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Our reference:
Your reference:
Date: 21 September 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 Tuesday, 29 September 2020 at 7.00 pm to consider the following items of business.

The meeting will be live streamed via YouTube for the public to listen and view via the link: <https://www.youtube.com/user/RushcliffeBC> Note: Please be aware that until the meeting starts the live stream video will not be showing on the home page. For this reason, please keep refreshing the home page until you see the video appear.

Yours sincerely



Sanjit Sull
Monitoring Officer

AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minutes of the meeting held on 30 July 2020 (Pages 1 - 8)
4. Internal Audit Progress Report - 5 Month Update (Pages 9 - 22)
Report of the Executive Manager – Finance and Corporate Services.
5. Constitution Review (Pages 23 - 26)
Report of the Monitoring Officer.
6. Risk Management Strategy 2020 - 2023 (Pages 27 - 44)
Report of the Executive Manager – Finance and Corporate Services.



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7. Going Concern Assessment Linked to Covid-19 (Pages 45 - 50)
Report of the Executive Manager – Finance and Corporate Services.
8. Work Programme (Pages 51 - 52)
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 Viridi

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, 30 JULY 2020**

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

PRESENT:

Councillors F Purdue-Horan (Chairman), J Walker (Vice-Chairman), R Adair,
G Dickman, L Howitt, K Shaw, J Stockwood, Mrs M Stockwood and D Virdi

ALSO IN ATTENDANCE:

A Ali
G Dulay

RSM Risk Assurance Services LLP
BDO LLP

OFFICERS IN ATTENDANCE:

L Ashmore
P Linfield

Executive Manager - Transformation
Executive Manager - Finance and
Corporate Services
Monitoring Officer
Financial Services Manager
Democratic Services Officer
Democratic Services Officer

S Sull
S Whittaker
T Coop
L Webb

APOLOGIES:

Councillor D Simms

29 Declarations of Interest

There were no declarations of interest reported.

30 Minutes of the meeting held on 6 February 2020

The minutes of the meeting held on 6 February were approved as a true
record.

31 Internal Audit Report Q4 2019/20

Mr Amjad Ali, Senior Manager at RSM, the Council's 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 four reports: Garden
Waste, Property Leases and Rents, Main Accounting Systems and Follow-up.
In terms of findings, Mr Ali reported three substantive audits have returned
findings of Substantial assurance, the Follow-up audit, scored differently
received a 'Good Progress' finding. The Garden Waste and Property Leases
and Rents did not result in any managements actions. The Main Accounting
System audit resulted in two low level recommendations. The Follow-up audit

resulted in five low priority findings being re-raise. Management actions were agreed in respect of all the recommendations.

Members questioned the outstanding actions in the Follow-up audit and asked whether there was a timescale for these to be implemented, given that a new audit company was in place going forward. Mr Ali explained that the Council's management have agreed an action plan and that the new auditors (BDO) will pick up on these when they take over.

Councillor Viridi referred to member training and the Council's Procurement Strategy not being up to date and asked for assurances that these would be completed swiftly. The Executive Manager – Finance and Corporate Services explained that officers had been dealing with other priorities as a result of Covid-19 pandemic. Ongoing monitoring of implementation of recommendations are undertaken by Internal Audit.

It was **RESOLVED** that the final progress report for 2019/20 prepared by the Council's Internal Auditor is noted.

32 **Internal Audit Annual Report 2019/20**

Mr Ali, Senior Manager at RSM the Council's Internal Auditor's, presented the Internal Audit Annual Report which summarises the work undertaken during the course of 2019/20 and the management actions arising from the audits. Mr Ali referred to the appended RSM report and highlighted the completion of the Internal Audit Plan. Mr Ali provided an annual opinion, which concluded that the Council has an adequate and effective framework for risk management, governance and internal controls.

As reported previously in the quarterly progress reports, Mr Ali advised the Group that of the 15 audits, 13 resulted in a green 'substantial assurance' rating and two resulting in amber 'reasonable assurance' rating, Building Control and Cyber Risk Management. In addition, a total of 40 management actions were identified, including 6 'medium priority' and 34 'low priority' where management actions had been agreed in all cases. A further two advisory audits were undertaken for Fraud and the Management of Bingham Market.

In concluding, Mr Ali advised the Group that 'good progress' was made in implementing previously agreed management actions from a follow-up review undertaken this year.

This was the last Governance Scrutiny that RSM would attend and the Chairman thanked Mr Ali and his associates for the support and commitment they had provided the Council and its officers over the past decade.

It was **RESOLVED** that the Internal Audit annual Report 2019/20 be noted.

33 **Constitution Update**

The Monitoring Officer presented a report that sets out opportunities for Governance Scrutiny Group to consider the Council's Constitution and explained that the constitution provides the framework for the Council's

Decision Making process and rules of procedure, adding that the council should review its constitution annually. The Monitoring Officer advised that the most recent review concentrated on the public speaking protocol and the Councillor Code of Conduct.

The Monitoring Officer provided a table, that highlighted sections that maybe appropriate for review, including; Decision Making, Responsibility for Functions Motions, Standing Orders Relating to Contracts and Member Code of Conduct.

Members welcomed the opportunity to review parts of the constitution and were keen to look at motions, in particular the number permitted, expressing this should not be limited to three, management of scope and the length of speeches need to be considered.

Members also suggested a clearer understanding of delegated decisions and whether Task and Finish Groups or Member Development Groups could be established, to examine decisions in line with the Asset Management Plan.

The Executive Manager – Finance and Corporate Services advised the Group that the Asset Investment Strategy is under the Scheme of Delegation for the Executive Manager – Transformation, and confirmed this was agreed at Council a number of years ago.

The Chairman requested the Review of the Council's Constitution be an item on the agenda for the next meeting of Governance Scrutiny and invited members to provide the Monitoring Officer with suggestions.

It was **RESOLVED** that:

- a) Members of the Group consider the suggestions for review of the Constitution set out in the Monitoring Officers report
- b) Members of the Group consider other sections of the Constitution
- c) The Group recommends amendments that are appropriate for adoption by Full Council

34 **Annual Governance Statement**

The Executive Manager – Finance and Corporate Services presented the Annual Governance Statement 2019/20, and advised the Group that in accordance with the Accounts and Audit Regulations 2015, the Council is required to publish the Annual Governance Statement alongside the Council's Statement of Accounts.

The Annual Governance Statement was attached as an Appendix to the report and the Governance Scrutiny Group, by reviewing the statement, scrutinises the Council's governance arrangements.

