



**AUDIT COMMITTEE**

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To: Councillors Baines, Boldrin, S. Bradshaw, A. Gray, Hadji-Nikolaou, Parsons (Vice-Chair), Snartt and Ms 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 Committee Room 1, at the Council Offices, Southfields, Loughborough on Tuesday, 12th July 2022 at 6.00 pm for the following business.

Chief Executive

Southfields  
Loughborough

4th July 2022

**AGENDA**

1. APPOINTMENT OF VICE-CHAIR 2022-23

Committee procedure 12.3 of the Council's Constitution states that the Vice-Chair of the Audit Committee will be appointed by the Committee from among its members. The Committee is asked to do so for the Council Year 2022/23.

2. APOLOGIES

3.	<u>MINUTES FROM THE PREVIOUS MEETING</u>	4 - 9
	The Committee is asked to confirm as a correct record the minutes of the meeting of the Committee held on 4 <sup>th</sup> May 2022.	
4.	<u>DISCLOSURES OF PECUNIARY INTERESTS, AND OTHER REGISTRABLE AND NON-REGISTRABLE INTERESTS</u>	
5.	<u>QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8</u>	
	No questions were submitted.	
6.	<u>COUNCIL'S USE OF REGULATORY OF INVESTIGATORY POWERS ACT (RIPA)</u>	10 - 12
	A report of the Head of Strategic Support.	
7.	<u>2021/22 INTERNAL AUDIT ANNUAL REPORT</u>	13 - 23
	A report of the Head of Strategic Support.	
8.	<u>INTERNAL AUDIT PROGRESS REPORT</u>	24 - 46
	A report of the Head of Strategic Support.	
9.	<u>RISK MANAGEMENT (RISK REGISTER) UPDATE</u>	47 - 62
	A report of the Strategic Director for Environment and Corporate Services.	
10.	<u>ALLOWANCES AND EXPENSES CLAIMED BY COUNCILLORS AND CO-OPTED MEMBERS 2021/22</u>	63 - 67
	A report of the Head of Strategic Support.	
11.	<u>ANNUAL UPDATE RE THE ANTI-FRAUD &amp; CORRUPTION STRATEGY AND WHISTLE-BLOWING POLICY</u>	68 - 70
	A report of the Head of Strategic Support.	
12.	<u>ENVIRONMENTAL AUDIT</u>	71 - 98
	A report of the Strategic Director of Commercial Development, Asset and Leisure	
13.	<u>TREASURY OUTTURN REPORT 2020/21</u>	99 - 113
	A report of the Head of Finance and Property Services.	
14.	<u>WORK PROGRAMME</u>	114 - 116
	Report of the Head of Strategic Support.	

15. 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.

16. INVESTMENT PERFORMANCE REPORT - Q1 (APRIL TO JUNE)  
2022/23

An exempt report of the Strategic Director for Commercial Development, Assets and Leisure, circulated to members of Committee. **To Follow.**

## AUDIT COMMITTEE 4TH MAY 2022

PRESENT: The Chair (Jane Nellist)

Councillors S. Bradshaw, Snartt, Hamilton and Ward

External Auditors (Mazars)  
Strategic Director - Environmental and Corporate Services  
Strategic Director - Commercial Development, Assets and Leisure  
Head of Strategic Support  
Head of Landlord Services  
Audit Manager  
Organisational Development Manager  
Information Technology Delivery Manager  
Democratic Support Officer (EB)

APOLOGIES: Councillor Boldrin, A. Gray, Hadji-Nikolaou and Parsons

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. She 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.

### 61. MINUTES FROM THE PREVIOUS MEETING

The minutes of the meeting of the Committee held on 15<sup>th</sup> February 2022 were confirmed as a correct record and signed.

It was noted that of those present at the current meeting, only the Chair and Councillor Snartt had been present at the previous meeting.

### 62. DISCLOSURES OF PERCUNIARY AND PERSONAL INTEREST

No disclosures were made.

### 63. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

No questions had been submitted.

### 64. EXTERNAL AUDIT PROGRESS REPORT

A report of the External Auditors providing a progress report and technical update was submitted to the Committee for consideration. (Item 5 on the agenda filed with these minutes).

Mark Surridge and Leah Parsons from Mazars attended the meeting via video-link and assisted with the item.

The Committee were informed that:

- i. The Audit was expected to be completed by November 2022.
- ii. Significant risks included management override of controls and the valuation of land and buildings. This was due to high uncertainty in the valuation.
- iii. With regards to Value for Money, this was the second audit conducted in line with the 2020 Code of Practice, focussing on financial sustainability, governance and improving economy, efficiency and effectiveness.
- iv. With regard to materiality, there was a specific level in place for senior officer remunerations.

In response to questions the Committee were informed that:

- i. Valuation experts would only be engaged for something substantial and would not alter the cost to the Council.
- ii. When looking at Value for Money financial sustainability was specifically looked at to ensure that the Council was managing risks and had Audit Committees in place. It also looked at efficiency and effectiveness.

**RESOLVED** that the Committee noted the report.

Reason

To acknowledge the Committee's consideration of this item.

65. 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 6 on the agenda included with these minutes).

The Committee were informed that recommendations reported in the external review regarding officer training had been addressed and refresher training had taken place. A briefing note on the circumstances under which RIPA could be used had been circulated as requested by the Scrutiny Commission.

**RESOLVED** that the Committee noted that there had been no use of RIPA powers by the Council for the period from 1 February 2021 to 31 March 2022.

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.

66. INTERNAL AUDIT PROGRESS REPORT Q4 2021-22

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 7 on the agenda filed with these minutes).

The Strategic Director attended the meeting to assist the Committee with the consideration of this item.

The Landlord Services Manager attended the meeting to assist the Committee with the consideration of this item.

The Audit Manager attended the meeting to assist the Committee with the consideration of this item.

She provided a verbal update as follows:

- i. Good progress had been made throughout the year up until 31<sup>st</sup> March 2022.
- ii. There was a typographical error in the report: 31<sup>st</sup> December should read 31<sup>st</sup> March.
- iii. The Audit was on track to feed into the Annual Governance Statement.
- iv. Only one audit was outstanding plus the IT report.
- v. Of the overdue recommendations, one had since been completed.

The Committee were advised in response to questions that:

- i. Since writing the report, the Right to Buy audit had been implemented..
- ii. The Asbestos Management recommendation was dependent on the implementation of a new system provided by the asbestos contractor. There had been delays in the implementation of the new system but this did not reflect any issues with the management of asbestos.
- iii. The Fleet management recommendation would be followed up with the relevant manager. If there was no response it would be escalated to the Senior Leadership Team (SLT).
- iv. Audit Committee could invite officers to the meetings to report on outstanding audits if they deemed it necessary.
- v. The Absence Management audit had been outstanding for nearly two years. This was partly due to training issues and partly due to the Systems Analyst leaving the Council and the resulting recruitment process.
- vi. Absence Management was under control and was managed.
- vii. The current process used monthly absence reports rather than real-time reports that may have been produced from iTrent – but nonetheless adequate management information on absences was available. There had been a recommendation to update the system but it was no longer thought to be practical or achievable.
- viii. The Council were ahead of the target on sickness absence.
- ix. The Training Policy would be updated in Autumn.

- x. If there was a particular reason as to why an audit recommendation was extended, SLT would be made aware and discussions would take place with the relevant Head of Service to explore what could be done.
- xi. The plan on Electrical Safety was achievable and officers were on track to achieve recommendations.

**RESOLVED** that the Committee noted the report.

Reason

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

67. 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 2022/23. (Item 8 on the agenda filed with these minutes).

The Organisational Development Manager attended the meeting to assist the Committee with the consideration of this item and informed the Committee that:

- i. The new Strategic Risk Register had been agreed by Cabinet and this was the first quarterly report on the new register.
- ii. Some actions had been identified for improvement.
- iii. There had been no change in the ratings of risks since February.

The Committee were informed in response to questions that:

- i. One of the actions for improvement was the internal review of recruitment. This was being widened to add a section on staff retention in hard-to-reach areas. These hard-to-reach areas were similar across many local authorities and as such the Council were looking at what could be done to keep staff and attract staff, especially where there was competition with the private sector.
- ii. Regarding the residual risk within the business continuity plan mentioned in Strategic Risk 1 (SR1), the risk was plotted based on the inherent risk. Software was being investigated linked to a performance system that could generate reports. Looking at the inherent risk and getting to a desirable position for the risk each question could be updated and the movement of the risk could be plotted.
- iii. At the request of the Chair, future reports would show the differences to previous reports so as to avoid having to compare.
- iv. With regard to SR2, the Council had responded in line with the Local Resilience Forum (LRF) during the Covid-10 pandemic and the situation had been de-escalated.
- v. New risks had been identified and additional actions had come through.

**RESOLVED** that the Committee noted 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.

### 68. 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 Chair requested that dates of meetings, rather than the months, be added to the Work Programme once they are confirmed.

Regarding a query about a Risk Management meeting taking place on the same day as the meeting of the Audit Committee, the Audit Manager clarified that the report submitted to the meeting was based on the previous Quarter and anything added was to keep the Committee informed of anything that happened after 31<sup>st</sup> March 2022.

## **RESOLVED**

1. That the Committee proceeds on the basis of its work programme, which incorporates all decisions made at this meeting.
2. That dates are added to the Work Programme once they are confirmed.

## Reason

1. 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.
2. To allow Committee Members and Officers to manage their attendance in the upcoming Council year.

*The Organisational Development Manager left the meeting during the consideration of this item.*

### 69. EXEMPT INFORMATION

It was resolved that members of the public be excluded from the meeting during the consideration of the following items 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.*



70. INVESTMENT PERFORMANCE REPORT – Q4 (JANUARY TO MARCH) 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 70E. 2021/22).

71. IT HEALTH CHECK UPDATE

An exempt report of the Head of Customer Experience. (Exempt item 12 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 71E. 2021/22).

NOTES:

1. No reference may be made to these minutes at the next meeting of Full Council 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.
3. The Strategic Director for Commercial Development, Assets and Leisure, Information Technology Delivery Manager, Councillor Hadji-Nikolaou and the External Auditors joined the meeting remotely.

## AUDIT COMMITTEE – 12<sup>th</sup> JULY 2022

### Report of the Head of Strategic Support

#### Part A

#### ITEM 6 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 April 2022 to 30 June 2022.

##### 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:

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## 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 10<sup>th</sup> February 2022 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> April 2022 to the 30<sup>th</sup> June 2022 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.

## AUDIT COMMITTEE – 12<sup>th</sup> July 2022

### Report of the Head of Strategic Support

#### Part A

#### ITEM 7      2021/22 INTERNAL AUDIT ANNUAL REPORT

##### Purpose of Report

The purpose of this report is to present the Internal Audit annual report, which is one of the sources of evidence used to inform the production of the Annual Governance Statement.

##### Recommendation

The Committee notes the annual report of the Chief Audit Executive as appended to this report.

##### Reason

To enable the Committee to consider the report prior to receiving the Annual Governance Statement for consideration.

##### Policy Justification and Previous Decisions

As set out in Public Sector Internal Audit Standard (PSIAS) 2450, the Chief Audit Executive must provide an annual report to the board (Audit Committee) timed to support the Annual Governance Statement. This report and opinion should be considered as part of the evidence supporting the Annual Governance Statement.

##### Implementation Timetable including Future Decisions

The Annual Governance Statement will be considered by the Audit Committee at its meeting on 8<sup>th</sup> November 2022.

##### 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: Public Sector Internal Audit Standards

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**Part B**

Appendix

2021/22 Internal Audit Annual Report



# **INTERNAL AUDIT SHARED SERVICE**

**Charnwood Borough Council**

**Internal Audit Annual Report 2021/22**



## 1. INTRODUCTION

- 1.1 This is the annual report of the Chief Audit Executive (Audit Manager) as required by the Public Sector Internal Audit Standards (PSIAS). It covers the period 1 April 2021 to 31 March 2022 for Charnwood Borough Council.
- 1.2 This report includes the Audit Manager's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 1.3 This report also includes:
  - A summary of internal audit work carried out during 2021/22 which supports the opinion.
  - Issues relevant to the preparation of the Annual Governance Statement.
  - Internal Audit's Quality Assurance and Improvement Programme (QAIP).
  - A statement on conformance with the Public Sector Internal Audit Standards.

## 2. CHIEF AUDIT EXECUTIVE (AUDIT MANAGER) OPINION 2021/22

- 2.1 2021/22 has been a difficult and unusual year for everyone, including Internal Audit, with the restrictions changing due to the ongoing pandemic. Home working arrangements are more settled, and internal audit has continued to provide the additional support required for assurance on Covid-19 Business Grants.
- 2.2 In line with the Public Sector Internal Audit Standards Internal Audit have worked flexibly throughout the year whilst still ensuring a sufficient level of audit coverage to allow me to give an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control (the control environment). In giving this opinion it should be noted that assurance cannot be absolute.
- 2.3 For the 12 months ended 31 March 2022, I am able to give **reasonable assurance** on the overall control environment. To be consistent with our Internal Audit opinion definitions, this means that 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 areas audited. This is a positive assurance opinion overall.
- 2.4 My opinion is based on the following:
  - **All** internal audit work undertaken during the year, this includes advisory work as well as assurance audits that resulted in a final report, and supports the view on internal control arrangements. This also includes the work that was undertaken to deliver the Business Grants Assurance processes both pre and post payment.

Consideration has been given to findings of audits at the draft report stage.

- Follow up audit work in respect of audit recommendations.
- My knowledge of the Council's governance and risk management structure and processes.

2.5 There have been no impairments to the independence of internal auditors during the year.

### 3. SUMMARY OF INTERNAL AUDIT OPINION REPORTS DURING 2021/22

3.1 The risk based internal audit plan for 2021/22 was presented and approved by the Audit Committee on 9<sup>th</sup> February 2021. Progress against this plan has been reported to Audit Committee throughout the year as part of the regular Internal Audit progress reports.

3.2 A summary of the final audit opinions given in 2021/22 is detailed in Table 1 below. This includes 3 IT audits which were provided by specialist auditors. The opinion for individual audits is included in Appendix A for information, along with a comparison of the work delivered against the audit plan.

Table 1

Opinion	Definition	Number
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	3
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	8
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.	4
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	-
<b>Total audit reports</b>		<b>15</b>

3.3 Internal Audit follow up progress against recommendations in line with the timescales agreed at the time of issuing reports. The Audit Committee is updated on the Council's progress against the recommendations as part of the Internal Audit progress reports, as well as giving details of ongoing or

overdue recommendations. A summary of the recommendation tracking results for 2021/22 is included at Appendix B.

#### **4. ISSUES RELEVANT TO THE PREPARATION OF THE ANNUAL GOVERNANCE STATEMENT**

- 4.1 The Internal Audit team have issued 4 audit reports with limited assurance during 2021/22. These should be considered when preparing the Annual Governance Statement:
- **Risk Management**  
The main areas identified for improvement were around the updating of policies and procedures, training for both staff and members, and consistency across all risk registers with links to the relevant corporate strategies needing to be developed.
  - **Asset Management**  
The main areas identified for improvement were the strategy and supporting policies and guidance need creating, increased communication with the insurance officer and a comprehensive single data source needs to be developed to record adequate information on assets to enable evidence-based decision making.
  - **Choice Based Lettings**  
The main areas identified for improvement were the banding of applicants to ensure that the waiting list was accurate and relevant, and performance monitoring reporting to be reintroduced.
  - **HRA Electrical Safety**  
The main areas identified for improvement were that issues identified needed to be monitored, reviewed and with appropriate certification being received, a forward planning programme to be developed to ensure that properties are inspected in line with legislation, and procedure guides are developed to ensure consistency and assist with business continuity.
- 4.2 A number of high priority recommendations were made in respect of other audit reviews undertaken, however as they relate to specific systems and/or service areas, I do not consider it necessary to include them in the Annual Governance Statement. The Section 151 Officer receives all Internal Audit reports issued therefore they are also able to make their own assessment when completing the Annual Governance Statement should they be of a different opinion.

