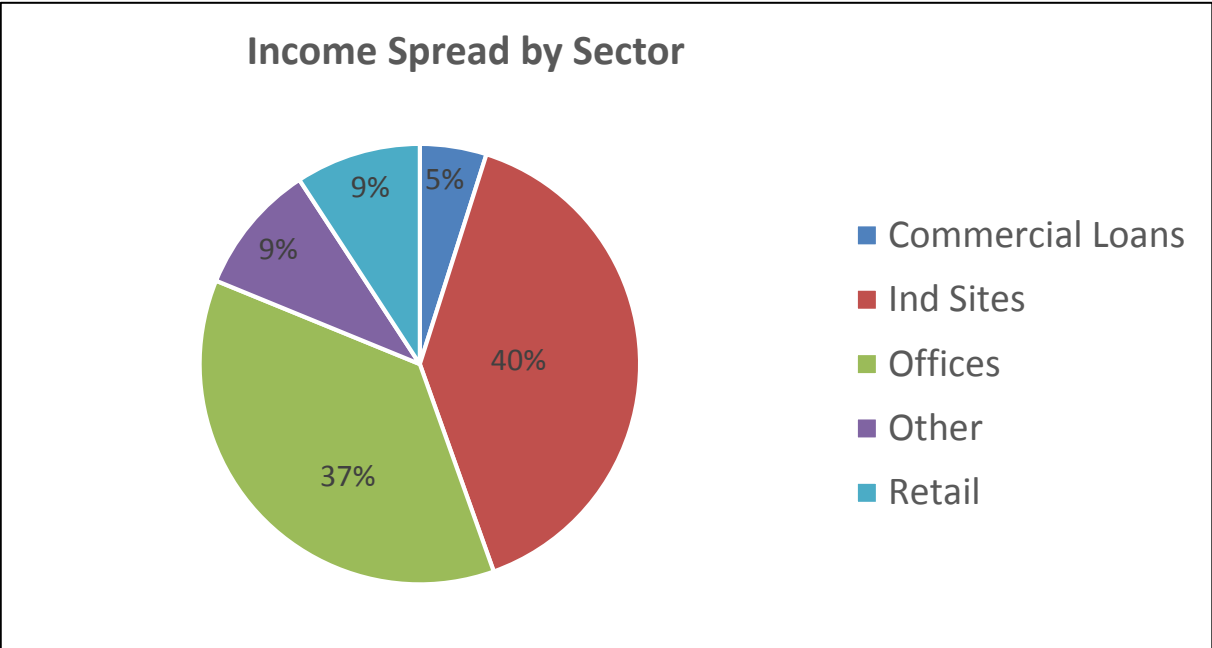
- 4.26 2019/20 was a very uncertain year with a General Election, both Brexit negotiations and latterly Covid19 affecting the economy. The changing risk profile has meant some investments have not been pursued. Also, the unutilised part of NCCC Loan £750k was returned to AIS re Cabinet (9 Dec 19) although £14.5k was reallocated towards the end of the year. During the year, the Asset Investment Group have agreed to proceed with two new asset acquisitions and investments, and these will be reported at a future meeting when legally completed, given their confidential nature.

Current Position

- 4.27 In terms of the Asset Investment Strategy, the funds allocated and available, the table below exemplifies the current position and significant work undertaken primarily by the Property, Legal and Finance teams. Currently £3.828m remains unallocated from the original £20m provision.

Total Spend	Gross Return	Investment	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,964,500	3.25%	NCCC Loan (interest)	76,922	73,634	70,460	67,148	63,864	63,864
1,477,500	4.67%	Trent Boulevard (Co-op)	69,000	69,000	69,000	69,000	69,000	69,000
984,000	6.76%	Finch Close	66,500	66,500	66,500	66,500	66,500	66,500
1,917,000	6.26%	Bardon	120,000	120,000	120,000	120,000	120,000	120,000
2,500,000	6.40%	Cotgrave - New Offices	36,506	40,000	40,000	40,000	40,000	40,000
		Cotgrave- Ind Units	120,502	120,000	120,000	120,000	120,000	120,000
860,000	6.98%	Boundary Court	60,801	60,000	60,000	60,000	60,000	60,000
1,900,000	4.79%	Cotgrave Phase 2			34,000	91,000	91,000	91,000
2,471,000	4.86%	Committed Scheme 1		17,100	120,000	120,000	120,000	120,000
2,098,000	5.24%	Committed Scheme 2			110,000	110,000	110,000	110,000
16,172,000	3.50%	Totals	550,231	566,234	809,960	863,648	860,364	860,364
3,828,000	5.50%	Outstanding balance	210,540	210,540	210,540	210,540	210,540	210,540

- 4.28 If we look at the Council's overall property portfolio (this excludes the loan to NCCC), there is a good spread of risk (classifying by the rental earned or the asset value), as depicted below:



4.29 From the above, there is more investment in the industrial sector given much of the property investment, in the past, has been about economic growth and regeneration within the Borough. More recent acquisitions have been in retail and office spreading the risk from income streams.

4.30 In terms of risk in relation to the Council's budget, the following table demonstrates that whilst property income is important for the Council's budget; there is not an over emphasis upon property income and there are other income streams. This is in keeping with the Council's Treasury Management Strategy where the objective is that the ratio of investment income as a proportion of the council's income does not exceed 30%.

Commercial Investment income and costs

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Commercial Property Income	(1,550)	(1,727)	(2,119)	(2,164)	(2,211)
Running Costs	495	495	496	496	496
Net Contribution to core functions	(1,055)	(1,232)	(1,623)	(1,668)	(1,715)
Interest from Commercial Loans	(98)	(90)	(82)	(74)	(68)
Total Contribution	(1,153)	(1,322)	(1,705)	(1,742)	(1,783)
Sensitivity:					
+/- 10% Commercial Property Income	155	173	212	216	221
Indicator:					
Investment Income as a % of total Council Income	20.3%	22.2%	25.5%	25.7%	26.0%

The Way Forward

- 4.31 The Council's original intention was to look at generating around £1m of additional property rental income to help bridge the anticipated budget deficit, and the majority of this, 86%, will be achieved by 2022/23 (see table at paragraph 4.27). The AIG decided to rein in its commercial investment activity given risks within the property market and the amount of capital investment required. Currently, there is consultation regarding PWLB future lending terms. Restrictions may apply for those Local Authorities pursuing a Commercial agenda.
- 4.32 Cabinet 14 July 2020 approved the carry forward of £19.181m capital underspends into 2020/21 including £8.382m on the Asset Investment Strategy (AIS). This comprises: £1.750m originally allocated for Industrial Units at Moorbridge (no longer proceeding) and £6.632m AIS underspend. Of the £8.382m, £4.554m is the balance committed to investments due to be acquired by September 2020 leaving £3.828m unallocated. The use of this unallocated sum will be considered in light of the above.

Conclusion

- 4.33 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 and the legacy of Covid19 is still to be determined. Failure to deliver additional income streams will increase the requirement to identify further efficiencies or utilise reserves in the short to medium term. Such decisions will be considered and reported as part of the MTFS 2021/22 budget process and be reported in financial reports in 2020/21.

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 of the impact of Covid19 and its effect on different asset classes including investment properties, office accommodation etc. It is important that the Council continues to mitigate risk by having a diversified asset investment portfolio and other income streams, so it is not over reliant on property income (paragraphs 4.29-4.30).

6 Implications

6.1.1 Financial Implications

Financial implications are covered in the body of the report.

6.2 Legal Implications

The report is in compliance with the Local Government Act 2003.

6.3 Equalities Implications

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

6.4 Section 17 of the Crime and Disorder Act 1998 Implications

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

7. Link to Corporate Priorities

Quality of Life	Efficient and effective treasury and property 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) Agree the 2019/20 outturn position; and
- b) Recommend to Full Council as part of the MTFs the reduction in Minimum Revenue Provision (MRP) (paragraph 4.9) and subsequent release of New Homes Bonus to either support the budget gap resulting from Covid19 or to make Voluntary Repayment Provision (VRP) at a later date.

For more information contact:	Name; Peter Linfield Executive Manager – Finance and Corporate Services 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Statement of Accounts 2019/20; Capital and Investment Strategy 2019/20; Treasury Management Update – Mid-Year Report 2019/20
List of appendices (if any):	Glossary of Terms

Glossary of Terms

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

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

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Governance Scrutiny Group

Thursday, 30 July 2020

Impact of Covid19 on the Council's Risk Register

Report of the Executive Manager – Finance and Corporate Services

1. Purpose of report

- 1.1. This report provides an update on risk activity following the September 2019 update to the Group. It provides a summary of risks in the Council's Risk Registers that have changed over that period including a number of risks that have been altered recently in response to the global Covid19 pandemic.

2. Recommendation

It is RECOMMENDED that Governance Scrutiny Group:

- a) notes the contents of this report in relation to existing risks;
- b) considers the new risks identified in response to the global Covid19 pandemic and makes any comment necessary on the risk ratings awarded to them.

3. Reasons for Recommendation

- 3.1. The Terms of Reference for the Governance Scrutiny Group state that the Group should periodically consider the Council's Risk Management Framework to ensure current risks are being monitored, and effective controls and mitigating actions are in place.

4. Supporting Information

Risk Management Activity

- 4.1. The Council's Risk Management Group (RMG) met on 14 July 2020 to review risks on the register and to make recommendations to the Group. They also considered a number of new risks proposed by officers for inclusion on the Risk Register in response to the Covid19 pandemic.
- 4.2. There are currently 37 corporate risks and 26 operational risks on the risk register. The number of risks within the registers will fluctuate throughout the year as active risk management is undertaken. Changing pressures facing local government and the proactive work of managers to identify risks as they emerge will continue to influence new risks added to the register and demonstrates the Council's aim to be proactive to mitigate risk as soon as possible after identification.