It was **RESOLVED** that the Governance Scrutiny Group approve the 2019/20 Annual Governance Statement and associated recommendations.

The Financial Services Manager presented the Capital and Investment Strategy Outturn which summarises the transactions undertaken during the 2019/20 financial year, reporting against the Council's Capital and Investment Strategy for 2019/20 – 2023/24. The report provides information on the Council's commercial investment ensuring there is transparency and security in terms of treasury and asset investment decisions. The report also highlights issues arising from Covid-19, which have impacted on the Council's year end investment position and overall budget for 2020/21.

In respect of Treasury Management, the Financial Services Manager referred to tables within the report, detailing the prudential and treasury indicators, and the impact of capital expenditure activities during the year.

The Financial Services Manager explained the Council's overall borrowing need for capital expenditure, Capital Financing Requirement (CFR), advising that where a positive CFR exists, the Council is required by statute to make an annual charge, Minimum Revenue Provision (MRP) to reduce the CFR based on the life of the assets. This effectively raises cash to help repay loans or replenish internal borrowing.

The total CFR can be reduced by: the application of additional resource, for example unapplied capital receipts or charging more than the statutory revenue charge (MRP) each year through a voluntary revenue provision (VRP).

The Financial Services Manager continued to advise the Group that for the past three year's the Council decided to set the MRP at £1m, comprising of £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. Prior to 31 March 2020 the Council released an equivalent sum of £1m from the New Homes Bonus (NHB) Reserve to offset any impact of the borrowing charge to the tax payer. The Financial Services Manager explained the Council's proposal to take the option to reduce the VRP element of the charge, to release the NHB reserves to help meet the budget deficit as a result of Covid-19. By reducing the VRP the council will free up significant resources of up to £730k in 2020/21 and up to £600k each year to 2024/25.

The Financial Services Manager advised the Group of the Council's Treasury position as at 31 March 2020, in line with the Treasury Management activities approved by the Treasury Strategy. The Financial Services Manager explained that expectation for interest rates within the strategy in short term money markets is anticipated to remain the same in light of uncertainties surrounding Brexit and the global economy. The onset of Covid-19 provides further challenges in terms of cash flow, market volatility and Base Rates. To mitigate any potential cash flow issues the Council's investments are being placed in short-term liquid asset for quick access, but will affect the level of interest earned on them. Overall, the council has successfully achieved its objectives of ensuring investments were held with relatively secure counterparts; ensuring that there was sufficient liquidity to operate efficiently during these unprecedented times during Covid-19.

In terms of the Asset Investment Strategy, the Financial Services Manager explained that it had been a very uncertain year with the General Election, Brexit and more recently Covid-19 affecting the economy, this has meant some commercial investments not being pursued. At a Cabinet meeting in July 2020 it was approved to carry forward £19.181m capital underspends into 2020/21 including £8.382 on the Asset Investment Strategy, of this £4.554m is the balance committed to investments due to be acquired by September 2020, leaving £3.828m remaining unallocated from the original provision.

In concluding, the Financial Services Manager advised that the Council's investments, whether treasury or commercial remain fluid, adding that risks remain in the treasury and property markets and also in the Council's Capital Programme and the legacy of Covid-19 is still to be determined.

Members questioned the £19.181m underspend carried forward to 2020/21 and asked whether there were plans to review this to help fund the gap in the Treasury Programme. The Financial Services Manager explained that items in the Capital programme were being reviewed and a report to Council on 24 September 2020 will provide some clarity. The Executive Manager – Finance and Corporate Services advised that the Council were already committed to the new leisure centre at Bingham and the Crematorium, both going out to tender and their ongoing financial viability would be under review.

The Chairman reminded members to attend one of the two budget workshops scheduled for the 7 September and 8 September.

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

- a) approve the 2019/20 outturn position
- b) approve and recommend to Council in September, the reduction in Minimum Revenue Provision (MRP) and subsequent release of New Homes Bonus (NHB) to either support the budget gap resulting from Covid-19 or to make Voluntary Repayment Provision (VRP) at a later date.

36 **Impact of Covid19 on Risk**

The Executive Manager – Finance and Corporate Services delivered a report that updated the Group on risk activities following the September 2019 update. In addition, The Executive Manager - Finance and Corporate Services advised that risks in the Council's Risk Register have changed and a number of risks have been altered in response to the Covid-19 pandemic.

The Executive Manager – Finance and Corporate Services advised that there are currently 37 corporate risks and 26 operational risks, adding that the number of risks within the register do fluctuate throughout the year due to changing pressures facing local government, and the proactive work of managers to identify risks as they emerge, which demonstrates the Council's aim to be proactive to mitigate risk as soon as it's identified.

The Executive Manager - Finance and Corporate Services asked the Group to consider 20 changes to the risk register as a result of recent Risk Management

Group discussions. These changes included 13 proposed increases to risk ratings and 7 reductions to risk ratings.

In addition to these changes the Executive Manager – Finance and Corporate Services advised the Group of a further 10 new risks in response to Covid-19. The new risks are:

- Impact of Covid-19 on the Council's budget
- Impact of Covid-19 on the Borough's high streets
- Ability of high streets to implement the necessary safety measures
- Impact of Covid-19 on the Borough's leisure facilities and their ability to recover whilst consumer confidence is uncertain
- Ongoing impact of Covid-19 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 Covid-19
- 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

Members accepted the need to make changes in respect of the pressures facing local government and the Council's response to Covid-19. However, members requested that more detail could be provided with regards to risk mitigation and look to prevent risks from escalating.

The Executive Manager – Finance and Corporate Services agreed that more information could be reported to Governance Scrutiny, explaining that officers were mindful of providing too much detail. In addition, the Executive Manager – Finance and Corporate Services directed members to the training session on Risk Management scheduled for September that will provide support members to acquire a better understanding of the topic.

The Risk Management Strategy and the Training Session in September will enable further discussion on the subject.

It was **RESOLVED** that:

- a) The Group note the report in relation to existing risks.
- b) The Group approve the new risks in response to the global Covid-19 pandemic and the risk ratings awarded to them.

37 **Fraud Annual Report 2019/20**

The Executive Manager – Finance and Corporate Services introduced Mr Gurpreet Dulay from BDO, the Council's new internal Auditors.

Mr Dulay presented the Fraud Annual Report 2019/20, which summarises the incidence of fraud and fraud prevention at the Council during the year and also provided the Group with a revised Anti-Fraud and Corruption Policy for 2020-

2024.

