



# Charnwood

## AUDIT COMMITTEE

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To: Councillors Boldrin, S. Bradshaw, Hadji-Nikolaou, Parsons (Vice-Chair), Snartt and Nellist (Chair) (For attention)

All other members of the Council  
(For information)

You are requested to attend the meeting of the Audit Committee to be held in the Preston Room, Woodgate Chambers, Woodgate, Loughborough on Tuesday, 16th November 2021 at 6.00 pm for the following business.

Chief Executive

Southfields  
Loughborough

8th November 2021

### AGENDA

1. APOLOGIES
2. MINUTES FROM THE PREVIOUS MEETING 4 - 11

The Committee is asked to confirm as a correct record the minutes of the meeting of the Committee held on 28<sup>th</sup> September 2021.

3. DISCLOSURES OF PECUNIARY AND PERSONAL INTEREST

4. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8  
No questions were submitted.
5. TREASURY MANAGEMENT UPDATE - MID-YEAR REVIEW FOR THE 6 MONTHS APRIL-SEPTEMBER 2021 12 - 30  
A report of the Head of Financial Services.
6. ENVIRONMENTAL AUDITS - REPORT ON OUTCOMES 31 - 48  
A report of the Head of Planning and Regeneration.
7. INTERNAL AUDIT PROGRESS REPORT 2021/22 TO 29TH OCTOBER 2021 49 - 72  
A report of the Head of Strategic Support.
8. RISK MANAGEMENT (RISK REGISTER) UPDATE 73 - 92  
A report of the Strategic Director for Environment and Corporate Services.
9. COUNCIL'S USE OF REGULATORY OF INVESTIGATORY POWERS ACT (RIPA) 93 - 97  
A report of the Head of Strategic Support.
10. APPOINTMENT OF EXTERNAL AUDITORS 98 - 105  
A report of the Strategic Director for Environment and Corporate Services.
11. ENGAGEMENT OF AUDITORS FOR NON AUDIT WORK 106 - 110  
A report of the Head of Strategic Support
12. WORK PROGRAMME 111 - 113  
A report of the Head of Strategic Support.
13. EXEMPT INFORMATION  
It is recommended that members of the public be excluded from the meeting during the consideration of the following item on the grounds that it will involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
14. INVESTMENT PERFORMANCE REPORT - Q2 (JUNE TO AUGUST) 2021/22  
An exempt report of the Strategic Director for Commercial Development, Assets and Leisure, circulated to members of Committee. **To Follow.**

## AUDIT COMMITTEE 28TH SEPTEMBER 2021

PRESENT: The Chair (Jane Nellist)  
The Vice Chair (Councillor Parsons)  
Councillors Boldrin, Charles, Hadji-Nikolaou and  
Hunt

External Auditor (Mazars)

Strategic Director; Environmental and Corporate  
Services

Head of Strategic Support

Head of Financial Services

Internal Audit Manager

Senior Auditor

Democratic Services Officer (NC)

APOLOGIES: Councillor Bolton, S. Bradshaw and Snartt

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. He also advised that, under the Openness of Local Government Bodies Regulations 2014, other people may film, record, tweet or blog from this meeting, and the use of any such images or sound recordings was not under the Council's control.

### 19. MINUTES FROM THE PREVIOUS MEETING

The minutes of the meeting of the Committee held on 8th June 2021 were confirmed as a correct record and signed.

The Vice-chair raised the following concerns regarding the previous minutes and requested they be recorded in the minutes:

- the document detailing slippage figures attached to the minutes was missing relevant information; there were no headings in the table or breakdown of the figures as requested and was therefore difficult to understand.
- a resolution agreed at the last meeting for the exempt item to include purchase prices in future reports had not be actioned for this meeting's report.
- this was not considered up to usual standards and it was hoped this could be resolved.

### 20. DISCLOSURES OF PERCUNIARY AND PERSONAL INTEREST

During the consideration of item 6, Risk Management (Risk Register) update, Cllr Hunt declared a personal interest as the Member of Parliament for Loughborough.

### 21. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

No questions had been submitted.

## 22. INTERNAL AUDIT PROGRESS REPORT 2021/22 TO 10TH SEPTEMBER 2021

A report of the Head of Strategic Support was submitted summarising the progress against the 2021/22 Audit Plan, outlining key findings from final reports and any outstanding recommendations. (Item 5 on the agenda filed with these minutes).

The Audit Manager and Senior Auditor attended the meeting to assist the Committee with the consideration of this item and noted that the progress report covered up to 10th September. She provided a verbal update as follows:

- Six reports had been issued since the last Committee meeting, three had related to the 2020-21 Audit Plan and had concluded the Plan. Three related to this year and there were no concerns in relation to working through the Audit Plan at this point.
- Overdue recommendations were set out in Appendix C and that as the majority of the reports were issued post January the data was slightly skewed. However any issues raised were anticipated to be resolved by the next Committee meeting.
- Reference was made to changes within the Team. Temporary resources would be recruited for any identified long-term gaps and no disruption was expected to the delivery of the Audit plan.

The Committee were advised in response to questions that:

- Regulations for money laundering no longer covered Local Authorities and it was considered of small risk for Councils. Although it was not a legislative requirement, it was good practice to have a money laundering policy and one was being drafted for the Council to be completed by end October.
- with reference to the cleansing exercise and leavers having access to systems revoked, a process was in place but was not always tightly followed. This did refer to the Housing System and was not related to accessing other Council systems. It had been recommended that the Service continued to review system users on a quarterly basis.
- Complaints regarding Tenancy Management and Housing were reviewed by the Audit Team if there were issues but not routinely considered as it was anticipated that any issues would be identified primarily through performance management processes and the current Finance and Performance Scrutiny Committee. It was noted that previous scrutiny committees had received monitoring reports concerning complaints in this area but these reports had been discontinued when the Committee was superseded.
- issues raised in the Audit on asset management would be considered by the Asset management team as these related mostly to strategy and guidelines.
- the outstanding gas servicing contract monitoring recommendation was currently prioritised as medium and the resignation of the Compliance Gas Inspection Surveyor was not considered significant to change the priority of this action. The recommendation related to a reconciliation between different systems, processes were in place and it was this short-term unexpected event that had delayed the completion of the agreed action.
- with respect to points raised in audits that had been issued with limited assurance opinions, Services were responsible for having the appropriate

- processes in place and were given advance notice of the dates of the internal audits. Senior managers were consulted in detail when the next year's audit plan was being drafted and would therefore be aware of areas to be audited.
- recommendations where there had been a slippage of dates for actions to be completed and implemented were escalated to Strategic Directors to ensure they were completed in a timely manner. It was also noted that attendance of officers at the Audit Committee to explain delays could be considered, if required.
  - the number of days referenced in the 2021/22 Audit plan was the total for the year and a starting point. There had been deductions for attending committee meetings, drafting of reports and management days which had decreased the number of days to approximately 200 days and the contingency wasn't reflected in the plan. The plan would change throughout the year as audits were added and removed as expected when providing risk based internal audit service. For a better comparison between years it was advised to use the Audit Plan report (submitted to the Committee in March). In addition, the number of days had dropped when the Council joined the internal shared service.
  - reference was made to the Asset Management Audit agreed actions and the desire for progress updates during the year to ensure slippage was not occurring. It was noted that a report would be submitted to the Cabinet in early Spring 2022.
  - it was preferred that responsibilities that would have been undertaken by the Asset Management Group to develop a repairs and maintenance programme to assist in the prioritisation of expenditure on assets was undertaken by the Senior Leadership Team (SLT) who wished to see oversight of this matter. Although the budget and portfolio holders were also members of SLT and could have any conflicting responsibilities, it was considered that any disagreements would be resolved within the SLT discussion process.
  - the implementation date of May 2022 to review the training to be carried out to ensure officers and members received the correct level of training to reflect their responsibilities within the risk management process was considered appropriate. Management were reviewing risk on a regular basis and training to be completed would consist of refresher training as appropriate officers had been previously trained and senior officers were experienced in the process.
  - the performance indicator for the delivery of 2021/22 Audit Plan at 36% did not indicate any slippage and since the drafting of the report this figure had increased to 50%. It was not expected that the Audit Plan would be 100% delivered by the end of March but this was considered acceptable. It was noted that the quarterly reporting timetable did not fully align with the Audit Committee meeting timetable.

Members were concerned that many of the recommendations in the report related to updating policies, procedures and training and considered whether to escalate the matter. It was noted that the COVID pandemic had impacted on the resources to update policies and procedures and that the Committee were minded to take this into consideration.

With respect to training of councillors appointed to Cabinet or the Audit Committee who had not attended training in scrutinising of commercial properties, the Head of

Strategic Support stated he would investigate and circulate a response to the Committee.

## **RESOLVED**

1. that the report be noted;
2. that managers are reminded when the annual internal audit plan is approved and to consider reviewing policies, procedures and training in the areas subject to the audit;
3. That the Committee continue to monitor the Asset Management Strategy Audit findings and status of agreed actions at its next meeting;
4. That the Committee review the status of policies procedures and training recommendations at its next meeting with a view to escalating if it continues to be an issue.

### Reasons

1. To ensure the Committee is kept informed of progress against the Internal Audit plan and work of Internal Audit.
2. Members considered that reminding managers of the approved internal audit plan could reduce the number of actions relating to policies, procedures and training.
3. The Committee considered that the Asset management Strategy in particular was of high importance and a regular monitoring of the actions was merited.
4. The Committee was concerned with the number of recommendations in the Audit Plan and wished to review this at its next meeting.

## 23. RISK MANAGEMENT (RISK REGISTER) UPDATE

A report of the Strategic Director, Environmental and Corporate Services, was submitted providing the Committee with details of the Strategic Risk Register produced for the period to 2020/21, and also providing information on the risk register that had been compiled to reflect the ongoing COVID-19 situation. (Item 6 on the agenda filed with these minutes).

The Strategic Director, Environmental and Corporate Services attended the meeting to assist the Committee with the consideration of this item and drew the Committee's attention to the risks that the proposed Environmental Services Bill could cause the Council, particularly in respect of the potential requirement to collect food waste and collecting recycle in a number of streams. Further clarity would be obtained when the Bill was passed into law next year.

The Committee were advised in response to questions that:

- the risk register would be updated in accordance with progress of the recommendations from the Internal Audit.
- although the Strategic Risk register did not include risks relating to underspending or reputational damage, the underspend risks were recognised in terms of the delivery of the Capital Programme at a Strategic Director level. The funds were still in the budget if projects were not fully delivered within timescales and there had been challenges concerning contractors and the HRA general fund underspends. The Audit Committee had sight of the risk if the Council did not achieve its objectives and other committees such as the Budget Scrutiny Panel would consider these matters in further detail.
- regarding the risks rated as red indicating financial gaps, this would not be resolved through an increase in Council tax, as the Government's Council Tax capping rules would restrict any increase. If there was a severe civic contingency the Government would enable the Council to access emergency funds through the Bellwin Scheme.
- in general funding could be obtained to convert the inherent risks identified to amber, but in some cases the issues could not be resolved fully by money.

**RESOLVED** that the report be noted.

Reason

To ensure the Committee is kept informed of progress against the strategic risks that should they crystallise would cause the Council to be unable to operate and/or provide key services leading to a significant adverse effect on public wellbeing, and also about the COVID-19 risk register.

24. COUNCIL'S USE OF REGULATORY OF INVESTIGATORY POWERS ACT (RIPA)

A report of the Head of Strategic Support was submitted providing the Committee with a summary of the Council's use of RIPA powers (item 7 on the agenda included with these minutes).

The Head of Strategic Support noted that the inspection by the officer of the Surveillance Commissioner in relation to its RIPA processes and arrangements had been completed and had identified that policies required minor updating. In addition it had recommended that officers undergo refresher RIPA training but noted that the powers had not been used for 10 years so training would be light touch.

**RESOLVED** that the Committee noted that there had been no use of RIPA powers by the Council for the period from 1st June 2021 to 31st August 2021.

Reason

To enable the Committee to comply with the request from Cabinet that the Audit Committee assumes responsibility for receiving a quarterly report on the use of RIPA, and to report to Cabinet any concerns arising from those reports that may indicate that the use of RIPA is not consistent with the Policy or that the Policy may not be fit for purpose.

## 25. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE

A report of the External Auditors providing a progress report and technical update was submitted to the Committee for consideration. (Item 8 on the agenda filed with these minutes).

Mark Surridge from Mazars attended the meeting via video-link and assisted with the item. The Chair had confirmed that Mark could see and hear the proceedings when he joined the meeting.

He noted that there were no new risks to bring to the Committee's attention. There were some challenges regarding substantial pension movements and an updated valuation had been obtained for the Council's account, but it would not impact the General Fund. The timelines were affected as the auditors had not yet received instructions to certify the audit from the National Audit Office. The Annual Auditors report was new and it was still anticipated officially it should be completed by 30th September. However the guidance had been issued pre-COVID and it was unlikely to until November but was consistent with other clients.

The Committee were advised in response to questions that:

- it was unlikely that the Committee would go back to its usual audit cycle in 2022 as the cumulative effect of the COVID pandemic were still being felt.
- the Statutory deadline for publishing accounts would continue to be 30th September 2022 but it was doubtful that many authorities would be in a position to do so as the ability to regain lost time during 2021 was unlikely.
- there was a shortage of auditors being recruited which also caused delays.

The Committee was advised to keep to its current Audit timetable and to progress thorough 2021 until further clarity could be obtained regarding timelines for 2022.

**RESOLVED** That the Committee noted the report.

### Reason

To acknowledge the Committee's consideration of this item.

## 26. WORK PROGRAMME

A report of the Head of Strategic Support was submitted to enable the Committee to consider its work programme (item 9 on the agenda filed with these minutes).

The Head of the Strategic Support noted the following:

- that the Annual IT Health Check had slipped due to COVID and was scheduled to be submitted to the Committee's meeting in February 2022.
- that the 'Future of Local Public Audit' item be renamed as 'Appointment of External Auditors' and that a report be considered by the Committee at its meeting scheduled in November 2021 in order to meet the timescales for appointing external auditors. The Committee would be requested to approve

the Council joined the National Pool arrangement for recommendation to full Council in early 2022.

- that the Policy for Engagement of External Auditors for non-audit work had been agreed in March 2013 and that it would be timely for the Committee to consider this at its November 2021 meeting.

There were no issues that the Committee wished to forward to the Scrutiny Commission from this meeting.

**RESOLVED** that the Committee proceeds on the basis of its work programme with the following amendments:

- that the 'Future of Local Public Audit' item be renamed as 'Appointment of External Auditors' and that a report be scheduled to the Committee's meeting in November 2021;
- that the Policy for Engagement of External Auditors for non-audit work be scheduled to the Committee's meeting in November 2021.

#### Reason

To enable the Committee to identify future items of business and enable planning for future meetings to be undertaken, for example preparing reports and arranging for the attendance of officers and /or others at meetings.

#### 27. EXEMPT INFORMATION

It was resolved that members of the public be excluded from the meeting during the consideration of the following item on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

*At this point in the meeting the recording was stopped.*

#### 28. INVESTMENT PERFORMANCE REPORT - Q1 2021/22

An exempt report of the Strategic Director for Commercial Development, Assets and Leisure (Exempt item 11 on the agenda filed with these minutes).

A summary of the Committee's discussion on this matter is provided in the exempt minute (Audit Committee 28E. 2021/22)

#### **RESOLVED**

1. that decisions be made as detailed in the exempt minute (Audit Committee Minute 18E 2021/22);
2. that a briefing regarding the Asset Management Strategy be arranged for all councillors prior to it being submitted to Cabinet;
3. that the exempt report of the Audit Committee be noted.

## Reasons

1. As set out in the exempt minute (Audit Committee Minute 28E 2021/22).
2. Members considered that information held within the Asset Management Strategy was of an important nature and wished to be briefed on the matter before considering it in its entirety at a meeting of the Audit Committee. Members also considered it would be relevant for all councillors to be briefed in this matter.
3. Such that the activity be known and transparent as well as illustrating the impact of the activity on the Council.

## NOTES:

1. No reference may be made to these minutes at the next ordinary Council meeting unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on the fifth working day following publication of these minutes.
2. These minutes are subject to confirmation as a correct record at the next meeting of the Audit Committee.

## **AUDIT COMMITTEE – 16th November 2021**

### **Report of the Head of Financial Services**

**Lead Member: Councillor Tom Barkley**

#### **Part A**

#### **ITEM 5     TREASURY MANAGEMENT UPDATE – MID-YEAR REVIEW FOR THE 6 MONTHS APRIL-SEPTEMBER 2021**

##### Purpose of Report

This report reviews the Treasury Management Strategy and the Annual Investment Strategy, plus the various Prudential Borrowing and Treasury Indicators for the first six months of 2021/22.

##### Recommendations

That the Committee notes this mid-year review of the Treasury Management Strategy Statement, Prudential Borrowing and Treasury Indicators plus the Annual Investment Strategy, as set out in Part B.

##### Reasons

To ensure that the Council's governance and management procedures for Treasury Management reflect best practice and comply with the Revised CIPFA Treasury Management in the Public Services Code of Practice, Guidance Notes and Treasury Management Policy Statement, that funding of capital expenditure is taken within the totality of the Council's financial position, and that borrowing and Investment is only carried out with proper regard to the Prudential Code for Capital Finance in Local Authorities.

##### Policy Justification and Previous Decisions

The Capital Strategy including the Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy, Prudential & Treasury Indicators must be approved by Council each year and reviewed half yearly. This review is set out in the attached report as Part B. The Strategy for the year was approved by Council on 22<sup>nd</sup> February 2021.

