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Our reference:
Your reference:
Date:

27 January 2021

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, 4 February 2021 at 7.00 pm in the to consider the following items of business.

The meeting will be live streamed on YouTube for the public to listen and view via the link: <https://www.youtube.com/user/RushcliffeBC>. Please note that until the meeting starts the live stream video will not show 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 24 November 2020 (Pages 1 - 6)
4. Annual Audit Letter (Pages 7 - 22)
Report of the Executive Manager – Finance and Corporate Services
5. Internal Audit Progress Report (Pages 23 - 34)
Report of the Executive Manager – Finance and Corporate Services
6. Internal Audit Strategy Report (Pages 35 - 66)
Report of the Executive Manager – Finance and Corporate Services



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Monday, Tuesday and Thursday
8.30am - 5pm
Wednesday
9.30am - 5pm
Friday
8.30am - 4.30pm

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7. Capital and Investment Strategy (Pages 67 - 96)
Report of the Executive Manager – Finance and Corporate Services
8. Risk Management (Pages 97 - 120)
Report of the Executive Manager – Finance and Corporate Services
9. Work Programme (Pages 121 - 122)
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
TUESDAY, 24 NOVEMBER 2020
Held at 7.00 pm in the

PRESENT:

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

ALSO IN ATTENDANCE:

G Dulay
D Hoose

Senior Manager - BDO
Mazars LLP

OFFICERS IN ATTENDANCE:

L Ashmore
P Linfield

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

S Whittaker
T Coop

APOLOGIES:

Councillors K Shaw

47 Declarations of Interest

There were no declarations of interest reported.

48 Minutes of the meeting held on 29 September 2020

The Minutes of the meeting held on 29 September were approved by the Group.

49 Internal Audit Progress Report

Gurpreet Dulay, Senior Manager at BDO, the Council's Auditors provided an update and summary of the Internal Audit Progress Report. The report provides the progress made against the 2020/21 internal audit plan and summarises the work completed, together with the audit assessment and any recommendations raised.

Mr Dulay advised the Group that due to Covid-19, some of the planned audits had not taken place as early as had been planned, but is now making good progress in the delivery of the 2020/21 audit plan.

The following audit reports were presented to the Group:

- **Events, Social Media and Communications**

Impact on annual opinion is positive. As a result of testing, one medium priority finding and five low priority findings were identified. The medium priority finding related to the lack of information regarding objectives and key performance indicators for social media and the monitoring and reporting against these.

- **Main Financial Systems**

Impact on annual opinion is positive. As a result of testing, three low priority findings were identified and management actions were agreed in respect of these findings.

- **Licensing**

The fieldwork on this audit was incomplete and Mr Dulay advised that this would be reported at the next Governance Scrutiny Group.

Mr Dulay informed the Group that a review had been completed to follow up on the progress made to implement the previously agreed management actions raised by RSM, BDO's internal audit predecessor. There were 33 legacy management actions to consider in this review, which comprised of 4 medium and 29 low. Overall 27 of the 33 recommendations have been implemented or superseded, the others are in progress. The opinion of BDO is that Rushcliffe Borough Council has demonstrated good progress in implementing the agreed management actions.

Members asked specific questions in respect of Business Grants relating to Covid-19, and whether there had been any fraudulent applications identified. Mr Dulay advised the Group that a Fraud Risk Assessment Audit is featured in the Audit Plan, a start date is to be confirmed with management. The executive Manager – Finance and Corporate services added that Risk Assessment training had been provided in September for Councillor's and in particular members of Governance Scrutiny.

In looking ahead and taking into account the delays due to Covid-19, Members asked what assurances BDO could provide to ensure the progression and delivery of the Audit Plan. Mr Dulay explained that additional resources are allocated at set dates within the programme.

It was **RESOLVED** that Governance Scrutiny Group noted the final progress report 2020/21 provided in Appendix A of the report.

50 **Statement of Accounts**

David Hoose, from Mazars presented the Council's statutory Statement of Accounts for the Financial Year 2019/20, provided in Appendix A, along with the Management Representation letter in Appendix C, which were attached to the report for the Group to consider. Mr Hoose advised the Group that there are particular issues linked with Covid-19 which may result in the Statement of Accounts being altered after this Governance Scrutiny Group meeting, or a

delay in the final audit report. This is due to delays in the outcome of the pension fund audit, which feeds into all Nottinghamshire authorities accounts with Nottinghamshire County Council being the accountable body.

Mr Hoose continued to outline the status of the audit, which is substantially complete at the time of issuing this report. The Statement of Accounts 2019/20 provided as Appendix B was included as a separate document for the Group to consider. His includes the Council's Annual Governance Statement which in line with best practise has been agreed with the Leader and Chief Executive and was approved by Governance Scrutiny Group on 30 July 2020. Mr Hoose reported minor changes largely updating some of the values linked to the impact of Covid-19.

Mr Hoose explained that the closure of accounts process has been more complex this year, particularly with the impact on resources as a result of Covid-19 and advised that the deadline for the certification of the accounts has been extended.

Mr Hoose advised that there had been an increase to the level of review work undertaken on the defined benefit pensions and at the time of writing the Pension Fund auditor had not yet finalised their conclusion and that the Management Representation Letter and accounts may need to be updated. The Chair, Cllr Purdue-Horan requested the Groups approval that should there be the need to make any amendments or disclosures that this be delegated to the Chair (or Vice Chair of Governance Scrutiny in his absence) and the S151 Officer. The Group were asked to note that there was a risk that the final auditors report would not be approved by 30 November 2020.

In concluding Mr Hoose informed the Group that the Council provided value for money and had proper arrangements in place to ensure it took informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local residents.

Councillor Moore – Cabinet Portfolio Holder for Finance added that finance officers had worked incredibly hard under very exceptional circumstances.

Members raised specific questions relating to an unadjusted misstatement in respect of Covid-19 funding and requested an explanation. The Financial Services Manager explained that this was in relation to the first tranche of Covid-19 funding that although expected on 1 April 2020 was actually received on 31 March 2020. The Council's rationale for not reflecting the income in the 2019/20 accounts is that the impact of Covid-19 has been far more significant in 2020/21.

Members asked a specific question in respect of the audit fees increase due to additional work and involved additional testing. The Executive Manager – Finance and Corporate Services advised that he would be writing separately to the Public Sector Audit Appointments (PSAA) and Mazars the Council's auditors regarding his concerns raised during the audit, particularly over what is considered to be excessive sample testing.

It was **RESOLVED** that:

- a) The findings of Mazars Audit Completion Report (Appendix A) be approved

prior to the approval of the Statement of Accounts

- b) The Group approve the Statement of Accounts for 2019/20 including the Annual Governance Statement (Appendix B) subject to the outcome of the Nottinghamshire County Council Pension Fund audit.
- c) The Group approve the Management Representation letter (Appendix C) subject to the outcome of the Nottinghamshire County Council Pension Fund audit
- d) The Group approve that the Chair of Governance Scrutiny Group and S151 officer have delegated authority for the final approval of the Statement of Accounts for 2019/20 and approve any changes to the Management Representation letter, subject to a satisfactory outcome of the Nottinghamshire County Council Pension Fund audit, (notifying members of the Governance Scrutiny Group of any significant issues if required).

51 Treasury and Asset Investments - 6 Month Update

The Financial Services Manager provided a summary of the Council's capital and investment activities for the period 1 April to 30 September 2020. The Financial Services Manager advised the Group that Covid-19 has caused huge economic decline in the UK and across the world. The Bank of England's base is currently set at 0.1%. Economic growth fell by a record 20% in April 2020, the UK's unemployment rate stood at 3.9% in the second quarter of 2020 and warnings from the Bank of England predict this could rise to 7.5% by the end of the year.

In respect of Investment Income and in order to maintain returns and mitigate risks, the Financial Services Manager advised that the Council has continued to diversify its investment mix, by placing deposits in short term liquid investments, for example; Money Market funds, Call Accounts, CCLA Property Fund, UK Local Authorities and other Diversified Funds. This was demonstrated in a table, which listed the Council's investments as at 30 September 2020, totalling £40.173 million.

The Financial Service Manager continued, explaining that the Council is currently reviewing the Money Market Fund (MMF) with a view to maximising returns on the call accounts, and is proactively looking to maximise its rate of return. In addition, the Financial Services Manager informed the Group that the Council's diversified funds that had fallen by £1.238m at 31 March 2020, had recovered by £500k by 30 September 2020 and reiterated that these investments are held long term and it is anticipated that these values will recover over time.

In respect of Capital Expenditure and in light of the impact of Covid-19 the programme was reviewed, and re-phasing of £18.465million has been requested together with the removal of £3.828million, the unallocated balance of Asset Investment Strategy provision, this will be referred to Council on 3 December 2020. These adjustments will give a revised Capital Programme of £16.078million for 2020/21, resulting in an estimated underspend of £1.556million.

The Executive Manager – Transformation advised the Group that the Council had identified specific sums for its Asset Investment Strategy within the Capital Programme. Of the £8.382million balance at the start of the year, £4.554m was committed to two acquisitions of Business Units at Unit 1 Edwalton Business Park completed on 9 July and Unit 3 Edwalton Business Park, completed on 13 October. Details of the investment appraisals were provided for the Group to consider. The Executive Manager – Finance and Corporate Services commented, this report demonstrated both good governance and transparency with regards to its commercial decision making.

Councillor Moore – Cabinet Portfolio Holder for Finance added that the new acquisitions were an excellent purchase in an established location within the Borough, indications support strong demand for offices in this locality.

The Executive Manager – Finance and Corporate Services and the Chair, Councillor Purdue-Horan reminded Councillors about the Treasury Management Training Session on 9 December 2020.

It was **RESOLVED** that the Group notes the Capital and Investment Strategy update position at 30 September 2020.

52 **Work Programme**

The Group considered its Work Programme.

The Executive Manager – Finance and Corporate Services advised the Group that the Redmond Review would be carried forward to the meeting scheduled on 18 May 2021.

4 February 2021

- Internal Audit Progress Report
- Internal Audit Strategy
- Annual Audit Letter
- 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
- Redmond Review Update
- Work Programme

The meeting closed at 7.50 pm.

CHAIRMAN

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Governance Scrutiny Group

Thursday, 4 February 2021

Annual Audit Letter

Report of the Executive Manager – Finance and Corporate Services

1. Purpose of report

- 1.1. The attached letter from Mazars summarises progress on the audit process for the 2019/20 financial year. It reiterates the key conclusions of the Auditors' Report on the 2019/20 Accounts and the Report to those Charged with Governance, both of which were considered by the Governance Scrutiny Group on 24 November 2020.
- 1.2. No actions are required in relation to the report although some non-material misstatements in relation to pensions and property, plant and equipment were identified. The report is positive, no major concerns have been raised.

2. Recommendation

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

3. Reasons for Recommendation

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

4. Supporting Information

- 4.1. The Annual Audit Letter for 2019/20 is attached at Appendix A.
- 4.2. This year was more challenging than normal due to the implications of Covid-19. As a result of this, the statutory deadline for signing off the Statement of Accounts was extended until 30 November 2021. Unfortunately, this deadline was not met through no fault of the Council but delays in the auditors gaining assurance from the Pension Fund Accounts. Irrespective of this no significant issues have arisen during the 2019/20 financial year with some non-material misstatements in relation to Pensions and Property, Plant and Equipment identified.

5. Risks and Uncertainties

- 5.1. There are no issues arising from this report.

6. Implications

6.1. Financial Implications

The existing budget covers the fee for audit work of £31,792. In addition to this, Mazars propose fee variations of approximately £12k in relation to additional testing and work as a result of Covid-19. These variations are subject to confirmation by Public Sector Audit Appointments (PSAA) and, if approved, will be covered by budget efficiencies identified in the year.

6.2. Legal Implications

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

6.3. Equalities Implications

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

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

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

7. Link to Corporate Priorities

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

8. Recommendations

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

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

Annual Audit Letter

Rushcliffe Borough Council

Year ending 31 March 2020





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- 03** Value for money conclusion
- 04** Other reporting responsibilities
- 05** Our fees
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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Rushcliffe Borough Council (the Council) for the year ended 31 March 2020. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Assessment	Summary
Audit of the financial statements	●	<p>Our auditor's report issued on 17 December 2020 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council's financial position as at 31 March 2020 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
Other information published alongside the audited financial statements	●	<p>Our auditor's report included our opinion that:</p> <ul style="list-style-type: none">• the other information in the Statement of Accounts is consistent with the audited financial statements.
Value for money conclusion	●	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.</p>
Reporting to the group auditor	●	<p>In line with group audit instructions, issued by the NAO on 4th November, we reported to the group auditor in line with the requirements applicable to the Council's Whole of Government Accounts return.</p>
Statutory reporting	●	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p> <p>The report also confirmed that we did not exercise any other special powers of the auditor under sections 28, 29 or 31 of the 2014 Act.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the National Audit Office and International Standards on Auditing. These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, stated that in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Our auditor's report was modified to include an emphasis of matter paragraph. This drew attention to the financial statement disclosure explaining that COVID-19 had contributed to 'material valuation uncertainty' in the valuation of the Council's property, plant and equipment and investment properties and in the Council's share of Nottinghamshire Pension Fund's property investment assets included in the estimated net Pension Liability.



