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Dear Councillor

**AUDIT & ACCOUNTS COMMITTEE - WEDNESDAY, 5TH FEBRUARY, 2020**

I now enclose, for consideration the following reports that were unavailable when the agenda was published.

**Agenda No    Item**

10.    **Combined Assurance Report (Pages 2 - 18)**

## **AUDIT AND ACCOUNTS COMMITTEE**

**5<sup>th</sup> FEBRUARY 2020**

### **COMBINED ASSURANCE REPORT**

#### **1.0 Purpose of Report**

1.1 To receive and comment upon the Combined Assurance Report which covers the period up to the end of January 2020.

#### **2.0 Background Information**

2.1 The Combined Assurance Report has been produced by Internal Audit working with Business Managers and the Senior Leadership Team. It demonstrates the level of assurance the Council has in its activities at a set point in time, and identifies any gaps. This is then used to inform the annual Internal Audit Plan for the next financial year. The report is attached at Appendix A.

#### **3.0 RECOMMENDATION that:-**

(a) **the Audit & Accounts Committee consider and comment upon the report**

#### **Background Papers**

Nil.

For further information please contact Nick Wilson, Business Manager Financial Services on Ext 5317.

Nick Wilson  
Business Manager Financial Services

# Combined Assurance Status Report 2019/20



## Newark and Sherwood District Council February 2020

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Communities and Environment  
Growth and Regeneration  
Governance and Organisational Development  
Resources and Deputy Chief Executive  
ICT  
Key Projects

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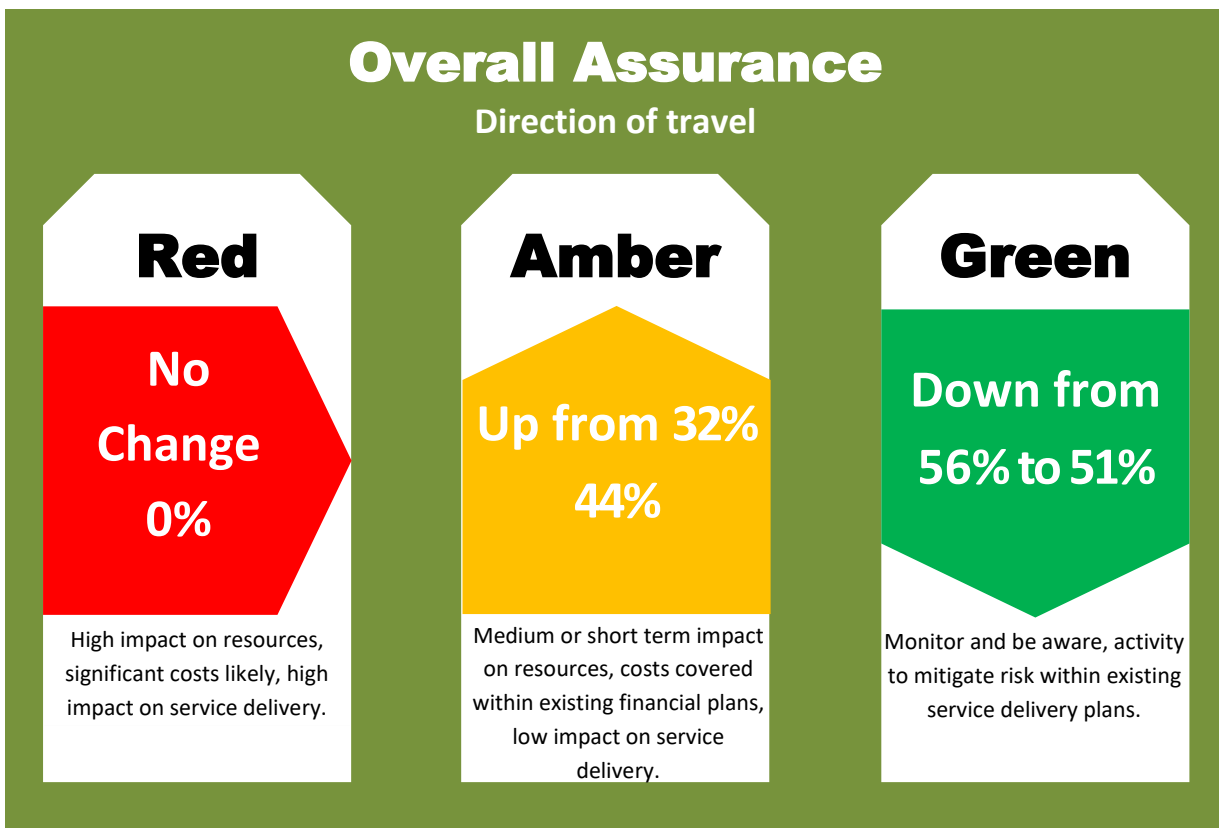
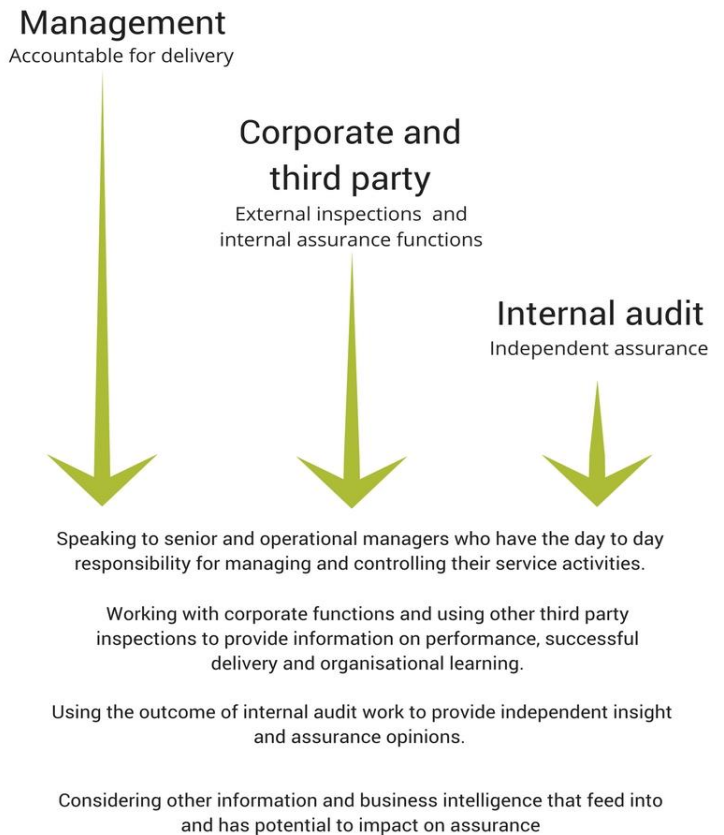
# Overview of Assurance