##### Implementation Timetable including Future Decisions and Scrutiny

This report will be presented to Cabinet on 18<sup>th</sup> November 2021 for onward recommendation to the full Council meeting of 17<sup>th</sup> January 2022.

The report is available for scrutiny by the Scrutiny Commission at the regular meeting scheduled for 13<sup>th</sup> November 2021.

## Report Implications

The following implications have been identified for this report.

### *Financial Implications*

There are no direct financial implications arising from this report.

### *Risk Management*

There are no direct risks arising from the recommendation in this report. Risks associated with the Treasury Policy, etc and in general are set out within Part B.

Key Decision: No

Background Papers: None

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## **1. Background**

### **1.1 Capital Strategy**

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities have been required to prepare a Capital Strategy which is to provide the following: -

a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;

an overview of how the associated risk is managed;

the implications for future financial sustainability.

### **1.2 Treasury Management**

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

“The management of the local authority's borrowing, 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

### **1.3 Regulatory framework**

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

3. Receipt by the full council of an annual Treasury Management Strategy Statement

- including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.

4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Audit Committee:

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first part of the 2021/22 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2021/22;
- A review of the Council's borrowing strategy for 2021/22;
- A review of any debt rescheduling undertaken during 2021/22;
- A review of compliance with Treasury and Prudential Limits for 2021/22.

## 2. Economics and Interest Rates

### 2.1 Economics update

#### A MPC meeting 24.9.21

- The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.
- There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, **the MPC had been prepared to look through a temporary spike in inflation.**
- So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to **faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement;** this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.
- Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.
- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
  1. Placing the focus on raising Bank Rate as "the active instrument in most circumstances".
  2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
  3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
  4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **COVID-19 vaccines.** These have been the game changer which have enormously boosted confidence that **life in the UK could largely return to normal during the summer** after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

**US.** See comments below on US treasury yields.

**EU.** The slow roll out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate has picked up sharply since then. After a contraction in GDP of -0.3% in Q1, Q2 came in with strong growth of 2%, which is likely to continue into Q3, though some countries more dependent on tourism may struggle. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time.

German general election. With the CDU/CSU and SPD both having won around 24-26% of the vote in the September general election, the composition of Germany's next coalition government may not be agreed by the end of 2021. An SPD-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.

**China.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

**Japan.** 2021 has been a patchy year in combating Covid. However, after a slow start, nearly 50% of the population are now vaccinated and Covid case numbers are falling. After a weak Q3 there is likely to be a strong recovery in Q4. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was negative in July. New Prime Minister Kishida has promised a large fiscal stimulus package after the November general election – which his party is likely to win.

**World growth.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

**Supply shortages.** The pandemic and extreme weather events have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to mis-distribution of shipping containers around the world and have contributed to a huge increase in

the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

## 2.2 Interest rate forecasts

The Council's treasury advisor, Link Group, provided the following forecasts on 29<sup>th</sup> September 2021 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View		29.9.21								
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
<b>BANK RATE</b>	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

Additional notes provided by Link Group on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 2 of 2022/23, a second increase to 0.50% in quarter 2 of 23/24 and a third one to 0.75% in quarter 4 of 23/24.

### Significant risks to the forecasts

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that suppresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g. in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.

- Geo-political risks are widespread e.g. German general election in September 2021 produces an unstable coalition or minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

#### **The balance of risks to the UK economy: -**

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

#### **Forecasts for Bank Rate**

Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons: -

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to which way to face.
- Will some current key supply shortages e.g., petrol and diesel, spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- There are 1.6 million people coming off furlough at the end of September; how many of those will not have jobs on 1<sup>st</sup> October and will, therefore, be available to fill labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns.
- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

#### **Forecasts for PWLB rates and gilt and treasury yields**

As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields?
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?

- How strong will inflationary pressures turn out to be in both the US and the UK and so impact treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

### **Gilt and treasury yields**

Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. During the first part of the year, US President Biden’s, and the Democratic party’s determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020 under President Trump. This was then followed by additional Democratic ambition to spend further huge sums on infrastructure and an American families plan over the next decade which are caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus, which is much bigger than in other western economies, was happening at a time in the US when: -

1. A fast vaccination programme has enabled a rapid opening up of the economy.
2. The economy had already been growing strongly during 2021.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries. A combination of shortage of labour and supply bottle necks is likely to stoke inflationary pressures more in the US than in other countries.
4. And the Fed was still providing monetary stimulus through monthly QE purchases.

These factors could cause an excess of demand in the economy which could then unleash stronger and more sustained inflationary pressures in the US than in other western countries. This could then force the Fed to take much earlier action to start tapering monthly QE purchases and/or increasing the Fed rate from near zero, despite their stated policy being to target average inflation. It is notable that some Fed members have moved forward their expectation of when the first increases in the Fed rate will occur in recent Fed meetings. In addition, more recently, shortages of workers appear to be stoking underlying wage inflationary pressures which are likely to feed through into CPI inflation. A run of strong monthly jobs growth figures could be enough to meet the threshold set by the Fed of “substantial further progress towards the goal of reaching full employment”. However, the weak growth in August, (announced 3.9.21), has spiked anticipation that tapering of monthly QE purchases could start by the end of 2021. These purchases are currently acting as downward pressure on treasury yields. As the US financial markets are, by far, the biggest financial markets in the world, any trend upwards in the US will invariably impact and influence financial markets in other countries. However, during June and July, longer term yields fell sharply; even the large non-farm payroll increase in the first week of August seemed to cause the markets little concern, which is somewhat puzzling, particularly in the context of the concerns of many commentators that inflation may not be as transitory as the Fed is expecting it to be. Indeed, inflation pressures and erosion of surplus economic capacity look much stronger in the US than in the UK. **As an average since 2011, there has been a 75% correlation between movements in 10 year treasury yields and 10 year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to keep an eye on.

### **The balance of risks to medium to long term PWLB rates: -**

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

### **A new era – a fundamental shift in central bank monetary policy**

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' and the ECB now has a similar policy.
- **For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.**
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.

Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt

### 3. Treasury Management Strategy Statement and Annual Investment Strategy

#### Update

The Treasury Management Strategy Statement, (TMSS), for 2021/22 was approved by this Council on 22nd February 2021. There are no changes in this report to the TMSS since 22<sup>nd</sup> February Council in the light of economic and operational movements during the year.

To note the current Operational Boundary borrowing limits and the Authorised limits are part of the prudential guidelines and these remain as they were previously reported.

The Operational Boundary is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be similar to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under borrowing by other cash resources.

<i>Operational boundary</i>	<i>2020/21 Estimate £'000</i>	<i>2021/22 Estimate £'000</i>	<i>2022/23 Estimate £'000</i>
Debt	108,090	108,090	108,090
Non-financial investments	18,000	28,000	28,000
<b>Total</b>	<b>126,090</b>	<b>136,090</b>	<b>136,090</b>

A further prudential indicator controls the overall level of borrowing. This is **the Authorised Limit** which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

<i>Authorised limit</i>	<i>2020/21 Estimate £'000</i>	<i>2021/22 Estimate £'000</i>	<i>2022/23 Estimate £'000</i>
Debt	130,000	130,000	130,000
Non-financial investments	18,000	28,000	28,000
<b>Total</b>	<b>148,000</b>	<b>158,000</b>	<b>158,000</b>

### 4. The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

The Council's capital expenditure plans

How these plans are being financed;

The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and

Compliance with the limits in place for borrowing activity.

#### 4.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

<b>Capital Expenditure</b>	<b>2021/22 Original Budget £m</b>	<b>2021/22 Current Budget £m</b>	<b>Actual Spend 30/9/2021 £m</b>	<b>Variance Current vs Actual Spend £m</b>
Bedford Square	500	2,654	962	1,692
Enterprise Zone	0	15,000	2,000	13,000
Regeneration	10,000	15,145	(3)	15,148
Loughborough Cemetery	0	1,170	304	866
Shepshed Bull Ring	0	504	0	504
Carbon Neutral Project	500	599	10	589
Disabled Facilities Grants	1,058	2,117	160	1,957
Other General Fund	2,000	3,210	507	2,703
<b>Total General Fund</b>	<b>14,058</b>	<b>40,399</b>	<b>3,940</b>	<b>36,459</b>
HRA	<b>7,381</b>	<b>9,620</b>	<b>1,259</b>	<b>8,361</b>
<b>Total capital expenditure</b>	<b>21,439</b>	<b>50,019</b>	<b>5,199</b>	<b>44,820</b>

1. The Actual Capital spend is slow for the first half of the year, and as part of Capital Monitoring July period 4, slippage requests have been made of £2.5m Capital schemes budgets to be moved into 2022/23, this will be approved as part of the year end process.
2. The Council has forward funded development of £2m in respect of the Charnwood Campus site within the Enterprise Zone. This amount will be repaid to the Council through withholding of additional business rates that would otherwise have been remitted to the LLEP in line with the overarching Enterprise Zone agreement. Originally planned for the 2020/21 financial year, the funding was not finalised until April 2021.

#### 4.2 Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

<b>Financing of capital expenditure</b>	<b>2021/22 Current Funding £'000</b>
Total Capital Expenditure as per above table Financed By:-	
GF Capital receipts	5,166
GF Capital grants/S106	1,336
GF Capital reserves	550
GF RCCO	15
GF External Funding	4,082
GF Internal/External Borrowing	29,250
<b>GF Total Financing</b>	<b>40,399</b>
HRA Major Repair Reserve/RCCO	8,315
HRA Capital Receipts	1,305
<b>HRA Total Financing</b>	<b>9,620</b>
<b>Total Funding</b>	<b>50,019</b>

#### 4.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

##### Prudential Indicator – Capital Financing Requirement

We are on target to achieve the original forecast Capital Financing Requirement.

<b>Capital Financing Requirement</b>	<b>2020/21 Original Estimate £'000</b>	<b>2021/22 Original Estimate £'000</b>	<b>2022/23 Original Estimate £'000</b>	<b>2023/24 Original Estimate £'000</b>
CFR – (Fleet Less MRP)	2,400	2,100	1,800	1,500
CFR – (Commercial Activities Less MRP)	25,000	22,215	21,921	21,617
CFR – (Regeneration Less MRP)	5,000	15,000	14,810	14,614
CFR – (Enterprise Zone No MRP)	15,000	15,000	15,000	15,000
CFR – (HRA – No MRP)	81,820	81,820	81,820	81,820
<b>Total CFR</b>	<b>129,220</b>	<b>136,135</b>	<b>135,351</b>	<b>134,551</b>
Movement in CFR represented by:				
Net financing need for the year	44,900	7,500	0	0
Less MRP/VRP and other financing movements	0	(585)	(784)	(800)
<b>Movement in CFR</b>	<b>44,900</b>	<b>6,915</b>	<b>(784)</b>	<b>(800)</b>

There is no MRP charged in 2020/21 as the current MRP policy is that a full years MRP will be made in the year after capital expenditure has incurred and when the assets are fully operational. MRP however will be charged from 2021/22 based on the assets purchased in 2020/21.

#### 4.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	<b>2020/21 Estimate £'000</b>	<b>2020/21 Actual £'000</b>	<b>2021/22 Estimate £'000</b>	<b>2022/23 Estimate £'000</b>	<b>2023/24 Estimate £'000</b>
External Debt at 1 April	81,190	81,190	126,090	133,590	133,590
Expected change in Debt	44,900	0	7,500	0	0
<b>Actual debt at 31 March</b>	<b>126,090</b>	<b>81,190</b>	<b>133,590</b>	<b>133,590</b>	<b>133,590</b>
Capital Financing Requirement above	129,220	81,820	136,135	135,351	134,551
<b>Under borrowing</b>	<b>3,130</b>	<b>630</b>	<b>2,545</b>	<b>1,761</b>	<b>961</b>

#### 5. Investment Portfolio 2021/22

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As shown by forecasts in section 2.2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.10% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short-term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low

The average level of funds available for investment purpose during the first half year was £39m. Internal investments as at 30<sup>th</sup> September 2021 and the investment portfolio yield for the first 6 months of the year is 0.18% (0.53% 2020/21) against a benchmark of 3 months London interbank Bid Rate (LIBID) of -0.05%. Although the rate of return is low, the performance exceeded the benchmark.

The interest & rental income earned by the Council's £5m External Property Funds' investments as at 30th September 2021 is £92.5k net return 1.58%. (£99k 2020/21 net 1.61%) This is a reasonable rate of return in comparison to internal investments rate of 0.18% and LIBID -0.05%

The Head of Finance confirms that the approved limits within the Annual Investment Strategy were not breached during the first 6 months of 2021/22.

The Council's budgeted annual investment return for 2021/22 is £300k, and total interest earned to date is £121k including Property Funds. (£342k in 2020/21), given the Council has some longer-term investments the budget target should be achieved by the year end.

## **6. Borrowing**

The Council's capital financing requirement (CFR) for 2021/22 is £136,135m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions; however, Table 4.4 shows the Council has actual borrowings in 2020/21 of £81,190m, this is £2m of an external loan which matures in 2024 and £79,190 HRA Debt.

It is anticipated that further borrowing will not be undertaken during this financial year.

Due to the overall financial position and the underlying need to borrow for capital purposes (the CFR), no new external borrowing has been undertaken. However, due to the increase in PWLB margins over gilt yields in October 2019, and the subsequent consultation on these margins by HM Treasury - which ended on 31<sup>st</sup> July 2020 - the Authority has refrained from undertaking new long-term PWLB borrowing for the present and has met its requirements for additional borrowing by using short-term borrowing until such time as new PWLB margins are finally determined. In addition, the effect of coronavirus on the capital programme objectives are being assessed. Therefore, our borrowing strategy will be reviewed and then revised in order to achieve optimum value and risk exposure in the long-term.

## **7. Debt Rescheduling**

Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year. No new external borrowing was undertaken during the half year.

## **Appendices**

Appendix 1: Portfolio of investments as at 30th September 2021

Appendix 2: Approved countries for investments as at 30<sup>th</sup> September 2021

Appendix 3: Glossary of Terms

**APPENDIX 1:  
Investment Portfolio  
Investments held as at 30 September 2021**

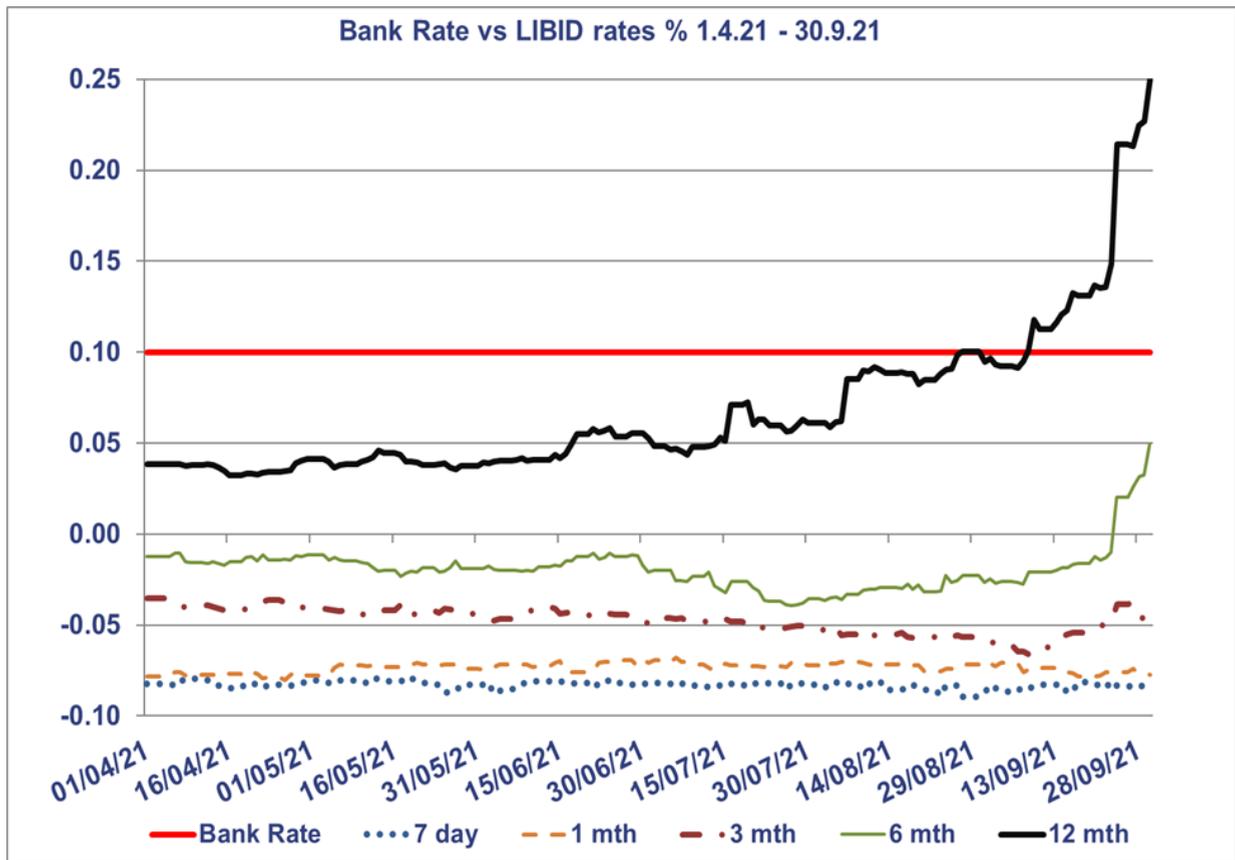
<b>Institution</b>	<b>Maturity Date</b>	<b>Interest Rate %</b>	<b>Principal £'000</b>
Close Brothers	28/01/2022	0.25	2,000
HSBC UK	01/10/2021	0.05	6,000
HSBC UK	31 Day Notice	0.25	6,000
Standard Chartered Bank	35 Day Notice	0.08	5,000
Goldman Sachs International Bank	35 Day Notice	0.17	2,500
Goldman Sachs International Bank	95 Day Notice	0.17	2,500
Santander	180 Day Notice	0.58	8,000
Federated Money Market Fund	1 Day Notice	0.01	9,480
Aberdeen Money Market Fund	1 Day Notice	0.01	2,680
Lothbury Property Fund	N/A		2,500
Federated Hermes Property Fund	N/A		2,500
<b>Total</b>			<b>49,160</b>

**Internal Investment performance year to date as at 30 September 2021 (Excludes Property Funds)**

<b>Benchmark</b>	<b>Benchmark Return</b>	<b>Council Performance</b>	<b>Investment Interest Earned</b>
3 month	-0.05%	0.18%	£28.4k

	<b>Bank Rate</b>	<b>7 day</b>	<b>1 mth</b>	<b>3 mth</b>	<b>6 mth</b>	<b>12 mth</b>
<b>High</b>	0.10	-0.08	-0.07	-0.04	0.05	0.25
<b>High Date</b>	01/04/2021	09/04/2021	06/07/2021	01/04/2021	30/09/2021	30/09/2021
<b>Low</b>	0.10	-0.09	-0.08	-0.07	-0.04	0.03
<b>Low Date</b>	01/04/2021	27/08/2021	26/04/2021	08/09/2021	27/07/2021	16/04/2021
<b>Average</b>	0.10	-0.08	-0.07	-0.05	-0.02	0.07
<b>Spread</b>	0.00	0.01	0.01	0.03	0.09	0.22

<b>Period</b>	<b>LIBID benchmark return</b>
<b>7 day</b>	<b>-0.08%</b>
<b>1 month</b>	<b>-0.07%</b>
<b>3 month</b>	<b>-0.05%</b>
<b>6 month</b>	<b>-0.02%</b>
<b>12 month</b>	<b>0.07%</b>



## APPENDIX 2: Approved countries for investments as at 30th September 2021

*Based on lowest available rating*

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

## **APPENDIX 3: Glossary of Terms**

### **Capital Financing Requirement**

CFR is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of expenditure above, which has not immediately been paid for, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

### **Operational Boundary**

The operational boundary is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

### **Authorised Limit for External Debt**

A further key prudential indicator represents a control on the maximum level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

### **Gross External Debt**

This is the total amount borrowed by the Council at a point in time.