2. AUDIT OF THE FINANCIAL STATEMENTS

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. We set materiality for the financial statements as a whole (financial statement materiality) and set a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Governance Scrutiny Group. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2020:

		Council
Financial statement materiality	Our financial statement materiality is based on 2% of Gross Operating Expenditure on the surplus/deficit on provision of services.	£818k
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£25k
Specific materiality	<p>We have applied a lower level of materiality to the following areas of the accounts:</p> <ul style="list-style-type: none"> • Termination payments • Senior Officer Remuneration • Members Allowances • External Audit Fee 	<p>£24k</p> <p>£5k</p> <p>£45k</p> <p>£5k</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant audit risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Governance Scrutiny Group within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p>Management override of controls Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> Accounting estimates impacting on amounts included in the financial statements. Consideration of identified significant transactions outside the normal course of business. Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>Our audit procedures did not identify any material errors or uncertainties in the financial statements, or other matters that we wish to highlight.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant audit risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p>Valuation of Property, Plant and Equipment and Investment Properties</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Authority’s holding of PPE. Although the Authority uses an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the valuation of PPE to be an area of significant risk.</p> <p>At the outset of the Covid19 outbreak, guidance issued by the Royal Institute of Chartered Surveyors set out an expectation that valuers are likely to conclude that there is “material uncertainty” over the valuation of land and buildings at the balance sheet date.</p>	<p>We performed a range of audit tests, including, but not limited to:</p> <ul style="list-style-type: none"> • Assessing the Council’s valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations. • Considering whether the overall revaluation methodology used by the Council’s valuer is in line with industry practice, the CIPFA Code of Practice and the Council’s accounting policies. • Assessing whether valuation movements are in line with market expectations by reference to alternative sources of valuation data to provide information on regional valuation trends. • Assessing the treatment of the upward and downward revaluations in the Council’s financial statements with regards to the requirements of the CIPFA Code of Practice. • Assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2019/20 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council’s valuer. 	<p>The Council’s valuer declared that the valuation of the Council’s property assets and investment property were subject to ‘material valuation uncertainty’ as a result of COVID-19 and this was disclosed in Note 40 of the financial statements and referred to in the ‘emphasis of matter’ paragraph in our auditor’s report. A ‘material valuation uncertainty’ declaration does not mean that the valuation cannot be relied upon, only that, because of the extraordinary circumstances arising from COVID-19, less certainty can be attached to the valuation.</p> <p>Our work identified 2 assets which had been incorrectly valued resulting in an understatement of asset values of £61k. As this is not material it was not adjusted for but reported as an unadjusted misstatement in our follow up letter dated 15 December 2020.</p>
	<p>We also considered the potential impact of the COVID-19 pandemic on the Council’s asset valuations and the adequacy of the disclosures in the financial statements, specifically those relating to the material uncertainty applied by your valuer to their valuations.</p>	



2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant audit risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p>Valuation of the Net Pension Liability</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions.</p>	<p>We performed a range of audit tests, including, but not limited to:</p> <ul style="list-style-type: none"> • Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. • Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. • Assessing the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham LLP. • Liaising with the auditor of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. 	<p>'Material valuation uncertainty' was disclosed on the Pension Fund's property investment assets as a result of COVID-19. As the Council's share of those assets in the net Pension Liability in its own balance sheet is material, the Council has disclosed this in Note 40 of the financial statements and we have reflected this in the 'emphasis of matter' paragraph in our Audit Report.</p> <p>We also identified a £346k movement in the Council's share of the pension funds assets. As this is below materiality it was not adjusted for but reported as an unadjusted misstatement in our follow up letter dated 15 December 2020.</p>



3. VALUE FOR MONEY CONCLUSION

Value for money conclusion

Unqualified

Our audit approach

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

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate.

When we perform our work, we consider whether there are any areas requiring additional audit attention as a "Significant Audit Risk", which we report to the Governance Scrutiny Group prior to finalising our conclusion. For 2019/20, we did not identify any significant audit risks.

Overall Conclusion

Our auditor's report stated that that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2020.



4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Below testing threshold
Other information published alongside the audited financial statements	Consistent

The Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

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

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

The National Audit Office, as group auditor, requires us to complete a Whole of Government Accounts Assurance Statement in respect of financial consolidation data produced by the Council. We submitted this information to the NAO on 18 December 2020.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.



5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum in March 2020 as £31,792, plus amounts to be confirmed to cover the additional testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes.

Having completed our work for the 2019/20 financial year, we can confirm that our final fees are as follows:

Area of work	2019/20 proposed fee	2019/20 final fee
Delivery of audit work under the NAO Code of Audit Practice	£31,792	£31,792
Fee Variations*:		
• Additional testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes	To be agreed	£7,067
• Additional costs associated with 2019/20, including, but not limited to: <ul style="list-style-type: none">• Impact of 'Material Valuation Uncertainty' on the Council's land and buildings and its share of Pension Fund property assets.• Updating audit risk assessments, including the value for money conclusion.• Additional considerations of estimation uncertainty in going concern.• Changes impacting pension liabilities through the McCloud and Goodwin legal cases.	To be agreed	£5,032
Final audit fee		£43,891

**Fee variations subject to confirmation from PSAA.*

Fees for other work

We have been appointed as auditor for the Council's subsidiary companies (comprising Streetwise Environmental Limited and Streetwise Environmental Trading Limited) for 2019/20. The agreed fee for this audit is £9,000 plus VAT and disbursements. This audit is carried out by an independent audit team.

We are satisfied this appointment does not impact our independence or objectivity to the audit of the Council.



6. FORWARD LOOK: AUDIT CHANGES 2020/21

Changes to the Code of Audit Practice

The Code of Audit Practice (the Audit Code), issued by the Comptroller and Auditor General, prescribes the way we carry out our responsibilities as your auditors. On 1st April 2020 a new Code came in to force and will apply to our work from 2020/21 onwards.

The new Audit Code continues to apply the requirements of International Standards on Auditing (ISAs) to our audit of the financial statements. While there are changes to the ISAs that are effective from 2020/21 the Audit Code has not introduced any changes to the scope of our audit of the financial statements. We will continue to give our opinion on the financial statements in our independent auditor's report.

There are however significant changes to the work on value for money arrangements, and the way we report the outcomes of our work to you.

The auditor's work on value for money arrangements

From 2020/21 we are still required to satisfy ourselves that you have made proper arrangements for securing the economy, efficiency and effectiveness in your use of resources, however unlike under the 2015 Audit Code, we will no longer report in the form of a conclusion on arrangements. Instead, where our work identifies significant weaknesses in arrangements, we are required to report those weaknesses to you, along with the actions that need to be taken to address those weaknesses.

Our work will focus on three criteria specified in the revised Audit Code:

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

Under the new Audit Code, we will be expected to report and make recommendations as soon as we identify a significant weakness in arrangements, as opposed to reporting our conclusion on arrangements at the end of the audit cycle as has previously been the case.

Reporting the results of the auditor's work

We currently issue you with an Annual Audit Letter which provides a summary of our work across all aspects of our audit. From 2020/21 the Annual Audit Letter will be replaced by the Auditor's Annual Report. This will continue to provide a summary of our work over the year of audit but will also include a detailed commentary on your arrangements in place to achieve economy, efficiency and effectiveness. This commentary replaces the conclusion on arrangements that was previously provided and will include details of any significant weakness identified and reported to you, follow up of any previous recommendations made, and our view as to whether recommendations have been implemented satisfactorily.

The new Audit Code will result in additional officer time and auditor time and therefore audit fees.



6. FORWARD LOOK: AUDIT CHANGES 2020/21

Redmond Review

In September 2020, Sir Tony Redmond published the findings of his independent review into the oversight of local audit and the transparency of local authority financial reporting. The report makes several recommendations that, if implemented, could affect both the financial statements that local authorities are required to prepare and the work that we as auditors are required to do.

The report and recommendations are wide-ranging, and includes:

- the creation of the Office of Local Audit and Regulation (OLAR), to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Governance Scrutiny Group; and
- increasing transparency and reducing the complexity of local authority financial statements.

The recommendations and findings will now be considered by the Ministry of Housing, Communities and Local Government and we look forward to working with all stakeholders to implement changes to ensure the development and sustainability of local audit.

The full report is available here: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>



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Governance Scrutiny Group

Thursday, 4 February 2021

Internal Audit Progress Report 2020/21

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 report for 2020/21 (**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 2020/21 was approved by the Governance Scrutiny 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; 50% of the planned reviews have been completed and the full programme of audits is expected to be achieved within the year.
- 4.2. The attached report highlights the completion and issuing of one report: Licensing. In terms of findings:
 - The Licensing audit received a Moderate rating for both Design and Operational Effectiveness – five medium and three low level recommendations were made, and 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 can result in a reduced audit workload and therefore cost.

6.2. Legal Implications

The recommendation supports good risk management.

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 final progress report for 2020/21 (**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 – BDO

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

4 February 2021

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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:

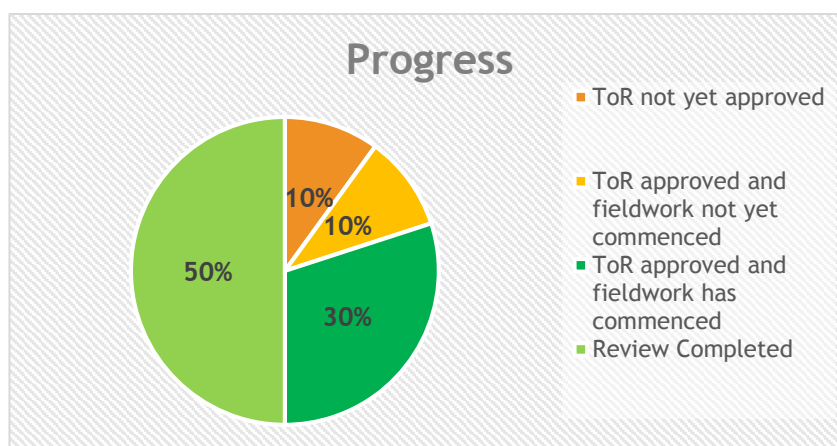
- Licensing

We are currently completing/due to commence the fieldwork on the following audits and anticipate presenting these reports at the next Audit Committee, subject to no further issues relating to Covid-19 preventing progress.

- Cyber
- Anti-Fraud Training
- Pest and Dog Control
- Business Grants

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
Licensing	Final	Moderate	Moderate	0	5	3

Impact of findings to date

Licensing (20/21)

Conclusion:

Moderate	Moderate
----------	----------

Impact on Annual Opinion: Positive

As a result of testing, five medium priority finding and three low priority findings were identified. The medium priority findings relate to:

- Some documentation required in order to issue a license was not evidenced on Uniform for either of the HMO Licenses chosen as part of our sample and one premises license was for the wrong amount. In addition, the checklist function on Uniform is not sufficiently robust to ensure all required documentation is received and retained
- Public registers required by law to be held on the Council's website either did not work or were not complete
- Graphs and dashboards displaying the status of licence applications do not provide the most relevant and up-to-date information
- Business Support Unit Staff undertake the review of documentation and issuing of licences yet are not specifically covered under the Scheme of Delegation
- Reconciliations of income between Uniform and the General Ledger are not being undertaken and guidance for their completion is out of date.

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	Complete	29 Sept 20
3. Cyber	13/01/21	Fieldwork in progress	18 May 21 21
4. Retention & Recruitment	TBC	Terms of Reference Not Yet Agreed	TBC
5. Main Financial Systems	12/10/20	Complete	24 Nov 20
6. Licensing	05/10/20	Complete	4 Feb 21
7. Business Grants	Feb 2021	Terms of Reference Agreed - Fieldwork Not Started	18 May 21
8. Anti-Fraud Training	January 2021	Fieldwork in progress	18 May 21
9. Pest and Dog Control	11/01/21	Fieldwork in progress	18 May 21
10. Fraud Report	12/07/20	Complete	30 July 20
Follow Up	Ongoing	Complete	TBC

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

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.

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
Events, Social Media and Communications	Final	Substantial	Moderate	0	1	5
Main Financial Systems	Final	Substantial	Substantial	0	0	3
Licensing	Final	Moderate	Moderate	0	5	3

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:

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Governance Scrutiny Group

Thursday, 4 February 2021

Year Two – Internal Audit Strategy 2020-2023

Report of the Executive Manager - Finance and Corporate Services

1. Purpose of report

- 1.1. On 6 February 2020, the Council's internal audit team from BDO presented a three-year Internal Audit Strategy. This was subsequently approved by the Governance Scrutiny Group.
- 1.2. This report focuses on the planned audits due to take place in Year Two of the Strategy, during 2021/22. This is included at Appendix A for consideration. A small number of changes have been made to the Year Two plan to respond to evolving situations and amended risks.
- 1.3. A member of the BDO internal audit team will attend the meeting to present the report and answer any questions the Group may have.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group approve the Year Two plans from the Internal Audit Strategy 2020-2023.

3. Reasons for Recommendation

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

4. Supporting Information

- 4.1. The Council's internal auditors, BDO, compiled an Audit Strategy for the 2020 to 2023 period. The strategy was agreed by the Governance Scrutiny Group in February 2020.
- 4.2. Slight amendments have been made to the Year Two plan outlined in the original Audit Strategy to take account of the evolving Covid-19 situation, sector-led advice and amended local risks. The Year Two Audit Plan is included at Appendix A for information.
- 4.3. Ten audits are planned for 2021/22 totalling approximately 150 days and covering a number of the Council's key processes and systems. These include:

- Planning and s106
- Housing Benefit
- Contract Management and Procurement
- Hybrid Mail.

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

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

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

5. Risks and Uncertainties

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

6. Implications

6.1. Financial Implications

The audit fee relating to the costs of the audit work is included within existing budgets.

6.2. Legal Implications

There are no legal implications arising from this report.

6.3. Equalities Implications

None

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

None

7. Link to Corporate Priorities

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

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group approve the Year Two plans from the Internal Audit Strategy 2020-2023.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	None
List of appendices:	Appendix A – Year Two - Internal Audit Strategy 2020-2023

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**INTERNAL AUDIT ANNUAL PLAN 2021 - 22 &
STRATEGIC PLAN 2021 - 24 - DRAFT**

RUSHCLIFFE BOROUGH COUNCIL

IDEAS | PEOPLE | TRUST



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AUDIT RISK ASSESSMENT

Background

Our risk based approach to Internal Audit uses the Council's own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements.

Planned approach to internal audit plan 2021 - 22

The indicative Internal Audit programme for 2021 - 22 is shown from page 7, with an indicative strategic plan for 2021 - 24 shown from page 12. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three year audit cycle. In setting the number of days in the plan we have assumed that the control environment within the Council will improve as we work with you to address the issues you have.

Individual audits

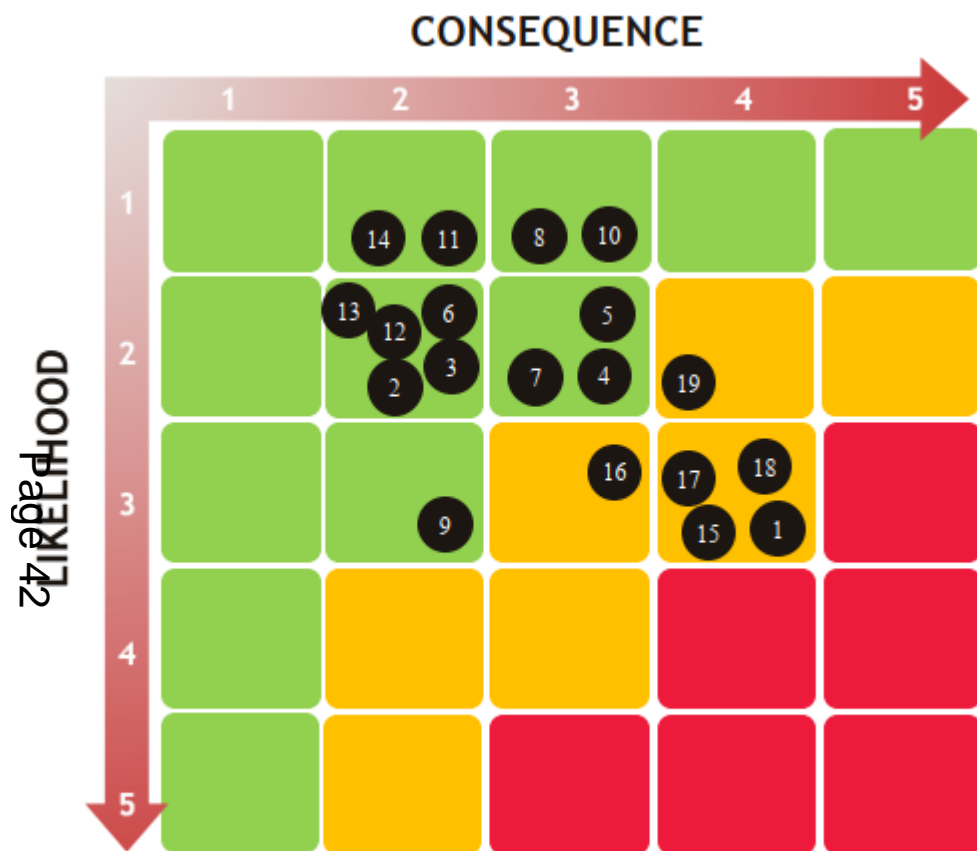
When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required, we will obtain approval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

In determining the timing of our individual audits we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff.