- 4.3. **Appendix A** presents the Council's existing Risk Register. The RMG would like the Group to consider twenty changes to the Risk Register as a result of their recent discussions. These changes include thirteen proposed increases to risk ratings and seven reductions to risk ratings. These can be summarised as follows:

Risks Increased

CRR_FCS06 Lack of funding from partners Likelihood increased from 2 to 3 as a result of funding pressure resulting from Covid19

CRR_FCS08 Inadequate capital resources Likelihood increased from 2 to 4 as a result of greater potential for a reduction in capital receipts and S106 receipts related to Covid19

CRR_FCS09 Fee income volatility Likelihood increased from 2 to 4 as a result of the impact of Covid19 on investment income; parking, community halls, playing fields and sports pitches; and leisure income

CRR_FCS12 Risk and return from Asset Investment Strategy Likelihood increased from 2 to 3 as a result of Covid19 and the potential reduction in asset investments in current economic climate plus the potential reduction in returns from existing assets as rental market decreases

CRR_FCS13 Failure to deliver the Transformation Strategy Likelihood increased from 2 to 3 as a result of Covid19 impacting upon planned work and investments

CRR_FCS26 Short term loss/failure of main ICT systems Impact increased from 2 to 3 as a result of more remote working

CRR_FCS27 Threat of major successful cyber-attack Likelihood increased from 2 to 3 to take account of the increase prevalence of cyber attack whilst systems are perceived to be under pressure

CRR_NS08 Failure of internal health and safety compliance or enforcement of health and safety Impact raised from 2 to 3 as a result of rapidly changing working practices to respond to Covid19 guidelines

CRR_TR17 Inability to draw down Growth Deal 2 funding within specified timescales Likelihood increased from 2 to 4 as a result of delays to the Chapel Lane project – delays due to Covid19 may result in loss of funding with a spend deadline of March 2021

OR_FCS09 Loss of capital/lower interest earned on investments, due to current economic climate Likelihood increased from 2 to 4 as a result of Covid19 impact on interest rates potentially a significant reduction in the interest earned on investments plus a reduction in the capital value again potentially significant particularly if the values do not recover in the next 4 years.

OR_TR14 Partners closure of buildings where RBC has contact points, including RCSC Likelihood increased from 2 to 3 as a result of partners closing buildings where RBC has contact points (libraries and medical centres) due to Covid19 – online and telephone services have been maintained but face-to-face contact is restricted until buildings reopen

OR_TR19 Risk to staff health due to their work Impact raised from 2 to 3 and likelihood increased from 1 to 2 both as a result of Covid19 – some staff work out and about in the community and are at greater risk of catching Covid19. However, the Council has undertaken the necessary risk assessments and put control features in place to protect staff

OR_TR24 Failure to successfully review the day to day operation of the Rushcliffe Arena Impact raised from 2 to 3 to highlight the increased impact of failing to respond to Covid19 by reviewing the way staff work at the Arena to ensure it is a Covid-secure workplace

Risks Decreased

CRR_FCS01 Failure to properly deal with community governance review legislation, Community Right to Challenge, and nominations for assets of community value Likelihood reduced from 2 to 1 as appropriate staff in place to properly deal with requests

CRR_FCS03 Failure to prevent or detect fraud and corruption Impact reduced from 3 to 2 as no impact from cases in recent years

CRR_FCS28 Failure to comply with General Data Protection Regulation Impact reduced from 3 to 2 as new DPO in place and trained

CRR_FCS29 Loss or compromise of confidential or restricted information or data Impact reduced from 3 to 2 as new DPO in place and trained

OR_CO04 Cost of defending appeals for large scale residential developments and potential award of costs Likelihood reduced from 2 to 1 - Local Plan Part 2 has now been adopted and it can be regarded that the Council has an up to date Development Plan and a five year supply of deliverable housing sites, currently estimated at 8.5 years. Whilst this position has not yet been challenged at appeal, it is considered that the risk of appeals for large scale residential development has reduced and the Council is now in a better position to defend such appeals.

OR_FCS10 Reputational risk to the Council following adverse media coverage Likelihood decreased from 3 to 2 as team are experienced and able to deal with issues as they occur

OR_TR05 Failure to manage asbestos in buildings under our control Likelihood reduced from 2 to 1 – Recent demolition and/or disposal activity [eg Abbey Rd depot] has reduced volume and high risk types of ACM and, therefore, likelihood of an event

4.4. Risks removed – no risks have been removed since the last report to this Group.

4.5. In response to the Covid19 pandemic, a number of new risks have been proposed by officers to cover the key areas of concern. The key areas of concern are:

- Delivery of the Carbon Management Plan
- Recovery of the Borough's high streets
- Recovery of the leisure sector
- Impact of a second wave of Covid19
- Cyber Attack
- Income volatility
- Anti-Social Behaviour and Domestic Violence
- Homelessness
- Local Government Reorganisation

4.6. **Appendix B** lists the risks that, pending Group approval, will be added to the Corporate Risk Register to ensure that the risks to the Council posed by Covid19 are controlled. In summary, the new risks are:

- Impact of Covid19 on the Council's budget
- Impact of Covid19 on the Borough's high streets
- Ability of high streets to implement the necessary safety measures
- Impact of Covid19 on the Borough's leisure facilities and their ability to recover whilst consumer confidence is uncertain
- Ongoing impact of Covid19 on the Borough's leisure facilities whilst operating within the Covid-secure guidelines
- Ability of the Borough Council to maintain frontline services in the event of a second wave of Covid19
- Failure to manage a Local Lockdown
- Increased risk of domestic abuse or neglect involving children
- Increased risk of Anti-Social Behaviour
- Increased number of residents presenting as homeless
- Lack of emergency accommodation for those at risk of homelessness.

5. Risks and Uncertainties

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

6. Implications

6.1. Financial Implications

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

6.2. Legal Implications

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

6.3. Equalities Implications

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

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

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

7. Link to Corporate Priorities

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

8. Recommendations

It is RECOMMENDED that Governance Scrutiny Group:

- a) notes the contents of this report in relation to existing risks;
- b) considers the new risks identified in response to the global Covid19 pandemic and makes any comment necessary on the risk ratings awarded to them.














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Background papers available for Inspection:	
List of appendices:	Appendix A – Rushcliffe Borough Council Risk Register Appendix B – New risks identified as a result of Covid19





















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Changes to the Council's Risk Register




The Council's Risk Management Group met on the 14 July 2020 to review the Council's Risk Register. Prior to this meeting all risks were reviewed and proposals to reduce risk ratings in seven areas and increase risk ratings in 13 other areas were submitted by officers.

Corporate Risks

















Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_CO02 Failure of public sector partnerships / withdrawal of financial support		2	3	6
CRR_CO03 Failure to safeguard children and vulnerable adults		3	1	3
CRR_CO04 Inability to demonstrate a five year supply of deliverable housing sites against the housing target leading to further development on unallocated sites		3	2	6
CRR_FCS01 Failure to properly deal with community governance review legislation, Community Right to Challenge, and nominations for assets of community value Likelihood reduced from 2 to 1 as appropriate staff in place to properly deal with requests		2	2 to 1	4 to 2
CRR_FCS02 Reduction in Government funding linked to New Homes Bonus		3	3	9
CRR_FCS03 Failure to prevent or detect fraud and corruption Impact reduced from 3 to 2 as no impact from cases in recent years and a revised Anti-fraud and Corruption Policy for 2020-24, which is actively implemented	 to 	3 to 2	2	6 to 4
CRR_FCS05 Revaluation of major business rate payer		4	3	12
CRR_FCS06 Lack of funding from partners Likelihood increased from 2 to 3 as a result of funding pressure resulting from COVID-19	 to 	2	2 to 3	4 to 6
CRR_FCS07 Central Government policy changes		3	3	9
CRR_FCS08 Inadequate capital resources Likelihood increased from 2 to 4 as a result of greater potential for a reduction in capital receipts and S106 receipts related to Covid19	 to 	3	2 to 4	6 to 12

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_FCS09 Fee income volatility	 to 	2	2 to 4	4 to 8
Likelihood increased from 2 to 4 as a result of the impact of Covid19 on investment income; parking, community halls, playing fields and sports pitches; and leisure income				
CRR_FCS10 Inflationary pressures, particularly utility costs		3	2	6
CRR_FCS11 Increased demand for services		2	3	6
CRR_FCS12 Risk and return from Asset Investment Strategy	 to 	3	2 to 3	6 to 9
Likelihood increased from 2 to 3 as a result of Covid19 and the potential reduction in asset investments in current economic climate plus the potential reduction in returns from existing assets as rental market decreases				
CRR_FCS13 Failure to deliver the Transformation Strategy	 to 	4	2 to 3	8 to 12
Likelihood increased from 2 to 3 as a result of Covid19 impacting upon planned work and investments				
CRR_FCS20 Failure to properly manage and deliver significant projects		2	2	4
CRR_FCS21 Potential inflationary pressures, with volatility over prediction for budget		2	2	4
CRR_FCS22 Uncertainty around Government funding and changes to the business rates system with a one year financial settlement		3	3	9
CRR_FCS23 ICT supplier goes out of business		3	1	3
CRR_FCS24 Long term loss/failure of main ICT systems		4	1	4
CRR_FCS25 Loss or compromise of sensitive data		3	2	6
CRR_FCS26 Short term loss/failure of main ICT systems	 to 	2 to 3	2	4 to 6
Impact increased from 2 to 3 as a result of more remote working				
CRR_FCS27 Threat of major successful cyber-attack	 to 	4	2 to 3	8 to 12
Likelihood increased from 2 to 3 to take account of the increase prevalence of cyber attack whilst systems are perceived to be under pressure				
CRR_FCS28 Failure to comply with General Data Protection Regulation	 to 	3 to 2	2	6 to 4

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
Impact reduced from 3 to 2 as new DPO in place and trained				
CRR_FCS29 Loss or compromise of confidential or restricted information or data	 to 	3 to 2	2	6 to 4
Impact reduced from 3 to 2 as new DPO in place and trained				
CRR_NS08 Failure of internal health and safety compliance or enforcement of health and safety		2 to 3	1	2 to 3
Impact raised from 2 to 3 as a result of rapidly changing working practices to respond to Covid19 guidelines				
CRR_NS09 Unforeseen incidents happening at public events		4	2	8
CRR_NS10 Failure of business continuity		3	2	6
CRR_NS11 Ineffective emergency planning arrangements		2	2	4
CRR_NS12a Failure to deliver statutory services due to impact of Coronavirus on staffing levels		1	4	4
CRR_NS12b Failure to deliver statutory services due to impact of Coronavirus on the Community		1	4	4
CRR_13a Response to flooding impacts on delivery of statutory services		2	3	6
CRR_13b Inadequate resources to respond to flooding incidents		2	3	6
CRR_TR04 Failure to properly manage our property assets		3	1	3
CRR_TR07 Equal pay claim		3	2	6
CRR_TR11 Insufficient staff capacity - skills, knowledge etc		3	2	6
CRR_TR17 Inability to draw down Growth Deal 2 funding within specified timescales		3	2 to 4	8 to 12
Likelihood increased from 2 to 4 as a result of delays to the Chapel Lane project due to delays arising from Covid19				