#### **5. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP) FOR INTERNAL AUDIT**

- 5.1 The Public Sector Internal Audit Standards (PSIAS) require the QAIP to include internal and external assessments (see Appendix C for more detail).
- 5.2 The internal assessments applicable to 2021/22 include the following:

- Monthly performance review meetings attended by the Audit Manager and the Strategic Director of Environmental and Corporate Services (S151 Officer) and the Head of Strategic Support (Monitoring Officer).
  - Customer satisfaction surveys were sent out to all Heads of Service and Managers who had an audit in their service area. Six returns for 2021/22 all with overall positive feedback.
  - Quarterly progress reports to senior management and Audit Committee which include monitoring of activity and performance.
- 5.3 The PSIAS require external assessments to be conducted at least once every five years. In December 2020 the shared internal audit service had an external quality assessment and the full report was presented to Audit Committee on 9<sup>th</sup> February 2021.
- 5.4 It was the assessor's opinion that internal audit at Blaby, Charnwood and North West Leicestershire Councils **conforms with the PSIAS**.
- 5.5 In addition to delivering the annual audit plan and opinion, Internal Audit have added value in the following ways:
- Co-ordinating the mandatory NFI COVID-19 grants exercise including data submission and reviewing matches.
  - Designing and delivering pre and post payment assurance checks for the Covid-19 Business Grants as well as successfully recovering a number of erroneous, non-compliant or fraudulent grants.
  - Undertaking the Benefits Subsidy work, this was previously undertaken by the external auditors, but due to independence issues has now come under the remit of Internal Audit.
  - Providing ad-hoc advice throughout the year to a wide range of services to help ensure that internal controls are maintained or strengthened.
  - The continued delivery of a successful shared service between Blaby District Council, North West Leicestershire District Council and Charnwood Borough Council. This adds value to all Councils as the audit team shares learning, expertise and best practice.

## 6. **CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

- 6.1 The external assessment conducted in December 2020 concluded that there were no significant gaps in compliance.
- 6.2 I can confirm that during 2021/22 the Internal Audit Shared Service conformed to the Public Sector Internal Audit Standards.

## RESULTS OF INDIVIDUAL AUDIT ASSIGNMENTS AGAINST 2021/22 AUDIT PLAN

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Environmental & Corporate Service										
Fleet Management	Audit	10	12	Completed	Reasonable	-	3	2	-	
Risk Management	Audit	10	8	Completed	Limited	-	3	5	-	
Main Accounting	Audit	5	3.5	Completed	Substantial	-	-	-	-	
Creditors	Audit	8	12	Completed	Reasonable	-	4	4	1	
Benefits Subsidy	Assurance		74	Completed	N/A					Addition to the plan
Covid-19 related assurance	Assurance	40	83	As required	N/A					Higher than planned due to new grants and level of checking required by central government.
Commercial Development, Asset & Leisure										
Asset Management	Audit	10	12	Completed	Limited	-	7	3	1	
Commercial Property Project	Audit	10	12.5	Completed	Reasonable	-	2	2	-	
Commercial Lettings	Audit	10	16.5	Completed	Reasonable	-	2	5	-	
Community, Planning & Housing										
Acquisitions Policy	Audit	8	9	Completed	Reasonable	-	2	3	1	
Choice Based Lettings	Audit	10	15	Completed	Limited	-	5	5	2	
Stray Dog Contract	Audit	10	9	Completed	Reasonable	-	-	3	-	Addition to the plan
Disabled Facilities Grants	Certification	5	2.5	Completed	N/A					
Building Control	Audit	8	7	Completed	Reasonable	-	3	4	-	Joint audit with NWLDC
Electrical Safety	Audit	8	9	Completed	Limited	-	4	3	-	
BDO Audit										
IT Project Management	Audit	BDO		Completed	Substantial	-	-	-	1	
IT and Cloud Strategy	Audit	BDO		Completed	Substantial	-	-	-	-	
Data Governance and Operational Cloud Security	Audit	BDO		Completed	Reasonable			1		

Recommendations Key – see Appendix B

**SUMMARY OF INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP 2021/22**

Internal Audit follow up progress against critical, high and medium priority recommendations in line with the timescales agreed at the time of issuing reports. Any overdue recommendations are highlighted to Audit Committee. The table below shows the progress against recommendations made by Internal Audit during 2021/22.

Recommendation Priority	Recommendations Made	Recommendations Implemented	Recommendations Outstanding (In Progress or Not Yet Due)	Recommendations Overdue
High	35	11	14	10
Medium	40	19	14	7
Total	75	30	28	17

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/Advisory	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed. Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

## QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME 2021-22

Activity	PSIAS	Result/comments	Frequency
External Quality Assessment	1310	December 2020 Assessment - no significant gaps in compliance.	Every 5 years.
Annual Declaration of Interests	1130	Forms completed in April 2021, this includes Code of Ethics and Principles.	Annual
Customer satisfaction surveys	1311	Six for 2021/22. All positive overall.	After each audit
Performance indicators reported in progress reports	1311	Performance indicators included in all quarterly reports to senior management and Audit Committees.	Quarterly
Improvement actions/continuous improvement	1311	An internal action plan produced for 2021/22 detailing improvement actions which included rolling review of the internal audit service to ensure compliance with standards.	Ongoing
Review of all audit engagements and reports	1311, 2340	All audit engagements and reports are reviewed by another auditor to ensure compliance with PSIAS in terms of meeting audit objectives and quality.	Every audit
Monthly performance reporting and meetings	1311	Monthly performance meetings with Strategic Director of Environmental and Corporate Services (S151 Officer) and the Head of Strategic Support (Monitoring Officer)	Monthly
Annual review of internal audit charter	1000	Shared Service Charter updated with only minor amendments and reported to Audit Committee in October 2021. Annual review takes place in September each year.	Annual
Performance and development review process for staff and training and development records.	1200	All review meetings with team have taken place and the training and development recorded within system for all training and development identified and completed. Officers recording their CPD in line with their professional body requirements do not need to duplicate records.	Bi- annual review meetings

**Report of the Head of Strategic Support**

**Part A**

ITEM 8 INTERNAL AUDIT PROGRESS REPORT Q1 2022-23

Purpose of Report

The report summarises the progress against the 2022/23 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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## **INTERNAL AUDIT SHARED SERVICE**

**Charnwood Borough Council**

**Internal Audit Progress Report 2022/23 Q1**

## **1. 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 during 2022/23 Q1.

## **2. Internal Audit Plan Update**

- 2.1 Work on the 2022/23 audit plan has commenced, with three audits currently in progress and the benefits subsidy testing beginning. The 2022/23 audit plan is included at Appendix A for information. The audits due to take place in Q2 are:
- Workforce planning
  - DFG Audit and Certification
  - S106 Agreements
  - Capital Programmes
  - Responsive Repairs Q2
  - Planned Maintenance Q2
- 2.2 Since the last update report three final audit reports have been issued, this completes the work on the 2021/22 audit plan. The following 2021/22 audits were issued, and the executive summaries and recommendations are included at Appendix B:
- Creditors – Reasonable Assurance
  - Choice Based Lettings – Limited Assurance
  - Data governance and operational cloud security – Reasonable Assurance
- 2.3 The Choice Based Lettings audit was issued with a limited assurance opinion. Five high, five medium and two low recommendations were made covering:
- Monitoring of the housing waiting list.
  - Assessment and reassessment of applications including the review of the relevant banding.
  - Procedure documentation not being fully in place.
  - Lack of performance indicators and timescales set.

## **3.0 Outstanding Recommendations**

- 3.1 Internal Audit monitor and follow up critical, high and medium priority recommendations. There are 13 overdue recommendations which are detailed in Appendix C for information.

## **4.0 Internal Audit Performance Indicators**

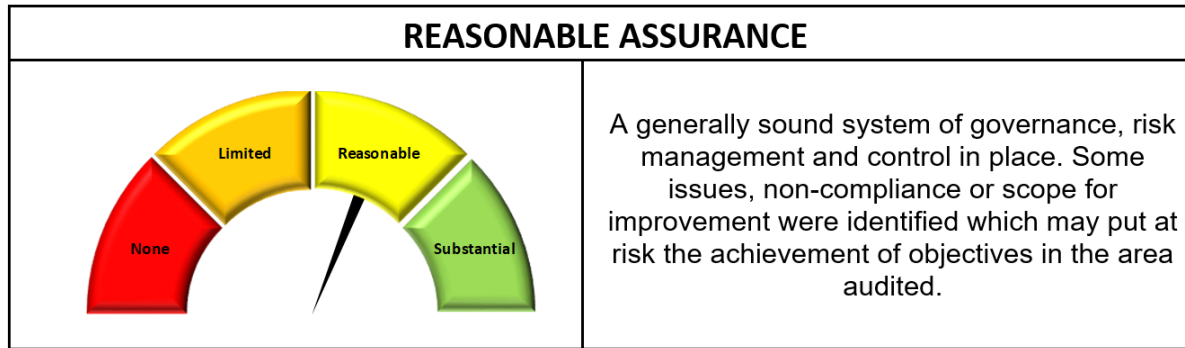
- 4.1 Progress against the agreed Internal Audit performance indicators is included in Appendix D. There are no areas of concern to highlight.

AUDIT PLAN AS AT 24<sup>th</sup> June 2022

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Disabled Facilities Grants	Certification & audit	6		Q2						
S106 Agreements	Audit	6		Q2						
Open Spaces Contract Management	Audit	7	4	In progress						
Town Hall	Audit	10		Q2						
Key Financial Systems	Audit	45		Q3 &4						
Capital Programmes	Audit	10		Q2						
Covid-19 related assurance work	Assurance	20	6	As required						
Benefits Subsidy	Assurance	60	2	In progress						
Planned & Cyclical Maintenance Q1	Audit	8	2	In progress						
Planned & Cyclical Maintenance Q2	Audit	8		Q2						
Planned & Cyclical Maintenance Q3	Audit	8		Q3						

Planned & Cyclical Maintenance Q4	Audit	6		Q4						
Responsive Repairs Q1	Audit	8	2	In progress						
Responsive Repairs Q2	Audit	8		Q2						
Responsive Repairs Q3	Audit	8		Q3						
Responsive Repairs Q4	Audit	6		Q4						
Workforce Planning	Audit	10		Q1/2						
National Fraud Initiative	Non audit	20		As required						
IT Key Controls Audit	Audit	10		IT Audit Contractor						
IT Cyber Security	Audit	10		IT Audit Contactor						

CREDITORS



Areas of positive assurance identified during the audit:

- There is adequate segregation of duties in relation to payments made for goods and services.
- Reconciliations are undertaken regularly.
- System user access is appropriate to the role and officers are current employees.

The main areas identified for improvement are:

- Changes to the bank mandate being communicated to the Payments Team.
- Evidence to support checks of payments being made.
- Manual authorisation of invoices.

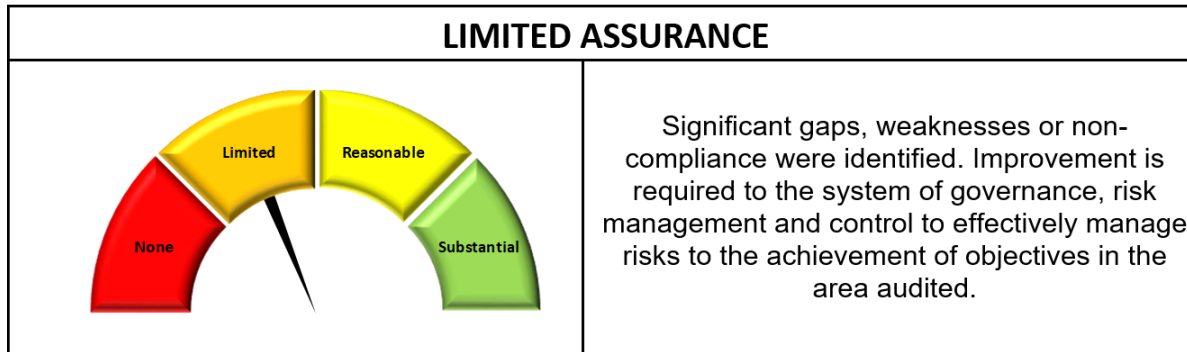
<b>Control Objective</b>	Adequate segregation of duties exists between the ordering and payment of goods and services and the recording of transactions in the accounts of the Authority.				
<b>Risks</b>	Lack of segregation in duties creating opportunity for fraudulent purchases and payments.				
<b>Observation</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Response/Agreed Action</b>	<b>Officer Responsible</b>	<b>Implementation Date</b>
A review of the report detailing purchase orders identified that nearly 14% of all purchase orders raised during the financial year 21/22 were authorised by the same officer as had raised the purchase order.	1.Consideration is given to amending access levels to the system that ensure there is a clear segregation of duties between raising and authorising of orders.	Medium	This issue has been raised at previous Internal Audits. Level of risk involved was lower as there is a Limit/ segregation of amounts for which budget officers can raise PO's and authorisation levels. Will however discuss this with S151 Officer.	Head of Financial Services	June 2022
	2. Staff with responsibility for ordering and authorising the purchase of goods and services should be reminded that only in exceptional circumstances should orders be raised and authorised by the same person. This could also be included as part of quarterly reminders (see recommendation 3 below)	Medium	Agreed - an all staff email will be issued to reinforce.	Head of Financial Services	June 2022

<b>Control Objective</b>	Official orders have been raised and appropriately authorised for all payments in accordance with Financial Procedures Rules.				
<b>Risks</b>	Unauthorised purchases are made.				
<b>Observation</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Response/Agreed Action</b>	<b>Officer Responsible</b>	<b>Implementation Date</b>
A review of order raised dates and invoice received dates was carried out and this highlighted that 49 were shown to have the same order date as invoice payment date. Additionally, a sample of 5 payments made were reviewed and this highlighted that 4 had the orders raised at the same time/ after the invoice was received, this is clearly not following Financial or Contract Procedure Rules.	3. Quarterly reminders, similar to that issued by the Head of Financial Services in February 2022, should be issued to all staff regarding the correct process to follow when ordering goods and services.	Medium	This is a corporate issue and agreed it would be necessary to send out an email to reinforce (as recommendation 2 above).	Head of Financial Services	June 2022

<b>Control Objective</b>	Adequate controls exist for the authorisation of payments via cheque, BACs and direct debit, and for the physical security of cheques.				
<b>Risks</b>	Fraudulent payments are made. Breach of Financial Procedure Rules. Theft of cheques.				
<b>Observation</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Response/Agreed Action</b>	<b>Officer Responsible</b>	<b>Implementation Date</b>
A review of one payment run highlighted one payment in excess of £50,000, however the payment run was authorised by only one signatory. In accordance with the bank mandate individual payments over £50,000 require two signatories to authorise the payment.	4. All payments made should be in accordance with the bank mandate.	High	Payment runs that contain individual payments in excess of £50k will be sent to two signatories to authorise payment.	Head of Financial Services	Implemented
The Senior Payments Officer was not aware of the requirements within the bank mandate.	5. Where changes are made to the Councils bank mandate these should be communicated to those officers responsible for payments.	High	Agree	Head of Financial Services	Implemented
It is not possible to confirm from the authorisation of the payment run whether the authoriser has reviewed a sample of invoices for payment to confirm that these are correct.	6. The signatory responsible for authorising the payment run should confirm their review of a sample of invoices on the payment run to confirm they are correct.	High	The process will be discussed with signatories and the email issued to them to authorise the payment run will be updated to include additional checks.	Head of Financial Services	Implemented
There is a facility within Unit4 which allows payments to be manually authorised for payment, this bypassing the normal authorisation by the budget holder. Whilst this facility does have restricted access its use needs to be monitored.	7. An exception report should be obtained from Unit4 to identify payments which have been manually authorised. For any manually authorised payments there should be adequate evidence to support the payment being made this way. The report should be run and reviewed by an officer who does not have access to the payments area of Unit4.	High	Agree –the Chief Accountant to develop a unit4 workflow with Accountancy Control for Matrix Invoices (those with status Y) to automatically send authorisation to Head of Financial Services (Lesley Tansey)/Group Accountant (Ian Allwyn) for approval.	Head of Financial Services	August 2022



## CHOICE BASED LETTINGS



Areas of positive assurance identified during the audit:

- There is a Housing Allocations Policy in place.
- Applications for housing are assessed/rejected in accordance with the Housing Allocations Policy criteria.
- Applicants' property bids are shortlisted, and properties are allocated in accordance with Housing Allocation Policy.
- Property offers have been appropriately administered and documented.