### **Investments**

The budgeted figure is the estimated average funds available for investment during the year. The actual figure is the total amount invested as at 30th September for Internal Investments and 30<sup>th</sup> June Property Funds.

### **Net Borrowing**

Net borrowing is gross external debt less investments.

### **Loans**

In this mid-year (and previously) interest receivable has exceeded interest payable for the General Fund producing a negative number for net interest payable and a somewhat odd-looking negative ratio; this can be construed as indicating that the Council has no issues servicing General Fund loans at this time.

## AUDIT COMMITTEE - 16TH NOVEMBER 2021

### Report of the Head of Planning and Regeneration Lead Member: Councillor Roy Rollings

#### Part A

#### ITEM 6 ENVIRONMENTAL AUDITS – REPORT ON OUTCOMES

##### Purpose of Report

The purpose of this report is to update the Committee on the outcome of environmental audits undertaken for October 2021.

##### Recommendations

1. That the Committee notes the outcome of the environmental audit process, including the identified actions for any mitigation required.
2. That the Committee notes the proposed reduction in the frequency of internal environmental audits to every 12 months.

##### Reasons

1. To ensure the Committee is kept informed of the Council's approach to managing environmental risks related to the Environmental Management System.
2. Based on the relative environmental risks of the sites, it is considered auditing each site every six months is unnecessary. Most of the paperwork and statutory inspections require renewal every 12 months. This means that the same paperwork is reviewed at both the full and interim audits. Over time compliance has increased and processes improved.

##### Policy Justification and Previous Decisions

The Council has an in-house Environmental Management System to manage legal compliance with environmental regulations and environmental impact arising from its activities and operations. The Council's Corporate Strategy (2020-24) sets a commitment to looking after the environment for future generations and the Council has adopted a Climate Change Strategy, a Carbon Neutral Plan and an Open Spaces Strategy towards this aim.

The driver for implementing and improving the Council's Environmental Management System comes from the Council's Environmental Policy which can be seen at [www.charnwood.gov.uk/environmental\\_management](http://www.charnwood.gov.uk/environmental_management). The Policy was adopted by Cabinet in October 2015 (minute 61 15/16 refers) and refreshed in February 2021. It establishes a framework for setting objectives and targets for environmental improvement. A Climate Change Strategy was adopted by Cabinet on 10<sup>th</sup> May 2018 (minute 133 18/19 refers) and revised November 2019. The Climate Change Strategy provides the action plan for the Council to maintain and potentially improve its environmental performance.

A Climate Change Motion was approved by Full Council on 24 June to note the findings from the International Panel on Climate Change report published in October 2018 (minute 23.1 19/20 refers). The report concluded that we have less than 12 years to act to avoid the worst impacts of climate change. The motion set an aspiration for the council to achieve carbon neutrality from its own operations by 2030. The Council also committed to work with residents, businesses and other public bodies across the borough and region to deliver this ambitious goal through all relevant technologies, strategies and plans.

A Carbon Neutral Plan setting out a pathway to achieve net zero carbon emissions for Council operations has been adopted by Cabinet at its meeting on 16<sup>th</sup> September 2021 (minute 27 21/22 refers). A communications plan and launch are being prepared for January 2022.

Implementation Timetable including Future Decisions and Scrutiny

Reports will continue to be submitted to the Committee on an annual basis.

Report Implications

The following implications have been identified for this report.

*Financial Implications*

The costs of preparing and providing strategic management for the implementation of the Environmental Management System are met from within the Planning and Regeneration Service budget. The costs of implementing the Environmental Management System in respect of operations and activities undertaken by the Council are met from within the existing budgets of individual service areas that the Environmental Management System covers. The Council’s Sustainability Officer provides the strategic resource to manage the in-house Environmental Management System.

*Risk Management*

The risks associated with the decision Cabinet is asked to make and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
Failure to comply with environmental legislation leads to damage to environment, reputation, and civil or criminal action being taken against the Council	Likely (3)	Significant (2)	Moderate (6)	Access to Legislation Update Service, Training, Raising Awareness, Internal audits

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
The Council fails to meet broader environmental objectives outlined within its policy	Unlikely (2)	Minor (1)	Very Low (2)	SLT and Audit Committees in place to review annual performance

### *Sustainability*

An Environmental Management System will help ensure environmental legal responsibilities are met and more easily managed on a day to day basis. The Environmental Management System will help manage energy, waste and resources more effectively reducing costs and carbon emissions where possible.

Key Decision: No

Background Papers: None

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## Part B

### Background

1. The Council has an in-house Environmental Management System for Council owned property at Southfield Road / Information & Computer Services building, Loughborough Town Hall, Charnwood Museum, Oak and Ark Business Centres and Woodgate Chambers. It relates to the direct operations of the Council and not to any activities sub-contracted to other operators (such as domestic and municipal waste collection). The Environmental Management System does not deal with activities related to the enforcement of environmental or planning Regulations aimed at reducing impacts across the Borough, except where these relate directly to the Council's own actions and activities. The Sustainability Officer provides the resource to coordinate the in-house Environmental Management System programme overseen by the Senior Leadership Team. Implementation of the Environmental Management System is the direct responsibility of the service areas carrying out activities and operations that fall within its scope.

### Legal Compliance

2. The Sustainability Officer has overall responsibility for keeping up to date information on environmental aspects and their associated legislative requirements. 'Environmental aspects' are any element of the Council's activities that can interact with the environment. The current method of updating legal information about the environment is provided by the online Legislation Update Service on a monthly basis.

### Environmental Audits

3. Environmental audits took place 19<sup>th</sup> and 20<sup>th</sup> October 2021 to check legal compliance and implementation of the Environmental Management System. Audits included the Oak and Ark Business Centres, the Museum, Town Hall, Southfield Road offices, Information & Computer Services building and Woodgate Chambers. The audit reports have been issued to building managers and relevant Heads of Service and, where non-conformities have been raised, recommendations for mitigation actions have been made. Recommendations for mitigating actions are for the service areas/responsible managers to implement at the earliest opportunity having regard to the scale of risk.
4. A presentation on the outcome of audit findings and recommendations was provided to building managers on 10th November 2021. The implementation of mitigation actions is managed through the Legislation Update Service which enables the urgency of the action required, deadlines and management oversight to be coordinated.

### Audit Findings

5. The audit process identifies any activity it considers to be posing an environmental risk as either a Non-Conformance with Requirement (NCR - a non-fulfilment of a legal requirement), an 'Issue' or a 'Recommendation'. An NCR is the more serious finding in the sense that there is proof that a legal requirement is not being met, or a lack of evidence to prove that it is being met. An Issue may be an instance where:

- a) there is not a non-fulfilment of a legal requirement, but there is a lack of environmental best practice being used.
- b) there is not currently a breach in legislation, but the issue should be addressed to avoid doing so in future.

A Recommendation recognises something which may later develop into an NCR or issue and needs addressing.

6. In the October 2021 audits there were 2 new Non-Conformance with Requirement (NCRs) found with 6 found in March 2021. Including the two new NCRs identified there are currently 3 NCRs open, 2 at the Town Hall and 1 at Woodgate Chambers. Five of the NCRs identified through the March audit have now been closed.
7. There were 13 new Issues found in the October 2021 audits with 14 Issues found in March 2021. All Issues raised in March have been closed. In the October audits 2 new Recommendations were raised with 5 recommendations made in March 2021. Three recommendations from March have been closed.
8. The audit findings are set out at Appendix A. A summary of the new Non-Conformance with Requirement (NCR) findings is presented below by site:

#### Town Hall

9. Housekeeping was found to be good throughout the premises with chemicals being stored in the correct locations such as cleaning cupboards. An NCR was raised for no waste transfer note being available for the collection of printer cartridges.

#### Woodgate Chambers

10. Though a limited area, housekeeping was of a high standard. An NCR was raised for the fire extinguishers not being serviced in over 2 years. This was in part due to the site not being Covid secure at the time an inspection was due.

#### Training

11. Audit actions will be included as part of the Legislation Update Service, which enables urgency of the action required, deadlines and management oversight to be coordinated. Training to building managers is scheduled on 16<sup>th</sup> November to ensure ongoing environmental legal compliance and continual improvement.

#### Audit Frequency

12. Based on the relative environmental risks of the sites, it is considered that auditing each site every six months is unnecessary. Most of the paperwork and statutory inspections require renewal every 12 months. This means that the same paperwork is reviewed at both the full and interim audits. Over time compliance has increased and processes improved. The frequency of internal environmental audits could be reduced to every 12 months to reflect this.

#### Timetable

13. The proposed timetable for the 2022 environmental audit cycle is shown in the table below.

<b>Event</b>	<b>Description</b>	<b>Date</b>
Environmental Compliance Audit	To review effectiveness of environmental management system	March 2022
SLT Briefing of outcome	To consider non-compliance and any mitigating actions	May 2022
Audit Committee	To receive a report on the outcome of environmental audits	June 2022

Appendices

**Appendix A - Summary Results of Follow-up Environmental Audits**

Figure 1: Summary of Operational Audit Findings

	Non-Conformance		Issue		Recommendation		Overall number of findings	
	March 2021	October 2021	March 2021	October 2021	March 2021	October 2021	March 2021	October 21
Museum	2	0	2	5	3	0	7	5
Ark Business Centre	1	0	1	0	0	1	2	1
Town Hall	1	1	4	0	2	1	7	2
Southfield Road	0	0	4	3	0	1	4	4
Woodgate Chambers	0	1	0	2	0	0	0	3
Oak Business Centre	1	0	3	3	0	0	4	3
General	1	0	0	0	0	3	1	3
<b>Total</b>	<b>6</b>	<b>2</b>	<b>14</b>	<b>13</b>	<b>5</b>	<b>6</b>	<b>25</b>	<b>21</b>

## Summary Results of Internal Audits – October 2021

Charnwood Museum October 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update Oct 2021
Issue 1 (MI2)	4 <sup>th</sup> March 2021	Museum Manager	The operators of the café should be informed that the cooking should be stored on secondary containment and suggested that they purchase a spill kit and train on its use.	The waste oil is not being stored correctly the waste producers are not taking responsibility for their waste. There is a risk to environment of oil leaking for which the consequence would be a financial loss.	2	2	1	Insufficient waste control by tenant.	Explain the issue with the tenant and request them to resolve the issue.  A spill kit had not been purchased by the client. 19/10/21	In progress Open at 19/10/21
Rec 3 (MR5)	4 <sup>th</sup> March 2021	Museum Manager	To consider installing PIR sensors and LED lighting in staff areas.	The use of electricity is linked to climate change, therefore energy saving measures should be adopted where possible	6	2	3	Due to the pandemic and lower building utilisation it does not appear that energy saving lighting measures have been reviewed for the staff areas.	Review costings	To be reviewed as part of the 2030 Carbon Neutral Plan Open at audit 19/10/21
MI4 Open	19 Oct 2021	Museum Manager	The air conditioning requires leak testing.	The use of F gases and the maintenance of the systems they're used in is strictly controlled by UK F gas regulations. This is because, if leaked into the atmosphere, F-gases can dangerously contribute to global warming. Failure to comply with the regulations could lead prosecution.	6	2	3	Testing schedule behind.	Arrange leak test.	
MI5 Open	19 Oct 2021	Museum Manager	It needs to be ensured that weekly flushes of the water system are recorded	Legionella build up can be prevented by regular	5	1	5	Flushing schedule behind.	Maintain the weekly flushing schedule	

				flushing of the water system.						
MI6 Open	19 Oct 2021	Museum Manager	The sanitary waste transfer note season ticket is due to expire in the next 30 days.	Lack of a waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Paperwork not yet in place	Contact the supplier and obtain a new season ticket	
MI7 Open	19 Oct 2021	Museum Manager	A process needs to be put in place to ensure that printer cartridge waste is not being stored for more than 12 months.	Holding waste on site for longer than 12 months indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	4	1	3	Process not in place	A process needs to be put in place to ensure that printer cartridge waste is not being stored for more than 12 months.	
MI8 Open	19 Oct 2021	Museum Manager	MI8 - The Display Energy Certificate should be A3 in size.	A local authority can issue a penalty charge notice of £500 for failing to display a DEC The Department for Communities and Local Government guidance on 'Display Energy Certificate and Advisory Reports for Public Buildings' states that "To enable members of the public to view the document easily, it should be no smaller than A3 in size".	3	2	1	Lack of awareness of requirement.	Change the Display Cert to be A3 size	

Ark Business Centre October 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
AR1	19th Oct 2021	Building Manager	The servicing of the fire extinguishers is due within the next 30 days.	There is a risk to the environment and life if fire extinguishers are not in a serviceable condition. It is required by law to(a)take such general fire precautions as will ensure, so far as is reasonably practicable, the safety of any of his employees; and (b)in relation to relevant persons who are not his employees, take such general fire precautions as may reasonably be required in the circumstances of the case to ensure that the premises are safe.	6	2	3	TBC	Arrange for the servicing to be carried out	In Progress open 19/10/20

Town Hall October 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update Oct 2021
NCR 4 (TNC R2)	4 <sup>th</sup> March 2021	Town Hall Technical Manager	No waste transfer note for sanitary waste is available for the Initial sanitary waste collection.	Lack of a waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	PHS last visit to site was within the date range of the WTN. A new supplier is being sourced for reopening	Advise date of last collection and who new supplier is and when they were engaged. 17/03/2020. Previous note ran from 01/10/2019 to 30/09/2020. Engage a new supplier.	19/10/2021 This remains outstanding as the transfer note could not be evidenced at the time of the audit as the person responsible is on long term leave. This NCR remains open.