Risk Status					
	Alert		Warning		Ok

Operational Risks

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OR_CO04 Cost of defending appeals for large scale residential developments and potential award of costs		2	2 to 1	4 to 2
Likelihood reduced from 2 to 1 - Local Plan Part 2 has now been adopted and it can be regarded that the Council has an up to date Development Plan and a five year supply of deliverable housing sites, currently estimated at 8.5 years. Whilst this position has not yet been challenged at appeal, it is considered that the risk of appeals for large scale residential development has reduced and the Council is now in a better position to defend such appeals.				
OR_CO05 Failure to determine major planning applications within 13 weeks or agreed period		3	1	3
OR_CO06 Loss of income as a result of the refund of planning application fees under the provisions of the Government's Planning Performance and Planning Guarantee		2	2	4
OR_FCS06 Failure to manage and monitor budget		2	2	4
OR_FCS07 Lack of implementation of financial controls		2	2	4
OR_FCS08 Exposure to breach of VAT rules		3	2	6
OR_FCS09 Loss of capital/lower interest earned on investments, due to current economic climate	 to 	4	2 to 4	8 to 16
Likelihood increased from 2 to 4 as a result of Covid19 impact on interest rates potentially a significant reduction in the interest earned on investments plus a reduction in the capital value again potentially significant particularly if the values do not recover in the next 4 years.				
OR_FCS10 Reputational risk to the Council following adverse media coverage	 to 	2	3 to 2	6 to 4
Likelihood decreased from 3 to 2 as team are experienced and able to deal with issues as they occur				
OR_FCS11 Unauthorised access to IT systems		4	2	8
OR_NS02 Disruption and lack of fuel preventing collection of domestic waste		2	1	2
OR_NS06 Lack of knowledge of contaminated land		2	1	2
OR_NS20 Significant malfunction of core services/security risk at Council's temporary accommodation premises		2	2	4
OR_NS25 Failure to deliver mandatory DFG grant due to insufficient funding		2	1	2
OR_NS28 Delivery of social rented affordable housing		2	3	6

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OR_NS29 Lack of or inappropriate monitoring of the Council's contracts in place		3	1	3
OR_TR04 Failure to manage legionella issues		2	2	4
OR_TR05 Failure to manage asbestos in buildings under our control		2	2 to 1	4 to 2
Likelihood reduced from 2 to 1 – Recent demolition and/or disposal activity [eg Abbey Rd depot] has reduced volume and high risk types of ACM and, therefore, likelihood of an event				
OR_TR13 Failure to maintain council owned trees		2	2	4
OR_TR14 Partners closure of buildings where RBC has contact points, including RCSC	to	2	2 to 3	4 to 6
Likelihood increased from 2 to 3 as a result of partners closing buildings where RBC has contact points (libraries and medical centres) due to Covid19 – online and telephone services have been maintained, face-to-face contact is restricted until buildings reopen but all customer demands are being met				
OR_TR17 Threat of violence to staff		2	2	4
OR_TR18 Failure to comply with Equality legislation		2	1	2
OR_TR19 Risk to staff health due to their work	to	2 to 3	1 to 2	2 to 6
Impact raised from 2 to 3 and likelihood increased from 1 to 2 both as a result of Covid19 – some staff work out and about in the community and are at greater risk of catching Covid19. However, the Council has undertaken the necessary risk assessments and put controls in place to protect staff in accordance with government guidelines				
OR_TR20 Threat of Industrial Action		2	1	2
OR_TR24 Failure to successfully review the day to day operation of the Rushcliffe Arena	to	2 to 3	2	4 to 6
Impact raised from 2 to 3 to highlight the increased impact of failing to respond to Covid19 by reviewing the way staff work at the Arena to ensure it is a Covid-secure workplace				
OR_TR25 Failure to meet major statutory duties or take on board new legislation		2	2	4
OR_TR26 Inadvertent illegal activity, taking illegal decisions		2	1	2

Risk Status					
	Alert		Warning		Ok

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Identification of potential new Risks as a result of Covid19

As well as reviewing existing risks in the Council's Risk Register in light of Covid19, officers have also identified a number of new risks which did not exist before the onset of the pandemic. These are outlined below and given an initial Impact and Likelihood rating. The Group is asked to approve the new risks before they are added to the Corporate Risk Register.

Delivery of the Carbon Management Plan

Status	Risk Score	Risk Code & Title	Impact	Likelihood	Notes
		Impact of Covid19 on the Council's budget, and ability to secure external funding, for Carbon Management schemes and the availability of staff required to assist with the delivery of this new corporate priority	3	3	<p>Team Manager for Environment recruitment currently underway to lead a team in delivering the Council's commitments to achieving Carbon Neutral status from its direct operations. This recruitment exercise has been delayed approximately three months due to Covid19. Recruitment into post expected by September 2020</p> <p>Covid19 may affect availability, and ability of Council to secure grant funding for projects, threatening or delaying the delivery of initiatives.</p> <p>The Council is keen to protect the £1m allocated for Carbon neutral projects, but all spending will have to be supported by a robust business case.</p> <p>The impact of Covid19 is likely to be immediate and short term but may cause delays in delivering projects which ultimately threaten the Council's ability to achieve the 2030 target. The progress of projects and ability to secure funding will need to be monitored and may reflect on the risk rating in the future.</p>

Recovery of the Borough's high streets

Status	Risk Score	Risk Code & Title	Impact	Likelihood	Notes
		Impact of Covid19 on the Borough's high streets and their ability to recover following initial lockdown (March to June 2020) and any further local lockdowns	3	3	<p>The Council is working closely with local businesses and providing support. Funding has been provided to the Council to support the safe reopening of the high street but the criteria for this is limiting.</p> <p>It is challenging to fully mitigate against the impacts of Covid19 on businesses.</p>
		Ability of high streets to implement the necessary safety measures to reopen following lockdown and operate under Covid-secure measures	3	2	The Council's Environmental Health Team are working closely with businesses to ensure the right measures are in place.

Recovery of the leisure sector

Status	Risk Score	Risk Code & Title	Impact	Likelihood	Notes
		Impact of Covid19 on the Borough's leisure facilities and their ability to recover following initial lockdown (March to June / July 2020)	4	4	<p>The Council is working closely with both Lex Leisure and Mitie as recovery begins after re-opening on 25 July 2020.</p> <p>To support the process, the Council has been successful in gaining Sport England funding to appoint an external firm of leisure experts to act as a critical friend, evaluate on both user numbers and income predictions, and offer other support that may be required.</p> <p>Support has been offered to various clubs affected by both</p>

Status	Risk Score	Risk Code & Title	Impact	Likelihood	Notes
					the closure and the phased re-opening.
		Ongoing impact of Covid19 on the Borough's leisure facilities whilst operating within the Covid-secure guidelines for the leisure industry	3	2	The Council works closely with both Lex Leisure and Mitie, both of which are following both government guidance and national sport governing body guidance. Usage figures will be closely monitored to gauge user perception and confidence of the changes that have been made to ensure the centres remain Covid-secure environments.

Impact of a second wave of Covid19

Status	Risk Score	Risk Code & Title	Impact	Likelihood	Notes
		Ability of the Borough Council to maintain frontline services in the event of a second wave of Covid19	4	2	The Borough Council has demonstrated the ability to maintain a high level of operational frontline services (during the initial lockdown period) whilst reacting to additional demands created by Covid19 and is confident it can repeat this during any further periods of lockdown or increased staff absence as a result of Covid19
		Failure to manage a local lockdown	4	3	The Borough Council is taking an active role in the Local Resilience Forum (a multi-agency partnership made up of public services and linking in with the government). The Council is working closely with the Director of Public Health and government. Plans and processes are in place to manage a local lockdown and there are regular meetings of the various groups (called 'cells') to manage and monitor

Status	Risk Score	Risk Code & Title	Impact	Likelihood	Notes
					the situation in real time (eg the 'Outbreak Cell')

Cyber Attack

Already covered by CRR_FCS27 Threat of major successful cyber-attack – likelihood increased from 2 to 3 in light of Covid19.

Income volatility

Already covered by CRR_FCS09 Fee income volatility in Corporate Risk Register – likelihood increased from 2 to 4 as a result of Covid19 affecting investment returns; car parking, community facility and outdoor pitch income; leisure related income from Lex Leisure.

Anti-Social Behaviour and Domestic Violence

Status	Risk Score	Risk Code & Title	Impact	Likelihood	Notes
		Increased risk of domestic violence, abuse, or neglect as a result of increased periods of time at home, limited school provision, reduced income and employment volatility	3	2	As part of the LRF response, the Housing Sub Group has worked closely with partner agencies to secure two additional time limited temporary accommodation premises in the county to house this cohort. The Group are considering more permanent move on options, including Councils making direct lets to social housing.
		Increased risk of Anti-Social Behaviour as a result of enforced periods of lockdown, limited 'allowable' social activities and free use of outdoor spaces	4	3	The Council has put in place additional measures by appointing a local security firm to control access and limit numbers. In addition, a further security firm are on site at certain times to assist and have the powers to issue fixed penalty notices where appropriate in line with the public place protection order currently in force. Additional bins have been provided and additional litter picking takes place particularly when busier

Homelessness

Status	Risk Score	Risk Code & Title	Impact	Likelihood	Notes
		Increased number of residents presenting as homeless as a result of income reduction, loss of employment and domestic violence leading to a loss of homes	2	2	The Council is working closely with partner agencies to promote advice services, including initiatives such as Call Before You Serve (tenant/landlord service). We are also in regular communication with Registered Providers to prioritise repairs on relets for homeless applicants to free up temporary accommodation. We also have various prevention initiatives to encourage landlords and tenants to access private rented accommodation. Regular meetings are held with MHCLG representatives to utilise existing funding allocations to provide support and explore additional capital funding allocations for more permanent move on accommodation i.e. Next Steps Prospectus
		Lack of emergency accommodation for those at risk of homelessness, fleeing domestic violence and in crisis	2	2	As above, additional spaces of family accommodation can be made available at Hound Lodge for non DV cases. Other emergency accommodation such as hotels (Travel Lodge/Premier Inn) have re-opened and can be used in these situations.