The main areas identified for improvement are:

- Detailed procedure guides are not in place to assist with the processes and for business continuity purposes for all aspects of the service.
- Performance monitoring needs to be completed and key indicator data collected and reported.
- Band expiry dates need to be recorded on the system and banding needs to be reviewed following expiration dates.
- Declaration of Interest Forms are not completed by Officers involved in the allocations process.

<b>Control Objective</b>	There are adequate and up to date documented strategies, policies and procedures in place to cover all aspects of the housing allocation process.				
<b>Risks</b>	Officers are unaware of processes. Officers act ultra vires.				
<b>Observation</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Response/Agreed Action</b>	<b>Officer Responsible</b>	<b>Implementation Date</b>
The Housing Allocations Policy was last updated in April 2020 and there are no defined review dates within the policy.	1. The Allocations Policy is reviewed if there are legislative changes, and the reviews are documented.	Low	Agreed	Housing Needs Manager	April 2023
Allocations and lettings process guide does not detail all aspects of the housing allocations process.	2. Procedure guides are reviewed to ensure they cover all aspects of the housing allocations process in more detail.	Medium	Agreed	Housing Needs Manager and Housing Allocations Team Leader	April 2023

<b>Control Objective</b>	The housing register is relevantly monitored and reported in line with strategies and policies.				
<b>Risks</b>	Senior officers and members are not aware of any issues regarding the allocation of social housing.				
<b>Observation</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Response/Agreed Action</b>	<b>Officer Responsible</b>	<b>Implementation Date</b>
Monitoring banding expiry dates was suspended during the pandemic, as other work was prioritised.	3. Monitoring of the banding expiry dates is resumed, in accordance with policy and that any information reported to Management is accurate and up to date.	High	Completed - Covered by response to recommendation 5	Housing Needs Manager and Housing Allocations Team Leader	June 2022
Testing highlighted reviews have not been undertaken when bands expire to confirm whether applicants banding needs to be extended or reduced and whether their circumstances have changed, in accordance with housing allocation	4. A review of all applications within the register where banding has expired is undertaken to identify applicants whose banding needs to be extended	High	Agreed	Housing Needs Manager and	December 2022

policy.	or reduced and whether their circumstances have changed, in accordance with housing allocation policy.			Housing Allocations Team Leader	
No performance data has been produced during 2021/22; this was a corporate decision during the pandemic to prioritise work.	5. The collection and monitoring of key performance indicators is reintroduced and regularly reported to management and, where appropriate, the Senior Leadership Team and/ or Members.	Medium	Completed -The collection of data has been reintroduced in April 2022 and are included in the Service Plan.	Housing Needs Manager and Housing Allocations Team Leader	June 2022
Testing identified a system error, whereby the automated process of removing applications which are not fully completed within 28 days has not always occurred.	6. Remedial action is taken to resolve the system error in respect of removing incomplete applications.	Medium	Completed - This was not a system error; it was a human error where a training issue has been identified.	Housing Needs Manager and Housing Allocations Team Leader	June 2022

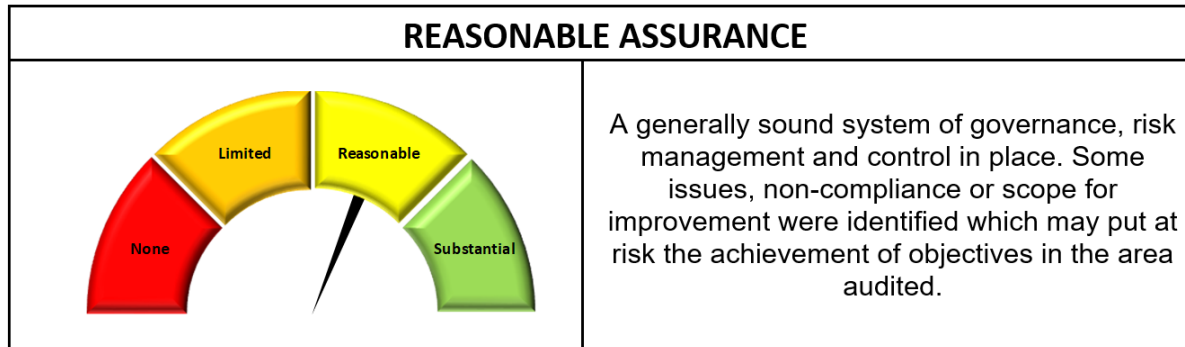
<b>Control Objectives</b>	Applications for housing are assessed/reassessed in accordance with the Housing Allocations Policy criteria. Applicant bids are monitored in accordance with the restrictions documented in the Housing Allocations Policy				
<b>Risks</b>	Ineligible/non-qualifying persons being accepted onto/remain on the Housing Register. Applicants being incorrectly prioritised on the housing register. Applicants abuse the process.				
<b>Observation</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Response/Agreed Action</b>	<b>Officer Responsible</b>	<b>Implementation Date</b>
The Housing Allocations Policy (HAP)states that applicants are placed into bands for an initial period (relevant to the band) after which time a	7. An exercise is completed to ensure all active applicants have an appropriate band expiry date recorded on the system.	High	Agreed	Housing Needs Manager and Housing Allocations Team Leader	December 2022

<p>reassessment will be completed to confirm whether the banding should be extended/reduced, and applicant's circumstances have changed. Additionally, it is a requirement of the HAP that applicants make bids within a set period of time, dependant on their banding. Failure to bid may result in demotion of the band level wen the banding is reviewed.</p> <p>A review of the housing register list has highlighted that there are 125 active applicants whose band dates had expired and 909 where no band expiry dates had been recorded in the system.</p>	8. The band expiry date field within the system is made a mandatory field.	High	This action can't be implemented - It is not something that can be made a mandatory field and is a training need.	Housing Needs Manager and Housing Allocations Team Leader	June 2022
	9. Officers ensure that there is a process in place to carry out regular reviews of banding, as per the policy.	High	Agreed in conjunction with recommendation 4.	Housing Needs Manager and Housing Allocations Team Leader	December 2022

<b>Control Objective</b>	Officers within the housing needs are required to declare any interests in the housing register applications/housing allocations and these are relevantly monitored and updated.				
<b>Risks</b>	Officers act fraudulently in the allocation of housing.				
<b>Observation</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Response/Agreed Action</b>	<b>Officer Responsible</b>	<b>Implementation Date</b>
<p>Officers do not complete a conflict of interest form.</p> <p>However, are asked to declare any interests and applicants are required to declare any relationships with staff and Councillors.</p>	11. Officers involved in the allocation process are required to complete an annual conflict of interest form which highlights potential areas of conflict and includes a declaration that the officer will inform the management when there is a potential conflict of interest.	Medium	Agreed	Housing Needs Manager	October 2022

<b>Control Objective</b>	Access to the home connections system is regularly reviewed and updated.				
<b>Risks</b>	Inappropriate use of the system. Breach of legislations (DPR).				
<b>Observation</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Response/Agreed Action</b>	<b>Officer Responsible</b>	<b>Implementation Date</b>
There is no regular review of access controls to the Home Connections System.	12. Access to the Home Connections System is regularly reviewed and updated.	Low	Agreed	Housing Systems Team Leader	October 2022

## DATA GOVERNANCE AND OPERATIONAL CLOUD SECURITY



Areas of positive assurance identified during the audit:

- Operational cloud security controls relating to the security of cloud data have been documented and there is a defined network diagram and blueprint of the Azure environment in place that is based on Microsoft Azure Governance
- Access to applications is managed by Windows Virtual Desktop (WVD) using a walled garden approach where data is managed within WVD and not on any local clients
- The Council has deployed Microsoft's Endpoint Manager tool and the BitLocker drive encryption feature on local devices to secure and manage data and there are rules in place for cloud data security and encryption
- The Sophos Central Antivirus tool has also been deployed on all endpoint devices and includes cyber security modules to ensure the security and protection of cloud data
- There are defined backup and disaster recovery arrangements for both Azure and WVD which use local redundant and geo-redundant policies to ensure that a separate resilient infrastructure is in place in case of any issues
- Individual agreements for Software as a Service (SaaS) applications include appropriate disaster recovery and business continuity clauses
- There are arrangements in place for monitoring security logs for cloud systems and services and access to personal data on a regular basis and the security measures that are in place to protect cloud systems and the Council's information assets are defined as part of the information asset risk assessments.

An area for improvement has been identified and a medium priority recommendation has been raised with regards to the Council's data governance arrangements and the information asset register, which was found to be out of date at the time of this audit.

<b>Control Objective</b>	Assess whether there is a defined and up to date information asset and data flow register in place and determine if it is complete, fit for purpose and whether it identifies, records, and assesses the data shared with third parties or cloud suppliers.				
<b>Risks</b>	Data shared with third parties or cloud suppliers may not be appropriately identified, assessed, and recorded and there may be inappropriate data sharing arrangements in place with cloud providers.				
<b>Observation</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Response/Agreed Action</b>	<b>Officer Responsible</b>	<b>Implementation Date</b>
<p>We observed during our testing that the Council's information asset register has not been reviewed since December 2019. This was due to the disruption caused by Covid-19 in early 2020, which required all customer experience work to be put on hold as member of staff were being utilised as part of the Council's pandemic response and business continuity arrangements.</p> <p>The information asset register included 96 systems at the time of this audit, however we found that the list of systems was out of date and did not include all systems currently in use by the Council.</p> <p>Furthermore, whilst the information asset register includes 34 fields to be completed for each information asset, including details of the information asset owner, a risk rating, the lawful basis for processing and whether data is shared with any third parties, we found that there is no field to capture whether the data for each system is held locally (on premise) or on the cloud.</p> <p>We also found the information asset register to be incomplete as a number of fields have not been completed for some of the existing information assets, including the risk rating and the data source.</p> <p>Where the information asset register is incomplete or out of date there is a risk that data shared with third parties or cloud suppliers is not appropriately identified and assessed, which could lead to information security breaches and non-compliance with the requirements of the GDPR.</p>	<p>R1 Management should review and, where necessary, update the Council's information asset register so that it captures all the Council's information assets and data flows and accurately reflects the Council's current information sharing agreements. The register should also include, but not be limited to, whether data for each system is held locally or on the cloud.</p> <p>Arrangements should be put in place for the information asset register to be reviewed on a regular basis and updated when there are changes to the Council's information assets or information sharing agreements.</p>	Medium	The review is already underway, the asset register was issued to CLT on 24/05/2022 with a deadline to respond of 01/07/2022. The aim is to complete the full review and update by the end of August 2022 and this will become a yearly task.	Russell Clarke, Service Manager	31/08/2022

**RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS AS AT 30<sup>th</sup> June 2022  
(CRITICAL, HIGH AND MEDIUM PRIORITY)**

**APPENDIX C**

Audit Year	Audit	Recommendation	Priority	Response/ Agreed Action	Responsible Officer	Due Date	1st Follow up comments	Extensi on Date	Second Follow up comments	Extensio n Date
2020 /21	Asbestos Management	9. A review of the information held on the asbestos register is carried out and updated to ensure that the authority is meeting its legislative requirement in relation to keeping an up-to-date record of the location and condition of the asbestos-containing materials - or materials which are presumed to contain asbestos.	High	Agreed, current system to be reviewed, developed, or replaced as appropriate.	Compliance Manager	Aug-21	Due to IT systems this had to be further extended.	Dec-21	Due to IT systems this had to be further extended. Still waiting on SharePoint transfer	May-22
2021 /22	Asset Management	1. 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	High	A revised Strategy, with guiding principles rather than a list of objectives, will be put in place to lead the council forward	Strategic Director of Commercial Development, Asset and Leisure	Apr-22	No response received	May-22	No response received	Jun-22



		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.								
2021 /22	Asset Management	2. Officers ensure that all policies and documents are in place, up to date and available to support the progression of the strategy.	High	As per recommendation one.	Strategic Director of Commercial Development, Asset and Leisure	Apr-22	No response received	May-22	No response received	Jun-22
2021 /22	Asset Management	3. 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	Relevant processes will be put in place as per response to recommendation one.	Strategic Director of Commercial Development, Asset and Leisure	Apr-22	No response received	May-22	No response received	Jun-22

2021 /22	Asset Management	9. Consideration is given to asset maintenance budgets being centralised to ensure that the authority can maintain their asset stock to the condition required.	High	Agreed in principle though the governance programme will be changed this will be undertaken in line with recommendation one.	Strategic Director of Commercial Development, Asset and Leisure	Apr-22	No response received	May-22		
2021 /22	Commercial Property Project	1. 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	Officers will investigate the addition of risks to the corporate risk management process and relevant risks will be included in the report for Audit Committee.	Strategic Director of Commercial Development, Asset and Leisure	Dec-21	Deferred	Mar-22	Deferred – No further response received.	Apr-22
2021 /22	Commercial Lettings	1. A full set of procedure documents should be in place which cover all key aspects of the Commercial Lettings area.	Medium	Agreed to implement local procedures to cover areas.	Strategic Asset Manager, Business Centre / Ind Managers and Senior Property and Asset Officer.	Dec-21	No response received	Mar-22	No response received	Apr-22

2021 /22	Commercial Lettings	2. Increases in rent charges should be calculated in line with Section 7 of the lease agreement. Details of how the increase has been calculated should be retained. The decision as to whether or not to increase rents should be formally documented and appropriately agreed.	Medium	Flat 3% increase applied for 3 years to 20/21 due to no previous increases being made. Going forward rent increases will be carried out in line with the lease agreement.	Strategic Director of Commercial Development, Asset and Leisure and Strategic Asset Manager.	Apr-22	No response received	May-22	No response received	Jun-22
2021 /22	Commercial Lettings	3. A valuation of the Commercial Units should be undertaken in order to compare the rents currently charged for units to market rents. This exercise should be repeated at regular intervals, e.g. every five years, to provide assurance that the rents charged are in line with achievable income.	Medium	Agreed – will instruct external company for a comparable to be carried out.	Strategic Director of Commercial Development, Asset and Leisure and Strategic Asset Manager.	Apr-22	No response received	May-22	No response received	Jun-22
2021 /22	Commercial Lettings	4. A breakdown of all service costs is calculated to ensure it covers all rechargeable cost, as per the lease agreement. This is then provided to the tenant two months prior to the service charge	High	Agreed, a process will be implemented across all teams. As leases expire these will be reviewed and brought into line with the process.	Strategic Director of Commercial Development, Asset and Leisure and Strategic Asset Manager.	Apr-22	No response received	May-22	No response received	Jun-22

		review date, again, as per the lease agreement.								
2021 /22	Commercial Lettings	7. 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	Agreed, for the proportion that are controlled by the authority and where it is the tenant's responsibility evidence will be requested from the tenant.	Strategic Director of Commercial Development, Asset and Leisure and Strategic Asset Manager.	Apr-22	No response received	May-22	No response received	Jun-22
2021 /22	Corporate Risk Management	2. The strategy and framework are made available for staff to ensure the promotion of risk management across the authority.	Medium	Agreed as per recommendation	Organisational Development Manager	Dec-21	Deferred to allow documentation to be approved.	Feb-22 Apr-22	Approved at Cabinet, yet to be publicised.	May-22

2021 /22	Fleet Management	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.	Medium	Agreed as per recommendation	Head of Cleansing and Open Spaces and Contracts Manager	Mar-22	No response received	Apr-22	No response received	May-22
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## INTERNAL AUDIT PERFORMANCE INDICATORS

PERFORMANCE MEASURE	POSITION AS AT 30 <sup>th</sup> June 2022	COMMENTS
Delivery of 2022/23 Audit Plan	0%	Audits are in progress but as yet there have been no reports issued. The focus this quarter has been on the completion of the 21/22 plan.
Percentage of Client Satisfaction with the Internal Audit Service	100%	6 responses received for 2021/22
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 – 12<sup>th</sup> July 2022

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

#### Part A

#### ITEM 9 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 2022/23.

##### 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.

##### Policy Justification and Previous Decisions

The Strategic Risk Register was approved by Cabinet on the 10th February 2022.