Variations to the Plan

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

MAPPING YOUR CORPORATE RISKS



Ref	Risks from you CRR	Risk Score
1	Revaluation of major business rate payer	12
2	Failure to prevent or detect fraud and corruption	4
3	Failure to properly manage and deliver significant projects	4
4	Failure to comply with General Data Protection Regulation	6
5	Failure of business continuity	6
6	Failure to properly deal with community governance review legislation, Community Right to Challenge, and nominations for assets of community value	4
7	ICT supplier goes out of business	6
8	Failure of internal health and safety compliance or enforcement of health and safety	3
9	Increased demand for services	9
10	Failure to safeguard children and vulnerable adults	3
11	Disruption and lack of fuel preventing collection of domestic waste	2
12	Lack of implementation of financial controls	6
13	Significant malfunction of core services/security risk at Council's temporary accommodation premises	4
14	Cost of defending appeals for large scale residential developments and potential award of costs	2
15	Inadequate Capital Resources	12
16	Risk and Return from Asset Investment Strategy	9
17	Failure to deliver the Transformation Strategy	12
18	Threat of Major Successful Cyber- Attack	12
19	Unforeseen incident of happening at Public Events	8

MAPPING YOUR RISKS TO THE STRATEGIC PLAN

Ref	Risks from your CRR	2021/22	2022/23	2023/24
CRR_FCS05	Revaluation of major business rate payer	- Corporate Governance	- Risk Management	
CRR_FCS03	Failure to prevent or detect fraud or corruption	- Fraud Report	- Fraud Report	- Fraud Report
CRR_FCS20	Failure to properly manage and deliver significant projects	- Hybrid Mail Project Review	- Meritec Project Review	- Project Management
CRR_FCS28	Failure to comply with General Data Protection Regulation	- GDPR		
CRR_NS10	Failure of business continuity	- Business Continuity & Disaster Recovery		
CRR_FCS01	Failure to properly deal with community governance review legislation, Community Right to Challenge, and nominations for assets of community value		- Assets of Community Value	
CRR_FCS23	ICT supplier goes out of business	- Contract Management and Procurement		
CRR_NS08	Failure of internal health and safety compliance or enforcement of health and safety		- Environment - Health and Safety	
CRR-FCS11	Increased demand for services		- Channel Shift - Car Parking	- Car Parking
CRR_CO03	Failure to safeguard children and vulnerable adults		- Safeguarding (Children and Vulnerable Adults)	

OR_NS02	Disruption and lack of fuel preventing collection of domestic waste			<ul style="list-style-type: none"> - Waste and Recycling - Fleet Management and Air pollution - Waste and Recycling
OR_FCS07	Lack of implementation of financial controls	<ul style="list-style-type: none"> - Housing Benefits - Main Financial Systems in. Payroll, Council Tax/NNDR/Treasury Management 	<ul style="list-style-type: none"> - Country Parks Income Review inc. Lark in the Park - Main Financial Systems - Markets 	<ul style="list-style-type: none"> - Main Financial Systems in. Payroll, Council Tax/NNDR/Treasury Management
OR_NS20	Significant malfunction of core services/security risk at Council's temporary accommodation premises	<ul style="list-style-type: none"> - Homelessness and Temporary Accommodation 		
OR_CO04	Cost of defending appeals for large scale residential developments and potential award of costs	<ul style="list-style-type: none"> - Planning and s106 		
CRR_FCS08	Inadequate Capital Resources			
CRR_FCS12	Risk and Return from Asset Investment Strategy			<ul style="list-style-type: none"> - Governance of Partnership Arrangements
CRR_FCS13	Failure to Deliver the Transformation Strategy			<ul style="list-style-type: none"> - Budgetary Control
CRR_FCS27	Threat of Major Successful Cyber- Attack			<ul style="list-style-type: none"> - Cyber Security
CRR_NS09	Unforeseen incident of happening at Public Events			<ul style="list-style-type: none"> - Events Management

INTERNAL AUDIT OPERATIONAL PLAN 2021-22

Area	Days	Timing	Description of the Review	Reason for Inclusion
1. Efficient Services				
Contract Management and Procurement	15	Q1	<p><u>Contract:</u></p> <ul style="list-style-type: none"> Review will look directly at the contract management processes in place for two of the largest contracts the Council has, Streetwise Environmental Ltd, whom they paid c£425k in Q2 of 2019/20; and, Lex/Parkwood Leisure Ltd who they paid c£16.5k in Q2 of 2019/20. For these two contracts we will review the procurement process and how this followed through into the contract management Review contract management meetings and interview key stakeholders Review contracts in place and whether they are approved and complied with Observe contract management meetings and assess if these are effective <p><u>Procurement:</u></p> <ul style="list-style-type: none"> Review procurement exercises vs. protocols for compliance Review the Strategy vs. progress and reporting Review counter fraud controls in process for adequacy Review communication channels with the external procurement advisers, Welland Procurement 	<ul style="list-style-type: none"> Based on discussion with the Council this audit is considered high priority due to the upcoming re-procurement of the Streetwise Contract. It is therefore a key area for audit to ensure procurement processes are adequate prior to the procurement taking place.

Corporate Governance	15	Q2	<ul style="list-style-type: none"> • Review the Governance structure and ensure that this is operating reasonably against CIPFA Good Governance Code • Assess the SIP Plans in place and if these are developed and managed effectively • Review the process to identify performance measures and test the data which feeds into them • Observe the meetings where performance is discussed and assess if this is effective • Interview key personnel involved in the process • Assess whether reporting is frequent, comprehensive and effective to identify performance issues and focus actions to mitigate risks. 	<ul style="list-style-type: none"> • Major risk to all authorities given the importance of good governance and greater challenges and scrutiny placed on governance decisions within the Council and by the public nationally • The above risk will increase as Councils become, as you are, more commercial and face greater financial challenges
Fraud Report	10	Q1	<ul style="list-style-type: none"> • Review of the Strategy in place and challenging how this was formed • Comparison to our understanding of the Council's activities and emerging risks we see across the public sector • Interview key personnel lead specialists to understand how they identify and mitigate fraud risks 	<ul style="list-style-type: none"> • Risk to all Councils and identified as a corporate risk • This includes corporate fraud and benefits fraud • Council take part in NFI • CIFAS reporting in 2019 the rise of local authority fraud and lack of identification across the sector
Business Continuity and Disaster Recovery	13	Q3	<ul style="list-style-type: none"> • Review Council arrangements for the overall Business Continuity and Disaster Recovery Plan. • This includes how this Plan interacts with local service plans and whether there is adequate oversight that these all remain up-to-date, regularly assessed and/or 	<ul style="list-style-type: none"> • Departmental arrangements updated in 2020 • Identified as key corporate risk across 4 different areas which spans Council arrangements and those with partners such as local resilience forum

			<p>tested via desktop scenarios or live testing.</p> <ul style="list-style-type: none"> • A critical focus will be on where arrangements link to supplier system/arrangements and the strength of these. 	
GDPR	15	Q4	<ul style="list-style-type: none"> • We will assess whether your GDPR readiness arrangements are sound vs. the ICO requirements. There will then be a significant focus on how the Council ensure they are compliant which will include sample testing data from different parts of the Council to ensure it is now compliant. • We will also assess the arrangements in place to ensure there is sufficient staff capacity to meet requirements, how reporting is effective and how lessons learned are shared to ensure good/poor practice is promoted/stamped out. 	<ul style="list-style-type: none"> • National risk to all Councils • Timely review to assess the embeddedness of GDPR post previous Internal Audit reports
Hybrid Mail Project Review	12	Q1	<ul style="list-style-type: none"> • We will interview key personnel charged with the responsibility of managing the project • Review minutes and reports issued to senior management about project progress • Assess the KPIs related to the project and whether these are being appropriately monitored 	<ul style="list-style-type: none"> • This is a large project and consequently is a higher financial and reputational risk to the Council • Receipt of mail is key to support effective services
Main Financial Systems inc. Payroll, Council Tax/NNDR and	20	Q2	<p>To include payroll:</p> <ul style="list-style-type: none"> • Assess the adequacy of payroll policies and procedure guides in place - particularly around new starters and leavers 	<ul style="list-style-type: none"> • Main financial system areas are a critical risk • The payroll function is outsourced to Gedling Borough Council so there is a

<p>Treasury Management</p>		<ul style="list-style-type: none"> • Sample test employees to review whether they have been paid correctly based on the input information • Review management reporting of payroll information <p>To include Council Tax/NNDR:</p> <ul style="list-style-type: none"> • Council tax and NNDR policies i.e. council tax reduction scheme in terms of its review and approval • VOA returns back to what is recorded on systems • The process to issue demands and whether discounts or values have been applied correctly • How amendments to demands are actioned and critically how they are followed up • Assess KPI reporting on this area and how action is implemented <p>To include Treasury Management:</p> <ul style="list-style-type: none"> • Treasury arrangements reviewed from Strategy to Member training or controls around how deals are reviewed/approved 	<p>reliance on accurate and timely information</p> <ul style="list-style-type: none"> • Incorrect payments to staff could result in significant reputation damage • This is a staple review that is incorporated in all local authority audit plans across the country. This is because it is a recognised risk area as it contains critical controls which underpin the integrity of a Council • National trends inform us that there is a variety of practices with how funds are recovered particularly in council tax
<p>TOTAL</p>	<p>100</p>		

Area	Days	Timing	Description of the Review	Reason for Inclusion
2. Quality of Life				
Homelessness and Temporary Accommodation	12	Q4	<ul style="list-style-type: none"> Review of Homelessness Strategy 2015-2020 in terms of monitoring, reporting and escalation Select samples of homelessness cases and ensure they are processed in-line with protocols Review the additional Officer time needed to comply with new procedures i.e. Actions on preventions and relief and if capacity/training is robust Review additional DCLG reporting and data validity 	<ul style="list-style-type: none"> Joint Homelessness Strategy across South Nottinghamshire Rise in cases especially single women Homelessness Reduction Bill places new responsibilities on Councils to support individuals National figures for temporary accommodation rising and in Q1 in 2019-20 the figure was 84,740 which is the highest figure for over a decade
Housing Benefits	12	Q3	<ul style="list-style-type: none"> Assessment of benefit cases against evidence retained on systems Work closely with external audit and understanding any risks/concerns they may have raised in their review of your benefit claim Review your processes around staff capacity and capability and structure to reduce processing times Assess reporting information in this area and how local operational and senior strategic teams assess performance and whether information reporting is robust and effective to make improvements 	<ul style="list-style-type: none"> Universal credit has been deferred by Government however still uncertainty over the programme and what this means
TOTAL	24			

Area	Days	Timing	Description of the Review	Reason for Inclusion
3. Sustainable Growth				
Planning and s106	10	Q3	<ul style="list-style-type: none"> • Select a sample of planning applications across minor, major and others to assess whether legislative and system protocols are adhered to • Review the data behind reported information for accuracy and completeness and assess the effectiveness of the oversight/scrutiny of data • Review steps taken to engage with Members and stakeholders in the process 	<ul style="list-style-type: none"> • National risk for all local authorities given the importance of housing and commercial development • Large reputational impact where Councils do not have sound arrangements to meet Planning Inspectorate and internal procedure and Member/public expectations • Often a tension area between management and Members in authorities which can have a wider impact on relationships
TOTAL	10			

TOTAL	134		
Area	Days	Description	
Reporting and Follow up			
Management Time	10	Development of Annual Plan, attendance at Governance Scrutiny Group and QA of audits.	
Follow Up	6	Follow-up and report all Medium and High recommendations quarterly including those of the predecessor.	
TOTAL	16		
GRAND TOTAL	150		

INTERNAL AUDIT STRATEGIC PLAN

2020 - 23

Area	2021- 22	2022 - 23	2023- 24	Description of the Review
Risk Management		12		<ul style="list-style-type: none"> • Use our Risk Maturity Toolkit to advise where the Council sit in terms of risk management on a five-point scale from Naive to Enabled • Assess how the Council system is used and if risks are engaged with well and updated effectively to manage and mitigate risks • Interview key personnel involved in the process
Corporate Governance	15			<ul style="list-style-type: none"> • Review the Governance structure and ensure that this is operating reasonable against CIPFA Good Governance Code • Assess the SIP Plans in place and if these are developed and managed effectively • Review the process to identify performance measures and test the data which feeds into them • Observe the meetings where performance is discussed and assess if this is effective • Interview key personnel involved in the process • Assess whether reporting is frequent, comprehensive and effective to identify performance issues and focus actions to mitigate risks.
Fraud Report	10	10	10	<ul style="list-style-type: none"> • Review of the Strategy in place and challenging how this was formed • Comparison to our understanding of the Council's activities and emerging risks we see across the public sector • Interview key personnel lead specialists to understand how they identify and mitigate fraud risks
Project Management			12	<ul style="list-style-type: none"> • Review Project Management Framework and assess whether this is widely circulated to project managers • Review the Bingham Leisure Centre and Crematorium projects specifically • Review minutes of oversight groups and reporting mechanisms
Business Continuity and Disaster Recovery	13			<ul style="list-style-type: none"> • Review Council arrangements for the overall Business Continuity and Disaster Recovery Plan. • This includes how this Plan interacts with local service plans and whether there is adequate