Local Government Reorganisation

Status	Risk Score	Risk Code & Title	Impact	Likelihood	Notes
		Ability to respond to government policy on Local Government Reorganisation	3	2	It is anticipated that the Government will issue guidance on future local reorganisation as part of the

Status	Risk Score	Risk Code & Title	Impact	Likelihood	Notes
					<p>Devolution White Paper in September. Central government policy makers are looking at how best to support economic recovery from Covid 19 and how to maximise the resilience of local government services and delivery in the light of the pandemic. The Council should be responsive to any such announcements and has informally indicated its desire to work productively with partners whilst ensuring that the interests of Rushcliffe residents are protected.</p>



Governance Scrutiny Group

Thursday, 30 July 2020

Fraud Annual Report 2019/20

Report of the Executive Manager – 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 the Council during the year 2019/20. It also presents, to the Group, a revised Anti-Fraud and Corruption Policy for 2020-2024.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group:

- a) notes the Annual Fraud Report for 2019/20
- b) approves the revised Anti-Fraud and Corruption Policy for 2020-2024.

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 fraud prevention environment.

4. Supporting Information

- 4.1. In its Annual Fraud and Corruption Tracker Summary Report for 2019 CIPFA (Chartered Institute of Public Finance and Accountancy) states that:

- The total estimated value of fraud detected or prevented by local authorities in 2018/19 was £253m, £49m less than last year's total.
- The average value per fraud case remained consistent at £3,600 in 2017/18 and 2018/19.
- The approximate number of frauds detected or prevented has fallen to 71,000 in 2018/19 from the 80,000 cases found in 2017/18.
- The three greatest areas of perceived fraud risk for 2018/19 remained unchanged from the previous year: procurement, council tax single person discount (SPD) and adult social care.
- The area that has grown the most in the last year is council tax single person discount (SPD) with an estimated increase of £3.6m since 2017/18.

- Council tax fraud represents 78% of the identified instances of fraud, with an estimated value of £30.6m
- 4.2. The purpose of this report is to provide an overview of general and specific fraud related issues that have arisen at the Council during 2019/20.

Preventing and Detecting Fraud

- 4.3. Fraud and conduct issues can involve Council employees, elected members, partners, customers and the general public. Both conduct and fraud issues can be identified/raised in a number of ways:
- Pro-active investigation work, undertaken internally or externally, for example as part of the National Fraud Initiative.
 - Referral by employees, elected members, partner organisations, or members of the public identification by management.
- 4.4. 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.
- 4.5. The Council does not have a dedicated fraud prevention resource; however, it is the responsibility of managers as part of the internal control environment to ensure controls are in place to mitigate the risk of fraud.
- 4.6. Internal Audit may also identify fraud through their reviews, and are available to support managers to investigate any allegations of fraud. During 2019/20, Internal Audit services were provided by RSM, and this will be taken forward by BDO as the Council's new Internal Audit provider.
- 4.7. The Council's Anti-Fraud and Corruption Policy has been reviewed during 2019/20 to ensure it is up to date and appropriate. This policy has been reviewed against best practice guidance by BDO following the publication of new Function Standards for Counter Fraud in June 2020. The updated policy is included at **Appendix A**, with BDO's assessment document appended at **Appendix B** for information.
- 4.8. This review has highlighted the need for the Council to complete, with the assistance of BDO, a Fraud Risk Assessment which will be undertaken over the coming year to fully meet the new standards.

Whistle-blowing Policy

- 4.9. It is important to any organisation that any fraud, misconduct or wrong doing by workers or officers of the organisation is reported and properly dealt with. The Council encourages all individuals to raise any concerns that they may have about the conduct of others within the Council. The Policy applies to all employees and those contractors working for the Council on Council premises, for example, agency staff, builders. It also covers suppliers and

those providing services under a contract with the Council in their own premises.

- 4.10. There have been no whistleblowing concerns reported during 2019/20.

National Fraud initiative (NFI)

- 4.11. 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. Once the data-matching process for each exercise is completed, the NFI will make the output available to the relevant participating body for consideration and investigation via the secure NFI software. Participating bodies are then responsible for investigating any matches.

Council Tax Single Person Discount

- 4.12. The Council has undertaken two reviews in respect of single person discounts via the NFI during 2019/20. The first matched data between the Council's cases and HMRC data to identify where other people may have been resident in the property.

- 4.13. The results of this exercise were:

16 August 2019	Date commenced
894	Number of matches reviewed
0	Number of frauds identified
50	Number of changes identified
£47,175.36	Amount of Council Tax errors identified

- 4.14. The second review matched the Council's live cases against credit information linked to that address.

- 4.15. The results from this exercise were:

15 January 2020	Date commenced
1137	Number of matches reviewed
0	Number of frauds identified
97	Number of changes identified
£24,450.93	Amount of Council Tax errors identified

- 4.16. Housing Benefit awards, localised Council Tax Support awards, taxi and alcohol licences and Council Tax records:

2019/20	2018/19	
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1,059	730	Number of matches reviewed
1	0	Number of frauds identified
6	0	Number of errors identified
£52,712.34	£0	Amount of Council Tax errors identified

4.17. The decision on the fraud identified case was made after the year end, following an investigation by the DWP. This case has an initial outcome, subject to appeal, with a large overpayment of £38,646.30.

Internal Investigations 2019/20

4.18. There have been no allegations of fraud reported in 2019/20.

Benefit Fraud Investigations conducted by the Counter Fraud and Compliance Directorate

4.19. The Council no longer investigates Housing Benefits frauds. These are undertaken by the DWP Counter Fraud and Compliance Directorate (CFCD).

4.20. The DWP has a suite of Management Information (MI) that allows Local Authorities (LAs) to monitor the progress of referrals made to CFCD and enables LAs to see the outcomes CFCD are achieving on their behalf. Additionally, it enables LAs to make a comparison of the volume of referrals that they have made against the national average.

4.21. For the Council, the following data was received for 2019/20:

Quarter 1 Data April - June 2019	Local Service Investigation	Local Service Compliance	Total Cases
Referrals	2	2	4
Outcomes	0	0	0
Positive Outcomes	0	0	0
Ad Pens	0		0
Prosecutions	0		0
LA average referrals per caseload	0.12%		
Great Britain average referrals per caseload	0.16%		

Quarter 2 Data July - September 2019	Local Service Investigation	Local Service Compliance	Total Cases
Referrals	1	0	2

Outcomes	1	2	3
Positive Outcomes	0	0	0
Ad Pens	0		0
Prosecutions	0		0
LA average referrals per caseload	0.06%		
Great Britain average referrals per caseload	0.15%		

- 4.22. Due to Covid19, the quarter 3 and 4 data was not available from the DWP at the time of this report. An updated version of this report will be submitted once the data has been received.

Key:

Where the figures for Investigations and Compliance do not add up to the Total cases column the reasons for any discrepancy in data may be due to:

- The MI set out in the table being a snap-shot of a quarter and may not balance exactly with the dates that the Council sent the referral; or
- The total cases data also includes data for other areas within CFCD, for example organised fraud so does not necessarily add up to the totals of investigations and compliance activities.

Referrals - The total number of HB fraud referrals received by DWP in the quarter as a result of HB processing.

Outcomes - Number of CFCD cases with an outcome recorded in the quarter.

Positive Outcomes - Number of CFCD cases with an outcome recorded in the quarter. Includes all outcome categories listed in 'Outcomes' except for 'No Result'.

Ad Pens - Number of CFCD cases with an outcome of 'Admin Penalty' recorded in the quarter.

Prosecutions - Number of CFCD cases with an outcome of 'Prosecution' recorded in the quarter.

5. Risks and Uncertainties

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

6. Implications

6.1. Financial Implications

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

6.2. Legal Implications

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

6.3. Equalities Implications

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

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

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

7. Link to Corporate Priorities

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

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group:

- a) notes the Annual Fraud Report for 2019/20
- b) approves the revised Anti-Fraud and Corruption Policy for 2020-2024.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	
List of appendices:	Appendix A – Anti Fraud and Corruption Policy 2020-2024 Appendix B – BDO Assessment of the Rushcliffe Anti Fraud and Corruption Policy 2020-2024



**Anti-Fraud &
Corruption Policy
2020-2024**

July 2020

TABLE OF CONTENTS

SECTION	PAGE
POLICY STATEMENT	
1 INTRODUCTION.....	1
2 CULTURE.....	3
Reporting Concerns – Employees / Elected Members	4
Reporting Concerns – Members of the Public, Suppliers, Contractors	4
3 PREVENTION.....	5
Fraud Risks	5
Employees	6
Managers (Service Managers & Leadership Team)	7
Elected Members	7
Contractors / Suppliers	8
Role Conflict & Separation	8
Systems	8
Co-operation with Others	9
4 DETECTION AND INVESTIGATION.....	10
Detective Exercises	10
Fraud Response Plan	10
Housing Benefit Fraud	11
Prosecution Policy	12
Support for Witnesses During An Investigation / Prosecution	12
Reflecting on an Investigation	12
5 TRAINING & INFORMATION.....	14
6 MONITORING & REVIEW.....	15
7 ASSOCIATED POLICIES.....	15
Appendices	
A ANTI-MONEY LAUNDERING POLICY	16

Policy Statement

The Council has a zero tolerance to fraud and bribery.

The Council will take positive action regarding any improper practices that are identified and will deal with perpetrators from within and outside the Council.

The Council will consider taking legal and/or disciplinary action where there is evidence of fraud or bribery occurring. This will include referring matters to the Police for criminal investigations.

It is expected that Members and employees at all levels will adopt the highest standards of propriety and accountability and will lead by example in ensuring adherence to rules, procedures and agreed practices.

Employees and Members will not pay bribes or offer improper inducements to anyone for any purpose; they will also not accept or solicit bribes or improper inducements.

The Council also expects that individuals and organisations (e.g. the public, suppliers / contractors), which it comes into contact with, will act towards the Council with integrity and without thought or actions involving fraud or bribery. The Council in turn will endeavour to ensure that all of its dealings will be on the same basis.

The protection of the public purse is everyone's responsibility.

1 INTRODUCTION

1.1. This framework represents a commitment by the Council to protect public funds and to ensure that all Council activities are carried out in accordance with the principles of openness, honesty and integrity.

1.2. In carrying out its functions and responsibilities the Council is fully committed to deterring fraud and bribery, whether it is attempted on or from within the Council. The Council is committed to an effective anti-fraud and bribery strategy designed to:-

- limit, as far as possible, the opportunities to commit fraudulent acts – **prevention**;
- enable any such acts to be **detected** at an early stage; and
- deal with any subsequent **investigations** in a prompt, thorough and professional manner.