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 10<sup>th</sup> February 2022 – Item 11  
Audit Committee Report – 4<sup>th</sup> May 2022 – Item 8  
Audit Committee Report – 15<sup>th</sup> February 2022 – Item 6

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## Part B

### Background

1. In accordance with the Committee's work programme the Committee receives quarterly 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 identifies any changes to the risk rating and / updated treatments and controls.

### Development of the Strategic 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 (RMG) meetings, and are updated as required. The most recent meeting of the RMG was 4<sup>th</sup> May.
4. No changes were made to the ratings within the Strategic Risk Register at the latest RMG, however, the risks were updated to reflect additional planned actions in SR3, SR7 and SR10.
5. Pentana Risk Management software has now been introduced to the Council and this will be used to manage the Strategic Risks going forward. The system provides an overview of all of the risks and can be drilled down to a greater level of detail. The system also shows the direction of travel for risks and therefore provides an audit trail – see screenshot below. The system is currently being rolled out to officers.

SR01 Risk that there is a lack of adequate Business Continuity and Recovery arrangements.-

Current Compare Description

Impact 4 Major  
Likelihood 3 Likely  
Score 12

Assessment I4L3 Major/Likely  
Date Assessed 28 Apr 2022  
Internal Controls Score 1 Ineffective

Update

Risk Details Risk Tree History Internal Controls Related To More...

Owners

Administered By Corporate Risk Manager  
Assigned To Corporate Risk Manager

Notes Notes from current assessment...  
No Notes found.

Risk Attributes

Profile

Potential Effect

- Inability to deliver key/critical services e.g benefits, refuse collection, homelessness applications, emergency repairs.
- Reduction in access channels available to residents / customers i.e. contact centre, customer services, telephony

SR01 Risk that there is a lack of adequate Business Continuity and Recovery arrangements.-

Current Compare Description

Impact 4 Major  
Likelihood 3 Likely  
Score 12

Assessment I4L3 Major/Likely  
Date Assessed 28 Apr 2022  
Internal Controls Score 1 Ineffective

Update

Risk Details Risk Tree History Internal Controls Related To More...

	Date Assessed	Score	Assessment	Assessed by
	28 Apr 2022	12	I4L3 Major/Likely	Admin, Admin

28 April 2022

Notes Showing all Notes...  
No Notes found.

I4L3 Major/Likely

Impact 4 Major  
Likelihood 3 Likely  
Score 12

Assessed By Admin, Admin

Appendices

Appendix 1 - Strategic Risk Register

# Strategic Risk Register

## OVERVIEW

RISK		OWNER	INHERENT RISK			RESIDUAL RISK		
			Likelihood	Impact	Total	Likelihood	Impact	Total
SR1	Risk that there is a lack of adequate business continuity and recovery arrangements, leading to major internal and/or external disruption to services in the event of an incident (i.e. major ICT fail, fire etc), resulting in injury and/or loss of life and/or reputation	Strategic Director of Environment and Corporate Services	3	4	12	3	3	9
SR2	Risk that there is a lack of robust civil contingency arrangements established leading to a failure to respond appropriately to a major incident (e.g. flooding, terrorism etc) resulting in injury and/or loss of life	Chief Executive	4	4	16	3	3	9
SR3	Risk that there is a lack of external funding and/or income generated leading to a reduction in the financial resources available for service provision and/or to fund corporate objectives resulting in not being able to delivery services or being financially solvent	Strategic Director of Environment and Corporate Services	2	3	6	2	2	4
SR4	Risk that the Council does not attract suitable or capable staff or resources or there is a high sickness level or there are capacity issues from contractors and suppliers leading to a high number of vacancies or staff available resulting in poor service provision	Chief Executive	3	3	9	3	2	6
SR5	Risk that the Council does not follow its own governance procedures leading to failure to deliver services and/or value for money and/or it can be challenged through a legal	Chief Executive	2	3	6	2	2	4

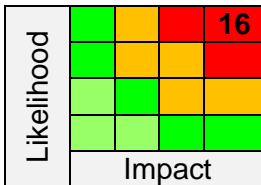
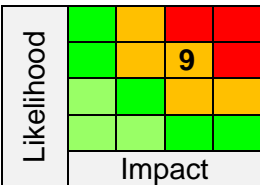
# Strategic Risk Register

RISK		OWNER	INHERENT RISK			RESIDUAL RISK		
			Likelihood	Impact	Total	Likelihood	Impact	Total
	process leading to service delivery issues and/or reputation damage and/or criminal charges							
SR6	Risk that partnerships with key stakeholders are not developed or maintained leading to a failure to deliver shared outcomes and a lack of delivery to the public resulting in service delivery issues and/or reputational damage	Chief Executive	2	2	4	1	2	2
SR7	Risk that adequate data sharing and data security arrangements are not implemented leading to an increase in cyber-attacks resulting in service disruption or data loss or damage	Strategic Director of Environment and Corporate Services	3	4	12	2	3	6
SR8	Risk that the Council does not establish effective strategic communication arrangements leading in the public not being informed about Council activity resulting in reputational damage	Chief Executive	3	3	9	2	3	6
SR9	Risk that the Council does not lead by example and manage the ongoing impact of climate change leading to a lower than anticipated reduction in carbon output	Chief Executive	2	3	6	2	2	4
SR10	Risk that new legislation or external factors cause negative financial or reputational impact on the Council leading to a reduction in service provision (i.e., Environment Bill) resulting in service delivery issues and/or reputational damage	Chief Executive	3	4	12	3	3	9

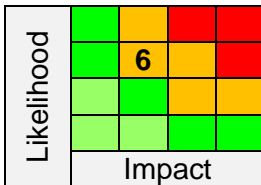
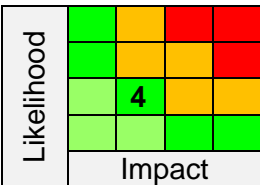
# Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																																																						
<b>SR1-Business Continuity</b> Risk that there is a lack of adequate business continuity and recovery arrangements, leading to major internal and/or external disruption to services in the event of an incident (i.e. major ICT fail, fire etc), resulting in injury and/or loss of life and/or reputation	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>	<table border="1"> <tr><td></td><td>Low</td><td>Medium</td><td>High</td><td>Critical</td></tr> <tr><td>Very Low</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>Low</td><td>Green</td><td>Yellow</td><td>Red</td><td>12</td></tr> <tr><td>Medium</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td></tr> <tr><td>High</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td>Critical</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>		Low	Medium	High	Critical	Very Low	Green	Yellow	Red	Red	Low	Green	Yellow	Red	12	Medium	Green	Yellow	Yellow	Yellow	High	Green	Green	Green	Green	Critical	Green	Green	Green	Green		Impact				<table border="1"> <tr><td></td><td>Low</td><td>Medium</td><td>High</td><td>Critical</td></tr> <tr><td>Very Low</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>Low</td><td>Green</td><td>Yellow</td><td>9</td><td>Yellow</td></tr> <tr><td>Medium</td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td>High</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td>Critical</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>		Low	Medium	High	Critical	Very Low	Green	Yellow	Red	Red	Low	Green	Yellow	9	Yellow	Medium	Green	Green	Yellow	Yellow	High	Green	Green	Green	Green	Critical	Green	Green	Green	Green		Impact				Remains the same
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<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 Organisational Development Manager	<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-Civil Contingencies</b> Risk that there is a lack of robust civil contingency arrangements established leading to a failure to respond appropriately to a major incident (e.g. flooding, terrorism etc) resulting in injury and/or loss of life	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>			Remains the same
<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>• 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>		<u>Responsible Officer:</u>		<u>Target Date:</u>

## Strategic Risk Register

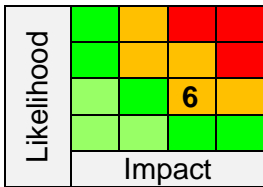
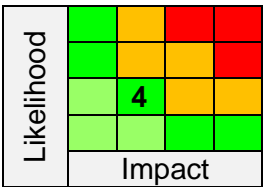
Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
<b>SR3 – Funding</b> Risk that there is a lack of external funding and/or income generated leading to a reduction in the financial resources available for service provision and/or to fund corporate objectives resulting in not being able to delivery services or being financially solvent	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>			Remains the same
<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>• 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>• Monitor the implications of the COVID pandemic on the financial situation</li> <li>• Active work around 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> Further exploration of commercial opportunities Exploring onlending	<u>Responsible Officer:</u> Strategic Director - Commercial Development, Asset and Leisure	<u>Target Date:</u> December 2022		

## Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																																		
<b>SR4 – Staffing</b> Risk that the Council does not attract suitable or capable staff or resources or there is a high sickness level or there are capacity issues from contractors and suppliers leading to a high number of vacancies or staff available resulting in poor service provision	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>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 colspan="4">Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red		Green	Yellow	9	Red		Green	Green	Yellow	Yellow		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>6</td><td>Yellow</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 colspan="4">Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red		Green	6	Yellow	Red		Green	Green	Yellow	Yellow		Green	Green	Green	Green		Impact				Remains the same
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<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>• Benchmarking with other Districts</li> <li>• Seeking guidance from established organisations such as Jobs Go Public, East Midlands Councils, District Councils Network and Local Government Association – especially relating to services which are hard to recruit to</li> <li>• Marketing the Council / Local Authority</li> </ul>																																																						
<b>Risk Owner</b>	Chief Executive																																																						
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Internal review of Recruitment		<u>Responsible Officer:</u> Organisational Development Manager		<u>Target Date:</u> August 2022																																																		



# Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
<b>SR5 – Governance</b> Risk that the Council does not follow its own governance procedures leading to failure to deliver services and/or value for money and/or it can be challenged through a legal process leading to service delivery issues and/or reputation damage and/or criminal charges	Strategic	<ul style="list-style-type: none"> <li>Financial damage</li> <li>Reputational damage</li> <li>Not complying with legislation</li> </ul>			Remains the same
<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>Annual review of the constitution</li> <li>Ensure that the Council's processes address the governance requirements</li> <li>Established governance arrangements for Risk Management, Performance Management, Projects and Programme Management</li> <li>Modern.gov – good democratic governance</li> <li>Annual governance statement</li> <li>Internal audit programme</li> </ul>				
<b>Risk Owner</b>	Chief Executive				
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u>	<u>Responsible Officer:</u>	<u>Target Date:</u>		

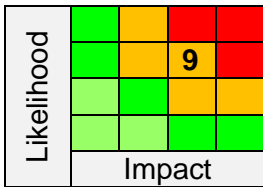
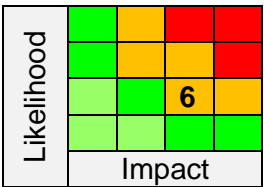
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<b>SR6 – Partnerships</b> Risk that partnerships with key stakeholders are not developed or maintained leading to a failure to deliver shared outcomes and a lack of delivery to the public resulting in service delivery issues and/or reputational damage	Strategic	<ul style="list-style-type: none"> <li>• Reputational Damage</li> <li>• Lack of joined up working</li> <li>• Damage to relationships with partners</li> </ul>	<table border="1"> <tr><td rowspan="4">Likelihood</td><td><span style="background-color: green;">■</span></td><td><span style="background-color: orange;">■</span></td><td><span style="background-color: red;">■</span></td><td><span style="background-color: red;">■</span></td></tr> <tr><td><span style="background-color: green;">■</span></td><td><span style="background-color: orange;">■</span></td><td><span style="background-color: orange;">■</span></td><td><span style="background-color: red;">■</span></td></tr> <tr><td><span style="background-color: green;">■</span></td><td style="text-align: center;">4</td><td><span style="background-color: orange;">■</span></td><td><span style="background-color: orange;">■</span></td></tr> <tr><td><span style="background-color: green;">■</span></td><td><span style="background-color: green;">■</span></td><td><span style="background-color: green;">■</span></td><td><span style="background-color: green;">■</span></td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood	<span style="background-color: green;">■</span>	<span style="background-color: orange;">■</span>	<span style="background-color: red;">■</span>	<span style="background-color: red;">■</span>	<span style="background-color: green;">■</span>	<span style="background-color: orange;">■</span>	<span style="background-color: orange;">■</span>	<span style="background-color: red;">■</span>	<span style="background-color: green;">■</span>	4	<span style="background-color: orange;">■</span>	<span style="background-color: orange;">■</span>	<span style="background-color: green;">■</span>	<span style="background-color: green;">■</span>	<span style="background-color: green;">■</span>	<span style="background-color: green;">■</span>		Impact				<table border="1"> <tr><td rowspan="4">Likelihood</td><td><span style="background-color: green;">■</span></td><td><span style="background-color: orange;">■</span></td><td><span style="background-color: red;">■</span></td><td><span style="background-color: red;">■</span></td></tr> <tr><td><span style="background-color: green;">■</span></td><td><span style="background-color: orange;">■</span></td><td><span style="background-color: orange;">■</span></td><td><span style="background-color: orange;">■</span></td></tr> <tr><td><span style="background-color: green;">■</span></td><td><span style="background-color: green;">■</span></td><td><span style="background-color: orange;">■</span></td><td><span style="background-color: orange;">■</span></td></tr> <tr><td><span style="background-color: green;">■</span></td><td style="text-align: center;">2</td><td><span style="background-color: green;">■</span></td><td><span style="background-color: green;">■</span></td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood	<span style="background-color: green;">■</span>	<span style="background-color: orange;">■</span>	<span style="background-color: red;">■</span>	<span style="background-color: red;">■</span>	<span style="background-color: green;">■</span>	<span style="background-color: orange;">■</span>	<span style="background-color: orange;">■</span>	<span style="background-color: orange;">■</span>	<span style="background-color: green;">■</span>	<span style="background-color: green;">■</span>	<span style="background-color: orange;">■</span>	<span style="background-color: orange;">■</span>	<span style="background-color: green;">■</span>	2	<span style="background-color: green;">■</span>	<span style="background-color: green;">■</span>		Impact				Remains the same
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<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>• Joint working with key organisations with clearly identified terms of reference and joint outcomes</li> <li>• Up to date contact details within partner organisations</li> <li>• Six monthly parish clerk meetings</li> <li>• Community Safety Partnership Review</li> <li>• Consider Partnership Register</li> <li>• Maintain relationships</li> <li>• Strategic Partner reviews</li> </ul>																																																
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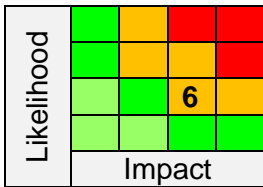
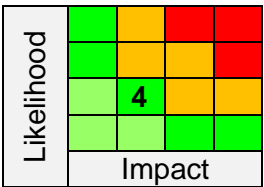
## Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																												
<b>SR7 – Data Security</b> Risk that adequate data sharing and data security arrangements are not implemented leading to an increase in cyber-attacks resulting in service disruption or data loss or damage	Strategic	<ul style="list-style-type: none"> <li>• Ineffective processes for sharing data with other agencies / authorities leading to data breaches</li> <li>• Reputational damage and loss of public confidence</li> <li>• Potentially significant fines</li> <li>• Increased risk due to the operating processes and people possibly taking documents home</li> </ul>	<table border="1"> <tr><td rowspan="4">Likelihood</td><td>Green</td><td>Yellow</td><td>12</td><td>Red</td></tr> <tr><td>Green</td><td>Yellow</td><td>Yellow</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 colspan="5">Impact</td></tr> </table>	Likelihood	Green	Yellow	12	Red	Green	Yellow	Yellow	Red	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>Red</td></tr> <tr><td>Green</td><td>Green</td><td>6</td><td>Yellow</td></tr> <tr><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td colspan="5">Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red	Green	Yellow	Yellow	Red	Green	Green	6	Yellow	Green	Green	Green	Green	Impact					Remains the same
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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 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>• Policies are reviewed on a regular basis</li> <li>• Information Security Group 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 for Environment and Corporate Services																																																
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Recruit into vacant Data Protection and Information Security Officer post		<u>Responsible Officer:</u> Head of Customer Experience		<u>Target Date:</u> June 2022																																												

## Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
<b>SR8 – Communication</b> Risk that the Council does not establish effective strategic communication arrangements leading to the public not being informed about Council activity resulting in reputational damage	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> </ul>			Remains the same
<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>• Adequately staffed and experienced corporate communications team</li> <li>• Communications Strategy and Plan in place</li> <li>• Regular monitoring of all media sources</li> <li>• Continue to expand social media use and reach</li> <li>• ‘Horizon scanning’ for potential communication issues at each Corporate Leadership Team meeting and as part of the Corporate Delivery Plan setting</li> <li>• Joint working with LCC Comms</li> <li>• Monitor the effectiveness of communications channels and posts</li> </ul>				
<b>Risk Owner</b>	Chief Executive				
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Completion of the actions within the Communications Plan		<u>Responsible Officer:</u> Communications Manager		<u>Target Date:</u> March 2023

## Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
<b>SR9 – Climate Change</b> Risk that the Council does not lead by example and manage the ongoing impact of climate change leading to a lower than anticipated reduction in carbon output	Strategic	<ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Environmental damage</li> </ul>			Remains the same
<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>• Cabinet pledge regarding climate change</li> <li>• Climate Change Action Plan</li> <li>• Caring for the Environment as a Corporate Strategy Theme and associated actions</li> <li>• Delivery of the new Strategy</li> <li>• Climate Action Board established</li> </ul>				
<b>Risk Owner</b>	Chief Executive				
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Completion of the Climate Change Action Plan		<u>Responsible Officer:</u> Strategic Director - Commercial Development, Asset and Leisure		<u>Target Date:</u> March 2023

## Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																																												
<b>SR10 – External Factors</b> Risk that new legislation or external factors cause negative financial or reputational impact on the Council leading to a reduction in service provision (i.e., Environment Bill) resulting in service delivery issues and/or reputational damage	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>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>12</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 colspan="4">Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red		Green	Yellow	Yellow	12		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>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 colspan="4">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				Remains the same
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<b>Current Treatments and Controls</b>	<ul style="list-style-type: none"> <li>Monitoring legislation through Parliament</li> <li>Liase with other Districts</li> <li>Reviewing and understand the financial implications</li> <li>Brief Cabinet</li> </ul>																																																																
<b>Risk Owner</b>	Chief Executive																																																																
<b>Planned Future Actions and Responsible Officer(s).</b>	<u>Description:</u> Environment Act – monitoring  Elections Bill - monitoring Supported Accommodation programme legislation	<u>Responsible Officer:</u> Head of Cleansing and Open Spaces / Head of Regulatory Services  Head of Strategic Support Head of Customer Experience	<u>Target Date:</u> Ongoing																																																														

## AUDIT COMMITTEE – 12<sup>th</sup> JULY 2021

### Report of the Head of Strategic Support

#### Part A

#### ITEM 10 ALLOWANCES AND EXPENSES CLAIMED BY COUNCILLORS AND CO-OPTED MEMBERS 2021/2022

##### Purpose of Report

To consider the amounts claimed by members of the Borough Council and co-opted members under the Council's Members' Allowances Scheme for 2021/2022.

##### Recommendations

1. That the amounts claimed in allowances and expenses by Councillors and co-opted members be noted; and
2. that any issues arising from the report be referred to the Head of Strategic Support for further investigation.

##### Reasons

1. To enable the Committee to ensure that the operation of the Members' Allowances Scheme complied with the published standards and controls.
2. To ensure that the issues could be investigated and a response given, and if necessary recommendations made for addressing any unresolved issues.

##### Policy Justification and Previous Decisions

The role of the Audit Committee is to provide part of the Council's assurance/compliance framework, including considering the Council's compliance with its own and other published standards and controls.

##### Implementation Timetable including Future Decisions

Any issues that the Committee identify should be referred to the Head of Strategic Support for further investigation and a further report if necessary.

##### 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:      The Local Authorities (Members' Allowances)  
                                  (England) Regulations 2003.

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. The Council's Members' Allowances Scheme is reviewed by an Independent Remuneration Panel which makes recommendations to Council on the Allowances to be paid to Councillors and co-opted members and what expenses can be claimed and the criteria under which a claim can be made.
2. The Local Authorities (Members' Allowances) (England) Regulations 2003 require each local authority to publish details of allowances paid to each Councillor for the previous year. The information for the financial year 2021/2022 is attached as an Appendix to this report.

### Appendices

Appendix – Allowances and Expenses paid to Councillors and Co-opted Members (April 2021 to March 2022).

CHARNWOD BOROUGH COUNCIL - ALLOWANCES AND EXPENSES PAID TO COUNCILLORS AND CO-OPTED MEMBERS (April 2021 to March 2022)

		Basic Allowance	Mayoral Allowance	Leader Allowance	Deputy Leader Allowance	Cabinet	Opp Leader Allowance	Special Resp Allowance	Co-opt Chair	Co-opt Member	Expenses and Subsistence	Fares	Mileage	Total
<b>Councillors</b>														
Bailey	Richard	5,318.04				5153.04								10,471.08
Baines	Paul	5,318.04	6515.85										21.15	11,855.04
Barkley	Tom	5,318.04			9,017.04									14,335.08
Bentley	Iain	5,318.04						1,547.04						6,865.08
Bokor	Jenny	5,318.04				5,153.04								10,471.08
Boldrin	Paul	5,318.04												5,318.04
Bolton *	Gill	3,102.19												3,102.19
Bradshaw	Julie	5,318.04												5,318.04
Bradshaw	Simon	5,318.04									17.60	19.80		5,355.44
Brennan *	Alice	3,131.73												3,131.73
Brookes	Matthew	5,318.04						491.11						5,809.15
Campsall	Roy	5,318.04												5,318.04
Capleton	John	5,318.04												5,318.04
Charles	Mark	5,318.04						3,142.49						8,460.53
Draycott	Mary	4,718.04												4,718.04
Forrest	Sandie	5,318.04						773.04						6,091.08
Fryer	Hillary	5,318.04						3,864.00						9,182.04
Gerrard	Sue	5,318.04											183.60	5,501.64
Goddard	Katrina	5,318.04												5,318.04
Gray *	Anne	1,043.59												1,043.59
Gray *	Beverley	1,043.59												1,043.59
Grimley	Daniel	5,318.04						465.55					155.70	5,939.29
Hadji-Nikolaou	Leon	5,318.04						465.55						5,783.59
Hamilton	Colin	5,318.04						199.62						5,517.66
Harper-Davies	Leigh	5,318.04				5,153.04								10,471.08
Harris	Christine	5,318.04												5,318.04
Harris	Keith	5,318.04												5,318.04
Howe	Julian	5,318.04											57.60	5,375.64
Hunt	Jane	0.00												0.00
Lowe	Mark	5,318.04						2,576.04						7,894.08
Mercer	Paul	5,318.04				5,153.04								10,471.08
Miah	Jewel	5,318.04					4,319.04	861.23						10,498.31
Morgan	Jonathan	5,318.04		12,882.96										18,201.00
Murphy	Paul	5,318.04						876.66						6,194.70
Needham	Laurie	5,318.04												5,318.04
Pacey	Ken	5,318.04						337.13						5,655.17
Paling	Andy	5,318.04											10.80	5,328.84
Parsons	Geoff	5,318.04												5,318.04
Parton	Ted	5,318.04						186.19						5,504.23
Poland	James	5,318.04				5,153.04								10,471.08
Popley	Robin	5,318.04												5,318.04
Radford	Christine	5,318.04												5,318.04
Ranson	Pauline	5,318.04						1,533.61			8.00	23.40		6,883.05
Ratray	Shona	5,318.04				5,153.04								10,471.08
Rollings	Roy	5,318.04				5,153.04								10,471.08
Savage	John	5,318.04												5,318.04
Seaton	Brenda	5,318.04						3,864.00						9,182.04
Shepherd	Richard	5,318.04												5,318.04

		Basic Allowance	Mayoral Allowance	Leader Allowance	Deputy Leader Allowance	Cabinet	Opp Leader Allowance	Special Resp Allowance	Co-opt Chair	Co-opt Member	Expenses and Subsistence	Fares	Mileage	Total
Smidowicz	Margaret	5,318.04				5,153.04								10,471.08
Snartt	David	5,318.04	930.84											6,248.88
Tassell *	Joan	1,829.86						532.31						2,362.17
Taylor	Deborah	5,318.04											20.70	5,338.74
Tillotson	Jenni	5,318.04	1,570.35											6,888.39
Ward	Emma	5,318.04												5,318.04
Williams *	Ian	2,762.43												2,762.43
<b>Co-opted Members</b>														
Angell *	Bev								0.00					0.00
Ball	Victoria									264.96				264.96
Cleere	Patrick									199.92				199.92
Dhul	Sumeet									200.04				200.04
Ellingworth	Eric									264.96				264.96
Jones	Julie									264.96				264.96
Nellist *	Jane								3,142.49					3,142.49
Smith	Paul									200.04				200.04
		<b>267,579.31</b>	<b>9,017.04</b>	<b>12,882.96</b>	<b>9,017.04</b>	<b>41,224.32</b>	<b>4,319.04</b>	<b>21,715.57</b>	<b>3,142.49</b>	<b>1,394.88</b>	<b>25.60</b>	<b>43.20</b>	<b>449.55</b>	<b>370,811.00</b>

\* Only served for part of the year

**AUDIT COMMITTEE – 12<sup>th</sup> JULY 2022**

**Report of the Head of Strategic Support**

**Part A**

ITEM 11 ANNUAL UPDATE RE THE ANTI- FRAUD & CORRUPTION STRATEGY AND WHISTLE - BLOWING POLICY

Purpose of Report

To provide information on the operation of the Anti-Fraud & Corruption Strategy and Whistle-blowing Policy during 2021/22.

Recommendations

The Committee is requested to note the information on the operation of the Anti-Fraud & Corruption Strategy and the Whistle-blowing Policy.

Reason

To ensure the Committee is kept up to date on the operation of the policies, and instances where they have been applied.

Policy Justification and Previous Decisions

The Council is obliged under the Public Interest Disclosure Act to maintain a Whistle-blowing Policy, designed to encourage staff, elected Members, contractors and the public to raise legitimate concerns about wrong-doing within the Council without fear of reprisal. In line with its role of community leadership, and its responsibilities for the stewardship of public funds, the Council also has an Anti-fraud & Corruption Strategy setting out how cases of fraud and corruption will be prevented, and how suspicions will be dealt with.

Implementation Timetable including Future Decisions

Updates will continue to be provided to the Committee on an annual basis.

Report Implications

The following implications have been identified for this report.

*Financial Implications*

There are no financial implications relating to this report

*Risk Management*

There are no risks arising from this report.

Background Papers: None

Officer to contact: Adrian Ward  
(01509 634573)  
[adrian.ward@charnwood.gov.uk](mailto:adrian.ward@charnwood.gov.uk)

## Part B

### 1. Background

All new members of staff receive awareness training re the documents as part of their Induction process. The Whistle-blowing Policy is also provided to potential suppliers as part of the procurement process.

### 2. Policy Documents

The documents have been reviewed and no amendments have been identified.

### 3. Whistleblowing Notifications

No whistleblowing notifications were received during the year.

### 4. Fraud

There were no incidents of internal fraud identified during 2021/22.

Other incidents of identified fraud related to the COVID-19 business support grants. Pre-payment checks were undertaken, and these helped to prevent a number of fraudulent payments being made.

However, a few instances of fraudulent payments were identified during post-payment checks, as summarised below:

Total number of prevented incidents - fraud	8
Total value of prevented incidents – fraud	£34,001
Total number of detected incidents – fraud	3
Total value of detected incidents - fraud	£25,169

## AUDIT COMMITTEE - 12TH JULY 2021

### Report of the Strategic Director of Commercial Development, Asset and Leisure

Lead Member: Councillor Roy Rollings

#### Part A

#### ITEM 12 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 April 2022.

##### Recommendation

That the Committee notes the outcome of the environmental audit process, including the identified actions for any mitigation required.

##### Reasons

To ensure the Committee is kept informed of the Council's approach to managing environmental risks related to the Environmental Management System.

##### 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 Plan sets a commitment to 'take action to protect the environment for future generations' and the Council has adopted a Climate Change Strategy, a Carbon Management Plan, a Waste Strategy and a Green 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 [https://www.charnwood.gov.uk/pages/environmental\\_management](https://www.charnwood.gov.uk/pages/environmental_management). The Policy was adopted by Cabinet in October 2015 and establishes a framework for setting objectives and targets for environmental improvement. In February 2021 a review of the policy was undertaken to ensure that it is reflective of both the Council's priorities and fits within the scope of the EMS. The policy was updated under a delegated decision to include an explicit commitment to protection of the environment including the prevention of pollution in relation to the context of the Council activities.

A Climate Change Strategy was adopted by cabinet on 10<sup>th</sup> May 2018 and revised November 2019. The Climate Change Strategy provides the action plan for the Council to maintain and potentially improve its environmental performance. A refresh of the Climate Change Strategy is scheduled to be undertaken for the financial year 2022/23.

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 carbon neutrality for Council own operations has been adopted by Cabinet at its meeting on 16<sup>th</sup> September 2021 (minute 27 21/22 refers).

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
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 waste and resources more effectively and reduce cost.

Key Decision: No

Background Papers: None

Officer to contact: Maria French  
Sustainability Officer  
(01509) 634802  
Maria.french@charnwood.gov.uk

## 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 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 on 5, 6 and 14 April 2022 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 27th April 2022. The implementation of mitigation actions is managed through the Legislation Update Service which enables 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'. The former 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. Overall, the management of the Environmental Operational System has been maintained to a good standard in most sites. 2021 was a challenging year due to the impact of the COVID-19 pandemic and staff changes. The recent loss of key staff members appears to have led to lack of defined roles and responsibilities in relation to upholding the System. Findings around routine testing regimes should not be allowed to lapse further. This was apparent in the findings from the Town Hall. Improvement was seen where staff are setting digital calendar reminders to address routine testing. In 2022 there were 7 Non-Conformance with Requirement (NCRs) found and 8 found in 2021. There were 15 Issues found in 2022 with 27 found in 2021 and 14 Recommendations made in 2022 with 12 made in 2021. Positive improvements were seen in relation to the maintenance of COSHH records and their availability at all locations. Incorrect waste documentation was the main operational audit finding
7. Of the 7 NCRs, 1 has been resolved and 6 have programmes in place to ensure they are resolved in a timely manner. Of the 15 Issues, 0 have been completed and 15 have programmes to ensure they are resolved in a timely manner. Of the 14 Recommendations, 2 has been completed, 12 are to be resolved in a timely manner.
8. The audit findings are set out at Appendix A. A summary of the Non-Conformance with Requirement (NCR) findings is presented below by site:

#### Southfield Road Offices

9. Although there have been some changes to the site, these have mostly been cosmetic or the movement of people. Whilst some staff have returned the site is not at full occupancy and the ground floor is no longer leased by the NHS. Southfield Road remains exempt from the Heat Network Regulations because Leicestershire County Council is the only valid customer. The arrival of another valid customer would bring the network within scope (the NHS were not considered a valid customer by the regulator).
10. Housekeeping was of a very standard with waste being stored in the correct locations. The Environmental Policy was seen displayed on a notice board.
11. A small fuel spill was seen in the car park (NCR1). Rainwater was carrying the spill to what appeared to be a surface water drain. Release of ecotoxic chemicals to water, pollution to a water course and prosecution. A record of the spillage incident seen in the car park, should be retained. The actions taken should be reviewed in line with the Council spillage response process.