				<p>oversight that these all remain up-to-date, regularly assessed and/or tested via desktop scenarios or live testing.</p> <ul style="list-style-type: none"> • A critical focus will be on where arrangements link to supplier system/arrangements and the strength of these.
GDPR	15			<ul style="list-style-type: none"> • We will assess whether your GDPR readiness arrangements are sound vs. the ICO requirements. There will then be a significant focus on how the Council ensure they are compliant which will include sample testing data from different parts of the Council to ensure it is now compliant. • We will also assess the arrangements in place to ensure there is sufficient staff capacity to meet requirements, how reporting is effective and how lessons learned are shared to ensure good/poor practice is promoted/stamped out.
Contract Management and Procurement	15			<ul style="list-style-type: none"> • Contract: • Review will look directly at the contract management processes in place for two of the largest contract the Council has, Streetwise Environmental Ltd, whom they paid c£425k in Q2 of 2019/20; and, Lex/Parkwood Leisure Ltd who they paid c£16.5k in Q2 of 2019/20. For these two contracts we will review the procurement process and how this followed through into the contract management • Review contract management meetings and interview key stakeholders • Review contracts in place and whether they are approved and complied with • Observe contract management meetings and assess if these are effective • Procurement: • Review procurement exercises vs. protocols for compliance • Review the Strategy vs. progress and reporting • Review counter fraud controls in process for adequacy • Review communication channels with the external procurement advisers, Welland Procurement
Environment		12		<ul style="list-style-type: none"> • Review of all Council policies and overall strategies to set, approve and achieve environmental aims • This will include interviewing key stakeholders and Members who may champion this area • Compare your arrangements to other local authorities • This will be an assessment of certain areas in a deeper dive way i.e. how you think about staff and supplier impacts on the environment and improve your arrangements to achieve a more

				<p>environmentally friendly outcome in your area</p> <ul style="list-style-type: none"> • Assess your corporate reporting in this area and how this is owned, monitored and actioned • Assess the preparation for the Environment Bill and the strategy in place to ensure compliance with it
Health and Safety		12		<ul style="list-style-type: none"> • Review Health and Safety Policies - how these were produced, what do they cover, were they approved and do staff understand them • Assess training in this area and whether arrangements are effective • Review how incidents are reported and then managed/escalated • Assess how sites are maintained to ensure they are safe. This includes Council offices and Council housing properties • Assess performance indicator information and reporting to management groups who assess this. We will review minutes and interview key stakeholders • Understand and assess how the Council assess contractor risks in this area
Channel Shift		12		<ul style="list-style-type: none"> • This will be a review of documentation related to the channel shift agenda, including strategies, performance frameworks, activity and financial data, reports to Councillors and funding bids for channel shift projects. We will also review the Digital Strategy in terms of Channel Shift and whether progress against projects is captured, monitored and reported correctly. This will encompass the effectiveness of communication between the Customer Services and the IT teams. • A critical challenge with channel shift is assessing effectiveness as identifying savings can be difficult so the review will focus on the source data which feeds into reports and its accuracy and completeness.
Safeguarding (Children and Vulnerable Adults)		12		<ul style="list-style-type: none"> • Review to identify how the Council identifies all roles and activities which may have impact on safeguarding concerns. From here to assess the controls around training and re-training and different levels of training depending on the type needed. • Assess governance arrangements, who attends and how decisions and actions are taken to ensure safeguarding is appropriate. • Review relationship with section 11 forms and reporting to Adult and Children Safeguarding Boards i.e. representatives. • We will also review the impact covid has had on safeguarding and whether there have been controls adopted to identify these such as poverty, support networks in place, unsuitable accommodation and Domestic abuse.

Waste and Recycling			12	<ul style="list-style-type: none"> Review reporting and governance around bin collection as a whole This includes assessing the validity of data collected and reported through to the Finance and Performance Committee Assess how bin rounds, staffing and weather challenges are managed and escalated as necessary Review customer satisfaction arrangements Understand and assess arrangements to pick up complaints and action these and also Member concerns picked up from residents/Surgeries they hold. Review income collection and reconciliation procedures for green wasted collection
Housing Benefits	12			<ul style="list-style-type: none"> Assessment of benefit cases against evidence retained on systems Work closely with external audit and understanding any risks/concerns they may have raised in their review of your benefit claim Review your processes around staff capacity and capability and structure to reduce processing times Assess reporting information in this area and how local operational and senior strategic teams assess performance and whether information reporting is robust and effective to make improvements
Homelessness and Temporary Accommodation	12			<ul style="list-style-type: none"> Review of Homelessness Strategy 2015-2020 in terms of monitoring, reporting and escalation Select samples of homelessness cases and ensure they are processed in-line with protocols Review the additional Officer time needed to comply with new procedures i.e. Actions on preventions and relief and if capacity/training is robust Review additional DCLG reporting and data validity
Planning and s106	10			<ul style="list-style-type: none"> Select a sample of planning applications across minor, major and others to assess whether legislative and system protocols are adhered to Review the data behind reported information for accuracy and completeness and assess the effectiveness of the oversight/scrutiny of data Review steps taken to engage with Members and stakeholders in the process
Assets of Community Value		10		<ul style="list-style-type: none"> We will assess whether if an asset is listed and then comes up for sale, the new right will give communities that want it a total of 6 months to put together a bid to buy it (including a 6-week cut-off for an initial proposal to be put

				<p>forward)</p> <ul style="list-style-type: none"> Whether those who can legally have a right to challenge are engaged with i.e. parish councils, neighbourhood forums and community interest groups Assess whether challenges are received, processed, reviewed and approved appropriately
Markets		12		<ul style="list-style-type: none"> Assess the formal cash collection process in place at the market Liaise and visit the external suppliers to understand their arrangements once the cash is collected, including security of the cash Sample test 15 market cash collection cases
Country Parks Income Review inc. Lark in the Park		10		<ul style="list-style-type: none"> Assess the formal cash collection process in place at the Rushcliffe Country Park Liaise and visit the external suppliers to understand their arrangements once the cash is collected, including security of the cash Sample test 15 Rushcliffe Country Park cash collection cases
Hybrid Mail Project Review	12			<ul style="list-style-type: none"> We will interview key personnel charged with the responsibility of managing the project Review minutes and reports issued to senior management about project progress Assess the KPIs related to the project and whether these are being appropriately monitored
Car Parking			12	<ul style="list-style-type: none"> Review processes to approve and then communicate parking charges Assess how parking is charged and then the collection of this to ensure it is accurate and complete Review parking data to ensure it is valid and correct to inform decision making
Main Financial Systems inc. Payroll, Council Tax/NNDR and Treasury Management	20	20	18	<p>To include payroll:</p> <ul style="list-style-type: none"> Assess the adequacy payroll policies and procedure guides in place - particularly around new starters and leavers Sample test employees to review whether they have been paid correctly based on the input information Review management reporting of payroll information <p>To include Council Tax/NNDR:</p> <ul style="list-style-type: none"> Council tax and NNDR policies i.e. council tax reduction scheme in terms of its review and approval VOA returns back to what is recorded on systems The process to issue demands and whether discounts or values have been applied

				<p>correctly</p> <ul style="list-style-type: none"> • How amendments to demands are actioned and critically how they are followed up • Assess KPI reporting on this area and how action is implemented <p>To include Treasury Management:</p> <ul style="list-style-type: none"> • Treasury arrangements reviewed from Strategy to Member training or controls around how deals are reviewed/approved
Fleet Management & Air Pollution			13	<ul style="list-style-type: none"> • Rushcliffe has 23 frontline refuse collection vehicles ranging from 15 to 32 Gross Vehicle Weight vehicles. • This review will assess the Council's Fleet Management processes in place and ensure there is an adequate fleet management strategy in place to manage fleet adequately. We will review the processes the Council has used to become carbon neutral and support its green infrastructure.
Budgetary Control			13	<ul style="list-style-type: none"> • Review the Council's budget monitoring and setting process. This review would also focus on arrangements to achieve efficiencies in budgets and whether all opportunities are identified and that assumptions are based on reasonable and reliable data
Events Management			12	<ul style="list-style-type: none"> • Assess the systems, procedures and resilience of the events management staff/software to achieve the objectives set out; this includes the governance, strategies and operational controls for events management
Governance of Partnership Arrangements			15	<ul style="list-style-type: none"> • There has been a growth of place-based and themed partnership arrangements. These have largely been designed to implement and administer arrangements within defined areas focussed upon common objectives including: The Joint Planning and Advisory Board (Nottingham City, Nottinghamshire County Council, Broxtowe BC, Gedling BC, Erewash DC and Rushcliffe BC). We will review the key aspects of the partnerships governance arrangements and monitoring/management in place.
Cyber Security			20	<ul style="list-style-type: none"> • This review will verify whether adequate procedures are in place to classify/secure the Council's data security assets. It will also review whether threats to the Council are adequately identified and procedures are in place to prevent vulnerabilities being exploited.
Meritec Project Review		12		<ul style="list-style-type: none"> • We will interview key personnel charged with the responsibility of managing the project • Review minutes and reports issued to senior management about project progress

- Assess the KPIs related to the project and whether these are being appropriately monitored

Total	134	134	137	
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Planning, Reporting and Follow up

Planning/ liaison/ management	10	10	10	Development of Annual Plan, attendance at Governance Scrutiny Group and QA of audits.
Recommendation follow up	6	6	6	Follow-up and report all Medium and High recommendations quarterly including those of the predecessor.
Total	16	16	16	

Grand Total	150	150	153	
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APPENDIX I

Internal Audit Charter - Role and Scope of Internal Audit

Purpose of this charter

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

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

Final approval resides with the Board, in practice the charter shall be reviewed and approved annually by management and by the Governance Scrutiny Group on behalf of Rushcliffe Borough Council [the Council]

Internal audit's mission

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

Standards of internal audit practice

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

Internal audit definition and role

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

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

Internal audit's scope

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

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

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

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

Effective internal audit

Our internal audit function is effective when:

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

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

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

Independence and internal audit's position within Rushcliffe Borough Council

The Internal Audit function within Rushcliffe Borough Council is currently provided by BDO LLP, a limited liability partnership providing, accounting, audit and assurance, tax and financial advisory services. The Head of Internal Audit function is provided by Greg Rubins, a partner in BDO.

To provide for internal audit's independence, its personnel and external partners report to the Head of Financial Services, who reports functionally to the Governance Scrutiny Group and provides day to day oversight of the contract with BDO. The Head of Internal Audit has free and full access to the Chair of the Governance Scrutiny Group.

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

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

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

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual

objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Governance Scrutiny Group.

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

Internal audit's role in fraud, bribery and corruption

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

Access to records and confidentiality

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

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 1998.

Coordination and reliance with other assurance providers

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

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

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

Internal audit's commitments to Rushcliffe Borough Council

Internal audit commits to the following:

- working with management to improve risk management, controls and governance within the organisation
- performing work in accordance with PSIAS
- complying with the ethical requirements of PSIAS
- dealing in a professional manner with the Council staff, recognising their other commitments and pressures
- raising issues as they are identified, so there are no surprises and providing practical recommendations

- liaising with external audit and other regulators to maximise the assurance provided to Rushcliffe Borough Council
- Reporting honestly on performance against targets to the Governance Scrutiny Group.

Internal audit performance measures and indicators

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

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

Quality assurance and improvement programme

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

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

Table One: Performance measures for internal audit

Measure / Indicator
<p>Audit Coverage</p> <p>Annual Audit Plan delivered in line with timetable</p> <p>Actual days are in accordance with Annual Audit Plan</p>
<p>Relationships and customer satisfaction</p> <p>Customer satisfaction reports - overall average score at least 3.5 / 5 for surveys issued at the end of each audit.</p> <p>Annual survey to Governance Scrutiny Group to achieve score of at least 70%</p> <p>External audit can rely on the work undertaken by internal audit (where planned)</p>
<p>Staffing and Training</p> <p>At least 60% input from qualified staff</p>
<p>Audit Reporting</p> <p>Issuance of draft report within 3 weeks of fieldwork `closing` meeting</p> <p>Finalise internal audit report 1 week after management responses to report are received.</p>

Audit Quality

High quality documents produced by the auditor that are clear and concise and contain all the information requested.

Positive result from any external review

Management and staff commitments to Internal Audit

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

- providing unrestricted access to all of Rushcliffe Borough Council's records, property, and personnel relevant to the performance of engagements
- responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- implementing agreed recommendations within the agreed timeframe
- being open to internal audit about risks and issues within the organisation
- not requesting any service from internal audit that would impair its independence or objectivity
- providing honest and constructive feedback on the performance of internal audit

Management and staff performance measures and indicators


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

Table Two: Performance measures for management and staff

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

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Governance Scrutiny Group

Thursday, 4 February 2021

Capital and Investment Strategy 2021/22 to 2025/26

Report of the Executive Manager – Finance and Corporate Services

1. Purpose of report

- 1.1. The purpose of this report is to provide the Group with details of the Capital and Investment Strategy for 2021/22 to 2025/26 focusing on both traditional treasury activity and the Council's commercial property investments.
- 1.2. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (updated December 2017) when carrying out capital and treasury management activities, and revised guidance was issued by MHCLG on Local Authority Investments in 2018.
- 1.3. The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with the treasury management strategy.
- 1.4. The Capital and Investment Strategy 2021/22 to 2025/26 reflects Government Guidance, and CIPFA Treasury and Prudential codes.

2. Recommendation

- 2.1. It is RECOMMENDED that the Governance Scrutiny Group scrutinise and recommend for approval by Full Council:
 - a) The Capital Strategy and Capital Prudential Indicators and Limits for 2021/22 to 2025/26 contained within Appendix A (paragraphs 4 to 16)
 - b) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraphs 17 and 18) which sets out the Council's policy on MRP
 - c) The Treasury Management Strategy 2021/22 to 2025/26 and the Treasury Indicators contained within Appendix A (paragraphs 19 to 65)

- d) The Commercial Investments Indicators and Limits for 2021/22 to 2025/26 contained within Appendix A (paragraphs 66 to 80).

3. Reasons for Recommendation

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

4. Supporting Information

Capital Prudential Indicators

- 4.1. Appendix A (paragraphs 4 to 16) details the Capital Strategy and Capital prudential Indicators for 2021/22 to 2025/26.
- 4.2. The Capital Prudential Indicators highlight the following:
- Projected capital expenditure plans and funding;
 - The Council's Borrowing Need (the Capital Financing Requirement CFR);
 - The on-going impact of the capital programme on the investment balance.

Minimum Revenue Provision Policy

- 4.3. Appendix A (paragraphs 17 and 18) contains the Minimum Revenue Provision (MRP) Policy Statement, which details the methodology used to calculate the charge to the revenue account for the cost of borrowing to fund capital expenditure.
- 4.4. The Government Guidance and the Council's MRP Policy includes limits to the period over which the cost of borrowing can be recovered from the revenue account (a maximum of 40 and 50 years respectively for property and land). It also clarifies the position on Voluntary Revenue Provision (VRP) and that in times of financial crisis then there is the option to not apply VRP.