Mr Dulay explained that the Council does not have a dedicated fraud and prevention resource, it is the responsibility of managers to ensure internal controls are in place to mitigate the risk of fraud. In addition, the internal audit may also identify fraud through their reviews and are available to support manager to investigate any allegations of fraud.

Mr Dulay advised the Group that the Council's Anti-Fraud and Corruption Policy has been reviewed during the year to ensure it is up to date and appropriate against the best practice guidance by BDO and following the new Function Standards for Counter Fraud published in June 2020. The review highlighted the need for the Council to complete a Fraud Risk Assessment, which BDO will undertake over the coming year. Mr Dulay advised that there had been no incidents of fraud in the last year.

It was **RESOLVED** that:

- a) The Annual Fraud Report for 2019/20 be noted.
- b) The Group approve the revised Anti-Fraud and Corruption Policy for 2020-2024.

38 **Work Programme 30 July 2020**

The Group considered its Work Programme.

29 September 2020

- Internal Audit Progress Report – 5 Month update 2020/21
- Review of the Constitution
- Risk Management Strategy

24 November 2020

- Internal Audit Progress Report
- Annual Audit Letter
- Statement of Accounts 2019/20

4 February 2021

- Internal Audit Progress Report
- Internal Audit Strategy 2021/22
- External Audit Annual Plan 2021/22
- Treasury and Asset Investments Strategy 2021/22
- Risk Management

18 May 2021

- Internal Audit progress Report
- Internal Audit Annual Report

- Annual Governance Statement

ACTIONS

Minute No	Action	Officer Responsible
33	The Monitoring Officer asked members to send any thoughts on reviews for the Constitution, to be added for discussion at the next meeting of Governance Scrutiny	Governance Group Members to forward suggestions to the Monitoring Officer

The meeting closed at 8.34 pm.

CHAIRMAN

DRAFT



Governance Scrutiny Group

Tuesday, 29 September 2020

Internal Audit Progress Report - 5 Month Update

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 BDO. It reflects the current progress made against the annual Internal Audit programme along with any significant recommendations with regard to the audits completed during this period.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes the progress made so far this year against the Internal Audit programme.

3. Reasons for Recommendation

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

4. Supporting Information

- 4.1. The Internal Audit Plan for 2020/21 was approved by the Corporate Governance Group at its meeting on 6 February 2020 and includes 10 planned reviews. Due to the impact of Covid-19 on workloads, progress at the start of the year was slower than anticipated but is now back on track. The attached report highlights the completion and issuing of one report: Budget Management and Reporting; The Annual Fraud Report was covered at the last Governance Group meeting in July. In terms of findings:

- 20% of the annual Internal Audit programme has been completed so far this year
- The audit of Budget Management and Reporting returned a finding of Substantial Assurance with two low level priority recommendations where management actions have been agreed.

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 could result in a reduced audit workload and therefore cost.

6.2. Legal Implications

The recommendation supports good risk management, internal controls and compliance with legislation and regulations relating to Local Authority decision making and process.

6.3. Equalities Implications

There are no equalities implications identified for this report

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

There are no such implications.

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 the progress made so far this year against the Internal Audit programme.

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 – Internal Audit Progress Report
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A group of four runners, two men and two women, are huddled together outdoors in a park-like setting. They are all smiling and looking towards each other. Their hands are stacked in the center of the huddle. The background is a blurred green landscape with trees. A vertical red bar is on the right side of the image. A semi-transparent grey box is overlaid on the bottom half of the image, containing the report title and date.

INTERNAL AUDIT PROGRESS REPORT

Rushcliffe Borough Council
Governance Scrutiny Group

29 September 2020

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INTRODUCTION

Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2020/21 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

2020/2021 Internal Audit Plan

Due to Covid-19, some of the planned audits have not been able to take place as early in the year as we would typically plan them. However we are now making good progress in the delivery of the 2020/21 audit plan, and are pleased to present the following reports to this Audit Committee meeting:

- Annual Fraud Report
- Budget Management

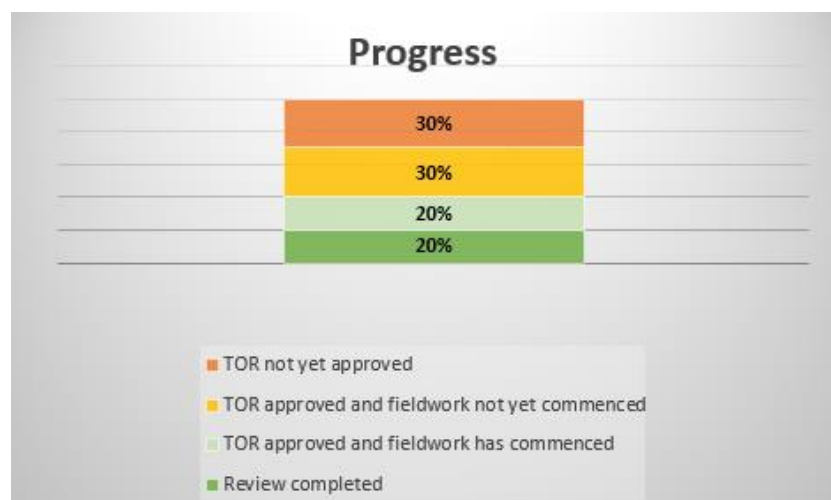
We are also completing the fieldwork on the following audits:

- Events, Social Media and Communications
- Main Financial Systems

We anticipate presenting these reports at the next Audit Committee, subject to no further issues relating to Covid-19 preventing progress.

Summary

There are ten audits in this year's Internal Audit Plan. Below provides a summary update on progress against that plan and summarises the results of our work to date.



REPORTS CONSIDERED AT THIS GOVERNANCE SCRUTINY GROUP

Audit	Status	Opinion Issued		Actions Agreed		
		Design	Operational Effectiveness	High	Medium	Low
Fraud Report	Final	N/A	N/A	N/A	N/A	N/A
Budget Management	Final	Substantial	Substantial	0	0	2

Impact of findings to date

Budget Management (20/21)

Conclusion:

Substantial	Substantial
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Impact on Annual Opinion: Positive

As a result of testing, two low priority findings were identified. Management actions were agreed in respect of these findings.

LOOKING AHEAD

The table below displays the audits in the Internal Audit Plan, along with the current status.

Please note that whilst this is our planned timetable, this could be subject to change if any issues arise in light of the Covid-19 pandemic, for example a potential second lockdown scenario.