12. A waste printer cartridge collection has not been made for 2 years (NCR2). A process needs to be put in place to ensure that printer cartridge waste is not stored for more than 12 months, as this contravenes the guidance: 'Waste exemption: NWFD 2 temporary storage at the place of production'. Lack of a waste transfer note within 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 the Council be investigated. Arrange for an urgent collection of the waste.

#### Charnwood Museum

13. There have been no significant changes to the site since the previous audit. Most COVID-19 restrictions have been removed and the museum is now operating summer hours which run from April to October. The standard of housekeeping was found to be high, with chemicals and waste stored in the correct location. A positive observation was recorded in relation to the play workshops run by the museum. During the workshops children are encouraged to use waste materials in crafting activities.

14. There was no waste transfer note (NCR3) for sanitary waste 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 the Council be investigated.

#### Town Hall

15. The Town hall has been opened since September 2021 with a number of staff still working from home. February and March have been the busiest on record. There is a knowledge gap in relation to monitoring the EMS since the previous Technical Manager left at the end of January 2022. A replacement Technical Manger has been appointed however this may not be a full-time position until September. Staffing levels have also been impacted by a Duty Manager leaving and Operations Manager on extended leave.

16. Housekeeping was found to be good in the public areas. In the backstage area props were piled on top of the recycling bin. Chemical were stored in the correct locations and generally waste was correctly segregated.

17. It was evident during the audit that elements of the EMS are not being monitored (NCR4). Lack of awareness could result in a legal noncompliance. Roles and responsibilities should be identified and addressed in relation to managing the EMS (Environmental Management System).

18. The Legionella Precaution Monthly Risk form had not been completed for March 2022 (NCR5). As readings taken in February 2022 were illegible, it was not possible to evidence conformance against the required temperatures. Legionella build up can be prevented by regular flushing of the water system. The 'Legionella Precaution Monthly Risk' process should be clearly recorded, and evidence of completion retained.

19. There were no waste records available to view during the audit in relation to general (Serco), dry mixed recycling (Love Loughborough) and sanitary (NCR6). 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 the Council be investigated. Waste transfer notes should be obtained and retained by the site for a minimum of two years.

20. The Display Energy Certificate seen in reception expired on 30 September 2021 (NCR7). 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". A current Display Energy Certificate should be obtained.

#### Oak Business Centre

21. The standard of housekeeping at the Oak Business Centre was found to be very high. There have been no changes to the site since the last audit. Occupation of the offices is high. Plans are in place for the Oak to have a smart boiler and smart radiators. There were no NCR's found at the Oak.

#### Ark Business Centre

22. Housekeeping was found to be good throughout the premises with chemical stored in correct locations. There have been no changes to the site since the last audit other than increased occupation of the offices, with only a couple of units unoccupied. There were no NCR's raised for the Ark.

#### Woodgate Chambers

23. Housekeeping was of a high standard. A smart eco water boiler, with an anti-legionella function was installed in March 2022. In November 2021, the Regulator was notified that Woodgate Chambers operates a heat network, under the Exempt Building Class of the Heat Network Regulations. The reason for the exemption was that more than 10% of the leases began before 20<sup>th</sup> November 2020. There were no NCR's found.

#### Management Review

24. A Management Review with the Strategic Leadership Team was held on 15th June 2022 to discuss audit findings and recommendations. The report was well received with the hard work by building managers to ensure compliance acknowledged. 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 will be scheduled to ensure ongoing environmental legal compliance and continual improvement.

#### Monitoring

25. To ensure actions identified by environmental audits are addressed in a timely way, the audit cycle is annual with a progress review, six months after the initial audit where Non-Conformance with Requirement NCRs or notes raised in the first audit are followed up on to determine progress. The outcome of the annual audit is considered by SLT and reported to Audit Committee.

## Timetable

25. The 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	April 2022
SLT Briefing of outcome	To consider non-compliance and any mitigating actions	June 2022
Audit Committee	To receive a report on the outcome of environmental audits	July 2022
Environmental Audits – Follow-up	To review the progress being made by building managers	October 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	
	2022	2021	2022	2021	2022	2021	2022	2021
Museum	1	2	1	7	3	3	5	12
Ark Business Centre	0	1	3	1	2	1	5	3
Town Hall	4	2	4	4	4	4	12	10
Southfield Road	2	0	3	7	3	1	8	8
Woodgate Chambers	0	1	1	2	1	0	2	3
Oak Business Centre	0	1	2	6	0	0	2	7
General	0	1	0	0	1	3	1	4
<b>Total</b>	<b>7</b>	<b>8</b>	<b>15</b>	<b>27</b>	<b>14</b>	<b>12</b>	<b>36</b>	<b>47</b>

## Summary Results of Internal Audits – April 2022

Southfield Road Offices 2022 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
NCR 1	6 <sup>th</sup> April 2022	Premises Officer	A small fuel spill was seen in the car park. Rainwater was carrying the spill to what appeared to be a surface water drain.	Release of ecotoxic chemicals to water, pollution to a water course and prosecution	9	3	3	Unknown	A record of the spillage incident seen in the car park, should be retained. The actions taken should be reviewed in line with the Council spillage response process.	A record of the incident has been retained.  Spill response procedure being reviewed.  Closed
NCR 2	6 <sup>th</sup> April 2022	Premises Officer	A waste printer cartridge collection has not been made for 2 years. A process needs to be put in place to ensure that printer cartridge waste is not stored for more than 12 months, as this contravenes the guidance: 'Waste exemption: NWFD 2 temporary storage at the place of production'.	Lack of a waste transfer note within 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.	6	2	3	Issues with the supplier	Arrange for an urgent collection of the waste	Follow-up with waste carrier has taken place.
Issue 1	6 <sup>th</sup> April 2022	Premises Officer	The waste food bin in the Break-out kitchen, contained general waste and recyclable waste	Disposal of Non-Recyclable, Non-hazardous Materials. There is a risk that recyclable waste could be going to landfill if that is the destination of the food waste bin seen in the kitchen.	4	2	2	Staff not following correct waste disposal process	Increase signage and consider the convenience and positioning of the waste recycling bins for those using the breakout kitchen.	Meeting with bin provider held.  Awaiting quotation



Southfield Road Offices 2022 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
Issue 2	6 <sup>th</sup> April 2022	Premises Officer	To refresh spill response training at least every 12 months. Issue.	Release of ecotoxic chemicals to water. A spillage could cause pollution to the environment, prosecution of the council and have financial consequences.	6	3	2	Spill response training was last conducted in August 2020, best practice suggest that this is conducted every 12 months.	Arrange for spillage training to be carried out on site and record the training, if possible, take photographic evidence of the training.	In progress
Issue 3	6 <sup>th</sup> April 2022	Premises Officer	It should be confirmed if Dry Mixed Recycling and General Waste are both included on the waste transfer note covering the period 01/11/21-31/10/22.	Recycling of Recyclable Material, 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	2	2	A waste transfer note was not available for recycling. It could not be determined whether Dry Mixed Recycling is included on the note seen: 01/11/21-31/10/22 for Mixed Municipal Waste.	Establish why there is not a separate waste transfer note for recycling and general waste.	In progress
Rec 1	6 <sup>th</sup> April 2022	Premises Officer	A record of the spillage incident seen in the car park should be retained. It should include reference to the site drainage plan and the type of drain the spill entered. The actions taken should be reviewed in line with the Council spillage response process.	Release of ecotoxic chemicals to water. A spillage could cause pollution to the environment, prosecution of the council and have financial consequences.	6	3	2	Spillage on car park source not established.	A record of the spillage incident seen in the car park should be retained. It should include reference to the site drainage plan and the type of drain the spill entered. The actions taken should be reviewed in line with the Council spillage response process.	Closed

**Southfield Road Offices 2022 Audit**

Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
Rec 2	6 <sup>th</sup> April 2022	Premises Officer	It is recommended that a current material safety data sheet for 'Selgiene Extreme C500.', is obtained, reviewed and its COSHH Risk Assessment is updated line with Charnwood B.C COSHH policy.	Not having current information on the site as to the risk to the environment from substances means that if a pollution event were to occur involving those substances, the environmental risk may be greater than anticipated, and there may be a prosecution from a pollution event. Aside from environmental risk, this also poses a risk to human health.	4	1	4	Lack of following the COSHH update process.	It is recommended that a current material safety data sheet for 'Selgiene Extreme C500.', is obtained, reviewed and its COSHH Risk Assessment is updated line with Charnwood B.C COSHH policy.	In progress
Rec 3	6 <sup>th</sup> April 2022	Premises Officer	The site should determine what measures are in place to check the integrity of the bund contained within the oil storage component of the lift mechanism.	To prevent pollution in the event of a spill.	2	1	2	Lack of awareness of requirement	The site should determine what measures are in place to check the integrity of the bund contained within the oil storage component of the lift mechanism.	Inspected on each service visit Documented on service sheet Closed
Positive Observation	6 <sup>th</sup> April 2022	Premises Officer	Property Officer was able to demonstrate that has put reminder tasks into his Outlook calendar for forthcoming renewals and service reminders.							

Charnwood Museum 2022 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
NCR 3	14 <sup>th</sup> April 2022	Museum Manager	There was no current sanitary waste transfer note available at the museum.	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.	6	2	3	There was no waste transfer note available at the museum.	Obtain the sanitary waste transfer note for 2022	Open
Issue 4	14 <sup>th</sup> April 2022	Museum Manager	The season ticket is due for renewal on 30/4/2022. The annual waste transfer note for recycling expires on 30/4/2022.	Lack of a waste transfer note indicates that the duty of care has not been followed.	6	2	3	Paperwork not yet in place	Contact the supplier and obtain a new season ticket	Open
Issue 5	14 <sup>th</sup> April 2022	Museum Manager	The Display Energy Certificate has an invalid expiry date.	A local authority can issue a penalty charge notice of £500 for failing to display a DEC.	2	2	1	The expiry date is incorrect on the certificate	Obtain a Display Energy Certificate with a valid expiry date.	Open
Rec 4	14 <sup>th</sup> April 2022	Museum Manager	It is recommended that a current material safety data sheet for 'Hycolin Professional Antiviral Multi-Purpose Cleaner Disinfectant' reviewed and its COSHH Risk Assessment is updated in line with Charnwood COSHH policy.	Not having current information nearby on the site as to the risk to the environment from substances means that if a pollution event were to occur involving those substances, the environmental risk may be greater than anticipated, and there may be a prosecution from a pollution event.	2	1	2	Failure of process for checking the currency of material safety data sheets.	Obtain material safety data sheet	Open
Rec 5	14 <sup>th</sup> April 2022	Museum Manager	Due to the minimal amount of florescent tube waste, it is recommended that an	As there is minimal florescent tube waste, there is a risk the waste	2	1	2	low levels of florescent tube	Review transport option to Southfield Road offices	Open

**Charnwood Museum 2022 Audit**

Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
			investigation is held into the feasibility of safely transporting florescent tube waste to Southfield Road.	could be stored on site for longer than the time specified in NWF2 waste exemption is in breach of the Environmental Permitting Regulations and could result in prosecution if the site were ever investigated.				waste have been generated.		
Rec 6	14 <sup>th</sup> April 2022	Museum Manager	It is recommended that the museum obtain confirmation from the café that the secondary containment of the waste cooking oil is not leaking and posing a pollution risk.	If the waste oil is not being stored correctly the waste producers, they are not taking responsibility for their waste. There is a risk to environment of oil leaking for which the consequence could be a financial loss.	2	2	1	Possible leaking secondary containment	Explain the issue with the tenant and request them to resolve the issue.	Open
Positive Observation	14 <sup>th</sup> April 2022	Museum Manager	A positive observation was recorded in relation to the play workshops run by the museum. During the workshops children are encouraged to use waste materials in crafting activities							

Charnwood Museum 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
Issue 1	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 has been purchased and was seen in use.  Closed
Rec 1	4 <sup>th</sup> March 2021	Museum Manager	The waste transfer note for mixed recycling specifies that aerosols can be transferred with the waste. This is incorrect as 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	The paperwork provided seemed to incorrectly advise that the waste could be disposed of in this recycling stream	Contact the supplier by requesting a separate aerosol collection and waste transfer note.	Closed
Rec 2	4 <sup>th</sup> March 2021	Museum Manager	To ensure that the competency certificate for the engineer who carried out the air conditioning maintenance is stored in the museum folder.	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	Supplier lack of compliance in providing engineers records.	Contact the supplier and request a copy of the engineer's certificate/competence.	Closed
Rec 3	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	Review costings	To be reviewed as part of the 2030 Carbon Neutral Plan

Charnwood Museum 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
								lighting measures have been reviewed for the staff areas.		