Combined assurance is a structured means of identifying and mapping the main sources and types of assurance in the council and coordinating them to best effect.

It enhances risk management by providing an effective and efficient framework of sufficient, regular and reliable evidence of assurance on organisational stewardship and management of major risks to the Council's success.

We do this using the 3 lines of defence model.

How do we assure ourselves about how the council is run?



## Chief Executive's Summary

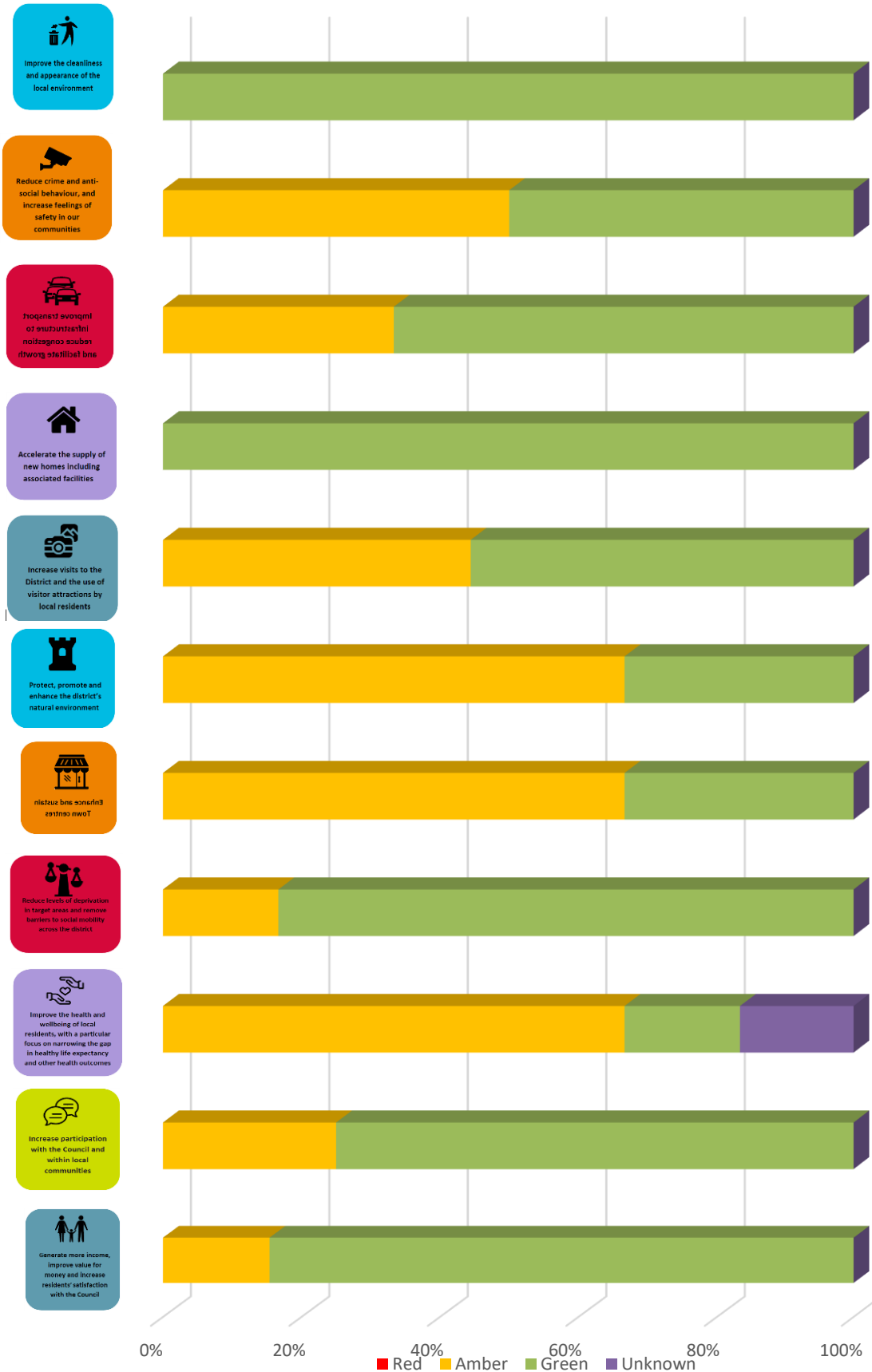
Newark and Sherwood District Council has an ambitious agenda to improve the quality of life for its local community.