Audit	Planned Start Date	Status	Target Governance Scrutiny Group meeting
1. Events, Social Media and Communications	09/09/20	Complete	24 Nov 20
2. Budget Management and Reporting (high level)	27/07/20	Fieldwork in progress	29 Sept 20
3. Cyber	13/01/21	Terms of Reference Agreed - Fieldwork Not Started	4 Feb 21
4. Retention & Recruitment	TBC	Terms of Reference Not Yet Agreed	TBC
5. Main Financial Systems	14/09/20	Complete	24 Nov 20
6. Licensing	05/10/20	Terms of Reference Agreed - Fieldwork Not Started	24 Nov 20
7. Business Grants	TBC	Terms of Reference Not Yet Agreed	TBC
8. Fraud Risk Assessment	TBC	Terms of Reference Not Yet Agreed	24 Nov 20
9. Pest and Dog Control	11/01/21	Terms of Reference Not Yet Agreed	4 Feb 21
10. Fraud Report	12/07/20	Fieldwork in progress	30 July 20
Follow Up	Ongoing	Complete	24 Nov 20

Key

Complete	Complete (Final Report Issued)
Fieldwork in progress	Fieldwork in progress
Terms of Reference Agreed - Fieldwork Not Started	Terms of Reference Agreed - Fieldwork Not Started
Terms of Reference Not Yet Agreed	Terms of Reference Not Yet Agreed

OTHER MATTERS

Changes to the Internal Audit Plan

Replacements

The following has been agreed with management:

- The Country Parks Income review has been replaced due to events not going ahead due to Covid-19. A 'Fraud Risk Assessment' is now planned instead, following the preliminary work completed as part of the Annual Fraud Report.
- 'Markets' has been replaced by 'Business Grants' in light of the extensive emergency work undertaken around business grants as a result of Covid-19.

Follow Up

Throughout the year we will follow up on both the legacy recommendations made by our predecessor RSM, and on any actions raised within our own internal audit reports. This process has already begun. A follow-up report will be submitted to the Governance Scrutiny Group on the 24 November 2020.

Quality Assurance and Continual Improvement

To ensure that BDO 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 Internal Audit engagement partners, 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. Reports are reviewed by the Senior Manager, Public Sector Internal Audit (Gurpreet Dulay) prior to final review by Greg Rubins as the Partner, Public Sector Internal Audit. This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

Satisfaction Surveys





We are committed to delivering an excellent client experience and your feedback, via satisfaction surveys, will help us enhance the quality of service delivered. We will send a satisfaction survey with every final report issued.

INTERNAL AUDITS COMPLETED TO DATE

Audit	Status	Opinion Issued		Actions Agreed		
		Design	Operational Effectiveness	High	Medium	Low
Fraud Report	Final	N/A	N/A	N/A	N/A	N/A
Budget Management	Final	Substantial	Substantial	0	0	2

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:

Greg Rubins

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Internal Audit**

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Governance Scrutiny Group

Tuesday 29 September 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. The Governance Scrutiny Group, considered the Constitution at the meeting 30 July 2020. The Group considered the suggested areas of review; however, overall no specific revisions were identified.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group agree that the Constitution remain as currently drafted.

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.

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 agree that the Constitution remain as currently drafted.

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:	None

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Governance Scrutiny Group

Tuesday, 29 September 2020

Review of the Risk Management Strategy

Report of the Executive Manager – Finance and Corporate Services

1. Purpose of report

- 1.1. This report presents an updated Risk Management Strategy following a Risk Management Health Check by Zurich Municipal in late 2019.
- 1.2. The strategy is reviewed annually by the Risk Management Group and Governance Scrutiny Group provides scrutiny of the risk registers twice a year.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group:

- a) Considers the content of the Strategy including any recommendations and suggestions about the Strategy.

3. Reasons for Recommendation

- 3.1. To provide guidance on the annual Strategy review and the Council's approach to risk to demonstrate one strand of good governance.

4. Supporting Information

- 4.1. Rushcliffe Borough Council takes risk management seriously and developed a Risk Management Strategy in 2010. This Strategy provides guidance and assurances that are used in order to identify, mitigate and control risks that have potential impact on the strategic and operational business of the Council.
- 4.2. The Council commissioned Zurich Municipal (the Council's insurer) to provide a health check of risk management and to provide recommendations for increasing the effectiveness of the Strategy.
- 4.3. Zurich provided training for key officers on 28 November 2019, to follow up on training provided in 2016. In the future, training will be provided annually to ensure that officers are equipped with the current tools to ensure that risks are managed effectively.

- 4.4. Zurich made recommendations in the risk management health check, these are to:
- articulate the Council' appetite to risk across risk categories
 - consider a formalised approach to opportunity risk management
 - consider training for Governance Scrutiny Group members
 - develop guidance for managing risks with partners and projects.
- 4.5. These recommendations have been addressed as follows:
- an approach to risk appetite has been added to the draft strategy
 - opportunity risk has been added to the risk management framework and included in the strategy
 - training has been delivered by Zurich to councillors on 2 September 2020
 - partnership risk is considered separately within contract negotiations with partners, and guidance for officers has been developed for managing project risks.
- 4.6. A revised Risk Management Strategy, taking into account the recommendations of the review, is at **Appendix One**.

5. Risks and Uncertainties

Maintaining a responsive risk register is essential to the Council's ability to manage potential risks focusing attention on controls and mitigating actions.

6. Implications

6.1. Financial Implications

There are no financial implications arising from this report.

6.2. Legal Implications

The Risk Management Strategy confirms the Council's approach to managing risk including legal risks.

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	The report links to all key themes within the Corporate Strategy
Efficient Services	
Sustainable Growth	

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group:

- a) Considers the content of the Strategy including any recommendations and suggestions about the Strategy.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Rushcliffe Borough Council Risk Management Strategy 2019
List of appendices:	Appendix One – Rushcliffe Borough Council Risk Management Strategy 2020 – 2023 Draft

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RUSHCLIFFE BOROUGH COUNCIL RISK MANAGEMENT STRATEGY 2020 - 2023

Version 5: September 2020

Next Review due April 2023

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1. INTRODUCTION

1.1. Overview

This strategy outlines Rushcliffe Borough Council's approach to risk management. It has been developed to ensure that areas of risk are identified and appropriate remedial action is considered.

Failure to pay attention to the likelihood and impact of risks can have significant consequences. These can include endangering public health, reputational damage, financial costs, compensation claims and disruption to critical services. The effective management of risk is therefore a critical part of Rushcliffe Borough Council's approach to delivering services and maintaining high levels of performance.

The Council has embedded risk management into its cultures, processes and structures to ensure that opportunities are maximised and risk minimised. This Strategy will enable the Council to develop risk management further through its effective use in management and decision making processes.