Town Hall October 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update Oct 2021
Issue 4 (T16)	4 <sup>th</sup> March 2021	Town Hall Technical Manager	To complete the waste transfer note for general waste from the Town Hall	An incorrectly completed waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Incorrectly completed by CBC	Ensure all sections are completed correctly	Closed at audit 19/10/21
Issue 5 (T17)	4 <sup>th</sup> March 2021	Town Hall Technical Manager	To ensure that the waste transfer note from Love Loughborough is signed by Serco.	An incorrectly completed waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Incorrectly completed by Serco	Ensure all sections are completed correctly Refer to supplier briefing note	Closed at audit 19/10/21
Issue 6 (T18)	4 <sup>th</sup> March 2021	Town Hall Technical Manager	There is no evidence of the engineers (Ian Simpkins) competence to conduct the testing of the air conditioning unit.	Not having the competency of the engineer who undertakes the maintenance is not compliant with the O-zone Depleting Substances Regulations and could lead to prosecution if the f-gas maintenance records were ever to be investigated by the Environment Agency.	2	1	2	Not supplied by service company	Obtain certificate	To be progressed

Town Hall October 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update Oct 2021
Rec 4 (TR5)	4 <sup>th</sup> March 2021	Town Hall Technical Manager	To consider reviewing the payback time requirement for energy improvements.	The use of electricity is linked to climate change, therefore energy saving measures should be adopted where possible	6	2	3	Allocation of finances	Establish if a review of the payback requirements for introducing energy saving measures can be carried out.	To be progressed
Rec 5 (TR6)	4 <sup>th</sup> March 2021	Town Hall Technical Manager	The mixed recycling waste transfer note specifies that aerosols can be transferred with the waste. This is incorrect. Aerosols should be consigned separately. The aerosol reference should be removed from the waste transfer note.	An incorrect waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Waste provider not providing the correct paperwork/service	Arrange for a separate collection for aerosols	Closed at audit 19/10/21
Rec 6 (TR7)	4 <sup>th</sup> March 2021	Town Hall Technical Manager	To increase signage for the spill kit location so they can be easily found	To prevent pollution in the event of a spill	2	1	2	Lack of obvious identification of spill materials	Signage required on the door and inside the upstairs lift room telling people where the spill kit is located	Closed 23/05/21 Signage in place Closed at audit 19/10/21
Positive Observation	4 <sup>th</sup> March 2021	Town Hall Technical Manager	There has been a proactive approach to reducing the amount of energy used while building occupancy levels are lower							

Town Hall October 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update Oct 2021
TNC R3	19 <sup>th</sup> Oct 2021	Town Hall Technical Manager	There is no waste transfer note for the collection of printer cartridges.	Lack of a waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	3	2	6	Lack of knowledge of this waste stream and its collection arrangements	This needs to be investigated and obtained	Open at 19/10/2021
TR8	19 <sup>th</sup> Oct 2021	Town Hall Technical Manager	Consideration should be given as to only granting access to the site for air conditioning engineers whose competency has been proven prior to arrival.	Not having the competency of the engineer who undertakes the maintenance is not compliant with the Ozone Depleting Substances Regulations and could lead to prosecution if the f-gas maintenance records were ever to be investigated by the Environment Agency.	1	2	3	Incompetency on the part of the service company	In the case of leak testing, consideration should be given as to only granting access to the site for air conditioning engineers whose competency has been proven prior to arrival.	Open at 19/10/2021

Town Hall 2020 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Rec 5 (TR4)	12 Feb 2020	Town Hall Technical Manager	It must be noted that the next time the gas is refilled in the AHU, it must be refilled either with a smaller amount of gas, or with a different gas which has a lower global warming potential.	Failure to have the correct gas refilled into the equipment poses a risk to the environment, as the Montreal Protocol has stated that gases with a high GWP should be phased out. This is the responsibility of the engineer but Charnwood	2	1	2	It is thought that the service company may not be aware that the refrigerant used originally is now banned.	This should be discussed with Carrier as soon as possible, and before the next leak check. If you need to add refrigerant to a system affected by the refill ban after 2020, you will need to follow guidelines.	Discuss with carrier when refilling is required 2021

Town Hall 2020 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
				BC should take action to avoid an environmental risk.						

Southfield Road Offices October 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update Oct 2021
Positive Observation			Good practise is being shown through the retention of NHS waste documentation.							
SI7	20 <sup>th</sup> Oct 2021	Building Manager	SI7: It should be ensured that recycling waste is not disposed of in the general waste.	Failure to comply with the waste hierarchy and risk of pollution. The Environmental Protection Act 1990 imposes a duty of care on persons concerned with handling waste. This Duty of Care affects anyone who produces, imports, carries, keeps, treats or disposes of controlled waste, or as a broker has control of such waste.	4	1	3	Staff not following correct process	Address the issue with staff	Open at 20/10/2021
SI8	20 <sup>th</sup> Oct 2021	Building Manager	SI8: A process needs to be put in place to ensure that printer cartridge waste is not being stored for more than 12 months.	Holding waste on site for longer than 12 months indicates that the duty of care has not been followed, which could result in prosecution by	4	1	3	Process not in place	A process needs to be put in place to ensure that printer cartridge waste is not being stored for more than 12 months.	Open at 20/10/2021

Southfield Road Offices October 2021 Audit

Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update Oct 2021
				the Environment Agency should the waste management practices of Charnwood BC be investigated.						
SI9	20 <sup>th</sup> Oct 2021	Building Manager	SI9 The Display Energy Certificate has expired.	A local authority can issue a penalty charge notice of £500 for failing to display a DEC The Department for Communities and Local Government guidance on 'Display Energy Certificate and Advisory Reports for Public Buildings' states that "To enable members of the public to view the document easily, it should be no smaller than A3 in size".	4	2	2	Lack of awareness of requirement.	Obtain a new certificate	Open at 20/10/2021
SR1	20 <sup>th</sup> Oct 2021	Building Manager	To refresh spill response training at least every 12 months.	To prevent pollution in the event of a spill and reduce risk to the environment	3	1	2	Lack of awareness of requirement.	Spill response training was last conducted in August 2020, best practice suggest that this is conducted every 12 months.	Open at 20/10/2021

Oak Business Centre October 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update October 2021
NCR 5 (ONC R1)	4 <sup>th</sup> March 2021	Building Manager	There needs to be a transfer note for printer cartridges, for Infotone	Lack of a correct waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Infotone did not supply a correct WTN	Contact Infotone to update waste transfer note	Closed in audit 20/10/21
OI4 Open	20 <sup>th</sup> Oct 2021		OI4: The servicing of the fire extinguisher needs to be conducted in the next 30 days.	There is a risk to the environment and life if fire extinguishers are not in a serviceable condition.	6	2	3	Fire extinguisher service nearly due	Arrange service date	Open at 20/10/2021
OI5 Open	20 <sup>th</sup> Oct 2021		OI5: The season ticket for general and mixed recycling expires within the next 30 days.	Lack of a waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Paperwork not yet in place	Contact the supplier and obtain a new season ticket	Open at 20/10/2021
OI6 Open	20 <sup>th</sup> Oct 2021		OI6: The sanitary waste transfer note season ticket is due to expire in the next 30 days.	Lack of a waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Paperwork not yet in place	Contact the supplier and obtain a new season ticket	Open at 20/10/2021

**Oak Business Centre 2019 Audit**

Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Rec 13	8 <sup>th</sup> Feb 2019	Business Centre Manager	Outside lights in the car park were left on all day. Photocells for these lights could reduce the use of the lighting when not required	The use of electricity is linked to climate change, therefore energy saving measures should be adopted where possible	6	2	3	Due to the pandemic and lower building utilisation it does not appear that energy saving lighting measures have been reviewed for the staff areas.	Investigation into photocells is recommended	To be reviewed as part of carbon 2030 plan

**General Legal Compliance March 2021 Audit**

Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update Oct 2021
NCR 6	4 <sup>th</sup> March 2021	Building Manager	It needs to be ensured that the Heat Network Regulations are complied with where there is communal heating or the distribution of thermal energy in the form of steam, hot water or chilled liquids from a central source.	Office for Product Safety and Standards is the regulator, non-compliance with obligated regulations could lead to prosecution.	6	2	3	Lack of evidence to support compliance with Heat Regulations	Carry out an assessment of the regulations and establish records to prove the accurate compliance status	In progress
GR2	20 <sup>th</sup> Oct 2021	Building Managers	Consideration should be given as to whether a consistent approach is required for the management of printer cartridge waste.	Holding waste on site for longer than 12 months indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of	4	1	3	Process not in place	A process needs to be put in place to ensure that printer cartridge waste is not being stored for more than 12 months, perhaps the same approach for each site.	Open at 27/10/2021

General Legal Compliance March 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update Oct 2021
				Charnwood BC be investigated.						
GR3	20 <sup>th</sup> Oct 2021	Sustainability Officer	Consideration should be given as to whether the frequency of internal environmental audits should be reduced to every 12 months.	Reducing frequency of audits to 12 months	TBC			Limited risk as audits have taken place 6 months previously	Review the frequency requirement	Open at 27/10/2021
GR4	20 <sup>th</sup> Oct 2021	Sustainability Officer	Consideration should be given as to how none office based roles can participate in the Green Rewards Scheme.	Carbon saving measures should be adopted where possible throughout the organisation	TBC			Lack of involvement of none office based staff	Find a way to involve none office based staff	Open at 27/10/2021

Likelihood	Very Likely (4)	4	8	12	16
	Likely (3)	3	6	9	12
	Unlikely (2)	2	4	6	8
	Remote (1)	1	2	3	4
		Minor (1)	Significant (2)	Serious (3)	Major (4)
		Impact			

OVERALL RISK RATING	
12 - 16	HIGH
6 - 9	MODERATE
3 - 4	LOW
1 - 2	VERY LOW

## AUDIT COMMITTEE – 16<sup>th</sup> November 2021

### Report of the Head of Strategic Support

#### Part A

#### ITEM 7 INTERNAL AUDIT PROGRESS REPORT 2021/22 TO 29<sup>th</sup> OCTOBER 2021

##### Purpose of Report

The report summarises the progress against the 2021/22 Audit Plan, outlining key findings from final reports and any outstanding recommendations.

##### Recommendation

The Committee notes the progress report set out in Appendix 1.

##### Reason

To ensure the Committee is kept informed of progress against the Internal Audit plan and work of Internal Audit.

##### Policy Justification and Previous Decisions

The Accounts and Audit Regulations 2015 state (Regulation 5 (1)) that the relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards and any appropriate guidance.

##### Implementation Timetable including Future Decisions

Reports will continue to be submitted to the Committee on a regular basis.

##### Report Implications

The following implications have been identified for this report.

##### *Financial Implications*

*None*

##### Risk Management

There are no specific risks associated with this report.

Background Papers: Public Sector Internal Audit Standards

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## **Part B**

The details regarding this report are set out in the Appendix.

### Appendices

Appendix 1 – INTERNAL AUDIT PROGRESS REPORT 2021/22 TO 29<sup>TH</sup> OCTOBER  
2021



## **INTERNAL AUDIT SHARED SERVICE**

**Charnwood Borough Council**

**Internal Audit Progress Report 2021/22 to  
29<sup>th</sup> October 2021**

## **1.0 Introduction**

- 1.1 Internal Audit is provided through a shared service arrangement by North West Leicestershire District Council. The assurances received through the Internal Audit programme are a key element of the assurance framework required to inform the Annual Governance Statement. The purpose of this report is to update on Internal Audit activity from 10.09.21 to 29.10.21.

## **2.0 Internal Audit Plan Update**

- 2.1 Since the last update report to Audit Committee on 28<sup>th</sup> September 2021, 2 final audit reports have been issued. Appendix A shows the current position of the 2021/22 Audit Plan and the executive summaries for the final reports issued are detailed in Appendix B:
- Fleet Management – Reasonable Assurance
  - Acquisitions Policy – Reasonable Assurance

## **3.0 Outstanding Recommendations**

- 3.1 Internal Audit monitor and follow up all critical, high and medium priority recommendations. There is 1 overdue recommendation which is detailed in Appendix C for information.
- 3.2 Appendix D details recommendations previously reported but, as yet, they have not reached their implementation date.
- 3.3 Audit committee were keen to track the progress of recommendations made following the Asset Management audit, and also recommendations relating to policies and procedures. Appendix E shows the progress to date against these recommendations.

## **4.0 Internal Audit Performance Indicators**

- 4.1 Progress against the agreed Internal Audit performance indicators is included in Appendix F. There are no concerns to report at this time.

APPENDIX A

2021/22 AUDIT PLAN AS AT 10<sup>th</sup> SEPTEMBER 2021

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Asset Management	Audit	10	13	Completed	Limited	-	7	3	1	
Disabled Facilities Grants	Certification	5	2.5	Completed						
Commercial Property Project	Audit	10	12	Completed	Reasonable	-	2	2	-	
Commercial Lettings	Audit	10	13	Draft Report						
Acquisitions Policy	Audit	8	8	Draft Report	Reasonable	-	2	3	1	
Fleet Management	Audit	10	13	Completed	Reasonable	-	3	2	-	
Risk Management	Audit	10	8	Completed	Limited	-	3	5	-	
Choice Based Lettings	Audit	10	-	Scheduled Q4						
Building Control	Audit	8	1	In progress						Joint audit for NWLDC
Electrical Safety	Audit	8	-	Scheduled Q4						
Stray Dog Contract	Audit	8	2	In progress						
Benefits Subsidy	Assurance	30		Scheduled Q3/4						Additional work as per discussions with S151 and external auditors

Covid-19 related assurance	Assurance	40	70	As required						This has been higher than planned in Q1 due to new grants and level of checking required by central government. Will be able to use some of the NFI time as do not expect to use all of that.
Procurement Advisory	Advisory	3	-	As required						
SWAP Advisory	Advisory	15	-	As required						
DVLA Database Access	Advisory	3	2.6	Completed						
Markets – New Booking System	Advisory	2	-							
NFI	Assurance	30	4	As required						Likely to be able to use this time to offset overrun on Covid-19 related assurance.
IT Project Management	Audit	BDO		Engagement Planning						Audit to be delivered by BDO ICT audit specialist.
IT and Cloud Strategy	Audit	BDO		Report drafting						Audit to be delivered by BDO ICT audit specialist.
Data Governance and Operational Cloud Security	Audit	BDO		Scheduled Q4						Audit to be delivered by BDO ICT audit specialist.

## Definitions

### Audit Opinion

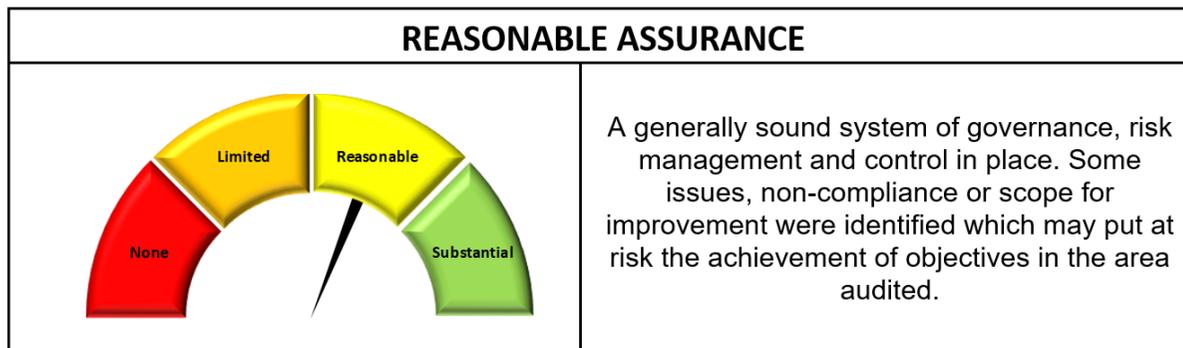
Opinion	Definition
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited

### Recommendation Priority

Level	Definition
Critical	Recommendations which are of a very serious nature and could have a critical impact on the Council, for example to address a breach in law or regulation that could result in material fines/consequences.
High	Recommendations which are fundamental to the system and require urgent attention to avoid exposure to significant risks.
Medium	Recommendations which, although not fundamental to the system, provide scope for improvements to be made,
Low	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.

## SUMMARY OF FINAL AUDIT REPORTS ISSUED BETWEEN 10 SEPTEMBER 2021 &amp; 29 OCTOBER 2021

## FLEET MANAGEMENT

**Key Findings**

Areas of positive assurance identified during the audit:

- Up to date policies and procedures are in place.
- A fleet register exists and is maintained with current information.
- Sufficient insurance and security arrangements are in place for the vehicles.
- There are adequate procedures in place to ensure vehicles are taxed, serviced and MOT'd as required and regular condition checks are carried out.

The main areas identified for improvement are:

- Drivers non-compliance for the completion of daily vehicle checks is not being adequately managed.
- There are employees who have not signed the Vehicle User's Policy and Agreement.
- The data available on vehicle usage and fuel consumption is not monitored.
- The vehicle allocation list held by the Housing section is out of date.

Two medium and three high priority recommendations were made.

Observation	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
<p>Testing has shown that non-compliance with vehicle checks and vehicle defects are reported to the appropriate services but in some instances, services are not taking sufficient action to remedy non-compliance and ensure non roadworthy vehicles are taken off the road.</p> <p>The policy in place that details the actions to be taken for these types of non-compliance does not give the relevant officers the ability to act to ensure the Council complies with policy, procedure and legal requirements.</p>	<p>1. Management review the policy and procedures for the reporting of non-compliance and defect issues and as part of that review ensure that relevant officers have appropriate decision-making authority. This will ensure that relevant action is taken in a timely manner to protect the authority in relation to legal requirements.</p>	Medium	Agreed as per recommendation.	Head of Cleansing and Open Spaces and Contracts Manager	March 2022
<p>Sample testing highlighted that none of the officers who had joined the council, following the introduction of the vehicle user's policy and agreement in 2015, had not signed this agreement. There appears to be no process in place to capture these drivers following recruitment.</p>	<p>2. An exercise is undertaken to ensure all current drivers have signed the Vehicle User's Policy and Agreement.</p>	High	Agreed as per recommendation.	Contracts Manager and Business Support and Administration Officer	December 2021
	<p>3. Procedures are put in place to ensure that all officers who will be using a council vehicle sign the</p>	High	Management will liaise with Human Resources to ensure that the	Organisational Development Manager	January 2022

	Vehicle User's Policy and Agreement.		policy is issued as part of the induction process for those posts where the employee is likely to use a council vehicle. Similar to where there is a requirement for a DBS check against particularly posts.		
Although there is data available that could be used for monitoring vehicle and fuel usage there are no monitoring procedures in place and monitoring is not carried out.	4. Procedures are put in place to monitor vehicle and fuel usage to ensure the authority is making best use of the vehicles in terms of routes and schedules and to gain assurance that there is no misappropriation of the council's assets.	High	Agreed as per recommendation.	Contracts Manager	December 2021
The housing vehicles allocation list, detailing which vehicle is allocated to which operative, was out of date.	5. The housing vehicles allocation list is updated and a copy sent to Fleet Management so that the fuel card distribution list can be updated accordingly.	Medium	Agreed as per recommendation.	Repairs and Investment Manager and Principal Officer – Repairs and Maintenance.	October 2021

## ACQUISITIONS POLICY



### Key Findings

The main areas identified for improvement are:

- The constitution does not document the delegated authority for the Head of Strategic and Private Sector Housing to amend the policy.
- Written procedures do not document the full process.
- Procedures need amending to ensure that the policy is being adhered to and appropriate due diligence is completed.