The new Community Plan sets out a clear direction of travel and contains a significant number of high profile and in some cases, highly complex initiatives. The 'insourcing' of housing management, the Joint Venture development of a new Travel Lodge, major capital investment at the Dukeries Leisure Centre and the comprehensive regeneration of the Yorke Drive estate are just a selection of examples of priority schemes that not only reflect the Council's ambition but also entail significant risks that need to be effectively managed.

While the Council's overall assurance status remains positive, I consider that the increase in the 'amber rating' is appropriate, having regard to not only the Council's forward plan of action but also the increasing variety and complexity in our operating and governance arrangements. I am, nevertheless, satisfied that we are not only aware of our key risks but have measures in place to mitigate and manage these.

# Link to Community Plan Objectives

The Council updated their Community Plan in February 2019. As part of the assurance process the activities and projects have been mapped against each of the 11 Objective for 2019 – 2023.



## Strategic Risks

Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability.

This put us in a stronger position to deliver our goals and provide excellent services.

Our Strategic Risk Register is regularly reviewed and our risks are being effectively managed.

Risk	Risk rating	Level of management	Management Assurance
SR101 Financial sustainability - General Fund	Amber	Controlled	Currently approved MTFP through Council. Budget monitoring reported to SLT and Committee quarterly. External influences mean this risk is difficult to mitigate fully.
SR102 Financial sustainability - HRA	Amber	Control Pending	Current HRA FBP shows this is currently sustainable, which has been updated for changes in CPI rate and future development schemes. The HRA BP is due to be updated, which will be completed post the transfer of NSH
SR103 Safeguarding Management	Amber	Controlled	Corporate safeguarding group reviews risk profile and suggests any updates. Regular updates are provided to Homes and Communities Committee and to SLT.
SR104 Failure to deliver growth infrastructure	Red	Control Pending	Full review of risk undertaken recently. There are elements of the growth which have not been delivered but other elements which have exceeded expectations. Greater clarification and streamlining of this risk is to be undertaken.
SR105 Contract/supply failure	Amber	Control Pending	Full review undertaken. Actions being developed. Key supplier list and details to be part of each Business Units, Business continuity plan.
SR106 Workforce	Amber	Controlled	
SR107 Loss of Community Cohesion	Amber	Control Pending	This risk has been reviewed and the scope reduced to better reflect the risk. Ongoing work to refine the narrative.
SR108 Emergency Response	Red	Control Pending	Recent flooding incidents have shown the ability to respond. Additional work of processes and procedures are required.
SR109 Corporate Governance	Amber	Controlled	Internal auditors annual report showed a decline in Governance. This is being addressed via a review into Governance which will be taking place in Q4 19-20. A review by the LGA of the governance and decision