The Council recognises that there are risks involved in everything it does and that it has a duty to manage these risks efficiently and effectively. This duty is to staff, residents, service users, partners, contractors and funding agencies.

1.2. Funding

The risk and insurance reserve provides senior managers with the encouragement to increase levels of risk awareness within their areas of responsibility by formally identifying risks and proposals for action.

The reserve provides the opportunity to apply for financial support and creates an incentive for loss control, without adversely affecting service area budgets. This investment in risk management measures should lead to a reduction of insured and uninsured losses and eventually to lower costs, including premiums.

Other reserves exist such as Planning Appeals and Investment Properties to help mitigate against other specific risks. A Climate Change Reserve has been created to help the Council address environmental risks.

The S151 officer will ensure that appropriate insurance cover is in place for all identified risks. Managers, where necessary, will utilise budgets to help mitigate risk.

1.3. Sources of assurance

Sources of assurance are sought to provide evidence that the management of risk is carried out effectively. These exist at different levels to ensure that risks are identified and controlled appropriately. An assurance framework is included in appendix A.

Risks are discussed at strategic and operational levels and recorded by service areas via Pentana (the corporate risk management system). Corporate risks are considered on a quarterly basis by the Risk Management Group (RMG) formed as part of the Executive Management Group. The risk management strategy and corporate risk register are also reviewed annually by the RMG.

Operational risks are reviewed every 2 months alongside financial information as part of individual service performance clinics at Executive Management Team (EMT) meetings. They are also reviewed during the development of annual service plans.

Updates are provided to Elected Members via meetings of the Governance Scrutiny Group (GSG).

1.4. Statement of Commitment

The Leader and Cabinet are committed to:

- Adopting best practice in the identification, evaluation and cost-effective control of risks.
- Ensuring wherever possible that risks are either, reduced to a level within the Council's risk tolerance or eliminated.
- Maximising opportunities to achieve the Council's corporate objectives and deliver core service provisions.

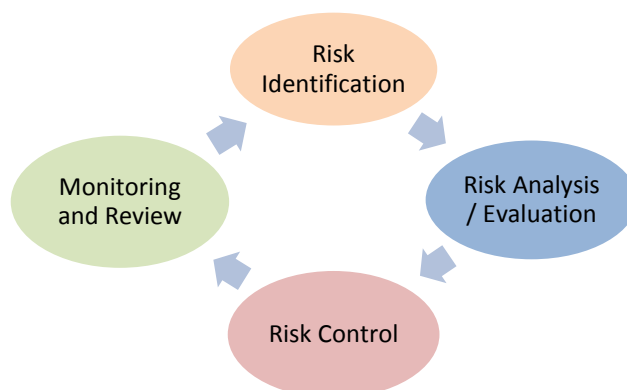
2. RISK MANAGEMENT PROCESS

2.1. Overview

Risk management entails identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them. It is a means of minimising costs and disruption caused by undesirable events.

The aim of this process is to reduce the frequency of incidents and minimise the severity of their effects. Even when the likelihood of an event occurring cannot be controlled, steps can be taken to limit its consequences (for example, by developing effective emergency and business continuity plans).

Risk management involves the following processes (the risk management cycle):



2.2. Identification

A systematic assessment of risk needs to be undertaken when judging all policy and service delivery options available to the authority. By identifying areas of risk before an event occurs, steps can be taken to prevent an incident from arising.

2.3. Analysis

Having identified areas of potential concern, risks need to be systematically and accurately assessed. This process requires managers to evaluate:

- The probability of a particular incident occurring
- The potential consequences should such an incident occur
- The anticipated cost of future incidents.

2.4. Control

A variety of options exist for controlling risk. These include:

- Terminate
- Treat
- Transfer
- Tolerate.

Terminating risk involves the authority opting not to undertake a current or proposed activity because the risk is deemed too significant.

Treating risk involves taking action (such as implementing projects or developing procedures) to reduce the likelihood of an incident occurring and limit the severity of its effects. If the current risk score is higher than the target risk score, actions should be identified to mitigate the risk and reduce its potential likelihood and / or impact to the target level. These actions are recorded within Pentana and monitored by risk managers to ensure that measures taken are effective.

Financial provision to implement risk reduction measures will be made available where appropriate, with funding for initiatives provided from the risk management reserve, specific earmarked reserves, the revenue budget or the capital programme. Where these additional mitigating actions cannot be justified or implemented, the review process will result in the target risk score being raised.

Transferring risk refers to allocating liability for the consequences of an event to another body. Legal liability may be transferred to an alternative provider under contractual arrangements for service delivery. Transferring some or all of the financial risk to external insurance companies may also reduce the costs associated with a damaging event.

There may be occasions when the cost of implementing risk reduction measures will outweigh the anticipated benefits. This is often because the likelihood of a risk occurring is deemed to be very low or its impact negligible. In such instances, a decision may be taken to tolerate the risk and no additional control measures will be undertaken.

2.5. Monitoring and Review

The risk management process does not end once control measures are identified. Regular monitoring and reviews should take place of:

- The implementation of agreed control actions
- The effectiveness of these actions in controlling the risk
- How the likelihood and impact of the risk has changed over time
- Ongoing review of risks in totality along with the Risk Management Strategy.

Corporate and operational risks are reviewed on a regular basis. Risks that are tolerated still need to be reviewed as their likelihood and / or impact may increase over time.

2.6. Risk Appetite

Our 'risk appetite' guides how much risk the Council is willing to seek or accept to achieve its objectives. Taking risks, both operationally and to achieve the priorities set out in our Corporate Strategy 2019-2023, is a necessary part of business. Good risk management ensures the Council makes well informed decisions where the associated risks are understood and managed. By ensuring that risks are properly managed, the Council is more likely to achieve its priorities. Effective risk management also provides a high level of due diligence consistent with the Council's responsibility to manage public money prudently.

As a Council, we recognise effective risk management considers not just threats but also opportunities; namely, what is to be gained by taking a risk. Our approach to risk takes account of both opportunities and threats. By encouraging managed risk taking, and considering all of the available options, we seek a balance between caution and innovation. our risk appetite reflects our current position. We encourage managed risk taking for minor to moderate level risks, and control, more closely, those risks which register at a higher point on our risk matrix where the benefits to our residents or to the organisation are greatest. We accept that our appetite for risk will vary over time depending on our ambitions and corporate priorities as well as the external environment the Council is operating in. This position will be reviewed on a regular basis as part of the Council's Risk Management Strategy.