Overall six recommendations were made, two high, three medium and one low priority.

Observation	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
<p>The council's website currently shows the 2019 version of the Housing Acquisitions Policy.</p> <p>The policy states it will be reviewed on an annual basis or more frequently if considered appropriate however it is understood due to Covid-19 a 2020 review was not carried out.</p> <p>A 2021 policy was provided at the beginning of August 2021. This policy was approved by the Leader Member on 23<sup>rd</sup> August 2021 but as at 6<sup>th</sup> October 2021 it has still not been published on the website.</p>	<p>1. The website is updated to include the current Housing Acquisitions Policy 2021 and further reviews are carried out in a timely manner.</p>	Low	<p>The 2021 policy has been uploaded on the website.</p>	<p>Head of Strategic and Private Sector Housing.</p>	<p>Implemented.</p>
<p>Delegation to make minor amendments was approved at the time the policy was first approved however the constitution has not been updated to reflect this.</p>	<p>2. The constitution is updated to reflect the Head of Strategic and Private Sector Housing to include delegated authority to make minor amendments to the Housing Acquisitions Policy</p>	Medium	<p>The constitution will be checked and any necessary amendments will be made.</p>	<p>Head of Strategic Support/Democratic Services Manager</p>	<p>December 2021</p>
<p>The written procedures on acquisitions start at the point when the decision to make an offer on a property is made and therefore does not document the complete process, from how a property is identified.</p>	<p>3. The acquisitions procedure is updated to include the beginning of the process, starting with how a property is identified.</p>	Medium	<p>Agreed as per recommendation.</p>	<p>Head of Strategic and Private Sector Housing.</p>	<p>January 2022</p>
<p>Testing on one acquisition highlighted the following areas where the Housing Acquisition Policy was not adhered to:</p>	<p>4. Management ensure that purchases are made in line with the policy.</p>	High	<p>The Policy to be reviewed again and any amends to be approved in line with the</p>	<p>Head of Strategic and</p>	<p>January 2022</p>

<ul style="list-style-type: none"> <li>• The contract was not signed by two authorised signatories (Financial Appraisal, page 7).</li> <li>• The decision to offer evaluation form was not fully completed as no budgetary information had been included (stage 3, property evaluation).</li> <li>• Not all costs (based on RICS recommendations) to bring the property up to the Charnwood Standard were considered in the decision to make an offer (stage 2 of policy, criteria 2). This has led to the purchase price being higher than the policy gives authority for (stage 3, property evaluation - The initial investment (the buying price plus cost of repairs) does not exceed the property value once brought up to the Charnwood Standard).</li> </ul>			Constitution, and a revised copy of the Policy to be uploaded to the website.	Private Sector Housing.	
Procedures, in respect of contract sign off, do not reflect the requirements of the policy.	5. The procedures are updated to ensure that they fully reflect the requirements of the policy.	Medium	Update the procedures to reflect the requirements of the Policy.	Head of Strategic and Private Sector Housing.	January 2022
The acquisition process lacks governance in that all delegated authority is with the Head of Strategic and Private Sector Housing, who also manages the process on daily basis, which removes any segregation of duty and independence in the process. The decision making, accountability, control and changes to policy are all the responsibility of the Head of Strategic and Private Sector Housing.	6. A full review is carried out in relation to the delegated authority in this process to ensure that there is independence within the process.	High	<p>Agreed. Will discuss the process and decision-making changes required with Democratic Services.</p> <p>Head of Strategic and Private Sector Housing management comment: The day to day</p>	Strategic Director of Community, Planning and Housing.	December 2021

			management of the process is normally the responsibility of the Housing Strategy and Support Manager, however this post is currently vacant.		
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**RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS AS AT 29 OCTOBER 2021  
(CRITICAL, HIGH AND MEDIUM PRIORITY)**

Report	Recommendation	Priority	Officer Responsible	Target Date	Internal Audit Comments
NNDR	The discretionary business rates policy is reviewed and updated on a regular basis.	Medium	Head of Customer Experience	September 21	Awaiting update.

**RECOMMENDATIONS TRACKER – RECOMMENDATIONS PREVIOUSLY REPORTED BUT NOT YET DUE AS AT 29 OCTOBER 2021  
(CRITICAL, HIGH AND MEDIUM PRIORITY)**

Report	Audit Year	Recommendation	Priority	Officer Responsible	Target Date
Right to Buy	20/21	Officers should ensure that where information detailed within the application does not fully match that held by the authority further investigation is carried out and documented to ensure that only bone fide applications can proceed. Additionally, checks against the housing benefits system should be introduced to ensure any fraudulent claims are identified.	High	Strategic Asset Manager & Right to Buy Officer	Feb 22
Absence Management	20/21	All staff with absence management responsibilities (e.g. line managers and Heads of Service) should attend a training session delivered by the HR team to discuss discretion and how and when it can be applied.  The session should address the application of manager discretion to the absence management policy and aim to clarify when it is and is not appropriate to apply discretion.	Medium	Organisational Development Manger	Dec 21
Strategic Communications	19/20	The Annual Communications Report should refer to the strategy, for example detailing the original objectives and under each stating what has been done that year to achieve the objective, supporting figures and performance statistics and a reflection on the performance.	Medium	Communications Manager	Dec 21
NNDR	20/21	Consideration is given to awarding reliefs and exemptions for a set period only. This should be detailed within the policy	Medium	Head of Customer Experience	Dec 21
NNDR	20/21	A full review of the contract is carried out by the authorised officer and where shortfalls are identified these are relevantly rectified, including the resurrection of the Partnership Board meetings.	High	Head of Customer Experience	Dec 21

NNDR	20/21	All meetings are relevantly minuted.	Medium	Head of Customer Experience	Dec 21
Gas Servicing Contract Monitoring	20/21	A reconciliation between the QL system and the details held by Sure of the properties requiring a CP12 is carried out on a quarterly basis to ensure that all properties are recorded.	Medium	Compliance Manager	Dec 21
Gas Servicing Contract Monitoring	20/21	Officers entering the figures into the performance report ensure that these are correctly entered and correspond to the figures provided.	Medium	Compliance Manager	Dec 21
Asbestos Management	20/21	To ensure that officers attend relevant training a full training record should be developed that details the level of training required, when officers have attended training and the frequency that training should be attended.	Medium	Health, Safety & Environmental Manager	Dec 21
Asset Management	21/22	Officers ensure that a new Asset Management Strategy is produced and approved in time to replace the current strategy and that it becomes a working document that is updated as the priorities of the council develop over the time.  Management should consider existing resources, such as the Royal Institution of Chartered Surveyors Asset Management Guidelines and Department of Communities and Local Government framework for Local Authorities on Asset Management when developing the Strategy and any related documents.	High	Strategic Director of Commercial Development, Asset and Leisure	Apr-22
Asset Management	21/22	Officers ensure that all policies and documents are in place, up to date and available to support the progression of the strategy.	High	Strategic Director of Commercial Development, Asset and Leisure	Apr-22
Asset Management	21/22	The processes in place for managing the asset information are formalised. These processes should at least describe how council's collect, analyse and evaluate the information to ensure decision making is evidence based and identifies the roles and responsibilities of the officers involved in those processes.	High	Strategic Director of Commercial Development, Asset and Leisure	Apr-22
Asset Management	21/22	The current asset insurance list is circulated annually, prior to the renewal of insurance, requesting that officers update the areas relevant to their service.	Medium	Insurance Officer	Jan-22
Asset Management	21/22	Management develops a comprehensive single source of data to track and record assets which allows them to see a complete picture for each asset in real time, which can be used to support	High	Strategic Director of Commercial Development, Asset and Leisure	Sep-22

		the Asset Management Action Plan and give assurance that the authority is meeting their legal responsibilities.		and Strategic Ass Manager	
Asset Management	21/22	Consideration is given to asset maintenance budgets being centralised to ensure that the authority can maintain their asset stock to the condition required.	High	Strategic Director of Commercial Development, Asset and Leisure	Apr-22
Asset Management	21/22	The review and validation of the register should ensure that all information held is complete and accurate. Consideration should be given to including fields such as acquisition and disposal dates, current condition/defects and running cost, inspection and compliance requirements and planned works.	High	Strategic Asset Manager	Sep-22
Corporate Risk Management	21/22	The strategy and framework are reviewed and updated, and relevantly approved to reflect the current position of the authority.	High	Organisational Development Manager	Dec-21
Corporate Risk Management	21/22	The strategy and framework are made available for staff to ensure the promotion of risk management across the authority.	Medium	Organisational Development Manager	Dec-21
Corporate Risk Management	21/22	Standard risk management templates are used across the authority for consistency and to ensure the same level of risk management is embedded in all services, projects and partnerships.	Medium	Organisational Development Manager	Mar-22
Corporate Risk Management	21/22	Officers should ensure that the strategic risk register is accurately recorded and updated and is being managed in line with the risk management framework.	High	Organisational Development Manager	Dec-21
Corporate Risk Management	21/22	Terms of Reference for the Risk Management Group are developed, agreed and relevantly distributed to ensure that the group is fully aware of its responsibilities and focussing on the relevant areas.	Medium	Organisational Development Manager	Dec-21
Corporate Risk Management	21/22	Consideration should be given to promoting the use of specific risk registers when working in partnerships to encourage ownership of particular risks across the partnership.	Medium	Organisational Development Manager	Mar-22

Corporate Risk Management	21/22	A review of training is carried out to ensure that all officers and members receive the correct level of training to reflect their responsibilities within the risk management process.	High	Organisational Development Manager	May-22
Commercial Property Project	21/22	A risk assessment is completed which considers the current risks associated with investment properties which is regularly reviewed, and where necessary updated, and is included in the report to Audit Committee.	High	Strategic Director of Commercial Development, Asset and Leisure	Dec-21

## RECOMMENDATIONS TRACKER – ASSET MANAGEMENT RECOMMENDATIONS

Report	Audit Year	Recommendation	Priority	Officer Responsible	Target Date	IA Comments
Asset Management	2021/22	Officers ensure that a new Asset Management Strategy is produced and approved in time to replace the current strategy and that it becomes a working document that is updated as the priorities of the council develop over the time.  Management should consider existing resources, such as the Royal Institution of Chartered Surveyors Asset Management Guidelines and Department of Communities and Local Government framework for Local Authorities on Asset Management when developing the Strategy and any related documents.	High	Strategic Director of Commercial Development, Asset and Leisure	Apr-22	
Asset Management	2021/22	Officers ensure that all policies and documents are in place, up to date and available to support the progression of the strategy.	High	Strategic Director of Commercial Development, Asset and Leisure	Apr-22	
Asset Management	2021/22	The processes in place for managing the asset information are formalised. These processes should at least describe how council's collect, analyse and evaluate the information to ensure decision making is evidence based and identifies the roles and responsibilities of the officers involved in those processes.	High	Strategic Director of Commercial Development, Asset and Leisure	Apr-22	
Asset Management	2021/22	The current asset insurance list is circulated annually, prior to the renewal of insurance, requesting that officers update the areas relevant to their service.	Medium	Insurance Officer	Jan-22	
Asset Management	2021/22	In accordance with Financial Procedure Rule 17.2.2, Heads of Service are reminded of their responsibility to advise the insurance officer of any in year acquisitions, disposals or changes in responsibility related to insurance (e.g. lease changes) within their service areas, to ensure that all assets owned by the authority are relevantly insured and the authority is not over insuring assets that they no longer own.	Medium	Organisational Development Manager	Sep-21	Implemented

Asset Management	2021/22	Management develops a comprehensive single source of data to track and record assets which allows them to see a complete picture for each asset in real time, which can be used to support the Asset Management Action Plan and give assurance that the authority is meeting their legal responsibilities.	High	Strategic Director of Commercial Development, Asset and Leisure and Strategic Asset Manager	Sep-22	
Asset Management	2021/22	Consideration is given to asset maintenance budgets being centralised to ensure that the authority can maintain their asset stock to the condition required.	High	Strategic Director of Commercial Development, Asset and Leisure	Apr-22	
Asset Management	2021/22	The review and validation of the register should ensure that all information held is complete and accurate. Consideration should be given to including fields such as acquisition and disposal dates, current condition/defects and running cost, inspection and compliance requirements and planned works.	High	Strategic Asset Manager	Sep-22	

**RECOMMENDATIONS TRACKER – POLICIES AND PROCEDURES**

<b>Report</b>	<b>Audit Year</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Officer Responsible</b>	<b>Target Date</b>	<b>IA Comments</b>
NNDR	20/21	The discretionary business rates policy is reviewed and updated on a regular basis.	Medium	Head of Customer Experience	Sep-21	Awaiting update
Fleet Management	21/22	Management review the policy and procedures for the reporting of non-compliance and defect issues and as part of that review ensure that relevant officers have appropriate decision-making authority. This will ensure that relevant action is taken in a timely manner to protect the authority in relation to legal requirements.	Medium	Head of Cleansing and Open Spaces and Contracts Manager	Mar-22	
Fleet Management	21/22	Procedures are put in place to monitor vehicle and fuel usage to ensure the authority is making best use of the vehicles in terms of routes and schedules and to gain assurance that there is no misappropriation of the council's assets.	Medium	Contracts Manager	Dec-21	

**INTERNAL AUDIT PERFORMANCE INDICATORS**

<b>PERFORMANCE MEASURE</b>	<b>POSITION AS AT 29<sup>th</sup> October 2021</b>	<b>COMMENTS</b>
Delivery of 2021/22 Audit Plan	50%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	Based on 3 returns for 21/22.
Compliance with the Internal Audit Standards	Conforms	Inspection took place w/c 30 <sup>th</sup> November 2020. Internal Audit Service conforms to the Public Sector Internal Audit Standards.
Compliance testing of completed recommendations	100%	

## AUDIT COMMITTEE – 16<sup>th</sup> November 2021

### Report of the Strategic Director for Environment and Corporate Services

#### Part A

#### ITEM 8 RISK MANAGEMENT (RISK REGISTER) UPDATE

##### Purpose of Report

The purpose of this report is to provide the Committee with details of the Strategic Risk Register produced for the period to 2020/21, and also to provide information on the risk register that has been compiled to reflect the ongoing COVID-19 situation.

##### Recommendation

The Committee notes the report.

##### Reason

To ensure the Committee is kept informed of progress against the strategic risks that should they crystallise would cause the Council to be unable to operate and/or provide key services leading to a significant adverse effect on public wellbeing, and also about the COVID-19 risk register.

##### Policy Justification and Previous Decisions

The Strategic Risk Register was approved by Cabinet on the 11th February 2021.

Cabinet resolved that the Audit Committee monitor progress against those risks on the register by receiving and considering monitoring reports on a quarterly basis.

##### Implementation Timetable including Future Decisions

Reports will continue to be submitted to the Committee on a quarterly basis.

##### Report Implications

The following implications have been identified for this report.

##### *Financial Implications*

None

##### *Risk Management*

There are no specific risks associated with this decision.

Background Papers: Cabinet Report 11<sup>th</sup> February 2021 – Item 11  
Audit Committee Report 28<sup>th</sup> September 2021 – Item 6  
Audit Committee Report 8<sup>th</sup> June 2021 – Item 13

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## Part B

### Background

1. In accordance with the Committee's work programme the Committee receives monitoring reports in respect of the Council's risk management arrangements. The reports provide a detailed commentary against the risks included in the strategic risk register and the COVID-19 risk register.

### Development of the Strategic Risk Register and COVID-19 Risk Register

2. In reading the risk registers attached in the appendices, it is important to understand that the 'Overall Score' shown in the first risk matrix is the risk that the Council would bear if **no** actions were taken to mitigate the risk. In the vast majority of cases the Council is able to operate risk mitigation processes which result in the lower 'Net Risk Score' shown in the second risk matrix it is this latter score which represents the current assessment of strategic risks faced by the Council.
3. The registers continue to be monitored and reviewed by the Senior and Corporate Leadership Teams at the quarterly Risk Management Group meetings, and are updated as required.
4. No changes have been made to the risk registers in this period.
5. An internal audit of Corporate Risk Management was undertaken by the Internal Audit Partnership during July / August 2021. The audit covered the periods from July 2020 to June 2021.
6. Limited assurance has been given as to the effectiveness of the system of internal control in place to manage the risk associated with Corporate Risk Management.
7. A number of recommendations have been identified and agreed. Audit Committee will receive an update at the meeting in January 2022 regarding progress.