## Strategic Risks

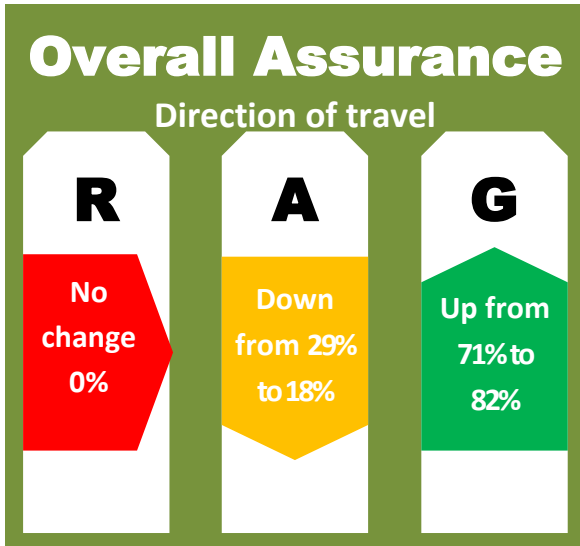
Risk	Risk rating	Level of management	Management Assurance
			making processes has been concluded with a report which is to be received imminently. Risk last updated in August 2019.
SR110 Data Management & Security	Red	Controlled	Level of impact should there be a significant breach could have a catastrophic impact both financially and reputationally on the Council and could impact on service provision. Likelihood will always be significant because of risk of cyber crime.
SR111 Arkwood Development Limited	Amber	Controlled	Shareholders Committee in place which governs the remit of the company. The articles of association that are also in place determine exactly what the company can and cannot do.
SR112 Brexit	Red	Controlled	Asset Management - plans are in place to utilise the lorry park if practicable. There is not currently a target risk set due to the complexities of brexit. The risk is currently as controlled as it can be with the information currently available.

Key	Risk	Management
Red	High impact on resources, significant costs likely, high impact on service delivery	Low level of confidence over the design and operation of controls, performance or management of risk
Amber	Medium or short term impact on resources, cost covered within existing financial plans, low impact on service delivery	Medium level of confidence over the design and operation of controls, performance or management of risk
Green	Monitor and be aware , activity to mitigate the risk within existing service delivery plans / management arrangements	High level of confidence over the design and operation of controls, performance or management of risk

# Director's Key Messages

## Communities and Environment

**Business Units** – Housing, Health, Community Relations, Waste, Parks and Public Protection.



Critical Activities
Amber
Business Continuity
CCTV
Emergency Planning

Significant progress has been made in terms of making Newark and Sherwood cleaner, safer and greener:-

- Litter levels are currently at the lowest levels since 2017, the Council has launched an anti-fly-tipping campaign 'Not in Newark and Sherwood' and adopted a new policy in relation to graffiti removal.
- Crime and anti-social behaviour is down across the District and in key locations, bucking an increasing trend across Nottinghamshire.
- A climate emergency has recently been declared and work is now underway to understand how the Council can reduce its own carbon footprint and influence a reduction across the wider district through its regulatory, commissioning and procurement role.
- The Green Flag status has been retained for its parks and a tree planting initiative has

been rolled out across the district.

The Council's leisure centres remain buoyant and planning permission has been granted to deliver a new pool at the Dukeries Leisure Centre in Ollerton. Similarly, plans are underway to deliver a new temporary accommodation facility and, working in conjunction with partners, plans are emerging to address health and deprivation inequalities in targeted communities in Newark and Sherwood.

### Business Continuity

All Business Managers have now completed an update of their Business Impact Assessments. Operation North Shore, a simulation of an emergency and business continuity event, was delivered in September and this served to focus the minds of Business Managers in relation to their responsibilities with regard to business continuity. Training has also been provided to Business Managers and their deputies.

### CCTV

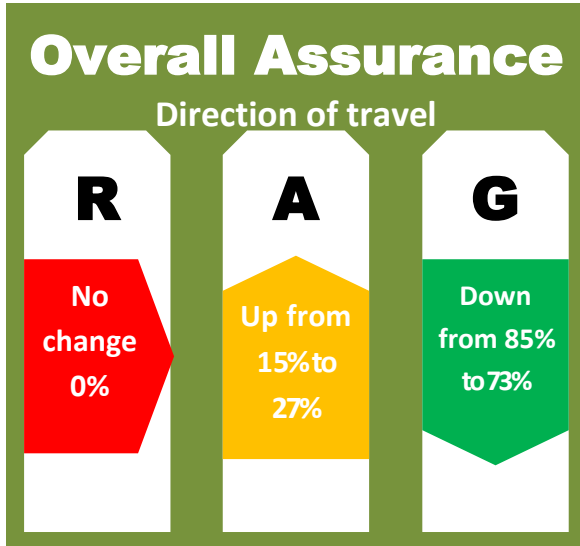
CCTV is a positive tool in providing community reassurance for communities and in deterring and detecting crime. There is an extensive network across Newark and Sherwood and a multi-agency approach to its deployment, monitoring and maintenance. Officers are working through the recommendations from the previous report and an update report is due to be presented to the responsible operational committee, Homes and Communities, in January. A refresh of processes and policies will follow on from this, including an assessment to ensure that cameras are refreshed where appropriate, relocated or removed, if necessary.