Treasury Management Strategy

- 4.5. Appendix A (paragraph 19) details the Treasury Management Strategy which covers:
- The current economic climate and prospects for interest rates;
 - The Council's debt and investment projections;
 - The limits and prudence of future debt levels;
 - The affordability impact of the capital programme;
 - The Council's borrowing and investment strategies;
 - Specific limits on treasury activities; and
 - Any local treasury issues.

Commercial Investments

- 4.6. The revised definition of investments in the CIPFA Treasury Code includes assets which the organisation holds primarily for financial returns, such as investment property portfolios.
- 4.7. Appendix A (paragraphs 66 to 80) details the appraisal techniques used to assess commercial investments, and provides a risk assessment of the level of commercial investments by identifying:
- The limit on the Council's dependency on commercial income; and
 - How risk is spread across both commercial sectors and the size of investments proportionately in relation to asset value.
- 4.8 Paragraph 31 of the Strategy confirms the latest guidance from MHCLG that a council cannot borrow for the 'purpose of yield only'.

Conclusion

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

5. Risks and Uncertainties

- 5.1. The report identifies the risks relating to interest rates, use of counterparties for investments and the returns from commercial investments, particularly in the light of prevailing uncertainty in the global financial markets (such risks are increasingly stark given the international economic crisis as a result of the pandemic).

6. Implications

6.1. Financial Implications

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

6.2. Legal Implications

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

6.3. Equalities Implications

- 6.3.1. None

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

6.4.1. None

7. Link to Corporate Priorities

Quality of Life	No direct impact
Efficient Services	Responsible income generation and maximising returns
Sustainable Growth	No direct impact
The Environment	Helping to protect the environment by consideration of carbon footprint and fossil-based investments as referred to in paragraph 38 in appendix A

8. Recommendations

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

- a) The Capital Strategy and Capital Prudential Indicators and Limits for 2021/22 to 2025/26 contained within Appendix A (paragraphs 4 to 16)
- b) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraphs 17 and 18) which sets out the Council's policy on MRP
- c) The Treasury Management Strategy 2021/22 to 2025/26 and the Treasury Indicators contained within Appendix A (paragraphs 19 to 65)
- d) The Commercial Investments Indicators and limits for 2021/22 to 2025/26 contained within Appendix A (paragraphs 66 to 80).

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Council Financial Regulations Treasury Management in the Public Services: Code of Practice (CIPFA) The Prudential Code for Capital Finance in Local Authorities (CIPFA)

	Guidance on Local Government Investments (CLG) Statutory Guidance on Minimum Revenue Provision (CLG)
List of appendices:	Appendix A – Capital and Investment Strategy 2021/22 – 2025/26

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CAPITAL AND INVESTMENT STRATEGY 2021/22 – 2025/26

Introduction

1. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out capital and treasury management activities.
2. The Ministry of Housing, Communities and Local Government (MHCLG) issued revised Guidance on Local Authority Investments that requires the Council to approve an investment strategy before the start of each financial year.
3. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the MHCLG Guidance.

The Capital Strategy

4. The Council's capital expenditure plans are summarised below and forms the first of the prudential indicators. Capital expenditure needs to have regard to:
 - Corporate objectives (e.g. strategic planning);
 - Stewardship of assets (e.g. asset management planning);
 - Value for money (e.g. option appraisal);
 - Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
 - Affordability (e.g. implications for council tax); and
 - Practicability (e.g. the achievability of the Corporate Strategy)
5. Each year the Council will produce a Capital Programme to be approved by Full Council in March as part of the Council Tax setting.
6. Each scheme is supported by a detailed appraisal (which may also be a Cabinet Report), as set out in the Council's Financial Regulations. The capital appraisals will address the following:
 - a) A detailed description of the project;
 - b) How the project contributes to the Council's aims and objectives;
 - c) Anticipated outcomes;
 - d) A consideration of alternative solutions;
 - e) An estimate of the capital costs and sources of funding;
 - f) An estimate of the revenue implications, including any savings and/or future income generation potential;
 - g) Any other aspects relevant to the appraisal of the scheme as the S151 Officer may determine.

The appraisal requirement applies to all schemes except where there is regular grant support and if commercial negotiations are due to take place and further

reporting to Cabinet or Full Council is therefore required.

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

Capital Prudential Indicators

a) Capital Expenditure Estimates

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

Table1: Projected Capital Expenditure and Financing

	2020/21 Original £'000	2020/21 Revised £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Capital Expenditure	18,936	16,078	28,158	2,793	2,628	2,913	2,393
Less Financed by:							
Capital Receipts	14,922	7,829	15,199	1,880	1,915	1,850	1,160
Capital Grants/ Contributions	2,428	2,570	6,003	613	613	613	613
Reserves	70	452	500	300	100	450	620
Total Financing	17,420	10,851	21,702	2,793	2,628	2,913	2,393
Underlying need to Borrow	1,516	5,227	6,456	-	-	-	-

9. The key risks to the capital expenditure plans are that the level of grants estimated is subject to change, anticipated capital receipts are not realised or are more than expected in the medium term; and the future of New Homes Bonus (NHB). Government intend to cease the NHB scheme in 2023/24 which impacts on the level of capital grants received.

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

10. The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow for capital expenditure. This underlying need to borrow will increase the CFR (i.e. the use of internal borrowing, which reduces our investment balance). This increase is offset by Minimum Revenue Provision (MRP) and any additional voluntary contributions (VRP) raised through Council Tax, as a result of financing requirements in relation to the Arena development, Cotgrave redevelopment and in later years Bingham Leisure Hub and the Crematorium.

11. The Council also holds usable reserves and working capital which represent the underlying resources available for investment. The Council's current strategy is to use these resources, by way of internal borrowing, to avoid the commitment to external debt.
12. The table below summarises the overall position with regard to borrowing and available investments and shows an increase in CFR reflecting the capital commitment on projects such as the crematorium and Bingham Leisure Hub

Table 2: CFR and Investment Resources

	2019/20 Projected £'000	2020/21 Forecast £'000	2021/22 Forecast £'000	2022/23 Forecast £'000	2023/24 Forecast £'000	2024/25 Forecast £'000	2025/26 Forecast £'000
Opening CFR	8,300	7,300	11,527	16,909	15,635	14,361	13,361
CFR in year	-	5,227	6,456	-	-	-	-
Less: MRP etc	(1,000)	(1,000)	(1,074)	(1,274)	(1,274)	(1,000)	(1,250)
Closing CFR	7,300	11,527	16,909	15,635	14,361	13,361	12,111
Less: External Borrowing	-		(4,957)	(7,348)	(7,216)	(7,082)	(6,945)
Internal Borrowing	7,300	11,527	11,952	8,287	7,145	6,279	5,166
Less:							
Usable Reserves	(19,835)	(22,314)	(18,039)	(18,694)	(18,522)	(18,666)	(17,103)
Working Capital	(18,757)	(15,670)	(14,665)	(15,579)	(15,579)	(15,579)	(15,579)
Available for Investment(-)	(31,292)	(26,457)	(20,752)	(25,986)	(26,956)	(27,966)	(27,516)

13. The Council is currently debt free although there is an underlying assumption in the capital expenditure plans that the Council may need to externally borrow £5 million in 2021-22 and a further £2.5 million in 2022-23. Available resources (usable reserves and working capital) remain steady over the medium term, with usable reserves being used to finance both capital and revenue expenditure over time.
14. The total amount borrowed will not exceed the authorised borrowing limit of £25m. The Authority is not required to link particular loans with particular items of expenditure.
15. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's gross external debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that the Authority expects to comply with this recommendation.
16. The new accounting standard IFRS16 has been delayed a further year and comes into force on 1st April 2022. IFRS 16 affects how leases are measured, recognised and presented in the accounts and essentially means that some

leases may have to be classified as capital expenditure. The full impact of this change is still yet to be determined and this is likely to impact on the CFR. As we currently have no external borrowing this is unlikely to affect the Authorised Limit.

Minimum Revenue Provision Policy

17. Revised MHCLG Regulations have been issued which require the Governance Scrutiny Group to consider a Minimum Revenue Provision (MRP) Statement in advance of each year. Further commentary regarding financing of the debt is provided in paragraphs 30-34. A variety of options are provided to Councils, so long as there is prudent provision. The Council has chosen the Asset Life Method (Option 3 within the Guidance) with the following recommended MRP Statement:

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

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

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

18. As well as the need to pay off an element of the accumulated General Fund borrowing requirement used to fund capital expenditure each year (the capital financing requirement - CFR) through a revenue charge (the MRP) it is also allowed to make additional voluntary contributions (voluntary revenue provision – VRP). In times of financial crisis the Council has the flexibility to reduce voluntary contributions.

Treasury Management Strategy 2021/22 to 2025/26

19. 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 which are covered at paragraph 66 below.

20. The CIPFA Code of Practice for Treasury Management in the Public Services (the “CIPFA Treasury Management Code”) and the CIPFA Prudential Code require local authorities to produce a Treasury Management Strategy Statement on an annual basis.
21. This Strategy Statement includes those indicators that relate to the treasury management functions and help ensure that the Council’s capital investment plans are affordable, prudent and sustainable, while giving priority to the security and liquidity of those investments.

The Current Economic Climate and Prospects for Interest Rates.

22. The UK faces a long road to economic recovery in the wake of the COVID-19 pandemic. The furlough scheme was set to end October but has now been extended to the end of March 2021 due to the fear that its withdrawal will lead to many job losses. Consumers will also probably remain cautious in spending and this will dampen growth. While the UK has been gripped by the long running saga of whether or not a deal would be made by 31.12.20, the final agreement on 24.12.20, followed by ratification by Parliament and all 27 EU countries in the following week, has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. Economic recovery is expected to be only gradual and, therefore, prolonged. The trajectory will be dependent on factors such as the success of the Coronavirus vaccine.
23. The November lockdown in England is expected to see economic growth fall again in Q4. As a result, output in 2020 as a whole will contract by 11.3%. A partial recovery in 2021 could see growth of 5.5% next year but it is not anticipated that output will reach pre-Covid levels before Q2 2022.
24. The extension of the furlough scheme in November has potentially forestalled a sharp increase in unemployment in the final quarter of 2020. The rate of

unemployment is now expected to peak at 7.5% around May next year before gradually subsiding, reaching 4.4% by the end of 2024.

25. The current Bank of England base rate is 0.1%. The Bank of England took emergency action in March to cut the Bank Rate to first 0.25% and then to 0.1%. It has remained unchanged, but some forecasters are suggesting that a cut into negative territory could happen. The Bank of England suggest such a move would do more damage than good. Link (the Council's Treasury Advisors) are forecasting no change within the forecast horizon ending on 31 March 2023.
26. Inflation levels are expected to increase to 2% in 2021 and 2.1% in 2022 and 2023.
27. The table below shows the assumed average interest (which reflects a prudent approach) that will be made over the next five years for budget setting purposes.

Table 3: Budgetary Impact of Assumed Interest Rate Going Forward

	2021/22	2022/23	2023/24	2024/25	2025/26
Anticipated Interest Rate (%)	0.10	0.25	0.50	0.50	0.50
Expected interest from investments (£)	373,100	422,500	484,900	488,400	486,700
Other interest (£)	89,000	81,000	72,000	64,000	59,000
Total Interest (£)	462,100	503,500	556,900	552,400	545,700
Sensitivity:	£	£	£	£	£
- 0.25% Interest Rate	(14,500)	(12,500)	(19,500)	(21,300)	(21,300)
+ 0.25% Interest Rate	14,500	12,500	19,500	21,300	21,300

28. In the event that a bank suffers a loss, the Council could be subject to bail-in to assist with the recovery process. The impact of a bail-in depends on the size of the loss incurred by the bank or building society, the amount of equity capital and junior bonds that can be absorbed first and the proportion of insured deposits, covered bonds and other liabilities that are exempt from bail-in.
29. The Council has managed bail-in risk by both reducing the amount that can be invested with each institution to £10 million and by investment diversification between creditworthy counterparties.

Borrowing Strategy 2021/22 to 2025/26

Prudential Indicators for External Debt

30. Table 2 above identifies that the Council may need to externally borrow over the MTFS if it is not possible to internally borrow. This would result in borrowing costs. Anticipated levels of external borrowing are reflected in the figures.

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

- Internal borrowing
- Municipal Bond Agency
- Public Works Loan Board (or the body that will replace the PWLB in the future)
- Local authorities
- UK public and private sector pension funds
- Commercial banks
- Building Societies in the UK
- Money markets
- Leasing
- Capital market bond investors
- Special purpose companies created to enable local authority bond issue

Following the recent consultation PWLB have published new lending terms effective from 26th November and now General Fund Borrowing is in line with HRA at Gilts +80bps (certainty rate). There is also now the need to categorise the capital programme into 5 categories including service, housing, regeneration etc. If any Authority has assets that are being purchased ‘primarily for yield’ anywhere in their capital programme they will not be able to access PWLB funding.

a) Authorised Limit for External Debt

32. The authorised limit is the “affordable borrowing limit” required by section 3 (1) of the Local Government Act 2003 and represents the limit beyond which borrowing is prohibited. It shows the maximum amount the Council could afford to borrow in the short term to maximise treasury management opportunities and either cover temporary cash flow shortfalls or use for longer term capital investment.

Table 4: The Authorised Limit

	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Authorised Limit	25,000	25,000	25,000	25,000	25,000	25,000

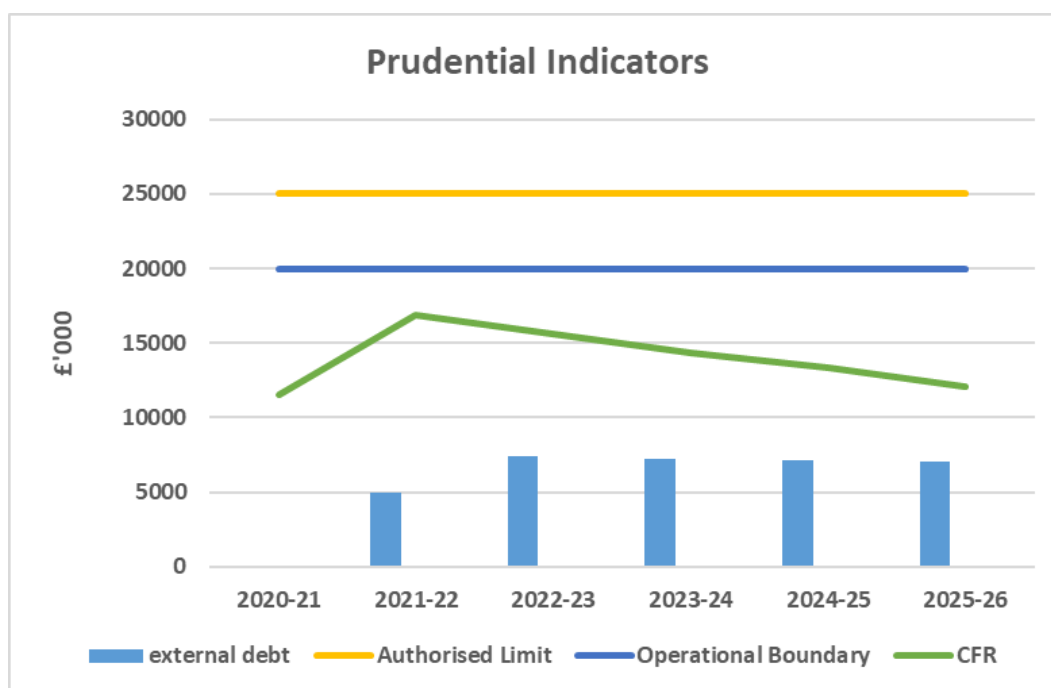
b) Operational Boundary for External Debt

33. The operational boundary is the expected borrowing position of the Council during the course of the year. The operational boundary is not a limit and actual borrowing can be either below or above the boundary subject to the authorised limit not being breached. The Operational Limit has been set at £20m as the Council is expected to borrow over the period of the MTFS.