Risk appetite goes 'hand-in hand' with how much the Council will tolerate risk, what is its risk threshold? Appendix B details the Council's risk tolerance level for both risk threats and opportunities (see para 2.7 below) and what constitutes, low, medium or high risks.

2.7 Opportunity Risk

The Council has an entrepreneurial approach to seizing opportunities and has been able to successfully manage its finances throughout a challenging period of austerity. Successful organisations need a balance between risk taking and caution and this approach has ensured the delivery of major projects with lasting benefit to residents in the borough.

An opportunity risk matrix (Appendix B) has been developed to provide guidance and a scoring mechanism when making decisions about potential opportunities. By using the matrix to establish the greatest potential benefits, the Council is ensuring that its finances

are used in the best possible way.

2.8 Project Risks

The Council has a formalised project management framework that provides the basis for officers managing projects within their team and jointly with other members of staff. The framework provides guidance on what risk assessments are required for projects based on a scale of 1-4 determined by the complexity and project costs. Projects that fall within levels 3 and 4 require a full risk register and with controls in place to mitigate against the risks. These projects also require a greater degree of monitoring to ensure the project remains on track and aligned with the budget.

3. ROLES AND RESPONSIBILITIES

3.1. Overview

The following representatives have responsibilities for risk management. Elected Members:

- To oversee and scrutinise the effective management of risk by officers through the Governance Scrutiny Group.

Chief Executive:

- To ensure the risk management strategy is implemented effectively.

Executive Manager (Finance and Corporate Services):

- To ensure the corporate risk register is reviewed regularly
- To maintain an overview of the risk management strategy and its implementation
- To review the risk management strategy
- To provide updates on risk management to Elected Members at Governance Scrutiny Group (GSG) meetings.

Executive Manager (Neighbourhoods)

- To ensure that an effective strategy is in place for development of business continuity and emergency planning arrangements.

S151 officer:

- To ensure a proper system of internal audit is carried out within the authority
- To ensure reserves are sufficient to manage and mitigate both upside and downside risks (in consultation with EMT and Cabinet)
- To ensure that appropriate insurance cover is in place and that a register of claims is maintained.

Executive Managers:

- To identify risks of loss, damage, injury or performance facing service areas
- To implement appropriate risk control measures (i.e. terminate, treat, transfer, tolerate)
- To seek assurance that risk management arrangements for service areas are implemented effectively and reviewed on a regular basis
- To ensure service areas have arrangements in place for updating the corporate risk management system
- To provide updates on risk management during performance clinics
- To oversee the implementation of agreed recommendations from internal audits
- To promote good risk management practice throughout the authority by co-operation and

liaison with employees and relevant external agencies.

Monitoring Officer

- To report on matters he/she believes are, or are likely to be, illegal or amount to maladministration
- To be responsible for Matters relating to the conduct of Councillors and Officers
- To be responsible for the operation of the Council's Constitution.

Performance Officer:

- To support and assist technical use of the corporate risk management system
- To prepare risk management reports for the Risk Management Group and Corporate Governance Group
- To liaise with Internal Audit providing all information requested
- To arrange risk management training for officers and Councillors.

Emergency Planning Officer:

- To advise the Risk Management Group (RMG) on emergency planning and business continuity arrangements
- To update the corporate emergency plan and corporate business continuity plan
- To ensure that business continuity plans for service areas are reviewed on a regular basis
- To co-ordinate training and exercising for staff, including participating in relevant activities undertaken by the Local Resilience Forum (LRF).

4. TERMS OF REFERENCE: RISK MANAGEMENT GROUP (RMG)

4.1. Overview

The corporate Risk Management Group (RMG) oversees the management of risk across the organisation and has responsibility for ensuring that adequate sources of assurance are in place. The RMG will meet on a quarterly basis and instigate actions, allocate resources and communicate important messages to service areas as necessary.

4.2. Membership

The RMG is made up of the following officers:

- Chief Executive
- Executive Manager (Transformation)
- Executive Manager (Neighbourhoods)
- Executive Manager (Communities)
- Executive Manager (Finance & Corporate Services).
- Chief Information Officer CIO/CIRO
- Monitoring officer

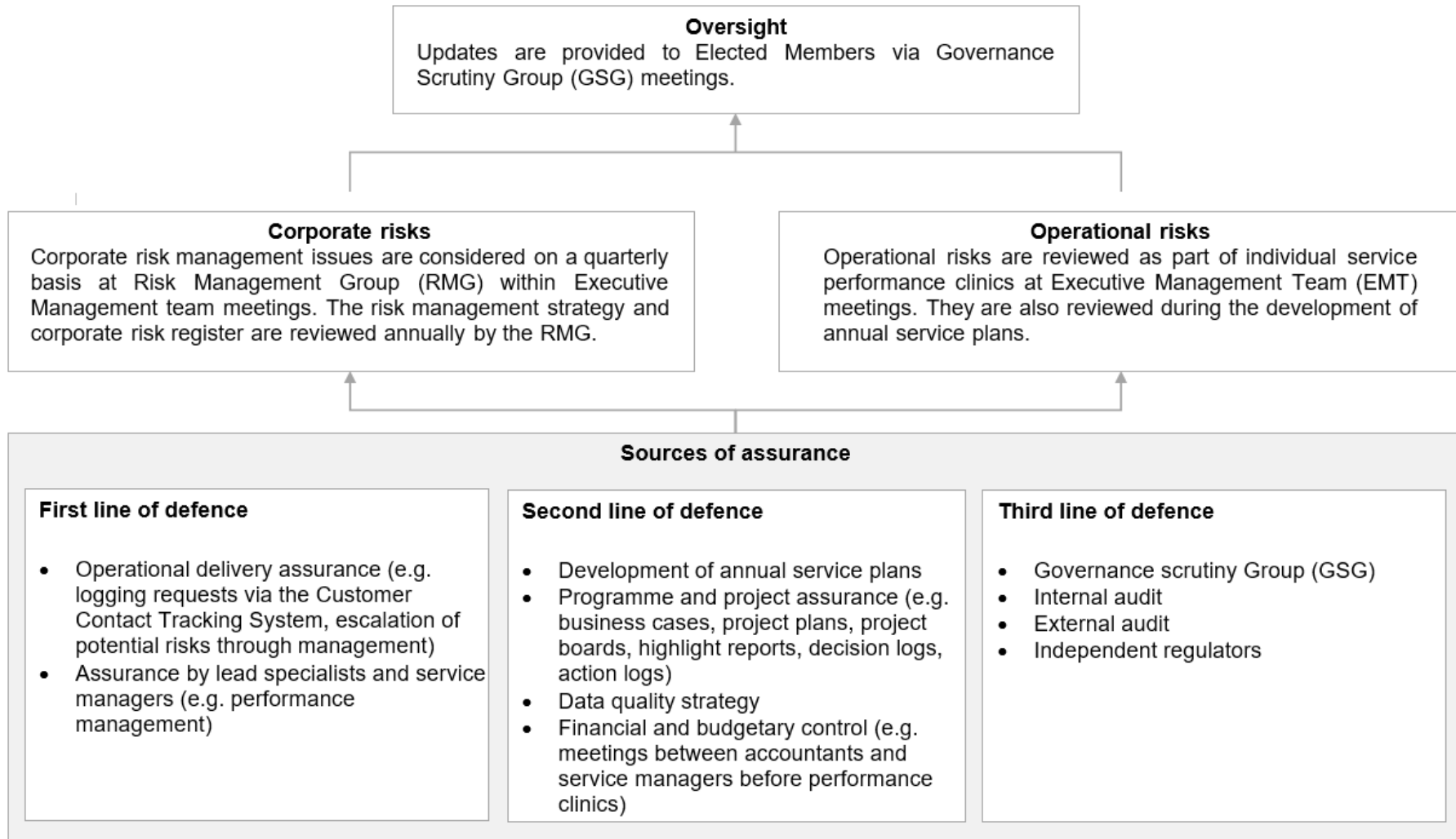
Other representatives (such as the Performance Officer and / or Emergency Planning Officer) will be invited to attend as required.