### Appendices

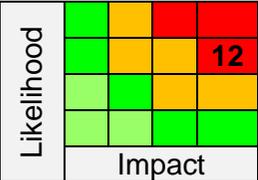
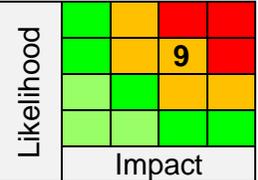
- Appendix 1 - Strategic Risk Register
- Appendix 2 – COVID-19 Risk Register

# Strategic Risk Register

## OVERVIEW

RISK		OWNER	INHERENT RISK			RESIDUAL RISK		
			Likelihood	Impact	Total	Likelihood	Impact	Total
SR1	Inadequate business continuity and recovery arrangements, resulting in major internal and/or external disruption to services in the event of an incident.	Strategic Director of Environment and Corporate Services	3	4	12	3	3	9
SR2	Inadequate data sharing and data security arrangements.	Strategic Director of Environment and Corporate Services	3	4	12	2	3	6
SR3	Inadequate civil contingency arrangements resulting in failure to respond appropriately to a major incident (eg. flooding, terrorism etc).	Chief Executive	4	4	16	3	4	12
SR4	Significant reduction in external funding and/or income generated leading to a reduction in the financial resources available for service provision and/or to fund corporate objectives.	Strategic Director of Environment and Corporate Services	4	4	16	3	4	12
SR5	Ineffective strategic communication arrangements	Chief Executive	3	3	9	2	3	6
SR6	Risk that the proposed Environment Bill will cause financial hardship to the Council due to loss of income relating to Garden Waste and the additional cost of food waste collection and garden waste collection from every household	Strategic Director of Environment and Corporate Services	4	4	16	3	4	12

# Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
<b>SR1</b> Inadequate business continuity and recovery arrangements, resulting in major internal and/or external disruption to services in the event of an incident.	Strategic	<ul style="list-style-type: none"> <li>• Inability to deliver key/critical services e.g.benefits, refuse collection, homelessness applications, emergency repairs.</li> <li>• Reduction in access channels available to residents / customers i.e. contact centre, customer services, telephony</li> </ul>			MAINTAIN AS CURRENT
<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>• Business Continuity Planning</li> <li>• IT Disaster Recovery Plan</li> <li>• Website hosted externally</li> <li>• Off-site data back-up arrangements</li> <li>• Stand-by generator for ICS building</li> <li>• Cloud based telephony infrastructure</li> <li>• Contingency planning for failure of major contractor</li> </ul>				
<b>Risk Owner</b>	Strategic Director of Environment and Corporate Services				
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Link to work regarding concurrent incidents Link to workforce mental health	<u>Responsible Officer:</u> Head of Strategic Support	<u>Target Date:</u> Ongoing		

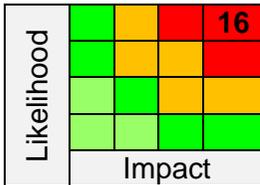
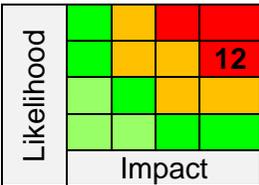
# Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																												
<b>SR2</b> Inadequate data sharing and data security arrangements.	Strategic	<p>Ineffective processes for sharing data with other agencies / authorities leading to data breaches</p> <p>Major reputational damage and loss of public confidence</p> <p>Potentially significant fines</p> <p>Increased risk due to the operating processes and people possibly taking documents home</p>	<table border="1"> <tr><td rowspan="4">Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>Green</td><td>Yellow</td><td>Yellow</td><td>12</td></tr> <tr><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red	Green	Yellow	Yellow	12	Green	Green	Yellow	Yellow	Green	Green	Green	Green		Impact				<table border="1"> <tr><td rowspan="4">Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>Green</td><td>Yellow</td><td>Yellow</td><td>6</td></tr> <tr><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red	Green	Yellow	Yellow	6	Green	Green	Yellow	Yellow	Green	Green	Green	Green		Impact				MAINTAIN AS CURRENT
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<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>• Information sharing agreements in place with key agencies and authorities</li> <li>• Annual IT health checks including penetration testing</li> <li>• Data Protection Officer in post and data protection training and awareness for staff and councillors</li> <li>• Data Protection Impact Assessment form developed and circulated</li> <li>• IT security policies in place</li> <li>• Protective marking of emails</li> <li>• Policies are reviewed on a regular basis</li> <li>• Information Security Group to be established with CLT</li> <li>• Checking the location of data storage post Brexit – EU / UK</li> <li>• Cyber Security Insurance procured</li> </ul>																																																
<b>Risk Owner</b>	Strategic Director of Environment and Corporate Services																																																
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Not Applicable	<u>Responsible Officer:</u> N/A	<u>Target Date:</u> N/A																																														

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<b>SR3</b> Inadequate civil contingency arrangements resulting in failure to respond appropriately to a major incident (eg. flooding, terrorism etc).	Strategic	<ul style="list-style-type: none"> <li>• Inability to respond to affected peoples' basic needs (food, shelter etc)</li> <li>• Adverse effect on the local economy</li> <li>• Major reputational damage and loss of public confidence</li> <li>• Extending the recovery phase longer than necessary</li> <li>• Dealing with the COVID pandemic will have a negative effect on the management of concurrent incidents</li> </ul>	<table border="1"> <tr><td>Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>16</td></tr> <tr><td></td><td>Green</td><td>Yellow</td><td>Red</td><td></td></tr> <tr><td></td><td>Green</td><td>Yellow</td><td>Yellow</td><td></td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Yellow</td><td></td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td></td></tr> <tr><td></td><td></td><td></td><td></td><td>Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	16		Green	Yellow	Red			Green	Yellow	Yellow			Green	Green	Yellow			Green	Green	Green						Impact	<table border="1"> <tr><td>Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>12</td></tr> <tr><td></td><td>Green</td><td>Yellow</td><td>Red</td><td></td></tr> <tr><td></td><td>Green</td><td>Yellow</td><td>Yellow</td><td></td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Yellow</td><td></td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td></td></tr> <tr><td></td><td></td><td></td><td></td><td>Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	12		Green	Yellow	Red			Green	Yellow	Yellow			Green	Green	Yellow			Green	Green	Green						Impact	MAINTAIN AS CURRENT
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<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>• Participation in the Local Resilience Partnership and Forum (LRP and LRF) – and awareness of guidance regarding concurrent incident with COVID</li> <li>• Appropriate emergency and incident planning in place</li> <li>• Regular testing and exercising of emergency plans</li> <li>• Training and awareness for relevant staff</li> <li>• 24/7 call-out arrangements for senior managers (SLT / CLT)</li> <li>• Participation in county-wide Events Safety Group (SAG)</li> <li>• Reviews periodically undertaken within current Treatments and Controls</li> </ul>																																																																
<b>Risk Owner</b>	Chief Executive																																																																
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Work with LRF partners regarding Covid and the changes in infection rates and the availability of support for concurrent incidents including rest centres		<u>Responsible Officer:</u> Head of Strategic Support	<u>Target Date:</u> Ongoing  Ongoing																																																													

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<b>SR4</b> Significant reduction in external funding and/or income generated leading to a reduction in the financial resources available for service provision and/or to fund corporate objectives.	Strategic	<ul style="list-style-type: none"> <li>• Inability to meet demand for services</li> <li>• Inability to meet statutory duties</li> <li>• Ceasing or reducing some services</li> </ul>			MAINTAIN AS CURRENT
<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>• Annual production and monitoring of Medium Term Financial Strategy (MTFS)</li> <li>• Treasury Management Strategy</li> <li>• Budget and revenue monitoring processes</li> <li>• Business continuity planning</li> <li>• Production and monitoring of efficiency plan</li> <li>• Maintenance of reserves at specified required levels</li> <li>• Monitor, consider and respond to government proposals affecting budgets and/or income</li> <li>• Consider commercialisation opportunities</li> <li>• Due to the implications of the COVID pandemic the financial challenge and impact is greater</li> <li>• Continued uncertainty and volatility in Local Government funding and Council funding is replicated on a range of one off stop gaps</li> <li>• Follow up on the subsidy associated with the Supported Living costs</li> </ul>				
<b>Risk Owner</b>	Strategic Director of Environment and Corporate Services				
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Not Applicable	<u>Responsible Officer:</u> N/A	<u>Target Date:</u> N/A		

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<b>SR5</b> Ineffective strategic communication arrangements	Strategic	<ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Adverse media coverage</li> <li>• Damage to relationships with partners</li> <li>• Damage to staff morale</li> <li>• Competing demands due to the COVID pandemic</li> </ul>	<table border="1"> <tr><td>Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>Yellow</td><td>9</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td></td><td></td><td></td><td>Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red		Green	Yellow	9	Red		Green	Green	Yellow	Yellow		Green	Green	Green	Green		Green	Green	Green	Green					Impact	<table border="1"> <tr><td>Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>6</td><td>Yellow</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td></td><td></td><td></td><td>Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red		Green	Yellow	Yellow	Red		Green	Green	6	Yellow		Green	Green	Green	Green		Green	Green	Green	Green					Impact	MAINTAIN AS CURRENT
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<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>• Adequately staffed and experienced corporate communications team – including additional resources to support the ongoing COVID pandemic</li> <li>• Corporate Communications Plan in place</li> <li>• Communications Strategy being developed</li> <li>• Regular monitoring of all media sources</li> <li>• Continue to expand on social media use and reach</li> <li>• ‘Horizon scanning’ for potential communication issues at each Corporate Leadership Team meeting</li> <li>• Joint working with LCC Comms</li> </ul>																																																																
<b>Risk Owner</b>	Chief Executive																																																																
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Not Applicable	<u>Responsible Officer:</u> N/A	<u>Target Date:</u> N/A																																																														

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<b>SR6</b> – Risk that the proposed Environment Bill will cause financial hardship to the Council due to loss of income relating to Garden Waste and the additional cost of food waste collection and garden waste collection from every household	Strategic	<ul style="list-style-type: none"> <li>Financial damage</li> <li>Reputational damage</li> <li>Not complying with legislation</li> </ul>	<table border="1"> <tr> <td rowspan="4">Likelihood</td> <td>High</td> <td>Medium</td> <td>Low</td> <td>16</td> </tr> <tr> <td>Medium</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td>Low</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td>Very Low</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>Impact</td> <td></td> </tr> </table>	Likelihood	High	Medium	Low	16	Medium	Medium	Low		Low	Medium	Low		Very Low	Medium	Low					Impact		<table border="1"> <tr> <td rowspan="4">Likelihood</td> <td>High</td> <td>Medium</td> <td>Low</td> <td>12</td> </tr> <tr> <td>Medium</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td>Low</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td>Very Low</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>Impact</td> <td></td> </tr> </table>	Likelihood	High	Medium	Low	12	Medium	Medium	Low		Low	Medium	Low		Very Low	Medium	Low					Impact		MAINTAIN AS CURRENT
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<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>Lobbying MP's regarding the implications of the Bill</li> <li>Monitoring the Bill as it moves through Parliament</li> <li>Meeting with DEFRA</li> <li>Liaising with other Districts</li> <li>Reviewing and understanding the financial implications (full modelling would require external assistance)</li> <li>Cabinet Member Briefing – 17<sup>th</sup> June</li> <li>Uncertainty regarding where the funding will come from – Central Govt or Local</li> </ul>																																																
<b>Risk Owner</b>	Strategic Director of Environment and Corporate Services																																																
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Bill is at the Committee Stage – will monitor and update the risk accordingly		<u>Responsible Officer:</u> Head of Cleansing and Open Spaces		<u>Target Date:</u> Ongoing																																												

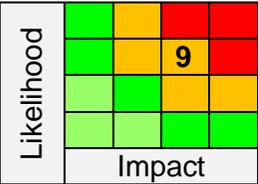
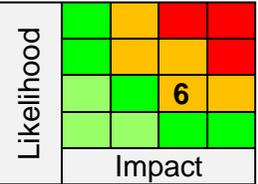
# COVID-19 Risk Register

## OVERVIEW

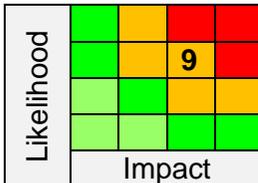
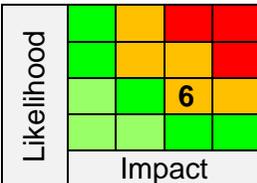
RISK		OWNER	INHERENT RISK			RESIDUAL RISK		
			Likelihood	Impact	Total	Likelihood	Impact	Total
<b>CVD1</b>	Risk that Charnwood does not adequately monitor the data relating to COVID-19 and respond appropriately to the fluctuations in infection rates and the changes in tiers	Strategic Director of Environment and Corporate Services	3	3	9	2	2	4
<b>CVD2</b>	Risk that there are inadequate health and safety arrangements for staff, Members and volunteers, resulting in infection by the virus.	Head of Regulatory Services	3	3	9	3	2	6
<b>CVD3</b>	<i>(linked to SR5)</i> Risk that there are inadequate communications arrangements (internal and external)	Chief Executive	3	3	9	2	3	6
<b>CVD4</b>	<i>(linked to SR3)</i> Risk that there are inadequate civil contingency arrangements resulting in failure to respond appropriately to the COVID-19 major incident	Chief Executive	3	4	12	3	3	9
<b>CVD5</b>	<i>(linked to SR4)</i> Risk that there is a significant reduction in income generated leading to a decrease in the financial resources available for service provision and/or to fund corporate objectives.	Strategic Director of Environment and Corporate Services	3	4	12	3	3	9
<b>CVD6</b>	Risk that there is a breakdown in IT service caused by equipment, failure of internet connections, or staff shortages resulting in a reduction or lack of service delivery	Strategic Director of Environment and Corporate Services	3	3	9	2	3	6
<b>CVD7</b>	Risk that a significant number of staff become affected by COVID-19 leading to a reduction in service delivery, specifically in services identified as critical.	Strategic Director of Environment and Corporate Services	3	3	9	2	3	6
<b>CVD8</b>	Risk that because there is a greater level of homeworking due to the pandemic that staff will encounter health issues leading to increased sickness absence and staff retention.	Strategic Director of Environment and Corporate Services	3	3	9	2	3	6
<b>CVD9</b>	Risk that there following easing of national covid controls, an inadequate corporate response to Variants of Concern, that are not protected sufficiently from the the vaccine roll out and boosters, resulting in significant community outbreaks	Chief Executive						



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<b>CVD-2</b> Risk that there are inadequate health and safety arrangements for staff, Members and volunteers, resulting in infection by the virus.	Strategic	<ul style="list-style-type: none"> <li>• Sickness absence</li> <li>• Loss of confidence</li> <li>• Reputational damage</li> <li>• Legal action and claims for damages</li> </ul>			KEEP UNDER CONSTANT REVIEW
<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>• Health &amp; Safety Group established and meeting regularly</li> <li>• Appropriate use and monitoring of stock levels of PPE (personal protective equipment)</li> <li>• Monitoring and applying relevant national guidance</li> <li>• Introduction of extensive home working to comply with social distancing requirements</li> <li>• Use of remote meeting powers for council and committee meetings</li> <li>• Home visit protocol developed and updated.</li> <li>• Generic Risk Assessments in place and communicated to HoS</li> <li>• Longer term DSE assessment developed – outlining potential equipment requirements to be addressed</li> <li>• Consideration of staff returning to the workplace</li> <li>• Return to in person Committee Meetings</li> <li>• Return to office working in line with the lockdown easing</li> <li>• Updated guidance for the use of office space issued – 07 September</li> </ul>				
<b>Risk Owner</b>	Head of Regulatory Services				
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> <ul style="list-style-type: none"> <li>• Revision to Home Visit Protocol</li> <li>• Generic Staff Homeworking VDU Assessments to be updated</li> <li>• PPE equipment requirements on-going reviewed and inform SLT</li> <li>• Advice for staff regarding testing</li> <li>• Allocation of flu vouchers to protect against seasonal flu</li> </ul>	<u>Responsible Officer:</u> Head of Regulatory Services (Chair of Health & Safety Group)	<u>Target Date:</u> Ongoing		

# COVID-19 Risk Register

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<b>CVD-3</b> (linked to SR5) Risk that there are inadequate communications arrangements (internal and external)	Strategic	<ul style="list-style-type: none"> <li>Major reputational damage and loss of public confidence</li> <li>Members, residents and staff unaware of latest guidance and developments</li> <li>Vulnerable groups unaware of potential support options</li> <li>Businesses unaware of potential grant funding arrangements</li> <li>Competing demands placed on the comms team</li> </ul>			KEEP UNDER CONSTANT REVIEW
<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>Communications team in place using various suitable channels (website, press releases, social media)</li> <li>Participation in the LRF communications cell</li> <li>Review of comms resources</li> <li>Monitor of resources particularly around concurrent incidents</li> <li>Messages linked to the roadmap to recovery</li> </ul>				
<b>Risk Owner</b>	Chief Executive				
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Not Applicable	<u>Responsible Officer:</u> N/A	<u>Target Date:</u> N/A		

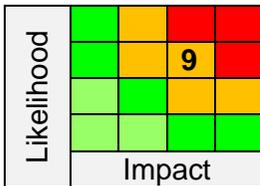
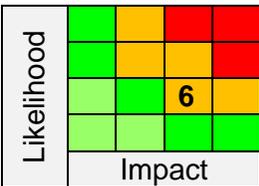
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<b>CVD-4</b> (linked to SR3) Risk that there are inadequate civil contingency arrangements resulting in failure to respond appropriately to the COVID-19 major incident	Strategic	<ul style="list-style-type: none"> <li>• Inability to respond to affected peoples' basic needs (food, shelter etc)</li> <li>• Adverse effect on the local economy</li> <li>• Major reputational damage and loss of public confidence</li> <li>• Consideration of concurrent events such as flooding, terrorism</li> </ul>	<table border="1"> <tr><td rowspan="4">Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>Green</td><td>Yellow</td><td>Yellow</td><td>12</td></tr> <tr><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red	Green	Yellow	Yellow	12	Green	Green	Yellow	Yellow	Green	Green	Green	Green		Impact				<table border="1"> <tr><td rowspan="4">Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>Green</td><td>Yellow</td><td>9</td><td>Red</td></tr> <tr><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red	Green	Yellow	9	Red	Green	Green	Yellow	Yellow	Green	Green	Green	Green		Impact				KEEP UNDER CONSTANT REVIEW
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<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>• Participation in the Local Resilience Partnership and Forum (LRP and LRF)</li> <li>• Implementation of relevant business grants schemes</li> <li>• Implementation of a 'Community Hub' at John Storer House</li> <li>• Major incident plan updated by LRF</li> <li>• Consideration of the implications of Concurrent incidents and specifically demand and management of rest centres</li> </ul>																																																
<b>Risk Owner</b>	Chief Executive																																																
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Continued participation in LRF's SCG and TCG, and recovery cells Monitor LRF Rising Tide Plan		<u>Responsible Officer:</u> Chief Executive and Head of Strategic Support	<u>Target Date:</u> Ongoing																																													