Table 5: The Operational Boundary

	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Operational Boundary	20,000	20,000	20,000	20,000	20,000	20,000

34. The Prudential indicators for debt discussed are shown graphically below.



Prudential Indicators for Affordability

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

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

36. This indicator identifies the trend in net financing costs (borrowing costs less investment income) against net revenue income. The purpose of the indicator is to show how the proportion of net income used to pay for financing costs (a credit indicates interest earned rather than cost) is changing over time. The trend below reflects the decision to temporarily remove the voluntary element of the amount charged to revenue in 2022/23 and 2023/24, to set aside a provision for repaying external borrowing. Treasury investments will benefit in the interim years despite non-treasury capital commitments in the Crematorium and Bingham Hub.

Table 6: Proportion of Financing Costs to Net Revenue Stream

	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
General Fund	5.88%	5.45%	7.53%	7.54%	4.99%	6.99%

Investment Strategy 2020/21 to 2025/26

36. The movement in investments are due to increases in capital receipts related to Sharphill and S106 receipts as shown below.

Table 7: Investment Projections

	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Investments at 31 March	26,457	20,752	25,986	26,956	27,966	27,516

37. Both the CIPFA Code and the MHCLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitable low investment income. Accordingly, the Council ensures that robust due diligence procedures cover all external investments.
38. The Council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's Corporate Objectives and values. This would include avoiding direct investment in institutions with material links to:
- a) Human rights abuse (e.g. child labour, political oppression);
 - b) Environmentally harmful activities (e.g. pollutants, destruction of habitat, fossil fuels); and
 - c) Socially harmful activities (e.g. tobacco, gambling).
39. The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole of the Council's inflation exposures.
40. The Council will invest its surplus funds with approved counterparties. Where appropriate, the Council is registered as a professional client (under "MIFID II")

with the counterparty limits shown below in Table 8 and counterparties included at Appendix (i):

Table 8: Counterparty Details

Credit Rating	Banks* Unsecured	Banks* Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 20 Years	n/a	n/a
AAA	£3.0m 3 years	£10.0m 10 years	£10.0m 20 years	£3.0m 10 years	£5.0m 10 years
AA+	£3.0m 2 years	£10.0m 10 years	£10.0m 5 years	£3.0m 4 years	£5.0m 4 years
AA	£3.0m 1 year	£10.0m 4 years	£10.0m 3 years	£3.0m 2 years	£5.0m 4 years
AA-	£3.0m 1 year	£10.0m 2 years			£5.0m 4 years
A+	£3.0m 6 months	£10.0m 2 years			£5.0m 2 years
A	£3.0m 6 months	£10.0m 1 year			£5.0m 2 years
A-	£3.0m 3 months	£10.0m 6 months			£5.0m 2 years
Pooled Funds**	£10m per fund				

*Banks includes Banks and Building Societies.

**Pooled funds do not have a defined maturity date. Monies in Money Market Funds can be withdrawn on the same date; monies in other pooled funds can be withdrawn giving the requisite notice, generally between 1 and 7 days. Monies in the CCLA Property Fund can be withdrawn on each monthly redemption date, if required; it is the Council's intention to hold its investment over a reasonable time frame for property investments, which is 5 years, subject to cash flow requirements.

41. Although the above table details the counterparties that the Council could invest funds with, it would not invest funds with counterparties against the advice of Link (our TM Advisors) even if they met the criteria above.
42. Changes to any of the above can be authorised by the Section 151 Officer or the Financial Services Manager and thereafter will be reported to the Governance Scrutiny Group. This is to cover exceptional circumstances so that

instant decisions can be made in an environment which is both fluid and subject to high risk.

43. The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2,000,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.
44. Credit rating information is provided by Link on all active counterparties that comply with the criteria above. A counterparty list will be maintained from this information and any counterparty not meeting the criteria will be removed from the list.
45. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
 - no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
46. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn [on the next working day] will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Credit Risk

47. The CIPFA Treasury Management Code recommends that organisations should clearly specify the minimum acceptable credit quality of its counterparties; however they should not rely on credit ratings alone and should recognise their limitations. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantial doubts about its credit quality, even though it may meet the credit rating criteria.
48. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that

insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

Current investments

49. The Council uses its own processes to monitor cash flow and determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial strategy and cash flow forecast.
50. Surplus funds are invested based on the most up to date forecasts of interest rates and in accordance with the Council's cash flow requirements in order to gain the maximum benefit from the Council's cash position throughout the year. Funds are separated between specified and non-specified investments as detailed below.

Specified investments

51. The MHCLG guidance defines specified investments as those:
 - Denominated in pound sterling,
 - Due to be repaid within 12 months of arrangements,
 - Not defined as capital expenditure by legislation, and
 - Invested with one of:
 - The UK Government
 - A UK local authority, parish council, or community council, or
 - A body or investment scheme of "high credit quality"
52. The Council now defines "high credit quality" organisations as those having a credit rating of A- and above.

Non-specified investments

53. Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and scheme not meeting the definition on high credit quality. Limits on non-specified investments are shown in the following table:

Table 9: Non-specified Investment Limits

	Cash Limit
Total long-term investments	£15m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£5m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£3m
Total non-specified investments	£15m

Investment Limits

54. The Authority's revenue reserves available to cover investment losses in a worst-case scenario are forecast to be £18.7 million on 31st March 2021. The maximum that will be lent to any one organisation (other than the UK Government) will be £10.0 million. This figure is constantly under review to assess risk in the case of a single default. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 10: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£3m per country
Registered providers	£5m in total
Unsecured investments with any building society	£3m in total
Loans across unrated corporates	£5m in total
Money Market Funds	£30m in total

Treasury Management limits on activity

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

a) Interest Rate Exposures

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

Table 11: Interest Rate Exposure

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Upper Limit on fixed interest rate exposure	50%	50%	50%	50%	50%	50%
Upper Limit on variable interest rate exposure	100%	100%	100%	100%	100%	100%

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

Principal Sums Invested over 1 year

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

Table 12: Principal Sums Invested over 1 year

	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Limit on Principal invested over 1 year	13,200	10,400	13,000	13,500	14,000	13,800

Policy on the use of financial derivatives

59. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
60. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
61. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Treasury Management Advisors

62. Link Asset Services will act as the Council's treasury management advisors until 31st October 2022. The company provides a range of services which include:
 - Technical support on treasury matters and capital finance issues
 - Economic and interest rate analysis
 - Generic investment advice on interest rates, timing and investment instruments; and
 - Credit ratings/market information service comprising the three main credit rating agencies.
63. Whilst the treasury management advisors provide support to the internal treasury function, the current market rules and the CIPFA Treasury Management Code confirms that the final decision on treasury management matters rests with the Council. The service provided by the Council's treasury management advisors is subject to regular review.

Member and Officer Training

64. The increased member consideration of treasury management matters and the need to ensure that officers dealing with treasury management are trained and kept up to date requires a suitable training process for members and officers. In general, members training needs are reported through the Member Development Group, however, the Council will also specifically address this important issue by:

- Periodically facilitating workshops for members on finance issues;
- Interim reporting and advising members of Treasury issues via GSG;

With regards to officers:

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

Other Options Considered

65. The MHCLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Executive Manager – Finance and Corporate Services, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

Commercial Investments

66. The definition of investments in CIPFA's definition of treasury management activities above (paragraph 18) covers all financial assets of the organisation as well as other non-financial assets which the organisation holds primarily for financial returns, such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations. All investments require an appropriate investment management and risk management framework, which is outlined below.
67. The Council is committed to becoming self-sustainable as Central Government funding reduces. This previously included ensuring that the Council maximised any income from existing assets and, where there was a business case, investing in assets where there was a commercial return. PWLB will no longer allow Local Authorities to borrow if they invest 'primarily for yield'. The Council has historically held significant capital funding resources but these have been committed to major schemes and, going forward, it may need to undertake external borrowing. Current resources are invested with various financial institutions in line with the Treasury Management Strategy.
68. In recent years, the Council identified specific sums for its Asset Investment Strategy within the Capital Programme which totalled £20m. This included commercial investment in areas such as property and subsidiaries, or loans that supported service outcomes. Of the £8.382m balance at the start of the year, £4.554m was committed to two acquisitions of Business Units in West Bridgford. The purchase of Unit 1 Edwalton Business Park was completed 9 July for £2.083m and Unit 3 Edwalton Business Park was completed 13 October for £2.449m. These were reported to Governance Scrutiny Group in November 2020. The balance £3.828m will be referred to Council for removal from the Programme and will not require funding.
69. The Council will maintain a summary of current material investments, subsidiaries, joint ventures and liabilities, including financial guarantees (ie Streetwise) and the organisation's risk exposure. The current summary is included at Appendix (ii).
70. Individual commercial investment proposals included within the Asset Investment Strategy are subject to specific business appraisals. The governance surrounding such decisions is included in the AIS. As well as considering the Net Present Value, Internal Rate of Return and impact on the General Fund of any commercial investment proposals, the decision to invest also takes into account the following assessment matrix:

ASSESSMENT CRITERIA	Excellent / very good	Good	Satisfactory	Marginal	Uncertain
Tenancy strength	Multiple tenants with strong financial covenant	Single tenant with strong financial covenant	Single or multiple tenants with good financial covenant	Tenants with average financial covenant	Tenants with poor financial covenant strength
Lease length and break (for main tenants/income)	>15 years	11 - 15 years	10 - 8 years (10 year lease)	7 - 5 years (5 year break)	<5 years or vacant (break Dec 2021 &)
Rate of Return - % rent against capital	>8%	7%-8%	5%-7%	3%-5%	<3%
Portfolio mix (asset type is balanced in portfolio - no more than x% of)	<50%	50%-60%	>60%-70%	70%-80%	>80% of portfolio
Property Sector & Risk	Industrial (lower risk)	Office (lower-mid risk)	Warehouse Retail (med risk)	Retail, Leisure (higher risk)	Residential (not part of investment strategy)
Void (after Lease end including marketing, fit out and rent free)	0-9 months	9-12 months	12-18 months	18-24 months	>24 months
Location	Prime	Not prime but in established location	Secondary	Remote from other developments	Isolated, undeveloped area, limited infrastructure links
Tenure	Freehold	Lease >200 years	Lease 100 - 199 years	Lease 75 - 99 years	Lease <75 years
Repairing terms links to Building quality	Full repairing & insuring	Internal repairing 100% recoverable	Internal repairing partially recoverable	Internal repairing non recoverable	Landlord
Building Quality/Age	<10 years	10-20 years	21-30	31-35	>35
Rental Growth	within 1 year	within 2-5 years	within 5-7 years	within 7-10 years	>10 years
Purchase Price	<£2m	Between £2m and £3m	Between £3m and £4m	Between £4m and £7m	>£7m
Proximity to Borough	within Borough	within Nottinghamshire	within East Midlands	within the Midlands	National
Energy Rating (2018 legislation can't let with F/G assessment)	A/B	C	D	E	F/G

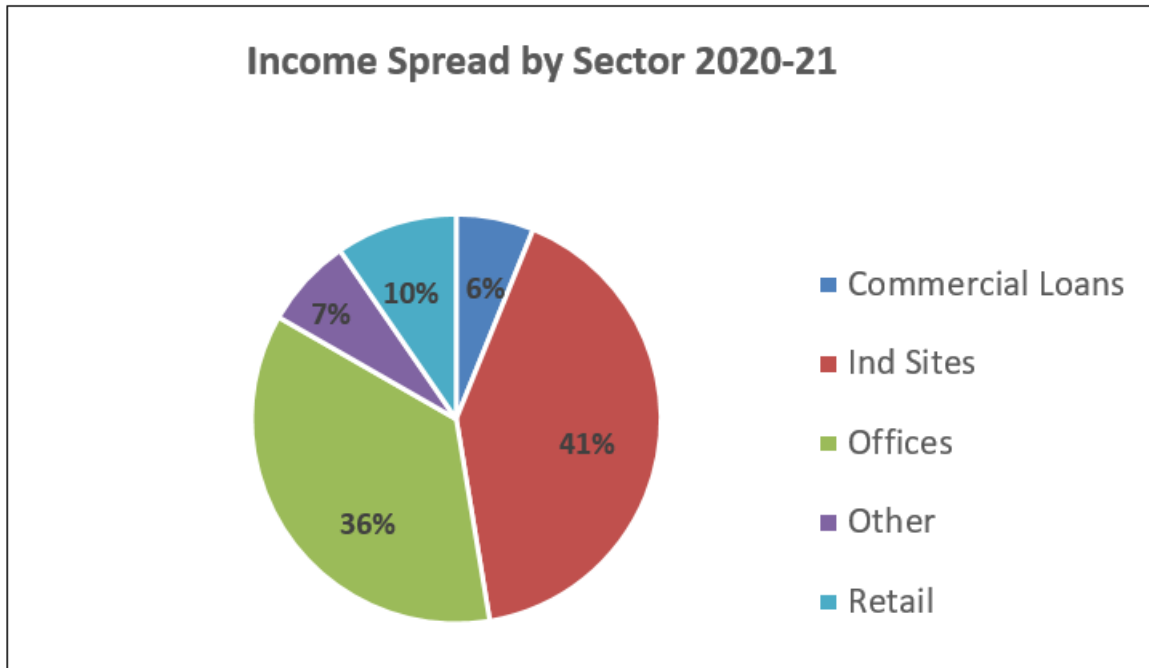
71. To be considered for investment 50% of the criteria above must be excellent, good or satisfactory.
72. The matrix above is supplemented by additional contextual information covering resale opportunities (liquidity), location, risks, benefits and economic conditions.
73. The Government has issued revised guidance on Local Government Investments, effective from April 2018. This guidance introduces additional disclosure requirements some of which are specific to investments of a commercial nature. These disclosures and indicators cover items included in the Council's Asset Investment Strategy, as well as pre-existing commercial investments and are detailed below:
- a. Dependence on commercial income and contribution non-core investments make towards core functions**
74. The expected contributions from commercial investments included in the Asset Investment Strategy are shown in Table 13. In order to manage the risk to the Council's budget, income from commercial investments should not be a significant proportion of the Council's income. Our objective is that this ratio should not exceed 30%, subject to annual review (as demonstrated below).