1.3. The policy will apply to all employees, contractors, consultants, vendors and other internal and external stakeholders.

1.4. The Fraud Act 2006 defines fraud as:-

A dishonest act (or a failure to act) made with the intention of making a financial gain or causing a financial loss (or risk of loss).

The dishonest act does not need to be successful for fraud to be committed, as long as the intention exists. Neither does the financial gain have to be personal, but can be for the benefit of another. Where the intent is to cause a loss to the organisation, no gain by the perpetrator needs to be shown.

1.5. The Fraud Act 2006 is the relevant legislation. The Act includes eight separate offences; those most applicable to the Council and this policy are:

Fraud by false representation - is defined by Section 2 of the Act. A person may be guilty of an offence if he dishonestly makes a false representation, and intends, by making the representation to make a gain for himself or another, or to cause loss to another. For example, an employee claiming travel expenses for journeys they have not done, or an individual claiming for benefits which they are not entitled to.

Fraud by failing to disclose information - is defined by Section 3 of the Act. A person may be guilty of an offence if he dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and intends, by failing to disclose the information to make a gain for himself or another, or to cause loss to another. For example, failing to disclose criminal convictions when asked to do so as part of the recruitment process, in order to obtain employment.

Fraud by abuse of position - is defined by Section 4 of the Act. A person may be guilty of an offence if he occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person, dishonestly abuses that position, and intends, by means of the abuse of that position to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss. For example, a manager creating ghost employee's and paying the salaries into his/her own bank account.

Possession of articles for use fraud(s) - is defined by Section 6 of the Act. A person may be guilty of an offence if he has in his possession or under his control any article for use in the course of or in connection with any fraud. For example, using a false passport or other documentation to secure employment.

Making or supplying articles for use in fraud(s) - is defined by Section 7 of the Act. A person may be guilty of an offence if he makes, adapts, supplies or offers to supply any article knowing that it is designed or adapted for use in the course of or in connection with fraud, or intending it to be used to commit, or assist in the commission of, fraud. For example, producing a claim form in another individual's name with the intention of obtaining the money for personal use, or supplying the claim form to another.

1.6. The Bribery Act 2010 defines bribery as:-

“the giving or taking of a reward in return for acting dishonestly and/or in breach of the law. The reward could relate to money, payment in kind, goods or services”

1.7. There are four offences under the Bribery Act :-

Offence of bribing another person - is defined by section 1 of the Act. It is also an offence for a person to offer, promise, or give a bribe to another person as an inducement for them improperly performing any duty. For example, providing excess hospitality to a potential purchaser or commissioner of the organisation's services.

Offence of being bribed - is defined at section 2 of the Act. It is an offence for a person to request, or agree to receive, or accept a financial or other advantage as an inducement to, or as a reward for, the improper performance of any function or activity. For example, where an employee who sells confidential information to a third party or provides preferential treatment to suppliers or customers for a fee.

Failure of a commercial organisation to prevent bribery – is defined within section 7 of the Act. If an individual bribes another person to obtain or retain business, or an advantage in the conduct of business for an organisation, then that organisation may also be guilty of an offence. For example if a council fails to put adequate controls in place to prevent bribery and an employee offers a bribe to a supplier.

1.8. This framework outlines the mechanisms whereby the Council will deliver its policy commitment to its partners, customers, contractors and to the general

public. It also contributes to the Council's defence against an allegation of failure to prevent bribery.

1.9. The framework covers a series of measures designed to frustrate any attempted bribery or fraudulent act, these are grouped under the following headings:-

- Culture
- Prevention
- Detection and Investigation
- Training

1.10. The Council's Whistleblowing Policy also encourages everyone to disclose concerns about potential fraud and bribery and therefore should be read alongside this policy.

1.11. If Members, managers, employees¹ or members of the public are unsure of the appropriate action to take in relation to the items contained in the framework then they should contact one of the officers detailed at 2.12 for advice and guidance.

2 CULTURE

2.1. The culture and tone of the Council will continue to be one of honesty and opposition to fraud and bribery.

2.2. The culture and procedures established by the Council are intended to ensure that high standards in public life are embedded throughout the Authority. It is expected that Members and employees at all levels will adopt the highest standards of propriety and accountability and will lead by example in ensuring adherence to rules, procedures and agreed practices.

2.3. Some examples of the rules and procedures include:-

- Financial Regulations & Procedure Rules and Procurement Procedure Rules;
- Codes of Conduct for employees and Members (including guidance on gifts & hospitality and declarations of interest);
- Scheme of Delegations;
- HR Policies and Procedures;
- Departmental policies and working practices.

2.4. The Council also expects that individuals and organisations (e.g. the public, suppliers/contractors), which it comes into contact with, will act towards the Council with integrity and without thought or actions involving fraud or

bribery. The Council in turn will endeavour to ensure that all of its dealings will be on the same basis. The protection of the public purse is everyone's responsibility.

¹ The term employees covers Agency Staff, Temporary Workers, Casuals and Volunteers.

- 2.5. All Members and employees play an important part in creating and maintaining the culture within the Council. Everyone is therefore positively encouraged to raise any concerns that they may have regarding fraud and bribery in any of the activities of the Council in the knowledge that such concerns will, wherever possible, be treated in the strictest confidence and investigated properly.
- 2.6. All Members and employees should act appropriately in all dealings and guidance on appropriate behaviour is available in the form of Codes of Conduct for Members and employees and in some cases service specific policies and codes of practice. Service Areas will review the risk of fraud and bribery and where necessary develop specific guidance to reduce the opportunities available or increase detection of offences.
- 2.7. The Council will take a robust approach in all cases of suspected financial malpractice, fraud or bribery and will always seek to refer cases of suspected fraud and bribery to the Police for investigation.
- 2.8. Any Member or employee who attempts to defraud the Council, who acts corruptly or who is involved in bribery will be dealt with swiftly. Where appropriate following proven fraud or bribery the Council will implement its disciplinary procedures or make a referral under the Standards process for Members. Any investigation of an employee would follow the Council's disciplinary process and any investigation of Members would follow the Standards Process.
- 2.9. Where it is found that fraud or bribery has occurred due to a breakdown in the Council's systems or procedures, Management will ensure that appropriate improvements in systems of controls are implemented in order to prevent a reoccurrence.
- 2.10. Unless there are good reasons to the contrary, any allegations received by way of anonymous letters or telephone calls will be taken seriously and investigated in an appropriate manner. Further information on the protection that is offered to employees and others who raise concerns is contained in the Council's Whistleblowing Policy.
- 2.11. The Council needs to ensure that any investigation process is not misused and, therefore, any abuse of procedures such as raising malicious and unfounded allegations may be dealt with as a disciplinary matter.

Reporting Concerns – Employees / Elected Members

- 2.12. Employee concerns should be raised in the first instance directly with your Executive Manager, Service Manager or Lead Specialist. If the individual feels that this is not appropriate then any of the following people may be approached:-
- The Chief Executive;
 - The Section 151 Officer - Executive Manager - Finance and Corporate Services;
 - The Monitoring Officer
 - Internal Audit;
 - Any member of the Executive Management Team;
 - The External Auditor;
 - Trade Union Representative.
- 2.13. Elected Members are also encouraged to report their concerns with any of the above.
- 2.14. In certain circumstances you may wish to contact an appropriate external body – e.g. Trade Union to raise the concern on your behalf.

Reporting Concerns – Members of the Public, Suppliers, Contractors

- 2.15. Members of the public and the Council's suppliers/contractors are also encouraged to report concerns to the Council via the any of the contacts listed at 2.12.
- 2.16. For **Housing Benefit Fraud Allegations**, benefit fraud investigations are now undertaken by the Department for Work and Pensions (DWP) by the Single Fraud Investigation Service. Details of how to report suspected benefit fraud can be found on the Council's website here:

<https://www.rushcliffe.gov.uk/counciltaxandbenefits/benefitfraud>

3 PREVENTION

- 3.1. The Council is required to establish procedures for the scrutiny of its own functions to ensure that there are proper arrangements in place to administer the Council's financial affairs. This internal scrutiny occurs as a result of:-
- Responsibilities arising from section 151 of the Local Government Act 1972 responsibilities and Section 114 Local Government Finance Act 1988;
 - the establishment of a sound Internal Audit function in accordance with the Accounts and Audit Regulations 2015; and
 - the responsibilities placed on the Monitoring Officer under Section 5 of

the Local Government and Housing Act 1989.

3.2. The Council's activities are also subjected to a high degree of external scrutiny by others including:-

- Local Government Ombudsman;
- National Audit Office;
- External Auditors;
- Central Government Departments;
- HM Revenues and Customs;
- The Department for Work and Pensions; and
- The general public.

Fraud Risks

3.3. In order to ensure the Council is able to effectively target its resources, a council wide fraud, bribery and corruption risk assessment will be undertaken by Internal Audit every three years to identify the main risks and challenges facing the organisation.

3.4. Any fraud risks identified through the fraud risk assessment will be recorded and managed by the relevant Service Manager as part of their regular operational risks, and will be periodically reviewed to ensure that they reflect any changes in the level of exposure.

3.5. Detailed fraud, bribery and corruption risk assessments will be completed for any high risk areas identified through the overarching risk assessment, to ensure appropriate controls are in place to mitigate against the fraud risks.

3.6. Proactive Internal Audit reviews to determine the effectiveness of fraud prevention measures, and identify potential fraud cases, will also be considered for any areas of significant risk identified through the fraud risk assessment. These reviews will be approved and managed in line with the Internal Audit annual plan.

3.7. Where control weaknesses are identified an action plan will be developed with the relevant Service Manager to ensure the controls to prevent fraud are strengthened. If appropriate, the lessons learnt will be shared with other service areas.

Employees

3.4 The Council recognises that a key preventative measure in dealing with fraud and bribery is to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees.

This applies to permanent, temporary and casual posts where identity checks and asylum/immigration checks are performed as part of the induction process.