### Emergency Planning

Operation North Shore was very effective in highlighting the roles and responsibilities of the Senior Leadership Team and Business Managers in an emergency planning scenario. This was further examined for real in responding to the flooding episodes in November. Whilst the Council responded positively, lessons learned are now being implemented and there are regular meetings between the Director, Communities and Environment, Business Manager – Public Protection and the Emergency Planning Officer to monitor progress.

# Growth and Regeneration

**Business Units** – Planning, Housing Development, Tourism and Heritage.



Critical Activities
Amber
Land Charges
Town Centre Development
Tourism and Newark Castle

Significant progress has been made in delivering growth on the ground, specifically in terms private sector and affordable housebuilding, which is the strongest in Nottinghamshire. There is much work to do however in terms of re-positioning our towns and villages to support and retain future generations, and offer Place-making, jobs, and access to opportunity moving forward.

## Land Charges

Part of the function may still transfer to the national Land Registry. The first Authorities to do so have now been live for over 12 months. There remains uncertainty over future timescales and therefore potential loss of future income, only some of which will be recoverable from any 'new burdens' grant available. The

Council continues to test its data sets in anticipation of a future transfer.

## Town Centre Development

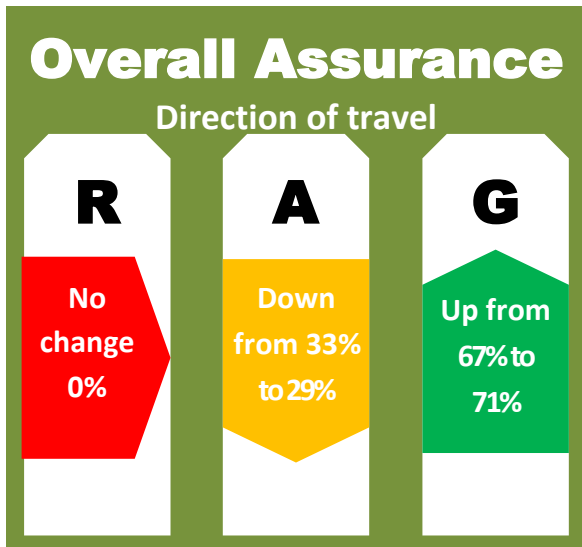
The Council has already intervened in purchasing the Buttermarket, starting the Robin Hood Travelodge development, and acquiring the former M&S Store. Work continues to progress the Newark Town Strategy and Town Investment Plan, with stakeholder consultation concluding in the first part of 2020. The production, consultation, and implementation of the Strategy will be supported via resource in the Economic Growth Business Unit. Edwinstowe Town Centre will also be the focus of Place-setting masterplanning, linked to tourism aspirations of the now well established Sherwood Destination Management Group to grow visitor numbers.

## Tourism and Newark Castle

The Tourism offer continues to develop. The newly launched 'Visit Newark, Southwell, and Sherwood Forest' websites and branding have gained positive traction and feedback. Within Sherwood proposals to develop a Forest Corner Masterplan, wayfinding and dispersal, and a narrative for the Robin Hood Legend will be the focus. In terms of Newark linkages with the Town Centre Strategy are be critical. The Castle will also form an important part of the Council's Newark Town Centre and Newark and Sherwood Tourism Strategies, including progressing of funding for the Gatehouse project in June 2020.

# Governance and Organisational Development

**Business Units** –Human Resources, Customer Services, Communications, Democratic Services, Legal, Organisational Development and Administration.



Critical Activities
Amber
Corporate Policy
Human Resources
Risk Management
Health and Safety

Overall assurance has improved for services in the directorate with sound progress made to reduce the number of amber risks and increase those assessed as green.

## Corporate Policy

A checklist for the quarterly meetings which the team have with Business Managers includes new and revisions to policies.

Looking to map these in a more user friendly view for SLT.

## Human Resources

Issues recently experienced with capacity, due to the long-term absence of the Business Manager and increased workload, have been addressed through a reorganisation of the HR and Commercialisation Business Units. The NSH project involves a lot of time in ensuring compliance with TUPE and other HR related issues.

## Risk Management

Action has been taken to ensure that outstanding strategic risk owners score and implement their risk assessments and action plans, with just one currently outstanding. A number of recommendations from the last audit are currently still active. The risk management policy is due to be submitted to SLT for approval by 31 January 2020. Risk maturity work was also considered at the last SLT workshop and an action plan is being developed.

## Health and Safety

Some Business units have out of date risk assessments and these are being progressed through the Risk Management Group and SLT. There are issues ensuring health and safety assurance is completed, however inspections and reviews confirm that H & S issues are being dealt with appropriately.