Table 13: Commercial Investment income and costs

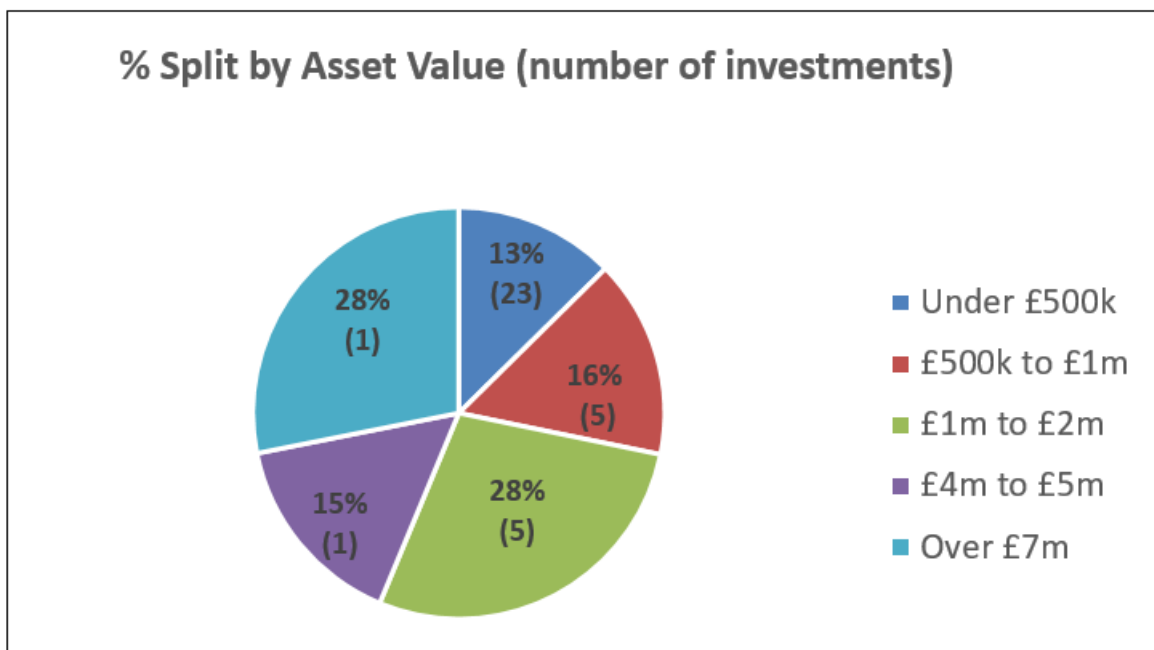
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000	£'000
Commercial Property Income	(1,557)	(1,660)	(2,015)	(2,160)	(2,240)	(2,302)
Running Costs	618	516	517	517	517	517
Net Contribution to core functions	<u>(939)</u>	<u>(1,144)</u>	<u>(1,499)</u>	<u>(1,644)</u>	<u>(1,724)</u>	<u>(1,786)</u>
Interest from Commercial Loans	(83)	(89)	(80)	(72)	(63)	(60)
Total Contribution	<u>(1,022)</u>	<u>(1,233)</u>	<u>(1,579)</u>	<u>(1,716)</u>	<u>(1,787)</u>	<u>(1,846)</u>
Sensitivity:						
+/- 10% Commercial Property Income	156	166	202	216	224	230
Indicator:						
Investment Income as a % of total Council Income	20.0%	22.8%	24.7%	23.9%	24.3%	24.6%
Total Income	8,209	7,669	8,500	9,341	9,485	9,590

b) Risk Exposure Indicators

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



c) Security and Liquidity



76. Commercial investments are held for longer term asset appreciation as well as yield. Investments or sales decisions will normally be planned as part of the consideration of the 5-year capital strategy to maximise the potential return. Nevertheless, the local and national markets are monitored to ensure any gains are maximised or losses minimised.
77. To help ensure asset values are maintained the assets are given quarterly inspections, together with a condition survey every 3 years. Any works required to maintain the value of the property will then form part of Council's spending plans.
78. The liquidity of the assets is also dependent on the condition of the property, the strength of the tenants and the remaining lease lengths. The Council keeps these items under review with a view to maximising the potential liquidity and value of the property wherever possible.
79. The liquidity considerations for commercial investments are intrinsically linked to the level of cash and short-term investments, which help manage and mitigate the Council's liquidity risk.
80. The investments are subject to ongoing review with regards to their financial viability or indeed whether they are surplus to requirement.

Counterparty Registrations under MIFID II

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

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

Appendix (ii)

	Current Book Value £000	Previous Book Value £000
The Point Office Accommodation	4.017	3.200
Hollygate Lane, Cotgrave Industrial Units	2.709	2.435
Bardon Single Industrial Unit	1.800	1.800
Trent Boulevard	1.407	1.400
Colliers Business Park Phase 2	1.315	1.250
Bridgford Hall Aparthotel and Registry Office	1.214	1.220
Finch Close	0.959	0.925
Boundary Court	0.816	0.805
Unit 10 Chapel Lane	0.677	0.670
Colliers Business Park Phase 1	0.721	0.610
New Offices Cotgrave	0.452	0.345
Mobile Home Park	0.476	0.330
Cotgrave Precinct Shops	0.500	0.450
TOTAL INVESTMENT PROPERTY*	17.063	15.440
Notts County Cricket Club Loan	1.775	1.775
TOTAL	18.838	17.215

* Note values are as at 31st March 2019 and 2020

Glossary of Terms

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

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

Financial Derivatives – A financial contract that derives its value from the performance of an underlying asset

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

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

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



Governance Scrutiny Group

Thursday, 4 February 2021

Risk Management Progress Report

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 July 2020 update to the Group on the impact of Covid-19 on risk. It provides a summary of risks in the Council's Risk Registers that have changed over that period including the risks identified as impacted by the Covid-19 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 progress on the new risks identified in response to the global Covid-19 pandemic;
- c) considers and makes recommendations on the information provided for risks that have red alert status.

3. Reasons for Recommendation

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

4. Supporting Information

Risk Management Activity

- 4.1. The Council's Risk Management Group (RMG) met on 12 January 2021 to review risks on the corporate and operational scorecards including Covid-19 risks. Additionally, RMG also reviewed the internal controls and financial implications of risks at red (alert) level, information requested by the Governance Scrutiny Group on 29 September 2020.
- 4.2. There are currently 44 corporate risks and 32 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 containing corporate, operational and Covid-19 related risks. There are ten changes to risks to consider as a result recent reviews. These changes include three increases to risk ratings and seven reductions to risk ratings. These can be summarised as follows:

Risk Increased

CRR_FCS27 Threat of major successful cyber-attack Likelihood increased from 2 to 3 to take account of the increase in Ransomware attacks during the Covid-19 pandemic.

CRR_TR11 Insufficient staff capacity - skills, knowledge etc Likelihood increased from 2 to 3 as a result of possible impact from Covid-19 impact on staffing levels.

OR_TR17 Threat of violence to staff Likelihood increased from 2 to 3 due to threat to Environmental Health enforcement personnel (Covid-related).

Risk Decreased

CRR_FCS08 Inadequate capital resources Likelihood reduced from 4 to 3 as external borrowing would be used to infill a shortage of resources where necessary.

CRR_FCS12 Risk and return from Asset Investment Strategy Likelihood reduced from 4 to 3. The council has no new commercial investments planned, existing investments are diversified, and performance monitored.

CRR_NS14 Failure to manage a local lockdown Impact reduced from 3 to 2

- Previous experience is now in place of managing lockdowns including our Environmental Health team working closely with business to ensure compliance
- The Council have appointed extra resources to manage certain pinch points including parks and play areas which were particularly busy over the summer months
- Council contribute to, and lead on, various countywide and local groups including local cell meetings, external and internal recovery groups
- Previous experience now shows we are able to significantly contribute to managing local lockdowns or changes in current tier arrangements.

CRR_TR17 Inability to draw down Growth Deal 2 funding within specified timescales Impact reduced from 3 to 2 and likelihood from 4 to 3 as potential issues have been resolved.

OR_FCS09 Loss of capital/lower interest earned on investments, due to current economic climate Impact reduced from 4 to 2 as the budget already reflects the expectation of reduced interest rates.

OR_NS33 Increased risk of Anti-Social Behaviour as a result of enforced periods of lockdown, limited 'allowable' social activities and free use of outdoor spaces Likelihood reduced from 4 to 2.

- Previous experience is now in place of managing lockdowns including our Environmental Health team working closely with business to ensure compliance
- The Council have appointed extra resources to manage certain pinch points including parks and play areas which were particularly busy over the summer months
- Council contribute to, and lead on, various countywide and local groups including local cell meetings, external and internal recovery groups
- Previous experience now shows we are able to significantly contribute to managing local lockdowns or changes in current tier arrangements.

OR_TR14 Partners closure of buildings where RBC has contact points, including RCCC Likelihood reduced from 3 to 1 – The Rushcliffe Community Contact Centre in the Police Station closed, and alternative premises secured in Fountains Court.

4.4. Risks removed – CRR_NS17 Impact of Covid19 on the Borough's leisure facilities and their ability to recover following initial lockdown (March to June / July 2020) – risk replaced by CRR_NS17a and b.

4.5. There are two new risks:

- CRR_NS17a Impact on the Borough's leisure facilities if closed due to Covid-19
- CRR_NS17b Impact on the Borough's leisure facilities' failure to recover after Covid closures.

These risks replace CRR_NS17 Impact of Covid19 on the Borough's leisure facilities and their ability to recover following initial lockdown (March to June / July 2020)

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	
The Environment	

8. Recommendations

It is RECOMMENDED that Governance Scrutiny Group:










- a) notes the contents of this report in relation to existing risks;
- b) considers the progress on the new risks identified in response to the global Covid19 pandemic;
- c) considers and makes recommendations on the information provided for risks that have red alert status.










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 – Rushcliffe Borough Council Risk Register



Changes to the Council's Risk Register




The Council's Risk Management Group met on the 12 January 2021 to review the Council's Risk Register. Prior to this meeting all risks were reviewed.

Coronavirus Risks
















Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_CO05 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	9
CRR_FCS09 Fee income volatility		2	4	8
CRR_FCS27 Threat of major successful cyber-attack Likelihood increased from 2 to 3 due to increase in Ransomware attacks during the Coronavirus pandemic.	 to 	4	2 to 3	8 to 12
CRR_FCS30 Ability to respond to government policy on Local Government Reorganisation		2	3	6
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_NS14 Failure to manage a local lockdown	 to 	3 to 4	4 to 2	12 to 8
<ul style="list-style-type: none"> The Council is only a small part of varying bodies who help manage a local lockdown and we already work closely with the police and other agencies Previous experience is now in place of managing lockdowns including our Environmental Health team working closely with business to ensure compliance The Council have appointed extra resources to manage certain pinch points including parks and play areas which were particularly busy over the summer months Council contribute to, and lead on, various countywide and local groups including local cell meetings, external and internal recovery groups 				

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
<ul style="list-style-type: none"> Previous experience now shows we are able to significantly contribute to managing local lockdowns or changes in current tier arrangements 				
CRR_NS15 Ability of high streets to implement the necessary safety measures to reopen following lockdown and operate under Covid-secure measures		2	3	6
CRR_NS16 Ongoing impact of Covid19 on the Borough's leisure facilities whilst operating within the Covid-secure guidelines for the leisure industry		2	3	6
CRR_NS17a Impact on the Borough's leisure facilities if closed due to Covid-19		3	4	12
CRR_NS17b Impact on the Borough's leisure facilities' failure to recover after Covid closures		4	2	8
CRR_NS17 a and b replace CRR_NS17 as the risk for leisure centres diverged.				
OR_NS30 Lack of emergency accommodation for those at risk of homelessness, fleeing domestic violence and in crisis		2	2	4
OR_NS31 Increased number of residents presenting as homeless as a result of income reduction, loss of employment and domestic violence leading to a loss of homes		2	2	4
OR_NS32 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		2	2	4
OR_NS33 Increased risk of Anti-Social Behaviour as a result of enforced periods of lockdown, limited 'allowable' social activities and free use of outdoor spaces	 to 	3	4 to 2	12 to 6
<ul style="list-style-type: none"> Previous experience is now in place of managing lockdowns including our Environmental Health team working closely with business to ensure compliance The Council have appointed extra resources to manage certain pinch points including parks and play areas which were particularly busy over the summer months Council contribute to, and lead on, various countywide and local groups including local cell meetings, external and internal recovery groups Previous experience now shows we are able to significantly contribute to managing local lockdowns or changes in current tier arrangements 				

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OR_TR27 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	9
OR_TR28 Ability of the Borough Council to maintain frontline services in the event of a second wave of Covid19		2	4	8


















Risk Status					
	Alert		Warning		Ok

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		2	2	4
CRR_FCS02 Reduction in Government funding linked to New Homes Bonus		3	3	9
CRR_FCS03 Failure to prevent or detect fraud and corruption		2	2	4
CRR_FCS05 Revaluation of major business rate payer		4	3	12
CRR_FCS06 Lack of funding from partners		2	3	6
CRR_FCS07 Central Government policy changes		3	3	9
CRR_FCS08 Inadequate capital resources		3	4 to 3	12 to 9
External borrowing would be used to infill a shortage of resources where necessary.				
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		3	3 to 2	9 to 6
We have no new commercial investments planned, existing investments are diversified, and performance monitored.				
CRR_FCS13 Failure to deliver the Transformation Strategy		4	3	12
CRR_FCS20 Failure to properly manage and deliver significant projects		2	2	4

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
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	2	6
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		3	2	6
CRR_FCS28 Failure to comply with General Data Protection Regulation		3	2	6
CRR_FCS29 Loss or compromise of confidential or restricted information or data		3	2	6
CRR_NS08 Failure of internal health and safety compliance or enforcement of health and safety		3	1	3
CRR_NS09 Unforeseen incidents happening at public events		4	2	8
CRR_NS10 Failure of business continuity		3	2	6
CRR_NS11 Ineffective emergency planning arrangements		2	2	4
CRR_NS13a Response to flooding impacts on delivery of statutory services		2	3	6
CRR_NS13b 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	to	3	2 to 3	6 to 9
Likelihood increased from 2 to 3 due to possible impact from Covid-19 impact on staffing levels.				
CRR_TR17 Inability to draw down Growth Deal 2 funding within specified timescales	to	3 to 2	4 to 3	12 to 6
Likelihood and impact reduced as potential issues resolved.				