Town Hall 2022 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
NCR 4	6 <sup>th</sup> April 2022	Town Hall Manager	It was evident during the audit that elements of the EMS are not being monitored	Lack of awareness could result in a legal noncompliance	9	3	3	Lack of allocation of roles and responsibilities for the management system.	Roles and responsibilities should be identified and addressed in relation to managing the EMS (Environmental Management System)	Open
NCR 5	6 <sup>th</sup> April 2022	Town Hall Manager	The 'Legionella Precaution Monthly Risk' form had not been completed in March 2022. As readings taken in February 2022 were illegible, it was not possible to evidence conformance against the required temperatures	Legionella build up can be prevented by regular flushing of the water system	6	1	6	Monthly process could not be evidenced	Clearly record the 'Legionella Precaution Monthly Risk' process and retain evidence of completion	Open
NCR 6	6 <sup>th</sup> April 2022	Town Hall Manager	There were no waste records available to view during the audit in relation to the following wastes: Sanitary Dry Mixed Recycling (Love Loughborough) General (Serco)	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	Lack of knowledge of waste stream documentation and retention periods	Waste transfer notes should be obtained and retained by the site for a minimum of two years	Open

Town Hall 2022 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
NCR 7	6 <sup>th</sup> April 2022	Town Hall Manager	The Display Energy Certificate seen in reception; number 8034-4313-6199-4729-9696 expired on 30/09/2021.	A local authority can issue a penalty charge notice of £500 for failing to display a DEC	6	1	6	Failure to notice the Display Energy Certificate seen in reception, number 8034-4313-6199-4729-9696 expired on 30/09/2021	Obtain a current Display Energy Certificate	Open
Issue 6	6 <sup>th</sup> April 2022	Town Hall Manager	It should be ensured that waste bins remain accessible, to avoid the risk of pollution.	Disposal of Non-Recyclable, Non-hazardous Materials. There is a risk the obstructing a waste bin could result in incorrect disposals of waste	4	4	1	Failure to observe access to waste bins	Ensure that waste bins provided are easy to access and unobstructed	Open
Issue 7	6 <sup>th</sup> April 2022	Town Hall Manager	Records of the recently installed air conditioning equipment, associated contractor and engineer competencies should be retained by the Town Hall technical department.	Not retaining the competency of the engineers and company who undertake the installation (depending on what equipment was installed), could be non-compliant with the Ozone Depleting Substances Regulations and could lead to prosecution if the f-gas maintenance records were investigated by the Environment Agency	6	2	3	lack of awareness	Obtain and retain records of the recently installed air conditioning equipment, associated contractor and engineer competencies.	Open
Issue 8	6 <sup>th</sup> April 2022	Town Hall Manager	A current material safety data sheet should be obtained for: 'Evans Lemon Gel', product number A013 EV, and should be reviewed against the accompanying the COSHH	Not having current information nearby on the site as to the risk to the environment from substances means that if a pollution event were to occur involving those	2	1	2	Failure of process for checking the currency of material safety data sheets.	A current material safety data sheet should be obtained for: 'Evans Lemon Gel', product number A013 EV, and should be reviewed against the	Open

Town Hall 2022 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
			data sheet, which should be reprinted, signed and retained in the file.	substances, the environmental risk may be greater than anticipated, and there may be a prosecution from a pollution event. Aside from environmental risk, this also poses a risk to human health.					Accompanying the COSHH data sheet, which should be reprinted, signed and retained in the file.	
Issue 9	6 <sup>th</sup> April 2022	Town Hall Manager	Consideration should be given to the appropriate storage of the gas cannister seen near the COSHH Cupboard and the kitchen.	Consider the risk to the environment in which the gas is stored	6	2	3	lack of awareness	Consideration should be given to the appropriate storage of the gas cannister seen near the COSHH Cupboard and the kitchen	Open
Rec 7	6 <sup>th</sup> April 2022	Town Hall Manager	Action should be taken to ensure spill training takes place on a regular basis (best practice suggests annually) and it is recommended that photographs are taken during the training to evidence that training was undertaken.	To prevent pollution in the event of a spill. There was no evidence that environmental spill training had been conducted since 02/03/2021	2	1	2	Lack of awareness of requirement.	Action should be taken to ensure spill training takes place on a regular basis (best practice suggests annually) and it is recommended that photographs are taken during the training to evidence that training was undertaken	Open
Rec 8	6 <sup>th</sup> April 2022	Town Hall Manager	It should be ensured that the COSHH cabinet is lockable.	Release of ecotoxic chemicals to water. Not having the cabinet locked poses a risk to the environment from substances stored	4	2	2	The lock was broken and had not been addressed at the time of audit.	It should be ensured that the COSHH cabinet is lockable	Open
Rec 9	6 <sup>th</sup> April 2022	Town Hall Manager	It is recommended that the contractors who left the oil arrange for the oil to be collected at their own cost.	The waste oil is not being stored correctly and by being left in the fryer, the waste producers are not taking responsibility for their waste. There is a risk to environment of oil leaking for which the	2	2	1	The contractor is not observing his legal obligation.	Charnwood BC did not create the waste so as the waste producer, the contractor has duty of care to remove the waste	Open



Town Hall 2022 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
				consequence would be a financial loss						
Rec 10	6 <sup>th</sup> April 2022	Town Hall Manager	It is recommended that the appropriate bags are put into the general waste and recycling bins, and that the intended waste labelling is clear on both bins.	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.	2	2	1	Bags were put into the incorrect bins	It is recommended that the appropriate bags are put into the general waste and recycling bins, and that the intended waste labelling is clear on both bins	Open

Town Hall 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
NCR 2	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.	Remains open
NCR3	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.	6	2	3	Lack of knowledge of this waste stream and its collection arrangements	This needs to be investigated and obtained	Remains open
Issue 4	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
Issue 5	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	6	2	3	Incorrectly completed by Serco	Ensure all sections are completed correctly Refer to supplier briefing note	Closed

Town Hall 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
				management practices of Charnwood BC be investigated.						
Issue 6	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	Closed
Rec 4	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.	Remains open
Rec 5	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

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 4	12 Feb 2020	Town Hall Technical Manager	<p>Andy Davies' competency should be obtained and kept on file</p> <p>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 BC should take action to avoid an environmental risk.</p>	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	Incompetency on the part of the service company	Next time he visits, ask if he can provide his competency certificates for your records.	Closed
Rec 5	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 BC should take action to avoid an environmental risk.	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.	<p>Discuss with carrier when refilling is required 2021</p> <p>No gases have been added since the last audit</p> <p>Remains open</p>

**Oak Business Centre 2022 Audit**

Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Issue 1	6 <sup>th</sup> April 2022	Business Centre Supervisor	It should be confirmed if dry mixed recycling and general waste are both included on the waste transfer note covering the period 01/11/21-31/10/22. It should also be established how segregation is occurring at the waste centre.	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	Waste practices	Contact the supplier and confirm if season ticket includes DMR	Open
Issue 2	6 <sup>th</sup> April 2022	Business Centre Supervisor	The transfer note for printer cartridges is dated 04/02/21. Waste should not be stored by the producer for longer than 12 months as this would contravene the guidance: 'Waste exemption: NWFD 2 temporary storage at the place of production	Waste should not be stored by the producer for longer than 12 months as this would contravene the guidance: 'Waste exemption: NWFD 2 temporary storage at the place of production	3	3	1	Waste practices	Check that this is the latest waste transfer note.	Open

Oak Business Centre 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
NCR 5	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	6	2	3	Infotone did not supply a correct WTN	Contact Infotone to update waste transfer note	Closed

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 2022
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

Ark Business Centre 2022 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
Issue 4	14 <sup>th</sup> April 2022	Business Centre Supervisor	It should be confirmed if dry mixed recycling and general waste are both included on the waste transfer note covering the period 01/11/21-31/10/22 and that collections of the	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	4	2	2		Establish with the waste provider.	Open

Ark Business Centre 2022 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
			waste streams are separate.	should the waste management practices of Charnwood BC be investigated.						
Issue 5	14 <sup>th</sup> April 2022	Business Centre Supervisor	The Ark, should review the Tenancy Agreement in relation to the storage of oil and chemicals at the unit. The Ark should write to the tenant requesting the following action be taken by in relation the IBC stored at unit 17:	Risk of release of ecotoxic chemicals to a water course, pollution to the environment and prosecution.	6	2	3	Storage of an unknown substance in a position where pollution could occur.	Review the Tenancy Agreement	Open
Issue 6	14 <sup>th</sup> April 2022	Business Centre Supervisor	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.	3	1	3	Tenants not following the correct waste process	Address the issue with tenants	Open
Rec 4	14 <sup>th</sup> April 2022	Business Centre Supervisor	It is recommended that a current material safety data sheet for 'Suma Bac D10 Sanitiser', is reviewed and retained in line with Charnwood B.C COSHH policy.	Not having information on the site as to the risk to the environment from substances means that if a pollution event were to occur involving those substances, the environmental risk may be greater than anticipated, and there may be a prosecution from a pollution event.	4	2	2	The most recent safety data sheet had not been downloaded	A safety data sheet has been found for this chemical, and a COSHH Risk assessment should be updated from it.	Open

Ark Business Centre 2022 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
				Aside from environmental risk, this also poses a risk to human health.						
Rec 5	14 <sup>th</sup> April 2022	Business Centre Supervisor	Reprint the Energy Performance Certificate in A3 size in colour to ensure the certificate number is visible	A local authority can issue a penalty charge notice of £500 for failing to display a DEC	2	1	2	Printer error.	Reprint the Energy Performance Certificate	Open

Ark Business Centre 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
NCR 3	4 <sup>th</sup> March 2021	Building Manager	To ensure that the printer cartridge waste transfer note includes: Correct SIC code Carriers licence number Signature of the producer	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	Supplier to be contacted to obtain correct waste transfer note	Closed



Ark 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	08 Feb 2019	Building Manager	<p>Possible energy saving option due to daylight sensors reducing energy use in sunny areas of the building</p> <p>Motion sensors are in place.</p>	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 daylight sensors is recommended	To be reviewed as part of carbon 2030 plan

Woodgate 2022 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2022
Issue 1	6 <sup>th</sup> April 2022	Premises Officer	The current mode of transportation of waste fluorescent tubes should be assessed for protection to the environment and safety to the individual.	There is a risk of pollution o the environment posed by the mode of carrying hazardous waste	4	2	2	Transportation issue	The current mode of transportation of waste fluorescent tubes should be assessed for protection to the environment and safety to the individual	Open
O	6 <sup>th</sup> April 2022	Premises Officer	The air-conditioning service is due in April 2022	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	2	1	2	Time management issue	Arrange for the air conditioning to be serviced at Woodgate	Open

**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 May 2022
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	Closed

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

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

**Report of the Head of Financial Services**

**Lead Member: Councillor Tom Barkley  
12<sup>th</sup> July 2022**

**Part A**

ITEM 13

**TREASURY OUTTURN REPORT 2021/22**

Purpose of Report

To report to the Committee the Council's Treasury Management, Investment Management and Prudential Code Outturns for the year 2021/22.

Action Requested

That the contents of the report be noted.

Policy Justification

That we will deliver value for money for the people of Charnwood Borough Council.

Implementation Timetable including Future Decisions

The outturn report is submitted annually and presented to the Audit Committee for noting.

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:           Lesley Tansey, 01509 634828  
Head of Financial Services

[Lesley.Tansey@charnwood.gov.uk](mailto:Lesley.Tansey@charnwood.gov.uk)

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## Part B

### 1.Purpose

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2021/22 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 22/02/2021)
- a mid-year treasury update report (Audit Committee 6/11/2021) (Cabinet 18<sup>th</sup> November 2021)(Council 17/01/2022)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council. Member training on treasury management issues is undertaken when required or requested in order to support the members' scrutiny role.

## Introduction and Background

This report summarises the following:-

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness, (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity and investment activity.

## 2.The Council's Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions, internal borrowing etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure for 2021/22, this was financed in the year by Capital reserves, internal borrowing, external funding and Capital receipts, there was no borrowing required.

£m General Fund	2020/21 Actual	2020/21 Current Budget	2021/22 Current Budget	2021/22 Actual
<b>Capital expenditure</b>				
Financed in year	29,906	42,828	10,723	5,273
Unfinanced Projects	0	15,000	30,000	0
Total	29,906	57,828	40,723	5,273

£m HRA	2020/21 Actual	2020/21 Current Budget	2021/22 Current Budget	2021/22 Actual
<b>Capital expenditure</b>				
Financed in year	4,026	9,100	9,899	3,519

## 3.The Council's Overall Borrowing Need (Capital Financing Requirement)

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2021/22 unfinanced capital expenditure (see above table), and

prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources within the Council.

**Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need, (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's CFR for the year is shown below, and represents a key prudential indicator. Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

**Gross borrowing and the CFR** – CFR is the overall borrowing requirement for Capital Expenditure. In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2021/22.

The table below highlights the Council’s gross borrowing position against the CFR cumulative. The Council has complied with this prudential indicator.

	31 March 2021 Actual	31 March 2022 Budget	31 March 2022 Actual
Gross External borrowing General Fund	£2.000m	£2.000m	£2.000m
Gross External borrowing HRA	£79.190m	£79.190m	£79.190m
Total Gross Borrowing	£81.190m	£81.190m	£81.190m
CFR	£107.205m	£106.622m	£106.622m
Under / (over) borrowed of CFR	£26.015m	£25.432m	£25.432m

The Authorised limit and the Operational boundary are reviewed and set each year as part of Treasury Management Strategy within Capital Strategy Report to council.

**The Authorised limit - £158m** the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the Council has maintained gross borrowing within its authorised limit.

**The Operational boundary- £136m** the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

**Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2021/22
Authorised limit	£158m
Maximum gross borrowing position during the year	£81.19m
Operational boundary	£136m
Financing costs as a proportion of net revenue stream - General Fund	-0.28%
Financing costs as a proportion of net revenue stream - HRA	12.15%

### 3. Overall Treasury Position as at 31 March 2022

The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2021/22 the Council's treasury position was as follows:-

#### Treasury Management Position

	31 st March 2021 Principal £'000	Rate of Return %	Average Life Years	31 st March 2022 Principal £'000	Rate of Return %	Average Life Years
<b>Debt</b>						
General Fund External	(2,000)	11.63%	3	(2,000)	11.63%	2
HRA	(79,190)	3.41%	19	(79,190)	3.41%	18
<b>Gross Debt</b>	<b>(81,190)</b>			<b>(81,190)</b>		
<b>Less CFR</b>	<b>107,205</b>			<b>106,622</b>		
<b>(Over)/Under borrowed</b>	<b>26,015</b>			<b>25,432</b>		
Less Total Investments/Cash held	(35,705)			<b>(64,565)</b>		
<b>Total Net Debt</b>	<b>(9,690)</b>			<b>(39,133)</b>		

The Investments held

#### 4. The Economy and Interest Rates

**UK. Economy.** Over the last two years, 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 until raising it to 0.25% at its meeting on 16<sup>th</sup> December 2021, 0.50% at its meeting of 4<sup>th</sup> February 2022 and then to 0.75% in March 2022.

The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and April's CPI is now 9%.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.



Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1<sup>st</sup> April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

**Average inflation targeting.** This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

**USA.** The flurry of comments from Fed officials following the mid-March FOMC meeting – including from Chair Jerome Powell himself – hammering home the hawkish message from the mid-March meeting, has had markets pricing in a further 225bps of interest rate increases in 2022 on top of the initial move to an interest rate range of 0.25% - 0.5%.

In addition, the Fed is expected to start to run down its balance sheet. Powell noted that the rundown could come as soon as the next meeting in May.

The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (CPI is estimated at 7.8% across Q1), but the hit to real disposable incomes and the additional uncertainty points in the opposite direction.

More recently, the inversion of the 10y-2y Treasury yield spread at the end of March led to predictable speculation that the Fed's interest rate hikes would quickly push the US economy into recession. Q1 GDP growth is likely to be only between 1.0% and 1.5% annualised (down from 7% in Q4 2021). But, on a positive note, the economy created more than 550,000 jobs per month in Q1, a number unchanged from the post-pandemic 2021 average. Unemployment is only 3.8%.

**EU.** With euro-zone inflation having jumped to 7.5% in March it seems increasingly likely that the ECB will accelerate its plans to tighten monetary policy. It is likely to end net asset purchases in June – i.e., earlier than the Q3 date which the ECB targeted in March. And the market is now anticipating possibly three 25bp rate hikes later this year followed by more in 2023. Policymakers have also hinted strongly that they would re-start asset purchases if required. In a recent speech, Christine Lagarde said "we can design and deploy new instruments to secure monetary policy transmission as we move along the path of policy normalisation."

While inflation has hit the headlines recently, the risk of recession has also been rising. Among the bigger countries, Germany is most likely to experience a "technical" recession because its GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone is expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain. Finishing on a bright note, unemployment fell to only 6.8% in February.

**China.** After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; however, 2021 has seen the economy negatively impacted by political policies that have focussed on constraining digital services, restricting individual freedoms, and re-establishing the power of the One-Party state. With the recent outbreak of Covid-19 in large cities, such as Shanghai, near-term economic performance is likely to be subdued. Official GDP numbers suggest growth of c4% y/y, but other data measures suggest this may be an overstatement.

**Japan.** The Japanese economic performance through 2021/22 is best described as tepid. With a succession of local lockdowns throughout the course of the year, GDP is expected to have risen only 0.5% y/y with Q4 seeing a minor contraction. The policy rate has remained at -0.1%, unemployment is currently only 2.7% and inflation is sub 1%, although cost pressures are mounting.

**World growth.** World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

**Deglobalisation.** Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for 18% of total world GDP (the USA accounts for 24%), and Russia's recent invasion of Ukraine, has unbalanced the world economy. In addition, after the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, 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 (and to a much lesser extent Russia) to supply products and vice versa. This is likely to reduce world growth rates.