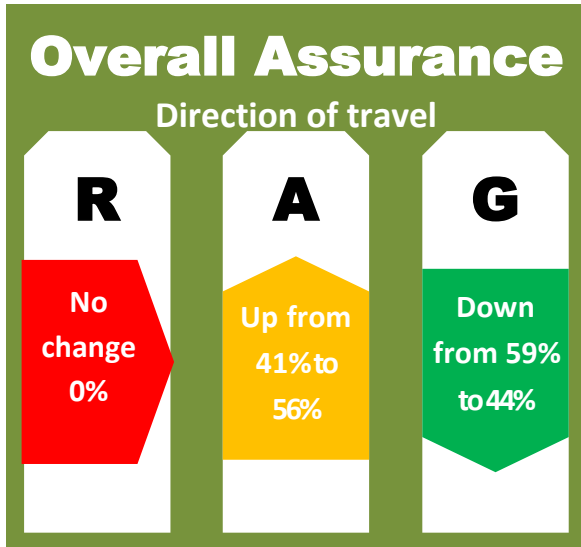
Work planned to integrate NSH's H & S systems with Council's upon the service transfer anticipated to take place on 1 February 2020.

# Director's Key Messages

## Resources and Deputy Chief Executive

**Business Units** –Revenues and Benefits, Asset Management, Car Parks, Commercialisation, Finance and ICT.

Assurance over ICT activities is shown separately.



Critical Activities	
<b>Amber</b>	
Contract Management	
Project / Programme Management	
Commercialisation	
Asset Register	
Insurance	
VAT	
Financial Regulations	
Procurement	
Debtors	
Strategic Asset Management	
Energy/Carbon Management	
Estates Management	
Car Parks	

### Contract Management

Considerable work has been carried out over the last 12 months in building up a contract register and in reviewing the council's key

contracts. In the next 12 months, opportunities to combine contracts within NSDC and later with the housing management service, which will move to an in-house service from February 2020, will need to be pursued by all business managers.

Training on procurement and contract management has been provided throughout the year and this training has been widely welcomed with positive feedback being received. Level 2 training has been devised at the request of those who attended level 1 training.

Further on-going work will need to be undertaken in the coming financial year, particularly following the implementation of the Concerto Asset Management system. This will include further close working with Welland.

### Project / Programme Management

Considerable work on project management training has been undertaken over the last 12 months. The training has been widely welcomed and has received very positive feedback. Level 2 training devised at request of those who attended basic level 1 training. Training dates for the year have now been fed into an internal training plan. Project management training is being extended for housing staff transferring back into the council

### Commercialisation

Progress on commercial initiatives has been scaled back due to resources in this team being diverted to bringing the housing management service back in-house and other organisational priorities. This means that there is likely to be a shortfall in meeting the additional income/savings target for 2019/20. This gap will be met from an overachievement in planning fee income and other service savings.

Although there will be a shortfall in meeting the target set for 2019/20, bringing the housing service in-house, with the support of the Business Manager for Commercialisation and Major Projects, will result in savings in the HRA

# Director's Key Messages

and potentially to the general fund when phase 2 of the new structure is implemented.

A review will be undertaken of the Commercialisation and Major Projects Business Unit in readiness for 2020/21, as the nature of the work being performed by this unit in 2019/20 aligned closely with organisational development and transformation with "commercialisation" remaining an important "cog" of this business unit.

## Asset Register

Work has commenced in compiling a comprehensive asset register to input into the new Concerto data base. The council's newly appointed capital projects manager has compiled a register of all commercial assets and is now in the process of commissioning condition surveys of the properties. In parallel, an asset management strategy and plan will be developed which will include the potential for improving and growing the Council's assets, with a particular focus on increasing the revenue returns from our property investments.

## Insurance

The Council's insurance providers were changed during the year. A re-designation of duties within the finance team resulted in the duties for insurance moving to another member of the team. This is not considered a risk as the previous officer is still working in the same team and is therefore available to assist, support and mentor the current insurance officer. The Business Manager for Finance will continue to closely monitor this transition in responsibilities.

## VAT

Changes in legislation have meant that returns to HMRC will be filed differently in the future. The financial services business unit is prepared for this change.

## Financial Regulations

A key control audit is currently focusing on compliance with Financial Regulations.

A recent service review in Assets and Car Parks has highlighted a potential breach of financial procedures and breach of contract procedures. The findings of this review will be used to further strengthen the Council's regulations and procedures.

## Procurement

The council's procurement officer retired during the year and the Council made the decision to join the Welland Procurement Partnership. This means that there is no longer a dedicated procurement officer on site to refer to for advice, however the arrangement with the Welland Partnership is working well with the Business Unit Manager for Finance coordinating and managing this arrangement.

## Debtors

There are detailed procedures in place for benefit overpayment recovery, however the same robust procedures have not been followed for the recovery of sundry debt. A review, following a request to the s151 Officer to write off debts totalling £54K, revealed a number of weaknesses in the process which have led to significant debt being outstanding for a period exceeding 90 days. Actions have been put in place to recover the historical debt as well as reviewing existing leases, leases due for renewal.