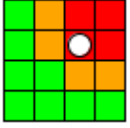
Operational Risks

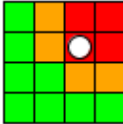
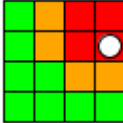
Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OR_CO04 Cost of defending appeals for large scale residential developments and potential award of costs		2	1	2
OR_CO05 Failure to determine major planning applications within 13 weeks or agreed period		3	1	3
OR_CO06 Loss of income as a result 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 The budget already reflects the expectation of reduced interest rates.	 to 	4 to 2	4	16 to 8
OR_FCS10 Reputational risk to the Council following adverse media coverage		2	2	4
OR_FCS11 Unauthorised access to IT systems		4	2	8
OR_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
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

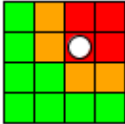
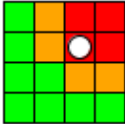
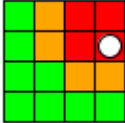
OR_TR05 Failure to manage asbestos in buildings under our control		2	1	2
OR_TR13 Failure to maintain council owned trees		2	2	4
OR_TR14 Partners closure of buildings where RBC has contact points, including RCCC	to	2	1	6 to 2
Likelihood reduced from 3 to 1 – RCCC closed and alternative in use.				
OR_TR17 Threat of violence to staff	to	2	3	4 to 6
Likelihood increased from 2 to 3 due to threat to EH enforcement personnel (Covid-related).				
OR_TR18 Failure to comply with Equality legislation		2	1	2
OR_TR19 Risk to staff health due to their work		3	2	6
OR_TR20 Threat of Industrial Action		2	1	2
OR_TR24 Failure to successfully review the day to day operation of the Rushcliffe Arena		3	2	6
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

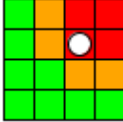
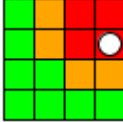
Focus on Risks at Alert Level (red status)

Corporate Risks

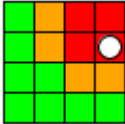
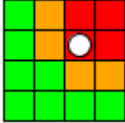
Risk Code & Title	Impact	Likelihood	Current Rating	Matrix
CRR_CO05 Impact of Covid19 on the Council’s budget, and ability to secure external funding for Carbon Management schemes and the availability of staff required to assist with the delivery of this new corporate priority	3	3	9	
<p>Internal Controls (Mitigation)</p> <ul style="list-style-type: none"> Individual reviews of Carbon management action plan project to identify where there is underachievement by the new Team Manager for Environment Monitor Government announcement and briefings for external funding targeted towards Carbon reduction and a part green recovery from Covid-19 Monitoring of programme and taking early corrective action Procure extra resources or collaborate - consultancy to push forward particular projects and/or collaborate with partners as part of the N2 Environmental Strategy working group <p>Financial Impact</p> <ul style="list-style-type: none"> Improving the environment and reducing carbon emissions represents a significant challenge for the Authority which is likely to require both revenue and capital commitment. As part of the Medium-Term Financial Strategy £1m has been transferred from the Organisation Stabilisation Reserve to a new Climate Change Action Reserve. Ongoing costs and savings will be identified as part of the business case for potential carbon reduction measures which will be included in the budget going forward. The revenue savings arising from installing more energy efficient technology will not be realised until a later date but can be used to part-fund the ongoing carbon reduction measures required to meet carbon neutral status. The use of this reserve will result in an opportunity cost by way of loss of interest and this is estimated to be £30,000 at the point the whole £1m is utilised. Any resultant assets created and owned by RBC will attract notional depreciation charged to revenue over the life of the asset. 				

Risk Code & Title	Impact	Likelihood	Current Rating	Matrix
CRR_FCS02 Reduction in Government funding linked to New Homes Bonus	3	3	9	
<p>Internal Controls (Mitigation)</p> <ul style="list-style-type: none"> Budget process Four-year plan Budget monitoring. <p>Financial Impact</p> <ul style="list-style-type: none"> National Homes Bonus (NHB) is due to cease in 2024/25. In 2020/21 the Council has budgeted £2.311m in 2020/21 and £1.152m and £0.653m in 2021/22 and 2022/23 respectively, reducing to zero in 2023/24. NHB is currently primarily used to fund the Minimum Revenue Provision MRP in the revenue budget and once the NHB reserve is exhausted, MRP will become a cost to the revenue budget. 				
CRR_FCS05 Revaluation of major business rate payer	4	3	12	
<p>Internal Controls (Mitigation)</p> <ul style="list-style-type: none"> Keep in contact with liable parties to see if they have any outstanding appeals with the Valuation Office Agency. Liaise with the Valuation Office to confirm if any similar appeals have been considered. <p>Financial Impact</p> <ul style="list-style-type: none"> Business rates is an important source of funds for the Council. We retain 40% of any amount billed to pay for other services. Rushcliffe have several large business properties (for example the power station is £2.94m, 15.7% of the total collectable debit for 2020/21) and any change to the charge due on these properties would have a large effect on the finances of the Council. We do make a provision for known appeals, but we may not be aware of the full outcome of any decisions. 				

Risk Code & Title	Impact	Likelihood	Current Rating	Matrix
CRR_FCS07 Central Government policy changes	3	3	9	
<p>Internal Controls (Mitigation)</p> <ul style="list-style-type: none"> Continue to monitor as part of budgetary process <p>Financial Impact</p> <ul style="list-style-type: none"> Continuous horizon scanning and S151 officer involvement in peer groups ensures that emerging issues are identified and reported. The Council continue to lobby government on key issues and participate in consultations where appropriate. 				
CRR_FCS08 Inadequate capital resources	3	3	9	
<p>Internal Controls (Mitigation)</p> <ul style="list-style-type: none"> Ongoing review as part of setting and monitoring of the capital programme. Capital resources are becoming increasingly finite. Council Investment Strategy considers this, along with potential future borrowing requirements. <p>Financial Impact</p> <ul style="list-style-type: none"> Capital receipts expected in 2020/21 were £20m (Abbey Road, Hollygate Lane and Sharphill) with projections now at £4.4m due to delays in progressing the disposal of Abbey Road and Hollygate Lane due to Covid. Significant delays or reductions to capital receipts will affect the funding of the capital programme and may lead to either internal or external borrowing earlier than planned. Due to slippage in the capital programme it is not anticipated to externally borrow this financial year. 				
CRR_FCS13 Failure to deliver the Transformation Strategy	4	3	12	

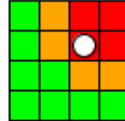
Risk Code & Title	Impact	Likelihood	Current Rating	Matrix
<p>Internal Controls (Mitigation)</p> <ul style="list-style-type: none"> Individual reviews where there is underachievement may be offset by others with higher savings Monitoring of programme and taking early corrective action Procure extra resources – consultancy Find appropriate savings from direct service provision by quality reduction <p>Financial Impact</p> <ul style="list-style-type: none"> Target for 2020/21 set for £0.159m; current performance levels £0.056m due to an under-recovery of overpaid benefits (we are making fewer payments that are later disputed and recalled) and not meeting rental income targets as a result of Covid-19. Performance is unlikely to reach target this year which may put pressure on the budget and reserves in future years. 				
CRR_FCS22 Uncertainty around Government funding and changes to the business rates system with a one-year financial settlement	3	3	9	
<p>Internal Controls (Mitigation)</p> <ul style="list-style-type: none"> Attending budget workshops and seminars and keeping abreast of latest developers. Sensitivity analysis and scenario planning as part of budget modelling. <p>Financial Impact</p> <ul style="list-style-type: none"> Planned reforms such as Business Rates reform and fair funding review have been further delayed due to Covid-19. These are now expected to take place next year although this has yet to be confirmed. The spending review covered 2021/22 only providing certainty over funding for one year. There is a risk that future funding could change significantly emphasising the importance of healthy reserve balances. 				
CRR_FCS27 Threat of major successful cyber-attack	4	3	12	

Risk Code & Title	Impact	Likelihood	Current Rating	Matrix
<p>Internal Controls (Mitigation) ICT have employed various levels of protection that significantly reduce probability to cyber-attack:</p> <ul style="list-style-type: none"> • ICT have implemented EAL+4 rated Checkpoint Firewalls which protect the perimeter of the network from hacking, malware and other forms of Cyber-attack. Checkpoint is a premium market leader solution. Strong separation of external services from the main network via a DMZ (De-Militarised Zone). All Servers and corporate devices have EAL+4 rated firewall installed. • USB and CD/DVD RW Device Control is configured on all devices. • Local disk encryption is configured on all mobile devices i.e. Laptops, tablets and Smartphones devices. • Two factor authentication & encryption is used for all external services. • InTune mobile device management • All Servers and corporate devices have Anti-virus/Malware protection. • Web filtering is enabled on all devices used to surf the Internet. • E-mail filtering is enabled on all devices used to access corporate e-mails. • Windows 10 is deployed to all Council computers to remove Windows 7 from the network. <p>ICT Windows Security Patching and Health Checks</p> <ul style="list-style-type: none"> • Once a year we appoint a security specialist third party to try and exploit our network and hack into the Councils network using known and advance cyber-attack methods. If any vulnerabilities are found, ICT remediate straight away. Once a month ICT deploy all released Microsoft security patches to all workstations and servers. Microsoft Security updates are designed to block any forms of known security vulnerabilities found. • Once a quarter, ICT scan the entire network for known vulnerabilities and remediate against any known exploits straight away. • Once a quarter all of the Councils public facing (internet) services are scanned for known vulnerabilities and remediate against any known exploits straight away. <p>Financial Impact</p> <ul style="list-style-type: none"> • Greater threat from Ransomware attacks during the Coronavirus pandemic, maybe costs associated with a successful attack. 				

Risk Code & Title	Impact	Likelihood	Current Rating	Matrix
CRR_NS17a Impact on the Borough's leisure facilities if closed due to Covid-19	3	4	12	
<p>Internal Controls (Mitigation)</p> <ul style="list-style-type: none"> The Council is working closely with both Lex Leisure and Mitie as recovery begins. However, the different levels of lockdown and different tiers has meant that in some cases certain activities are no longer permitted To support the process, the Council were 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. Support has been offered to various clubs affected by both the closure and the phased re-opening Regular compliance checks continue as at of the on-going contract management process <p>Financial Impact</p> <p>The Council has agreed an 'open book' financial reconciliation process on a monthly basis. At present the Council has been financially supporting Lex due to the unprecedented circumstances to ensure our leisure provider remains able to continue to operate the leisure centres. The Council will also be applying for central government funding due to be released in January 2021 to cover any costs incurred and help with the current shortfall.</p>				
CRR_TR11 Insufficient staff capacity - skills, knowledge etc	3	3	9	
<p>Internal Controls (Mitigation)</p> <ul style="list-style-type: none"> Data is collated to understand absence levels due to sickness or a requirement to self-isolate due to COVID-19 Information and any issues are reported through to dedicated corporate working group Regular reporting to EMT Redeployment or use of agency staff will be considered if required <p>Financial Impact</p>				

Risk Code & Title	Impact	Likelihood	Current Rating	Matrix
<ul style="list-style-type: none">Potential increase in staffing costs if agency staff are required to maintain key services safely; for example, refuse crews				

Operational Risks

Risk Code & Title	Impact	Likelihood	Current Rating	Matrix
OR_TR27 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	9	
<p>Internal Controls (Mitigation)</p> <ul style="list-style-type: none"> • Business support activity targets at the high street including: <ul style="list-style-type: none"> ○ One to ones with business advisors/consultants ○ Webinars ○ Business grant (focus on digital support) ○ Rushcliffe gift voucher • Establishment of retail forums to support businesses to support each other • Monitoring vacancy rates in main town centres <p>Financial Impact</p> <ul style="list-style-type: none"> • There would be an impact on business rates collected if high street businesses closed. 				

Risk Treat and Opportunity Matrix

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		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					

Table 1 Consequence / Impact

This is a measure of the consequences of the identified risk

Risk - Threats		Risk - Opportunities	
Impact	Thresholds and Description	Impact	Thresholds and Description
1 – Insignificant	Financial Impact = <£10k No adverse impact on reputation No impact on partners	1 – Insignificant	Little or no improvement to service Little or no improvement to welfare of staff / public Little or no financial income / efficiency savings (less than £10k) Little or no improvement to environment or assets Little or no feedback from service users
2 – Minor	Financial Impact = £10k - £50k Negative internal/ within sector impact on reputation Negative partner impact	2- Minor	Minor improvement to service Minor improvement to welfare of staff / public Improvement that produces £10k - £50K of income / efficiency savings Minor improvement to environment or assets Positive user feedback


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

Table 2 Likelihood / Probability of Occurrence

This measures the chance of the risk or opportunity occurring

Risk - Threats		Risk - Opportunities	
Likelihood	Thresholds and Description	Likelihood	Thresholds and Description
1 – Rare	Unlikely	1 – Rare	Opportunity has not been fully investigated but considered extremely unlikely to materialise
2 – Unlikely	Possible	2 – Unlikely	Opportunity has not been fully investigated; achievability is unproven / in doubt
3 – Possible	Probable within 2 years	3 – Possible	Opportunity may be achievable, but requires significant management, planning and resources
4 – Likely	Probable within 12 months	4 – Likely	Opportunity is achievable with careful management

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 <p>Rushcliffe Borough Council</p>	<p>Governance Scrutiny Group</p> <p>Thursday, 4 February 2021</p> <p>Work Programme</p>
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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 Governance Scrutiny 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.
- 1.3. The future work programme will be updated and agreed at the next meeting of the Corporate Overview Group on 23 March 2021, including any items raised via the scrutiny matrix; however, it may also be necessary to take into account the impact of the elections in May 2021, and the purdah period on the scheduling of items/topics.
- 1.4. It is possible the scheduled meeting of Governance Scrutiny Group on the 18 May 2021 will need to be moved the end of June 2021 as a result of changes to the deadline for the Governance Statement. In addition, the Governance Scrutiny Group normally held in July to approve the Statement of Accounts (SoA) is likely to move to September in response to the anticipated change in statutory deadline for the SoA.

2. Recommendation

It is RECOMMENDED that the Group agrees the work programme as set out below:

18 May 2021

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

3. Reason for Recommendation

To enable the Council's scrutiny arrangements to operate efficiently and effectively.

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.