**Central banks' monetary policy.** During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

#### **4.1 Investment strategy and control of interest rate risk**

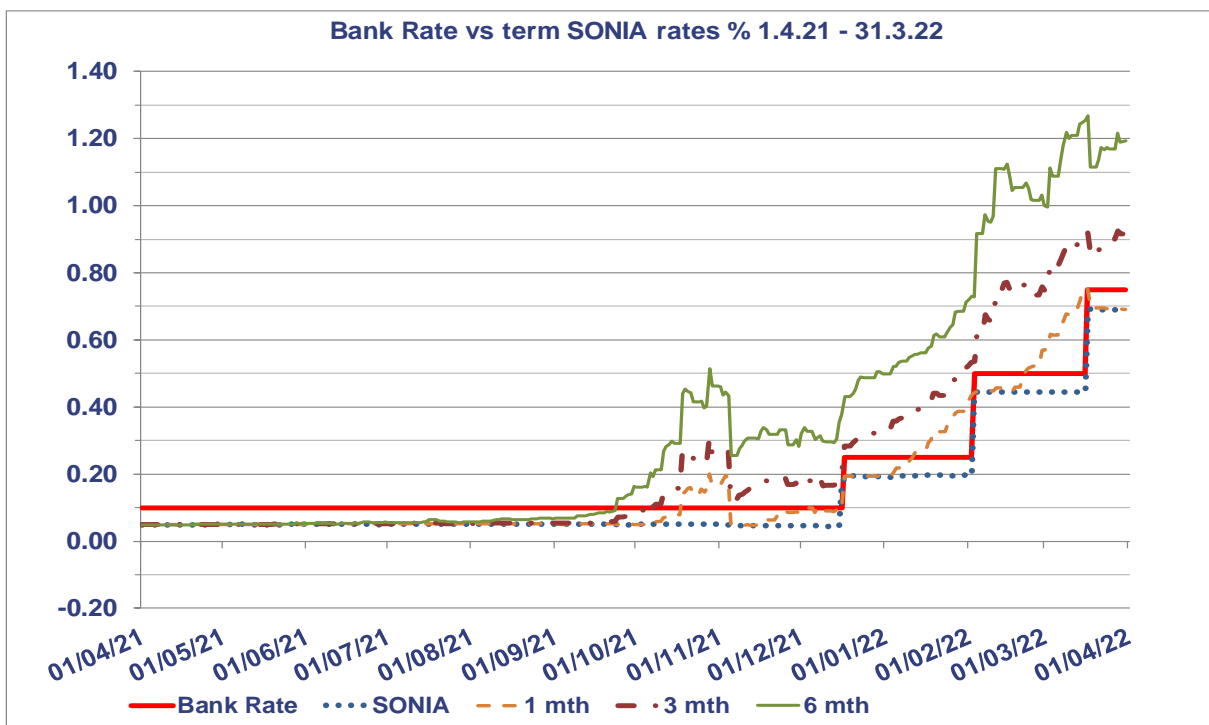
Investment returns remained close to zero for much of 2021/22. Most local authority lending managed to avoid negative rates and one feature of the year was the continued growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cashflow. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation (CPI was 6.2% in February).

While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets.

### Investment strategy and control of interest rate risk



	Bank Rate	SONIA	1 mth	3 mth	6 mth
High	0.75	0.69	0.75	0.93	1.27
High Date	17/03/2022	18/03/2022	16/03/2022	28/03/2022	17/03/2022
Low	0.10	0.05	0.05	0.05	0.05
Low Date	01/04/2021	15/12/2021	10/11/2021	14/04/2021	09/04/2021
Average	0.19	0.14	0.17	0.24	0.34
Spread	0.65	0.65	0.71	0.88	1.22

## **4.2 Borrowing strategy and control of interest rate risk**

During 2021/22, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

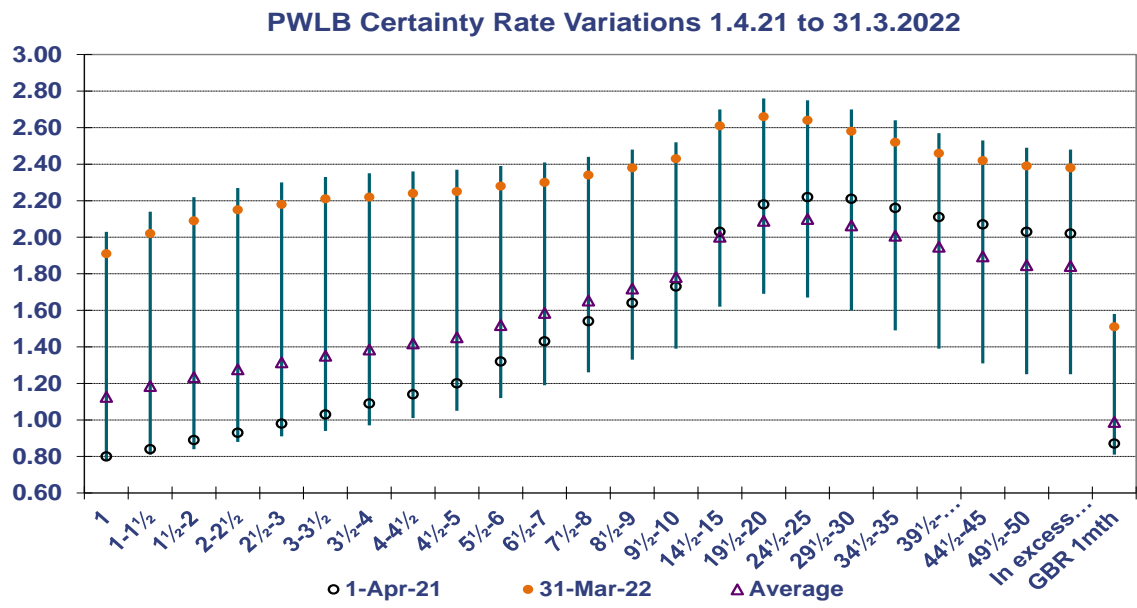
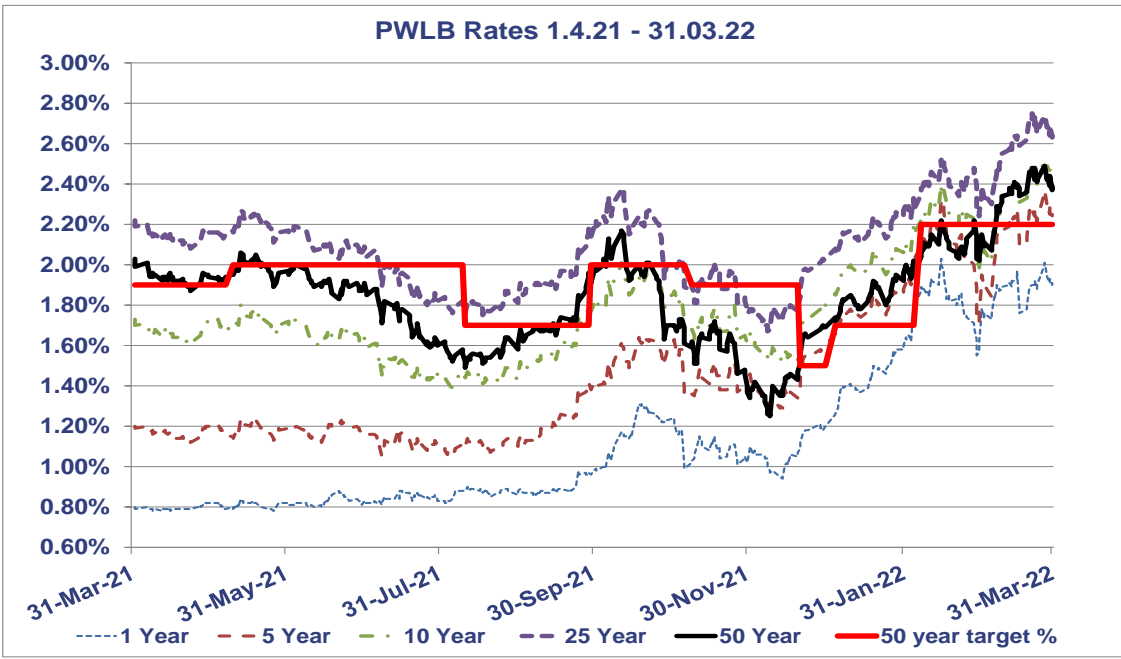
The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Head of Financial services therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks.

if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts expected only gradual rises in medium and longer-term fixed borrowing rates during 2021/22 and the two subsequent financial years until the turn of the year, when inflation concerns increased significantly. Internal, variable, or short-term rates, were expected to be the cheaper form of borrowing until well in to the second half of 2021/22.

Link Group Interest Rate 8.3.21												
	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	1.20	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.40	1.40	1.40	1.40
10 yr PWLB	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	1.90
25 yr PWLB	2.10	2.10	2.20	2.30	2.30	2.30	2.40	2.40	2.50	2.50	2.50	2.50
50 yr PWLB	1.90	1.90	2.00	2.10	2.10	2.10	2.20	2.20	2.30	2.30	2.30	2.30



## HIGH/LOW/AVERAGE PWLB RATES FOR 2021/22

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2021	0.80%	1.20%	1.73%	2.22%	2.03%
31/03/2022	1.91%	2.25%	2.43%	2.64%	2.39%
Low	0.78%	1.05%	1.39%	1.67%	1.25%
Low date	08/04/2021	08/07/2021	05/08/2021	08/12/2021	09/12/2021
High	2.03%	2.37%	2.52%	2.75%	2.49%
High date	15/02/2022	28/03/2022	28/03/2022	23/03/2022	28/03/2022
Average	1.13%	1.45%	1.78%	2.10%	1.85%
Spread	1.25%	1.32%	1.13%	1.08%	1.24%

PWLB rates are based on gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen, over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. Recently, yields have risen since the turn of the year on the back of global inflation concerns.

### 5. Borrowing Outturn

No additional external borrowing was undertaken in 2021/22 and no loans were repaid.

The total external borrowings at 31 March 2022 were £81.19m and no rescheduling was done during 2021/2 as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable. Similarly, there were no debt repayments during the year as the focus of the HRA strategy is to improve the housing stock rather than repay debt.

### 6. Investment Outturn

Investment Policy – the Council's investment policy is governed by MHCLG guidance, which has been implemented in the annual investment strategy approved by the Council on 22nd February 2021. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

7. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Internal Investments held by the Council at 31/3/2022 were £59.565m (2021/22, £30.705m) of internally managed funds. Security of capital remains the key

consideration when placing investments. during the year the internally managed funds earned an average rate of return of 0.25% (0.35%) 2020/21 and the comparable performance indicator is the **90 day backward looking SONIA un compounded**, which was 0.0875% so this has out performed this rate. The total interest earned was £327k (£342k 2020/21), compared to a revised budget of £300k for both internal and external funds.

SONIA: the Sterling Overnight Index Average. Generally, a replacement set of indices (for LIBID) for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.

Externally Managed Property Funds investment income earned £185k, net return 2.89%, (2019/20 £181k, net return 3.26%). The investment returns are included in the table below. The Property funds have both performed higher than the internal managed funds average rate of return of 0.25% and the 365 day backward looking SONIA compounded 0.1389%.

The Property Fund fair value valuation 31/3/2022 for Lothbury is £2.677m, an increase of £176k compared to the acquisition cost £2.501m. For Federated Hermes fair value valuation 31/3/2022 is £2.721m, an increase of £102k compared to the acquisition cost of £2.619m. The property funds are held for a long investment period and are monitored and reviewed on a quarterly basis.

<b>2021/22</b>									
<b>Property Fund</b>	<b>Date Acquired</b>	<b>Original Purchase</b>	<b>Entry Fee</b>	<b>Total Original Cost</b>	<b>Gross Interest Received</b>	<b>Gross Return</b>	<b>Management Fee</b>	<b>Net Return</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>	
Lothbury	01/03/2018	2,417	84	2,501	93	3.48	26	2.52	
Federated Hermes	26/07/2018	2,500	119	2,619	92	3.39	4	3.26	
<b>Total</b>		<b>4,917</b>	<b>203</b>	<b>5,120</b>	<b>185</b>	<b>3.44</b>	<b>30</b>	<b>2.89</b>	

**IFRS 9 fair value of investments** Following the consultation undertaken by the Ministry of Housing, Communities and Local Government, [MHCLG], on IFRS 9 the Government has introduced a mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This was effective from 1 April 2018. The statutory override applies for five years from this date. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

## 8. Portfolio of Investments held 31 March 2022

<b>Investments held as at 31 March 2022</b>	<b>Maturity</b>	<b>£000</b>
Standard Chartered Bank	14/04/2022	3,000
Standard Chartered Bank	27/05/2022	3,000
SMBC Bank International	13/07/2022	3,000

Goldman Sachs International Bank	25/07/2022	3,000
Close Brothers	29/07/2022	2,000
HSBC	31 Day Notice	8,000
Goldman Sachs International Bank	35 Day Notice	2,500
Santander	180 Day Notice	8,000
Aberdeen Money Market Fund	1 Day Notice	11,075
Federated Money Market Fund	1 Day Notice	9,700
Insight Money Market Fund	1 Day Notice	6,290
<b>Total Managed Internally</b>		<b>59,565</b>
Lothbury Property Fund	n/a	2,500
Hermes Property Fund	n/a	2,500
<b>Total Managed Externally</b>		<b>5,000</b>
<b>TOTAL TREASURY INVESTMENTS</b>		<b>64,565</b>



## Approved countries for investments as at 31.3.22

### 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.**

## AUDIT COMMITTEE – 12<sup>th</sup> July 2021

### Report of the Head of Strategic Support

ITEM 14

#### WORK PROGRAMME

##### Purpose of Report

To enable the Committee to consider its Work Programme.

##### Actions Requested

That the Committee considers any items that it wishes to add to or amend, in its work programme for future meetings.

##### 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.

##### Background

The Work Programme agreed at the last meeting of the Committee is attached as an appendix for the consideration of the Committee.

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ISSUE	MEETING
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>
Governance and Risk Aspect of Commercial Investment and Performance Review - <b>EXEMPT</b>	<i>Standing Item</i>
Election of Vice-Chair - ANNUAL	12 <sup>th</sup> July 2022
Internal Audit Annual Report	12 <sup>th</sup> July 2022  Annually
2021/22 Members' Allowances Claimed	12 <sup>th</sup> July 2022  Annually
Whistle Blowing and Anti-fraud, Corruption and Bribery	12 <sup>th</sup> July 2022 2022  Annually
Environmental Audit	12 <sup>th</sup> July 2022  Annually
2021/22 Treasury Management Outturn	12 <sup>th</sup> July 2022
2021/22 Annual Governance Statement and Review of the Code of Corporate Governance	8 <sup>th</sup> November 2022 (Accounts Meeting)  Annually
2021/22 Annual Governance Report External Audit Business	8 <sup>th</sup> November 2022 (Accounts Meeting)  Annually
2021/22 Statement of Accounts	8 <sup>th</sup> November 2022 (Accounts Meeting)  Annually

Internal Audit Charter <b>Internal Audit Business</b>	22 <sup>nd</sup> November 2022 Annually (for approval)
2021/22 Annual Audit Letter <b>External Audit Business</b>	22 <sup>nd</sup> November 2022  Annually

Treasury Management Mid-Year Review	31 <sup>st</sup> January 2023  Annually
2021/22 Treasury Management Statement, Annual Investment Strategy and MRP Strategy	25 <sup>th</sup> April 2023  Annually
2022/23 Internal Audit Plan <b>Internal Audit Business</b>	25 <sup>th</sup> April 2023  Annually
2021/22 Annual Audit Letter	25 <sup>th</sup> April 2023  Annually
External Quality Assessment of Internal Audit	25 <sup>th</sup> April 2023
Capital Strategy 2022/23	25 <sup>th</sup> April 2023  Annually
Annual IT Health Check (Code of Connection) <b>-EXEMPT</b>	25 <sup>th</sup> April 2023  Annually – <b>Moved from February 2021 meeting.</b>