- 3.5 The Council has a formal procedure for recruitment and it is important that this is complied with, especially in relation to the verification of all qualifications and the obtaining of written references to ascertain the honesty and integrity of potential employees. The Council will follow an open and fair recruitment process without favouritism or canvassing for all posts.
- 3.6 The Council's Financial Regulations & Procedure Rules, Procurement Procedure Rules and Code of Conduct for Employees govern all employees. In addition to the Council's rules many employees will also be required to comply with the standards and ethical requirements laid-down by their professional bodies. The Council will report known impropriety to the relevant Institution for them to consider appropriate disciplinary action. These key policies provide the operational framework for the Council and create a culture which seeks to minimise the risk of fraud or bribery occurring.
- 3.7 All employees must ensure that they declare all outside interests in accordance with the Code of Conduct for Employees and any departmental policies. Employees need to ensure personal integrity in all transactions. Where a conflict of interest may occur then the employee should not become involved in the transaction and should inform their line-manager.
- 3.8 All private employment/outside commitments performed by employees must be declared to the Council and approved in advance. Private work should be carried out in hours when the employee is not employed by the Council and should not be conducted from Council Premises or using Council tools and equipment. Further details on private work can be found in the Code of Conduct for employees.
- 3.9 Public duties are slightly different and the Council has a separate policy which allows a set amount of paid time off to conduct these duties where they are recognised public duties (e.g. School Governors, Magistrates). However public duties must still be declared as an outside interest.
- 3.10 Employees need to ensure that declarations relating to outside interests and private works are kept up to date with any changes as and when they occur.
- 3.11 Employees must never accept gifts of cash regardless of the value. It is a serious criminal offence for an employee to receive any fee or reward other than their proper remuneration for carrying out their duties.
- 3.12 Employees also need to follow the Council's rules set out in the Code of Conduct on the giving and receiving of gifts, hospitality and sponsorship to other individuals and organisations.
- 3.13 An employee should not seek or offer any incentive or reward in return for acting in a particular way or reaching a particular decision as this would constitute a criminal offence under the Bribery Act.

Managers (Executive Managers, Service Managers & Lead Specialists)

- 3.14 All Managers should lead by example and ensure that there is a zero tolerance approach to fraud and bribery within the Council and should strive to create an environment in which their staff feel able to approach them with any concerns they may have. Managers should ensure that their staff and all suppliers, contractors and partner organisations that they work with are aware of this policy and any responsibilities that are placed on them.
- 3.15 Managers are responsible for ensuring that all internal controls within their area of responsibility are effectively maintained. They should investigate any potential weakness in these controls due to factors such as the level of vacancies, sickness absence or annual leave and where possible look to ensure controls remain effective and operational.
- 3.16 The Council has developed and is committed to continually improving systems and procedures incorporating efficient and effective internal controls, including the provision of adequate separation of duties. Service Managers have a responsibility to ensure that all systems of internal control, including those in a computerised environment, are operating effectively and documented adequately. Managers are therefore required to give reasonable assurance that internal controls within their service are operating effectively.
- 3.17 All processes and activities need to be designed to be open and transparent and be designed to reduce the opportunities for fraud, bribery or corrupt acts to occur. Managers are encouraged to consult with Financial Services when they are looking to change working methods to ensure appropriate controls are built in.

Elected Members

- 3.18 The activities and conduct of Members are governed by:-
- the Council's Constitution;
 - Code of Conduct for Members.
- 3.19 These matters are specifically brought to the attention of Members in the Induction pack and include the declaration and registration of potential areas of conflict. Members are advised of new requirements on them as and when they occur by the Monitoring Officer and Democratic Services.
- 3.20 Members must ensure that they act appropriately in all circumstances and should not seek or offer any incentive or reward in return for acting in a particular way or reaching a particular decision. Members may be acting corruptly if they attempt to use their position as an elected member for their own or anybody else's personal gain or loss. This could also constitute an offence under the bribery act.

- 3.21 Section 30 of the Localism Act provides that a member on taking office must notify the authority's monitoring officer of any disclosable pecuniary interest which that person has at the time. It is important that all Members promptly complete and return their Declaration of Interests upon election and at any time when there are changes to their outside interests in accordance with the Code of Conduct. Any failure to declare an interest may lead to action being taken against the Member under the Standards process and maybe a criminal offence.
- 3.22 Members must also comply with the rules relating to the receipt of gifts and hospitality when considering if they can be accepted or not. Any gift must be declared to the Council's Monitoring Officer and recorded in the Gifts & Hospitality Register in accordance with the Council's Code of Conduct for Members.

Contractors/Suppliers

- 3.23 The Council expects contractors and suppliers to have a zero tolerance approach to fraud and bribery and to establish appropriate procedures to ensure that their dealings with the Council are open and honest.
- 3.24 Prospective contractors and suppliers will be vetted as part of the Procurement selection process. The Council has a mandatory obligation under Regulation 57 of the Public Contracts Regulations 2015 to exclude suppliers of work, goods, materials or services from bidding for public sector contracts when they or a Director has been convicted of a fraud or bribery offence.

Role Conflict and Separation

- 3.25 Members and employees must always ensure that they avoid situations where there is a potential role conflict. Such situations can arise where there is externalisation of services or tendering situations. Members or employees close friends/relations may work for companies tendering for work being let by the Council and it is therefore necessary to be open and honest where such conflicts occur. The relevant declarations of interest should be made and you should consider withdrawing yourself from the decision making process. Members and employees are encouraged to seek advice and to err on the side of caution if they feel that they may have a conflict of interest in a decision being made that would benefit themselves or a close friend or relation.
- 3.26 Effective role separation will ensure that the decisions made by the Council are based upon impartial advice and avoid questions about the improper disclosure of confidential information. This is particularly important where one part of the Council may be tendering for a Council contract in competition with external companies.

Systems

- 3.27 The Council's Code of Conduct for Employees and Financial Regulations & Procedure Rules along with other Council documents and policies require

employees to act in accordance with best practice and regulations.

- 3.28 The Executive Manager – Finance and Corporate Services has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper administration of the Council's financial affairs. The Council's Financial Regulations & Procedure Rules and Procurement Procedure Rules which outline systems, procedures and responsibilities are widely publicised to employees and should be complied with at all times.
- 3.29 Significant emphasis has been placed on thorough documentation of key systems and these are continually reviewed and developed in accordance with best practice to ensure efficient and effective internal controls and adequate separation of duties.
- 3.30 The Internal Audit Service independently monitors and reviews the internal control systems established by managers in accordance with the Audit Plan.

Co-operation with Others

- 3.31 Information sharing protocols are in place to encourage the exchange of information on national and local fraud and bribery activity in relation to Local Authorities with external agencies such as:-
- Other local authorities and statutory authorities;
 - Chief Financial Officer Group;
 - the Police;
 - local, regional and national auditor networks;
 - National Audit Office;
 - the National Anti-Fraud Network;
 - The National Fraud Authority;
 - the Serious & Organised Crime Agency; and
 - Government Departments and Agencies.
- 3.32 The Council is a statutory participant in the National Fraud Initiative (NFI). The Council submits data that it holds on various systems such as Housing Benefits, Council Tax, Insurance Claims, Creditor Payments and Licences. This data is then matched with data provided by other public sector bodies to identify potential frauds. More information on the NFI can be found on the Council's website here:

<https://www.rushcliffe.gov.uk/aboutus/aboutthecouncil/fraudprevention/>

4 DETECTION AND INVESTIGATION

- 4.1 There are numerous systems of control in place to deter fraud and bribery, but it is often the vigilance of employees and members of the public that aids detection. Frauds are often discovered by chance or following a “tip-off” and arrangements are in place to enable such information to be dealt with appropriately. The process for following up information is contained in the Fraud Response Plan below.
- 4.2 All cases of suspected or proven fraud, bribery or other impropriety must be notified to the Chief Executive or the Council’s s151 Officer, who in turn will notify Internal Audit as soon as possible. A central record will be maintained and a determination as to whether further work is needed to examine the appropriateness of the control framework in place in the area. Any suspected fraud, bribery or corrupt practice involving elected Members will be reported to the Monitoring Officer by the Chief Executive or the s151 Officer.
- 4.3 Early reporting is essential to the success of this strategy and the swift referral of cases of suspected fraud or bribery to the Chief Executive or the s151 Officer will:-
- ensure the consistent treatment of information regarding fraud and bribery;
 - ensure the proper implementation of a fraud investigation in accordance with the Council’s Fraud Response Plan;
 - allow for the identification of any implications in relation to Money Laundering/Proceeds of Crime Act and the relevant external notifications to be made; and
 - adhere to the Council’s Anti-Money Laundering Policy which is attached at Appendix A.

Detective Exercises

- 4.4 The Council will undertake appropriate detective exercises to proactively identify potential fraud cases in high risk areas. These reviews can be initiated by the relevant Service Manager, or undertaken by Internal Audit as part of their annual plan.
- 4.5 This includes the review of potentially fraudulent matches identified through the National Fraud Initiative (NFI).

Fraud Response Plan

- 4.4 Usually, an initial investigation will be carried out which will aim to confirm or disprove the initial suspicion or allegation by obtaining and thoroughly evaluating all material evidence so as to establish the facts. Where observations or surveillance are required this will be properly authorised and carried out in accordance with the Regulation of Investigatory Powers Act

(RIPA) and the Council's own RIPA policy.

4.5 The investigating officer (from Internal Audit) will: -

- Deal promptly and confidentially with the matter;
- identify all those involved;
- have unhindered access to employees, information and other resources as required for investigation purposes;
- collect and record all evidence to support the allegation, and ensure that it is held securely;
- liaise as necessary with the relevant member of the Executive Management Team and outside agencies where appropriate.

4.6 The Chief Executive or the Executive Manager - Finance and Corporate Services, as s151 Officer, has the authority to determine whether to refer allegations of suspected fraud and bribery to the Police for prosecution. In most cases the Police will be invited to carry out a fraud or bribery investigation. Where the Police decide to investigate the Internal Audit section will work alongside them to conduct an internal investigation and disciplinary action will be taken at the appropriate time.

4.7 At the conclusion of the investigation a report will be made to the Chief Executive, the relevant member of Executive Management Team, the s151 Officer and the Monitoring Officer. If one of these officers' is potentially implicated in the investigation then they will be excluded from the reporting process.

4.8 All employees engaged in the investigation of potential fraud and bribery will ensure that the strictest standards are adhered to, in particular regarding the confidentiality of the investigation. This is especially important due to the fact that: -

- Allegations and suspicions may turn out to be unfounded and hence embarrassment for the accused and the Council is spared;
- Where fraud has occurred breaches in confidentiality could alert the suspect and give them the opportunity to cover their tracks or destroy evidence.