A new sundry debt recovery policy has been drafted and circulated to business managers. This policy has not been formally approved as it awaits the implementation of a mini restructure in revenues collection and the finance service. The proposal is to centralise the sundry debt collection process within the finance service area. At present the responsibility of raising invoices rests within the business unit responsible for generating the income; the responsibility for monitoring the debt rests with

# Director's Key Messages

revenues function of the Revenues and Benefits service unit; and the recording of the invoices and payments resting with the Finance Business Unit. The functions and associated responsibilities are therefore dispersed resulting in ineffective and inefficient debt management. Centralising all of the functions to the Finance Business Unit will bring focus, clarity, and accountability to the raising and collection of debt.

## Strategic Asset Management

Develop strategy to ensure current practice of increasing efficiency of the council's existing and new assets through use of more sustainable construction and repairs to ensure good practice is embedded

The Council has commissioned condition surveys on all of its assets; this together with the compilation of the asset register will inform the strategy.

## Energy/Carbon Management

This will link to the condition survey and assets appraisal project, with the aim of maximising the usage of existing assets and identification of potential investments and partners.

In support of the wider Climate Change Strategy that is being developed by the Council, Asset Management will ensure that all procurement and decisions relating to property embed energy management outcomes.

## Estates Management

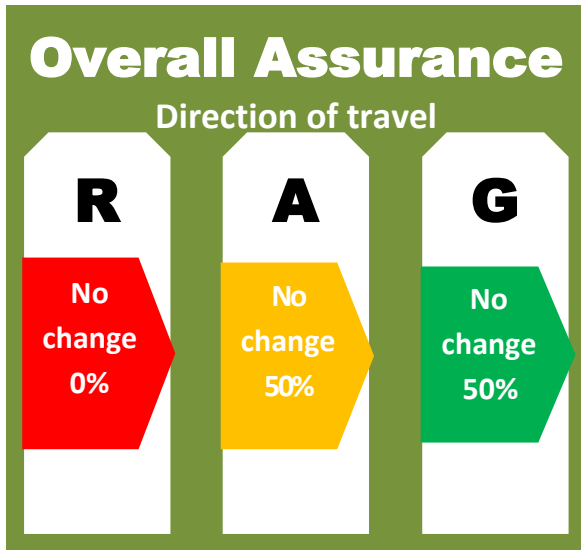
Asset Management and Capital Projects are commencing a project to review all properties with a Condition Survey to include where applicable a rent review. This will be fed back into the strategy plan and will link, where appropriate with the energy strategy for utilisation of renewable technology from suitable assets. The project will also identify potential sites for development - eg industrial units of the right type and size in the right area.

## Car Parks

Further improvements to car parking includes EV chargepoints currently being delivered - 7 chargepoints, 14 charge capability. The Lorry Park occupancy is increasing following the opening of the lorry park extension and plans are proceeding to improve the cafe facility.

# Director's Key Messages

## ICT



Critical Activities	
Amber	
Governance	
Compliance	
Applications	

The ICT team went through a difficult time due to long term absence of the Business Manager and the resulting appointment of an interim manager. The service also moved directorate and this together with uncertainty about the need for the ICT Partnership with Rushcliffe and Broxtowe was very unsettling for the staff working in ICT.

This was addressed by improving communications with ICT staff and making them feel part of the organisation. This was achieved through a workshop facilitated external and supported by the Chief Executive and Director of Resources. A further workshop was held with the ICT Managers and Deputies of the three partnering authority and greater clarity was sought to the ICT Strategy with the Business Managers of the 3 partnering authority taking ownership of the strategy and plan. It was decided that the Partnership would continue as

a “light touch” partnership, sharing development and opportunities for shared procurement.

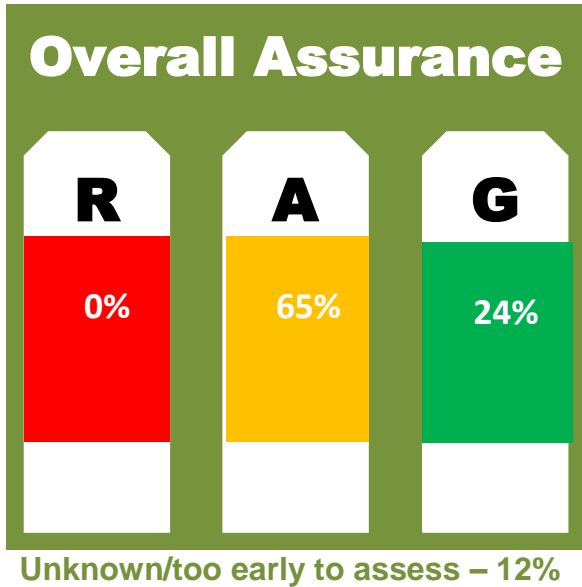
The interim manager was appointed to the permanent post in November 2019, giving him and the team further assurance about continuity and consistency.