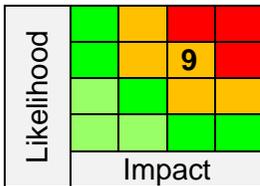
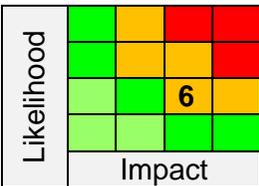
# COVID-19 Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																												
<b>CVD- 5</b> (linked to SR4) Risk that there is a significant reduction in income generated leading to a decrease in the financial resources available for service provision and/or to fund corporate objectives.	Strategic	<ul style="list-style-type: none"> <li>• Inability to meet demand for services</li> <li>• Inability to meet statutory duties</li> <li>• Ceasing or reducing some services</li> </ul>	<table border="1"> <tr><td rowspan="4">Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>Green</td><td>Yellow</td><td>Yellow</td><td>12</td></tr> <tr><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red	Green	Yellow	Yellow	12	Green	Green	Yellow	Yellow	Green	Green	Green	Green		Impact				<table border="1"> <tr><td rowspan="4">Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>Green</td><td>Yellow</td><td>9</td><td>Red</td></tr> <tr><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red	Green	Yellow	9	Red	Green	Green	Yellow	Yellow	Green	Green	Green	Green		Impact				KEEP UNDER CONSTANT REVIEW
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<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>• Budget and revenue monitoring processes</li> <li>• Business continuity planning</li> <li>• Development of budget during the 21/22 financial year</li> <li>• Ongoing review of the funding available from Central Government</li> <li>• Respond to request from Govt through Delta returns</li> <li>• ERDF Funding, Welcome Back Funding and Contain Outbreak Management Funding – still longer term issues to consider when the funding ceases</li> </ul>																																																
<b>Risk Owner</b>	Strategic Director of Environment and Corporate Services																																																
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Review of budget and related strategies by autumn 2021 Monitor at half year point		<u>Responsible Officer:</u> Strategic Director of Environment and Corporate Services	<u>Target Date:</u> Ongoing																																													

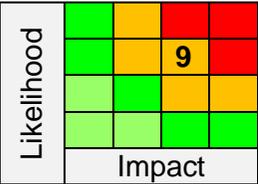
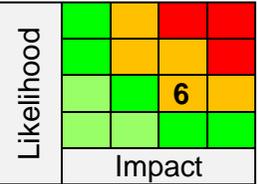
# COVID-19 Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
<b>CVD- 6</b> Risk that there is a breakdown in IT service caused by equipment, failure of internet connections, or staff shortages resulting in a reduction or lack of service delivery	Strategic	<ul style="list-style-type: none"> <li>Inability of significant numbers of staff to continue with effective home working leading to service disruption</li> <li>Individual risks regarding connectivity</li> </ul>			KEEP UNDER CONSTANT REVIEW
<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>Secure and resilient IT infrastructure at Network and Server levels</li> <li>Performance and security monitoring in place by key staff and (where appropriate) by suppliers</li> <li>Automated backup schedule, in line with agreed retention policies</li> <li>Ensuring correct and updated contact numbers on emergency contact lists</li> <li>Alternative contacts and secondary responsibilities in place for key functions and tasks</li> <li>Introduction of extensive home working to comply with social distancing requirements</li> <li>Consideration of IT supporting agile working in the recovery phase</li> <li>Consideration of supporting extended working hours</li> <li>Review of individual risk regarding connectivity and solutions considered such as using own devices</li> </ul>				
<b>Risk Owner</b>	Strategic Director of Environment and Corporate Services				
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Ongoing maintainance of current infrastructure and equipment Linking back to the IT strategy Link to partners Agile working	<u>Responsible Officer:</u> Strategic Director of Environment and Corporate Services	<u>Target Date:</u> N/A		

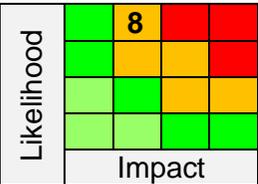
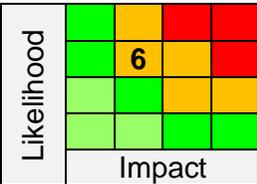
# COVID-19 Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
<b>CVD- 7</b> Risk that a significant number of staff become affected by COVID-19 leading to a reduction in service delivery, specifically in services identified as critical.	Strategic	<ul style="list-style-type: none"> <li>Inability to deliver services</li> <li>Availability of tests</li> </ul>			KEEP UNDER CONSTANT REVIEW
<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>Review of sickness being undertaken through the COVID Monitoring Group</li> <li>Staff skills audit undertaken</li> <li>Critical staff being reviewed regarding testing</li> <li>Redeployment processes in place</li> <li>Maintaining COVID Secure workplaces</li> <li>Monitoring staff who are CEV</li> <li>Promoting vaccine to staff</li> <li>Note - low staff sickness during 2020-21 reporting year</li> </ul>				
<b>Risk Owner</b>	Strategic Director of Environment and Corporate Services				
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Ongoing assessment of data and redeployment requirements		<u>Responsible Officer:</u> Strategic Director of Environment and Corporate Services	<u>Target Date:</u> Ongoing	

# COVID-19 Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
<b>CVD-8</b> Risk that because there is a greater level of homeworking due to the pandemic that staff will encounter health issues leading to increased sickness absence and staff retention.	Strategic	<ul style="list-style-type: none"> <li>• Long term sickness absence – both physical and mental health</li> <li>• Staff retention</li> </ul>			KEEP UNDER CONSTANT REVIEW
<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>• Revised DSE Assessments compiled</li> <li>• Staff who are struggling are able to return to the office</li> <li>• Equipment being made available and processes being established for collection / delivery / purchase</li> <li>• Regular Health and Wellbeing advice, support and training made available to staff</li> </ul>				
<b>Risk Owner</b>	Strategic Director of Environment and Corporate Services				
<b>Planned Future Actions and Responsible Officer(s).</b>	Act on the responses regarding the DSE Assessment Monitor sickness – especially muscular-skeletal and mental health issues	<u>Responsible Officer:</u> Strategic Director of Environment and Corporate Services		<u>Target Date:</u> Ongoing	

# COVID-19 Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
<b>CVD-9</b> Risk that following easing of national COVID-19 controls, an inadequate corporate response to Variants of Concern, that are not protected sufficiently from the vaccine roll out and boosters, resulting in significant community outbreaks	Strategic	<ul style="list-style-type: none"> <li>Staff diverted on to a further major incident</li> <li>Effect on staffing</li> <li>Inability to deliver services</li> </ul>			KEEP UNDER CONSTANT REVIEW
<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>Monitor and review levels at Covid Monitoring Group and deploy staff as required.</li> <li>Subject to continuation of Monitoring Group – review levels at SLT.</li> <li>Update Local Emergency plan to reflect future approach and need to escalate actions.</li> <li>Retention of PPE as necessary to deploy.</li> <li>Use of COMF to ensure staff resources and resilience remains in place for 2021-22.</li> <li>Support and facilitate local IMT and OCTs set up.</li> </ul>				
<b>Risk Owner</b>	Chief Executive				
<b>Planned Future Actions and Responsible Officer(s).</b>	Monitor data from central Government and local resilience forum	<u>Responsible Officer:</u> Head of Regulatory Services		<u>Target Date:</u> Ongoing	

## AUDIT COMMITTEE – 16<sup>th</sup> NOVEMBER 2021

### Report of the Head of Strategic Support

#### Part A

#### ITEM 9 COUNCIL'S USE OF REGULATORY OF INVESTIGATORY POWERS ACT (RIPA)

##### Purpose of Report

The purpose of this report is to provide the Committee with a summary of the Council's use of RIPA powers.

##### Recommendation

The Committee notes that there has been no use of RIPA powers by the Council for the period from 1 September 2021 to 31 October 2021.

##### Reason

To enable the Committee to comply with the request from Cabinet that the Audit Committee assumes responsibility for receiving a quarterly report on the use of RIPA, and to report to Cabinet any concerns arising from those reports that may indicate that the use of RIPA is not consistent with the Policy or that the Policy may not be fit for purpose.

##### Policy Justification and Previous Decisions

The use of RIPA to conduct covert surveillance in appropriate instances supports many of the Council's enforcement and anti-fraud policies. The Home Office Code of Practice, which relevant bodies are obliged to follow when using RIPA, requires that elected Members should consider reports on the use of RIPA on at least a quarterly basis to ensure that it is being used consistently with the policy and the policy remains fit for purpose.

##### Implementation Timetable including Future Decisions

Reports will continue to be submitted to the Committee on a quarterly basis.

##### Report Implications

The following implications have been identified for this report.

##### *Financial Implications*

None.

##### *Risk Management*

There are no risks associated with this decision.

Background Papers:

None

Officer to contact:

Adrian Ward  
Head of Strategic Support  
(01509) 634573  
[adrian.ward@charnwood.gov.uk](mailto:adrian.ward@charnwood.gov.uk)

## Part B

### Background

1. RIPA provides for the authorisation of covert surveillance by the Council where that surveillance is likely to result in the obtaining of private information about a person.
2. Surveillance includes monitoring, observing or listening to persons, their movements, conversations or other activities and communications. Surveillance is covert if it is carried out in a manner calculated to ensure that any persons who are subject to the surveillance are unaware that it is or may be taking place.
3. The Council only has the power to authorise covert surveillance under RIPA for the purpose of preventing or detecting crime, or of preventing disorder. Since 2012, RIPA applications are required to be approved by a Justice of the Peace (JP) at the Magistrates' Court in addition to the existing application and authorisation process. The amendments in the Protection of Freedoms Act 2012 mean that local authority authorisations and notices under RIPA for the use of particular covert investigation techniques can only be given effect once an order approving the authorisation or notice has been granted by a Justice of the Peace (JP)
4. At its meeting on 11 February 2021 Cabinet agreed to resolve that the Audit Committee continue to assume responsibility for receiving a quarterly report on the use of RIPA, and to report to Cabinet any concerns arising from those reports that may indicate that the use of RIPA is not consistent with the Policy or that the Policy may not be fit for purpose. This Committee will therefore continue to receive a regular report on the Council's use of RIPA powers.
5. During the period from 1<sup>st</sup> September 2021 to the 31<sup>st</sup> October 2021 the Council made no use of RIPA powers.
6. The Committee has the option to report to Cabinet any concerns arising from RIPA monitoring reports that may indicate that the use of RIPA is not consistent with the Council's RIPA Policy or that the Policy may not be fit for purpose.
7. The Council has recently been subject to an inspection by the Investigatory Powers Commissioner's Office (IPCO) in relation to its RIPA processes and arrangements. The report from the inspection is attached as an appendix to this report for information (with redactions as requested by the IPCO), and the recommendations will be addressed when the next update to the RIPA policy is considered by Cabinet in February 2022.

### Appendix

RIPA Inspection Report



Investigatory Powers  
Commissioner's Office

PO Box 29105, London  
SW1V 1ZU

Mr Robert Mitchell  
Chief Executive  
Charnwood Borough Council  
Southfield Rd  
Loughborough  
LE11 2TN

Rob.Mitchell@charnwood.gov.uk

2 September 2021

Dear Mr Mitchell,

### Inspection of Charnwood Borough Council

*Please be aware that IPCO is not a "public authority" for the purpose of the Freedom of Information Act (FOIA) and therefore falls outside the reach of the FOIA. It is appreciated that local authorities are subject to the FOIA and that they may receive requests for disclosure of our reports. In the first instance the SRO should bring the matter to the attention of the IPCO Data Protection Officer (at: [info@ipco.org.uk](mailto:info@ipco.org.uk)), before making any disclosure. This is also the case if you wish to make the content of this letter publicly available.*

Your Council was recently the subject of a virtual inspection by one of my Inspectors, REDACTED. I am grateful to Mr Adrian Ward, your Head of Strategic Support and RIPA Monitoring Officer, for taking the lead in this discussion and providing all the relevant documentation. Mr Simon Jackson, your Strategic Director for Environmental Services also joined the discussion in his capacity as RIPA Senior Responsible Officer (SRO).

As a result of the inspection REDACTED has made a number of recommendations which are detailed below, and I would be grateful if they could be addressed at the earliest opportunity:

#### Covert Surveillance Policy

Your policy has recently been presented to and agreed by Elected Members, which is good to see. The policy is generally well written and covers many of the required elements well. As the key reference point for staff considering whether any proposed activity requires authorisation under RIPA, you may wish to follow the route that many councils have taken by including simple flow charts which guide the reader through the initial considerations, application process and include any necessary signposting.

While your policy recognises the impact of the IP Act and the existence of IPCO, there are still several references to one of its precursor organisations (OSC) which should be removed. Authorisation periods are included in the policy but the variation when considering the authorisation of a Juvenile Covert Human Intelligence Source should also be made clear.

Data Assurance

In the absence of any surveillance product, the inspection sought reassurance that the necessary measures were in place to manage such product should it ever be captured. Your current policy refers to the management of product and surveillance records but does not cover all the safeguarding requirements outlined in the current Home Office Codes of Practice for surveillance and CHIS. Your RIPA policy should be amended to reflect those requirements, and you may consider an addition to your Central Record to monitor the management of any such product.

Senior Responsible Officer

Mr Jackson seems aware of his responsibility as SRO but by his own admission, very much relies on Mr Ward to manage any RIPA related enquiries and issues, while his priorities lay elsewhere. Mr Ward has provided reassurance that any identified issues will be escalated appropriately to the SRO, aided by the fact that Mr Jackson is his immediate line manager. It is somewhat concerning that internally, beyond Mr Ward, there is little knowledge of RIPA across the organisation, which adds weight to the next paragraph.

Training and awareness

I note you have not conducted any training for some time. While this is not ideal, I do understand that training budgets are somewhat limited and bearing in mind Charnwood Borough Council has not conducted any RIPA activity in recent times, RIPA training could easily slip down the list of priorities. That said, many RIPA errors occur because of the lack of knowledge, and therefore some method of raising awareness across the organisation should be implemented. This would seem to have been highlighted by a recent letter received in my Office from one of your Elected Members. The letter not only highlighted a lack of awareness of the legislation but more importantly, a lack of understanding of where to go to seek advice internally. The letter was nonetheless responded to accordingly and the appropriate advice given.

In conclusion, although your Council is a limited user of its surveillance powers, I take the opportunity here to reiterate to you the importance of regular, ongoing internal oversight of the actual or potential use of these powers, which should be managed through your Senior Responsible Officer.

I hope that you find this letter to be helpful and constructive. My Office is available to you should you have any queries following the recent inspection, or at any point in the future. Contact details are provided at the foot of this letter.

I shall be grateful if you would acknowledge receipt of the report within two months and let me know your plans in regard to the compliance matters identified herein.

Yours sincerely,

SIGNATURE REDACTED

**The Rt. Hon. Sir Brian Leveson**  
The Investigatory Powers Commissioner

## AUDIT COMMITTEE - 16 NOVEMBER 2021

### Report of the Strategic Director of Corporate Services

#### Part A

#### ITEM 10 APPOINTMENT OF EXTERNAL AUDITORS

##### Purpose of Report

The final year of Mazars being the appointed external auditors is financial year 2022/23. A new appointment is required for 2023/24 and subsequent years. This report sets out the appointment process, options available on the appointment of external auditors and offers a proposal that the Audit Committee can consider recommending to Council for the final decision.

##### Recommendations

That the Audit Committee recommend to Council that:

1. That the Council opts into the appointing person arrangements made by Public Sector Audit Appointments Ltd (PSAA) for the appointment of external auditors.
2. That authority is delegated to the Strategic Director of Environmental & Corporate Services to submit the formal notice of acceptance and provision of information to PSAA as required.

##### Reasons

1. To enable the Council to participate in the PSAA appointing arrangements.
2. To allow the engagement process to be carried out efficiently.

##### Policy Justification and Previous Decisions

Appointment of an external auditor is a legal requirement.

The previous appointment of the external auditor was carried out using an equivalent appointing arrangement.

## Implementation Timetable including Future Decisions and Scrutiny

The appointment of external auditors would be with effect from 1 April 2023. The deadline for opting into the PSAA appointing arrangements is 11 March 2022, which will need to follow ratification by Council.

### Report Implications

#### *Financial Implications*

Whatever appointing option is followed, there will be uncertainty about the audit fee chargeable. On balance it is likely that the PSAA appointing arrangements, as detailed in the body of the report, will produce a financially advantageous outcome.

#### *Risk Management*

There are no risks directly associated with this decision. The recommendations are designed to minimise the risks associated with appointing an external auditor.