4.9 **Employees** - In accordance with the Council's Disciplinary Policy & Procedures, management has the prime responsibility for investigations into the conduct of employees. However in accordance with Financial Regulations & Procedure Rules, Internal Audit shall carry out an investigation in conjunction with the relevant member of the Executive Management Team or Service Manager in accordance with proper practice. The s151 Officer should be kept informed of progress regarding the investigation of suspected fraud or bribery. In most cases an appropriate

officer and/or the Internal Audit Manager will be appointed as joint Investigating Officers and the investigation will be conducted and reported to management in accordance with the Council's Disciplinary Scheme.

- 4.10 **Members** – Investigation of Members will be carried out by the Monitoring Officer. The outcome of investigations will be referred where relevant to the Standards Committee and if appropriate the police.
- 4.11 **External Frauds-** Where the allegation of fraud does not implicate an employee then the Internal Audit Manager will conduct the investigation.

Housing Benefit Fraud

- 4.12 Housing Benefit fraud investigations are now undertaken by the Department for Work and Pensions (DWP) by the Single Fraud Investigation Service. Details of how to report suspected benefit fraud can be found on the Council's website. However, where the Housing Benefit fraud involves a Member the Chief Executive and the Monitoring Officer will be consulted and kept informed. The s151 Officer and Internal Audit will be consulted and kept informed in relation to any Housing Benefit Fraud committed by employees. Members or employees found to have committed housing benefit fraud may also be subject to Standards or disciplinary action.

Prosecution Policy

- 4.13 The Council will look to prosecute all those accused of committing fraud, theft, or bribery against the Council. In most cases the Council will refer the matter to the Police for an independent prosecution.
- 4.14 Where an employee is found to have been involved in fraudulent or corrupt activity or bribery the Council will look to take further action in accordance with the Disciplinary Policy. Where Members are found to be involved in fraudulent or corrupt activity the Monitoring Officer will be informed and the matter will be referred for a Standards Investigation.
- 4.15 The Council will also aim to recover from the perpetrators any losses that it sustains as a result of fraud and corruption. Where appropriate, the Council will publicise the results of any action taken, including prosecutions, with regard to fraud and corruption activity perpetrated on the Council.
- 4.16 Where a genuine mistake or error is discovered the Council will not look to prosecute but will provide training and advice to the employee/Member and possibly look to revise systems and procedures to prevent similar actions occurring in the future.

Support for Witnesses During An Investigation / Prosecution

- 4.17 The Council recognises that the decision to report a concern or to give evidence as part of an investigation is often a difficult one to make not least because of the fear of reprisal from those responsible for the malpractice. However, where there are genuine concerns then the witness has nothing to

fear as they are fulfilling a duty to the Council and to those for whom it provides services.

- 4.18 The Council will be as supportive as possible to witnesses during an investigation. Harassment and victimisation (including informal pressure) will not be tolerated. If as a result of providing evidence in the public interest the witness experiences any pressure the Council will take action to protect them. Any employee or Member who is found to be victimising anyone who is providing evidence to an investigation may face action under the Standards or disciplinary procedures.
- 4.19 The Council will take all possible steps to maintain the confidentiality of a witness throughout the process where they have expressed a preference for their name not to be disclosed. However it is recognised that this may not always be possible. In the event that the investigation requires confidentiality to be broken then the witness will be informed in advance.
- 4.20 The Council will take steps to minimise any difficulties that the witness may face as a result of providing evidence to an investigation. For example, where the person is required to give evidence at a criminal or disciplinary proceeding then the Council will arrange for them to receive advice and support about the process that they will have to go through.

Reflecting on an Investigation

- 4.21 The Council is a learning organisation which takes every opportunity to review processes and make improvements to services to ensure our residents continue to receive high quality services at the best possible cost. Following a fraud investigation, the Council will convene a group to review investigatory findings and establish whether any changes need to be made to prevent future fraudulent activity or whether further staff training or revised documentation is required.

5 TRAINING AND INFORMATION

- 5.1 The Council acknowledges the importance of ensuring that Members and employees are fully aware of their personal responsibilities and will ensure appropriate training is provided.
- 5.2 There are a number of key documents which set-out responsibilities and these include:-
- Codes of Conduct for Members;
 - Code of Conduct for Employees (including Gifts and Hospitality Guidelines);
 - Financial Regulations & Procedure Rules and Procurement Procedure Rules;
 - Whistleblowing Policy;

- The Constitution;
 - Relevant Professional Ethical Codes or frameworks.
- 5.3 The Council will ensure that all employees are made aware of their responsibilities under this policy as part of their induction process as well as ensuring that they are aware of the relevant reporting procedures.
- 5.4 The Council recognises that the continuing success of this strategy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of employees throughout the organisation.
- 5.5 Managers will also ensure that all contractors/suppliers are aware of the existence of this framework and their responsibilities under it.
- 5.6 This framework will also be made available to contractors and the public by publishing it on the Council's website.
- 5.7 In addition to the above actions the Council will review its services to identify those most at risk of fraud and bribery and where necessary develop additional guidance and procedures to address any significant risks identified.

6 MONITORING & REVIEW

- 6.1 The Council has in place a clear network of systems and procedures to assist it in dealing with fraud and bribery.
- 6.2 The s151 Officer – Executive Manager - Finance and Corporate Services will maintain a continuous overview of the arrangements in place to ensure that they are consistently applied and that all action taken is proportional. This framework will be reviewed and updated periodically to follow best practice and other changes.
- 6.3 Monitoring on the application of the framework, including allegations not proven or false allegations will be carried out. This will include monitoring of equality and diversity issues in relation to the person who has an allegation made against them and in relation to the ultimate outcome of any investigations. Information that may be recorded includes age, gender, race, disability, etc. However, it may not be possible to obtain all information for all cases.
- 6.4 This information will be used to monitor trends and to ensure that the policy is applied equally to all and in particular that decisions to prosecute or take other action are consistently applied.

7 ASSOCIATED POLICIES

- 7.1 Other associated Council Policies:-
- Whistleblowing Policy;

- Anti-Money Laundering Policy
- Disciplinary Policy;
- Codes of Conduct for Members & Employees;
- Regulation of Investigatory Powers Act Policy & Procedures.

ANTI-MONEY LAUNDERING POLICY

1. Introduction

- 1.1 Money Laundering can be defined as “a process that makes money with an illegal origin appear legal so that they may be used”. Legislation concerning Money Laundering (Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003 and 2007) have broadened the definition of Money Laundering and increased the range of activities caught by the statutory framework. As a result, the obligations impact on areas of local authority business although the Council is not directly covered by Money Laundering Regulations.
- 1.2 However under the CIPFA Treasury Code of Practice local authorities are required to establish internal procedures to prevent the use of their services for Money Laundering (Treasury Management Practice 9).

2. The Scope of this Policy

- 2.1 This Policy applies to all employees of Rushcliffe Borough Council and its elected Members and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through Money Laundering. The Policy sets out the procedures that must be followed to enable the Council to comply with its legal obligations.
- 2.2 Anti-Money Laundering legislation places a responsibility upon Council employees and elected Members to combat Money Laundering and covers a very wide area of financial transactions, including possessing, or in any way dealing with, or concealing, the proceeds of any crime. It applies to all employees/elected Members involved with monetary transactions. In this context, monetary transactions includes any business of the Council which involves any transfer of assets or obligations to or from the Council and where there is opportunity for the other party to receive or divert cash or convert assets or obligations into cash. Many types of criminal activity would fall under the scope of Money Laundering (for instance falsely claiming benefits and tax evasion etc.).
- 2.3 It is a criminal offence to:-
- Assist a money launderer;
 - “Tip off” a person suspected to be involved in Money Laundering, that they are the subject of Police investigations;
 - Fail to report a suspicion of Money Laundering, and
 - Acquire, use or possess criminal property.

3. Purpose and Intent

- 3.1 The statutory requirements concerning Anti-Money Laundering procedures are extensive and complex. The purpose for this Policy is to enable the Council to meet its legal obligations in a way that is proportionate to the low risk to the Council of contravening the legislative framework.
- 3.2 It is necessary to make all employees and elected Members aware of their responsibilities and the consequences of non-compliance with the Policy.
- 3.3 Whilst the risk to the Council of contravening the legislation is minimal, it is vitally important that all employees and Elected Members are familiar with their responsibilities.

4. When this Policy Applies

- 4.1 When the Council is carrying out relevant business

and: (a) Forming a business relationship, or
(b) Considering undertaking a one-off transaction.

- 4.2 Relevant business is defined by the legislation to include, but is not restricted to, investments, accountancy and audit services, and the financial, company and property transactions undertaken by Legal, Financial Services and Property Services.

5. Client Identification Procedures

- 5.1 Note that 'client' refers to the customer, be it a private individual or a business representative, asking the Council to accept and bank money.

- 5.2 Any employee involved in relevant business should ensure the client provides satisfactory evidence of their identity personally, through a passport or photo driving licence plus one other document with their name and address e.g. utility bill, mortgage/building society/bank documents, pension/benefits book, or corporate identity – through company formation documents or business rates.

- 5.3 In any circumstances where the client cannot be physically identified the employee should be aware:-

- (a) That there is greater potential for Money Laundering where the client is not physically present when being identified;
- (b) If satisfactory evidence is not obtained the relationship or transaction should not proceed;
- (c) If the client acts or appears to act for another person, reasonable measures must be taken for the purposes of identifying that person.

6 Record Keeping

- 6.1 The Council and contractors working for the Council conducting relevant business must maintain records of:-

- (a) Client identification evidence obtained, which must be kept for 5 years after the end of the transaction or relationship;
 - (b) Details of all relevant business transactions carried out for clients for at least 5 years from the completion of the transaction. This is so that they may be used as evidence in any subsequent investigation by the relevant authorities into Money Laundering.
- 6.2 The Section 151 Officer or Financial Services Manager must be informed of the existence and location of such records.

7 The Money Laundering Reporting Officer (MLRO)

- 7.1 The Council must nominate officers that take the lead role in combatting money laundering, and these are known as the MLRO
- 7.2 The Officers nominated to receive disclosures about Money Laundering activity within the Council are the Section 151 Officer and Financial Services Manager.

8 Reporting Requirements

- 8.1 Where an employee or elected Member is aware, or has sound and valid suspicions that Money Laundering may have taken place (or may be taking place), he or she must contact the MLRO for guidance as soon as possible regardless of the amount being offered. In such circumstances, no money may be taken by anyone until this has been done. If money has been received this should be held and kept separate from Council monies.
- 8.2 Any person knowing or suspecting Money Laundering, fraud or use of the proceeds of crime, must report this to the MLRO on the forms attached. When in doubt it is best to report any suspicions.
- 8.3 Upon receipt of receiving the report the MLRO will consider all of the admissible information in order to determine whether there are grounds to suspect Money Laundering.
- 8.4 If the MLRO determines that the information on matters should be disclosed it will be reported to the National Crime Agency (NCA).
- 8.5 At no time and under no circumstances should any employee or elected Member voice any suspicions to the person(s) suspected of Money Laundering, even if the NCA has given consent to a particular transaction proceeding, otherwise the employee/elected Member may be committing the offence of “tipping off”. The MLRO will keep the appropriate records in a confidential manner.