The challenge for the next 12 months will be to balance the need for improving the current infrastructure whilst investing in future developments to make the ICT service fit for the next decade.



# Projects

Key projects from various Business Units throughout the Council. These are not comparable year on year as the types and number of projects differ.



Critical Projects	
<b>Amber</b>	
A1 Overbridge	Financial System
Southern Link Road	Robin Hood Hotel
A46 Northern Bypass	Renewable Energy
Castle Gatehouse	Housing Management Service
Buttermarket	Boughton Extra Care
Corn Exchange	Sherwood Public Service
Forest Corner	CCTV Replacement
Yorke Drive Regeneration	Telephony
Affordable Housing	Concerto
Land East	Active4Today ICT
HR/Payroll system	

## Delivering Infrastructure to support Growth (A1 overbridge, Southern Link Road and A46 bypass)

The Council is seeking to have a development partner to implement the A1 overbridge within 2020. It will also look to unlock funding constraints for the Southern Link Road,

alongside helping and lobbying Highways England and central government for an early delivery of the A46 Newark Northern Bypass.

## Town Centre Development (Castle Gatehouse, Buttermarket, Corn Exchange and Forest Corner)

See the Directors messages within Growth and Regeneration.

## Yorke Drive Regeneration

The Council is currently out to tender for a development partner and is progressing applications for grant funding from Homes England and its strategic partners. It is intended that both of these processes will ensure that the funding gap for the project can be met and reduce the risks of the scheme not going ahead. The Council should be in a position to make a decision about the go ahead for the project in early April 2020.

## Affordable Housing

Further to a procurement process the Council entered into a contractual arrangement with Robert Woodhead Ltd to develop at least 225 new council homes, this is being delivered over 5 phases and to date Phases 1 & 2 have been completed seeing the delivery of 120 units. At this point phase 3 sites are being assembled that will deliver up to 50 units, work continues to bring forward sites for phases 4 & 5, which includes site acquisition. Risks relate to this project around contract failure, budgetary control (variances above the contracted value) and loss of key staff. In terms of mitigation officers meet on a regular basis at the 'Development Delivery Group' to discuss progress on site/contractual matters and the budgetary position is reviewed and monitored at the 'HRA Capital Monitoring' meetings. The 5 year HRA development programme is factored into the financial model of the HRA BP as capital project. Budget approval and monitoring (on a phase by phase basis) is reported to the Policy & Finance Committee and development progress is presented at the Homes & Communities Committee.

## Director's Key Messages

*(The development programme is project managed by Newark & Sherwood Homes, set against a prescribed service specification, and this arrangement will be reviewed once the housing management services comes back in house.)*

### Land East

Land East is one of the Council's Strategic Urban Extension (SUE) sites around Newark, likely to deliver c1000 new homes. There are multiple landowners involved, including the Council for an access. A national house builder is now engaged on a consortia basis to progress the site via an outline planning application in 2020. This will include sale of the Council's access as part of this proposal.

### Housing Management Service

The housing management service is due to be transferred back to the council on 1st February. There is a detailed project plan being progressed to deliver the reintegration of the housing management service by 1 February 2020. This is on track, and the risk register for the project is regularly reviewed and the risks managed by the cross council and company officer group. A housing directorate has been established to ensure a keen focus on housing is retained. Recruitment for a Housing Director is underway with appointment to this post due on 14 February. Work will continue with the housing services to ensure they are welcomed into the council and that opportunities to align services and improve service delivery are undertaken.

### Boughton Extra Care

Further to a procurement process a contract is now in place with North Midland Construction to deliver the 40 unit extra care scheme, a start on site has commenced with an indicative practical completion of March 2021. Risks relate to this project around contract failure, budgetary control (variances above the contracted value), loss of key staff and on-site electricity pylons run the length of the site (this risks falls on the

contractor). In terms of mitigation officers meet on a regular basis at the 'Development Delivery Group' to discuss progress on site/contractual matters and the budgetary position is reviewed and monitored at the 'HRA Capital Monitoring' meetings. The extra care scheme is factored into the financial model of the HRA BP as capital project. Budget approval and monitoring is reported to the Policy & Finance Committee and development progress is presented at the Homes & Communities Committee.

*(The scheme is project managed by Newark & Sherwood Homes set against a prescribed service specification and this arrangement will be reviewed once the housing management services comes back in house.)*

### CCTV Replacement

The Council has committed to a replacement CCTV programme and money has been made available within the capital programme. As well as replenishing the stock, Homes and Communities also recently committed to undertaking a review of the CCTV locations and their appropriateness. The outcomes of the review will be presented to Committee in the Spring.

### Concerto

The concerto system will provide a comprehensive picture of the assets we hold. It ensures a more efficient universal approach to facilities management and asset planning. Data is currently being collected and this project will come to fruition towards the end of the year in relation commercial assets.