4.3. Objectives

Objectives of the RMG include:

1. Coordinating risk management throughout the authority
2. Keeping the corporate risk register and risk management strategy under review
3. Identifying strategic and operational practices that present significant risk to the authority
4. Identifying emerging risks by drawing on information from other organisations and external sources of information
5. Making proposals for reducing the likelihood and / or impact of risks
6. Coordinating and prioritising risk control measures
7. Advising on the use of the risk management reserve to support funding necessary for initiatives that will reduce risk (e.g. vandalism, arson, theft, damage to property, personal injury to employees, visitors and persons under the care of the authority)
8. Monitoring the number and type of insurance claims being received by the authority
9. Coordinating the management of information security
10. Evaluating new approaches on risk management and the extent to which they could assist the authority and its services
11. Promoting good risk management practice by liaising with employees and identifying training needs
12. Ensuring effective business continuity arrangements are in place, including those of critical suppliers
13. Ensuring effective emergency planning arrangements are in place
14. Participating in the work of the Local Resilience Forum (LRF) and working closely with other organisations as appropriate.

ASSURANCE FRAMEWORK



RISK TOLERANCE THRESHOLDS

The Council has set its risk tolerance level for risk threats at the threshold between medium and high rated risks. A matching but reverse tolerance level has been set for positive risk but the ambition is to move all opportunity risks to their highest impact and likelihood but as with risk threats, only above tolerance risks will be reported by exception.

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

Key to risk threats: **Green** – Low, **Amber** – Medium, **Red** – High

Table 1 Consequence / Impact

This is a measure of the consequences of the identified risk

Risk - Threats		Risk - Opportunities	
Impact	Thresholds and Description	Impact	Thresholds and Description
1 – Insignificant	Financial Impact = <£10k No adverse impact on reputation No impact on partners	1 – Insignificant	Little or no improvement to service Little or no improvement to welfare of staff / public Little or no financial income / efficiency savings (less than £10k) Little or no improvement to environment or assets Little or no feedback from service users

Risk - Threats		Risk - Opportunities	
Impact	Thresholds and Description	Impact	Thresholds and Description
2 – Minor	Financial Impact = £10k - £50k Negative internal/ within sector impact on reputation Negative partner impact	2- Minor	Minor improvement to service Minor improvement to welfare of staff / public Improvement that produces £10k - £50K of income / efficiency savings Minor improvement to environment or assets Positive user feedback
3 – Moderate	Financial Impact = >£100k Negative Regional/Local impact on reputation Negative impact on key partnerships	3 – Moderate	Moderate improvement to service Moderate improvement to welfare of staff / public Improvement that produces £50k+ - £100k of income / efficiency savings Moderate improvement to environment or assets Positive local media contact
4 – Major	Financial Impact = >£250k Negative National reputation Key partners withdraw	4 – Significant	Significant improvement to service Significant improvement to welfare of staff / public Improvement that produces £100k+ of income / efficiency savings Significant improvement to environment or assets Positive local media coverage

Table 2 Likelihood / Probability of Occurrence

This measures the chance of the risk or opportunity occurring

Risk - Threats		Risk - Opportunities	
Impact	Thresholds and Description	Impact	Thresholds and Description
1 – Rare	Unlikely	1 – Rare	Opportunity has not been fully investigated but considered extremely unlikely to materialise

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

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Governance Scrutiny Group

Tuesday, 29 September 2020

Going Concern Assessment Linked to Covid-19

Report of the Executive Manager – Finance and Corporate Services

1. Purpose of report

- 1.1 This report sets out the assessment by the Council's Section 151 officer of the Council's Going Concern status. The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Given Covid 19 these are exceptional times, it is therefore appropriate to confirm the Council's position with regards to its Going Concern status.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group note the positive outcome of the assessment made of Rushcliffe Borough Council's status as a going concern for the purposes of the statement of accounts 2019/20.

3. Reasons for Recommendation

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

4. Supporting Information

The Assessment of Going Concern

- 4.1. As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2019/20 (hereafter referred to as the Code). The Code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future, and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

4.2 The main factors which underpin the going concern assessment are:

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

These are considered in more detail below.

The council's current financial position

- 4.3 The Council's draft financial statements 2019/20 can be viewed on the Council's website. The financial outturn position for 2019/20 showed efficiency savings of £0.619m against a net revenue service revised budget of £11.609m. As at the 31st March 2020 the Council held a General Fund Balance £2.6m. In addition, the Council held earmarked reserves of £13.5m which are held to meet specific identified pressures, but which ultimately can be diverted to support general expenditure should the need arise.
- 4.4 General reserves reflect the ability of the Council to deal with unforeseen events and unexpected financial pressures in any particular year and are a key indicator of the financial resilience of the organisation. As part of the Medium Term Financial Strategy the Section 151 Officer has assessed that the optimum level of general reserves to be held by the Council to be at or above £1.5m least equal to 5% of the Council's net operating expenditure. At 31 March 2020 general reserves were at £2.6m.
- 4.5 At 31 March 2020 the Council held £20m in the form of either cash or short term investments maturing within the next financial year.
- 4.6 The year-end Capital Programme provision totalled £25.3m. Actual expenditure in relation to this provision totalled £6.1m (24% of spend) giving rise to a variance of £19.2m. Budgets to the value of £19.2m have been carried forward into 2020/21. The Council funds its capital programme from internal borrowing, capital receipts, earmarked reserves, direct financing from revenue, government grants and partnership funding e.g. developer contributions.