9 Related Procedures

- 9.1 The Council will establish other procedures for internal control and

communication as may be appropriate for the purpose of the prevention of Money Laundering:

- (i) Regular receipts – the Council in the normal operation of its business accepts payments from individuals and organisations in respect of a range of activities. For all transactions under £2,000 the Money Laundering Regulations do not apply but if an employee/Member has reasonable grounds to suspect Money Laundering activity or proceeds of crime or is simply suspicious, the matter should still be reported to the MLRO.
- (ii) Cash receipts – if the money offered in cash is £2,000 or more then payment must not be accepted until the employee has received guidance from the MLRO or the Deputy MLRO.
- (iii) Refunds – any significant overpayment that results in a repayment will need to be properly investigated and authorised before payment.

10 Effectiveness

- 10.1 The impact and effect of this Policy shall be reviewed at least annually by the Section 151 Officer.
- 10.2 Anti-Money laundering training will be provided to appropriate officers on a regular basis.

MONEY LAUNDERING REPORTING OFFICER DISCLOSURE
FORM

Date of Disclosure:

Officer making disclosure (inc. Job Title):

Contact Details:

Subject Details:

Title: Surname:

Forename: Date of

Birth:

In the case of a legal entity (company):

Name:

Address:

Company No. (if known): Type

of Business:

VAT No. (If known): Reason

for disclosure:

Receipt: MLRO or Deputy MLRO will confirm receipt of a completed Disclosure Form within 3 working days.

BDO Assessment of the draft Anti-Fraud and Corruption Policy 2020-2024

The Government Function Standards for counter fraud were published in June 2020 and outline the expected standards for managing fraud, bribery and corruption in all government organisations. These are expected to be rolled out across all public sector organisations, including local authorities.

The Standards are listed below. They include one which relates to having a counter fraud policy and response plan for dealing with potential instances of fraud, bribery and corruption:

Government Functional Standards: Counter fraud organisational basics checklist

1. Have an **accountable individual** at board level who is responsible for counter fraud, bribery and corruption;
2. Have a **counter fraud, bribery and corruption strategy**;
3. Have a **fraud, bribery and corruption risk assessment**;
4. Have a **policy** and **response plan** for dealing with potential instances of fraud, bribery and corruption;
5. Have an **annual action plan** that summarises key actions to improve capability, activity and resilience in that year;
6. Have **outcome based metrics** summarising what outcomes they are seeking to achieve that year.
7. Have well established and documented **reporting routes for staff, contractors and members of the public** to report suspicions of fraud, bribery and corruption and a mechanism for recording these referrals and allegations;
8. Will **report identified loss** from fraud, bribery, corruption and error, and associated recoveries, to the centre in line with the agreed government definitions;
9. Have agreed **access to trained investigators** that meet the agreed public sector skill standard;
10. Undertake **activity to try and detect fraud** in high-risk areas where little or nothing is known of fraud, bribery and corruption levels, including loss measurement activity where suitable;
11. Ensure all staff have **access to and undertake fraud awareness, bribery and corruption training as appropriate to their role**;
12. Have **policies and registers for gifts and hospitality and conflicts of interest**.

Under this standard there is more detailed guidance on the required information to be included in the policy and response plan. We have used this to assess the council's draft policy below:

The policy should set out:**Rushcliffe's policy:**

the standards of expected behaviour, including how they align to the civil service code.	Yes, The policy includes the expected roles and responsibilities for employees, elected members and contractors/suppliers under each heading. This includes how they can report any concerns indicating fraud, as well as their responsibilities for preventing fraud before it occurs.
how fraud and corruption is defined in the organisation with reference to current legislation and government definitions	Yes, There is a definition of fraud and reference to current legislation in the opening section of the policy. The definition has been updated to include more information.
how the organisation deals with fraud, bribery and corruption, including activity to find fraud	<p>Yes, The policy includes the fraud response plan which outlines how the council will deal with any allegation received.</p> <p>New sections (3.6 & 4.4) have been included to outline how proactive exercises to identify and prevent fraud will be considered for high risk areas.</p> <p>This should be sufficient as there will not be many high risk areas.</p>
the organisation's approach to fraud risk assessment	In line with the Government Functional Standards (see below), the policy now outlines how the council will complete an organisation wide risk assessment every three years, with detailed risks assessments into high risk areas. The organisation wide risk assessment can be completed by Internal Audit as part of the 2020/21 audit plan
staff and management responsibilities within the organisation for countering fraud, bribery and corruption	Yes. As above, the policy includes the expected roles and responsibilities for employees, elected members and contractors/suppliers under each heading. This includes how they can report any concerns indicating fraud, as well as their responsibilities for preventing fraud before it occurs.
how the organisation will continue to improve based upon lessons learnt	Yes. An additional section (4.21) has been added in relation to sharing lessons learnt following an investigation.

	Section 3.7 also now references lessons will be shared following any proactive exercises
The response plan should set out:	Rushcliffe's policy:
where individuals can report potential instances of fraud and corruption	Yes, this is included within the Culture section of the policy rather than the response plan. However these are both in the same document so not an issue.
how the organisation deals with individual items of intelligence from reporting routes and other sources	The response plan is quite high level so doesn't go into detail on how individual pieces of intelligence will be handled. However the plan does cover who will be responsible for reviewing the information for each type of allegation, and also highlights how information must remain confidential. As the council isn't getting a significant number of allegations I think the high level response plan covers sufficient information.
how the organisation responds to instances of fraud, bribery and corruption	Yes, there is sufficient information within the policy overall to understand how the council responds to instances of fraud. As noted above, this has been extended to include how lessons are learnt following any investigation.
how the organisation monitors the progress of any investigations, and takes decisions on them	Yes, under each type of fraud investigation it outlines who should be notified and kept informed of the progress of the investigation.
the roles and responsibilities of staff, teams and individual functions in responding to instances of fraud, bribery and corruption	Yes, within the response plan there are roles and responsibilities outlined for each type of fraud.
how this information should be reported both within the organisation, and to other relevant organisations (including law enforcement agencies)	Yes, within the Prevention section of the policy there is a section on sharing information with other organisations. The fraud response plan also highlights the Chief Executive and s151 Officer are responsible for deciding what allegations should be shared with the police, and Internal Audit are responsible for working alongside the police during their investigation.

Government Functional Standards: Fraud risk assessments

Organisations should have a fraud, bribery and corruption risk assessment.

The organisation should undertake varying levels of risk assessments including:

- a high-level fraud, bribery and corruption risk assessment that gives an overview of the main risks and challenges facing the organisation to the board
- an intermediate fraud, bribery and corruption risk assessment that extends to departmental functions, programmes or major areas of spend
- a detailed fraud, bribery and corruption risk assessment that covers individual business units, projects or programmes

Organisations should have a high-level risk assessment and some detailed risk assessments in the highest risk areas.

Intermediate assessments are advisable in larger organisations with a wide range of payment or service streams.

Organisations should undertake fraud, bribery and corruption risk assessments on a regular basis. They should be seen as an on-going process, rather than a standalone exercise.

Other Key Documents from the Government Standards the Council should have in place:

Organisational counter fraud strategy

Organisations should have a counter fraud, bribery and corruption strategy, which should be approved by the organisation's board or executive risk committee. The strategy may consist of a single overarching strategy or separate strategies (counter fraud as one, bribery and corruption as the other) depending on how the organisation is structured.

The strategy should set the direction and desired outcomes relating to counter fraud, bribery and corruption over the next 2 to 5 years, including:

- an assessment of the main risks and challenges facing the organisation
- an assessment of how the fraud landscape may change
- where the organisation wants to be in the next 2 to 5 years
- how it will actively counter fraud, bribery and corruption and develop its response
- objectives for the period of the strategy

The strategy should be informed by a fraud, bribery and corruption risk assessment and remain relevant to changes in the internal and external environment.

Annual action plan

Organisations should develop and maintain annual action plans to show how the organisation's counter fraud, bribery and corruption strategy is to be implemented.

The plan should include actions to improve capability and resilience, and should target

areas of improvement, as opposed to business as usual activity.

The annual action plan should:

- state the objectives and outcomes being targeted
- describe prioritised improvement activities, with milestones for delivery • set accountability for the delivery of each activity
- be tracked and maintained so that progress against the plan can be monitored and reviewed
- be reviewed and updated in year as required

Outcome based metrics

Organisations should define the outcomes they are seeking to achieve that year, and should have metrics to measure whether the targeted outcome has been achieved. For organisations with a significant investment in counter fraud or a significant estimated fraud loss, these should include metrics with a financial impact.

Metrics with a financial impact should be based on a targeted value of prevented and/or detected fraud against a baseline to measure improvement over time.

Organisations should target an increase in the total amount of detected fraud and/ or loss prevented from their counter fraud strategy.

**Claire Baker,
July 2020**

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Corporate Governance Group

30 July 2020

Work Programme

Report of the Executive Manager – Finance and Corporate Services

1. Summary

- 1.1. The work programme is a standing item for discussion at each meeting of the Corporate Governance Group. In determining the proposed work programme due regard has been given to matters usually reported to the Group and the timing of issues to ensure best fit within the Council's decision making process.
- 1.2. The table 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.

2. Recommendation

It is RECOMMENDED that the Group agrees the work programme as set out in the table below.

3. Reasons for Recommendation

29 September 2020

- Statement of Accounts 2019-2020
- Internal Audit Progress Report – 5 month update 2020-21
- Risk Management Strategy 2020-2023
- Work Programme

24 November 2020

- Internal Audit Progress Report
- Annual Audit Letter
- Treasury and Asset Investments – 6 month update
- Work Programme

4 February 2021

- Internal Audit Progress Report
- Internal Audit Strategy
- External Audit Annual Plan

- Treasury and Asset Investments Strategy - Update
- Work Programme

18 May 2021

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Governance Statement
- Work Programme

For more information contact:	Peter Linfield Executive Manager – Finance and Corporate Services 0115 914 8349 plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	None.
List of appendices (if any):	None.