Key Decision: No

Background Papers: None

Officer to contact: Simon Jackson  
Strategic Director of Environmental & Corporate Services  
T: 01509 634699  
E: [simon.jackson@charnwood.gov.uk](mailto:simon.jackson@charnwood.gov.uk)

## Part B

### 1 Background

- 1.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and the arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.
- 1.2 When the last external audit procurement was undertaken, at its meeting of the 23 January 2017 the Council approved the appointment of PSAA to procure and appoint its external auditor. The last year of the current contract is 2022/23; with new contracts starting from April 2023.
- 1.3 There are three options available for local government to appoint its external auditor:

**Option 1:** to an approved sector led body (SLB) to be specified by the Ministry for Housing, Communities and Local Government (MHCLG) to act as the Appointing Person on behalf of opted-in authorities. The opt-in sector led body approach requires Full Council Approval (Regulation 19, Local Audit (Appointing Person) Regulations 2015). The SLB is Public Sector Audit Appointments Ltd (PSAA), who are a wholly owned company of the Local Government Association.

**Option 2:** establish its own independent auditor panel (Part 3, section 9 and schedule 4 of the Local Audit and Accountability Act 2014). The panel must be made up of a majority or of wholly independent members and must be chaired by an independent member.

**Option 3:** establish a joint independent auditor panel to carry out the function on behalf of two or more Councils.

### 2. Review of Options

#### Option1- Appointment of PSAA

- 2.1 The current external audit provider, Mazars LLP, was appointed under the previous PSAA procurement contract arrangement. Current scale fees are based on rates negotiated by PSAA and reflect market share offered in framework contracts. If the Council wishes to remain in the PSAA framework and allow PSAA to continue to manage the appointment of the external auditors, it can do so. PSAA are requesting that all Councils wishing to “opt in” to the new PSAA scheme should do this by no later than 11 March 2022.

PSAA operates a sector-wide procurement that they argue would produce better outcomes and will be less burdensome for the Council than any procurement undertaken locally (Options 2 and 3). Further, it is expected that the appointed auditor would be for a period of 5-years.

2.2 The PSAA have been consulting with local government during 2021 and significant information is provided at their website: [www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/](http://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/)

2.3 The advantages and disadvantages of **Option 1** are:

2.4 **Advantages (Benefits)**

- i. The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities. By offering large contract values, the firms would be able to offer better rates and lower fees than are likely to result from local negotiation. Any conflicts at individual authorities would be managed by the Sector-led Body who would have a number of contracted firms to call upon. The appointment process would not be ceded to locally appointed independent members. Instead a separate body is set up to act in the collective interests of the 'opt-in' authorities.
- ii. The audit costs are likely to be lower than if the Council/Authority sought to appoint locally, as national large-scale contracts are expected to drive keener prices from the audit firms;
- iii. Without the national appointment, the Council would need to establish a separate independent auditor panel, which could be difficult, costly and time-consuming;
- iv. PSAA can ensure the appointed auditor meets and maintains the required quality standards and can manage any potential conflicts of interest much more easily than the Council/Authority;
- v. Supporting the sector-led body will help to ensure there is a vibrant public audit market for the benefit of the whole sector and this Council/Authority going forward into the medium and long term.
- vi. The scope of local audit is fixed, being defined by statute and by accounting and auditing codes, so it would be the same under a local procurement as under PSAA's procurement.

In respect of PSAA itself:

- vii. PSAA has considerable expertise and experience in the role of appointing person.
- viii. Government confidence having appointed PSAA for a second five-year period – MHCLG's Spring statement refers to our "strong technical expertise and the proactive work we have done to help to identify improvements".

- ix. A dedicated team who are very familiar at working within the context of the relevant regulations to appoint auditors, manage contracts with audit firms, and set and determine audit fees.
- x. A not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members – so it provides value for public money PSAA is member of new Local Audit Liaison Committee, and regular links with MHCLG and the HO so give feedback and of the sector.

## 2.5 Disadvantages (Risks)

- i. Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and / or stakeholder representative groups.
- ii. For the Sector-led Body to be viable and to be placed in the strongest possible negotiating position it will need Councils to indicate their intention to opt-in before final contract prices are known.
- iii. There is less control over the contract length and deciding who will be the external auditors appointed.

## Option 2 and 3 – Stand Alone or Joint Arrangement Auditor Appointment

2.6 The governance around Option 1 and 2 are similar; the only difference between the two is that:

- Option 1 the Council appoints its own external auditor (stand-alone appointment), whereas
- Option 2 the Council appoints along with other Councils (joint arrangement).

2.7 For both Options 1 and 2 the Council will either have to establish its own or participate in a joint auditor panel. Such appointment panels are required to be wholly (or a majority) of independent members as defined by the Act. Independent members for this purpose are independent appointees; this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit – only the independent auditor panel established by the Council will be responsible for selecting the auditor. The advantages and disadvantages of Option 1 (Stand-Alone) and Option 2 (Joint Arrangement) are shown in the attached **Appendix**.

2.8 The **overriding disadvantage** of Options 2 and 3 when compared to Option 1 is that there are only 8 (in England) qualified, registered auditors who are duly accredited to undertake public audit. It is therefore expected that these auditors will be procured via the PSAA arrangement and thus economies of

scale will be lost via Options 2 and 3 because a local arrangement would be “fishing in the same pool” as that of PSAA.

### **3.0 Future Fee expectation**

3.1 It is anticipated that future year’s audit fees, no matter how procured, will cost more than in the past; some of this higher cost was starting to be reflected in the audit requirements of 2019/20. The reasons for this higher cost of audit includes:

- **Limited auditor resource.** This has come about because a lot of the former Audit Commission staff have now exited the audit sector. The firms are now having to invest in their own internal training programmes for a very limited public sector audit market.
- **Higher audit standards.** Because of the audit shortcomings that have been identified following the collapse of Enron, Carillion and other similar high-profile companies, the audit testing regime has been enhanced to help ensure greater reliance on audit conclusions. There are also planned changes in regulation, through the replacement of the Financial Reporting Council with the new Audit, Reporting and Governance Authority (ARGA)
- **Introduction of new auditing and accounting standards,** requiring additional audit work in a variety of areas, such as accounting estimates, group reporting and leases
- **Introduction of the new Code of Practice,** covering a wider scope on Value for Money and reporting, increasing the volume of work required by experienced staff
- **Increased risk profile and complexity of local authorities,** for example entering new transactions, investments, and new models of delivery, increasing the time input of senior and experienced staff

### **4.0 Preferred Approach to the Appointment of External Auditor**

4.1 On balance, considering the various advantages and disadvantages related to each of the options for procuring an external auditor; on balance it is considered that the arrangement offered by PSAA offers best value in respect of audit contract value and the cost of administration. It is therefore recommended that the Audit Committee recommends this option to Council.

**Advantages (Benefits) and Disadvantages (Risks):**

- **Option 2 (Stand-Alone Auditor Appointment)**
- **Option 3 (Joint Arrangement Auditor Appointment)**

**Appendix****Option 2 (Stand-Alone Auditor Appointment)****Advantages / benefits**

- Setting up an auditor panel allows the Council to take advantage of the new local appointment regime and have local input to the decision. Also, the Council will have full control over which external audit company will be appointed.

**Disadvantages / risks**

- Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000-£20,000 plus ongoing expenses and allowances.
- The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts compared to trying to make a local appointment.
- The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.
- It is highly unlikely that a lower fee will be obtained than if PSAA were used, and it is likely that little interest will be received from External Auditors not present at other local authorities. This would mean effectively having to use PSAA appointed auditors that had won regional audits in the area as firms would not want to service a small number or cluster of audits unless fees were significantly higher.

**Option 3 (Joint Arrangement Auditor Appointment)****Advantages / benefits**

- The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
- There is a greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

**Disadvantages / risks**

- The decision-making body will be further removed from local input, with potentially no input from elected members (where a wholly independent auditor panel is used) or possibly only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.
- The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has

recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

- It is highly unlikely that a lower fee will be obtained than if PSAA were used, and we may not get any interest from External Auditors not present at other local authorities. This would mean effectively having to use PSAA appointed auditors that had won regional audits in the area as firms would not want to service a small number or cluster of audits unless fees were significantly higher.
- Feedback from other Leicestershire authorities is that all are expected to adopt appointment of external auditors via PSAA arrangements and therefore the Joint Arrangement Auditor Appointment may not be practical if the Council wished to collaborate with neighbouring local authorities.

## AUDIT COMMITTEE – 16th NOVEMBER 2021

### Report of the Head of Strategic Support

#### Part A

#### ITEM 11 ENGAGEMENT OF AUDITORS FOR NON-AUDIT WORK

##### Purpose of Report

To provide the Committee with an opportunity to review the policy for Charnwood Borough Council in respect of the Engagement of Auditors for Non-Audit Work.

##### Recommendation

The Committee approve the updated policy (as annexed) with an agreed financial limit of £30,000.

##### Reason

To ensure the Council has appropriate policies in place to cover the engagement of auditors for non audit work.

##### Policy Justification and Previous Decisions

The Committee originally approved a policy at its meeting on 5<sup>th</sup> March 2013, following a recommendation from the then external auditors (KPMG).

##### Report Implications

The following implications have been identified for this report.

##### *Financial Implications*

There are no direct financial implications.

##### *Risk Management*

There are no risks associated with this decision.

Background Papers: None

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## Part B

### Background

1. It is important that the independence of external auditors in reporting to those charged with governance and to management of Charnwood Borough Council (the Council), does not appear to be compromised, but equally the Council should not be deprived of expertise where it is needed and can be obtained from the external auditors.
2. The proposed revised policy therefore seeks to set out what threats to audit independence theoretically exist and thus provides a definition of non-audit work which can be shared by the Council and the external auditors. It then seeks to establish the approval processes and corporate reporting mechanisms that will be put in place for any non-audit work that the external auditors are asked to perform.
3. Annexed to this report is the updated policy, which has been reviewed and updated to refer to external auditors in general, rather than to a specific firm. No other changes are proposed.

## **POLICY FOR THE ENGAGEMENT OF EXTERNAL AUDITORS FOR NON-AUDIT WORK**

### **Introduction and purpose of this policy**

It is important that the independence of our external auditors in reporting to those charged with governance and to management of Charnwood Borough Council (the Council), does not appear to be compromised but equally the Council should not be deprived of expertise where it is needed and can be leveraged from the external auditors firm as a whole.

This policy therefore seeks to set out what threats to audit independence theoretically exist and thus provides a definition of non-audit work which can be shared by the Council and its external audit firm. It then seeks to establish the approval processes and corporate reporting mechanisms that will be put in place for any non-audit work that the external audit firm is asked to perform.

### **Threats to independence**

The Institute of Chartered Accountants in England and Wales sets out threats to independence as:

self interest	where an interest in the outcome of their work or in a depth of relationship with the Council may conflict with the auditors' objectivity
self audit	where the auditors may be checking their own colleagues work and might feel constrained from identifying risks and shortcomings
advocacy	may be present in an engagement but could become a threat if an auditor becomes an advocate for an extreme position in an adversarial matter
familiarity	where the level of constructive challenge provided by the auditor is diminished as a result of assumed knowledge or relationships that exist

### **Defining types of non-audit work and the associated approval process**

In order to provide the Council with a transparent mechanism by which non-audit work can be reviewed and progressed without too great an administrative burden falling on the Council, the following three categories of work have been agreed as applying to the professional services available from the external audit firm:

#### ***1. Statutory and audit related work not requiring Audit Committee approval***

There are certain projects where the work is clearly audit related and the external auditors are best placed to do the work e.g. acting as agents for grants certification work.

It is proposed that such assignments do not require Audit Committee approval. However, recognising that the level of non audit fees may also be a threat to independence, a limit of £30,000 is set, above which prior Audit Committee approval should be sought for such work.

#### ***2. Audit related and advisory services requiring prior Audit Committee approval***

There are projects and engagements where the auditors are best placed to perform the work:

- due to their network within and knowledge of the business (e.g. taxation advice, due diligence and accounting advice);
- due to their previous experience or market leadership.

It is proposed that prior Audit Committee approval is sought for projects of this nature.

### ***3. Projects that are not permitted***

There are some projects that are not to be performed by the external auditors. These projects represent a real threat to the independence of the audit team such as where the external auditors would be in a position where they are auditing their own work (for example, systems implementation).

The Audit Committee is responsible for approving all non-audit work undertaken by the external auditors and reporting any instances to the Council. These proposed categories of non audit work along with the related approval levels are set out below. More detail on each type of work is set out in Appendix A.

For the avoidance of doubt, seeking approval from the Audit Committee involves the business sponsor of the proposed work obtaining a proposed scope and fee estimate from the external audit firm before the work commences. If the fee exceeds the proposed limits or falls into a category of work that requires approval, details of the scope and fee proposal should be submitted to the Audit Committee Chairman and Strategic Director, Environmental & Corporate Services. If approved, the project should be logged by the Audit Committee secretary to be raised at the next Audit Committee meeting in order that a schedule of non audit fees can be maintained and Council updated.

In cases where it is undecided which category services fall into they will default to the category that requires Audit Committee approval and be expected to take that route until such as time as this policy is reviewed and updated by the Audit Committee.

### **Reviewing and updating this policy**

The Audit Committee will agree on a periodic basis that it is content with the structure, content and operation of this policy.

## Appendix A: Examples of work types

The table below sets out examples of the different work types that could be requested from the external audit firm. As it would not be practical to consider all the services provided by an external audit firm, it documents the characteristics that drive the classification of services into the different work streams. This table is intended to provide illustrative examples of how the implementation of this policy would be approached should the Council request assistance from the external audit firm.

	<b>Statutory and audit related</b> (Not requiring Audit Committee approval, unless in excess of £30k)	<b>Audit and assurance related and non audit advisory services</b> (Sensitive projects requiring referral without de minimis)	<b>Projects that are not permitted</b>
<b>Characteristics</b>	<ul style="list-style-type: none"> <li>• Advice on areas core to the financial statements audit</li> </ul>	<ul style="list-style-type: none"> <li>• Requiring independent objective assessment of information or procedures</li> <li>• Staff secondments</li> <li>• Other advisory services</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in management</li> </ul>
<b>Acquisitions / Disposals</b>	<ul style="list-style-type: none"> <li>• Accountants reports</li> <li>• Reporting on financial assistance</li> <li>• Audit of carve out financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• Due diligence and related advice</li> <li>• Completion accounts audit</li> <li>• Agreement of price adjustment as a result of completion accounts</li> <li>• Advice on integration activities</li> <li>• Preparation of forecast of investment proposals</li> </ul>	
<b>Internal Audit and Risk Management Services</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of specialist skills / training</li> <li>• Advice on methodology and systems</li> <li>• Co-sourcing</li> <li>• Advice and design of policies, systems or procedures.</li> </ul>	<ul style="list-style-type: none"> <li>• Full outsourcing</li> <li>• Systems implementation</li> </ul>
<b>Taxation</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of draft returns</li> <li>• Submission of returns and correspondence with tax authorities</li> <li>• Advice on tax matters</li> <li>• Transfer pricing</li> <li>• Valuation for the purposes of taxation</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of accounting entries for tax</li> <li>• Handling taxation payments</li> </ul>
<b>General Accounting</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Advice on accounts preparation and application of accounting standards</li> <li>• Training for accounting and risk management projects</li> <li>• Booking keeping services</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of accounting entries</li> <li>• Preparation of financial information</li> </ul>



ISSUE	MEETING
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External Audit Progress Report and Technical Update <b>External Audit Business</b> <i>If required</i>	<i>Standing Item</i>
Council's Use of Regulation of Investigatory Powers Act (RIPA)	<i>Standing Item</i>
Internal Audit Plan – Progress	<i>Standing Item</i>
Risk Management (Risk Register)	<i>Standing Item</i> - detailed report every six months, exception report quarters in-between.
Governance and Risk Aspect of Commercial Investment and Performance Review - <b>EXEMPT</b>	<i>Standing Item</i>
Treasury Management Mid-Year Review	November 2021  Annually
Environmental Audits Outcomes – Progress update	November 2021 -Six Monthly Update
Internal Audit Plan – Progress	November 2021  Quarterly
Risk Management (Risk Register)	November 2021  Quarterly - detailed report every six months, exception report quarters in-between.
Council's Use of Regulation of Investigatory Powers Act (RIPA)	November 2021  Quarterly
Appointment of External Auditors	November 2021  (Allocated at meeting on 28 September 2021)
Policy for Engagement of External Auditors for non-audit work	November 2021  (Allocated at meeting on 28 September 2021)
Governance and Risk Aspect of Commercial Investment and Performance Review - <b>EXEMPT</b>	November 2021  Quarterly
2020/21 Statement of Accounts	December 2021 (Accounts Meeting)  Annually
2020/21 Annual Governance Statement and Review of the Code of Corporate Governance	December 2021 (Accounts Meeting)  Annually

2020/21 Annual Governance Report <b>External Audit Business</b>	December 2021 (Accounts Meeting)  Annually
2020/21 Annual Audit Letter	February 2022  Annually
External Audit Progress Report and Technical Update <b>External Audit Business</b> <i>If required.</i>	February 2022  Quarterly
Council's Use of Regulation of Investigatory Powers Act (RIPA)	February 2022  Quarterly
Risk Management (Risk Register)	February 2022  Quarterly
Capital Strategy 2021-22	February 2022  Annually
Internal Audit Plan – Progress	February 2022  Quarterly
External Quality Assessment of Internal Audit	February 2022
Governance and Risk Aspect of Commercial Investment and Performance Review - <b>EXEMPT</b>	February 2022  Quarterly
Annual IT Health Check (Code of Connection) <b>Confidential Report</b>	February 2022  Annually – <b>Moved from September 2021 meeting</b>