The Council's Balance Sheet as at 31 March 2020

- 4.7 The balance sheet shows a net worth of £36.9m and this is significantly reduced by the inclusion of a pension liability of £50.7m. There are statutory arrangements for funding the pension deficit through increasing contributions over the remaining working life of the employees, as assessed by an independent actuary. Therefore, the financial position of the Council remains healthy. Other factors giving rise to this assessment include:
- The adequacy of risk assesses provisions for doubtful debts
 - The range of reserves set aside to help manage expenditure

- An adequate risk assessed working balance to meet unforeseen expenditure

The Council's projected financial position

- 4.8 In February 2020, the Council approved a balanced budget for 2020/21. This allows for net spending of £12.9m and required a council tax increase of 3.59%, a Transformation Programme of £0.192m and the use of £1.1m from reserves to offset the impact of Minimum Revenue Provision in relation to the Arena.
- 4.9 The Council's Medium Term Financial Strategy (MTFS) is updated annually and reflects a five year assessment of the council's spending plans and associated funding. It includes the ongoing implications of approved budgets and service levels and the revenue costs of the council's capital programme, as well as the management of debt and investments. An update on the Council's medium-term financial position covering the five year period 2020/21 to 2024/25 due to the recent events of Covid 19 was reported to both Cabinet and Full Council in September 2020.
- 4.10 The salient points arising from the report are as follows:
- The 2020/21 position shows a budget gap of £2.7m (supporting Leisure and loss of income on car parks, facilities and planning) offset by Government Funding (£1.518m) and in-year savings (£0.624m) resulting in a net budget gap of £0.422m. This position may be further improved by Government grant in relation to lost income.
 - 2021/22 will likely be impacted by Covid legacy issues and as such there is a revised projected position of £1.9m budget gap to be temporarily funded from reserves and the use of the voluntary revenue provision (VRP).
 - Further lockdown measures or a second wave would increase the deficit projected for 2020/21 to £1.7m as a 'worst case scenario'.
 - There is an estimated £24.9m slippage on the Capital programme and a delay in Capital Receipts reducing from an estimated £20m down to £4.6m in the year. The reduction in capital outlay due to the slippage in the programme should avoid the need to externally borrow in 2020/21.
 - Multi-asset investment values had taken a significant hit due to Covid with a reduction in value of £1.238m. As of August 2020, this has recovered by £0.694m.
 - Council Tax and Business Rates collections were down with an expected deficit created at the end of the year that will need to be recovered in later years. This has been factored into the revised MTFS with Business Rates hitting a 'safety net' level (ie the minimum level they should reduce to) and an anticipated Collection Fund deficit for 2 years of £100k per annum.
 - Some Transformation Plan projections have been altered, for example leisure contract efficiencies are at least deferred, given the impact of Covid. Further transformation targets have been added to mitigate the budget gap in 2021/22.

- The situation remains fluid and a number of risks and Covid legacy issues remain which will need to be monitored. For example, uncertainty surrounding Fair Funding and Business Rates reviews make planning for the medium term difficult.
- The use of reserves as fiscal levers could potentially reduce the Organisation Stabilisation Reserve balance from £2m to £0.284m and the intention is this will be replenished during the remainder of the MTFS and beyond.

The Council's governance arrangements

- 4.11 The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Head of Paid Service, the Monitoring Officer and the Section 151 Officer in addition to the current political arrangements.
- 4.12 An overview of this governance framework is provided within the Annual Governance Statement which is included within the Statement of Accounts and was presented to the Governance Group on 30 July 2020 This includes a detailed review of the effectiveness of the Council's governance arrangements.

The external regulatory and control environment

- 4.13 As a local authority the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for councils to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by External Audit as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.
- 4.14 Against this backdrop it is considered unlikely that a local authority would be 'allowed to fail' with the likelihood being, when faced with such a scenario, that central government would intervene supported by organisations such as the Local Government Association to bring about the required improvements or help maintain service delivery.

Conclusions

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

5. Alternative options considered

- 5.1. Not Applicable

6. Risks and Uncertainties

- 6.1. Covid 19 presents significant financial risks to the Council and these are reflected in the report.

7. Implications

7.1. Financial Implications

There are no direct financial implications arising from this report.

7.2. Legal Implications

Section 25 of the Local Government Act 2003 requires the authority's Section 151 Officer to comment on the robustness of budget estimates and the adequacy of reserves. A report was considered as part of budget determination by Full Council in March 2020.

Section 114 (1) of the Local Government Finance Act 1988 places a duty on the Section 151 Officer to report certain matters to the authority. The duty of the Section 151 Officer to report is triggered if they believe that a decision involves (or would involve) unlawful expenditure, has taken or is about to take a course of action which if pursued to its conclusion would be unlawful and is likely to cause a loss or deficiency, or is about to enter an item of account which is unlawful. Likewise, the Section 151 Officer must inform the authority where they believe that the authority's expenditure is likely to exceed available resources. The authority is prevented from entering into any agreements incurring expenditure until the Council has considered the report. As per this report this is not considered a significant risk at this time.

The Council must have regard to this report when making decisions in respect of the budget.

Whilst the 2003 Act does not explicitly require the Section 151 Officer to report on the estimates and proposed reserves, it is prudent to do so.

7.3. Equalities Implications

There are no direct implications

8. Link to Corporate Priorities

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

9. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group note the positive outcome of the assessment made of Rushcliffe Borough Council's status as a going concern for the purposes of the statement of accounts 2019/20.

For more information contact:	Pete Linfield Executive Manager – Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Cabinet and Full Council Covid Budget Reports 8 and 24 September 2020 Draft Statement of Accounts 2019/20 – Council website
List of appendices:	None



Governance Scrutiny Group

Tuesday, 29 September 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

24 November 2020

- Internal Audit Progress Report
- Annual Audit Letter
- Statement of Accounts 2019/20
- 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
- Risk Management
- Work Programme

18 May 2021

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

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Background papers Available for Inspection:	None.
List of appendices (if any):	None.